

RIDING ON THE WAVES OF GROWTH

BUILDING ON
10 RESILIENT YEARS



AND BEYOND TO DELIVER STABLE AND SUSTAINED RETURNS TO UNITHOLDERS. RIDING THROUGH THE EBBS AND FLOWS OF TIDES IN THE LAST DECADE, LMIR TRUST HAS REMAINED STEADFAST IN HARNESSING ITS STRENGTHS TO CREATE VALUE THROUGH PROACTIVE ASSET MANAGEMENT, SEIZING OPPORTUNITIES THROUGH ACCRETIVE INVESTMENTS AND DRIVING GROWTH THROUGH ASSET ENHANCEMENT INITIATIVES. LMIR TRUST MARKED ITS SIGNIFICANT 10TH YEAR MILESTONE WITH A STRONG PORTFOLIO OF 30 INCOME-PRODUCING ASSETS AT A PORTFOLIO VALUE OF RP19,475 BILLION, WHICH HAS GROWN MORE THAN THREEFOLD FROM ITS INITIAL ASSET SIZE OF RP5,928 BILLION AND 14 PROPERTIES.



COVER PICTURE - SUN PLAZA is the biggest upmarket shopping centre in Medan, the capital of North Sumatra Province and the third most populous city in Indonesia. It is located amidst Medan's commercial district with prominent landmarks such as the governor's office, foreign embassies and major banks.

OUR VISION

LIPPO MALLS INDONESIA RETAIL TRUST ("LMIR TRUST") AIMS TO BE ONE OF THE PREMIER RETAIL REITS IN ASIA, CREATING AND UTILISING SCALE WHILST LEADING THE WAY IN INNOVATION AND QUALITY. WE AIM TO CREATE LONG-TERM VALUE FOR STAKEHOLDERS BY PROVIDING ACCESS TO INVESTMENT OPPORTUNITIES DRIVEN BY STRONG ECONOMIC AND CONSUMER GROWTH.

OUR MISSION

WE ARE COMMITTED TO:

- > DELIVERING REGULAR AND STABLE DISTRIBUTIONS TO UNITHOLDERS
- > GROWING OUR PORTFOLIO BY WAY OF ACCRETIVE INVESTMENTS IN RETAIL AND/OR RETAIL-RELATED ASSETS
- > ENHANCING RETURNS FROM EXISTING AND FUTURE PROPERTIES
- > ACHIEVING LONG-TERM GROWTH TO PROVIDE UNITHOLDERS WITH CAPITAL APPRECIATION ON THEIR INVESTMENTS

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2007

Portfolio Value

Rp5,928
billion

Properties

14

- Listed on SGX-ST on 19 November 2007 as Lippo-Mapletree Indonesia Retail Trust.

2008

Portfolio Value

Rp6,403
billion

Properties

15

- Acquired Sun Plaza for S\$146.7 million in March.
- Secured a S\$125.0 million term loan facility to fund Sun Plaza acquisition.

2009

Portfolio Value

Rp7,077
billion

Properties

15

2011

Portfolio Value

Rp10,667
billion

Properties

17

- Sponsor increased stake in LMIR Trust to 29.5% in May, with name change from Lippo-Mapletree Indonesia Retail Trust to Lippo Malls Indonesia Retail Trust in September.
- Obtained a 3-year S\$200.0 million secured term loan facility in September from a club deal of 4 banks, with funds used to fully prepay the S\$125.0 million term loan (obtained in 2008), and the balance for acquisition.
- Completed a 1-for-1 rights issue of 1.09 billion units in December to raise S\$337.0 million in gross proceeds to fund acquisitions.
- Acquired Pluit Village and Plaza Medan Fair for a total of S\$380.5 million in December.

2010

Portfolio Value

Rp7,636
billion

Properties

15

2012

Portfolio Value

Rp13,769
billion

Properties

23

- Issuance of first 2 bonds – a S\$200.0 million 4.88% Notes due 2015 and a S\$50.0 million 5.875% Notes due 2017.
- Issuance of third bond - S\$75.0 million 4.48% Notes due 2017.
- Acquired 6 properties for S\$306.0 million - Palembang Square Extension and Lippo Plaza Kramat Jati in October, Palembang Square and Tamini Square in November, Pejaten Village and Binjai Supermall in December.

2013

Portfolio Value

Rp13,574
billion

Properties

23

- Issuance of fourth bond - S\$150.0 million 4.25% Notes due 2016.
- Completed a S\$100.0 million private placement with issuance of 246,913,000 new units in November.

2014

Portfolio Value

Rp17,257
billion

Properties

24

- Biggest single acquisition - Lippo Mall Kemang for S\$362.0 million in December.
- Issuance of 118,421,052 new units, as consideration for the acquisition of Lippo Mall Kemang to raise S\$45.0 million in gross proceed.
- Completed a S\$40.0 million private placement with issuance of 117,647,000 new units.
- Obtained a 4-year S\$180.0 million secured term loan facility in December from a club deal of 3 banks, with funds used to refinance the S\$200.0 million secured term loan facility obtained in 2011.

2015

Portfolio Value

Rp17,764
billion

Properties

26

- Issuance of fifth bond - S\$75.0 million 4.1% Notes due 2020.
- Obtained a S\$200.0 million 6-month loan facility in July to redeem the S\$200.0 million 4.88% Notes due 2015.
- Acquired Lippo Plaza Batu and Palembang Icon for S\$106.8 million in July.
- Issuance of 67,567,000 new units, as consideration for the acquisition of Lippo Plaza Batu and Palembang Icon to raise S\$25.0 million in gross proceed.
- Issuance of a S\$100.0 million 4.5% Notes due 2018 and secured a 3-year S\$100.0 million facility in December from 3 banks, proceeds of which were used to refinance the S\$200.0 million 6-month loan facility.
- Assigned a first-time issuer rating of 'Baa3' (Stable) by Moody's.

2016

Portfolio Value

Rp18,124
billion

Properties

27

- Completed first bank syndication – a S\$350.0 million unsecured term loan facilities in August (with 4 and 5 year tranches) with green shoe option of S\$70.0 million, fully underwritten by 5 banks.
- Issuance of first S\$140.0 million 7.0% perpetual securities in September.
- Redeemed S\$150.0 million 4.25% Notes due 2016.
- Full repayment of the S\$100.0 million facility obtained in 2015.
- Acquired Lippo Mall Kuta for S\$88.3 million in December.

2017

Portfolio Value

Rp19,475
billion

Properties

30

- Extension of strata titles of Java Supermall Units and Mall WTC Matahari Units for 20 years to September 2037 and April 2038 respectively.
- Acquired Lippo Plaza Kendari for S\$32.2 million in June.
- Issuance of second S\$120.0 million 6.6% perpetual securities in June.
- Voluntary partial repayment of S\$55.0 million on the S\$180.0 million secured term loan facility obtained in 2014 in July.
- Redeemed S\$75.0 million 4.48% Notes due 2017.
- Completed asset enhancement initiatives of S\$13.8 million at Lippo Plaza Ekalokasari Bogor and the transfer of Medan Fair Extension for a total transfer cost of S\$15.1 million in October.
- Obtained a S\$80.0 million unsecured uncommitted revolving credit facility in November.
- Acquired Lippo Plaza Jogja and Kediri Town Square for a total of S\$91.4 million in December.
- Change in trustee and appointment of Perpetual (Asia) Limited as new trustee effective on 3 January 2018.

OUR VISION

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BUILDING ON
A DECADE OF

EXPERIENCE

CREATING VALUE THROUGH
PROACTIVE ASSET MANAGEMENT



3,363

Tenants

**160
million**

Annual
Shopper Traffic

We work closely with our mall operator to actively manage our tenant mix to provide an attractive variety of local and international brands from diverse trade sectors to cater to changing lifestyle trends and evolving consumers' needs.





3

Acquisitions
in FY 2017

**Rp19,475
billion**

Total Portfolio
Valuation

GENERATING
SUSTAINABLE

RETURNS

SEIZING OPPORTUNITIES THROUGH
YIELD-ACCRETIVE STRATEGIC ACQUISITIONS

We steer a disciplined course of investing in yield-accretive assets to generate long-term value for our Unitholders. To that end, we have the right-of-first-refusal to our Sponsor's healthy pipeline of malls for acquisition.



Lippo Mall Kamang

STAYING
RELEVANT IN

CHANGING TIMES

DRIVING GROWTH THROUGH
ASSET ENHANCEMENT INITIATIVES



93.7%
Portfolio
Occupancy

**910,582
sqm**
Net Lettable Area

We actively undertake necessary asset enhancement initiatives to optimise the value of our assets, and to improve and refresh our malls to enhance shoppers' experience.



ABOUT LMIR TRUST

As the only Indonesia-exposed retail real estate investment trust listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”), Lippo Malls Indonesia Retail Trust (“LMIR Trust”) offers investors a unique opportunity to participate in the bustling retail property sector in Southeast Asia’s largest economy.

With a growing presence in key cities in Indonesia, LMIR Trust is able to leverage on Indonesia’s rising affluence and greater consumer spending power to deliver stable and sustainable returns to Unitholders.

As the Manager, LMIRT Management Ltd is focused on reinforcing its strategic pillars which include actively managing its assets together with its mall operator to drive healthy occupancy rates, maintaining optimal property and tenant diversification across its portfolio, as well as actively seeking to increase and optimise its portfolio’s value through yield-accretive acquisitions and asset enhancement initiatives.

PORTFOLIO

Since its listing in November 2007, LMIR Trust has grown its initial portfolio of 14 properties to its current size of 30 properties, comprising 23 retail malls and seven retail spaces located in other retail malls. With a total gross floor area ("GFA") of 1,650,014 square metres and net lettable area ("NLA") of 910,582 square metres, the portfolio has an asset size of Rp19,475.4 billion as at 31 December 2017.

These retail malls are strategically located in large middle-class population catchment areas in Greater Jakarta, Bandung, Yogyakarta, Medan, Palembang, Bali and Sulawesi and cater mainly to the everyday needs of middle to upper-middle-income consumers in Indonesia.

The malls boast a diversified tenant base of 3,363 that includes well-known retailers such as Matahari Department Store, Sogo, Carrefour and Hypermart, as well as popular consumer brands including Zara, Uniqlo, H&M, Muji, Miniso, Giordano, Ace Hardware, Adidas, BreadTalk, Fitness First, Starbucks and Timezone, to name a few.

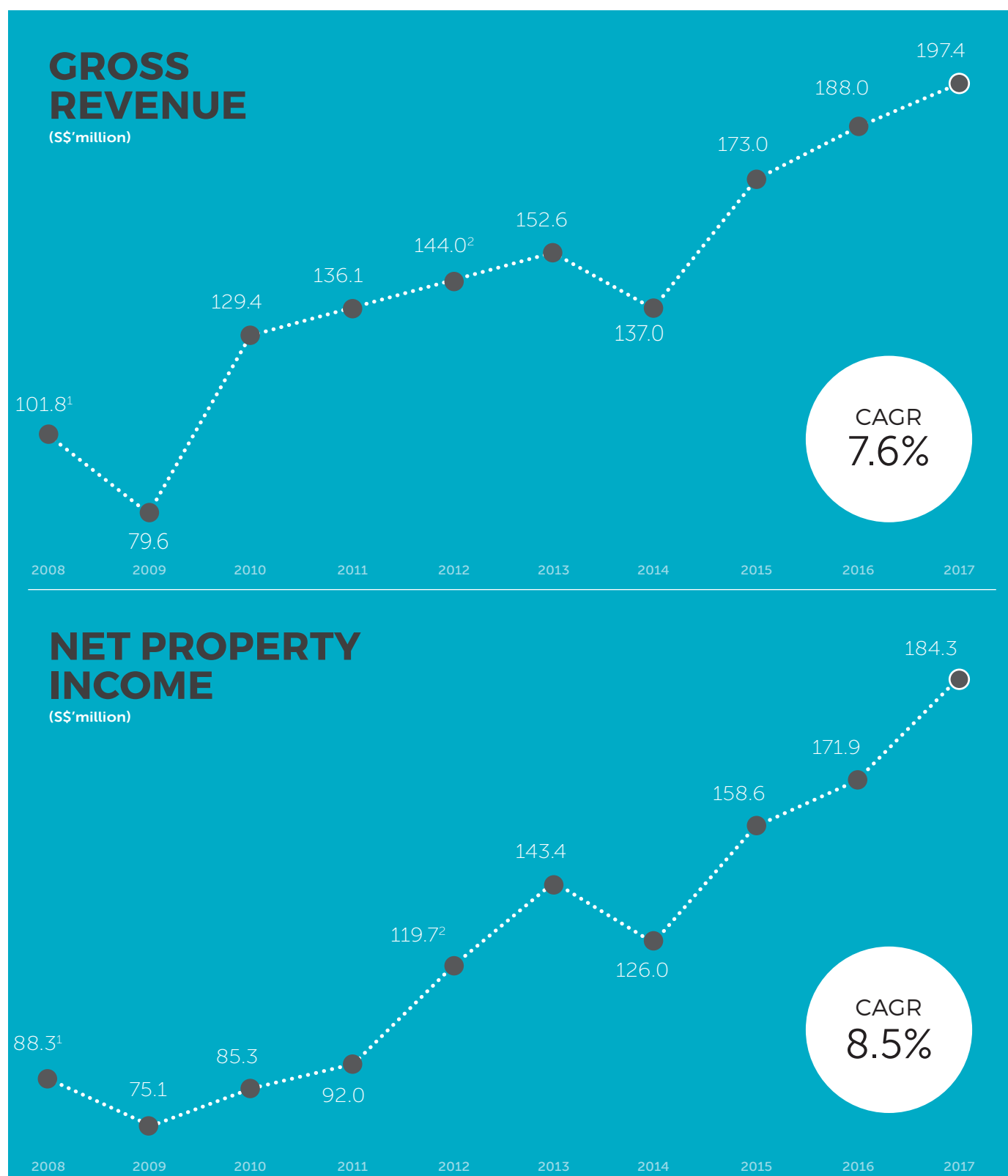
The portfolio is very defensively placed with staggered lease expiry dates to ensure a steady earnings base. LMIR Trust also has a healthy pipeline of retail malls for acquisition from its Sponsor, PT Lippo Karawaci Tbk ("Lippo Karawaci").

SPONSOR

Lippo Karawaci is Indonesia's largest listed company by total assets and revenue, with a unique and integrated business model. It has the largest diversified land bank throughout Indonesia and is a market leader in mixed-use integrated developments. Its businesses include residential urban development, large-scale integrated real estate, hospitals, retail malls, hotels and asset management.

For its retail malls business, Lippo Karawaci owns and/or manages 47 malls throughout Indonesia and has another 38 malls in the pipeline, located in cities with dense population.

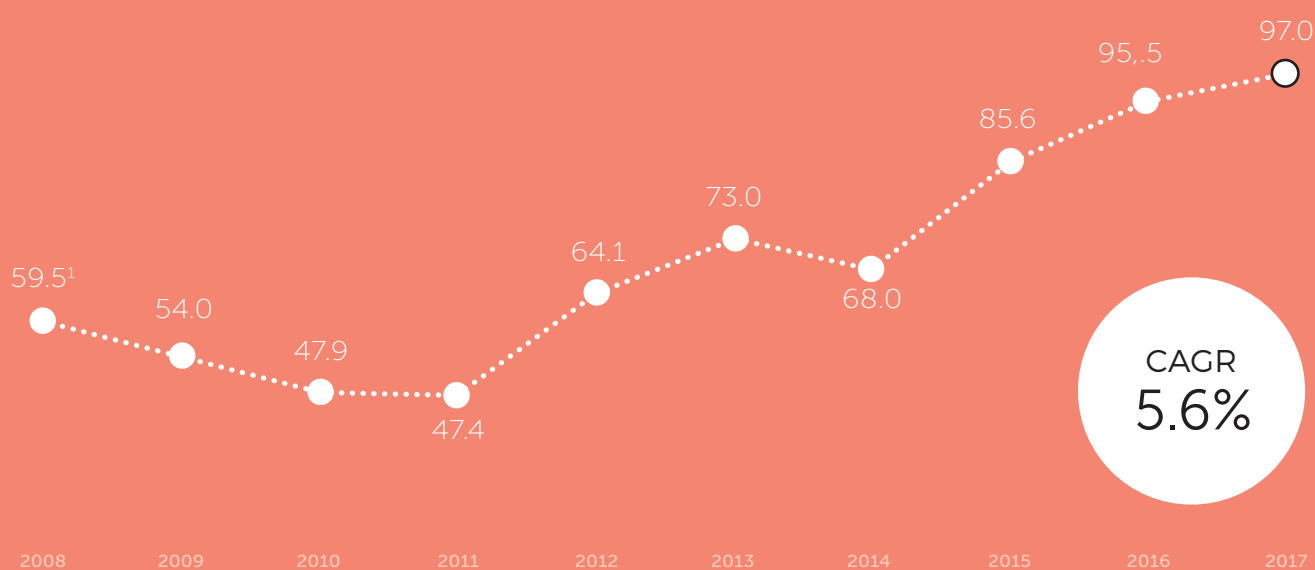
TEN YEARS OF STEADY GROWTH



- 1 The gross revenue, net property income and distributable income in FY 2008 Annual Report included the results from November 2007 to December 2008 as it was the first reporting period after LMIR Trust's IPO. For comparative purpose, the gross revenue, net property income and distributable income for the 12 months period were S\$92,794,000, S\$79,987,000 and S\$52,903,000 respectively.
- 2 The gross revenue and net property income in FY 2012 Annual Report were subsequently reclassified and restated as S\$130,996,000 and S\$125,184,000 respectively in FY 2013 Annual Report to conform with the presentation in FY 2013.

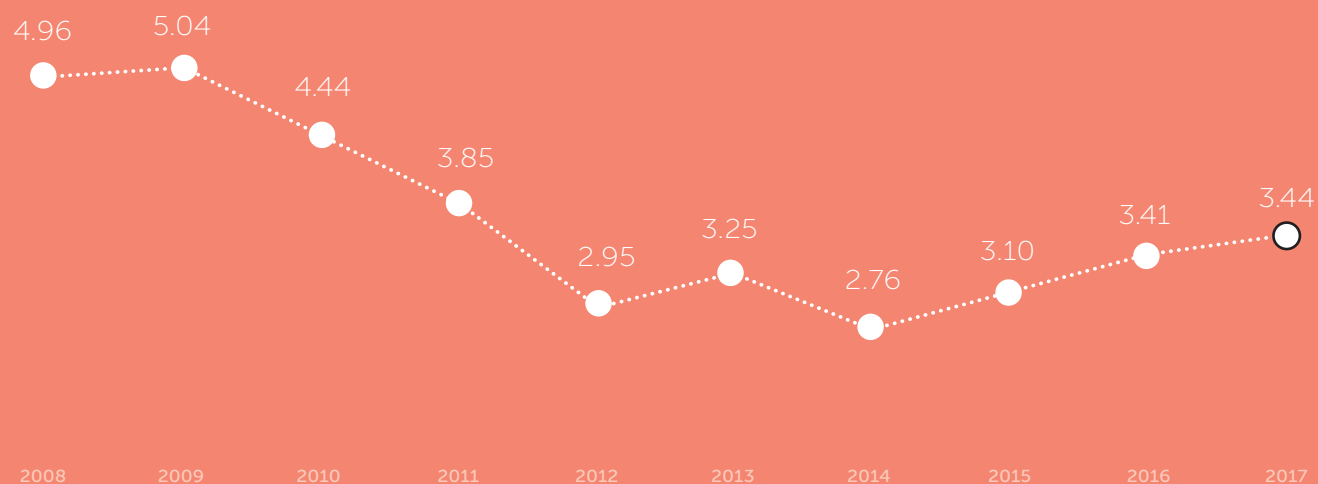
DISTRIBUTABLE INCOME

(S\$'million)

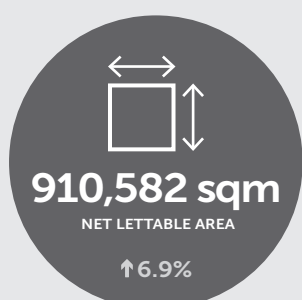
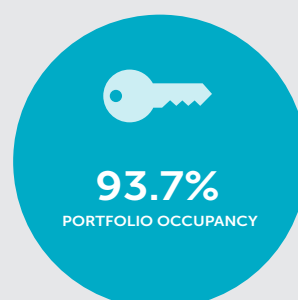
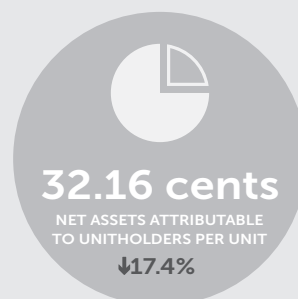
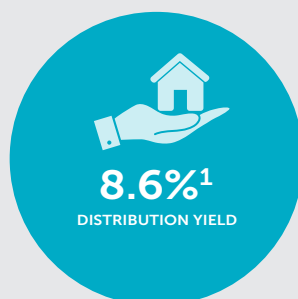
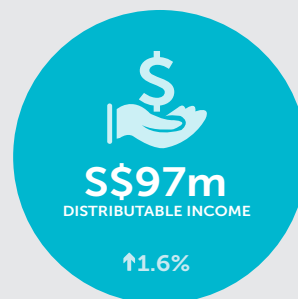
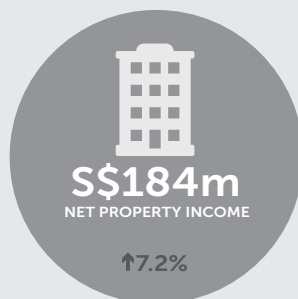


DISTRIBUTION PER UNIT

(Singapore cents)



KEY FINANCIAL HIGHLIGHTS



1 Based on closing price of S\$0.40 as at 29 December 2017

UNIT PRICE PERFORMANCE

UNIT PRICE AND TRADING VOLUME

	FY 2017	FY 2016
Closing unit price on the last trading day prior to the commencement of the period (Singapore cents)	37.0	32.0
Highest closing unit price (Singapore cents)	46.5	40.0
Lowest closing unit price (Singapore cents)	36.5	29.0
Closing unit price for the period (Singapore cents)	40.0	37.0
Daily average trading volume (million)	3.8	2.6
Market capitalisation (S\$'million)	1,129.6	1,037.1

TRADING PERFORMANCE IN FY 2017

(January to December 2017)



Source: Yahoo Finance, SGX

DPU YIELD

	FY 2017	FY 2016
Distribution per unit (Singapore cents)	3.44	3.41
Closing unit price for the period (Singapore cents)	40.0	37.0
DPU yield	8.6%	9.2%

LETTER TO UNITHOLDERS



MR KETUT BUDI WIJAYA
Chairman and
Non-Independent
Non-Executive Director

MS CHAN LIE LENG
Executive Director and
Chief Executive Officer

**Rp19,475
billion**
Portfolio Valuation

**910,582
sqm**
Net Lettable Area

Dear Unitholders,

Financial year ended 31 December 2017 ("FY 2017") marked the significant 10th year milestone since the listing of LMIR Trust in November 2007. In the last decade, our resilient business model and focused growth strategies have allowed LMIR Trust to create long-term value and deliver sustained growth to our Unitholders.

Guided by a disciplined investment blueprint, LMIR Trust has grown from an initial portfolio of 14 properties with asset size of Rp5,927.7 billion at IPO, to our current portfolio of 30 properties at an asset size of Rp19,475.4 billion, achieving a 228.5% jump in portfolio value. Net lettable area has also expanded by 190.5% to 910,582 square metres from 313,452 square metres at IPO.

EXPANDING FOOTPRINT

Reinforcing our well-defined investment strategy, we expanded our footprint in the Indonesian retail space with the acquisition of three properties in FY 2017. We made our maiden foray into Sulawesi island with the acquisition of Lippo Plaza Kendari ("LPK"), a four-storey mid-sized family mall located in southeast Sulawesi, in June 2017 for a purchase price of S\$32.2 million.

We further bolstered our presence in the Java province with our first investments in Yogyakarta city and Kediri city. Both Lippo Plaza Jogja ("LPJ") and Kediri Town Square ("KTS") were acquired in December 2017 for S\$57.0 million and S\$34.4 million respectively.

Following the completion of major refurbishments in 2015, LPJ is now one of the newest malls in Yogyakarta with a diverse mix of tenants to serve both the local and tourist markets in the city. The mall is part of an integrated property comprising an adjoining hospital, to which LMIR Trust has entered into a joint venture with First Real Estate Investment Trust ("First REIT") for First REIT to acquire the hospital component.

Completed in 2011, KTS is a two-storey lifestyle mall with a range of products and services covering daily needs, fashion, entertainment and food and beverage for families and tourists.

These acquisitions have not only enlarged our presence in the retail mall sector, they also further enhanced our portfolio geographically across Indonesia and improved the diversity of our tenant base, thereby reducing asset and tenant concentration risks.

DELIVERING SUSTAINED PERFORMANCE

In line with our commitment to deliver long-term value for our Unitholders, LMIR Trust rounded off FY 2017 with a steady 0.9% increase in distribution per unit ("DPU") to 3.44 Singapore cents, on the back of a 1.6% increase in distributable income to Unitholders to S\$97.0 million.

Based on the closing price of S\$0.40 as at 29 December 2017, the latest distribution translated to an attractive annualised DPU yield of 8.6%, placing LMIR Trust as the highest-yielding real



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estate investment trust according to a Business Times report, dated 6 January 2018.

Gross revenue and net property income grew 5.0% and 7.2% from a year ago, to S\$197.4 million and S\$184.3 million respectively. The growth was supported by contributions from Lippo Mall Kuta ("LMK"), acquired in December 2016 and LPK, as well as positive rental reversions from existing leases.

ACTIVE PORTFOLIO MANAGEMENT

We remain committed to optimising the value of our portfolio through active management of our tenant mix and through retaining quality tenants. In FY 2017, a total of 36,784 square metres of space, accounting for 4.0% of LMIR Trust's total NLA, were renewed at an average rental reversion of 5.6% despite downward pressures on retail rents during the year. Overall portfolio occupancy stood at a healthy 93.7%, compared to the industry average of 84.8% for the same period.

Over the years, LMIR Trust has initiated several asset enhancement initiatives ("AEIs") to boost the value of our malls and enhance the overall resilience of our portfolio.

LETTER TO UNITHOLDERS

In October 2017, we completed AEI works at Lippo Plaza Ekalokasari Bogor, which comprised upgrading of its interiors and exterior façade, enhancement of customer facilities and amenities, increase in parking spaces, re-layout of floor spaces and a change in tenancy mix. Following the completion of the AEI, occupancy rate at the mall improved to 86.9% as at 31 December 2017, compared to 71.3% as at 31 December 2016.

In December 2017, we also completed addition and alteration works at the Istana Plaza which included an extension of the mall to increase motorcycle parking lot, partial demolition and subsequent reconfiguration of the third floor to create a higher ceiling and repainting of the mall's exterior façade.

LMIR Trust is currently reviewing the viability of AEIs for Gajah Mada Plaza, which is a 36 year-old mall prominently located in the heart of Jakarta's Chinatown, and The Plaza Semanggi, a 15 year-old mall strategically located in the heart of Jakarta's central business district.

PRUDENT CAPITAL MANAGEMENT

A strong and stable capital structure is a key tenet of our long-term business strategy. In the last few

years, we have undertaken to diversify our funding sources and restructure our loan facilities. LMIR Trust issued our first S\$140.0 million 7.0% perpetual securities in FY 2016 and in June 2017, we issued our second S\$120.0 million 6.6% perpetual securities under the S\$1.0 billion Euro Medium Term Securities Programme.

In November 2017, LMIR Trust obtained an S\$80.0 million unsecured uncommitted revolving facility from CIMB Bank Berhad. The funds have been utilised for working capital and acquisitions. This facility demonstrates LMIR Trust's ability to raise unsecured lending and is fully in line with our long-term strategy to ensure our debts, both bank borrowings and debt instruments, are unsecured and ranked on a pari-passu basis. LMIR Trust has remained prudent with the management of our capital structure and will continue to explore all available funding options while keeping in mind our debt ceiling.

As part of our ongoing efforts to review our debt structure, LMIR Trust made a voluntary partial prepayment of S\$55.0 million of our S\$180.0 million secured term loan facility dated 16 December 2014. This was done using S\$20.0 million of the proceeds from the issuance of perpetual securities dated 12 June 2017, and a drawdown of S\$35.0 million from the unsecured term loan facility dated 22 August 2016.

As at 31 December 2017, our gearing remained steady at 33.7%, despite adding three new properties in FY 2017. This is below the regulatory limit of 45.0%, giving us ample debt headroom for future accretive acquisitions.

MARKET OUTLOOK

Overall, market sentiment remains buoyant in Indonesia. In May 2017, Standard & Poor's upgraded Indonesia's sovereign credit rating to investment grade, bringing it in line



Prospects on the retail front are also encouraging. Indonesia's sizeable population, coupled with its average economic growth of 6.0% per annum over the past decade, has made the country an enormously appealing consumer market. Alongside rising disposable income and a low inflationary environment, this could boost domestic consumption and drive the performance of LMIR Trust's retail assets.



- 1 4 October 2017, Reuters - Indonesia's budget committee approves 2018 GDP growth target of 5.4%.
- 2 9 January 2018, The World Bank- Global Economy to edge up to 3.1 percent in 2018 but further potential growth a concern.
- 3 Trading Economics- Indonesia Economic Forecasts 2018-2020 Outlook.
- 4 15 February 2017, HKTDC Research- ASEAN in focus: The Indonesian Consumer Market.

with ratings from Fitch and Moody's Investors Service. The upgrade is a strong vote of confidence for Indonesia's market reforms and could bring more fund inflows into Southeast Asia's largest economy. On the macroeconomic front, the Indonesian government expects the economy to register growth of 5.4% in 2018¹, substantially higher than the global average of 3.1%².

Meanwhile, in-bound investment is expected to get a lift from stronger commodity prices and improved investor confidence as a result of the recent upgrade in Indonesia's credit rating. Export growth will continue to be a key driver of the economy on the back of stronger external demand amid a pickup in global economic growth and a recovery in global trade. Private consumption is expected to improve, buoyed by continued moderation in inflation, a stable Rupiah and lower consumer lending rates³.

Prospects on the retail front are also encouraging. Indonesia's sizeable population, coupled with its average economic growth of 6.0% per annum over the past decade⁴, has made the country an enormously appealing consumer market. Alongside rising disposable income and a low inflationary environment, this could boost domestic consumption and drive the performance of LMIR Trust's retail assets.

All things considered, we will continue to harness our growth strategies and look out for accretive assets to boost our portfolio, to which, we have the right-of-first-refusal to our Sponsor, PT. Lippo Karawaci Tbk's healthy pipeline of malls for acquisitions.

ACKNOWLEDGEMENT

As we celebrate 10 resilient years of sustained growth, we would like to take this opportunity to express our heartfelt appreciation to the Board, management and staff - past and

present - who have walked with us on this incredible journey. The achievements of LMIR Trust would not have been possible without your devotion, hard work and perseverance.

In particular, our gratitude goes to Mr Albert Saychuan Cheok and Ms Viven Gouw Sitiabudi, who have both retired from the Board in 2017, for their leadership and invaluable contribution during their tenures.

We would also like to express our deepest appreciation for the team at HSBC Institutional Trust Services (Singapore) Limited, who has retired as trustee of LMIR Trust, for its excellent service and unwavering support in the last decade. At the same time, we would like to welcome Perpetual (Asia) Limited as our new trustee and we look forward to working with the new team, who has a proven 10-year track record of providing independent trustee services to some of the largest companies in Singapore and the Asian market.

Lastly, to our valued Unitholders, thank you for your faith in LMIR Trust. We will strive to deliver greater value to all. To our Sponsor, business partners and tenants, thank you for your continued support. We look forward to forging stronger and mutually rewarding partnerships.

MR KETUT BUDI WIJAYA
Chairman and
Non-Independent
Non-Executive Director

MS CHAN LIE LENG
Executive Director and
Chief Executive Officer

BOARD OF DIRECTORS



1. MR KETUT BUDI WIJAYA

Chairman, Non-Independent Non-Executive Director

Date of Appointment

As Non-Independent Non-Executive Director on 1 June 2015 and as Chairman on 30 September 2017

Board Committee(s)

Nominating & Remuneration (Member)

Present Directorships in Listed Companies

Non-Executive Director at

Bowsprit Capital Corporation Limited
(as Manager of First REIT)

Peninsula Investment Limited

Past Directorship in Listed Companies

PT Multifiling Mitra Indonesia Tbk - Commissioner
(2010 to 2015)

Mr Wijaya has more than 30 years of in-depth expertise in accounting and corporate finance.

During his career, he held various executive and directorship positions within the Lippo Group, including PT Matahari Putra Prima Tbk, PT Multipolar Tbk and PT Bank Lippo Tbk. He had also previously worked for Darmanwan & Co. Public Accountants and PT Bridgestone Tire Indonesia.

Mr Wijaya is currently the President Director of PT Lippo Karawaci Tbk, the largest listed property company in Indonesia by total assets and revenue with a highly focused, unique and integrated business model stretching across urban and large-scale integrated developments, retail malls, healthcare, hospitality, property and portfolio management. He is currently the President Director of PT Siloam International Hospitals Tbk, the largest listed private hospital network in Indonesia. He is also the President Commissioner of PT Lippo Cikarang Tbk, Vice President Commissioner of PT Gowa Makassar Tourism Development Tbk as well as the Commissioner of PT Jababeka Tbk and other subsidiaries of the Lippo Group.

Mr Wijaya graduated with an academy of accountancy and continued study at Sekolah Tinggi Ekonomi Indonesia in 1982.

2. MS CHAN LIE LENG

Executive Director and Chief Executive Officer

Date of Appointment

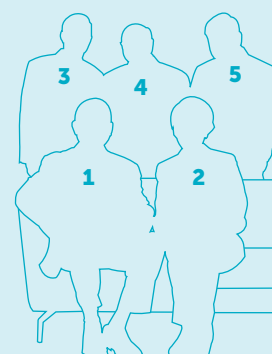
As Non-Executive Director on 22 April 2016, as Executive Director on 1 January 2017 and as Chief Executive Officer on 16 March 2017

Ms Chan brings with her more than 25 years of banking and corporate finance experience, including over seven years at the management level.

She was previously with the Raiffeisen Bank International AG, a leading corporate and investment bank in Austria as well as Central and Eastern Europe. She joined as the pioneer batch of the bank's offshore branch operations in Singapore in 1998 and during her tenure, she oversaw a staff strength of 150 and her responsibilities included running full branch operations with a loan book size of more than US\$2 billion, including real estate and real estate-related financing transactions in Singapore, Indonesia and other countries overseas. From 2008 to 2015, she was the General Manager of the Singapore branch for three years and the Labuan Branch for four years.

Ms Chan gained corporate experience at Envoi Impex Pte Ltd as Deputy General Manager of Corporate Affairs from 1996 to 1998, where her key responsibilities included heading the Finance and HR Departments and the setting up of a new division to oversee the corporate matters of both local and overseas subsidiaries in USA, Australia, Taiwan and Malaysia. She was also responsible for restructuring the company's borrowings and implementing sound corporate policies. She also gained extensive experience in corporate banking, loan syndications, project financing, credit administration and marketing, covering a portfolio of diverse companies in various industries, from her roles at the Singapore branches of ABN-AMRO Bank N.V., Bank of Hawaii, Nippon Credit Bank Ltd and DBS Bank.

Ms Chan graduated with a Bachelor of Science (Honours) from the National University of Singapore in 1988, majoring in mathematics.



BOARD OF DIRECTORS

3. MR DOUGLAS CHEW

Lead Independent Director

Date of Appointment

**As Non-Executive Director on 4 August 2011,
as Independent Director on 26 November 2013 and
as Lead Independent Director on 30 September 2017**

Board Committee(s)

Audit & Risk (Member) and Nominating
& Remuneration (Chairman)

Past Directorships in Listed Companies

Bowsprit Capital Corporation Limited (as Manager of
First REIT) – Alternate Director (2009 to 2012)

Mr Chew is currently a board member of the board of governors of SymAsia Singapore Fund, part of SymAsia Foundation Ltd (SymAsia). SymAsia is an umbrella philanthropic foundation which is a wholly-owned subsidiary of Credit Suisse. He is also a member of the Investment Review Committee of SymAsia.

He served, from 2010 to 2012, as the Regional Manager for the Asia-Pacific Regional Office of Raiffeisen Bank International AG (formerly known as RZB-Austria) with responsibilities for risk management, financial controlling, compliance, audit and human resources.

With extensive experience in general management, business strategies and risk management, he kickstarted his career in 1977 as a Credit Officer in ABN Bank, where he looked into credit analysis and evaluation. Thereafter, Mr Chew was an Account Manager at the Bank of Montreal from 1979 to 1984, where he was responsible for the development and maintenance of a sound and profitable loan portfolio. From 1984 onwards, he served as a Manager of the Michigan-based Chemical Bank in Singapore where he was responsible for business development of corporate and trade businesses. In 1988, he was appointed as the Assistant General Manager of Banque Worms where he oversaw the business strategy and management of risks at the Singapore Branch. He served as the General Manager of RZB-Austria Singapore Branch and was involved in the bank's general management from 1997 to 2005.

Mr Chew holds a Bachelor of Business Administration from the National University of Singapore.

4. MR LEE SOO HOON, PHILLIP

Independent Director

Date of Appointment

As Independent Director on 4 August 2011

Board Committee(s)

Audit & Risk (Chairman)

Present Directorships in Listed Companies

Independent Non-Executive Director at
IPC Corporation Ltd
CSE Global Limited
G K Goh Holdings Ltd
Estate and Trust Agencies (1972) Ltd
Kluang Rubber Company (Malaya) Bhd
Kuchai Development Bhd
Sungei Bagan Rubber Company (Malaya) Bhd

Past Directorships in Listed Companies

Transcorp Holdings Limited - Independent Director
(2000 to 2015)

Heatec Jietong Holdings Ltd - Independent Director
(2009 to 2014)

Mr Lee is the Managing Director of Phillip Lee Management Consultants Pte Ltd. Prior to this, he was a Partner at Ernst & Young from 1978 to 1997. Mr Lee's areas of experience include audit, investigations, reorganisations, valuations and liquidations.

Mr Lee is a Chartered Accountant of the Institute of Chartered Accountants in England and Wales. He is also a member of the Institute of Singapore Chartered Accountants, the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants and Singapore Institute of Directors.

He has also received awards for his community work, including the UK Order of St John in 1998, the Singapore Public Medal in 1998 and the Singapore Public Service Star in 2007.

5. MR GOH TIAM LOCK

Independent Director

.....

Date of Appointment

As Independent Director on 27 September 2011

.....

Board Committee(s)

Audit & Risk (Member) and Nominating
& Remuneration (Member)

Past Directorships in Listed Companies

Bowsprit Capital Corporation Limited (as Manager of
First REIT) - Independent Non-Executive Director
(2006 to 2017)

Mr Goh is currently the Managing Director of Lock Property Consultants Pte Ltd., a position he has held since setting up the practice in 1993. The firm has an estate agent licence from the Council of Estate Agency for which Mr Goh is the Key Executive Officer. Besides estate agency, Mr Goh also advises clients on real estate taxation, development charges and management issues.

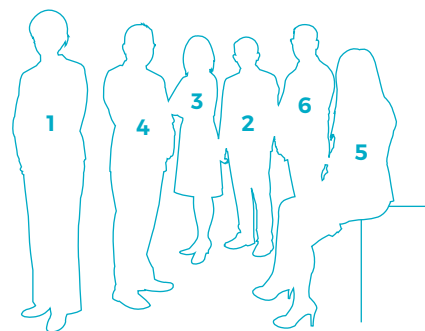
Mr Goh served as a member on the Strata Titles Board from 1999 till early this year. He is a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Singapore Institute of Surveyors & Valuers and its President from 1986 to 1987, as well as a Fellow of the Singapore Institute of Arbitrators and its Vice President from 1985 to 1987.

Mr Goh held the position of Property Manager in Supreme Holdings Ltd. before joining Jones Lang Wootton as a senior executive in 1974. In 1976, he became a partner in MH Goh, Tan & Partners, the legacy firm of Colliers International, and retired from the firm in 1991.

He is actively involved in community work, holding positions such as Chairman of the Marine Parade Community Club Management Committee from 1984 to 2001, and Master Mediator at the Marine Parade Community Mediation Centre. He is now a Patron of the Marine Parade Community Club Management Committee.

Mr Goh has received several awards for his involvement in community service, including the Pingkat Bakti Masyarakat (PBM) or the (Public Service Medal) in 1988, and the Bintang Bakti Masyarakat (BBM), or the Public Service Star, in 1997.

MANAGEMENT TEAM



1. MS CHAN LIE LENG **Executive Director and** **Chief Executive Officer**

Please refer to page 19 for Ms Chan's biography.

2. MR WONG HAN SIANG **Chief Financial Officer**

Mr Wong joined the Manager in September 2008 as its Finance Manager and then as Financial Controller from January 2011 until June 2017. In July 2017, he was appointed as the Chief Financial Officer. Mr Wong is responsible for LMIR Trust's financial management functions. He oversees all matters relating to financial reporting, taxation, capital management, treasury and risk management. Mr Wong has more than 15 years of accounting, auditing and corporate finance experience. Prior to joining the Manager, he was an Audit Manager with PricewaterhouseCoopers LLP Singapore.

Mr Wong is a Chartered Accountant of the Institute of Singapore Chartered Accountants and a fellow member of the Association of Chartered Certified Accountants (FCCA).

3. MS CHRISTINA LEE **Director, Legal and Compliance**

Ms Lee joined the Manager in March 2017 and oversees the compliance, risk, legal and company secretarial matters of LMIR Trust. She brings with her more than 25 years of experience in banking, in the areas of internal audit, compliance and operations. Prior to joining the Manager, she amassed her experience from both local and international banks and audit firms including Raiffeisen Bank International

AG Singapore, United Overseas Bank Ltd, Hongkong & Shanghai Bank, Ernst & Young Singapore and PricewaterhouseCoopers Malaysia.

Ms Lee graduated with a BSc (Hons) in Accounting and Financial Analysis from the University of Warwick, England and is a Certified Internal Auditor and Certified Financial Services Auditor. She also obtained her Diploma in Compliance (FICS Specialist) from the International Compliance Association.

4. MR HENG SHAO SHENG **Director, Asset Management and** **Business Development**

Mr Heng joined the Manager in April 2017. He has more than 15 years of experience in the banking and finance industry covering areas such as management information services, operations control, accounting and finance. Prior to joining the Manager, Mr Heng was Deputy Head of Accounting and Finance at Raiffeisen Banking International, where he was involved in statutory compliance reporting, IFRS reporting, data and operations control and accounts payables. He started his career with BNP Paribas and has also worked for ABN Amro.

Mr Heng obtained his Bachelor of Business in Accountancy from RMIT University and is also a Certified Practising Accountant, CPA Australia.

5. MS ELLA JIA **Senior Manager, Treasury** **and Financial Reporting**

Ms Jia joined the Manager in September 2013. She supports the CFO on treasury, financial reporting, accounting and assets acquisition activities. Ms Jia has more than 10 years of industry experience in REITs

and private funds. Prior to joining the Manager, she spent the first four years of her finance career with BDO Raffles and Deloitte & Touche LLP, and subsequently worked for Frasers Commercial Trust as a Finance Manager and Prologis Singapore as the Reporting Manager.

Ms Jia graduated with a Bachelor of Arts in English Literature and Linguistics and is a Chartered Accountant of the Institute of Singapore Chartered Accountants as well as a fellow member of the Association of Chartered Certified Accountants (FCCA).

6. MR CESAR AGOR **Manager, Legal and Compliance**

Mr Agor joined the Manager in July 2012. He supports the activities of the Manager in the areas of legal and compliance.

From 2007 and prior to joining the Manager, Mr Agor was a practicing lawyer in the Philippines, having worked as an associate lawyer in various law offices in Manila. He served as an in-house legal counsel at Vista Land & Lifescapes, Inc., one of the largest real estate companies in the Philippines. He is a member of the Integrated Bar of the Philippines.

He obtained his Bachelor of Arts in Legal Management and Bachelor of Laws from the Catholic University of Santo Tomas, Philippines. He is currently pursuing his Master of Laws at the University of London International Programmes.

SIGNIFICANT EVENTS IN FY 2017

Re-designation of Directorship of Ms Chan Lie Leng from Non-Executive Director to Executive Director

January

Announced 4Q 2016 financial results on 15 February, DPU up 7.4% y-o-y to 0.87 Singapore cents

February

Appointment of Ms Chan Lie Leng to Chief Executive Officer, following retirement of Ms Viven Gouw Sitiabudi

March

July

Made a voluntary partial repayment of S\$55.0 million on a S\$180.0 million secured term loan facility

Appointment of Mr Wong Han Siang as Chief Financial Officer

August

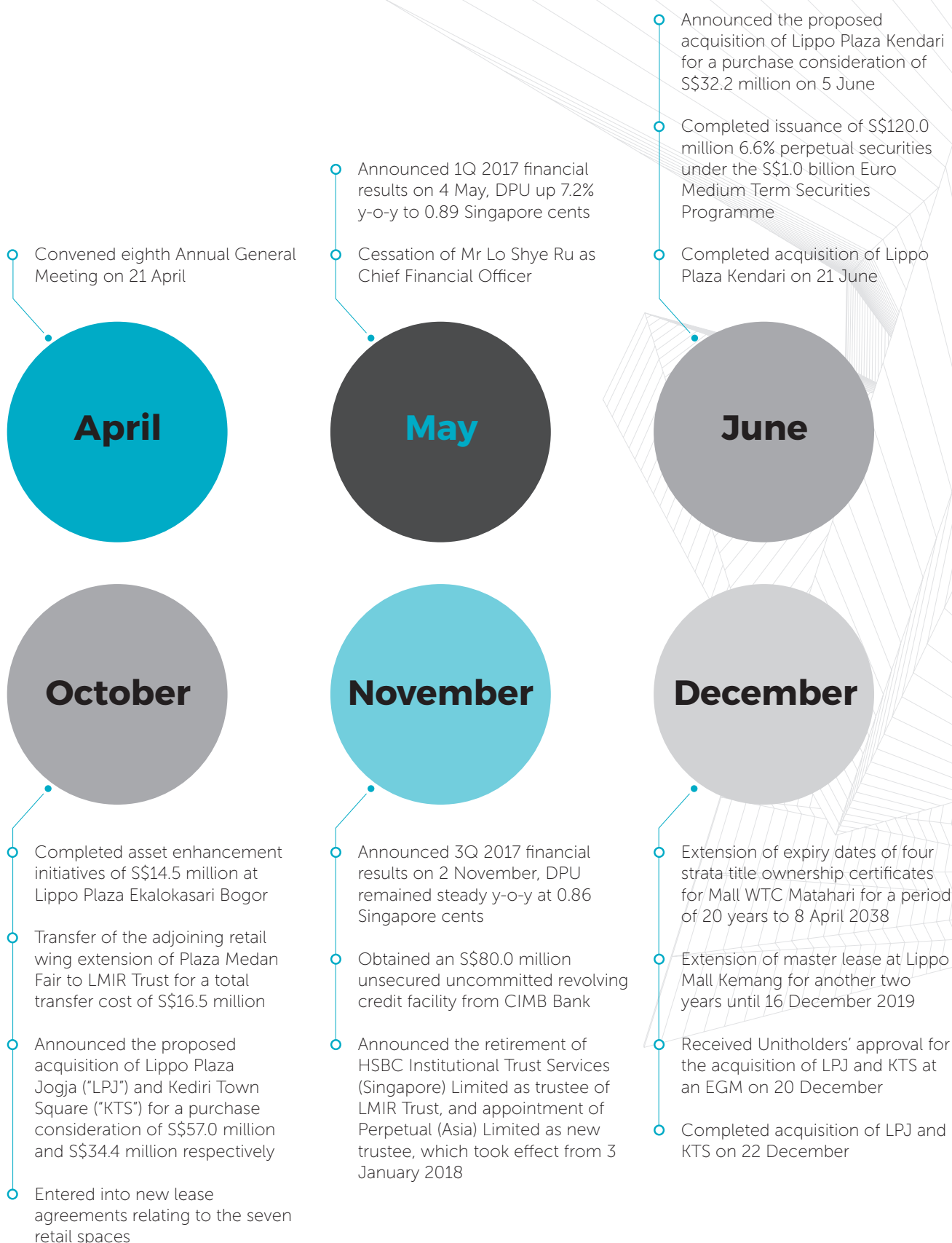
Announced 2Q 2017 financial results on 3 August, DPU up 5.9% y-o-y to 0.90 Singapore cents

Extension of expiry dates of four strata title ownership certificates for Java Supermall Units for a period of 20 years to 24 September 2037

September

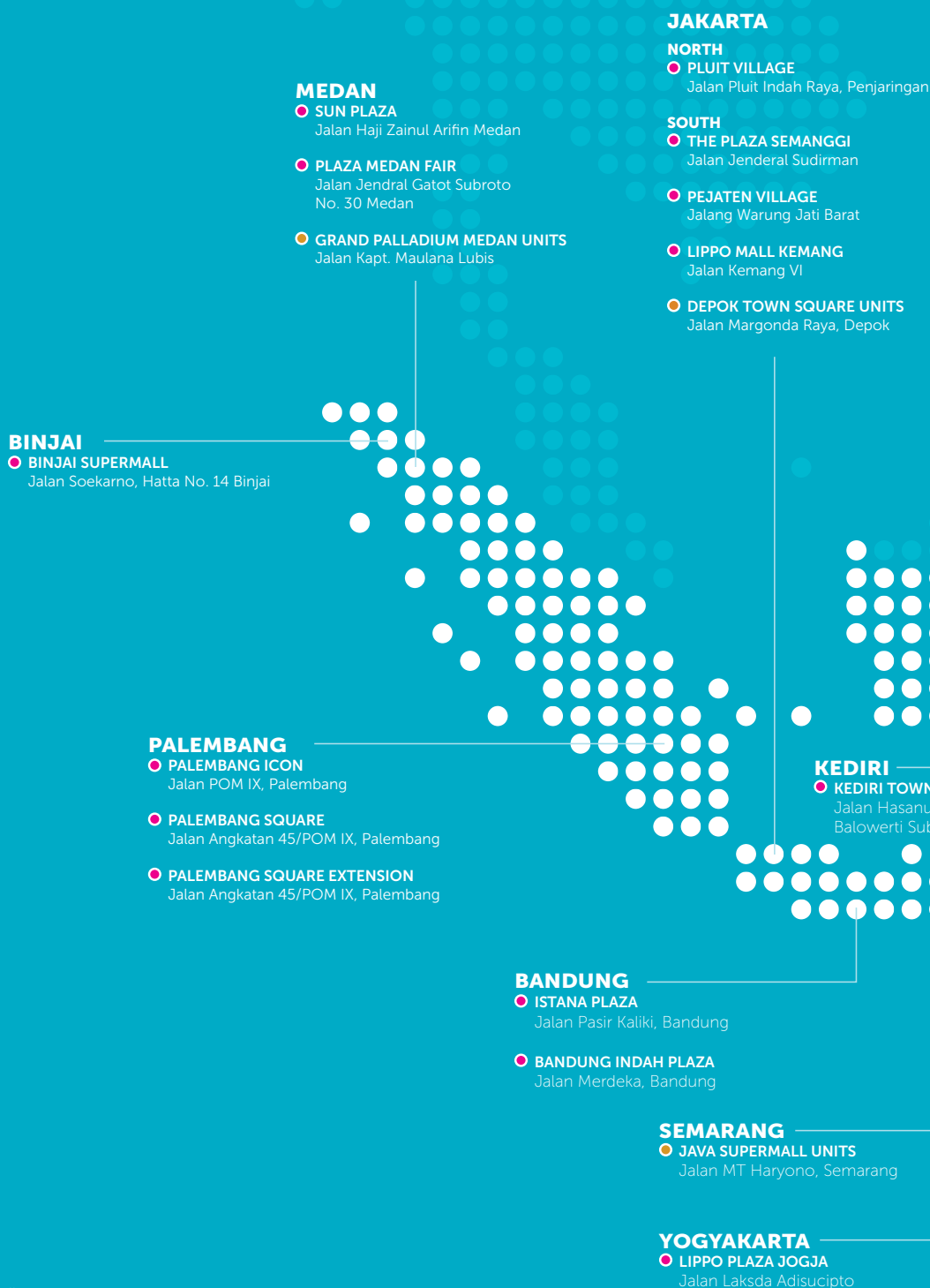
Retirement of Mr Albert Saychuan Cheok as Chairman and Independent Director of the Board

Appointment of Mr Ketut Budi Wijaya as Chairman of the Board



PORTFOLIO OVERVIEW

OUR INDONESIA PRESENCE



Retail Malls

Retail Spaces

LMIR TRUST REACHED A NEW PORTFOLIO MILESTONE OF 30 RETAIL ASSETS IN INDONESIA IN FY 2017, FOLLOWING THE COMPLETION OF THREE ACQUISITIONS DURING THE YEAR. OVER THE YEARS, IT HAS BUILT A GROWING PRESENCE IN KEY CITIES, CAPTURING THE MIDDLE-INCOME MARKET AND RIDING ON THE GROWING AFFLUENCE AND EMERGING LIFESTYLE TRENDS IN THESE CITIES.

JAKARTA

EAST

- **MAL LIPPO CIKARANG**
Jalan MH Thamrin, Lippo Cikarang
- **LIPPO PLAZA KRAMAT JATI**
Jalan Raya Bogor Km 19, Kramat Jati
- **TAMINI SQUARE**
Taman Mini Jalan Raya
- **LIPPO PLAZA EKALOKASARI BOGOR**
Jalan Siliwangi 123, Bogor
- **CIBUBUR JUNCTION**
Jalan Jambore, Cibubur

JAKARTA

WEST

- **METROPOLIS TOWN SQUARE UNITS**
Jalan Hartono Raya, Tangerang, Banten
- **MALL WTC MATAHARI UNITS**
Jalan Raya Serpong, Tangerang, Banten

CENTRAL

- **GAJAH MADA PLAZA**
Jalan Gajah Mada

SULAWESI

- **LIPPO PLAZA KENDARI**
Jalan MT Haryono

BALI

- **LIPPO MALL KUTA**
Lingkungan Segara, Kuta

MALANG

- **LIPPO PLAZA BATU**
Jalan Diponegoro
No. 1 RT 07RW05, Batu City
- **MALANG TOWN SQUARE UNITS**
Jalan Veteran, Malang

MADIUN

- **PLAZA MADIUN UNITS**
Jalan Pahlawan, Madiun



4th

MOST POPULOUS
NATION IN
THE WORLD



5.3%

WORLD BANK'S
FORECAST OF ANNUAL
GDP GROWTH FOR
INDONESIA IN 2018



264m

TOTAL
POPULATION
IN 2017



US\$3,876

GDP PER CAPITA
(INDONESIA) 2017

Sources:

- World Bank
- Worldometers
- Central Statistics Agency

PORTFOLIO SUMMARY

WITH A STRATEGIC FOCUS OF INVESTING IN INCOME-PRODUCING PROPERTIES, LMIR TRUST HAS EXPANDED FROM 14 PROPERTIES AT IPO TO ITS CURRENT PORTFOLIO OF 23 RETAIL MALLS AND SEVEN RETAIL SPACES, DIVERSIFIED ACROSS INDONESIA.

Property	Acquisition Date	Purchase Price (Rp'billion)	Valuation (Rp'billion)	Valuation (S\$'million)
Bandung Indah Plaza	19 November 2007	611.6	756.2	74.5
Cibubur Junction	19 November 2007	464.2	430.9	42.5
Lippo Plaza Ekalokasari Bogor*	19 November 2007	333.0	396.8	39.1
Gajah Mada Plaza	19 November 2007	483.3	799.0	78.8
Istana Plaza	19 November 2007	585.3	664.2	65.5
Mal Lippo Cikarang	19 November 2007	367.2	643.9	63.5
The Plaza Semanggi	19 November 2007	1,013.8	1,148.8	113.3
Sun Plaza	31 March 2008	967.2	1,967.1	193.9
Plaza Medan Fair	6 December 2011	1,042.1	1,103.0	108.8
Pluit Village	6 December 2011	1,593.6	953.0	93.9
Lippo Plaza Kramat Jati	15 October 2012	539.6	595.3	58.7
Palembang Square Extension	15 October 2012	221.5	276.3	27.2
Tamini Square	14 November 2012	180.0	269.7	26.6
Palembang Square	14 November 2012	467.0	689.5	68.0
Pejaten Village	20 December 2012	748.0	1,073.4	105.8
Binjai Supermall	28 December 2012	237.5	282.1	27.8
Lippo Mall Kemang**	17 December 2014	3,540.4	3,193.0	314.8
Lippo Plaza Batu***	7 July 2015	265.0	274.1	27.0
Palembang Icon***	10 July 2015	790.0	770.0	75.9
Lippo Mall Kuta***	29 December 2016	800.0	835.7	82.4
Lippo Plaza Kendari***	21 June 2017	310.0	316.0	31.2
Lippo Plaza Jogja***	22 December 2017	570.0	599.3	59.1
Kediri Town Square	22 December 2017	345.0	363.7	35.8
RETAIL MALLS		16,475.3	18,401.0	1,814.1
Depok Town Square Units	19 November 2007	131.5	163.0	16.1
Grand Palladium Units	19 November 2007	134.0	118.7	11.7
Java Supermall Units	19 November 2007	133.1	143.3	14.1
Malang Town Square Units	19 November 2007	130.8	162.0	16.0
Mall WTC Matahari Units	19 November 2007	128.9	124.4	12.3
Metropolis Town Square Units	19 November 2007	171.8	163.7	16.1
Plaza Madiun Units	19 November 2007	171.2	199.3	19.6
RETAIL SPACES		1,001.3	1,074.4	105.9
TOTAL		17,476.6	19,475.4	1,920.0

All information as at 31 December 2017.

* Formerly known as Ekalokasari Plaza.

** Includes master lease which has been extended for another 2 years until 16 December 2019.

*** Includes intangible assets.

Gross Floor Area (sqm)	Net Lettable Area (sqm)	Occupancy (%)	Land Title	Land Lease Expiry	No. of Tenants
75,868	30,288	99.2%	BOT	31 December 2030	218
66,071	34,566	98.1%	BOT	28 July 2025	183
58,859	28,086	86.9%	BOT	27 June 2032	75
66,160	36,539	72.2%	Strata	25 January 2020	165
46,809	28,185	91.2%	BOT	17 January 2034	133
39,293	29,926	97.0%	HGB	5 May 2023	106
155,122	61,580	87.4%	BOT	8 July 2054	390
107,373	70,277	98.9%	HGB	24 November 2032	350
138,767	64,303	99.4%	BOT	23 July 2027	421
134,576	87,394	91.3%	BOT	9 June 2027	172
67,285	32,780	92.9%	HGB	24 October 2024	89
22,527	18,093	97.3%	BOT	25 January 2041	35
18,963	17,475	100.0%	Strata	26 September 2035	11
46,546	31,672	96.1%	Strata	1 September 2039	120
89,157	42,178	99.6%	HGB	3 November 2027	153
28,760	23,412	94.3%	HGB	2 September 2036	94
150,932	58,489	92.2%	Strata	28 June 2035	149
34,586	17,673	99.6%	HGB	8 June 2031	41
42,361	36,052	97.6%	BOT	30 April 2040	172
36,312	20,348	92.4%	HGB	22 March 2037	80
34,831	20,146	99.4%	BOT	7 July 2041	50
66,098	23,023	98.6%	HGB	27 December 2043	69
28,688	16,840	99.6%	HGB	12 August 2024	51
1,555,944	829,325	94.2%			3,327
13,045	12,490	100.0%	Strata	27 February 2035	3
13,417	10,788	61.6%	Strata	9 November 2028	2
11,082	11,082	100.0%	Strata	24 September 2037	2
11,065	11,065	100.0%	Strata	21 April 2033	3
11,184	9,984	82.0%	Strata	8 April 2038	2
15,248	14,128	76.7%	Strata	27 December 2029	3
19,029	11,720	100.0%	Strata	9 February 2032	21
94,070	81,257	88.6%			36
1,650,014	910,582	93.7%			3,363

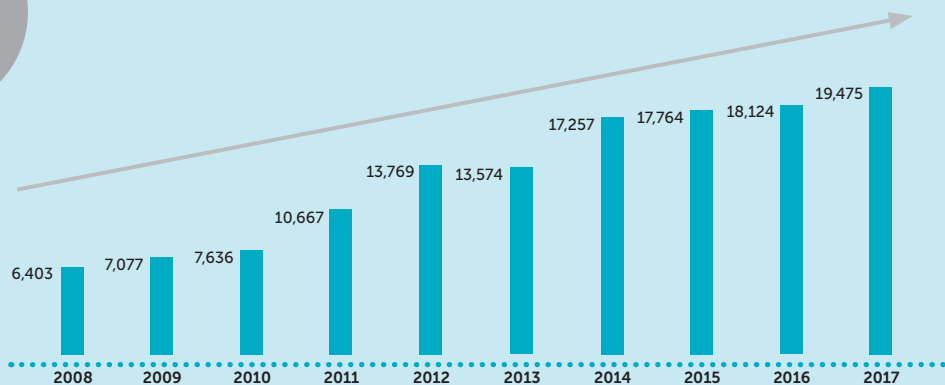
OPERATIONS REVIEW

ASSET-UNDER-MANAGEMENT

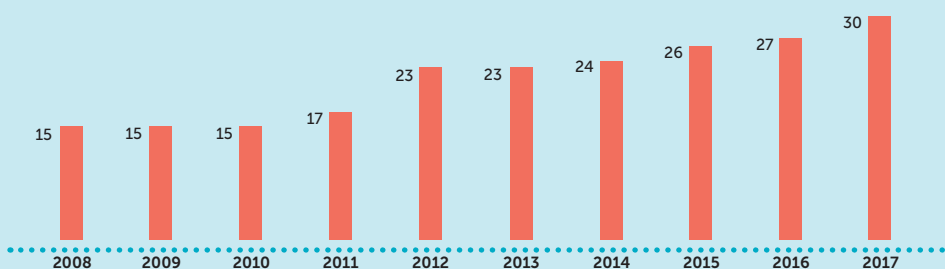
LMIR Trust's portfolio has steadily increased over the last decade, from an initial asset size of seven retail malls and seven retail spaces with a valuation of Rp5,928 billion, to 23 retail malls and seven retail spaces with a valuation of Rp19,475 billion as at 31 December 2017.

PORTFOLIO VALUATION (Rp'billion)

CAGR
13.2%



NUMBER OF PROPERTIES



VALUATIONS

As at 31 December 2017, total portfolio value stood at Rp19,475.4 billion, an increase of 7.5% from Rp18,124.4 billion in the previous year. The three new properties acquired in FY 2017 contributed Rp1,279.0 billion to the overall valuation, without which, total portfolio valuation would be Rp18,196.4 billion, a 0.4% gain from FY 2016's valuation.

Most of the retail malls with HGB land titles saw an increase in valuation in FY 2017 due to lower discount rate used in FY 2017's valuation compared to FY 2016's valuation. The lower discount rate used was consistent with the lower Indonesia Government Bond yield, where its 10-year bond yield declined from 7.9% at end 2016 to 6.3% at end 2017.

Eight out of 10 properties with BOT land titles registered a decline in value as the titles edge closer to their land lease expiry dates. The decreases in valuations for retail spaces were due to the expiry of the master lease agreement on 18 November 2017.

NET LETTABLE AREA ("NLA")

Total NLA for the year increased 6.9%, or 59,849 square metres ("sqm"), to 910,582 sqm compared to 851,850 sqm in FY 2016. The increase was mainly attributable to a more effective use of mall spaces and the addition of three new properties, and partially offset by a decline in NLA at the seven retail spaces.

The three new properties acquired in 2017, Lippo Plaza Kendari ("LPK"), Lippo Plaza Jogja ("LPJ") and Kediri Town Square ("KTS"), added 60,009 sqm to LMIR Trust's total NLA. The retail spaces, covering a NLA of 94,070 sqm, had to be divided to cater to new tenants following the expiry of the master lease on 18 November 2017, resulting in a reduction in NLA of 12,813 sqm to 81,257 sqm, a dip of 13.6% from FY 2016.

ACQUISITIONS

To ensure a well-diversified portfolio beyond Jakarta, we made our maiden investments in three different cities in FY 2017 – Kendari, Yogyakarta and Kediri, for a total purchase price of Rp1,225.0 billion.



As at 31 December 2017, total portfolio's value stood at Rp19,475.4 billion, an increase of 7.5% from Rp18,124.4 billion in the previous year. The three new properties acquired in FY 2017 contributed Rp1,279.0 billion to the overall valuation, without which, total portfolio valuation would be Rp18,196.4 billion, a 0.4% gain from FY 2016's valuation.

**Lippo Plaza Kendari**

Purchase Price **Rp310 billion**
S\$32.2 million
Valuation **Rp316 billion**
NLA **20,146 sqm**
Occupancy **99.4%**

Lippo Plaza Jogja

Purchase Price **Rp570 billion**
S\$57.0 million
Valuation **Rp599 billion**
NLA **23,023 sqm**
Occupancy **98.6%**

Kediri Town Square

Purchase Price **Rp345 billion**
S\$34.4 million
Valuation **Rp364 billion**
NLA **16,840 sqm**
Occupancy **99.6%**

OPERATIONS REVIEW



Kendari is the capital of Southeast Sulawesi with a population of 347,496 based on a 2015 population survey. LPK was acquired on 21 June 2017 at a purchase price of Rp310.0 billion. Centrally located in a residential area, LPK is a four-storey mid-sized family mall that provides a range of products and services to cater to all family needs. Its tenants include a variety of well-known retailers such as Matahari Department Store, Hypermart, Solaria, Cinemaxx and Timezone. The competition for retail space in the vicinity of LPK is minimal with no significant additional retail space to be expected in the near future.

In line with LMIR Trust's target market segment, Kendari has an expanding and prospering urban middle-class market, with GDP per capita growing at a compound annual growth rate of 8.9% from 2011 to 2015. It is also currently reinforcing its transportation infrastructure, with construction underway for the Trans-Sulawesi Railway, a railway network which will connect all major cities in Sulawesi, and the Kendari New Port, a port aimed at facilitating logistics distributions to and from South and East Sulawesi, is expected to be operational in 2019.



Yogyakarta or commonly known as "Jogja" is the capital of the Yogyakarta Special Region on the Indonesian island of Java. It is a famous tourist destination known for its proximity to two UNESCO World Heritage sites, Borobudur and Prambanan. Yogyakarta is renowned as a centre of education, and home to Gajah Mada University – one of Indonesia's most prominent public universities, as well as three public and 16 private universities.

Acquired on 22 December 2017 at a purchase price of Rp570.0 billion, LPJ is part of a 10-storey (including one basement and one mezzanine level) integrated property with a hospital component, Siloam Hospitals Yogyakarta. LPJ serves the people of Yogyakarta and those from the surrounding areas and offers a

diverse mix of tenants including Matahari Department Store, Hypermart, Cinemaxx, Celebrity Fitness and Timezone.

As a city with a large number of schools and universities and a relatively low cost of living compared to other Indonesian cities, Yogyakarta has attracted large numbers of students from all over Indonesia. Located approximately 1.5 kilometre from Yogyakarta State University which has over 30,000 undergraduates and graduates, LPJ actively targets students in the area with its entertainment and local F&B offerings. As one of the tallest buildings in Yogyakarta with access to its rooftop, the mall also attracts tourists who want to enjoy a spectacular aerial view of the city.



**Kediri
Town
Square**

Kediri city is located in East Java and well-connected to other major cities of East Java with direct train access to Surabaya, Yogyakarta and Bandung.

KTS was acquired on 22 December 2017 at a purchase price of Rp345.0 billion. The mall commenced operations in 2011 and offers a wide range of products and services covering daily needs, fashion, entertainment and F&B for families and tourists. Its tenants include a variety of brands, such as Matahari Department Store, Hypermart, Game Fantasia, Sport Stations and OPPO.

Located approximately 1 kilometre away from the main train station, KTS is one of the few modern malls in the area with only one other mall within close proximity. Hence, with little competition, KTS is able to enjoy a high occupancy rate of 99.6% as at 31 December 2017, and is expected to continue to provide a steady stream of income to LMIR Trust.

OCCUPANCY

LMIR Trust has a well-diversified portfolio of malls that are strategically located within large urban middle-class population catchment areas in Indonesia. With a comprehensive mix of tenants providing an array of shopping, entertainment and food and beverage choices, the malls are “everyday” malls favoured by mid-to upper-middle income domestic consumers.

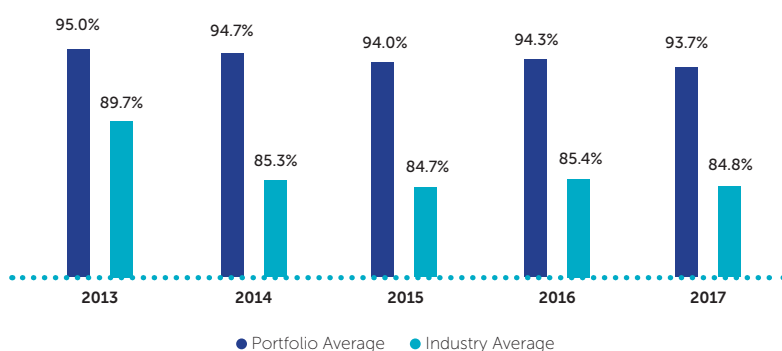
Combined with our proactive asset management and acute lease strategy, our portfolio has been able to maintain a consistently high occupancy rate over the years. Our 5-year mall occupancy rate average above 90.0% for each year. As at 31 December 2017, the portfolio’s average occupancy stood at a healthy 93.7%, higher than industry average of 84.8% as reported by Cushman & Wakefield’s Marketbeat Retail Snapshot Q4 2017, Jakarta.



LMIR Trust has a well-diversified portfolio of malls that are strategically located within large urban middle-class population catchment areas in Indonesia. With a comprehensive mix of tenants providing an array of shopping, entertainment and food and beverage choices the malls are “everyday” malls favoured by mid-to upper-middle income domestic consumers.



PORTFOLIO OCCUPANCY



OPERATIONS REVIEW

LEASE PROFILE

Our portfolio enjoys a long lease profile with weighted average lease expiry ("WALE") of above four years in the last two years. As at 31 December 2017, our WALE by NLA stood at 4.1 years, ensuring a steady stream of income.

TENANCY MIX

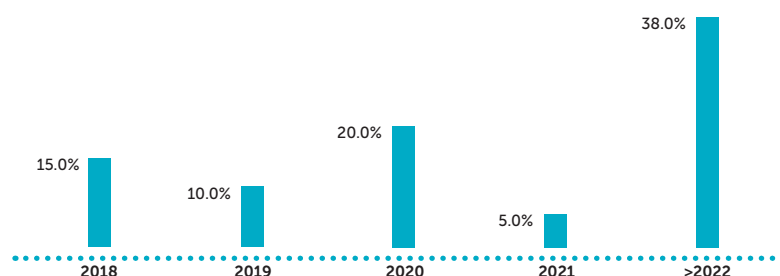
Proactive leasing efforts by our property manager ensures the right tenancy mix for our malls with new and refreshed tenant profiles to further enhance shoppers' experience. In 2017, we secured a total of 38,265 sqm of new leases. These new tenants comprise internationally renowned brands such as Miniso, Wrangler, Kipling and Burger King.

TOP 10 TENANTS

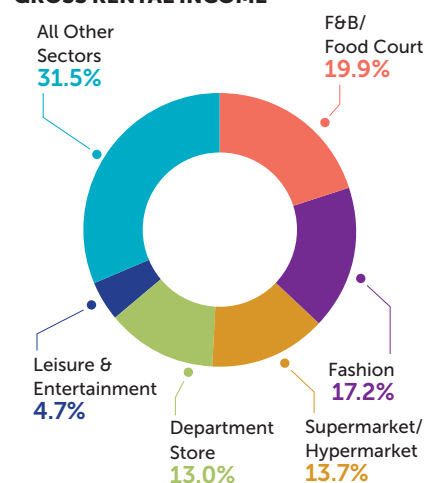
LMIR Trust's top 10 tenants, comprising large departmental stores, supermarkets, electrical/electronic and home appliance chains, accounted for 30.4% of total gross rental income and 37.2% of NLA as at 31 December 2017. The largest tenant is Matahari Department Store, accounting for 13.1% of total gross rental income and 12.6% of total NLA.

LONG LEASE PROFILE

Lease Expiry Profile by NLA as at 31 December 2017

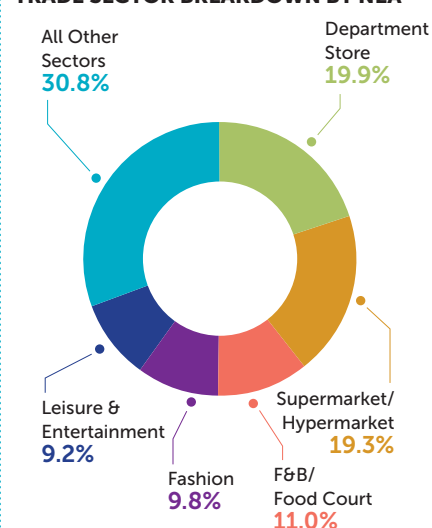


TRADE SECTOR BREAKDOWN BY GROSS RENTAL INCOME*

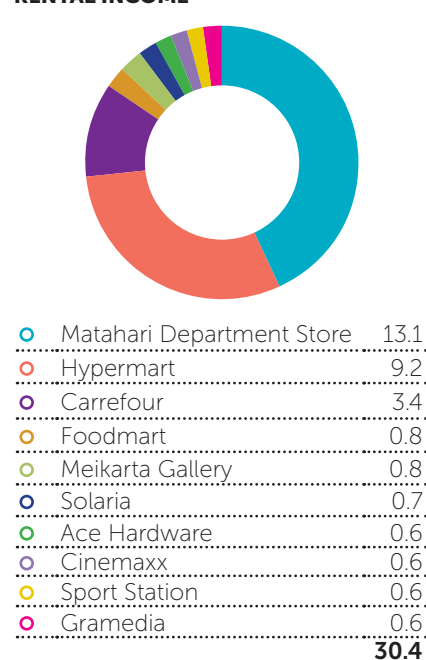


* Exclude casual leasing

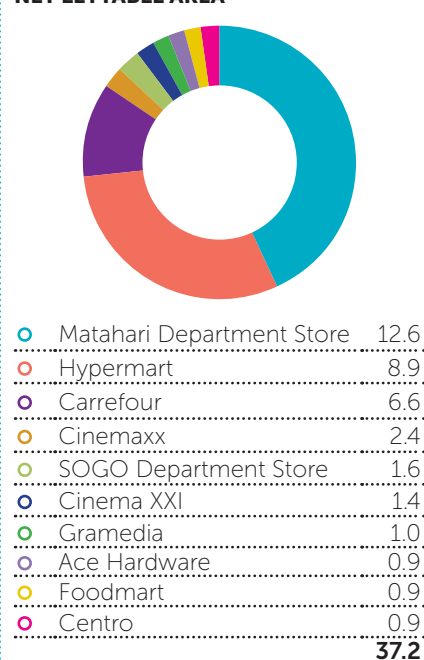
TRADE SECTOR BREAKDOWN BY NLA



TOP 10 TENANTS BY % OF GROSS RENTAL INCOME



TOP 10 TENANTS BY % OF NET LETTABLE AREA



SHOPPER TRAFFIC

Shopper traffic registered an increase of 5.0% from 141,102,588* in FY 2016 to 148,207,604 in FY 2017, while car traffic count 4.4% from 19,990,418 in FY 2016 to 20,886,855* in FY 2017. The malls have been actively organising events and promotional activities to increase shopper traffic. In 2017, we organised a number of themed events such as Oktoberfest, Jember Fashion Carnaval and meet-and-greet sessions with famous celebrities. We also managed to get media coverage for some of these events.

MASTER LEASES

As part of its acquisition strategy, LMIR Trust may enter into master leases with the vendors of the properties. These master leases, with tenors of three to five years, are usually over certain areas of the properties which include specialty and anchor areas, casual leasing and parking space, and is structured to provide a stable rental income while the properties continue to mature. Six of LMIR Trust's properties have master leases with the vendors which were entered into at point of acquisition. These properties are Lippo Plaza Batu, Palembang Icon, Lippo Mall Kuta, Lippo Plaza Kendari, Lippo Plaza

Jogja and Lippo Mall Kemang. At the point of acquisition, it was assessed that upon expiry of the master leases such rental rates can be attained and hence the underlying rental performance will continue to create a sustainable income for LMIR Trust.

As of December 2017, the master leases representing 16.0% of total revenue is about S\$31.5 million whereas the underlying performance is about S\$5.2 million which is 16.4% of the master lease revenue. The master lease for Lippo Mall Kemang which expired in December 2017 was extended for another two years until December 2019. The master leases for Lippo Plaza Kuta, Lippo Plaza Kendari and Lippo Plaza Jogja will expire in December 2021, June 2022 and December 2022 respectively, while the master leases for Lippo Plaza Batu and Palembang Icon will both expire in July 2018.

Further details on the master leases are disclosed in Note 15 of the Notes to Financial Statements.

ASSET ENHANCEMENT INITIATIVES ("AEIs")

One of LMIR Trust's key strategic focus is to constantly look at AEIs



The malls have been actively organising events and promotional activities to increase shopper traffic. In 2017, we organised a number of themed events such as Oktoberfest, Jember Fashion Carnaval and meet-and-greet sessions with famous celebrities.



to optimise the value of our assets, as well as improve and enhance shoppers' experience. In October 2017, we completed AEIs at Lippo Plaza Ekalokasari Bogor, which comprised upgrading of its interiors and exterior façade, enhancement of customer facilities and amenities, increase in parking spaces, re-layout of floor spaces and tenancy mix. The refurbished mall has resulted in occupancy improving to 86.9% compared to 71.3% a year ago.

In January 2017, we commenced additions and alterations ("A&A") works on Istana Plaza, which comprised an extension of the mall, an increase of three mezzanine storeys for motorcycle parking, partial demolition and subsequent reconfiguration of the third floor to create a high ceiling for our anchor tenant, cinema operator Cinemaxx and the repainting of the mall's exterior façade. The A&A works were completed in December 2017.

We are currently reviewing the viability of AEIs for Gajah Mada Plaza, which is a 36 year-old mall prominently located in the heart of Jakarta's Chinatown, and The Plaza Semanggi, a 15 year-old mall strategically located in the heart of Jakarta's central business district.



* Figures exclude Lippo Plaza Kendari, Lippo Plaza Jogja and Kediri Tower Square, that were acquired in FY 2017.

1. Jember Fashion Carnaval, Lippo Mall Kuta.

2. Oktoberfest, Lippo Mall Kuta.

FINANCIAL REVIEW

FINANCIAL OVERVIEW

LMIR Trust achieved gross revenue of S\$197.4 million in FY 2017, representing an increase of 5.0% compared to the same period last year. Revenue growth was mainly attributed to contributions from the acquisitions of Lippo Mall Kuta ("LMK") in December 2016 and LPK in June 2017 and generally positive rental revisions achieved on new and renewed leases. This was partially offset by lower average rate of Indonesian Rupiah ("Rupiah") against the Singapore Dollar which appreciated 8.7% in 2017.

To achieve better cost efficiency and leverage the benefits of the latest parking management technology, LMIR Trust engaged a new carpark operator – PT SkyParking Indonesia ("SkyParking"), to manage most of its carpark operations with effect from 1 January 2017. Under this new arrangement, SkyParking absorbs the carpark operating costs but is entitled to a portion of the carpark revenues. Consequently, carpark income decreased 20.9% from S\$26.4 million in FY 2016 to S\$20.9 million in FY 2017, while carpark expenses (which were part of the property operating and maintenance expenses) reduced from S\$5.0 million in FY 2016 to S\$0.5 million in FY 2017. After accounting for associated tax savings, LMIR Trust

achieved a S\$2.3 million year-on-year net gain in carpark operations.

Other rental income comprising mainly rental of electrical, mechanical and mall operating equipment increased 40.2% to S\$12.3 million in FY 2017 compared to S\$8.7 million in FY 2016.

Property management fees increased 52.3% to S\$6.7 million in FY 2017 from S\$4.4 million in FY 2016 as a result of higher gross revenue and higher NPI as well as the changes of property management fees structure for the retail spaces from November 2017 onwards, when the property management fees for retail spaces were aligned to the same for retail malls. Overall, NPI for FY 2017 rose 7.2% to S\$184.3 million from S\$171.9 million in FY 2016.

Finance expenses decreased 9.7% to S\$31.6 million in FY 2017 from a year ago as LMIR Trust successfully refinanced the S\$150.0 million bond due in October 2016 and S\$50.0 million bond due in July 2017 with new S\$140.0 million and S\$120.0 million perpetual securities issued in September 2016 and June 2017 respectively.

Manager's management fees increased 4.8% to S\$12.5 million in FY 2017 from the previous year due

to the acquisitions of LMK in December 2016 and LPK, LPJ and KTS in 2017. Other operating expenses increased 84.0% to S\$3.5 million in FY 2017 due mainly to one-time cost incurred for the change of Trustee from HSBC Institutional Trust Services (Singapore) Limited to Perpetual (Asia) Limited with effect from 3 January 2018.

LMIR Trust recorded a decrease in fair value of investment properties of S\$30.4 million in FY 2017, representing the net revaluation loss of LMIR Trust's retail malls and retail spaces in Indonesia, mainly attributed to the depreciation of LMIR Trust's Rupiah-denominated property assets against the Singapore Dollar in FY 2017. This loss was partially offset by the new acquisitions of LPK, LPJ and KTS in FY 2017.

Net gain on hedging contracts was S\$0.9 million in FY 2017. Net foreign exchange loss was at a lower S\$7.0 million in FY 2017 compared to S\$12.0 million in FY 2016, mainly due to lower unrealised foreign exchange adjustments.

Amortisation of intangible assets rose 9.3% to S\$13.0 million in FY 2017 from S\$11.9 million in FY 2016 due to an increase in rental income received under master lease agreements

FINANCIAL HIGHLIGHTS	FY 2017 S\$'000	FY 2016 S\$'000
Gross revenue	197,376	188,066
Net property income	184,251	171,860
Distributable income	96,960	95,468
Distribution per unit (Singapore cents)	3.44	3.41
Net fair value of financial derivatives at end of period ¹	(2,469)	(1,901)
Proportion of financial derivatives to net assets attributable to Unitholders (%)	(0.27)	(0.17)
Total operating expenses ²	54,996	54,933
Total operating expenses as a percentage of net assets attributable to Unitholders (%)	6.05	5.03
Taxation ³	25,392	24,532

¹ Financial derivatives include currency option contracts and interest rate swaps.

² Total operating expenses include all fees and charges paid to the Manager and interested parties (in both absolute terms, and as a percentage of the property fund's net assets attributable to Unitholders as at the end of the financial year) and taxation incurred in relation to the property fund's real estate assets.

³ Taxation includes corporate tax, withholding tax and deferred tax.

entered into by LMIR Trust following the acquisition of LMK in December 2016 and LPK in June 2017. LPJ was acquired in December 2017, hence, the impact on amortisation was immaterial in FY 2017. No master lease agreement was entered into for the acquisition of KTS.

Total distribution to Unitholders gained 1.6% to S\$97.0 million in FY 2017 from S\$95.5 million in FY 2016, mainly attributable to positive rental revisions, contributions from the new acquisitions and lower finance expenses, and partially offset by the increase in distributions reserved for perpetual securities holders (S\$14.1 million in FY 2017 compared to S\$2.6 million in FY 2016).

DPU for FY 2017 was 3.44 cents, representing a 0.9% increase over the 3.41 cents achieved in FY 2016, despite a weakened Rupiah against the Singapore Dollar.

If the master leases for Lippo Plaza Batu, Palembang Icon, LMK, LPK, LPJ and Lippo Mall Kemang were disregarded, and instead the actual amount of rental paid by the relevant tenants were taken into account, the DPU in FY 2017 and FY 2016 would both be 2.72 Singapore cents (with annualised DPU yield of 6.8% and 7.4% respectively).

The rental received under the master leases for FY 2017 was approximately \$31.5 million, whereas the corresponding underlying rental was approximately S\$5.2 million. The master leases represent 16.0 % of the total revenue of FY 2017.

ASSETS AND LIABILITIES

Current assets of S\$133.5 million in FY 2017 comprised mainly cash and equivalents of S\$64.9 million, trade and other receivables of S\$38.9 million and prepaid taxes of S\$27.5 million.

The value of LMIR Trust's investment properties, comprising 23 retail malls and seven retail spaces, amounted to Rp19,475.4 billion in FY 2017 compared to Rp18,124.0 billion in FY 2016, boosted by the acquisitions of LPK, LPJ and KTS. However, after accounting for the depreciation of Rupiah against the Singapore Dollar in FY 2017, LMIR Trust's investment properties recorded a 0.8% year-on-year decrease to S\$1,908.0 million.

Intangible assets, representing the unamortised aggregate rentals receivable from certain master leases in Lippo Plaza Batu, Palembang Icon, LMK, LPK and LPJ, decreased 38.0% to S\$11.9 million due to the associated recognition of such rental receipts in FY 2017.

Total borrowings increased to S\$695.0 million in FY 2017 from S\$650.7 million in FY 2016 to support the new acquisitions. Secured borrowings as a percentage of total borrowings fell to 12.9% in FY 2017 from 22.3% in FY 2016 as LMIR Trust actively refinanced such secured facilities with newer unsecured facilities to provide LMIR Trust with greater financial flexibility at minimal financing cost impact. Gearing (as defined under MAS guidelines) remained at a healthy 33.7%.

LMIR Trust also successfully issued a new S\$120.0 million 6.6% perpetual securities in June 2017 to better optimise its capital structure and tap on the strong and growing investor interests in LMIR Trust.

Overall, LMIR Trust's net asset value as at 31 December 2017 was S\$1,167.9 million, representing a 5.2% decline from S\$1,232.6 million in FY 2016, mainly attributed to higher liabilities, of which S\$45.0 million was from additional borrowings and S\$11.9 million was the deferred liabilities payable to the vendor of Medan Fair Extension upon successful extension of the mall's BOT land title.

	31 DECEMBER 2017	31 DECEMBER 2016
BALANCE SHEET*	S\$'000	S\$'000
Non-current assets	1,930,372	1,949,356
Current asset	133,502	115,877
Total assets	2,063,874	2,065,233
Current liabilities	354,845	194,297
Non-current liabilities	541,096	638,381
Net assets	1,167,933	1,232,555
Net assets attributable to Unitholders	908,286	1,091,688
Net assets attributable to Unitholders per unit (Singapore cents)	32.16	38.95

* The exchange rate for FY 2017 and FY 2016 were IDR/SGD 10,143 and 9,334 respectively.

FINANCIAL REVIEW

GROSS REVENUE / NET PROPERTY INCOME

Property	Gross Revenue (S\$'million)		Net Property Income (S\$'million)	
	FY 2017	FY 2016	FY 2017	FY 2016
Bandung Indah Plaza	11.6	11.7	10.0	10.5
Cibubur Junction	8.8	9.1	8.3	8.4
Lippo Plaza Ekalokasari Bogor*	3.2	2.3	2.9	1.9
Gajah Mada Plaza	6.0	6.6	5.6	5.9
Istana Plaza	7.5	8.2	7.0	8.1
Mal Lippo Cikarang	7.1	6.4	6.8	6.2
The Plaza Semanggi	9.8	10.3	8.6	9.1
Sun Plaza	19.1	18.7	18.5	17.5
Plaza Medan Fair	16.8	15.9	15.8	14.7
Pluit Village	12.8	12.4	11.8	11.0
Lippo Plaza Kramat Jati	4.1	4.0	3.7	3.5
Palembang Square Extension	3.5	3.7	3.0	2.9
Tamini Square	2.5	2.5	2.3	2.3
Palembang Square	6.6	7.1	5.4	5.0
Pejaten Village	10.9	11.6	10.2	10.4
Binjai Supermall	2.9	2.6	2.6	2.3
Lippo Mall Kemang	30.5	30.6	30.5	28.8
Lippo Plaza Batu	2.7	2.7	2.6	2.6
Palembang Icon	9.2	8.8	8.3	8.2
Lippo Mall Kuta	7.1	0.1	6.4	-
Lippo Plaza Kendari**	2.1	-	1.8	-
Lippo Plaza Jogja**	0.1	-	0.1	-
Kediri Town Square**	0.1	-	-	-
RETAIL MALLS	185.0	175.3	172.2	159.3
Depok Town Square Units	1.8	1.8	1.8	1.8
Grand Palladium Units	1.4	1.7	1.4	1.6
Java Supermall Units	1.7	1.7	1.6	1.7
Malang Town Square Units	1.7	1.7	1.7	1.7
Mall WTC Matahari Units	1.5	1.5	1.4	1.5
Metropolis Town Square Units	2.0	2.1	2.0	2.0
Plaza Madiun Units	2.3	2.3	2.2	2.3
RETAIL SPACES	12.4	12.8	12.1	12.6
TOTAL	197.4	188.1	184.3	171.9

* Formerly known as Ekalokasari Plaza.

** Acquired in 2017.

VALUATION

Property	2017 Valuation		2016 Valuation	
	Rp'billion	S\$'million ⁺	Rp'billion	S\$'million ⁺
Bandung Indah Plaza	756.2	74.5	797.8	85.5
Cibubur Junction	430.9	42.5	451.2	48.3
Lippo Plaza Ekalokasari Bogor [*]	396.8	39.1	410.3	44.0
Gajah Mada Plaza	799.0	78.8	780.9	83.7
Istana Plaza	664.2	65.5	713.0	76.4
Mal Lippo Cikarang	643.9	63.5	609.1	65.3
The Plaza Semanggi	1,148.8	113.3	1,173.7	125.8
Sun Plaza	1,967.1	193.9	1,826.1	195.6
Plaza Medan Fair	1,103.0	108.8	1,083.2	116.1
Pluit Village	953.0	93.9	1,026.8	110.0
Lippo Plaza Kramat Jati	595.3	58.7	573.8	61.5
Palembang Square Extension	276.3	27.2	258.0	27.6
Tamini Square	269.7	26.6	243.0	26.0
Palembang Square	689.5	68.0	649.5	69.6
Pejaten Village	1,073.4	105.8	973.7	104.3
Binjai Supermall	282.1	27.8	266.9	28.6
Lippo Mall Kemang ^{**}	3,193.0	314.8	3,235.0	346.6
Lippo Plaza Batu [#]	274.1	27.0	260.7	27.9
Palembang Icon [#]	770.0	75.9	774.9	83.0
Lippo Mall Kuta [#]	835.7	82.4	805.0	86.2
Lippo Plaza Kendari ^{***#}	316.0	31.2	-	-
Lippo Plaza Jogja ^{***#}	599.3	59.1	-	-
Kediri Town Square ^{***}	363.7	35.8	-	-
RETAIL MALLS	18,401.0	1,814.1	16,912.6	1,812.0
Depok Town Square Units	163.0	16.1	169.7	18.2
Grand Palladium Units	118.7	11.7	156.6	16.8
Java Supermall Units	143.3	14.1	153.6	16.5
Malang Town Square Units	162.0	16.0	172.6	18.5
Mall WTC Matahari Units	124.4	12.3	146.0	15.6
Metropolis Town Square Units	163.7	16.1	186.4	20.0
Plaza Madiun Units	199.3	19.6	226.9	24.3
RETAIL SPACES	1,074.4	105.9	1,211.8	129.9
TOTAL	19,475.4	1,920.0	18,124.4	1,941.9

^{*} Formerly known as Ekalokasari Plaza.

^{**} Includes master lease which has been extended for another 2 years until 16 December 2019 and intangible assets in 2016.

^{***} Acquired in 2017.

[#] Includes intangible assets.

⁺ FY 2016 exchange rate (Rp/\$\$): 9,333.57.

⁺ FY 2017 exchange rate (Rp/\$\$): 10,143.21.

CAPITAL MANAGEMENT

GEARING RATIO

33.7%

FIXED RATE DEBT RATIO

47.5%

UNENCUMBERED ASSETS RATIO

77.7%

CAPITAL MANAGEMENT STRATEGY

The Manager maintains a policy of prudent capital management with adequate financial flexibility to facilitate steady growth of LMIR Trust and maximise returns to Unitholders.

The key objectives of its strategy include:

- Maximising returns to Unitholders;
- Optimising asset value;
- Minimising refinancing risks;
- Maintaining flexibility for working capital requirements; and
- Retaining flexibility in the funding of future acquisitions.

LMIR Trust complies strictly to the regulatory gearing limit and maintains this limit and interest coverage ratios to ensure these are within approved limits at all times.

LMIR Trust embarked on a capital reset strategy to free up its debt headroom in 2016 with the issuance of its first S\$140.0 million 7.0% subordinated perpetual securities in September 2016 under its S\$1.0 billion Euro Medium Term Securities Programme, of which funds raised were used to redeem the S\$150.0 million 4.25% notes due in October 2016.

LMIR Trust continued this capital reset strategy with the issuance of its second S\$120.0 million 6.6% perpetual securities under the S\$1.0 billion Euro Medium Term Securities Programme in June 2017. The funds raised were used for the acquisition of Lippo Plaza Kendari

of approximately S\$37.0 million, repayment of the S\$50.0 million 5.875% notes due in July 2017 and partial prepayment of S\$20.0 million for the secured term loan facility (as described below). The balance was used to meet capital expenditure and working capital requirements.

In July 2017, with the proceeds received from issuance of the perpetual securities and S\$35.0 million drawn from the S\$350.0 million unsecured term loan facility, LMIR Trust made a partial prepayment of S\$55.0 million of the S\$180.0 million secured term loan facility maturing in December 2018. Following this prepayment, LMIR Trust successfully negotiated the release of the mortgages on its six retail spaces and one retail mall. This secured term loan facility continued to be secured by two retail properties. Documentation for the release of these mortgages was completed in January 2018.

In November 2017, LMIR Trust obtained a S\$80.0 million unsecured uncommitted revolving credit facility for general corporate funding and working capital requirements. This facility was fully drawn in December 2017 to partially fund the acquisition of LPJ and KTS.

As at 31 December 2017, LMIR Trust's outstanding debt stood at approximately S\$695.0 million with a gearing ratio of 33.7%, and approximately 77.7% of its investment properties are unencumbered. Subsequent to balance sheet date, a full release of the securities over the S\$180.0 million secured term loan facility has been obtained and as such, 100.0% of LMIR Trust's properties are unencumbered. The Manager

believes that this will further enhance LMIR Trust's financial flexibility.

LMIR Trust's current financial risk management policy is described in greater details below.

INTEREST RATE RISK MANAGEMENT

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.

As at 31 December 2017, LMIR Trust's fixed rate debt ratio was 47.5% and the weighted average interest rate was 4.7% per annum. The interest service coverage ratio was a healthy 6.0 times for the year. The Manager intends to continue to secure diversified

funding sources from both financial institutions and capital markets when opportunities arise, with the aim to maintain LMIR Trust's ongoing cost of debt competitiveness.

FOREIGN EXCHANGE RISK MANAGEMENT

LMIR Trust is exposed to foreign exchange risk arising from its investments in Indonesia. The income generated from these investments and the value of its investments are all denominated in Indonesian Rupiah ("Rupiah").

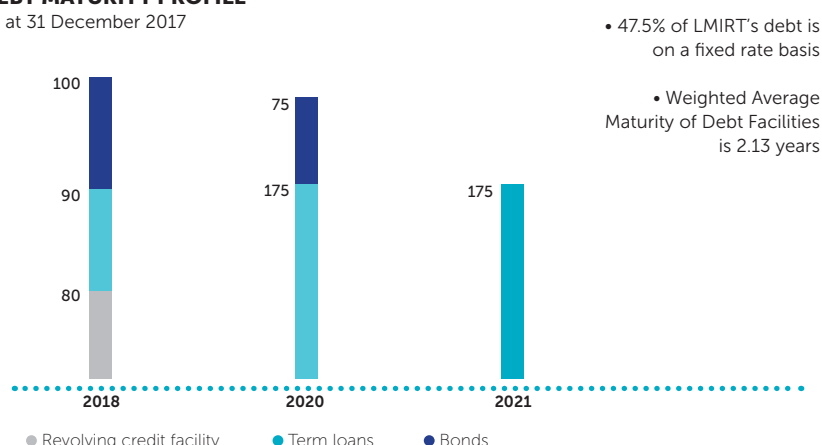
The Manager utilises currency option contracts to manage approximately 85.0% of the anticipated quarterly cashflow in Rupiah to minimise foreign exchange exposure between Rupiah and Singapore Dollar. Upon the expiry of the currency option contracts in February 2017, the Manager has entered into a series

of new currency option contracts with a total notional amount of Rp2.4 trillion for a period of two years which will expire in February 2019. As at 31 December 2017, the mark to market valuation of these currency options was approximately negative S\$1.6 million after netting off the premium.

As the investment in overseas assets is generally long term in nature, the Manager is of the view that it is not cost effective to embark on capital hedging. Hence, the capital values of the investments are subject to exchange rate fluctuations.

DEBT MATURITY PROFILE

As at 31 December 2017



WEIGHTED AVERAGE INTEREST RATE PER ANNUM

4.7%

INTEREST COVER

6.0 times

- 1 S\$80.0 million 1.80% + SOR revolving credit facility.
- 2 S\$100.0 million 4.5% bond due 23 November 2018.
- 3 S\$90.0 million 3.0% + SOR term loan due 15 December 2018.
- 4 S\$75.0 million 4.1% bond due 22 June 2020.
- 5 S\$175.0 million 2.95% + SOR term loan due 25 August 2020.
- 6 S\$175.0 million 3.15% + SOR term loan due 25 August 2021.

Perpetual: S\$140.0 million 7.0% perpetual securities was issued on 27 September 2016.

Perpetual: S\$120.0 million 6.6% perpetual securities was issued on 19 June 2017.

RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK

The Manager has established an enterprise risk management ("ERM") framework for a more structured and systematic approach to identify, review and manage the key risks arising from the management and operations of the LMIR Trust's portfolio of assets.

Effective risk management is a fundamental part of LMIR Trust's business strategy to protect Unitholders' interests and value. To this end, the Manager is constantly working towards strengthening its risk management processes which include event identification, risk assessment and response, control activities, information and communication and monitoring.

All significant risk developments and incidences are reported to the Board and the Audit and Risk Committee ("ARC") on a quarterly basis, or when it is deemed necessary.

In addition, the internal audit function of the Manager has been outsourced to a third-party, KPMG Services Pte Ltd. who plans its internal audit work in consultation with management, but works independently by submitting its reports to the ARC for review at ARC meetings.

RISK MANAGEMENT STRATEGY

Property, financial market, operational and strategic risks and other externalities such as regulatory changes, natural disasters and act of terrorism may occur in the normal course of business. To address these areas, the Manager has adopted policies and processes which are regularly reviewed to ensure relevance and efficacy and designated staff continue to assess the potential

impact of risks which may arise and the necessary response or action to effectively mitigate those risks.

Some of the key risks are:

(I) Operational Risk

The Manager has an established risk management strategy towards the day-to-day activities of the properties portfolio, which are carried out by a third-party property manager. These include planning and control systems, operational guidelines, information technology systems, reporting and monitoring procedures. The risk management framework is designed to ensure that operational risks are anticipated so that appropriate processes and procedures can be put in place to prevent, manage, and mitigate risks that may arise in the management and operation of LMIR Trust.

(II) Credit Risk

Credit risk relates to the potential earnings volatility caused by tenants' inability and/or unwillingness to fulfil their contractual lease obligations. To minimise the risk of tenant default on rental payment, the Manager has put in place standard operating procedures for debt collection and recovery of debts. These include the collection of security deposits in the form of cash or bankers guarantee and having a monitoring system and a set of procedures on debt collection.

(III) Investment Risk

As LMIR Trust's growth is partly driven by the acquisition of properties, the risk involved in such investment activities is managed through a rigorous set of investment criteria which includes accretion yield, growth potential and sustainability,

location and specifications. The key financial projection assumptions and sensitivity analysis conducted on key variables are reviewed by the Board. The potential risks associated with proposed projects and the issues that may prevent their smooth implementation are to be identified at the evaluation stage. This enables the Manager to determine actions that need to be taken to manage or mitigate risks as early as possible.

(IV) Financial Risk

LMIR Trust's returns are mainly from net operating income, which are exposed to financial risks including credit, liquidity, interest rates and foreign currency risks. The Manager may hedge, where appropriate, against volatility of interest rates, foreign currency net income and foreign currency investments. The Manager continuously monitors the financial risk management process to ensure that an appropriate balance between risk and control is achieved.

INVESTOR RELATIONS

Since listing, LMIR Trust is committed to upholding high standards in disclosures and strives to ensure that all corporate developments and financial results are disclosed to the investment community in a clear and timely manner.

As part of our Investor Relations ("IR") initiatives, we maintain a dedicated investor website <http://lmir.listedcompany.com/> which provides comprehensive and updated information about LMIR Trust, as well as a dedicated IR email ir@lmirt.com to address all stakeholders' queries. All material

information, corporate updates and quarterly financial results are posted in a timely manner on SGXNet as well as LMIR Trust's website.

The Manager proactively communicates and engages with the investment community through investor conferences, non-deal roadshows ("NDR"), one-on-one meetings, tele-conferences and quarterly results briefings. Subsequent to balance sheet date, we became a member of REIT Association of Singapore so as to further extend our participation in investor programmes.

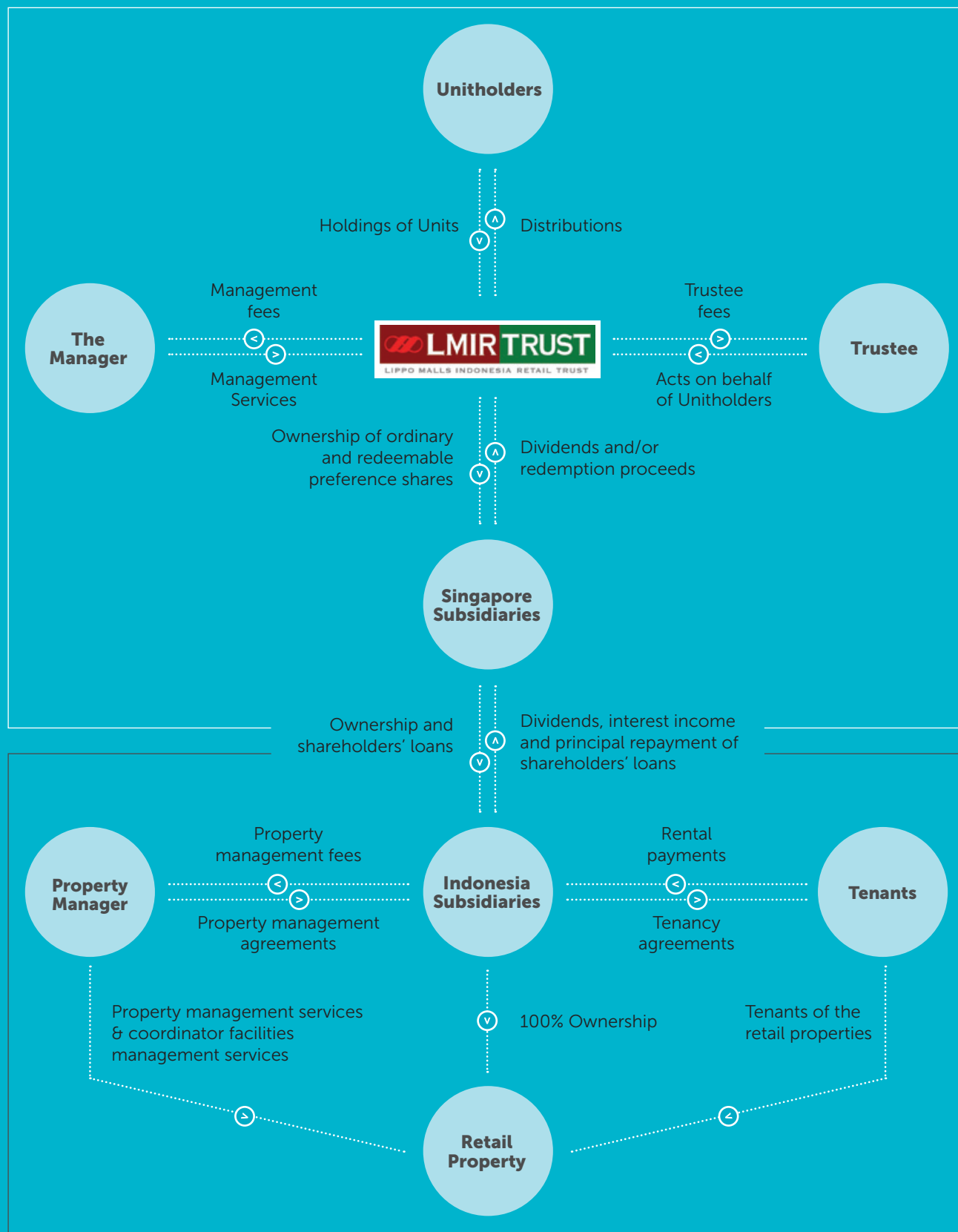
INVESTOR ACTIVITIES IN FY 2017

April	Lippo Karawaci – NDR	Tokyo, Japan
May	1Q 2017 Results Briefing	Singapore
July	SGX Corporate Connect	Singapore
August	2Q 2017 Results Briefing	Singapore
November	3Q 2017 Results Briefing	Singapore
	SGX-Mizuho Corporate Day	Tokyo, Japan
December	Phillip Capital – Remisier Presentation	Singapore

FINANCIAL CALENDAR FOR FY 2018

3 May 2018	1Q 2018 Results Announcement
30 May 2018	1Q 2018 Distribution to Unitholders
2 August 2018	2Q 2018 Results Announcement
29 August 2018	2Q 2018 Distribution to Unitholders
9 November 2018	3Q 2018 Results Announcement
30 November 2018	3Q 2018 Distribution to Unitholders
22 February 2019	4Q 2018 Results Announcement
26 March 2019	4Q 2018 Distribution to Unitholders

TRUST STRUCTURE



□ Singapore

□ Indonesia

SUSTAINABILITY REPORT

BOARD STATEMENT

Lippo Malls Indonesia Retail Trust (“LMIR Trust”) is committed to delivering stable and long-term returns to its Unitholders. As part of this objective, sustainability is being cultivated as a core ethos to grow the business, meet stakeholders’ expectations, and stand as a good corporate citizen in the communities in which we operate in.

This inaugural sustainability report marks an important step as we endeavour to add value along the established three P’s of sustainability –



Planet



People



Prosperity

SUSTAINABILITY REPORT

We do our part to conserve natural resources and protect the environment, take care of our employees and contribute to the wider society. We also proactively conduct our business in a transparent and open manner so as to create value for all stakeholders.

LMIRT Management Ltd (the "Manager") has established the Sustainability Committee ("SC") to integrate sustainability practices within LMIR Trust and monitor sustainability-related performance. The committee is chaired by the CEO of the Manager, while committee members are drawn from the Asset Management & Business Development, Investor Relations, Legal & Compliance, Human Resources and Facilities Management departments. Under the guidance of the Board, the SC has worked with various stakeholders to identify the material Economic, Environmental, Social and Governance ("EESG") factors driving our business. Sustainability is a journey, and the Board will ensure that we have the right policies and

practices in place, appropriate targets and measurements are developed, and sufficient resources are dedicated to sustainability-related initiatives. We will progressively strengthen the sustainability governance structure so that there is clear accountability and oversight.

OVERVIEW

After reviewing the different sustainability standards in the market, LMIR Trust has elected to adopt the Global Reporting Initiative ("GRI") Reporting Standards (2016) as the GRI is globally recognised and the latest standards allow LMIR Trust to identify reporting topics most relevant to our specific industry and context. The GRI framework also allows us to benchmark ourselves against and learn from comparable organisations in the same industry. This report has been prepared in accordance with the GRI Standards: Core option.

This report has also been prepared in accordance with the Singapore Exchange ("SGX")'s Listing Rule 711A, which requires listed issuers

to prepare and release an annual sustainability report no later than five months after the end of their respective financial years. This sustainability report covers all primary components as stipulated in SGX's Listing Rule 711B.

This report is for LMIR Trust's financial year beginning on 1 January and ending on 31 December 2017. The complete sustainability report has been integrated with FY 2017 Annual Report, and we intend to continue this approach for future years' reporting.

STAKEHOLDER ENGAGEMENT

Stakeholders are essential to the long-term success of LMIR Trust. There are several sets of important stakeholders with whom we engage regularly through formal and informal platforms. Their feedback and suggestions are invaluable in helping LMIR Trust chart our organisational strategy and fine-tune ongoing operations. The stakeholder groups, modes of engagement and salient concerns are summarised in the table below.

STAKEHOLDERS ENGAGEMENT TABLE

Stakeholder Groups	Engagement Modes	Salient Concerns
Shoppers 	- Marketing materials and promotional events - Customer service and shoppers' feedback - Online and social media platforms	- Compelling shopping experience - Diverse brands and types of merchandise - Conducive and safe mall environment, including suitable amenities
Tenants 	- Meetings and feedback sessions - Joint marketing activities	- Shopper traffic - Competitive rentals - Attractive and complementary tenant mix
Investors 	- Annual and Extraordinary General Meetings - Comprehensive investor relations section on the corporate website - SGXNet announcements - Briefings to analysts, investors and media - Press releases	- Steady and competitive financial returns - Strong business performance - Good corporate governance

Stakeholder Groups	Engagement Modes	Salient Concerns
Employees 	- Regular meetings - Training and development programmes - Performance appraisals - Recreational and bonding activities	- Competitive remuneration and benefits - Career development opportunities - Fair and inclusive employment policies - Safe and conducive work environment
Business Partners (such as government, suppliers, vendors, etc) 	- Regular meetings and networking sessions - Correspondences through email and letters	- Fair and reasonable business practices - Mutually beneficial partnerships - Compliance with laws and regulations
Community 	- Corporate social responsibility programmes - Exhibitions and other social activities in the malls - Media coverage	- Commitment to the local community, e.g. through contributions to charity - Job opportunities and other economic benefits

MATERIAL EESG FACTORS

In line with the GRI reporting principles, LMIR Trust's material factors are those with significant economic, environmental, social and governance impacts; and which would substantively influence the assessment and decision making of the various stakeholders.

LMIR Trust has looked at the industry-specific trends and best practices. After considering the concerns of the various stakeholder groups and assessing the internal and external

impacts, the following material EESG factors have been identified:

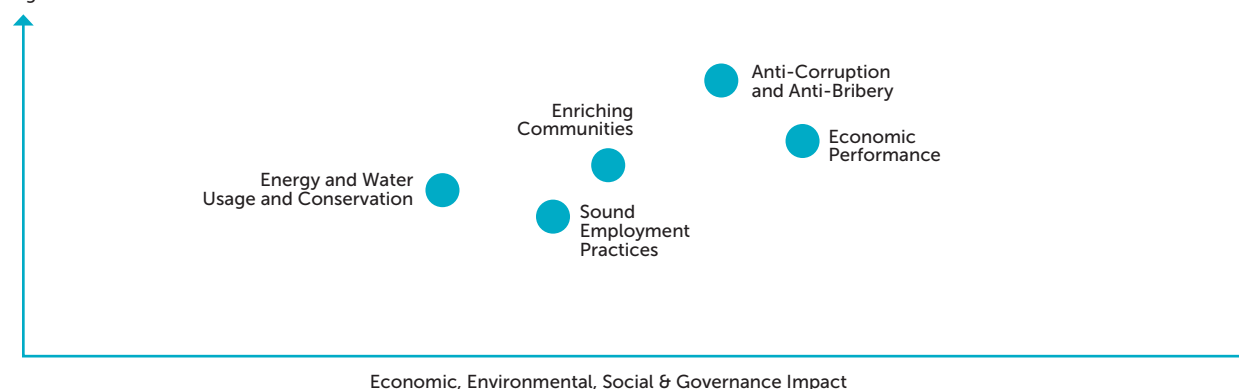
- Economic Impact – Economic Performance
- Environmental Impact – Energy and Water Usage and Conservation
- Social Impact – Enriching Communities, Sound Employment Practices
- Governance Impact – Anti-Corruption and Anti-Bribery

MATERIALITY ASSESSMENT

The Materiality Matrix, a visual representation of how we have ranked the material factors along the two dimensions of impact and significance to stakeholders, is shown below. Our overall assessment is that Economic Performance as well as Anti-Corruption and Anti-Bribery are the most important EESG factors, followed by Enriching Communities, Sound Employment Practices, and Energy and Water Usage and Conservation. Further explanation of the factors is presented in the Materiality Table.

MATERIALITY MATRIX

Significance to Stakeholders



SUSTAINABILITY REPORT

MATERIALITY TABLE

Materiality Factors	Why Is It Material?	Why Is It Significant to Stakeholders?
Economic Performance 	As a commercial enterprise, we generate economic value-add in the countries where we operate. This includes capital investments, expenditures that accrue to business partners, salaries to our employees and taxes to the government. Furthermore, our properties function as economic marketplaces where large and small retail businesses can interact and transact with their customers.	All our stakeholders benefit either directly or indirectly from our economic performance – this includes investment income to investors, revenue to tenants, spinoffs to business partners and job opportunities for the community.
Anti-Corruption and Anti-Bribery 	As a listed entity accountable to our Unitholders and the wider community, we must have strong corporate governance with zero tolerance for any form of corruption, bribery or other unethical practices.	Strong governance and corporate reputation have a major bearing on our stakeholders' trust and willingness to invest in and work with us.
Enriching Communities 	As our retail footprint expands across Indonesia, we strive to be a socially conscious business by giving back to the local community on an ongoing basis. This is because the community's continued patronage and the loyalty of our customers are critical to the long-term viability and prosperity of LMIR Trust.	Our stakeholders would perceive LMIR Trust as a good corporate citizen and trusted brand.
Sound Employment Practices 	Our people are critical assets to implement organisational strategies and create value for stakeholders. We aim to be a competitive choice employer.	Sound employment policies and practices are essential to attracting, developing and retaining talented employees.
Energy and Water Usage and Conservation 	Responsible use of resources such as energy and water would reduce the environmental impact on the local ecology and make us a more cost-effective organisation.	This contributes towards a cleaner, greener and healthier environment, and improves our overall economic performance.

The reporting of the economic performance, energy usage, water usage and community giving factors are applicable to the retail properties in LMIR Trust's portfolio while the reporting of the governance and employment practices factors are applicable to the Manager.

Existing performance measures, targets, risks and opportunities are explained in the following sections where we cover the various EESG factors in detail. As these are early days in our sustainability journey, we will rely on internal assurance until our policies, efforts and goals

are sufficiently mature and ready for external validation.

ECONOMIC PERFORMANCE

LMIR Trust places a strong emphasis on delivering long-term value to our Unitholders in a sustainable manner.

On the financial front, our financial performance has continued to show healthy growth year on year amidst the macroeconomic uncertainties. For full details on our financial performance, please refer to our financial statements pages 86 to 170 in this Annual Report.

In FY 2017, we increased and optimised our portfolio's value through strategic acquisitions of quality, income generating and yield-accretive retail real estate in key cities in Indonesia, proactive asset management and asset enhancement initiatives. We remain committed to this strategy for 2018, so as to provide Unitholders with sustainable and growing income distribution, while achieving long-term capital appreciation.

ACQUISITIONS AND ASSET ENHANCEMENT INITIATIVES

In FY 2017, we completed the acquisition of three quality assets to grow and strengthen our portfolio, namely Lippo Plaza Kendari, Lippo Plaza Jogja and Kediri Town Square. The acquisitions boosted LMIR Trust's portfolio to 30 properties, comprising 23 retail malls and seven retail spaces and increased LMIR Trust's total net lettable area by 6.9% to 910,582 square metres.

The acquired properties are strategically located and enjoy healthy occupancies with a diversified tenant mix of local and international retailers. The acquisitions will add diversity to LMIR Trust's geographical exposure across Indonesia and tenant base mix, thereby reducing tenant and asset concentration risk within LMIR Trust's enlarged portfolio. This will, in turn, provide greater resilience and stability of income for LMIR Trust and its Unitholders.

We will continue our efforts to ensure that our malls cater to the evolving retail scene and changing consumer preferences through asset enhancement initiatives ("AEIs"). AEIs projects were completed for Lippo Plaza Ekalokasari Bogor and Istana Plaza.

The AEI works for Lippo Plaza Ekalokasari Bogor, completed in October 2017, included a new façade cladding with LED screen, an enlarged atrium, a wider entrance for shoppers and upgraded amenities, such as toilets. The revamped mall has since successfully repositioned itself as the preferred one-stop lifestyle mall for families in Bogor City Centre.

Istana Plaza commenced additions and alterations ("A&A") works in January 2017, which were completed in December 2017 as part of our AEIs efforts to enhance our shoppers' experience and stay ahead of competition. The A&A works comprised an extension of the mall,

partial demolition and subsequent reconfiguration of the third floor to create a high ceiling for our anchor tenant, cinema operator Cinemaxx and the repainting of the mall's exterior façade.

Further details of our acquisitions and asset enhancement initiatives are elaborated in the Letter to Unitholders on page 14 to 17 and Manager's operations review on page 30 to 35 of the Annual Report.

ANTI-CORRUPTION AND ANTI-BRIBERY

We believe that a sound corporate governance structure is essential in protecting the interest of the Unitholders of LMIR Trust. The Manager strives to maintain high standards of integrity, accountability and responsible governance.

In discharging its responsibilities, the Manager adheres to the Code of Corporate Governance 2012, Property Fund Guidelines, listing rules and regulations set out by the SGX and MAS Securities and Futures Act, as well as other applicable laws and regulations. More details on Corporate Governance Report can be found on page 57 to 78 of the Annual Report.

We adopt a zero-tolerance stance against corruption and bribery. All employees of the Manager are expected to comply with the Employees' Code of Conduct which includes statements on the prohibition of accepting any rebate, commission, monetary benefits or other inducement. This policy is communicated to all staff during their induction and a copy of the Code of Conduct is made available to each full-time and part-time employee.

As an extension of its policy stance, the Manager intends to progressively incorporate provisions against corruption and bribery into agreements entered with third parties. The Manager also intends to

adopt a more proactive and targeted approach towards building awareness and competencies by providing anti-corruption training to key appointment holders. This training will be conducted annually to reflect the latest standards in anti-corruption.

We have put in place a Whistle Blowing Policy to provide a channel for employees and external business parties to report in good faith and in confidence, concerns about possible improprieties in financial reporting and non-compliance with laws or other matters that may adversely affect Unitholders' interest and the reputation of LMIR Trust. The Whistle Blowing Policy aims to safeguard organisational integrity as any employee or external party making a report in good faith can do so with the confidence that he or she will be treated fairly and, to the fullest extent possible, be protected from any form of reprisal. All Whistle Blowing reports will be handled confidentially and expeditiously.



We adopt a zero-tolerance stance against corruption and bribery. All employees of the Manager are expected to comply with the Employees' Code of Conduct which includes statements on the prohibition of accepting any rebate, commission, monetary benefits or other inducement.



SUSTAINABILITY REPORT

ENRICHING COMMUNITIES

The Manager works actively with the property manager and its network of properties to support worthy community causes and programmes. This is a long-term investment to contribute to the community and build brand loyalty.

For FY 2017, we supported various community initiatives to protect the environment and provide disaster relief. In May 2017, 30 volunteers from the staff of Lippo Mall Kuta spent a Saturday afternoon cleaning up Melasti Beach at the southern tip of Bali. In November 2017, we co-sponsored a tree planting effort in Bogor, where our mall Lippo Plaza Ekalokasari Bogor is located. The attendees included Mr Bima Arya, mayor of Bogor, government officials, business leaders and local residents. Our contribution of 50 trees towards Indonesia's Tree Planting Day is a

tangible affirmation of our Trust's commitment towards the local community.

In October 2017, in the aftermath of increased seismic activity around Mount Agung in Bali, the property manager and tenants of Lippo Mall Kuta quickly mobilised and distributed donated items such as clothes, food and beverages to the affected residents.

In addition, we also partner with Palang Merah Indonesia (Indonesian Red Cross Society) and other community organisations to conduct regular blood donation drives in our malls.

For FY 2018, our malls will continue their bottom-up participation in worthy community-giving initiatives while the Manager will look at supporting activities at the

corporate level. This will help build a community-centric culture amongst all related employees.

HEALTH AND SAFETY IN MALLS

The health and safety of our property manager, tenants and shoppers are our utmost concern. We ensure that all regulatory permits are obtained and renewed on a timely basis. Our malls undergo environmental impact assessments, annual structural checks and scheduled maintenance of fire protection systems. All new staff are briefed on our Emergency Response Plan. Evacuation drills are conducted twice a year to ensure that our property manager and tenants are familiar with emergency response procedures. In addition, security guards conduct regular patrols and bag checks as pre-emptive measures to create a safe environment.



1. Staff from Lippo Mall Kuta cleaning Melasti Beach.
2. LMIR Trust supporting the tree planting at Bogor. Mr Bima Arya (second from right, with the garland), the mayor of Bogor, graced the occasion.
3. Lippo Mall Kuta donated essential items to Mount Agung victims.

SOUND EMPLOYMENT PRACTICES

EQUAL OPPORTUNITY AND DIVERSITY

LMIR Trust, as a real estate investment trust, is managed by the Manager, who employs experienced and well-qualified management personnel. LMIR Trust itself does not employ any staff. The practices covered in this section of the Sustainability Report apply to the employees of the Manager.

Employees are one of our most important stakeholders and we are committed to creating a fair, equitable, harmonious and collaborative working environment for them. We strive to be an employer of choice to attract the best talents with the right skill sets and we aim to nurture a competent, skilled and engaged workforce to drive sustainable growth.



We recognise that our employees have diverse needs, and a flexible benefits plan would enable them to meet their and their families' personal, medical and other needs by choosing from a wide array of staff benefits provided by the Manager.



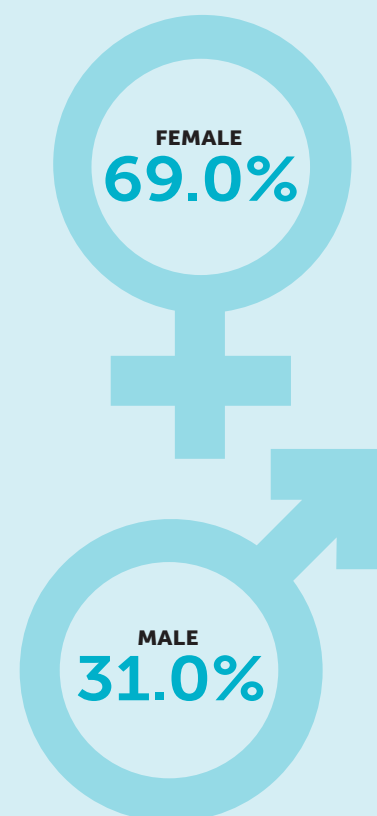
We adopt stringent principles of fair employment and equal remuneration. As an equal opportunity employer, all job applicants are treated fairly regardless of ethnicity, age or gender. We recruit and select employees on the basis of merit, such as skills, experience and ability, regardless of age, race, gender, religion or family status. All our employees are subject to annual performance appraisals and we reward employees fairly based on their ability, performance, contributions and experience.

On work-life balance, we encourage our employees to engage in an active and healthy lifestyle. We are taking steps to enhance our employees' welfare by upgrading all full-time employees to a flexible benefits plan. We recognise that our employees have diverse needs, and a flexible benefits plan would enable them to meet their and their families' personal, medical and other needs by choosing from a wide array of staff benefits provided by the Manager. We intend to roll out the flexible benefits scheme by the first quarter of 2018.

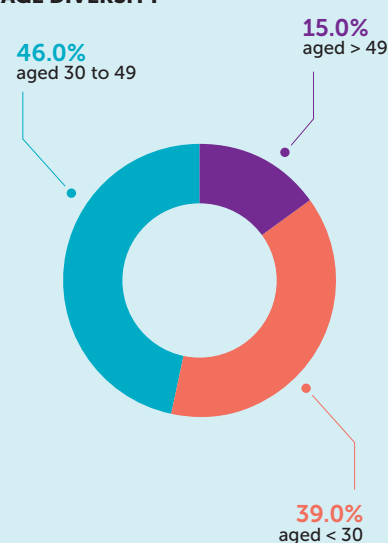
We comply with the Employment Act in Singapore and other applicable laws, rules and regulations governing labour rights and welfare of employees. We also adhere to the Tripartite Guidelines and Advisories which promote fair and progressive employment practices.

As at 31 December 2017, the Manager has 13 employees, all located in Singapore. The Manager has always maintained a diverse workforce in terms of gender and age. Female and male employees respectively constitute 69.0% and 31.0% of the workforce. Females are well represented at the middle and senior management levels and also on the Manager's Board of Directors.

GENDER DIVERSITY



AGE DIVERSITY



SUSTAINABILITY REPORT



Against the backdrop of a competitive landscape, investing in learning is necessary to build a strong, committed and talented workforce that is capable of delivering value to all stakeholders. By developing our people and giving them the right skills to grow, employees will feel empowered and valued by the company.



LEARNING AND DEVELOPMENT

We believe that continual learning and development is the fundamental building block of organisational growth and capability building. As a Capital Market Services License holder, the Manager is committed to maintaining a high level of professional expertise and providing adequate learning and development opportunities through formal courses, seminars, coaching and on-the-job exposure.

In FY 2017, our staff participated in courses ranging from financial management and sustainability to soft skills competencies such as investor relations and communications. The training hours are shown in the table below.

Areas of development that we have identified for focus in FY 2018 include finance, compliance, legal and asset management. To support this, we have allocated 2.0% of our annual payroll budget in FY 2018 for programmes relating to employee learning and growth.

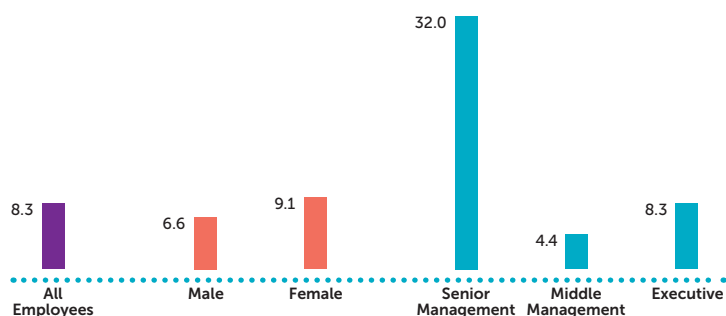
Together with our performance appraisal system, employees' learning and development needs will be reviewed annually so as to provide clear progression paths for their career development.

Apart from courses and seminars identified by us, we also encourage our staff to upgrade themselves by attending courses or obtaining professional qualifications relevant to their work. We have a Continuing Professional Education Scheme available for all full-time permanent employees, where we support and sponsor staff in their pursuit of higher education outside of their regular working hours. We also intend to implement paid examination leave of up to five days per calendar year for their studies, commencing from FY 2018.

With these initiatives in place, we target to have all full-time staff attend at least one training event and increase our average training hours per employee from 8.3 hours in FY 2017 to a minimum of 12.0 hours in FY 2018. We also hope to see better diversification of training hours across senior and junior staff.

Against the backdrop of a competitive landscape, investing in learning is necessary to build a strong, committed and talented workforce that is capable of delivering value to all stakeholders. By developing our people and giving them the right skills to grow, employees will feel empowered and valued by the company.

AVERAGE TRAINING HOURS (FY 2017)



ENERGY AND WATER USAGE AND CONSERVATION

ENERGY USAGE AND CONSERVATION

Indonesia's Parliament ratified the Paris Agreement on climate change in October 2016. Indonesia has pledged an unconditional 2030 Greenhouse Gas ("GHG") emissions reduction target of 29.0% below business-as-usual ("BAU") by 2030. One strategy to achieve this goal is to improve energy efficiency. Retail properties consume a fair amount of energy for air-conditioning, lighting, escalators, elevators, etc. The Manager is committed to working with the property manager to optimise energy usage in daily operations at the various malls, which will lower costs and contribute to Indonesia's efforts to address climate change.

We have reduced the aggregate energy consumption across all 20 retail malls by an average of 3.0% annually from 310,613 MWh in 2015 to 300,655 MWh in 2016 and 291,968 MWh in 2017. This is through a vigilant programme of educating mall operations staff on the importance of and good practices in energy management, as well as investing in energy-saving products such as efficient lighting and air-conditioning systems.

10 of our malls have worked with Philips Lighting & Synergy Efficiency Solutions to install energy-saving LED lights in the car parks. Two of these 10 malls – Cibubur Junction & Pluit Village – have additionally installed the LED lights in the public common areas. The LED light installations have met expectations and we will progressively deploy them across the common areas in our malls over the next two years.

We have embarked on a pilot project to install an inverter air-conditioning chiller in Pluit Village in November 2017. We expect to see recurrent energy savings in 2018 and beyond. We will continue efforts to drive energy efficiency across our properties and target to reduce the aggregate energy consumption by a further 3.0% in 2018.

WATER USAGE AND CONSERVATION

Water is a precious resource, particularly in Indonesia's context, where a growing population and developing infrastructure have limited some communities access to improved water supply services. The portfolio of properties under LMIR Trust makes use of water for cleaning, sanitation and irrigation purposes. We will manage water usage carefully and look into different methods of

conservation as this makes good business sense and fulfils our duty as a responsible corporate citizen.

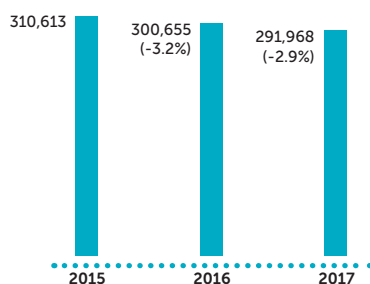
We have reduced the aggregate water usage in all 20 retail malls by an average of 2.8% annually from 2,975,614 m³ in 2015 to 2,880,538 m³ in 2016 and 2,811,777 m³ in 2017. This is done by driving water-efficiency in our operations. We target to maintain the 2.8% water usage reduction goal in FY 2018. We have also piloted the installation of a water treatment plant system in Tamini Square in 2017, which provides quality clean water at a lower cost relative to the water purchased from Perusahaan Daerah Air Minum (PDAM), the local government-owned water utility agency. We are studying the feasibility of installing such water treatment facilities across our portfolio of malls, and will progressively do so from 2018.



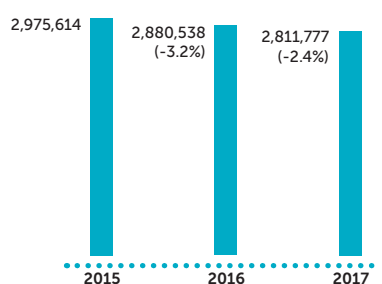
The Manager is committed to working with the property manager to optimise energy usage in daily operations at the various malls, which will lower costs and contribute to Indonesia's efforts to address climate change.



ENERGY CONSUMPTION (MWh)



WATER CONSUMPTION (m³)



SUSTAINABILITY REPORT

GRI CONTENT INDEX

GRI STANDARDS		DETAILS/NOTES/PAGE NO.
GRI 102: GENERAL DISCLOSURE		
Organisation Profile		
102-1	Name of the organisation	About LMIR Trust, Page 8
102-2	Activities, brands, products and services	About LMIR Trust, Page 8
102-3	Location of headquarters	Corporate Information, Page 56
102-4	Location of operations	Portfolio Overview, Page 26
102-5	Ownership and legal form	Trust Structure, Page 44
102-6	Markets Served	Portfolio Overview, Page 26
102-7	Scale of the organisation	Sound Employment Practices, Page 51; Financial Overview, Page 36
102-8	Information on employees and other workers	Sound Employment Practices, Page 51
102-9	Supply chain	Supply chain is minimal and not significant to report on.
102-10	Significant changes to organisation and its supply chain	Not applicable
102-11	Precautionary principle or approach	LMIR Trust does not specifically address the principles of the Precautionary approach
102-12	External initiatives	None
102-13	Membership of associations	Not applicable
Strategy		
102-14	Statement from senior decision maker	Letter to Unitholders, Page 14
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Board Statement, Page 45 ; Corporate Governance Report, Page 57
Governance		
102-18	Governance structure	Corporate Governance Report, Page 57
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement, Page 46
102-41	Collective bargaining agreements	No collective bargaining agreements are in place
102-42	Identifying and selecting stakeholders	Stakeholder Engagement, Page 46
102-43	Approach to stakeholder agreement	Stakeholder Engagement, Page 46
102-44	Key topics and concerns raised	Stakeholder Engagement, Page 46
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Financial Contents, Page 86
102-46	Defining report content and topic boundaries	Overview, Page 46; Material EESG Factors, Page 47
102-47	List of material topics	Material EESG Factors, Page 47
102-48	Restatements of information	Not applicable, as this is the first report in accordance to GRI

102-49	Changes in reporting	Not applicable, first report in accordance with GRI
102-50	Reporting period	Overview, Page 46
102-51	Date of most recent report	Not applicable
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Corporate Information, Page 56
102-54	Claims of reporting in accordance with GRI Standards	Overview, Page 46
102-55	GRI content index	GRI Content Index, Page 54
102-56	External assurance	Not sought
GRI 103: MANAGEMENT APPROACH		
103-1	Explanation of the material topic and its boundary	Material EESG Factors, Page 47; Economic Performance, Page 48; Anti-Corruption and Anti-Bribery, Page 49; Enriching Communities, Page 50; Sound Employment Practices, Page 51; Energy and Water Usage and Conservation, Page 53
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
GRI 201: ECONOMIC PERFORMANCE		
201-1	Direct economic value generated and distributed	Economic Performance, Page 48
GRI: 205: ANTI-CORRUPTION		
205-2	Communication and training about anti-corruption policies and procedures	Anti-Corruption and Anti-Bribery, Page 49
205-3	Confirmed incidents of corruption and actions taken	
GRI 302: ENERGY		
302-1	Energy consumption within the organisation	Energy Usage and Conservation, Page 53
302-4	Reduction of energy consumption	
GRI 303: WATER		
303-1	Water withdrawal by source	Water Usage and Conservation, Page 53
GRI 404: TRAINING AND EDUCATION		
404-1	Average hours of training per year per employee	Learning and Development, Page 52
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY		
405-1	Diversity of governance body and employees	Equal Opportunity and Diversity, Page 51
GRI 413: LOCAL COMMUNITIES		
413-1	Operations with local community engagement, impact assessments, and development programs	Enriching Communities, Page 50

CORPORATE INFORMATION

MANAGER

LMIRT Management Ltd
50 Collyer Quay
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Singapore 049321

Tel: (65) 6410 9138
Fax: (65) 6509 1824

DIRECTORS OF THE MANAGER

Mr Ketut Budi Wijaya
Chairman and Non-Independent
Non-Executive Director

Ms Chan Lie Leng
Executive Director and
Chief Executive Officer

Mr Douglas Chew
Lead Independent Director

Mr Lee Soon Hoon, Phillip
Independent Director

Mr Goh Tiam Lock
Independent Director

AUDIT AND RISK COMMITTEE

Mr Lee Soon Hoon, Phillip (Chairman)
Mr Douglas Chew
Mr Goh Tiam Lock

NOMINATING AND REMUNERATION COMMITTEE

Mr Douglas Chew (Chairman)
Mr Goh Tiam Lock
Mr Ketut Budi Wijaya

STOCK EXCHANGE QUOTATION

BBG: LMRT SP
RIC: LMRT.SI

TRUSTEE

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UNIT REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Tel: (65) 6536 5355
Fax: (65) 6536 1360

AUDITORS OF THE TRUST

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Partner-in-charge: Chow Khen Seng
(Appointment since financial year ended
31 December 2013)

COMPANY SECRETARY OF THE MANAGER

Mr Victor Lai Kuan Loong

INVESTOR RELATIONS

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Singapore 307591

WEBSITE & EMAIL ADDRESS

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ir@lmir-trust.com

CORPORATE GOVERNANCE REPORT

LMIRT Management Ltd (the “Manager” or “LMIRT Management”) is appointed as the manager of Lippo Malls Indonesia Retail Trust (“LMIR Trust”) in accordance with the terms of the Trust Deed dated 8 August 2007, as amended or supplemented (the “Trust Deed”). It is committed to high standards of corporate governance in the business and operations of the Manager, LMIR Trust and its subsidiaries (“LMIR Trust Group”) so as to protect the interest of, and enhance the value of Unitholders’ investments in LMIR Trust.

LMIR Trust is a real estate investment trust (“REIT”) listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and the Manager is an indirect wholly-owned subsidiary of PT Lippo Karawaci Tbk, the flagship company of diversified Indonesian conglomerate Lippo Group and Sponsor to LMIR Trust.

The Manager is licensed under the Securities and Futures Act, Cap 289 (“SFA”) to conduct Real Estate Investment Trust Management since 6 May 2010 and its officers are authorised representatives.

The Manager has general powers of management over the assets of LMIR Trust. The Manager’s key responsibility is to manage LMIR Trust’s assets and liabilities for the benefit of Unitholders with a focus to deliver a stable and sustainable distribution to Unitholders and where appropriate, enhance the values of existing properties and increase the property portfolio over time.

The other functions and responsibilities of the Manager include preparing annual asset plans and undertaking regular individual asset performance analysis and market research analysis, managing finance functions relating to LMIR Trust (which include capital management, treasury, co-ordination and preparation of consolidated budgets) and supervising property manager who performs the day-to-day property management functions for LMIR Trust properties.

The Manager ensures that the business of LMIR Trust is carried on and conducted in a proper and efficient manner adhering to the principles and guidelines of the Code of Corporate Governance 2012 (the “CG Code”) and other applicable laws and regulations, including the Listing Manual of SGX-ST (“Listing Manual”), the Code on Collective Investment Schemes (the “Code on CIS”) and the SFA. The Manager is committed to good corporate governance as it believes that such self-regulation is essential to protect the interests of the Unitholders, as well as critical to the performance of the Manager.

This corporate governance report (“CG Report”) provides an insight on the Manager’s corporate governance framework and practices in compliance with the principles and guidelines of the CG Code. The Board adheres to the “comply or explain” principle and hence, if there are any deviations from guidelines of the CG Code, such as in relation to the disclosure of the Directors’ remuneration in bands instead of in exact quantum, and using other criteria instead of objective criteria in the evaluation of board performance, an explanation has been provided within this CG Report.

(A) BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1: “Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with the Management to achieve this objective and the Management remains accountable to the Board.”

The Board is collectively responsible for the business affairs and long-term success of LMIR Trust and the Manager.

CORPORATE GOVERNANCE REPORT (CONT'D)

As the Board exercises stewardship of the Manager, it sets its values, standards and code of conduct so that the Manager and its personnel conduct themselves at the highest professional and ethical standards in order to meet its obligations to Unitholders and other stakeholders. The Board has also reviewed and considered sustainability issues in the environment, social and governance aspects driving LMIR Trust's business. The Board is pleased to present LMIR Trust's inaugural sustainability report. More information on the material sustainability issues are set out on pages 45 to 55 of this Annual Report.

In carrying out its responsibility as fiduciary, the Board is involved strategically in the business direction and establishment of performance objectives for both LMIR Trust and the Manager, financial planning, budget creation and monitoring, material operational initiatives, investment and asset enhancement initiatives, financial and operational performance reviews. It establishes a framework of prudent risk management policies and procedures (covering different aspects of risk including operational, investment, credit and capital management) to enable the Manager and LMIR Trust to assess and address risks effectively to ensure LMIR Trust's assets and Unitholders' interests are safeguarded.

The Board has reserved authority to approve certain material transactions and these include:

- 1) all acquisitions, investments, disposals and divestments;
- 2) unit issuances, dividends and other returns to Unitholders;
- 3) corporate and financial restructuring;
- 4) fund raising for new acquisitions and/or refinancing;
- 5) approving and assessing LMIR Trust's/Manager's performance budgets; and
- 6) matters which involve a conflict of interest for a controlling Unitholder or a Director.

The Board has a clear fiduciary duty to act in the interest of the Manager and LMIR Trust, and all Directors have been objectively discharging their duties and responsibilities at all times. The Directors are collectively and individually obliged to act honestly and with diligence, and in the best interest of the Manager. The Board has delegated certain responsibilities and limits for ease of operational efficiency (such as certain expenditure for regular maintenance of the properties and for expenses) to the Chief Executive Officer ("CEO")/Executive Director and Management. It continues, however to maintain an oversight over such costs through regular reporting.

Any changes to regulations, policies and accounting standards are closely monitored. Where the changes have a significant impact on LMIR Trust or have an important bearing on the Manager's or Directors' disclosure obligations, the Directors will be briefed during Board meetings or at specially-convened sessions involving relevant professionals.

The Board has established the Audit and Risk Committee ("ARC") and the Nominating and Remuneration Committee ("NRC") (collectively, the "Board Committees") with clear written terms of reference to assist it in the discharge of its functions. The compositions and duties of these committees are described in this CG Report. Membership of these Board Committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximize the effectiveness of the Board and to foster active participation and contribution from Board members. Each of these Board Committees operates and makes decisions on certain board matters under delegated authority from the Board with the Board retaining overall oversight. These Board Committees report their decisions and recommendations for the Board's final endorsement and approval.

CORPORATE GOVERNANCE REPORT (CONT'D)

The Board meets at least once every quarter, and as required by business imperatives. If a Director is unable to attend a meeting, he/she will still receive all the papers and materials for discussion for that meeting for review. He/She will advise the Chairman of the Board or Board Committees or CEO on his/her views and comments on the matters to be discussed to be conveyed to other members at the meeting. The Constitution of the Manager permits the Directors to participate via teleconferencing or video conferencing, if necessary. Time is set aside for discussions before/after scheduled meetings amongst the Directors of the Board without the presence of Management, if required. The Board and Board Committees may also make decisions by way of resolutions in writing. In addition to the meetings, the Directors have access to Management throughout the year, thereby allowing the Board's continuous strategic oversight over the activities of LMIR Trust. A total of seven Board meetings were held in FY 2017.

The attendance record of the Directors at meetings of the Board and Board Committee meetings in FY 2017 is set out below:

Name of Directors	Board Meetings	Audit and Risk	Nominating and
	Attendance/ No. of meetings held	Committee Meetings Attendance/ No. of meetings held	Remuneration Committee Meeting Attendance / No. of meetings held
Ms Chan Lie Leng	7/7	4/4 ⁽¹⁾	1/1 ⁽¹⁾
Mr Ketut Budi Wijaya	6/7	3/4 ⁽¹⁾	1/1
Mr Douglas Chew	7/7	4/4	1/1
Mr Goh Tiam Lock	7/7	4/4	1/1 ⁽¹⁾
Mr Lee Soo Hoon, Phillip	7/7	4/4	–
Mr Albert Saychuan Cheok*	5/7	3/4	1/1
Ms Viven Gouw Sitiabudi**	1/7	1/4 ⁽¹⁾	1/1 ⁽¹⁾

* Retired on 30 September 2017.

** Retired on 16 March 2017.

⁽¹⁾ Attendance by invitation.

The Board places great emphasis on a proper induction and orientation of new Directors and continued training of existing Directors. Upon appointment, a Director is provided with a formal letter of appointment as well as information on matters relating to the role of a Director. Newly appointed Directors are required to undertake an induction programme to familiarise themselves with the Manager's business and strategies. This includes meeting with the Board members and the executive management of the Manager, and organized site visits to LMIR Trust's properties to facilitate better understanding of the operations of LMIR Trust and its subsidiaries.

Both the new and existing Directors receive regular formal training such as but not limited to participation in seminars and training programmes, in connection with their duties, as well as on relevant new laws and regulations and commercial risks which affect LMIR Trust. These training programmes are arranged and fully funded by the Manager. Some of these training programmes attended by the Directors include those organised by the Singapore Institute of Directors (SID) and by audit firms on accounting issues, corporate governance, board committees and other related matters. In FY 2017, the Directors attended several seminars and conferences including "Sustainability for Directors" (23 February 2017), "Nominating Committee Essentials" (21 March 2017), "Remuneration Committee Essentials" (24 March 2017), "Accounting for Acquisitions and Impairment in a Challenging Economic Environment" (25 May 2017), "Value Creation for Owners and Directors in Family Firms" (22 June 2017), "The Sustainability Imperative" (12 September 2017) and "Annual Governance Roundup" (20 November 2017).

CORPORATE GOVERNANCE REPORT (CONT'D)

BOARD COMPOSITION

Principle 2: *“There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board’s decision making.”*

The Board, through the NRC, periodically reviews the size, structure and composition of the Board, to ensure that the size of the Board is appropriate in fully discharging its functions and facilitating effective decision-making for the Manager and that the Board has a strong independent element.

The Board presently consists of five Directors, of which four (including the Chairman) are Non-Executive Directors. Three Directors are considered by the NRC to be independent. As such, there is a strong and independent element on the Board. The Board comprises the following members:

Name of Directors	Nature of Designation	Appointment Date
Mr Ketut Budi Wijaya	Non Independent Non-Executive Director and Chairman of the Board	Appointed as Non-Independent Non-Executive Director on 1 June 2015 and as Chairman of the Board on 30 September 2017
Ms Chan Lie Leng	Executive Director and Chief Executive Officer	Appointed as Non-Executive Director on 22 April 2016, re-designated as an Executive Director on 1 January 2017 and appointed as Chief Executive Officer on 16 March 2017
Mr Lee Soo Hoon, Phillip	Independent Director	Appointed as Independent Director and ARC Chairman on 4 August 2011
Mr Douglas Chew	Lead Independent Director	Appointed as Non-Executive Director on 4 August 2011, as an Independent Director on 26 November 2013 and as Lead Independent Director and NRC Chairman on 30 September 2017
Mr Goh Tiam Lock	Independent Director	Appointed as Independent Director on 27 September 2011 and as NRC Member on 30 September 2017

No Alternate Directors have been appointed to the Board. The profiles of the Directors are set out on pages 18 to 21 of this Annual Report. The Board, through NRC, aims to ensure that there is an optimal blend in the Board of background, experience, expertise, knowledge in business, banking and finance, real estate and management skills critical to LMIR Trust’s business and each Director can bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made for the interest of LMIR Trust. The Board will continue to review its composition regularly to ensure that the Board has the appropriate balance and diversity to maximize its effectiveness.

The majority of the Directors are non-executive and independent of Management. This enables Management to benefit from their external, diverse and objective perspective on issues that are brought before the Board. It also enables the Board to work with Management through robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the roles between the Chairman and the CEO, provides a healthy professional relationship between the Board and Management, with clarity of roles and robust oversight as they deliberate on the business activities of the Manager. To facilitate open discussions and the review of the performance and effectiveness of Management, the Directors meet at least once annually without the presence of Management.

CORPORATE GOVERNANCE REPORT (CONT'D)

The Board, taking into account the view of the NRC, assesses the independence of each Non-Executive Independent Director, on an annual basis, in accordance with the Guideline 2.3 of the CG Code as well as the enhancements to independence requirements as contemplated by the amended Securities and Futures (Licensing and Conduct of Business) Regulations (the "Regulations") (the "Enhanced Independence Requirements"). An independent director is one who has no relationship with the Manager, its related corporations, its shareholders who hold 10% of the voting shares of the Manager or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgment with a view to the best interest of the Manager. In addition, under the Enhanced Independence Requirements, an independent director is one who:

- (i) is independent from any management and business relationship with the Manager and LMIR Trust;
- (ii) is independent from substantial shareholder of the Manager and any substantial unitholder of LMIR Trust; and
- (iii) has not served on the Board for a continuous period of nine years or longer.

For FY 2017, the Independent Directors had provided declarations of independence based on criteria of the definition of "independent director" under Guideline 2.3 of the CG Code as well as the Regulations. None of the Independent Directors has any of the relationships as set out in Guideline 2.3 of the CG Code. The NRC has ascertained that for the financial year under review, Mr Lee Soo Hoon, Phillip, Mr Douglas Chew and Mr Goh Tiam Lock are independent. None of the Independent Directors has served on the Board for more than nine years from the date of their first appointment.

The Board has also examined the relationships or circumstances under which the Directors are involved and has confirmed that no such relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgment. The Board has set requirements that all Directors should disclose to the Board when any such relationship or circumstance as and when it arises. In the event of conflict of interest arising in respect of a matter under consideration by the Board, the Director concerned also complies with disclosure obligations and recuses himself/herself from participating in the Board's deliberation and decision on the matter.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: "There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power."

To maintain due accountability and capacity of the Board for independent decision making, the roles and responsibilities of the Chairman and the CEO are clearly segregated and held by different individuals.

Mr Ketut Budi Wijaya was appointed as Chairman of the Board following the resignation of Mr Albert Saychuan Cheok on 30 September 2017. The Chairman is responsible for leadership of the Board and to ensure overall effectiveness of the Board in discharging its duties. This includes setting the agenda of the Board in consultation with the CEO and promoting constructive engagement among the Directors as well as between the Board and the CEO on strategic issues and discussions. The Chairman plays a significant leadership role by providing clear oversight, direction, advice and guidance to the CEO on strategies. The Chairman ensures effective communication with Unitholders and leads discussions with them. He also takes a leading role in promoting high standards of corporate governance with the full support of the Directors and Management.

Ms Chan Lie Leng joined the Board as Non-Executive Director on 22 April 2016 and was subsequently re-designated to Executive Director on 1 January 2017. She was appointed as CEO on 16 March 2017 following the retirement of Ms Viven Gouw Sitiabudi as Executive Director and CEO. The CEO has full executive responsibilities over the business directions and operational decisions of the Manager. She ensures that all approved strategies and policies as set down by the Board are fully implemented.

CORPORATE GOVERNANCE REPORT (CONT'D)

The Chairman and the CEO are not immediate family members. The separation of the roles of the Chairman and the CEO and the resulting clarity of roles provides a healthy professional relationship between the Board and Management, facilitates robust deliberations on LMIR Trust's activities and the exchange of ideas and views to help shape the strategic process.

As the current Board Chairman, Mr Ketut Budi Wijaya is a Non-Independent Non-Executive Director, Mr Douglas Chew has been appointed as Lead Independent Director on 30 September 2017. The Lead Independent Director is available to Unitholders where they have concerns and for which contact through the normal channels of the CEO has failed to resolve or is inappropriate.

BOARD MEMBERSHIP

Principle 4: "There should be a formal and transparent process for the appointment and re-appointment of directors to the Board."

The NRC, which was established on 15 March 2016, comprises three members, a majority of whom (including the Chairman of NRC) are Independent Directors and all of whom are Non-Executive Directors. As at the date of this Annual Report, the members are as follows:

Mr Douglas Chew (Chairman) (Lead Independent Director)
Mr Goh Tiam Lock (Member) (Independent Director)
Mr Ketut Budi Wijaya (Member) (Non Independent Non-Executive Director)

The NRC meets at least once a year and had met subsequent to financial year end.

The NRC makes recommendations to the Board on all appointments to the Board and Board Committees. The NRC seeks to ensure that the composition of the Board provides an appropriate balance and diversity of skills, experience, gender and knowledge of the industry, and that the Directors, as a group, have the necessary core competencies relevant to LMIR Trust's business.

The NRC is guided by its term of reference. The key terms of reference, which sets out its responsibilities, include:

- (1) Making recommendations to the Board on the appointment of Executive and Non-Executive Directors, including making recommendations on the size and composition of the Board generally and the balance between Executive and Non-Executive Directors as well as between Independent and Non-Independent Directors appointed to the Board;
- (2) Reviewing and recommending to the Board the training and professional development programmes for new and existing Directors;
- (3) Reviewing and making plans for succession for Directors, in particular, for the Chairman of the Board and CEO;
- (4) Determining annually, and as and when required, if a Director is independent;
- (5) Assessing the performance and effectiveness of the Board as a whole and the Board Committees and the contribution of each Director to the effectiveness of the Board;

CORPORATE GOVERNANCE REPORT (CONT'D)

- (6) Deciding how the Board's performance will be evaluated and proposing objective performance criteria for the Board's approval;
- (7) Recommending a general framework of remuneration for the Board and key management personnel; and
- (8) Reviewing and recommending to the Board the specific remuneration packages and terms of employment (where applicable) for each Director, the CEO and key management personnel.

The composition of the Board, including the selection of candidates for appointments as part of the Board's renewal process, is determined using the following principles:

- (a) the Board should comprise Directors with a broad range of commercial experience, including expertise in funds management, the property industry, and banking; and
- (b) at least half of the Board should comprise Non-Executive Independent directors. Where, among other things, the Chairman of the Board is not an Independent Director, at least half of the Board should comprise Independent Directors.

In addition, as part of the regulatory requirements, the Monetary Authority of Singapore ("MAS") also gives approval for any change of CEO or of any appointment of Director. Directors of the Manager are not subject to periodic retirement by rotation.

Renewal or replacement of Board members does not necessarily reflect their contributions to date, but may be driven by the need to position and shape the Board in line with the evolving needs of LMIR Trust and the Manager. The Board believes that orderly succession and renewal is achieved as a result of careful planning, where the appropriate composition of the Board is under continuous review.

The selection of candidates for appointment takes into account various factors including the current and mid-term needs and goals of LMIR Trust and the Manager as well as the relevant expertise of the candidates and their potential contributions. Candidates may be put forward or sought through contacts and recommendations.

Guideline 4.4 of the CG Code recommends that the Board determines the number of listed company board representations which any Director may hold and disclose this in the annual report. The Board has determined that a Director may hold a maximum of ten (10) listed company board representatives. Notwithstanding the Directors' multiple listed company Board representations and/or other principal commitments, each Director is able to and has adequately carried out his duties as a Director of the Manager. Factors taken into account include but are not limited to, the Directors' regular attendance at the Board meetings, prompt and efficient discharge of their duties and responsibilities and ability to deliver on matters needing the Directors' advice, proposal and recommendations to the Manager.

Accordingly, the Board is of the view that the current commitments of each Director are reasonable and the Directors are able to and have been adequately carrying out his or her duties.

The Board will not approve the appointment of Alternate Directors unless in exceptional cases of medical emergency. In FY 2017, there is no necessity for such appointment.

The profile and key information regarding the Directors such as academic and professional qualifications, list of the present and past directorships and chairmanships held over the last three years, and other principal commitments are found on pages 18 to 21 of this Annual Report.

CORPORATE GOVERNANCE REPORT (CONT'D)

BOARD PERFORMANCE AND EVALUATION

Principle 5: “There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.”

The Manager believes that board performance is ultimately reflected in the long-term performance of LMIR Trust.

The Manager has in place appraisal criteria as agreed by the Board which include an evaluation of the size and composition of the Board, the Board’s access to information, its accountability and processes, communication with Management, standards of Directors’ conduct and independence, as well as the Directors’ discharge of their principal responsibilities (including attendance and participation at meetings, time and effort accorded to LMIR Trust and the Manager). The Manager also has in place quantitative and qualitative key performance indicators to appraise the performance of the CEO/Executive Directors.

Based on the established criteria, the Board has implemented a process for evaluating the performance of the Board as a whole. A collective assessment is conducted annually by means of a questionnaire individually completed by each Director. The Directors’ responses to the assessment are collated by the Company Secretary and the consolidated report is discussed by the NRC and the Board. Based on feedback from the Directors in the questionnaire, recommendations will be implemented to further enhance the effectiveness of the Board, where appropriate. The Board is also able to assess the Board Committees through their regular reports to the Board on their activities. Pursuant to the board evaluation process, the Board is satisfied that it has achieved its performance objectives for FY 2017.

ACCESS TO INFORMATION

Principle 6: “In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.”

The Board is provided with complete, adequate and timely information through regular updates on financial results, market trends and business developments prior to any Board meeting and/or when necessary.

Management provides timely, adequate and complete information to the Board relating to the Board affairs and matters requiring its decision or approval. Reports such as, but not limited to, the operations and financial performance of LMIR Trust, are likewise provided. Prompt communication to the Directors (outside of Board meetings) is made through several mediums such as email, teleconferencing and video conferencing.

The Manager’s policy is to furnish the Directors with board papers at least one week prior to Board meetings in order to give them ample time to prepare for the Board meetings. This will enable them to peruse the contents of the reports and papers to be presented during the Board meetings and provide an opportunity for relevant questions and discussions. Proposals on certain corporate undertakings are likewise provided to the Directors prior to the Board meetings set for this purpose.

The appointment and removal of the Company Secretary of the Manager is a matter for the Board to decide as a whole. The Company Secretary attends to corporate secretarial administration and corporate governance matters, attends all Board and Board Committee meetings and provides relevant and complete information to the Directors in a timely manner when requested. The Board has separate and independent access to Management and the Company Secretary at all times and vice versa.

The Board also has access to independent professional advice where appropriate, and at the Manager’s expense. The ARC also meets the external and internal auditors separately at least once a year, without the presence of the Management.

CORPORATE GOVERNANCE REPORT (CONT'D)

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: "There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration."

LEVEL AND MIX OF REMUNERATION

Principle 8: "The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, Companies should avoid paying more than is necessary for this purpose."

DISCLOSURE ON REMUNERATION

Principle 9: "Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance."

The NRC has established a framework of remuneration for the Board and Management and also reviews and recommends to the Board the specific remuneration packages for each Director as well as for Key management personnel. The NRC seeks to structure the remuneration of Management so as to link rewards to the performance and long term success of LMIR Trust and to be aligned with the interest of the Unitholders.

For FY 2017, the remuneration for each Non-Executive Director takes into account the relevant Directors' contribution and responsibilities, including attendance and time spent at Board and Board Committee meetings. The remuneration framework for Non-Executive Directors comprises a base fee for membership on the Board and Board Committees, chairing the Board and Board Committees, and attendance fees for offsite meetings.

Remuneration of Non-Executive Directors for FY 2017

	Director's Fees S\$
Mr Ketut Budi Wijaya*	S\$29,647
Mr Albert Saychuan Cheok**	S\$92,788
Mr Lee Soo Hoon, Phillip	S\$70,000
Mr Douglas Chew	S\$66,000
Mr Goh Tiam Lock	S\$63,250

* Pro-rated to date of appointment on 30 September 2017.

** Pro-rated to date of resignation on 30 September 2017.

The NRC had recommended to the Board a total amount of S\$366,641 as Directors' fees for the financial year ending 31 December 2018, to be paid quarterly in arrears. This recommendation had been endorsed by the Board and will be tabled for approval at the Manager's forthcoming AGM for Unitholders' approval.

CORPORATE GOVERNANCE REPORT (CONT'D)

The remuneration and terms of appointment of the CEO (also the Executive Director) were negotiated and endorsed by the Board. Her remuneration includes a fixed salary, performance bonus and benefits-in-kind.

The performance bonus and annual increment are based on an annual appraisal. In particular, the performance bonus is linked to the stability and performance of the net property income, distributable amount and distribution per unit of LMIR Trust over the preceding year and as such it is in alignment with the performance of LMIR Trust and the interests of Unitholders. Some of the key performance indicators for the CEO include but are not limited to, the following:

- (i) Unit price performance and distribution per unit yield for LMIR Trust;
- (ii) Containment of budgeted operational cost for LMIR Trust and the Manager;
- (iii) Execution of asset acquisitions from the Sponsor/Group and third parties;
- (iv) Effective capital management including competitive cost of funds and fund raising fees, and effective exchange rate management for LMIR Trust; and
- (v) Compliance with regulatory requirements.

None of the Directors were involved in the deliberation and decision in respect of his/her own fees or remuneration.

The Manager is aware of the CG Code's requirement and the Notice to All Holders of a Capital Markets Service Licence for Real Estate Investment Trust Management (issued pursuant to Section 101 of the Securities and Futures Act) to disclose the exact quantum of the remuneration of the CEO and Directors. The Board has assessed and decided against the disclosure of the exact quantum of the CEO's remuneration and has instead disclosed her remuneration in bands of S\$250,000. The Manager believes that such disclosure is sufficient for providing transparency to Unitholders without prejudicing the interest of Unitholders. In view of the highly competitive REIT management industry, the Manager believes that opting not to disclose the exact quantum of the remuneration of the CEO will minimise the risk of potential staff movements and loss of key personnel which would cause undue disruptions to the management of LMIR Trust and which would not be in the interests of Unitholders.

The Manager's remuneration framework for all employees (including Key management personnel) comprises fixed salary and performance bonuses. The Manager does not have any employee share or unit scheme and does not remunerate directors and Key management personnel in the form of shares or interests in the Sponsor or its related entities or any other entities. The performance bonus and annual increment are based on an annual appraisal of each individual employee of the Manager. In particular, the performance bonus of the Key personnel management is linked to their contribution to the performance of the net property income, distributable amount and distribution per unit of LMIR Trust over the preceding year and as such it is in alignment with the performance of LMIR Trust and the interests of Unitholders.

The CG Code also encourages the Manager to disclose the remuneration of the Manager's top five Key management personnel (who are not CEO or Directors) on a named basis in bands of S\$250,000; as well as the aggregate remuneration paid. The Board has identified five Key management personnel who have the authority and responsibility to assist the CEO in planning, directing and controlling the activities of the Manager. Due to the wage disparities in the highly competitive REIT management industry and the likely competitive pressures, the Board has decided against the disclosure of the aggregate remuneration paid to them. The Board is of the view that the disadvantage of such disclosure in term of risk of potential staff movement and loss of Key management personnel will outweigh the benefits to Unitholders.

CORPORATE GOVERNANCE REPORT (CONT'D)

The level and mix of the remuneration of the CEO and each of the key management personnel in the bands of S\$250,000, are set out below:

Remuneration of CEO for FY 2017

Above S\$500,000 – S\$750,000	Salary	Bonus	Allowances and Benefits	Total
Ms Chan Lie Leng	68%	32%	0%	100%
Ms Viven Gouw Sitiabudi*	7%	78%	15%	100%

* Pro-rated to date of retirement on 16 March 2017. The bonus is based on amount paid and payable, based on LMIR Trust's financial year from 1 January 2015 to 31 December 2016.

Remuneration of Key management personnel for FY 2017

Between S\$250,000 – S\$500,000	Salary	Bonus	Allowances and Benefits	Total
Mr Wong Han Siang	73%	27%	0%	100%
Mr Lo Shye Ru*	100%	0%	0%	100%

Below S\$250,000	Salary	Bonus	Allowances and Benefits	Total
Ms Lee Saw May Christina**	79%	21%	0%	100%
Mr Heng Shao Sheng***	79%	21%	0%	100%
Ms Jia Yali Ella	76%	24%	0%	100%
Mr Cesar Agor	72%	27%	1%	100%

* Pro-rated to date of resignation on 31 July 2017.

** Pro-rated to date of joining on 14 March 2017.

*** Pro-rated to date of joining on 3 April 2017.

There is no existing service agreement entered into by the Directors or key management personnel with the Manager that provides for benefits upon termination of appointment or post-employment. The Manager has also not set aside nor accrued any amounts to provide for pension, retirement or similar benefits for the Directors and Key management personnel.

No remuneration consultants were engaged in FY 2017. The NRC may seek expert advice from remuneration consultants on remuneration matters, as and when necessary.

There were no employees of the Manager and its subsidiaries who were immediate family members of a Director or the CEO and whose remuneration exceeded \$50,000 in FY 2017. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent.

CORPORATE GOVERNANCE REPORT (CONT'D)

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: *"The Board should present a balanced and understandable assessment of the company's performance, position and prospects."*

The Manager provides Unitholders with quarterly and annual financial statements through the SGXNET. In presenting these financial statements to Unitholders, the Board aims to provide these Unitholders with a balanced, clear and understandable assessment of the Manager and LMIR Trust's performance, position and prospects on a quarterly basis. To achieve this, the Management provides the Board with management information and accounts as any Director may require from time to time, to enable the Directors to keep abreast, and make a balanced and informed assessment, of LMIR Trust's financial performance, position and prospects. Other material information is also disseminated to unitholders through announcements via SGXNET, press releases and LMIR Trust's website.

The Manager adheres to such policies and procedures that aim to deliver maximum sustainable value to its Unitholders which include prompt fulfillment of statutory reporting requirements. This is one of the means to maintain Unitholders' trust and confidence in the capability and integrity of the Manager.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: *"The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives."*

Effective risk management is a fundamental part of LMIR Trust's business strategy. Recognising and managing risk is central to the business and to protecting Unitholders' interests and value. The Board has overall responsibility for the governance of risk and oversees the Manager in the design, implementation and monitoring of the risk management and internal controls system. The Board reviews the business risks of LMIR Trust, examines liability management and acts upon any comments from the Manager and the auditors of LMIR Trust. In assessing business risk, the Board considers the economic environment and risk relevant to the property industry. The Board reviews management reports and feasibility studies on individual projects prior to approving any major transactions. Management meets regularly to review the operations of the Manager and LMIR Trust and to discuss any risks relating to its assets and the management thereof.

The ARC assists the Board in carrying out the above-mentioned responsibility of overseeing the Manager's risk management framework and policies.

The Manager has in place a Risk Management Policy which details the following:

- (i) interest rate risk management process and policy guidelines;
- (ii) exchange rate risk management process and policy guidelines;
- (ii) capital management guidelines;
- (iv) accounting requirements for derivative transactions; and
- (v) the roles and responsibilities of the parties involved in the management of financial risks for LMIR Trust.

The Manager's approach to risk management and internal control and the management of key business risks is set out in the "Risk Management" section of page 42 of this Annual Report.

CORPORATE GOVERNANCE REPORT (CONT'D)

A risk register is maintained by the Manager to track and monitor risks faced by LMIR Trust in the areas of strategic, operational, financial, compliance and information technology. The risk register is updated on a periodic basis and top-tier risks, as well as risk mitigation measures for top-tier risks, are reported to the ARC and the Board for review.

For FY 2017, the CEO together the Chief Financial Officer ("CFO") of the Manager had provided assurance to the Board that the financial records of LMIR Trust have been properly maintained and the financial statements give a true and fair view of the operations and finances and that the risk management and internal control system which has been put in place is effective in addressing the material risks faced by LMIR Trust in its current business environment.

Based on the internal controls established and maintained by LMIR Trust Group, work performed by the internal and external auditors, reviews performed by Management, the ARC and the Board and the assurance from the CEO and the CFO of the Manager, the Board, with the concurrence of the ARC, is of the opinion that LMIR Trust Group's internal controls, addressing financial, operational, compliance and information technology risks, were adequate and effective as at 31 December 2017

The Board notes that the system of risk management and internal controls provides reasonable, but not absolute, assurance, that LMIR Trust Group, will not be adversely affected by any event that could be reasonably foreseen or anticipated, as it works to achieve its business objectives. In this regards, the Board also notes that no system of risk management and internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

AUDIT AND RISK COMMITTEE ("ARC") AND INTERNAL AUDIT

Principle 12: *"The Board should establish an Audit Committee with written terms and reference which clearly sets out its authority and duties."*

Principle 13: *"The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits."*

The ARC comprises three members, all of whom are Independent Directors. As at the date of this Annual Report, the members are as follows:

Mr Lee Soo Hoon, Phillip (Chairman) (Independent Director)

Mr Goh Tiam Lock (Member) (Independent Director)

Mr Douglas Chew (Member) (Lead Independent Director)

The members of the ARC are appropriately qualified to discharge their responsibilities and have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment. For FY 2017, none of the members of the ARC is a former partner or director of, or hold any financial interest in, the Manager's existing auditing firm. The role of the ARC is to monitor and evaluate the effectiveness of the Manager's internal controls. The ARC also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. With the assistance of the external auditors, the ARC assesses changes in accounting standards and issues that impact LMIR Trust.

CORPORATE GOVERNANCE REPORT (CONT'D)

The ARC's responsibilities are set forth in its terms of reference which include:

- monitoring the procedures established to regulate related party transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transactions" (as defined therein) and the provisions of Appendix 6: Investment Property Funds of the Code on CIS ("Property Funds Appendix") relating to "interested party transactions" (as defined therein);
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Appendix;
- reviewing arrangements by which whistle-blowers may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action;
- examining the effectiveness of financial, operating, compliance and information technology controls and risk management policies and systems at least annually;
- reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management;
- making recommendations to the Board on the appointment, re-appointment and removal of external auditors and approving the remuneration and terms of engagement of external auditors;
- reviewing, on an annual basis, the scope and result of the external audit, the independence and objectivity of the external auditors and where the external auditors also provide a substantial volume of non-audit services to LMIR Trust, keeping the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- reviewing internal audit reports annually to ascertain that the guidelines and procedures established to monitor related party transactions have been complied with;
- ensuring that the internal audit function is adequately resourced and has appropriate standing with LMIR Trust;
- ensuring, at least annually, the adequacy and effectiveness of the internal audit function;
- meeting with external and internal auditors, without the presence of the executive officers of the Manager, at least on an annual basis;
- reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of LMIR Trust and any formal announcements relating to LMIR Trust's financial performance;
- investigating any matters within the ARC's terms of reference, whenever it deems necessary; and
- reporting to the Board on material matters, findings and recommendations.

CORPORATE GOVERNANCE REPORT (CONT'D)

The ARC has the authority to investigate any matter within terms of reference, full access to and co-operation from Management and full discretion to invite any Director or executive officer of the Manager to attend its meetings. The ARC also has full access to reasonable resources to enable it to discharge its functions properly. In FY 2017, the ARC was briefed on the key changes to the Companies Act and Financial Reporting Standards and the implications of these changes on LMIR Trust, in particular on the direct impact on financial statements.

Other ways the ARC keeps abreast of changes to accounting standards and issues that may have a direct impact on financial statements include referring to the best practices and guidance in the Guidebook for Audit Committee in Singapore and the reports issued from time to time in relation to Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority.

In FY 2017, the ARC had:

- (i) held four meetings during the year;
- (ii) reviewed and approved the internal and external audit plans, including the nature and scope of work before commencement of these audits;
- (iii) met with the internal and external auditors without the presence of management, to discuss their findings as set out in their respective reports to the ARC. Both the internal and external auditors had confirmed that they had received the full co-operation of management and no restrictions were placed on the scope of audits;
- (iv) reviewed and recommended to the Board, the quarterly and full-year financial statements and audit report;
- (v) reviewed all services provided by the external auditors and were satisfied that the provision of such services did not affect their independence. The external auditors had also affirmed their independence in their report to the ARC;
- (vi) reviewed related party transactions on a quarterly basis;
- (vii) reviewed and determined the adequacy and effectiveness of risk management and internal control systems, including financial, operational, compliance and information technology controls and made the requisite recommendation to the Board; and
- (viii) reviewed the Manager's Risk Management Policy.

RSM Chio Lim LLP audited LMIR Trust and the Singapore subsidiaries. A member firm of RSM International of which RSM Chio Lim LLP is a member, audited the foreign subsidiaries. LMIR Trust is in compliance with Listing Rules 712 and 715 of the SGX-ST Listing Manual.

The ARC has undertaken a review of all non-audit services provided by the external auditors in FY 2017, and is satisfied that the extent of such services would not affect the independence of the external auditors before confirming their re-nomination. The aggregate amount of audit fees payable to external auditors for FY 2017 was S\$479,000, of which audit fees amounted to S\$397,000 and non-audit fees amounted to S\$82,000, respectively.

In the review of the financial statements for FY 2017, the ARC has discussed with Management and the external auditors on the key audit matters, which is included in the Independent Auditor's Report.

CORPORATE GOVERNANCE REPORT (CONT'D)

Key Audit Matters	How the ARC reviewed these matters and what decisions were made
Valuation of investment properties	The ARC considered the approach and assumptions applied to the fair value measurements. The valuation of the investment properties was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 December 2017. Refer to the Independent Auditor's Report of this Annual Report.

The ARC, with the concurrence of the Board, had recommended the re-appointment of RSM Chio Lim LLP as the external auditors, which will be subject to approval of the Unitholders at LMIR Trust's Annual General Meeting to be held on 18 April 2018.

Internal Audit

The internal audit function of the Manager is outsourced to KPMG Services Pte Ltd, a reputable accounting/auditing firm. The internal auditors will ensure that the internal audit function is carried out according to the standards set by nationally or internationally recognized professional bodies' including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors by persons with the relevant qualifications and experience. The internal auditors report directly to the ARC. The ARC is of the view that the internal auditors have adequate resources to perform its functions.

In the financial year under review, the internal auditors have conducted audit reviews based on the internal audit plan approved by the ARC. They have full and unfettered access to the ARC and to all the documents, records, properties and personnel of the Manager. Upon completion of each audit assignment, they report its findings and recommendations to the Manager who would respond on the actions to be taken, before the audit report is submitted to ARC for deliberation and validation of the follow up actions taken.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14: "Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements."

COMMUNICATIONS WITH SHAREHOLDERS

Principle 15: "Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders."

Principle 16: "Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company."

The Manager is committed to treating all its Unitholders fairly and equitably. All Unitholders enjoy specific rights under the Trust Deed and the relevant rules and regulations. These include, among other things, the right to participate in profit or dividend distributions. They are also entitled to attend and vote at the general meetings of unitholders and are accorded the opportunity to participate effectively.

CORPORATE GOVERNANCE REPORT (CONT'D)

The Listing Manual requires that a listed entity disclose to the market matters that would be likely to have a material effect on the price of the entity's securities. The Manager strives to uphold a strong culture of timely disclosure and transparent communication with Unitholders and the investing community.

The Manager's disclosure policy requires timely and full disclosure of all material information relating to LMIR Trust by way of public releases or announcements through the SGX-ST via SGXNET at first instance and then including the release on LMIR Trust's website at www.lmir-trust.com. When there is an inadvertent disclosure made to a selected group, the Manager will make the same disclosure publicly to all others as soon as practicable.

The Manager also uses other channels of communication with Unitholders and investors to keep them informed regularly of corporate developments, such as:

- Analysts' briefings on a quarterly basis;
- One-on-one/group meetings or conference calls on a quarterly basis, local/overseas non-deal specific roadshows;
- Participation in forums and seminars organised by various financial institutions and attended by selected investors;
- Responding to queries submitted to the Manager via electronic email or telephone calls; and
- Annual reports.

The list of investor activities for FY 2017 is disclosed on page 43 of this Annual Report.

The Board has taken active steps to solicit and understand the views of Unitholders by according them the opportunity to raise relevant questions on LMIR Trust's business activities, financial performance and other business matters and to communicate their views at the general meetings. The Directors, Chairmen of the Board Committees, representative(s) of the Trustee, external auditors, the Company Secretary, independent financial advisers, legal counsels and other professional advisers attend the annual or extraordinary general meetings to address the Unitholders' queries. Unitholders are encouraged to participate in the question and answer sessions, whereby minutes of the proceedings, including any substantial queries raised by Unitholders in relation to the agenda and the accompanying responses from the Board and Management are subsequently recorded, prepared and minuted. Minutes of the general meetings are available to Unitholders for their inspection upon prior request.

Unitholders who are unable to attend general meetings can appoint up to two proxies to attend, participate and vote in general meetings on his/her behalf. Corporations providing nominee and custodial services can appoint more than two proxies to attend, participate and vote in general meetings on behalf of Unitholders who hold Units through such corporations.

As recommended by the CG Code, all resolutions at general meetings are voted on by way of poll and Unitholders are informed of the voting rules and procedures. This allows all Unitholders present or represented at the meetings to vote on a one-unit-one-vote basis. There are separate resolutions at the Unitholders' meetings on each substantially separate issue. Resolutions are not "bundled" unless resolutions are interdependent and linked so as to form one significant proposal. All polls are conducted in the presence of independent scrutineers.

The voting results of all votes cast for or against each resolution with the respective percentages are announced at the meeting and via LMIR Trust's website and SGXNET after the meeting.

CORPORATE GOVERNANCE REPORT (CONT'D)

(E) ADDITIONAL INFORMATION

DEALING IN LMIR TRUST UNITS

The Board has adopted a Code of Conduct to provide guidance to its Directors and officers on dealing in LMIR Trust's units ("Units"). A Director is required to give notice to the Manager of his/her acquisition of Units or changes in the number of Units he/she holds or in which he/she has an interest, within two business days after such acquisition or occurrence.

In general, the Manager's Personal Trading Policy permits Directors and employees of the Manager to hold Units but prohibits them from dealing in such Units:

1. during the period commencing one month before the public announcement of LMIR Trust's full year results and (where applicable) property valuation and two weeks before the public announcement of LMIR Trust's quarterly results and ending on the date of announcement of the relevant results or, as the case may be, property valuation; and
2. on short term considerations or at any time whilst in possession of price sensitive information.

The Directors and employees of the Manager are expected to observe insider trading regulations at all times. The Manager issues quarterly reminders to its Directors, relevant officers and employees on the restrictions in dealing in LMIR Trust units as set out above.

In addition, as part of its undertaking to MAS, the Manager has undertaken that it will not deal in the Units during the period commencing one month before the public announcement of LMIR Trust's full year results and where applicable, property valuation, and two weeks before the public announcement of LMIR Trust's quarterly results and ending on the date of announcement of the relevant results or, as the case may be, property valuation.

The Manager has complied with Rule 1207(19) of the Listing Manual of SGX-ST.

FEES PAYABLE TO THE MANAGER

Under the revised Code on CIS issued by MAS which took effect on 1 January 2016, where fees are payable out of the deposited property of a property fund, the methodology and justifications for each type of fees payable should be disclosed. The methodology for computing the fees payable to the Manager is contained in Clause 15 of the Trust Deed (as amended), details of which are disclosed under Notes to Financial Statements.

Pursuant to Clause 15.1.3, 15.1.4 and 15.1.5 of the Trust Deed, the Manager is entitled to (i) a base fee of 0.25% per annum of the value of the deposited property (excluding those authorised investments not in the nature of real estate, whether directly held by LMIR Trust or indirectly through one or more special purpose vehicles), (ii) an annual performance fee of 4.0% per annum of the net property income (as defined in the Trust Deed) for each financial year (calculated before accounting for this fee in that financial year) and (iii) an authorised investment management fee of 0.5% per annum of the investment value of such authorised investment. The foregoing does not apply to Retail Spaces as the management fees are fixed.

CORPORATE GOVERNANCE REPORT (CONT'D)

The management fees will be paid in the form of cash and/ or Units (as the Manager may elect). The management fees payable in Units will be issued at the volume weighted average price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the Trust Deed) immediately preceding the relevant Business Day.

For FY 2017, the breakdown of the management fees and frequency of payment is as follows:

	Group and LMIR Trust	
	2017	2016
	S\$'000	S\$'000
Base fee	5,148	5,066
Performance fee	7,370	6,874
	12,518	11,940

In FY 2017, the Manager's performance fee is payable once a year after completion of the audited financial statements for the relevant financial year in arrears.

Pursuant to clause 15.2.1 of the Trust Deed, the Manager is also entitled to receive an acquisition fee at the properties respectively.

JUSTIFICATION OF FEES PAYABLE TO THE MANAGER

1. Base fee

The Manager receives a base fee of 0.25% per annum of the value of all the assets for the time being of the Trust or deemed to be held upon the Trust constituted under the Trust Deed, representing the remuneration to the Manager for executing its core responsibility. The base fee compensates the Manager for the costs incurred in managing LMIR Trust, which includes day-to-day operational costs, compliance costs and costs incurred in managing and monitoring the portfolio. The base fee is calculated at a fixed percentage of asset value as the scope of the Manager's duties is commensurate with the size of LMIR Trust's asset portfolio.

Since LMIR Trust's listing on 19 November 2007, the Manager has taken active steps to keep its portfolio relevant and adaptable to the changing economic and environmental landscapes. As at 31 December 2017, LMIR Trust existing portfolio comprises 23 retail malls and 7 retail spaces spread over Indonesia with a combined gross floor area of 1,650,014 square metres and valuation of S\$1,920.1 million.

2. Performance fee

The Manager receives an annual performance fee of 4.0% per annum on the net property income of the Trust or (as the case may be) the net property income of the relevant special purpose vehicles (as defined in the Trust Deed) for each financial year.

The performance fee, which is based on net property income, aligns the interests of the Manager with Unitholders as the Manager is motivated and incentivised to achieve income stability by ensuring the long-term sustainability of the assets through proactive asset management strategies and asset enhancement initiatives. Therefore, to achieve sustainability in LMIR Trust's net property income, the Manager is dis-incentivised from taking on excessive short-term risks, and will strive to manage LMIR Trust in a balanced manner.

CORPORATE GOVERNANCE REPORT (CONT'D)

3. **Authorised investment management fee**

The authorised investment management fee serves the same function as the base fee to compensate the Manager should LMIR Trust invest in any authorised investments which are not in the nature of real estate. LMIR Trust does not currently hold any such authorised investments and no such fee was payable for FY 2017.

4. **Acquisition and divestment fees**

In line with the Manager's key objective of managing LMIR Trust for the benefit of Unitholders, the Manager regularly review its portfolio of properties and considers the acquisition and/or recycling of assets, where appropriate, to optimise its portfolio. This involves a thorough review of the exposures, risks and returns as well as the overall value-add of acquisitions or divestments to LMIR Trust's existing portfolio and future growth expectations.

In undertaking a proposed acquisition, the Manager is expected to spend time and effort in conducting due diligence, structuring the acquisition, negotiating transaction documentation with the vendor, liaising with the valuers and working with the professional advisers and regulatory authorities to seek the necessary approvals from the regulators and/or Unitholders (where required). Similarly, in undertaking a proposed divestment, the Manager is expected to spend time and effort in negotiating with the prospective purchaser, structuring the divestment, liaising with the valuers and working with the professional advisers and regulatory authorities to seek the necessary approvals from regulators and/or the Unitholders (where required).

The Manager receives an acquisition fee of 1.0% on the acquisition price upon the completion of an acquisition, and a divestment fee of 0.5% on the sale price upon the completion of a divestment. The acquisition fee is higher than the divestment fee because there is additional work required to be undertaken in terms of sourcing, evaluating and conducting due diligence for an acquisition, as compared to a divestment.

The acquisition and divestment fees seek to motivate and compensate the Manager for the time, cost and effort spent in sourcing, evaluating and executing potential opportunities to acquire new properties to further grow LMIR Trust asset portfolio (in the case of an acquisition) or, in rebalancing and unlocking the underlying value of the existing properties (in the case of a divestment). The Manager provides these services over and above the provision of ongoing management services with the aim of enhancing long-term returns, income sustainability and achieving the investment objectives of LMIR Trust.

As required by the Property Funds Appendix where acquisition fees or divestment fees are to be paid to the Manager for the acquisition of assets from, or divestment of assets to, an interested party, the acquisition fees or divestment fees are to be paid in the form of units in LMIR Trust issued at the prevailing market price, which should not be sold for a period of one year from their date of issuance. This additional requirement for interested party acquisitions and divestments further aligns the Manager's interests with Unitholders.

DEALING WITH CONFLICT OF INTEREST

The Manager has instituted the following procedures to deal with potential conflicts of interest issues, which the Manager may encounter, in managing LMIR Trust:

- The Manager will not manage any other real estate investment trust which invests in the same type of properties as LMIR Trust;
- All executive officers will be employed by the Manager;
- All resolutions in writing of the Directors in relation to matters concerning LMIR Trust must be approved by a majority of the Directors, including at least one Independent Director;

CORPORATE GOVERNANCE REPORT (CONT'D)

- At least half of the Board shall comprise Independent Directors; and
- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent its/ their interest will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Directors and must exclude the nominee Directors of the Sponsor and/ or its subsidiaries.

It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of LMIR Trust with a related party of the Manager, the Manager shall be obliged to consult a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that LMIR Trust has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors shall have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of LMIR Trust with a related party of the Manager and the Trustee may take any action it deems necessary to protect the rights of Unitholders and/or which is in the interest of Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

The Manager has zero tolerance towards bribery and corruption. In addition to clear guidelines and procedures for giving and receipt of corporate gifts and concessionary offers, all employees of LMIR Trust are required to uphold the Manager's core values and not to engage in any corrupt or unethical practices. This is geared towards maintaining the value of integrity, in all the employees' dealings at work, to the highest standards.

As a further extension of its policy stance, the Manager requires that agreements entered into with third parties contain provisions against bribery and corruption.

WHISTLE BLOWING POLICY

The ARC has put in place procedures to provide staff and external parties such as suppliers, customers, contractors and other stakeholders with well-defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to LMIR Trust or the Manager, and for the independent investigation of any reports by employees or any third party and appropriate follow-up action. The aim of the whistle blowing policy is to encourage the reporting of such matters in good faith, with the confidence that a whistle-blower making such reports will be treated fairly, and to the extent possible, be protected from reprisal.

RELATED PARTY TRANSACTIONS

The Manager has established procedures to ensure that all related party transactions will be undertaken on an arms' length basis and on normal commercial terms and will not be prejudicial to the interests of LMIR Trust and the Unitholders.

The Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuation from independent professional valuers (in accordance with the Property Funds Appendix).

CORPORATE GOVERNANCE REPORT (CONT'D)

The ARC reviews and approves all related party transactions on a quarterly basis or, if the situation requires, as soon as the Related party transactions arise. In addition to the foregoing, the following procedures will be undertaken:

- for related party transactions (either individually or aggregated during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of LMIR Trust's net tangible assets/net asset value, the ARC shall only give its approval for such transactions if they are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
- related party transactions (either individually or aggregated during the same financial year) equal to or exceeding 5% of the value of LMIR Trust's net tangible assets/net asset will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transactions from independent sources or advisers, including obtaining valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders; and
- aggregate value of related party transactions entered into during the financial year under review will be disclosed in the Annual Report.

For related party transactions entered into or to be entered into by the Trustee, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on an arm's length basis and on normal commercial terms, are not prejudicial to the interests of LMIR Trust and the Unitholders, and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question. Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a related party transaction. If the Trustee is to sign any related party transaction contract, the Trustee will review the contract to ensure that it complies with the requirements relating to related party transaction as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to REITs.

ROLE OF THE AUDIT AND RISK COMMITTEE FOR RELATED PARTY TRANSACTIONS

All related party transactions are subjected to regular periodic reviews by the ARC. The Manager's internal control procedures are intended to ensure that related party transactions are conducted on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of Unitholders.

The Manager maintains a register to record all related party transactions (and the bases, including any quotations from unrelated third parties and independent valuations obtained to support such bases, on which they are entered into) which are entered into by LMIR Trust. The Manager incorporates into its internal audit plan a review of all related party transactions entered into by LMIR Trust. The ARC reviews the internal audit reports to ascertain that the guidelines and procedures established to monitor related party transactions have been complied with. In addition, the Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix have been complied with. The ARC will periodically review all related party transactions to ensure compliance with the Manager's internal control procedures and with the relevant provisions of the Property Funds Appendix and/or the Listing Manual. The review will include the examination of the nature of the transactions and its supporting documents or such other data deemed necessary by the ARC.

If a member of the ARC has an interest in a transaction, he is required to abstain from participating in the review and approval process in relation to that transaction.

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REPORT OF THE TRUSTEE

Perpetual (Asia) Limited (the “Trustee”) is under a duty to take into custody and hold the assets of Lippo Malls Indonesia Retail Trust (the “Trust”) and its subsidiaries (collectively the “Group”) in trust for the holders (“Unitholders”) of units in the Trust (the “Units”). In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of LMIRT Management Ltd (the “Manager”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed dated 8 August 2007 (as amended by the First Supplemental Deed dated 18 October 2007, Second Supplemental Deed dated 21 July 2010, First Amending and Restating Deed dated 18 March 2016) and Supplemental Deed of Retirement and Appointment of Trustee dated 1 November 2017 (the “Trust Deed”) between the Manager and the Trustee in each annual financial reporting year and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the financial year covered by these financial statements set out on pages 86 to 170 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
Perpetual (Asia) Limited

.....
Sin Li Choo
Director

Singapore

14 March 2018

STATEMENT BY THE MANAGER

In the opinion of the directors of LMIRT Management Ltd, the accompanying financial statements of Lippo Malls Indonesia Retail Trust (the "Trust") and its subsidiaries (the "Group") set out on pages 86 to 170 comprising the statements of total return, statements of distribution, statements of financial position and statements of changes in Unitholders' funds of the Group and of the Trust, statement of cash flows and statement of portfolio of the Group and summary of significant accounting policies and other explanatory notes, are drawn up so as to present fairly, in all material respects, the financial positions of the Group and of the Trust and the portfolio of the Group as at 31 December 2017, the total return, distributions and changes in Unitholders' funds of the Group and of the Trust and cash flows of the Group for the reporting year ended on that date in accordance with the provisions of the Trust Deed and the recommendations of the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,
LMIRT Management Ltd

.....
Chan Lie Leng
Director

Singapore

14 March 2018

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF LIPPO MALLS INDONESIA RETAIL TRUST

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of Lippo Malls Indonesia Retail Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and of the Trust and the statement of portfolio of the Group as at 31 December 2017, the statements of total return, statements of distribution, statements of changes in Unitholders' funds of the Group and of the Trust, and the statement of cash flows of the Group for the reporting year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements of the Group and of the Trust are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants so as to present fairly, in all material respects, the financial positions of the Group and of the Trust and portfolio holdings of the Group as at 31 December 2017 and the financial performance and changes in Unitholders' funds for the Group and Trust, and cash flows of the Group for the reporting year then ended.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENT PROPERTIES

Please refer to Note 2A on accounting policies, 2C on critical judgements, assumptions and estimation uncertainties, Note 14 on investment properties and the annual report on the section on the audit committee's views and responses to the reported key audit matter.

The Group owns a portfolio of investment properties comprising retail malls and retail spaces located within other malls in Indonesia. The investment properties are stated at fair value of \$1,908,141,000 as at 31 December 2017 and there is a fair value loss of \$30,399,000 accounted in the statement of total return. The valuation of the portfolio is a significant judgement area and the fair values are impacted by a number of assumptions and factors including contracted and future potential rental income, quality and condition of the properties, tenant covenants, and yields. All the valuations are carried out by third party independent professional valuers in accordance with the professional standards for valuation, FRS 40 and FRS 113. Sensitivity of the valuations to key assumptions is disclosed in Note 14 to the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

TO THE UNITHOLDERS OF LIPPO MALLS INDONESIA RETAIL TRUST

VALUATION OF INVESTMENT PROPERTIES (CONT'D)

We assessed the processes used by management for the selection of the independent external valuers, the determination of the scope of work of these valuers, and the review of the valuations reported by these valuers. The external valuers used by management have considerable experience in the markets in which the properties are located. With assistance from our own internal valuation specialists, we assessed the independence, competence and experience of the independent external valuers used by management in assessing their objectivity, professional qualifications and resources; assessed the results of the external valuers' reports by checking whether the valuations were in accordance with international valuation professional standards and that the methodology adopted was appropriate by reference to acceptable valuation practice, FRS 40 and FRS 113. We tested the integrity of inputs of the projected cash flows used in the valuations to supporting leases and other documents.

We challenged the key assumptions upon which the valuations were based including those relating to forecast rents, yields, capital expenditure by making a comparison to our own understanding of the market and obtained an understanding of the reasons for significant or unusual movements in the property values by forming our own view on the general market conditions with reference to the key assumptions noted above. We compared the information provided by management to the independent external valuers, such as lease data, rental income and property costs, to supporting documents including lease agreements and purchase agreements. We also considered the adequacy of the disclosures about the degree of estimation made when valuing these properties as disclosed in Note 14.

The testing performed in relation to the final fair values of the investment properties proved to be satisfactory.

OTHER INFORMATION

The Manager of the Trust (LMIRT Management Ltd) is responsible for the other information. The other information comprises the information included in the report of the trustee, statement by the manager and the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGER FOR THE FINANCIAL STATEMENTS

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

TO THE UNITHOLDERS OF LIPPO MALLS INDONESIA RETAIL TRUST

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

TO THE UNITHOLDERS OF LIPPO MALLS INDONESIA RETAIL TRUST

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chow Khen Seng.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

14 March 2018
Engagement partner – effective from year ended 31 December 2013

STATEMENTS OF TOTAL RETURN

YEAR ENDED 31 DECEMBER 2017

	Notes	Group		Trust	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Gross revenue	4	197,376	188,066	116,131	104,239
Property operating expenses	5	(13,125)	(16,206)	–	–
Net property income		184,251	171,860	116,131	104,239
Interest income		1,148	1,678	6	10
Other gains	6	312	–	–	–
Manager's management fees	7	(12,518)	(11,940)	(12,518)	(11,940)
Trustee's fees		(423)	(332)	(423)	(332)
Finance costs	8	(31,589)	(34,963)	(32,736)	(38,550)
Other expenses	9	(3,538)	(1,923)	(3,450)	(1,808)
Net income before the undernoted		137,643	124,380	67,010	51,619
Decrease in fair values of investment properties	14	(30,399)	(48,045)	–	–
Impairment loss on investments in subsidiaries	16	–	–	(122,076)	(8,294)
Realised gains on derivative financial instruments		1,452	4,010	1,452	4,010
Decrease in fair values of derivative financial instruments	28	(568)	(3,120)	(568)	(3,120)
Realised foreign exchange adjustment losses		(5,521)	(6,853)	(5,161)	(5,295)
Unrealised foreign exchange adjustment (losses)/gains		(1,509)	(5,116)	(11,180)	2,647
Amortisation of intangible assets	15	(12,996)	(11,889)	–	–
Total return/(loss) for the year before income tax		88,102	53,367	(70,523)	41,567
Income tax (expense)/income	10	(25,392)	(24,532)	283	309
Total return/(loss) for the year after income tax		62,710	28,835	(70,240)	41,876
Other comprehensive return/(loss):					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations, net of tax		(140,788)	82,531	–	–
Total comprehensive (loss)/return		(78,078)	111,366	(70,240)	41,876
Total return/(loss) attributable to:					
Unitholders of Trust		48,657	26,258	(84,293)	39,299
Perpetual securities holders		14,053	2,577	14,053	2,577
		62,710	28,835	(70,240)	41,876
Total comprehensive (loss)/return attributable to:					
Unitholders of Trust		(92,131)	108,789	(84,293)	39,299
Perpetual securities holders		14,053	2,577	14,053	2,577
		(78,078)	111,366	(70,240)	41,876
		Cents	Cents		
Earnings per unit					
Basic and diluted earnings per unit	11	1.73	0.94		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF DISTRIBUTION

YEAR ENDED 31 DECEMBER 2017

	Group		Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Total return/(loss) for the year after income tax	62,710	28,835	(70,240)	41,876
Add: net adjustments (Note A below)	34,250	66,633	167,200	53,592
Income available for distribution to Unitholders	96,960	95,468	96,960	95,468
Distributions to Unitholders:				
Total interim distribution paid in the year ended 31 December (Note 12)	74,674	71,133	74,674	71,133
Total return available for distribution to Unitholders for the quarter ended 31 December paid after year-end (Note 12)	22,286	24,335	22,286	24,335
	96,960	95,468	96,960	95,468
Unitholders' distribution:				
– As distribution from operations	63,637	61,549	63,637	61,549
– As distribution of Unitholders' capital contribution	33,323	33,919	33,323	33,919
	96,960	95,468	96,960	95,468
Note A				
Net adjustments:				
Decrease in fair values of investment properties, net of deferred tax	22,102	40,483	–	–
Manager's management fees settled in units	8,671	6,874	8,671	6,874
Depreciation of plant and equipment	2,457	1,728	–	–
Decrease in fair values of derivative financial instruments	568	3,120	568	3,120
Unrealised foreign exchange adjustment losses/(gains)	1,509	5,116	11,180	(2,647)
Amortisation of intangible assets	12,996	11,889	–	–
Amount reserved for distribution to perpetual securities holders	(14,053)	(2,577)	(14,053)	(2,577)
Capital repayment of shareholders' loans	–	–	33,323	33,919
Exchange differences arising from recognising dividend income	–	–	3,230	(589)
Impairment loss on investments in subsidiaries	–	–	122,076	8,294
Allocation of realised exchange differences to capital repayment of shareholders' loans	–	–	4,176	5,685
Other adjustments	–	–	(1,971)	1,513
	34,250	66,633	167,200	53,592

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Trust	
	Notes	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current assets					
Plant and equipment	13	9,931	7,508	–	–
Investment properties	14	1,908,141	1,922,642	–	–
Derivative financial instruments, non-current	28	394	–	394	–
Intangible assets	15	11,906	19,206	–	–
Investments in subsidiaries	16	–	–	1,712,880	1,709,440
Total non-current assets		1,930,372	1,949,356	1,713,274	1,709,440
Current assets					
Trade and other receivables	18	38,989	17,223	231,924	219,126
Other assets	19	29,613	20,900	198	110
Cash and cash equivalents	20	64,900	77,754	9,560	7,053
Total current assets		133,502	115,877	241,682	226,289
Total assets		2,063,874	2,065,233	1,954,956	1,935,729
Non-current liabilities					
Deferred tax liabilities	10	23,364	31,662	–	–
Other financial liabilities, non-current	24	421,090	517,869	345,732	343,380
Other liabilities, non-current	25	94,688	87,039	–	–
Derivative financial instruments, non-current	28	1,954	1,811	1,954	1,811
Total non-current liabilities		541,096	638,381	347,686	345,191
Current liabilities					
Income tax payable		5,715	6,154	–	–
Trade and other payables, current	26	45,337	31,180	287,262	383,774
Other financial liabilities, current	24	268,469	124,291	169,209	–
Other liabilities, current	27	34,415	32,582	–	–
Derivative financial instruments, current	28	909	90	909	90
Total current liabilities		354,845	194,297	457,380	383,864
Total liabilities		895,941	832,678	805,066	729,055
Net assets		1,167,933	1,232,555	1,149,890	1,206,674
Represented by:					
Issued equity		1,401,380	1,393,642	1,401,380	1,393,642
Retained earnings/(accumulated losses)		119,675	170,027	(511,137)	(327,835)
Foreign currency translation reserve (adverse balance)		(612,769)	(471,981)	–	–
Net assets attributable to Unitholders	21	908,286	1,091,688	890,243	1,065,807
Perpetual securities	23	259,647	140,867	259,647	140,867
Net assets attributable to perpetual securities holders		259,647	140,867	259,647	140,867
		1,167,933	1,232,555	1,149,890	1,206,674
Net assets attributable to Unitholders per unit (in cents)					
	21	32.16	38.95	31.52	38.02

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2017

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Total Unitholders' funds at beginning of the year	1,091,688	1,075,115	1,065,807	1,118,724
Operations				
Total return/(loss) for the year	62,710	28,835	(70,240)	41,876
Less: Amount reserved for distribution to perpetual securities holders	(14,053)	(2,577)	(14,053)	(2,577)
Net increase/(decrease) in net assets resulting from operations attributed to Unitholders	48,657	26,258	(84,293)	39,299
Unitholders' contributions				
Manager's management fees settled in units	6,874	1,608	6,874	1,608
Manager's acquisition fees settled in units	864	–	864	–
Change in net assets resulting from creation of units	7,738	1,608	7,738	1,608
Distributions (Note 12)	(99,009)	(93,824)	(99,009)	(93,824)
Total increase in net assets before movements in foreign currency translation reserve and perpetual securities	1,049,074	1,009,157	890,243	1,065,807
Foreign currency translation reserve				
Net movement in other comprehensive (loss)/income	(140,788)	82,531	–	–
Total Unitholders' funds at 31 December	908,286	1,091,688	890,243	1,065,807
Perpetual securities				
Balance at beginning of the year	140,867	–	140,867	–
Issue of perpetual securities	120,000	140,000	120,000	140,000
Issue expense	(1,502)	(1,710)	(1,502)	(1,710)
Amount reserved for distribution to perpetual securities holders	14,053	2,577	14,053	2,577
Distributions to perpetual securities holders	(13,771)	–	(13,771)	–
Balance at 31 December	259,647	140,867	259,647	140,867
Total	1,167,933	1,232,555	1,149,890	1,206,674

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Group	
	2017	2016
	\$'000	\$'000
<u>Cash flows from operating activities</u>		
Total return before tax	88,102	53,367
Adjustments for:		
Interest income	(1,148)	(1,678)
Interest expense	27,041	29,106
Amortisation of borrowing costs	4,548	5,857
Depreciation of plant and equipment	2,457	1,728
Amortisation of intangible assets	12,996	11,889
Decrease in fair values of investment properties	30,399	48,045
Fair value loss on derivative financial instruments	568	3,120
Unrealised foreign exchange adjustment losses	1,509	5,116
Manager's management fees settled in units	8,671	6,874
Operating cash flows before changes in working capital	175,143	163,424
Trade and other receivables	(23,078)	14,920
Other assets	(10,368)	29,211
Trade and other payables	28,959	(40,846)
Other liabilities, current	4,434	(1,996)
Net cash flows from operations before tax	175,090	164,713
Income tax paid	(34,128)	(32,810)
Net cash flows from operating activities	140,962	131,903
<u>Cash flows from investing activities</u>		
Acquisition of investment properties ⁽¹⁾	(132,486)	(87,485)
Capital expenditure on investment properties	(45,638)	(11,218)
Purchase of plant and equipment	(5,630)	(3,629)
Interest received	1,148	1,678
Net cash flows used in investing activities	(182,606)	(100,654)
<u>Cash flows from financing activities</u>		
Repayment of bank borrowings	(55,000)	(200,000)
Proceeds from bank borrowings	224,290	305,710
Net proceeds from issuance of perpetual securities	118,498	138,290
Repayment of notes issued under EMTN	(125,000)	(150,000)
Distributions to Unitholders	(99,009)	(93,824)
Distributions to perpetual securities holders	(13,771)	–
Other financial liabilities, current	(4,566)	(5,774)
Other financial liabilities, non-current	–	(2,645)
Other liabilities, non-current	14,597	399
Interest paid	(27,041)	(29,106)
Cash restricted in use for bank facilities	(1,630)	(1,983)
Net cash flows from/(used in) financing activities	31,368	(38,933)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS (CONT'D)

YEAR ENDED 31 DECEMBER 2017

	2017 \$'000	Group 2016 \$'000
Net decrease in cash and cash equivalents	(10,276)	(7,684)
Effect of exchange rate changes on cash and cash equivalents	(4,208)	2,865
Cash and cash equivalents, statement of cash flows, beginning balance	74,271	79,090
Cash and cash equivalents, statement of cash flows, ending balance (Note 20)	59,787	74,271

⁽¹⁾ Acquisitions of investment properties in 2017 are in relation to the acquisitions of Lippo Plaza Kendari, Lippo Plaza Jogja and Kediri Town Square recorded in Notes 14 and 15 respectively. The total settlement amount is \$133,400,000 which consists of an amount settled in cash of \$132,486,000 and amounts payable in units of \$914,000.

Acquisition of investment property in 2016 is in relation to the acquisition of Lippo Mall Kuta recorded in Notes 14 and 15 respectively. The total settlement amount is \$88,349,000, which consists of an amount settled in cash of \$87,485,000 and an amount settled in units of \$864,000.

STATEMENT OF PORTFOLIO

AS AT 31 DECEMBER 2017

By Geographical Area

Group

Description of Property/Location/ Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/Last Valuation Date	Fair Value as at 31 December 2017 \$'000	Percentage of Total	Fair Value as at 31 December 2016 \$'000	Percentage of Total
				Net Assets as at 31 December 2017 %		Net Assets as at 31 December 2016 %
Indonesia						
Retail Malls						
(1) Gajah Mada Plaza Address: Jalan Gajah Mada 19-26 Sub-District of Petojo Utara, District of Gambir, Regency of Central Jakarta, Jakarta-Indonesia Acquisition date: 19 November 2007	66,160	Strata Title constructed on Hak Guna Bangunan ("HGB") Title common land. Expires on 25 January 2020. Revalued at 31 December 2017.	78,768	6.7	83,670	6.7
(2) Cibubur Junction Address: Jalan Jambore No.1 Cibubur, Sub-District of Ciracas, Regency of East Jakarta, Jakarta-Indonesia Acquisition date: 19 November 2007	66,071	Build, Operate and Transfer ("BOT") Scheme. Expires on 28 July 2025. Revalued at 31 December 2017.	42,480	3.6	48,339	3.9
(3) The Plaza Semanggi Address: Jalan Jenderal Sudirman Kav.50, Sub-District of Karet Semanggi, District of Setiabudi, Regency of South Jakarta, Jakarta-Indonesia Acquisition date: 19 November 2007	155,122	BOT Scheme. Expires on 8 July 2054. Revalued at 31 December 2017.	113,260	9.7	125,753	10.2

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PORTFOLIO (CONT'D)

AS AT 31 DECEMBER 2017

By Geographical Area

Group

Description of Property/Location/ Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/Last Valuation Date	Fair Value as at 31 December 2017 \$'000	Percentage of Total Net Assets as at 31 December 2017 %	Fair Value as at 31 December 2016 \$'000	Percentage of Total Net Assets as at 31 December 2016 %

IndonesiaRetail Malls (Cont'd)

(4) Mal Lippo Cikarang Address: Jalan MH Thamrin, Lippo Cikarang, Sub-District of Cibatu, District of Lemah Abang, Regency of Bekasi, West Java-Indonesia Acquisition date: 19 November 2007	39,293	HGB Title. Expires on 5 May 2023. Revalued at 31 December 2017.	63,479	5.4	65,256	5.3
(5) Lippo Plaza Ekalokasari Bogor Address: Jalan Siliwangi No. 123, Sub-District of Sukasari, District of Kota Bogor Timur, Administrative City of Bogor, West Java-Indonesia Acquisition date: 19 November 2007	58,859	BOT Scheme. Expires on 27 June 2032. Revalued at 31 December 2017.	39,115	3.3	43,958	3.6
(6) Bandung Indah Plaza Address: Jalan Merdeka No. 56, Sub-District of Citarum, District of Bandung Wetan, Regency of Bandung, West Java-Indonesia Acquisition date: 19 November 2007	75,868	BOT Scheme. Expires on 31 December 2030. Revalued at 31 December 2017.	74,555	6.4	85,471	6.9

STATEMENT OF PORTFOLIO (CONT'D)

AS AT 31 DECEMBER 2017

By Geographical Area

Group

Description of Property/Location/ Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/Last Valuation Date	Fair Value as at 31 December 2017 \$'000	Percentage of Total Net Assets as at 31 December 2017 %	Fair Value as at 31 December 2016 \$'000	Percentage of Total Net Assets as at 31 December 2016 %
Indonesia						
Retail Malls (Cont'd)						
(7) Istana Plaza Address: Jalan Pasir Kaliki No. 121 – 123, Sub-District of Pamayonan, District of Cicendo, Regency of Bandung, West Java- Indonesia Acquisition date: 19 November 2007	46,809	BOT Scheme. Expires on 17 January 2034. Revalued at 31 December 2017.	65,480	5.6	76,392	6.2
(8) Sun Plaza Address: Jalan Haji Zainul Arifin No. 7, Madras Hulu, Medan Polonia, Medan, North Sumatra-Indonesia Acquisition date: 31 March 2008	107,373	HGB Title. Expires on 24 November 2032. Revalued at 31 December 2017.	193,937	16.6	195,650	15.9
(9) Pluit Village Address: Jalan Pluit Indah Raya, Sub-District of Pluit, District of Penjaringan, City of North Jakarta, Province of DKI Jakarta, Indonesia Acquisition date: 6 December 2011	134,576	BOT Scheme. Expires on 9 June 2027. Revalued at 31 December 2017.	93,958	8.0	110,016	8.9

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PORTFOLIO (CONT'D)

AS AT 31 DECEMBER 2017

By Geographical Area

Group

Description of Property/Location/ Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/Last Valuation Date	Fair Value as at 31 December 2017 \$'000	Percentage of Total Net Assets as at 31 December 2017 %	Fair Value as at 31 December 2016 \$'000	Percentage of Total Net Assets as at 31 December 2016 %
Indonesia						
Retail Malls (Cont'd)						
(10) Plaza Medan Fair Address: Jalan Jendral Gatot Subroto, Sub-District of Sekip, District of Medan Petisah, City of Medan, Province of North Sumatera, Indonesia Acquisition date: 6 December 2011	138,767	BOT Scheme. Expires on 23 July 2027. Revalued at 31 December 2017.	108,740	9.3	116,059	9.4
(11) Palembang Square Extension Address: Jalan Angkatan 45/POM IX, Lorok Pakjo Sub District, Ilir Barat 1 District, Palembang City, South Sumatera Province, Indonesia Acquisition date: 15 October 2012	22,527	BOT Scheme. Expires on 25 January 2041. Revalued at 31 December 2017.	27,237	2.3	27,641	2.2
(12) Lippo Plaza Kramat Jati Address: Jalan Raya Bogor Km 19, Kramat Jati Sub District, Kramat Jati District, East Jakarta Region, DKI Jakarta Province, Indonesia Acquisition date: 15 October 2012	67,285	HGB Title. Expires on 24 October 2024. Revalued at 31 December 2017.	58,688	5.0	61,473	5.0

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PORTFOLIO (CONT'D)

AS AT 31 DECEMBER 2017

By Geographical Area

Group

Description of Property/Location/ Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/Last Valuation Date	Fair Value	Percentage of Total	Fair Value	Percentage of Total
			as at 31	Net Assets	as at 31	Net Assets
			December 2017 \$'000	as at 31 December 2017 %	December 2016 \$'000	as at 31 December 2016 %
Indonesia						
Retail Malls (Cont'd)						
(13) Tamini Square Address: Jalan Raya Taman Mini Pintu 1 No.15, Pinang Ranti Sub District, Makasar Distrik, East Jakarta Region, DKI Jakarta Province, Indonesia Acquisition date: 14 November 2012	18,963	Strata Title. Constructed on HGB Title common land. Expires on 26 September 2035. Revalued at 31 December 2017.	26,593	2.3	26,032	2.1
(14) Palembang Square Address: Jalan Angkatan 45/POM IX, Lorok Pakjo Sub District, Ilir Barat 1 District, Palembang City, South Sumatera Province, Indonesia Acquisition date: 14 November 2012	46,546	Strata Title. Constructed on HGB Title common land. Expires on 1 September 2039. Revalued at 31 December 2017.	67,979	5.8	69,589	5.7
(15) Pejaten Village Address: Jalan Warung Jati Barat No.39, Jati Padang Sub District, Pasar Minggu District, South Jakarta Region, DKI Jakarta Province, Indonesia Acquisition date: 20 December 2012	89,157	HGB Title. Expires on 3 November 2027. Revalued at 31 December 2017.	105,827	9.1	104,319	8.5
(16) Binjai Supermall Address: Jalan Soekarno Hatta No.14, Timbang Langkat Sub District, East Binjai District, Binjai City, North Sumatera Province, Indonesia Acquisition date: 28 December 2012	28,760	HGB Title. Expires on 2 September 2036. Revalued at 31 December 2017.	27,812	2.4	28,597	2.3

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PORTFOLIO (CONT'D)

AS AT 31 DECEMBER 2017

By Geographical Area

Group

Description of Property/Location/ Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/Last Valuation Date	Fair Value as at 31 December 2017 \$'000	Percentage of Total Net Assets as at 31 December 2017 %	Fair Value as at 31 December 2016 \$'000	Percentage of Total Net Assets as at 31 December 2016 %
Indonesia						
Retail Malls (Cont'd)						
(17) Lippo Mall Kemang Address: Jalan Kemang VI, Bangka Sub District, Mampang Prapatan District, South Jakarta, DKI Jakarta Province, Indonesia Acquisition date: 17 December 2014	150,932	Strata Title constructed on HGB Title common land. Expires on 28 June 2035. Revalued at 31 December 2017.	314,792	27.0	335,205	27.2
(18) Lippo Plaza Batu Address: Jalan Diponegoro RT. 07 RW. 05, Sub District of Sisir, District of Batu, City of Batu, Province of East Java, Indonesia Acquisition date: 7 July 2015	34,586	HGB Title. Expires on 8 June 2031. Revalued at 31 December 2017.	26,675	2.3	26,787	2.2
(19) Palembang Icon Address: Jalan POM IX, Sub District of Lorok Pakjo, District of Ilir Barat I, City of Palembang, Province of South Sumatera, Indonesia Acquisition date: 10 July 2015	42,361	HGB Title. BOT scheme. Expires on 30 April 2040. Revalued at 31 December 2017.	74,755	6.4	81,678	6.6
(20) Lippo Mall Kuta Address: Jalan Kartika Plaza, Sub District of Kuta, District of Kuta, Regency of Badung, Province of Bali, Indonesia Acquisition date: 29 December 2016	36,312	HGB Title. Expires on 22 March 2037. Revalued at 31 December 2017.	78,463	6.7	80,925	6.6

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PORTFOLIO (CONT'D)

AS AT 31 DECEMBER 2017

By Geographical Area

Group

Description of Property/Location/ Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/Last Valuation Date	Fair Value as at 31 December 2017 \$'000	Percentage of Total Net Assets as at 31 December 2017 %	Fair Value as at 31 December 2016 \$'000	Percentage of Total Net Assets as at 31 December 2016 %
Indonesia						
Retail Malls (Cont'd)						
(21) Lippo Plaza Kendari Address: Jalan MT Haryono No.61-63, Kendari, South East Sulawesi 93117, Indonesia. Acquisition date: 21 June 2017	34,831	BOT Scheme. Expires on 7 July 2041. Revalued at 31 December 2017.	29,944	2.6	—	—
(22) Lippo Plaza Jogja Address: Jalan Laksda Adi Sucipto No.32-34, Yogyakarta, Indonesia. Acquisition date: 22 December 2017	66,098	HGB Title. Expires on 27 December 2043. Revalued at 31 December 2017.	53,823	4.6	—	—
(23) Kediri Town Square Address: Jalan Hasanudin No. 2, RT/22 RW/06, Balowerti Subdistrict, Kediri, East Java, Indonesia. Acquisition date: 22 December 2017	28,688	HGB Title. Expires on 12 August 2024. Revalued at 31 December 2017.	35,858	3.1	—	—

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PORTFOLIO (CONT'D)

AS AT 31 DECEMBER 2017

By Geographical Area

Group

Description of Property/Location/ Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/Last Valuation Date	Fair Value as at 31 December 2017 \$'000	Percentage of Total Net Assets as at 31 December 2017 %	Fair Value as at 31 December 2016 \$'000	Percentage of Total Net Assets as at 31 December 2016 %
Indonesia						
Retail Spaces						
(1) Mall WTC Matahari Units Address: Jalan Raya Serpong No.39, Sub-District of Pondok Jagung, District of Serpong, Regency of Tangerang, Banten-Indonesia Acquisition date: 19 November 2007	11,184	Strata Title constructed on HGB Title common land. Expires on 8 April 2038. ⁽¹⁾ Revalued at 31 December 2017.	12,264	1.1	15,642	1.3
(2) Metropolis Town Square Units Address: Jalan Hartono Raya, Sub-District of Cikokol, District of Cipete, Regency of Tangerang, Banten-Indonesia Acquisition date: 19 November 2007	15,248	Strata Title constructed on HGB Title common land. Expires on 27 December 2029. Revalued at 31 December 2017.	16,139	1.4	19,971	1.6
(3) Depok Town Square Units Address: Jalan Margonda Raya No. 1, Sub-District of Pondok Cina, District of Depok, Regency of Depok, West Java-Indonesia Acquisition date: 19 November 2007	13,045	Strata Title constructed on HGB Title common land. Expires on 27 February 2035. Revalued at 31 December 2017.	16,070	1.4	18,182	1.5

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PORTFOLIO (CONT'D)

AS AT 31 DECEMBER 2017

By Geographical Area

Group

Description of Property/Location/ Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/Last Valuation Date	Fair Value as at 31 December 2017 \$'000	Percentage of Total Net Assets as at 31 December 2017 %	Fair Value as at 31 December 2016 \$'000	Percentage of Total Net Assets as at 31 December 2016 %
Indonesia						
Retail Spaces (Cont'd)						
(4) Java Supermall Units Address: Jalan MT Haryono, No. 992-994, Sub-District of Jomblang, District of Semarang Selatan, Regency of Semarang, Central Java- Indonesia Acquisition date: 19 November 2007	11,082	Strata Title constructed on HGB Title common land. Expires on 24 September 2037. ⁽²⁾ Revalued at 31 December 2017.	14,128	1.2	16,457	1.3
(5) Malang Town Square Units Address: Jalan Veteran No. 2, Sub-District of Penanggungan, District of Klojen, Regency of Malang, East Java-Indonesia Acquisition date: 19 November 2007	11,065	Strata Title constructed on HGB Title common land. Expires on 21 April 2033. Revalued at 31 December 2017.	15,971	1.4	18,492	1.5
(6) Plaza Madiun Units Address: Jalan Pahlawan No. 38-40, Sub-District of Pangongangan, District of Manguharjo, Regency of Madiun, East Java-Indonesia Acquisition date: 19 November 2007	19,029	Strata Title constructed on HGB Title common land. Expires on 9 February 2032. Revalued at 31 December 2017.	19,649	1.7	24,310	2.0

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PORTFOLIO (CONT'D)

AS AT 31 DECEMBER 2017

By Geographical Area

Group

Description of Property/Location/ Acquisition Date	Gross Floor Area in Square Meter	Tenure of Land/Last Valuation Date	Fair Value as at 31 December 2017 \$'000	Percentage of Total Net Assets as at 31 December 2017 %	Fair Value as at 31 December 2016 \$'000	Percentage of Total Net Assets as at 31 December 2016 %
Indonesia						
Retail Spaces (Cont'd)						
(7) Grand Palladium Units Address: Jalan Kapten Maulana Lubis, Sub-District of Petisah Tengah, District of Medan Petisah, Regency of Medan, North Sumatera-Indonesia Acquisition date: 19 November 2007	13,417	Strata Title constructed on HGB Title common land. Expires on 9 November 2028. Revalued at 31 December 2017.	11,702	1.0	16,778	1.3
Portfolio of Investment Properties at Valuation			1,908,141	163.4	1,922,642	156.0
Other Net Liabilities			(740,208)	(63.4)	(690,087)	(56.0)
Net assets values			1,167,933	100.00	1,232,555	100.00

Please refer to Note 14 for the description of the various titles held for the retail malls and spaces.

⁽¹⁾ In December 2017, the National Land Authority (Badan Pertanahan Nasional) has extended the Hak Guna Bangunan or HGB title for the underlying land on which the four strata title ownership certificates of Mall WTC Matahari units are registered for a period of 20 years to 8 April 2038 and the validity of the four strata title ownership certificates have accordingly been extended for the same period.

⁽²⁾ In August 2017, the National Land Authority (Badan Pertanahan Nasional) has extended the Hak Guna Bangunan or HGB title for the underlying land on which the four strata title ownership certificates of Java Supermall units are registered for a period of 20 years to 24 September 2037 and the validity of the four strata title ownership certificates have accordingly been extended for the same period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

1. GENERAL

Lippo Malls Indonesia Retail Trust ("LMIR Trust" or the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the Trust Deed dated 8 August 2007 ("Trust Deed") (as amended) entered into between LMIRT Management Ltd (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"), governed by the laws of the Republic of Singapore. On 1 November 2017, the Manager entered into a Supplemental Deed of Retirement and Appointment of Trustee with HSBC Institutional Trust Services (Singapore) Limited as retiring Trustee and Perpetual (Asia) Limited as new Trustee. The change of trustee took effect on 3 January 2018.

The Trust is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The financial statements are presented in Singapore dollars, recorded to the nearest thousands, unless otherwise stated, and they cover LMIR Trust and its subsidiaries (collectively the "Group").

The board of directors of the Manager approved and authorised these financial statements for issue on 14 March 2018.

The principal activity of the Group and of the Trust is to invest in a diversified portfolio of income-producing real estate properties in Indonesia. These are primarily used for retail and/or retail-related purposes. The primary objective is to deliver regular and stable distributions to Unitholders and to achieve long-term growth in the net asset value per unit.

The registered office of the Manager is located at 50 Collyer Quay, #06-07 OUE Bayfront, Singapore 049321.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements. In addition, the notes to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk, foreign currency risk, interest rate risk and liquidity risk. The current liabilities are more than the current assets. The Group's forecasts and projections, taking account of reasonably possible changes in performance, show that the Group should be able to operate within its current facilities. The Group has considerable financial resources together with good relationships with its bankers, tenants and suppliers. As a consequence, the Manager believes that the Group is well placed to manage its business risks successfully. Accordingly, the management continues to adopt the going concern basis in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

1. GENERAL (CONT'D)

Accounting convention

The financial statements have been prepared in accordance with the recommendations of the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants and the applicable requirements of the Code on Collective Investment Schemes ("CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires that the accounting policies should generally comply with the principles relating to recognition and measurement of the Financial Reporting Standards ("FRS") issued by the Accounting Standards Council. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRS may not be applied when the effect of applying them is immaterial. The disclosures required by FRS need not be made if the information is immaterial.

Other comprehensive return comprises items of income and expenses (including reclassification adjustments) that are not recognised in the profit or loss, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Trust and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within Unitholders' funds as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted for as available-for-sale financial assets in accordance with FRS 39.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

1. GENERAL (CONT'D)

Basis of preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Net assets attributable to Unitholders

RAP 7 requires that the unit trusts classify the units on initial recognition as equity. The net assets attributable to Unitholders comprise the residual interest in the assets of the unit trust after deducting its liabilities. Under RAP 7, distributions are accrued for at the reporting year end date if the Manager has the discretion to declare distributions without the need for Unitholder or trustee approval and a constructive or legal obligation has been created. Distributions to Unitholders have been recognised as liabilities when they are declared.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes and discounts. Revenue is recognised as follows:

Rental income from operating leases

Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the leased term.

Interest income

Interest revenue is recognised using the effective interest method.

Dividend income

Dividend from equity instruments is recognised as income when the entity's right to receive payment is established.

Revenue from rendering of services

Revenue from rendering of services that are short of duration is recognised when the services are completed.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Income tax

The income taxes are accounted for using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in Unitholders' funds if the tax is related to an item recognised directly in Unitholders' funds. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not be reversed in the foreseeable future or for deductible temporary differences, they will not be reversed in the foreseeable future and they cannot be utilised against taxable profits.

Foreign currency transactions

The functional currency of the Trust is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the profit or loss except when recognised in other comprehensive income and if applicable deferred in Unitholders' funds such as for qualifying cash flow hedges. The presentation is the functional currency.

Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive return are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive return and accumulated in a separate component of Unitholders' funds until the disposal of that relevant reporting entity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Segment reporting

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Segment information has not been presented as all of the Group's investment properties are used primarily for retail purposes and are all located in Indonesia. They are regarded as one component by the chief operating decision maker.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. The interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Unit based payments

The issued capital is increased by the fair value of the transaction. Incidental costs directly attributable to the issuance of units are deducted against Unitholders' funds.

Plant and equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Plant and equipment – 25%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss.

The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Plant and equipment (cont'd)

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Investment property

Investment property is property (land or a building or part of a building or both) owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs the fair value model is used to measure the investment property at fair value as of the end of the reporting year. A gain or loss arising from a change in the fair value of investment property is included in profit or loss for the reporting year in which it arises. The fair values are measured periodically on a systematic basis at least once yearly by external independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of property being valued.

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statements of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in the profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Contingent rents receivable are recognised in the periods in which they occur.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Intangible assets

Intangible assets which relate to the rental guaranteed payments from certain master lease agreements are measured initially at cost, being the fair value as at the date of acquisition. Following the initial recognition, intangible asset is measured at cost less any accumulated amortisation and any impairment losses. Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method are reviewed at each financial year-end.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use.

The useful life is as follows:

Rental guaranteed payments – Over the guarantee periods, which range from 1 to 25 years

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the Trust's separate financial statements, the investments in subsidiaries are accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying values and the net book values of the investments in subsidiaries are not necessarily indicative of the amounts that would be realised in a current market exchange.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Joint arrangements – joint operations

A joint arrangement (that is, either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the reporting entity is party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities (that is, activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint operation, the parties with joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. The reporting entity recognises its share of the operation's assets, liabilities, income and expenses that are combined line by line with similar items in the reporting entity's financial statements and accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the FRSS applicable to the particular assets, liabilities, revenues and expenses. When the reporting entity enters into a transaction with a joint operation, such as a sale or contribution of assets, the reporting entity recognises gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

Business combinations

Business combinations are accounted for by applying the acquisition method. There were none during the reporting year.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through the profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in the profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statements of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following four categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: Assets are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to assets at fair value through profit or loss are recognised directly in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

Subsequent measurement: (cont'd)

2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not to be classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

3. Held-to-maturity financial assets: As at the reporting year date there were no financial assets classified in this category.
4. Available for sale financial assets: As at the reporting year date there were no financial assets classified in this category.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, and on demand deposits. For the statement of cash flows, the items include cash and cash equivalents less cash subject to restriction.

Hedging

The entity is exposed to currency and interest rate risks. The policy is to reduce currency and interest rate exposures through derivatives and other hedging instruments. From time to time, there may be borrowings and foreign exchange arrangements or interest rate swap contracts or similar instruments entered into as hedges against changes in interest rates, cash flows or the fair value of financial assets and liabilities. The gain or loss from remeasuring these hedging or other arrangement instruments at fair value are recognised in profit or loss. The applicable derivatives and other hedging instruments used are described below in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Derivatives

All derivatives are initially recognised and subsequently carried at fair value. Certain derivatives are entered into in order to hedge some transactions and if all the strict hedging criteria prescribed by FRS 39 are not met, even though the transaction has its economic and business rationale, hedge accounting cannot be applied. As a result, changes in the fair value of those derivatives are recognised directly in profit or loss and the hedged item follows normal accounting policies.

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statements of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.
2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Fair value measurement

When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Group and Trust's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2B. Other explanatory information (cont'd)

Perpetual securities

Proceeds from the issuance of perpetual securities have been recognised as equity. Distributions to the perpetual securities holders will be payable semi-annually in arrears on a discretionary basis and will be non-cumulative. The expenses relating to the issue of the perpetual securities are deducted against the proceeds from the issue.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to make sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Fair values of investment properties:

Certain judgements and assumptions are made in the valuation of the investment properties based on calculations and these calculations require the use of estimates in relation to future cash flows, growth rates, discount rates and market capitalisation as disclosed in Note 14.

Income tax amounts:

The entity recognises tax liabilities and tax assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in Note 10.

Deferred tax: Recovery of underlying assets:

The deferred tax relating to an asset is dependent on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in FRS 40 Investment Property or when fair value is required or permitted by a FRS for a non-financial asset. Management has taken the view that there is clear evidence that it will consume the relevant asset's economic benefits throughout its economic life. The amount is stated in Note 10.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Determination of functional currency:

Judgement is required to determine the functional currency of the reporting entity. Management considers economic environment in which the reporting entity operates and factors such as the currency that mainly influences sales prices for goods and services; the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services; and the currency that mainly influences labour, material and other costs of providing goods or services. It also considers other relevant factors that may also provide evidence of an entity's functional currency.

Allowance for doubtful trade accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible, impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed.

At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in Note 18.

Fair value of derivative financial instruments:

Some of the financial instruments stated at fair values are not based on quoted prices in active markets, and therefore there is significant measurement uncertainty involved in this valuation. Management makes any adjustments where necessary to reflect the assumptions that marketplace participants would use in similar circumstances. The assumptions and the fair values are disclosed in Note 28 on derivative financial instruments.

Measurement of impairment of subsidiaries:

Where an investee is in net equity deficit and or has suffered losses, a test is made whether the investment in the investee has suffered any impairment. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flows. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset affected. The carrying amount of the investment in subsidiaries at the end of the reporting year affected by the assumption is \$794,617,000 (2016: \$651,359,000).

Classification of joint arrangements:

The joint venture agreements in relation to the PT Yogya Central Terpadu partnership require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint operation and the Group recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described in 2A.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is PT Lippo Karawaci Tbk.

3A. Related party transactions:

There are transactions and arrangements between the Trust and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any balances and financial guarantees no interest or charge is imposed unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations. The fee structures of these services are as follows:

(A) Manager's management fees

Under the Trust Deed, the Manager is entitled to management fees as follows:

- (i) A base fee of 0.25% (2016: 0.25%) per annum of the value of the deposited property;
- (ii) A performance fee is fixed at 4.0% (2016: 4.0%) per annum of the Group's net property income ("NPI") (calculated before accounting for this additional fee expense in the reporting year). NPI in relation to real estate, whether held directly by the Trust or indirectly through a special purpose company, and in relation to any year or part thereof, means its property income less property operating expenses for such real estate for that year or part thereof. The Manager may opt to receive the performance fee in the form of units and/or cash. Based on the First Amending & Restating Deed dated 18 March 2016, the performance fees for the financial year is computed based on audited accounts of the Trust.

With effect from 1 January 2016, the performance fee of the Manager is paid annually, in accordance with the revised Code on Collective Investment Schemes issued on 1 January 2016.

- (iii) An authorised investment management fee of 0.5% (2016: 0.5%) per annum of the value of Authorised Investments which are not in the form of real estate (whether held directly by the Trust or indirectly through one or more subsidiaries). Where such authorised investment is an interest in a property fund (either a REIT or private property fund) wholly managed by a wholly-owned subsidiary of PT Lippo Karawaci Tbk ("Sponsor"), no authorised investment management fee shall be payable in relation to such authorised investment;

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

3A. Related party transactions (cont'd):

(A) Manager's management fees (cont'd)

- (iv) Manager's acquisition fee is determined at 1.0% (2016: 1.0%) flat of value or consideration as defined in the Trust Deed for any real estate or other investments (subject to there being no double-counting). Payment of such acquisition fee must comply with Appendix 6: Investment Property Funds of the Code on Collective Investment Schemes; and
- (v) Divestment fee at the rate of 0.5% (2016: 0.5%) flat of the sales price of any authorised investment directly or indirectly sold or divested from time to time by the Trustee on behalf of the Trust. The Manager may opt to receive the divestment fee in the form of units and/or cash.

(B) Property manager's fees

Under the Property Management Agreements in respect of each Retail Mall, the property manager is entitled to the following fees:

- (i) 2.0% (2016: 2.0%) per annum of the gross revenue for the relevant Retail Mall;
- (ii) 2.0% (2016: 2.0%) per annum of the net property income for relevant Retail Mall (after accounting for the fee expense of 2% per annum of the gross revenue for the relevant Retail Mall);
- (iii) 0.5% (2016: 0.5%) per annum of the net property income for the relevant Retail Mall in lieu of leasing commissions otherwise payable to the property manager and/or third party agents; and
- (iv) Rp60,000,000 (2016: Rp60,000,000) per annum for the relevant Retail Spaces up to November 2017. Upon expiry of the master leases in November 2017, the property manager's fees for Retail Spaces are aligned that for the Retail Malls as described above in (i), (ii) and (iii).

Under each existing Property Management Agreement, each of the Indonesian subsidiaries that are owners of Retail Malls ("Retail Mall Property Companies") agrees to reimburse the property manager, for its expenses incurred in connection with the provision of property management services and with the performance of its duties which are in compliance with the approved annual business plan and budget as stated in the existing Property Management Agreement. Such expenses include but are not limited to rent, service charge and Value-Added Tax ("VAT") payable by the Property Manager of its lease of its office premises; advertising and promotion costs; and salaries of the Property Manager's employees who are approved by the relevant Retail Mall Property Companies.

(C) Trustee's fees

The Trustee's fees shall not exceed 0.03% (2016: 0.03%) per annum of the value of the deposited property (as defined in the Trust Deed), subject to a minimum of \$15,000 per month, excluding out-of-pocket expenses and GST. The Trustee's fee is presently charged on a scaled basis of up to 0.03% per annum of the value of the deposited property, subject to a minimum sum per month. Any increase in the rate of the remuneration of the Trustee above the permitted limit or any change in the structure of the remuneration of the Trustee shall be approved by an Extraordinary Resolution at a Unitholders' meeting duly convened and held in accordance with the provisions of the Trust Deed.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

3A. Related party transactions (cont'd):

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
The Manager ⁽¹⁾				
Manager's management fees expense (Note 7)	12,518	11,940	12,518	11,940
Manager's acquisition fees (Note 14)	1,237	864	1,205	864
The Trustee				
Trustee's fees expense	423	332	423	332
The Property manager ⁽²⁾				
Property manager fees expense (Note 5)	6,691	4,393	—	—
Master Lessee ⁽³⁾				
Rental revenue	(12,396)	(12,741)	—	—
Affiliates of Sponsor ⁽⁴⁾				
Rental revenue, service charge and utilities recovery ^{(5) (6) (7)}	(52,705)	(43,087)	—	—
Acquisition of investment properties (Notes 14 and 15)	96,753	86,402	—	—
Fees recoverable relating to put option for Lippo Mall Kemang	—	841	—	841

⁽¹⁾ The parent company of the Manager is PT Lippo Karawaci Tbk ("Sponsor"), incorporated in Indonesia and it is a substantial Unitholder.

⁽²⁾ The Property manager of the properties is PT Lippo Malls Indonesia, a wholly-owned subsidiary of PT Lippo Karawaci Tbk.

⁽³⁾ The Master Lessee of the retail spaces is PT Multipolar Tbk, in which the Sponsor has an interest.

⁽⁴⁾ The Affiliates of the Sponsor are PT First Media Tbk, Yayasan Universitas Pelita Harapan, PT Bank National Nobu, PT Matahari Putra Prima Tbk, PT Gratia Prima Indonesia, PT Matahari Graha Fantasi, PT Maxx Coffee Prima, PT Maxx Food Pasifik, PT Matahari Department Store Tbk, PT Cinemaxx Global Pasifik, PT Internux, PT Sky Parking Utama, and PT Solusi Ecommerce Global. The Affiliates of the Sponsor are entities that either have common shareholders with the Sponsor, or in which the Sponsor has an interest.

⁽⁵⁾ The amount also includes revenue from Lippo Mall Kemang under Sponsor Lessees with PT Multiguna Selaras Maju, PT Harapan Insan Mandiri, and PT Violet Pelangi Indah.

⁽⁶⁾ The amount also includes revenue from Lippo Mall Kuta under Sponsor Lessees with PT Kencana Agung Pratama, PT Kridakarya Anugerah Utama and PT Trimulia Kencana Abdi.

⁽⁷⁾ The amount also includes revenue from Lippo Plaza Jogja under Sponsor lessees with PT Andhikarya Sukses Pratama, PT Manunggal Megah Serasi and PT Mulia Cipta Sarana Sukses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

3B. Key management compensation:

The Group and the Trust have no employees. All its services are provided by the Manager and others. There are no charges made other than the fees disclosed above.

The Trust obtains key management personnel services from the Manager. Key management personnel of the Manager include the directors of those persons having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly.

Further information about the remuneration of individual directors of the Manager is provided in the Report on Corporate Governance of the Trust's Annual Report.

3C. Interest in the Trust:

	2017		2016	
	Number of units held	% interest held	Number of units held	% interest held
The Manager				
LMIRT Management Ltd	142,611,671	5.05	121,616,821	4.34
The director of the Manager				
Mr Albert Saychuan Cheok*	–	–	400,000	0.01

* Mr Albert Saychuan Cheok retired as the director of the manager effective from 30 September 2017.

4. GROSS REVENUE

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Rental revenue	164,203	152,878	–	–
Car park revenue	20,908	26,439	–	–
Dividend income from subsidiaries	–	–	116,131	104,239
Income from rental of mechanical, electrical and mall operating equipment ⁽¹⁾	10,290	6,789	–	–
Other rental income	1,975	1,960	–	–
	197,376	188,066	116,131	104,239

⁽¹⁾ A third party operating company was engaged to co-manage the individual retail malls and agreed to be responsible for all costs directly related to the maintenance and operation of the individual malls, as well as pay for the rental of office and use of electrical, mechanical and mall operating equipment of the individual malls subject to the terms in the operating agreements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

5. PROPERTY OPERATING EXPENSES

	Group	
	2017	2016
	\$'000	\$'000
Land rental expense	1,974	2,054
Property management fees (Note 3)	6,691	4,393
Legal and professional fees	1,584	1,266
Depreciation of plant and equipment (Note 13)	2,457	1,728
Reversal of allowance for impairment loss on trade receivables (Note 18)	(3,390)	(65)
Allowance for impairment loss on trade receivables (Note 18)	1,361	614
Property operating and maintenance expenses	2,448	6,216
	<u>13,125</u>	<u>16,206</u>

6. OTHER GAINS

	Group		Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Other income	312	—	—	—
	<u>312</u>	<u>—</u>	<u>—</u>	<u>—</u>

7. MANAGER'S MANAGEMENT FEES

	Group and Trust	
	2017	2016
	\$'000	\$'000
Base fee	5,148	5,066
Performance fee	7,370	6,874
Total (Note 3)	<u>12,518</u>	<u>11,940</u>

The Manager elected to receive certain of the above fees in the form of units. These were as follows:

	Group and Trust			
	2017	2016	2017	2016
	Number of Units		\$'000	\$'000
Settled during the year through the issuance of units	18,675,322	5,178,677	7,738	1,608
Settled subsequent to year-end through the issuance of units (Note 21)	3,252,120	—	1,301	—
	<u>21,927,442</u>	<u>5,178,677</u>	<u>9,039</u>	<u>1,608</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

8. FINANCE COSTS

	Group		Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Interest expense	27,041	29,106	28,930	32,945
Amortisation of borrowing costs	4,548	5,857	3,806	5,605
	31,589	34,963	32,736	38,550

9. OTHER EXPENSES

	Group		Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Bank charges	110	48	46	4
Professional fees	670	1,158	652	1,140
Investor relation expenses	95	20	95	20
Listing expenses	71	48	65	43
Security agent fees	82	75	82	75
Valuation expenses	327	176	327	176
Expenses relating to change of Trustee ⁽¹⁾	1,433	–	1,433	–
Other expenses	750	398	750	350
	3,538	1,923	3,450	1,808

⁽¹⁾ Including expenses incurred for a consent solicitation exercise by LMIRT Capital Pte. Ltd. and HSBC Institutional Trust Services (Singapore) Limited (in its capacity as Trustee of Lippo Malls Indonesia Retail Trust) in connection with certain perpetual securities.

	Group	
	2017	2016
	\$'000	\$'000
Audit fees to the independent auditors of the Trust	397	397
Audit fees to the other independent auditors	288	247
Non-audit fees to the independent auditors of the Trust	82	35

Total fees to independent auditors are included in property operating expenses (Note 5) and other expenses (Note 9).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

10. INCOME TAX

10A. Components of tax expense recognised in statements of total return include:

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current tax expense/(income):				
Foreign income tax	21,515	20,303	–	–
Foreign withholding tax	12,458	12,100	–	–
Over provision in respect of prior periods	(283)	(309)	(283)	(309)
Subtotal	33,690	32,094	(283)	(309)
Deferred tax (income)/expense:				
Deferred tax income	(5,777)	(9,128)	–	–
Change in foreign exchange rates	(2,521)	1,566	–	–
Subtotal	(8,298)	(7,562)	–	–
Total income tax expense/(income)	25,392	24,532	(283)	(309)

The income tax in statements of total return varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17.0% (2016: 17.0%) to total return/(loss) before income tax as a result of the following differences:

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Total return/(loss) before tax	88,102	53,367	(70,523)	41,567
Income tax expense/(income) at the above rate	14,977	9,072	(11,989)	7,066
Not deductible/(not liable to tax) items	13,676	15,031	11,989	(7,066)
Foreign withholding tax	12,458	12,100	–	–
Effect of different tax rates in different countries	(13,601)	(13,583)	–	–
Deferred tax adjustments due to changes in foreign exchange rates	(2,521)	1,566	–	–
Over provision in respect of prior periods	(283)	(309)	(283)	(309)
Other minor items less than 3% each	686	655	–	–
Total income tax expense/(income)	25,392	24,532	(283)	(309)
Effective tax rate	28.8%	46.0%	0.4%	0.7%

The amount of current income taxes outstanding for the Group as at end of reporting year was \$5,715,000 (2016: \$6,154,000). Such an amount is net of tax advances, which, according to the tax rules, were paid before the year-end.

Please refer to Note 12 for income tax on distributions to Unitholders.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

10. INCOME TAX (CONT'D)

10B. Deferred tax income recognised in statements of total return includes:

	Group	
	2017 \$'000	2016 \$'000
Deferred tax income relating to the changes in fair value of investment properties	(8,298)	(7,562)

10C. Deferred tax balance in the statements of financial position:

	Group	
	2017 \$'000	2016 \$'000
Deferred tax liabilities recognised in statements of total return:		
Deferred tax relating to the changes in fair value of investment properties	23,364	31,662

It is impracticable to estimate the amount expected to be settled or used within one year.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

Taxation of income from Indonesia properties

Corporate income tax in Indonesia

Article 3 of Indonesian Government Regulation No. 5/2002 on the payment of income tax on income from the lease of land and/or building stipulates that income tax on income received or acquired by individuals or entities from the leasing of land and/or buildings consisting of land, houses, multi-storey houses, apartments, condominiums, office buildings, office-cum-living space, shops, shop cum house, warehouse, and industrial space which is received or earned from a tenant acting or appointed as a tax withholder, is to be withheld by the tenant. The tax rate is 10% of the gross value of the land and/or building rental and is final in nature.

Withholding tax in Indonesia

Under the income tax treaty between Singapore and Indonesia, the Indonesia withholding tax is capped at 10% in respect of:

- (a) Dividends paid by a company resident in Indonesia to a company resident in Singapore which owns directly at least 25% of the capital of the company paying the dividends; and
- (b) Interest paid to a resident of Singapore.

Indonesia withholding tax is at 15% in respect of dividends paid by a company resident in Indonesia to a company resident in Singapore who owns directly less than 25% of the capital of the company paying the dividends.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

10. INCOME TAX (CONT'D)

10C. Deferred tax balance in the statements of financial position (cont'd):

Dividends from Indonesia subsidiaries

Dividends received by the Singapore subsidiaries of the Trust from their respective Indonesia subsidiaries are exempt from Singapore income tax under section 13(8) of the Income Tax Act provided the following conditions are met:

- (a) In the year the dividends are received in Singapore, the headline corporate tax rate in the foreign country from which the dividends are received is at least 15%;
- (b) The dividends have been subject to tax in the foreign country from which they are received; and
- (c) The Singapore Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the Singapore subsidiaries.

Dividends from Singapore subsidiaries

Dividends received by the Trust from the Singapore subsidiaries are exempt from Singapore income tax provided that the Singapore subsidiaries are tax residents of Singapore for income tax purposes.

Interest income from Indonesia subsidiaries

Interest received by the Singapore subsidiaries of the Trust on loans made to the Indonesia subsidiaries is exempt from Singapore income tax under section 13(12) of the Income Tax Act on the condition that the full amount of remitted interest, less attributable expenses, is distributed by the Singapore subsidiaries to the Trust for onward distribution to its Unitholders.

Redemption of redeemable preference shares in Singapore subsidiaries

Proceeds received by the Trust from the redemption of its redeemable preference shares in the Singapore subsidiaries at the original cost of the redeemable preference shares are regarded as capital receipts and hence not subject to Singapore income tax.

Receipt from Indonesia subsidiaries for repayment of Shareholder loans

Proceeds received by the Singapore subsidiaries for the repayment of the principal amount of the shareholder loans from their Indonesia subsidiaries are capital receipts and hence not subject to Singapore income tax.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

11. EARNINGS PER UNIT

The following table illustrates the numerators and denominators used to calculate earnings per unit of no par value:

	Group	
	2017	2016
Denominator: weighted average number of units	2,819,472,796	2,801,228,708
	\$'000	\$'000
Numerator: Earnings attributable to Unitholders		
Total return after tax	62,710	28,835
Less: Amount reserved for distribution to perpetual securities holders	(14,053)	(2,577)
Total return attributable to Unitholders	48,657	26,258
	2017	2016
	\$' cents	\$' cents
Earnings per unit	1.73	0.94
Adjusted earnings per unit ⁽¹⁾	2.51	2.38

⁽¹⁾ Adjusted earnings exclude changes in the fair value of investment properties (net of deferred tax).

The weighted average number of units refers to units in circulation during the reporting year.

Diluted earnings per unit are the same as the basic earnings per unit as there were no dilutive instruments in issue during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

12. DISTRIBUTIONS

Distribution Type

Name of Distribution Distribution during the year (interim distributions)

Distribution Type Income / Capital

	Group and Trust			
	2017	2016	2017	2016
	\$' cents	\$' cents	\$'000	\$'000
	per unit	per unit		
Tax-exempt income ⁽¹⁾ :	1.79	1.63	50,410	45,947
Capital ⁽²⁾ :	0.86	0.91	24,264	25,186
Subtotal :	2.65	2.54	74,674	71,133

Name of Distribution Distribution declared subsequent to year-end (final distribution) (Note 34)

Distribution Type Income / Capital

	Group and Trust			
	2017	2016	2017	2016
	\$' cents	\$' cents	\$'000	\$'000
	per unit	per unit		
Tax-exempt income ⁽¹⁾ :	0.47	0.56	13,227	15,602
Capital ⁽²⁾ :	0.32	0.31	9,059	8,733
Subtotal :	0.79	0.87	22,286	24,335
Total distributions ⁽³⁾	3.44	3.41	96,960	95,468

⁽¹⁾ Unitholders are exempt from tax on such distributions.

⁽²⁾ Such distributions are treated as returns of capital for Singapore income tax purposes. For Unitholders who are liable to Singapore income tax on profits from the sale of the Trust's Units, the amount of capital distribution will be applied to reduce the cost base of their LMIR Trust Units for Singapore income tax purposes.

⁽³⁾ The Trust makes the distribution quarterly. The distribution rates above are based on the amount distributed quarterly divided by the Units outstanding as at the end of the relevant quarters.

The amount of the distributions paid in the year totalled \$99,009,000 (2016: \$93,824,000).

Current distribution policy:

The Trust's current distribution policy is to distribute at least 90% (2016: at least 90%) of its tax-exempt income (after deduction of applicable expenses) and capital receipts. The tax-exempt income comprises dividends received from the Singapore tax resident subsidiaries. The capital receipts comprise amounts received by the Trust from redemption of redeemable preference shares in the Singapore subsidiaries. The Trust has distributed 100% of its tax-exempt income (after deduction of applicable expenses) and capital receipts to-date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

13. PLANT AND EQUIPMENT

	Group Plant and Equipment	
	2017	2016
	\$'000	\$'000
Cost:		
At beginning of year	12,383	8,314
Additions	5,630	3,629
Exchange difference adjustments	(1,256)	440
At end of year	16,757	12,383
Accumulated depreciation:		
At beginning of year	4,875	2,977
Depreciation for the year	2,457	1,728
Exchange difference adjustments	(506)	170
At end of year	6,826	4,875
Net book value:		
At beginning of year	7,508	5,337
At end of year	9,931	7,508

The depreciation expense is charged to statements of total return as property operating expenses (Note 5).

14. INVESTMENT PROPERTIES

	Group	
	2017	2016
	\$'000	\$'000
At valuation:		
Fair value at beginning of year	1,922,642	1,804,930
Acquisitions of investment properties ⁽¹⁾	126,640	82,977
Enhancement expenditure capitalised	45,638	11,218
	2,094,920	1,899,125
Decrease in fair value included in profit or loss	(30,399)	(48,045)
Translation differences	(156,380)	71,562
Fair value at end of year	1,908,141	1,922,642
Rental and service income from investment properties	197,376	188,066
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the year	(13,125)	(16,206)

⁽¹⁾ The acquisitions in 2017 relate to the acquisitions of Lippo Plaza Kendari, Lippo Plaza Jogja, Kediri Town Square. This amount also included an acquisition fee of \$1,237,000 and other acquisition related expenses of \$1,748,000.

The acquisition in 2016 relates to the acquisition of Lippo Mall Kuta. This amount also included an acquisition fee of \$864,000 and other acquisition related expenses of \$1,082,000.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

14. INVESTMENT PROPERTIES (CONT'D)

Acquisitions during the year

In 2017, the Trust acquired:

- (1) Lippo Plaza Kendari, which is located at Jalan MT Haryono No.61-63, Kendari, South East Sulawesi 93117, Indonesia for a total purchase consideration of \$32,241,290;
- (2) Lippo Plaza Jogja, which is located at Demangan Subdistrict, Gondokusuman District, Yogyakarta, with postal address Jalan Laksda Adi Sucipto No.32-34, Yogyakarta for a total purchase consideration of \$57,000,000; and
- (3) Kediri Town Square, which is located at Jalan Hasanudin No. 2, RT/22 RW/06, Balowerti Subdistrict, Kediri, East Java for a total purchase consideration of \$34,413,965.

The acquisitions of Lippo Plaza Kendari, Lippo Plaza Jogja and Kediri Town Square were carried out by the Trust indirectly via its subsidiaries, namely Picon1 Holdings Pte Ltd and Picon2 Investments Pte Ltd for Lippo Plaza Kendari, Icon2 Investments Pte Ltd and PT Yogya Central Terpadu for Lippo Plaza Jogja and Pejaten Holdings Pte Ltd, Pejatenmall Investment Pte Ltd and PT Panca Permata Pejaten, for Kediri Town Square respectively. The acquisitions were funded from bank borrowings, issuance of perpetual securities and the Group's operating cash flows.

Lippo Plaza Kendari is a family mall strategically located in the heart of Kendari, the capital of Southeast Sulawesi. Kendari's economy is mostly agricultural with some industrial centres near the city. The government of Sulawesi has rolled out a series of major infrastructure projects to improve connectivity and spur economic development in Southeast Sulawesi, including a railway network which will connect all major cities in Sulawesi. The Manager believes that the property would benefit from such developments in the region. Further, there is minimal competition in the near future for retail space in the property's vicinity.

Lippo Plaza Jogja is situated in Yogyakarta, is renowned as a centre of education with large numbers of schools and universities, as well as classical Javanese fine art. As such, the city has attracted large numbers of students from all over Indonesia. Yogyakarta also attracts plenty of foreign visitors, majority of whom are foreign students that usually stay to learn Bahasa or Javanese culture.

Kediri Town Square is a lifestyle mall strategically located in East Java and well connected to other parts of East Java. Kediri city is a vibrant trading hub for tobacco and sugar and its economy is mostly agricultural with some industrial centres. It also has a growing tourism industry from its cultural heritage as well as its transport connections with cities such as Surabaya and Yogyakarta.

The acquisitions of these properties with their stable occupancies are expected to contribute to the organic growth of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

14. INVESTMENT PROPERTIES (CONT'D)

Acquisition in prior year

On 29 December 2016, the Trust acquired Lippo Mall Kuta, which is located in the city of Kuta Bali, for a total purchase consideration of \$88,349,000.

The acquisition of Lippo Mall Kuta was carried out by the Trust indirectly via its subsidiaries, namely Kuta1 Holdings Pte Ltd, Kuta2 Investments Pte Ltd and PT Rekreasi Pantai Terpadu. The acquisition was funded from bank borrowings and the Group's operating cashflows. The management's rationale for the acquisition of Lippo Mall Kuta was to benefit from the stable occupancies in this mall located in a strategic location in Bali with organic growth potential.

These investment properties include the mechanical and electrical equipment located in the respective properties. The fair value of each investment property was measured in December 2017 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on valuations made by independent professional valuers on a systematic basis at least once yearly. The independent professional valuers hold recognised and relevant professional qualifications with sufficient recent experience in the location and category of the investment property being valued. The valuations were based on the discounted cash flow method and the market capitalisation method as appropriate. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

The fair values were made by the following firms of independent professional valuers:–

2017:

Name of Independent Professional Valuers

Name of Retail Malls and Spaces

KJPP Wilson & Rekan	– Tamini Square, Lippo Plaza Kramat Jati, Palembang Square, Palembang Square Extension, Pejaten Village, Binjai Supermall, Pluit Village, Plaza Medan Fair and Lippo Mall Kuta.
KJPP Rengganis, Hamid & Rekan	– Bandung Indah Plaza, Gajah Mada Plaza, Mal Lippo Cikarang, Lippo Plaza Ekalokasari Bogor, The Plaza Semanggi, Istana Plaza, Cibubur Junction, Sun Plaza, Palembang Icon, Lippo Plaza Batu, Lippo Plaza Kendari, Kediri Town Square and Lippo Plaza Jogja.
Savills Valuation and Professional Services (S) Pte Ltd	– Mall WTC Matahari Units, Java Supermall Units, Plaza Madiun Units, Depok Town Square Units, Malang Town Square Units, Metropolis Town Square Units, Grand Palladium Units and Lippo Mall Kemang.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

14. INVESTMENT PROPERTIES (CONT'D)

2016:

Name of Independent

Professional Valuers

Name of Retail Malls and Spaces

KJPP Wilson & Rekan	– Tamini Square, Lippo Plaza Kramat Jati, Palembang Square, Palembang Square Extension, Pejaten Village, Binjai Supermall, Palembang Icon, Lippo Plaza Batu and Lippo Mall Kuta.
KJPP Rengganis, Hamid & Rekan	– Bandung Indah Plaza, Gajah Mada Plaza, Mal Lippo Cikarang, Lippo Plaza Ekalokasari Bogor, The Plaza Semanggi, Istana Plaza, Cibubur Junction, Sun Plaza, Pluit Village and Plaza Medan Fair.
Savills Valuation and Professional Services (S) Pte Ltd	– Mall WTC Matahari Units, Java Supermall Units, Plaza Madiun Units, Depok Town Square Units, Malang Town Square Units, Metropolis Town Square Units, Grand Palladium Units and Lippo Mall Kemang.

All fair value measurements of investment properties are based on the discounted cash flow method and are categorised within Level 3 of the fair value hierarchy. The information about the significant unobservable inputs used in the fair value measurements are as follows:

	2017	2016
1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the properties	12.4% to 14.6%	12.9% to 13.3%
2. Growth rates	3.0% to 6.9%	2.2% to 9.0%
3. Terminal discount rates	8.1% to 9.5%	8.4% to 9.5%
4. Cash flow forecasts derived from the most recent financial budgets and plans approved by management	Note 1	Note 1

Note 1: Discounted cash flow analysis over the remaining lease period for existing Build, Operate and Transfer ("BOT") malls and over a 10-year projection for non-BOT malls and for retail spaces.

Relationship of unobservable inputs to fair value:

- | | |
|----------------------------|---|
| 1. Discount rates | – The higher the discount rates, the lower the fair value. |
| 2. Growth rates | – The higher the growth rates, the higher the fair value. |
| 3. Terminal discount rates | – The higher the terminal discount rates, the lower the fair value. |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

14. INVESTMENT PROPERTIES (CONT'D)

Sensitivity analysis on management's estimates:

1. Discount rates

A hypothetical 10.0% (2016: 10.0%) increase or decrease in the pre-tax discount rate applied to the discounted cash flows would have an effect on return before tax of – lower by \$162,951,000; higher by \$195,959,000 (2016: lower by \$157,517,000; higher by \$212,451,000).

2. Growth rates

A hypothetical 10.0% (2016: 10.0%) increase or decrease in the rental income would have an effect on return before tax of – higher by \$189,302,000; lower by \$187,300,000 (2016: higher by \$131,262,000; lower by \$132,909,000).

3. Terminal discount rates

A hypothetical 10.0% (2016: 10.0%) increase or decrease in the terminal discount rate would have an effect on return before tax of – lower by \$50,996,000; higher by \$62,436,000 (2016: lower by \$49,692,000; higher by \$65,551,000).

The decrease in fair value is due to the weakening of property prices in Indonesia.

By relying on the valuation reports, the management is satisfied that the independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. Other details on the properties are disclosed in the Statement of Portfolio.

The types of property titles in Indonesia which are held by the Group are as follows:

(a) Hak Guna Bangunan ("HGB") Title

This title gives the right to construct and own buildings on a plot of land. The right is transferable and may be encumbered. Technically, HGB is a leasehold title where the state retains "ownership". However, for practical purposes, there is little difference from a freehold title. HGB title is granted for an initial period of up to 30 years and is extendable for a subsequent 20-year period and another 30-year period. Upon the expiration of such extensions, new HGB title may be granted on the same land. The cost of extension is determined based on certain formula as stipulated by the National Land Office (Badan Pertanahan Nasional) in Indonesia. The commencement date of each title varies.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

14. INVESTMENT PROPERTIES (CONT'D)

(b) Build, Operate and Transfer Schemes ("BOT Schemes")

This title gives the Indonesia subsidiaries ("BOT Grantee") the right to build and operate the retail mall for a particular period of time as stipulated in the BOT Agreement by the land owner ("BOT Grantor"). A BOT scheme is not registered with any Indonesian authority. Rights under a BOT scheme do not amount to a legal title and represent only contractual interests.

In exchange for the right to build and operate the retail mall on the land owned by the BOT Grantor, the BOT Grantee is obliged to pay a certain compensation (as stipulated in the BOT agreement), which may be made in the form of a lump sum or staggered.

A BOT scheme is granted for an initial period of 20 to 30 years and is extendable upon agreement of both parties. Upon the expiration of the term of the BOT agreement, the BOT Grantee must return the land, together with any buildings and fixtures on top of the land, without either party providing any form of compensation to the other.

(c) Strata Title

This title gives the party who holds the property the ownership of common areas, common property and common land proportionately with other strata title unit owners.

The investment properties are leased out to tenants under operating leases.

Certain investment properties at a carrying value of \$428,192,000 (2016: \$470,567,000) are pledged as security for the bank facilities (Note 24A).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

15. INTANGIBLE ASSETS

	Group	
	2017 \$'000	2016 \$'000
Cost:		
At the beginning of the year	43,263	36,474
Additions	6,760	5,372
Exchange differences adjustments	(3,602)	1,417
At the end of the year	46,421	43,263
Accumulated amortisation:		
At the beginning of the year	24,057	11,362
Amortisation for the year	12,996	11,889
Exchange differences adjustments	(2,538)	806
At the end of the year	34,515	24,057
Net book value:		
At the beginning of the year	19,206	25,112
At the end of the year	11,906	19,206

Intangible assets represent the unamortised aggregate rental guarantee amounts receivable by the Group from master leases upon the acquisition of Palembang Icon and Lippo Plaza Batu in 2015, Lippo Mall Kuta in 2016, Lippo Plaza Kendari and Lippo Plaza Jogja in 2017 respectively (Note 32). The master leases range from 3 to 5 years apart from the sports centre at Palembang Icon, which is under a master lease of 25 years. At the end of reporting year, the remaining rental guarantee periods are for 1 to 22 (2016: 1 to 23) years.

The master leases agreement signed with respective master lessors are summarised as follows:

	Master leases period		Master leases Amount per annum Rp million
	From	To	
Lippo Mall Kemang	17 December 2014	16 December 2017	208,000
Palembang Icon	10 July 2015	9 July 2018	19,142
Palembang Icon (Sports Centre)	10 July 2015	30 April 2040	6,908
Lippo Plaza Batu	7 July 2015	6 July 2018	18,219
Lippo Mall Kuta	29 December 2016	28 December 2021	43,281
Lippo Plaza Kendari	21 June 2017	20 June 2022	15,100
Lippo Plaza Jogja	22 December 2017	21 December 2022	42,636
			353,286

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

15. INTANGIBLE ASSETS (CONT'D)

The master leases as a percentage of the respective mall's gross revenue are as follows:

	2017			2016		
	Master leases \$'000	Gross revenue of the Mall \$'000	Master leases as % of the gross revenue %	Master leases \$'000	Gross revenue of the Mall \$'000	Master leases as % of the gross revenue %
Lippo Mall Kemang	21,529	30,453	70.7	21,646	30,633	70.7
Palembang Icon	2,696	9,155	29.4	2,711	8,764	30.9
Lippo Plaza Batu	1,886	2,704	69.7	1,896	2,684	70.6
Lippo Mall Kuta	4,480	7,046	63.6	—	—	—
Lippo Plaza Kendari ⁽¹⁾	781	2,114	36.9	—	—	—
Lippo Plaza Jogja ⁽²⁾	119	138	86.2	—	—	—
	<u>31,491</u>	<u>51,610</u>		<u>26,253</u>	<u>42,081</u>	

⁽¹⁾ The master lease per annum for Lippo Plaza Kendari is pro-rated from the date of acquisition from 21 June 2017.

⁽²⁾ The master lease per annum for Lippo Plaza Jogja is pro-rated from the date of acquisition from 22 December 2017.

16. INVESTMENTS IN SUBSIDIARIES

	Trust	
	2017 \$'000	2016 \$'000
Unquoted equity shares, at cost	984,733	984,205
Redeemable preference shares, at cost	885,556	760,568
Quasi equity loans ⁽¹⁾	22,339	22,339
Less: Allowance for impairment	(179,748)	(57,672)
	<u>1,712,880</u>	<u>1,709,440</u>
Net book value of subsidiaries	<u>1,838,738</u>	<u>1,876,382</u>
Analysis of above amount denominated in non-functional currency:		
United States Dollars (US\$)	2,979	2,979
Indonesian Rupiah (Rupiah)	<u>1,197,420</u>	<u>1,218,851</u>

⁽¹⁾ The quasi-equity loans, which are extended to three Singapore subsidiaries, are unsecured and interest-free with no fixed repayment terms. They are, in substance, part of the Trust's net investment in the subsidiaries.

Movements in allowance for impairment:

Balance at beginning of the year	(57,672)	(49,378)
Impairment loss charged to profit or loss	(122,076)	(8,294)
Balance at the end of the year	<u>(179,748)</u>	<u>(57,672)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The list of the subsidiaries is in Note 38.

The management has assessed that there are indicators of impairment for those subsidiaries with shortfalls between the cost of investment translated at year-end rates and the revalued net asset value ("NAV"). Such shortfalls would indicate that the NAV of these subsidiaries have declined against their costs. Based on the above assessment, the management had made an allowance for impairment loss of \$122,076,000 (2016: \$8,294,000) in the Trust's financial statements as at 31 December 2017.

17. INVESTMENT IN JOINT OPERATION

Name of joint operation, country of incorporation, place of operation, principal activities and independent auditor	Percentage of equity held by the Group	
	2017 %	2016 %
Joint operation – PT Yogya Central Terpadu, Indonesia, owner of Lippo Plaza Jogja and Siloam Hospital Yogyakarta (RSM Amir Abadi Jusuf, Aryanto, Mawar & Rekan)	68.3	–

The Group has entered into a Joint Venture Deed through its wholly owned Singapore incorporated subsidiary Icon2 Investments Pte Ltd ("Icon2") on 13 October 2017 with Icon1 Holdings Pte Ltd ("Icon1"), a wholly owned Singapore incorporated subsidiary of Singapore-listed First Real Estate Investment Trust ("First REIT") to acquire an integrated development, comprising a hospital component known as Siloam Hospital Yogyakarta ("SHYG") and a retail mall component known as Lippo Plaza Jogja.

Icon2 and Icon1 each holds 100.0% of the Class B Shares and Class A Shares respectively in Indonesia incorporated PT Yogya Central Terpadu, which acquired the integrated development on 22 December 2017. Class B shares entitle it to, *inter alia*, all the rights to the revenue and profits and all the obligations for the expenses and losses relating to Lippo Plaza Jogja and Class A shares entitle it to, *inter alia*, all the rights to the revenue and profits and all the obligations for the expenses and losses relating to SHYG. The Class B Shares comprises 68.3% and Class A shares 31.7% of the total issued share capital of PT Yogya Central Terpadu. The Group has classified it as a joint operation.

PT Yogya Central Terpadu incorporated in Indonesia is audited by RSM Amir Abadi Jusuf, Aryanto, Mawar & Rekan (RSM Indonesia), a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

18. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables:				
Outside parties	11,564	8,128	180	837
Related parties (Note 3)	16,658	4,142	–	–
Less: Allowance for impairment	(1,222)	(3,554)	–	–
Subtotal	27,000	8,716	180	837
Other receivables:				
Subsidiaries (Note 3)	–	–	231,445	217,148
Related parties (Note 3)	96	528	–	842
Other receivables	11,893	7,979	299	299
Subtotal	11,989	8,507	231,744	218,289
Total trade and other receivables	38,989	17,223	231,924	219,126
	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Movements in above allowance:				
Balance at beginning of the year	(3,554)	(2,917)	–	–
Bad debt written back (Note 5)	3,390	65	–	–
Charge for trade receivables to profit or loss included in property operating expenses (Note 5)	(1,361)	(614)	–	–
Effect of changes in exchange rates	303	(88)	–	–
Balance at end of the year	(1,222)	(3,554)	–	–

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied tenants and credit policy of obtaining security deposits from most tenants for leasing the Group's investment properties. These tenants comprise retailers engaged in a wide variety of consumer trades. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. Please refer to Note 30D for ageing analysis.

19. OTHER ASSETS

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Prepayments	2,093	1,560	198	110
Prepaid tax	27,520	19,340	–	–
	29,613	20,900	198	110

Prepaid tax includes prepaid VAT ("value-added tax") amounting to \$8,591,000 relating to Lippo Plaza Jogja and Kediri Town Square acquisitions (2016: \$8,163,000 relating to Lippo Mall Kuta acquisition) that is recoverable from the relevant tax authority in Indonesia.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

20. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Not restricted in use	59,787	74,271	4,447	3,570
Cash pledged for bank facilities	5,113	3,483	5,113	3,483
Cash at end of the year	64,900	77,754	9,560	7,053
Interest earning balances	49,283	62,778	–	–

The rate of interest for the cash on interest earning accounts is between 0.2% and 6.0% (2016: 0.35% and 7.0%) per annum.

For the purpose of presenting the statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	Group	
	2017 \$'000	2016 \$'000
Amount as shown above	64,900	77,754
Less: Cash pledged for bank facilities	(5,113)	(3,483)
Cash and cash equivalents per statement of cash flows	59,787	74,271

20A. Non-cash and other transactions

During the year, the significant non-cash transaction was units that were issued as settlement of performance fee element of the Manager's management fees (Note 7).

20B. Reconciliation of liabilities arising from financing activities:

	2016 \$'000	Cash flows \$'000	Non-cash Changes \$'000	Reclassification* \$'000	2017 \$'000
Non-current borrowings	516,584	89,290	3,936	(190,000)	419,810
Current borrowings	124,269	(45,000)	(809)	190,000	268,460
Finance lease liabilities	1,307	(56)	38	–	1,289
Cash pledged for bank facilities	3,483	1,630	–	–	5,113
Total liabilities from financing activities	645,643	45,864	3,165	–	694,672

* Reclassification between long-term borrowings and short-term borrowing due to change in maturity of the borrowings.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

21. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Group		Trust	
	2017	2016	2017	2016
Net assets attributable to Unitholders at end of the year (\$'000)	908,286	1,091,688	890,243	1,065,807
Units in issue (Note 22)	2,823,987,723	2,802,992,873	2,823,987,723	2,802,992,873
Net assets attributable to Unitholders per unit (in cents)	32.16	38.95	31.52	38.02

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

Issuable at end of the reporting year:

At the end of the reporting year, 3,252,120 (2016: Nil) units are issuable as settlement for the Manager's management fees for the last quarter of the reporting year (Note 7). Subsequent to financial year end, 2,326,647 units have been issued as settlement for the acquisition fees for acquisitions of Lippo Plaza Jogja and Kediri Town Square (Note 34).

The issue price for determining the number of units issued and issuable as Manager's management base fee, performance fee and acquisition fees is calculated based on the volume weighted average traded price for all trades done on SGX-ST in the ordinary course of trading for 10 business days immediately preceding the respective last business day of the respective quarter end date, year end date and issuance date respectively. The new units, upon issue and allotment, will rank pari passu in all respect with the units of the Trust.

Each unit in the Trust presents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the Units held;
- receive audited financial statements and the annual report of the Trust; and
- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust.

No Unitholder has a right to require that any assets of the Trust be transferred to him.

Further, Unitholders cannot give directions to the Trustee or the Manager (whether at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in:

- The Trust ceasing to comply with applicable laws and regulations; or
- The exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter which, under the Trust Deed, requires the agreement of either or both of the Trustee and the Manager.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

21. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONT'D)

The Trust Deed contains provisions that are designed to limit the liability of a Unitholder to the amount paid or payable for any unit. The provisions seek to ensure that if the issue price of the units held by a Unitholder has been fully paid, no such Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of the Trust in the event that the liabilities of the Trust exceed its assets.

Under the Trust Deed, every unit carries the same voting rights.

Capital management:

The objectives when managing capital are: to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for Unitholders and benefits for other stakeholders, and to provide an adequate return to Unitholders by pricing services commensurately with the level of risk. The Manager sets the amount of capital in proportion to risk. The Manager manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in economic conditions and the risk characteristics of the underlying assets. Please refer to Note 12 on the distribution policy.

The only externally imposed capital requirement is that for the Group to maintain its listing on the SGX-ST it has to have issued equity with a free float of at least 10% of the units. Management receives a report from the registrar frequently on substantial unit interests showing the non-free float and it demonstrated continuing compliance with the SGX-ST requirement on the 10% limit throughout the year.

In accordance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, the total borrowings and deferred payments of the Group should not exceed 45% (2016: 45%) of the Group's deposited property. The Group had computed its aggregate leverage ratio as follows:

	Group	
	2017	2016
	\$'000	\$'000
Total borrowings and deferred payments	695,000	650,710
Total deposited property	2,063,874	2,065,233
Aggregated leverage ratio (%)	33.7%	31.5%

The Group met the aggregate leverage ratio as at the end of the reporting year. The increase in the aggregate leverage ratio for the reporting year is due primarily from the increase in debt to fund the acquisitions during the year.

The Group has been assigned a rating of "Baa3" since June 2015 by Moody's Investors Services. On 15 February 2018, the Group has requested to withdraw Moody's issuer rating. The rating was Baa3 at the time of withdrawal and the rating was under review by Moody's. The withdrawal has been made as there is no longer any regulatory requirement for the Trust to maintain a credit rating in order to be able to benefit from a higher aggregate leverage limit. Subsequently, on 7 March 2018, Moody's downgraded the Trust's rating to Ba1.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

22. UNITS IN ISSUE

	Group and Trust	
	2017	2016
Units at beginning of the year	2,802,992,873	2,797,814,196
Manager's management fees settled in units	18,675,322	5,178,677
Manager's acquisition fees settled in units	2,319,528	–
Units at end of the year	<u>2,823,987,723</u>	<u>2,802,992,873</u>

23. PERPETUAL SECURITIES

The perpetual securities are classified as equity instruments and recorded in equity in the statement of financial position. The details are:

	Group and Trust	
	2017	2016
	\$'000	\$'000
Balance at 1 January	140,867	–
Issue of perpetual securities	120,000	140,000
Issue expense	(1,502)	(1,710)
Amount reserved for distribution to perpetual securities holders	14,053	2,577
Distribution to perpetual securities holders	(13,771)	–
Perpetual securities per statement of financial position	<u>259,647</u>	<u>140,867</u>

LMIRT Capital and the Trustee established a \$1.0 billion Guaranteed Euro Medium Term Securities Programme ("EMTS") (together with EMTN as per Note 24B, "Programmes") on 9 September 2015. Under EMTS,

- (i) Each of LMIRT Capital and the Trustee may from time to time issue Medium Term Notes ("Notes") which, in the case of Notes issued by LMIRT Capital, will be unconditionally and irrevocably guaranteed by the Trustee, and
- (ii) The Trustee may from time to time issue perpetual securities.

On 19 June 2017, the Trust issued perpetual securities of \$120.0 million under the \$1.0 billion EMTS to finance the acquisition of Lippo Plaza Kendari, repayment of matured \$50.0 million EMTN notes (Note 24B) and for working capital purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

23. PERPETUAL SECURITIES (CONT'D)

The key terms and conditions of the perpetual securities are as follows:

- there is no fixed redemption date;
- the redemption of the security is at the option of the Trust, in whole, but not in part, on 19 December 2022 or later;
- the holders have the right to receive distribution payments at a rate of 6.6% per annum with the first reset date falling on 19 December 2022 and subsequent resets occurring every five years thereafter;
- the distributions will be payable semi-annually in arrears on 19 June and 19 December in each year on a discretionary basis and is non cumulative; and
- the payment obligations of the Trust under the perpetual securities will at all times rank ahead of the holders of junior obligations of the Trust.

In 2016, the Trust issued perpetual securities of \$140.0 million under the \$1.0 billion EMTS to partially refinance the \$150.0 million 4.25% EMTN notes (Note 24B). The remaining \$10.0 million was being refinanced by the drawdown from facility A & B of \$5.0 million each.

The key terms and conditions of the perpetual securities are as follows:

- there is no fixed redemption date;
- the redemption of the security is at the option of the Trust, in whole, but not in part, on 27 September 2021 or later;
- the holders have the right to receive distribution payments at a rate of 7.0% per annum with the first reset date falling on 27 September 2021 and subsequent resets occurring every five years thereafter;
- the distributions will be payable semi-annually in arrears on 27 March and 27 September in each year on a discretionary basis and is non cumulative; and
- the payment obligations of the Trust under the perpetual securities will at all times rank ahead of the holders of junior obligations of the Trust.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

24. OTHER FINANCIAL LIABILITIES

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current:				
Financial instruments with floating interest rates:				
Bank loans (secured) (Note 24A)	–	145,000	–	145,000
Less: Unamortised transaction costs	–	(1,704)	–	(1,704)
	–	143,296	–	143,296
Bank loans (unsecured) (Note 24A)	350,000	205,710	350,000	205,710
Less: Unamortised transaction costs	(4,268)	(5,626)	(4,268)	(5,626)
	345,732	200,084	345,732	200,084
Financial instruments with fixed interest rates:				
Medium term notes (unsecured) (Note 24B)	75,000	175,000	–	–
Less: Unamortised transaction costs	(922)	(1,796)	–	–
	74,078	173,204	–	–
Finance leases (Note 24C)	1,280	1,285	–	–
Non-current, total	421,090	517,869	345,732	343,380
Current:				
Financial instruments with floating interest rates:				
Bank loans (secured) (Note 24A)	90,000	–	90,000	–
Less: Unamortised transaction costs	(791)	–	(791)	–
	89,209	–	89,209	–
Bank loans (unsecured) (Note 24A)	80,000	–	80,000	–
Current, total	169,209	–	169,209	–
Financial instruments with fixed interest rates:				
Medium term notes (unsecured) (Note 24B)	100,000	125,000	–	–
Less: Unamortised transaction costs	(749)	(731)	–	–
	99,251	124,269	–	–
Finance leases (Note 24C)	9	22	–	–
Current, total	268,469	124,291	169,209	–
Total	689,559	642,160	514,941	343,380
The non-current portion is repayable as follows:				
Due within 2 to 5 years	421,056	517,154	345,732	343,380
Due after 5 years	34	715	–	–
Total non-current portion	421,090	517,869	345,732	343,380

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

24. OTHER FINANCIAL LIABILITIES (CONT'D)

At the end of reporting year, the range of floating interest rates paid per annum was as follows:

	Group and Trust	
	2017	2016
Bank loans (secured and unsecured)	2.88% to 4.30%	3.13% to 4.63%

At the end of reporting year, the ranges of fixed interest rates paid per annum were as follows:

	Group	
	2017	2016
Medium term notes (unsecured)	4.1% to 4.5%	4.1% to 5.875%
Finance leases	14.0%	14.0%

The weighted effective interest rates for outstanding bank loans and medium term notes paid per annum were as follows:

	Group		Trust	
	2017	2016	2017	2016
Bank loans (secured and unsecured)	4.73%	4.76%	4.73%	4.76%
Medium term notes (unsecured)	5.02%	5.06%	–	–

24A. Bank loans

Bank loan (Secured)

In December 2014, the Trust drew down on its secured bank loan facility of \$155.0 million maturing in December 2018 at an interest rate of 3.0% per annum plus SGD swap offer rate ("SOR"). An amount of \$55.0 million was repaid in 2017. As at 31 December 2017, the outstanding under this facility amounted to \$90.0 million (2016: \$145.0 million).

The bank loan agreement provides among other matters for the following:

- (i) The Trust to procure that none of its subsidiaries will create or have any outstanding security over the relevant retail malls and spaces, the shares and the charged assets (collectively "Relevant Assets"). The carrying amount of the relevant assets at the end of the reporting year was \$428,192,000 (2016: \$470,567,000).
- (ii) The Trust shall not without prior consent in writing from the lender:
 - (a) sell, transfer or dispose any of the Relevant Assets on terms whereby they are leased or re-acquired by any other members of the Group;
 - (b) sell, transfer or dispose any of its receivables in relation to the Relevant Assets on recourse terms;
 - (c) enter into any arrangement in relation to the Relevant Assets, under which money or the benefit of a bank or other account may be applied, set off or made subject to a combination of accounts; and

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

24. OTHER FINANCIAL LIABILITIES (CONT'D)

24A. Bank loans (cont'd)

Bank loan (Secured) (cont'd)

(ii) The Trust shall not without prior consent in writing from the lender: (cont'd)

(d) enter into any preferential arrangement in relation to the Relevant Assets having a similar effect;

in circumstances where the arrangement or transaction is entered into primarily as a method of raising financial indebtedness or of financing the acquisition of an asset.

The fair value (Level 2) of the bank loan is a reasonable approximation of the carrying amount as it is a floating rate instrument that is frequently re-priced to market interest rates.

In 2015, the Trust entered into interest rate swap contracts to convert the floating interest rate borrowings to fixed rate exposure, ranging from 1.85% to 1.88% per annum, for a total notional amount of \$155.0 million (Note 28A). The contracts will expire on 16 December 2018.

Current bank loans (Unsecured)

On 13 November 2017, the Trust signed a facility agreement for a \$80.0 million unsecured uncommitted revolving credit facility at interest rate of 1.8% per annum plus SOR. As at 31 December 2017, full amount of \$80.0 million has been drawn.

Non-current bank loans (Unsecured)

On 22 August 2016, the Trust signed a facility agreement of \$350.0 million which consists of 2 tranches A & B of \$175.0 million each, maturing in August 2020 and August 2021 interest rates of 2.95% per annum plus SOR and 3.15% per annum plus SOR respectively. Each drawdown is equal share from each of the tranche A & B.

In August 2016, the Trust drew \$100.0 million to refinance the \$100.0 million 4 January 2016 term loan, in October 2016, the Trust drew \$10.0 million to partially refinance the \$150.0 million 4.25% EMTN notes (Note 24B) and in December 2016, the Trust drew \$95.7 million to refinance the acquisition of Lippo Mall Kuta.

In July 2017, the Trust drew \$35.0 million to refinance the acquisition of Lippo Plaza Kendari, in November 2017, the Trust drew \$76.6 million to refinance the \$75.0 million 4.48% EMTN notes and in December 2017, the Trust drew \$32.6 million to refinance the acquisition of Kediri Town Square.

As of 31 December 2017, the full \$350.0 million has been utilised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

24. OTHER FINANCIAL LIABILITIES (CONT'D)

24B. Medium term notes (Unsecured)

On 25 June 2012, a wholly-owned subsidiary, LMIRT Capital Pte Ltd ("LMIRT Capital") established a \$750.0 million Guaranteed Euro Medium Term Note Programme ("EMTN"). Under the EMTN, LMIRT Capital may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes in series or tranches. Each series or tranches of notes may be issued in various currencies and tenor, and may bear fixed, floating or variable rates of interest. All sum payable in respect of the notes will be unconditionally and irrevocably guaranteed by the Trustee.

As at 31 December 2017, notes issued by LMIRT Capital are as follows:

- (i) \$75.0 million 4.1% notes due 2020. The \$75.0 million notes were issued on 22 June 2015, will mature on 22 June 2020, and bear a fixed rate of 4.1% per annum payable semi-annually in arrears; and
- (ii) \$100.0 million 4.5% notes due 2018. The \$100.0 million notes were issued on 23 November 2015, will mature on 23 November 2018, and bear a fixed rate of 4.5% per annum payable semi-annually in arrears.

On 6 July 2017, the \$50.0 million 5.875% notes payable semi-annually in arrears issued on 6 July 2012 were fully repaid upon maturity (Note 24A).

On 28 November 2017, the \$75.0 million 4.48% notes payable semi-annually in arrears issued on 28 November 2012 were fully repaid upon maturity (Note 24A).

In 2016, the \$150.0 million 4.25% notes payable semi-annually in arrears issued on 4 October 2013 were fully repaid upon maturity (Note 24A).

The fair value of the fixed rate notes (Level 1) is \$174,779,500 (2016: \$297,375,000).

The notes are listed on the Singapore Exchange Securities Trading Limited.

24C. Finance leases

Group	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
2017			
Minimum lease payments payable:			
Due within one year	43	(34)	9
Due within 2 to 5 years	1,307	(61)	1,246
Due after 5 years	60	(26)	34
Total	1,410	(121)	1,289

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

24. OTHER FINANCIAL LIABILITIES (CONT'D)

24C. Finance leases (cont'd)

	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
2016			
Minimum lease payments payable:			
Due within one year	56	(34)	22
Due within 2 to 5 years	691	(121)	570
Due after 5 years	830	(115)	715
Total	1,577	(270)	1,307

Finance lease represents Build, Operate and Transfer ("BOT") fees payable.

The fixed rate of interest for finance leases is 14% (2016: 14%) per year. The finance lease is on fixed repayment term and no arrangements have been entered into for contingent rental payments.

The carrying amount of the lease liabilities is not significantly different from the fair value.

PT Cibubur Utama (a subsidiary)

PT Cibubur Utama ("Cibubur") entered into a BOT agreement with Perusahaan Daerah Pembangunan Sarana Jaya DKI Jakarta ("Sarana"). Cibubur has the right to build, operate and transfer the property for a period of 20 years commencing July 2005 and the first priority to extend the agreement.

Cibubur has the following payment obligations: (a) US\$2,260,000 including VAT that is to be paid by instalments from the year 2004 until 2024; (b) Goodwill compensation of Rp1,500,000,000 was paid in prior years; and (c) Monitoring fee of Rp5,000,000 per month including VAT that is to be paid quarterly on 15 January, 15 April, 15 July and 15 October from 2004 until 2024.

PT Duta Wisata Loka (a subsidiary)

PT Duta Wisata Loka ("PT DWL") entered into a BOT agreement with Governor of Special City of Jakarta. PT DWL has the right to build, operate and transfer the property for a period of 30 years commencing June 1995.

PT DWL has the following payment obligations: (a) Rp19,500,000,000 including VAT that is to be paid by instalments from the year 1995 until 2021 and (b) Goodwill compensation of Rp500,000,000 that was paid in 1995.

PT Anugrah Prima (a subsidiary)

PT Anugrah Prima ("PT AP") entered into a BOT agreement with the Regional Government of City of Medan. PT AP has the right to build, operate and transfer the property for a period of 25 years commencing July 2002.

PT AP has the following payment obligations: (a) US\$1,089,770 including VAT that is to be paid by instalments of US\$49,535 per year from the year 2005 until 2026; and (b) Goodwill compensation of US\$99,070 has been paid.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

24. OTHER FINANCIAL LIABILITIES (CONT'D)

24C. Finance leases (cont'd)

PT Palembang Paragon Mall (a subsidiary)

PT Palembang Paragon Mall ("PT PPM") entered into a BOT agreement with South Sumatera Provincial Government. PT PPM has the right to build, operate and transfer the property for a period of 30 years commencing January 2011.

PT PPM has the following payment obligations: (a) Rp3,750,000,000 that is to be paid by instalments from year 2011 until 2040 and (b) 40% retribution tax from the net parking income received by PT PPM each year.

PT Griya Inti Sejahtera Insani (a subsidiary)

PT Griya Inti Sejahtera Insani ("PT GISI") entered into a BOT agreement with Government of South Sumatra Province. PT GISI has the right to build, operate and transfer the property for a period of 30 years commencing April 2010.

PT GISI has the following obligations: (a) Rp20,604,677,199 that is to be paid by instalments on a yearly instalment from March 2012 until 2039.

PT Mitra Anda Sukses Bersama (a subsidiary)

PT Mitra Anda Sukses Bersama ("PT MASB") entered into a BOT agreement with Southeast Sulawesi Government. PT MASB has the right to build, operate and transfer the property for a period of 30 years commencing November 2012.

PT MASB has the following obligations: (a) Rp6,714,480,333 that is to be paid by instalments on a yearly instalment from November 2012 until 2042. These amounts have been fully paid by PT MASB prior to the completion of acquisition by the Group and (b) 30% of the gross revenue of the parking income received by PT MASB each year.

All the above obligations have been met by the respective Indonesian subsidiaries.

25. OTHER LIABILITIES, NON-CURRENT

	Group	
	2017 \$'000	2016 \$'000
Advance payments by tenants	94,688	87,039

This relates to the rental received in advance from certain tenants.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

26. TRADE AND OTHER PAYABLES, CURRENT

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade payables:				
Outside parties and accrued liabilities	21,247	15,278	29,558	11,840
Related parties (Note 3)	221	860	–	–
Subtotal	21,468	16,138	29,558	11,840
Other payables:				
Loan payable to a subsidiary ⁽¹⁾	–	–	201,054	325,107
Subsidiaries (Note 3)	–	–	56,650	46,827
Other payables	23,869	15,042	–	–
Subtotal	23,869	15,042	257,704	371,934
Total trade and other payables, current	45,337	31,180	287,262	383,774

⁽¹⁾ The loan payable agreements provide that they are unsecured, with fixed interest rates ranging from 4.1% to 4.5% (2016: 4.1% to 5.875%) per annum and repayable on demand. The carrying amount is a reasonable approximation of fair value (Level 2).

27. OTHER LIABILITIES, CURRENT

	Group	
	2017 \$'000	2016 \$'000
Security deposits from tenants	34,415	32,582

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

28. DERIVATIVE FINANCIAL INSTRUMENTS

The table below summarises the fair value of derivatives engaged into at the end of year. All derivatives are not designated as hedging instruments.

	Group and Trust	
	2017	2016
	\$'000	\$'000
Assets – Derivatives with positive fair values:		
Currency option contracts (Note 28B)	394	–
Total	394	–
Non-current portion	394	–
	394	–
Liabilities – Derivatives with negative fair values:		
Interest rate swaps (Note 28A)	(909)	(927)
Currency option contracts (Note 28B)	(1,954)	(974)
	(2,863)	(1,901)
Non-current portion	(1,954)	(1,811)
Current portion	(909)	(90)
	(2,863)	(1,901)
Net balance	(2,469)	(1,901)
Group and Trust		
	2017	2016
	\$'000	\$'000
The movements during the year were as follows:		
Balance at beginning of year	(1,901)	1,219
Fair value losses recognised in profit or loss	(568)	(3,120)
Total net balance at end of the year	(2,469)	(1,901)

The maximum exposure to credit risk at the reporting date is the fair value of derivative assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

28A. Interest rate swaps

The notional amount of interest rate swaps for 2017 is \$155.0 million (2016: \$155.0 million). They are designed to convert floating rate borrowings to fixed rate exposure. The Group pays the fixed interest rates, ranging from 1.85% to 1.88% per annum, and receives a variable rate equal to the Singapore swap offer rate ("SOR") on the notional contract amount (Level 2). The interest rate swaps will expire on 16 December 2018. Information on the maturities of the borrowings is provided in Note 24A.

28B. Currency option contracts

	Notional amounts		Reference currency	Maturity		Fair value	
	2017 \$'000	2016 \$'000		2017	2016	2017 \$'000	2016 \$'000
Currency option contracts	43,625	49,820	Rupiah	February 2017 to February 2019	February 2017 to February 2019	(613)	(455)
Currency option contracts	43,379	50,892	Rupiah	February 2017 to February 2019	February 2017 to February 2019	(670)	(392)
Currency option contracts	24,647	60,266	Rupiah	February 2017 to February 2019	February 2017 to February 2019	(255)	(127)
Currency option contracts	18,732	–	Rupiah	February 2017 to February 2019	–	394	–
Currency option contracts	18,732	–	Rupiah	February 2017 to February 2019	–	(416)	–
	<u>149,115</u>	<u>160,978</u>				<u>(1,560)</u>	<u>(974)</u>

The purpose of the currency option contracts is to mitigate the fluctuation of income denominated in Rupiah arising from (i) dividends received or receivable, by the Singapore subsidiaries, and (ii) capital receipts from repayment of shareholders loans to Singapore subsidiaries.

Currency derivatives are utilised to hedge significant future transactions and cash flows. The Trust is a party to a variety of foreign currency options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currency of the entity's principal market. As a matter of principle, the Trust does not enter into derivative contracts for speculative purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

28C. Fair values of derivative financial instruments

The derivative financial instruments are not traded in an active market. As a result, their fair values are based on valuation techniques currently consistent with generally accepted valuation methodologies for pricing financial instruments, and incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price (Level 2).

The fair value (Level 2) of interest rate swaps was measured on the basis of the current value of the difference between the contractual interest rate and the market rate at the end of the reporting year. The valuation technique used market observable inputs including interest rate curves.

The fair value (Level 2) of currency option contracts is based on option models. The valuation technique uses market observable inputs including forward rate curves and annualised volatility of exchange rate.

29. FINANCIAL RATIOS

	Group		Trust	
	2017	2016	2017	2016
Expenses to average net assets ratio – excluding performance related fee ⁽¹⁾	0.75%	0.63%	0.76%	0.61%
Expenses to average net assets ratio – including performance related fee ⁽¹⁾	1.37%	1.22%	1.38%	1.20%
Portfolio turnover ratio ⁽²⁾	–	–	–	–

⁽¹⁾ The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group and Trust levels excluding any property related expenses, borrowing costs, foreign exchange losses/(gains), tax deducted at source and costs associated with the purchase of investments.

⁽²⁾ Turnover ratio means the number of times per year that a dollar of assets is reinvested. It is calculated based on the lesser of purchases or sales of underlying investments of a scheme expressed as a percentage of daily average net asset value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

30A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial assets:				
Financial assets at fair value through profit or loss	394	–	394	–
Cash and cash equivalents	64,900	77,754	9,560	7,053
Loans and receivables	38,989	17,223	231,924	219,126
At end of the year	104,283	94,977	241,878	226,179
Financial liabilities:				
Financial liabilities at fair value through profit or loss	2,863	1,901	2,863	1,901
Measured at amortised cost:				
– Borrowings	688,270	640,853	514,941	343,380
– Trade and other payables	45,337	31,180	287,262	383,774
– Finance leases	1,289	1,307	–	–
At end of the year	737,759	675,241	805,066	729,055

Further quantitative disclosures are included throughout these financial statements.

30B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate risk, currency risk and price risk exposures. Management has certain practices for the management of financial risks and actions to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. Enter into derivatives or any other similar instruments solely for hedging purposes.
4. All financial risk management activities are carried out and monitored by senior management staff.
5. All financial risk management activities are carried out following acceptable market practices.
6. May consider investing in shares, bonds or similar instruments.

The Chief Financial Officer of the Manager who monitors the procedures reports to the management of the Manager.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

30C. Fair values of financial instruments

The analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

30D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents, receivables, and certain other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets, the maximum amount the entity would have to pay if the guarantee is called on, and the full amount of any payable commitments at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on receivables, an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with customers are controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. Credit risk is also mitigated by the rental deposits held for each of the customers. There is no significant concentration of credit risk on receivables, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements below.

Note 20 discloses the maturity of the cash and cash equivalents balances.

Other receivables are normally with no fixed terms and therefore there is no maturity.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period granted to trade receivables customers is about 30 (2016: 30) days.

Ageing analysis of the trade receivable amounts that are past due as at the end of reporting year:

	Group	
	2017 \$'000	2016 \$'000
Trade receivables:		
Less than 30 days	3,425	1,850
31 to 60 days	2,177	50
Over 61 days	5,286	6,034
At end of year	10,888	7,934

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

30D. Credit risk on financial assets (cont'd)

The allowance totalling \$1,222,000 (2016: \$3,554,000) is based on individual accounts that are determined to be impaired at the reporting year end date. These are not secured.

As at 31 December 2017, concentration of credit risk with respect to trade receivables were trade receivables from related parties (Note 18).

Revenue from the Group's top customer amounted to \$17,880,000 (2016: \$17,134,000).

30E. Liquidity risk – financial liabilities maturity analysis

The following table analyses non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

	Less than 1 year \$'000	1 to 3 years \$'000	3 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Non-derivative financial liabilities:					
2017					
Group					
Gross borrowings commitments	295,731	280,948	179,800	–	756,479
Gross finance lease obligations	43	146	1,161	60	1,410
Trade and other payables	45,337	–	–	–	45,337
At end of the year	341,111	281,094	180,961	60	803,226
Trust					
Gross borrowings commitments	188,637	201,407	179,800	–	569,844
Trade and other payables	287,262	–	–	–	287,262
At end of the year	475,899	201,407	179,800	–	857,106
	Less than 1 year \$'000	1 to 3 years \$'000	3 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Non-derivative financial liabilities:					
2016					
Group					
Gross borrowings commitments	150,211	275,741	291,143	–	717,095
Gross finance lease obligations	56	158	533	830	1,577
Trade and other payables	31,180	–	–	–	31,180
At end of the year	181,447	275,899	291,676	830	749,852
Trust					
Gross borrowings commitments	13,084	165,572	214,676	–	393,332
Trade and other payables	383,774	–	–	–	383,774
At end of the year	396,858	165,572	214,676	–	777,106

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

30E. Liquidity risk – financial liabilities maturity analysis (cont'd)

The following table analyses the derivative financial instruments by remaining contractual maturity:

	Less than 1 year \$'000	1 to 3 years \$'000	Total \$'000
Derivative financial instruments:			
2017:			
Group and Trust			
Net settled:			
Currency option contracts	–	(1,560)	(1,560)
Interest rate swaps	(909)	–	(909)
At end of the year	(909)	(1,560)	(2,469)

	Less than 1 year \$'000	1 to 3 years \$'000	Total \$'000
Derivative financial instruments:			
2016			
Group and Trust			
Net settled:			
Currency option contracts	(90)	(884)	(974)
Interest rate swaps	–	(927)	(927)
At end of the year	(90)	(1,811)	(1,901)

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 30 (2016: 30) days. The other payables are with short-term durations. The classification of the financial assets is shown in the statements of financial position as they may be available to meet liquidity need and no further analysis is deemed necessary.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

30E. Liquidity risk – financial liabilities maturity analysis (cont'd)

Bank facilities:

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Undrawn borrowing facilities	–	144,290	–	144,290

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations.

A schedule showing the maturity of financial liabilities and unused bank facilities is provided regularly to management of the Manager to assist in monitoring the liquidity risk. The Manager also monitors and observes the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore concerning limits on total borrowings. The Manager is of the view that cash from operating activities will be sufficient to meet the current requirements to support ongoing operations, capital expenditures, and debt repayment obligations. The Trust's structure necessitates raising funds through debt financing and the capital markets to fund strategic acquisitions and capital expenditures. The Manager also ensures that there are sufficient funds for declared and payable distributions and any other commitments.

30F. Interest rate risk

The interest rate risk exposure is from changes in fixed rates and floating interest rates and it mainly concerns financial liabilities which are both fixed rate and floating rate. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial liabilities with interest:				
Fixed rates	174,618	298,780	–	–
Floating rates	514,941	343,380	514,941	343,380
Total at end of the year	689,559	642,160	514,941	343,380

The floating rate debt instruments are with interest rates that are re-set at regular intervals. The interest rates are disclosed in the respective notes.

In order to manage the interest rate risk, interest rate swaps are entered into to mitigate the fair value risk by converting floating rate borrowings to fixed rate borrowings, as described in Notes 24A and 28A.

The derivatives are carried at fair value, and changes in the fair value are recognised directly in the profit or loss. However, there is no impact to distributable income until realised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

30F. Interest rate risk (cont'd)

Sensitivity analysis:

	Group	
	2017 \$'000	2016 \$'000
Financial liabilities:		
A hypothetical variation in interest rates by 10 (2016: 10) basis points with all other variables held constant, would have an increase/decrease in total return before tax for the year by	515	343

The analysis has been performed for floating interest rate over a year for financial instruments. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

30G. Foreign currency risk

Analysis of amounts denominated in non-functional currency:

	Singapore Dollars \$'000	United States Dollars \$'000	Total \$'000
Group			
2017:			
Financial assets:			
Cash and cash equivalents	6,770	38	6,808
Total financial assets	6,770	38	6,808
Financial liabilities:			
Other financial liabilities	—	—	—
Total financial liabilities	—	—	—
Net financial assets at end of the year	6,770	38	6,808
	Singapore Dollars \$'000	United States Dollars \$'000	Total \$'000
2016:			
Financial assets:			
Cash and cash equivalents	11,361	160	11,521
Total financial assets	11,361	160	11,521
Financial liabilities:			
Other financial liabilities	—	—	—
Total financial liabilities	—	—	—
Net financial assets at end of the year	11,361	160	11,521

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

30G. Foreign currency risk (cont'd)

Analysis of amounts denominated in non-functional currency (cont'd):

	Indonesian Rupiah \$'000
Trust 2017:	
Financial assets:	
Trade and other receivables	172,847
Total financial assets	<u>172,847</u>
Financial liabilities:	
Trade and other payables	2,050
Total financial liabilities	<u>2,050</u>
Net financial assets at end of the year	<u>170,797</u>
2016:	
Financial assets:	
Trade and other receivables	165,036
Total financial assets	<u>165,036</u>
Financial liabilities:	
Trade and other payables	2,227
Total financial liabilities	<u>2,227</u>
Net financial assets at end of the year	<u>162,809</u>

There is exposure to foreign currency risk as part of its normal business. In particular, there is significant exposure to Indonesian Rupiah currency risk due to the operations of the malls and retail spaces in Indonesia. In this respect, foreign currency contracts are entered into to take into consideration of anticipated revenues in Indonesian Rupiah over operating expenses. Note 28B illustrates the foreign currency derivatives in place at end of the reporting year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

30G. Foreign currency risk (cont'd)

Sensitivity analysis:

	Group	
	2017	2016
	\$'000	\$'000
A hypothetical 10% (2016: 10%) strengthening in the exchange rate of the functional currency Rupiah against USD with all other variables held constant would have an adverse effect on total return before tax of	(4)	(16)
A hypothetical 10% (2016: 10%) strengthening in the exchange rate of the functional currency Rupiah against SGD with all other variables held constant would have an adverse effect on total return before tax of	(677)	(1,136)

	Trust	
	2017	2016
	\$'000	\$'000
A hypothetical 10% (2016: 10%) strengthening in the exchange rate of the functional currency SGD against Rupiah with all other variables held constant would have an adverse effect on total return before tax of	(17,080)	(16,281)

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each currency to which the entity has significant exposure. The analysis above has been carried out without taking into consideration hedged transactions.

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction on the profit or loss.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

31. CAPITAL COMMITMENTS

Estimated amounts committed at end of reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2017	2016
	\$'000	\$'000
Commitments for purchase of plant and equipment and assets enhancements in retail malls	5,934	4,032

32. OPERATING LEASE INCOME COMMITMENTS – AS LESSOR

At the end of reporting year the total future minimum lease receivables committed under non-cancellable operating leases are as follows:

	Group	
	2017	2016
	\$'000	\$'000
Not later than one year	109,830	114,899
Later than one year and not later than five years	225,769	214,139
More than five years	95,573	121,359
Rental income for the year (Note 4)	164,203	152,878

The Trust has no operating lease payment commitments at the end of the reporting year.

The Group has commercial property leases for retail malls and spaces. The lease rental income terms are negotiated for an average term of five to ten years for anchor tenants and an average of three to five years for speciality tenants. These leases are cancellable with conditions and rentals are subject to an escalation clause.

On 18 October 2007, each of the Indonesian subsidiaries that are owners of retail spaces (as landlord) and the master lessee (as tenant) entered into a master leases, pursuant to which the retail spaces were leased to the master lessee in accordance with the terms and conditions of the master leases. The term of each of the master leases is for 10 years with an option for the master lessee to renew for a further term of 10 years. On 17 October 2017, each of these Indonesia subsidiaries entered into new leases for three year terms with effect from 18 November 2017 with the underlying tenants of retail spaces at certain of the malls in the Group's existing portfolio. Certain of these new leases were entered into with lessees which are under common control by the same beneficial owner as the Sponsor.

Upon the completion of the acquisition of Lippo Mall Kemang, the Group entered into 3 master leases pursuant to which certain retail spaces of Lippo Mall Kemang were leased to the Sponsor Lessees for guaranteed rental receivable, in accordance with the terms and conditions of the master lease. The master lease were valid for a period of 3 years from 17 December 2014 to 16 December 2017 with an option for the Sponsor lessees to renew for a further term of 2 years from 17 December 2017 to 16 December 2019. During the year, the Group has renewed the master lease based on substantially the same terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

32. OPERATING LEASE INCOME COMMITMENTS – AS LESSOR (CONT'D)

Upon completion of the acquisition of Lippo Plaza Batu, the Group entered into 4 master leases, pursuant to which casual leasing, car park, certain specialty retail spaces and the rooftop space of Lippo Plaza Batu were leased to the Vendor lessees for guaranteed rental receivables, in accordance with the terms and conditions of the master leases. The master leases are valid for a period of 3 years from 7 July 2015 to 6 July 2018.

Upon completion of the acquisition of Palembang Icon, the Group entered into 5 master leases, pursuant to which casual leasing, car park, a major retail unit space, certain specialty retail spaces and a Sports Centre of Palembang Icon were leased to the Vendor lessees for guaranteed rental receivables, in accordance with the terms and conditions of the master lease. The master lease are valid for a period of 3 years from 10 July 2015 to 9 July 2018 with no option to renew. The master lease for the Sports Centre will run for the remaining period of the BOT agreement which expires on 30 April 2040.

Upon completion of the acquisition of Lippo Mall Kuta, the Group entered into 3 master leases, pursuant to which casual leasing, car park and certain specialty retail spaces were leased to the Vendor lessees for guaranteed rental receivables, in accordance with the terms and conditions of the master lease. The master lease are valid for a period of 5 years from 29 December 2016 to 28 December 2021.

Upon completion of the acquisition of Lippo Plaza Kendari, the Group entered into 2 master leases, pursuant to which casual leasing and certain anchor and specialty retail spaces were leased to the Vendor lessees for guaranteed rental receivables, in accordance with the terms and conditions of the master lease. The master lease are valid for a period of 5 years from 21 June 2017 to 20 June 2022.

Upon completion of the acquisition of Lippo Plaza Jogja, the Group entered into 3 master leases, pursuant to which casual leasing, car park and certain anchor and specialty retail spaces were leased to the Vendor lessees for guaranteed rental receivables, in accordance with the terms and conditions of the master lease. The master lease are valid for a period of 5 years from 22 December 2017 to 21 December 2022.

33. OTHER MATTERS

Right of First Refusal ("ROFR")

On 14 August 2007, an agreement was entered into between the Trustee and the Sponsor pursuant to which the Sponsor granted the Trust, for so long as (a) LMIRT Management Ltd remains the Manager of the Trust; and (b) the Sponsor and/or any of its related corporations, alone or in aggregate, remains a controlling shareholder of the Manager; a ROFR over any retail properties located in Indonesia (each such property to be known as a "Relevant Asset"): (i) which the Sponsor or any of its subsidiaries (each a "Sponsor Entity") proposes to sell or transfer (whether such Relevant Asset is wholly-owned or partly-owned by the Sponsor Entity and excluding any sale of Relevant Asset by a Sponsor Entity to any related corporation of such Sponsor Entity pursuant to a reconstruction, amalgamation, restructuring, merger or any analogous event) to an unrelated third party; or (ii) for which a proposed offer for sale or transfer of such Relevant Asset has been made to a Sponsor Entity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

34. EVENTS AFTER THE END OF THE REPORTING YEAR

On 13 February 2018, a final distribution of \$0.79 cents per unit was declared totalling \$22,286,000, in respect of the quarter ended 31 December 2017.

On 27 February 2018, 3,252,120 new units have been issued to the Manager at the issue price of \$0.3999 cents per unit as payment of base fee elements of the Manager fee for the quarter ended 31 December 2017. The issue price was based on the volume weighted average traded price for all trades done on the SGX-ST in the ordinary course of trading for the last 10 business days of the quarter.

On 27 February 2018, 2,326,647 new units have been issued at the issue price of \$0.3929 cents per unit as payment of acquisition fee for acquisitions of Lippo Plaza Jogja and Kediri Town Square. The issue price was based on the volume weighted average traded price for all trades done on the SGX-ST in the ordinary course of trading for the last 10 business days immediately preceding the issuance of the acquisition units.

On 5 March 2018, the Trust obtained a \$40 million unsecured uncommitted revolving credit facility which will be used for general corporate funding including but not limited to acquisition, working capital and asset enhancement initiatives.

On 7 March 2018, the Trust discharged all the securities including mortgage on properties granted for the facility other than a charge over interest escrow account and sale account. With the completion of the discharge, the Trust's property portfolio is now unencumbered.

35. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised Financial Reporting Standards in Singapore and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 7	Amendments to FRS 7: Disclosure Initiative
FRS 112	Amendments to FRS 112: Disclosure of Interests in Other Entities

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

36. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

Certain new standards and amendments and interpretations to existing standards have been published and are mandatory for the Trust's accounting periods beginning on or after 1 January 2018 or later periods for which the Trust has not early adopted.

For those new standards and amendments and interpretations to existing standards that are expected to have an effect on the financial statements of the Trust in future financial periods, the Trust is currently assessing the transition options and the potential impact on the financial statements. The Trust does not plan to adopt these standards early.

FRS No.	Title	Effective date for periods beginning on or after
FRS 109	Financial Instruments	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019

Listed companies with annual periods beginning on or after 1 January 2018 are required to adopt the Singapore Financial Reporting Standards (International) (that would be IFRS compliant). Therefore the first SFRS(I) compliant interim financial statements (SGX Quarterly or Half Yearly Announcements) will be effective from this date. SFRS(I) will also apply to the comparative interim periods. The financial statements will also need figures for the opening 'third' statement of financial position at 1 January 2017, which is the date of transition to SFRS(I) and the starting point for SFRS(I).

However, real estate investment trusts ("REITs") must comply with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, and will continue to prepare their financial statements in the manner prescribed under ISCA's Statement of Recommended Accounting Practice 7 ("RAP 7") Reporting Framework for Unit Trusts. RAP 7 requires that the accounting policies generally comply with SFRS principles relating to recognition and measurement, unless prescribed by RAP 7.

On the basis of the facts and circumstances that exist as at 31 December 2017 the Group does not anticipate that the application of the new standards will have a material impact on the financial position and financial performance of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

37. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation as set out below:

	Previously stated 2016 \$'000	Adjustment \$'000	Restated 2016 \$'000
Group			
Statement of Total Return			
Finance costs	(44,509)	9,546	(34,963)
Realised gains on derivative financial instruments	13,556	(9,546)	4,010

In view of the above changes consequential reclassifications were made to the Statement of Cash Flows of the Group. These included reclassifying of \$9,546,000 from operating activities to financing activities.

	Previously stated 2016 \$'000	Adjustment \$'000	Restated 2016 \$'000
Trust			
Statement of Total Return			
Finance costs	(48,096)	9,546	(38,550)
Realised gains on derivative financial instruments	13,556	(9,546)	4,010

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

38. LISTING OF INVESTMENTS IN SUBSIDIARIES

All the subsidiaries are wholly owned. The subsidiaries held by the Trust and the Group are listed below:

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Cost	
	2017 \$'000	2016 \$'000
Singapore		
Gajah Mada Investments Pte Ltd Investment holding	80,540	81,069
Mal Lippo Investments Pte Ltd Investment holding	54,316	55,352
Cibubur Holdings Pte Ltd Investment holding	50,314	52,523
Tangent Investments Pte Ltd Investment holding	76,818	78,887
Magnus Investments Pte Ltd Investment holding	97,476	97,476
Elok Holdings Pte Ltd Investment holding	53,889	39,607
PS International Holdings Pte Ltd Investment holding	126,185	126,185
Great Properties Pte Ltd Investment holding	59,360	59,360
Grace Capital Pte Ltd Investment holding	34,278	34,278
Realty Overseas Pte Ltd Investment holding	26,500	26,500
Java Properties Pte Ltd Investment holding	18,428	18,697
Serpong Properties Pte Ltd Investment holding	15,879	16,524
Metropolis Properties Pte Ltd Investment holding	26,261	26,408
Matos Properties Pte Ltd Investment holding	19,938	20,197

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

38. LISTING OF INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiaries, Country of Incorporation,
Place of Operations and Principal Activities

	2017 \$'000	Cost 2016 \$'000
Singapore		
Detos Properties Pte Ltd Investment holding	20,817	21,150
Palladium Properties Pte Ltd Investment holding	44,952	45,970
Madiun Properties Pte Ltd Investment holding	24,226	24,604
GMP International Holdings Pte Ltd Investment holding	765	765
MLC Holdings Pte Ltd Investment holding	765	765
CJ Retail Investments Pte Ltd Investment holding	89	89
Maxia Investments Pte Ltd Investment holding	535	535
Fenton Investments Pte Ltd Investment holding	1,256	1,256
EP International Investments Pte Ltd Investment holding	60	60
Plaza Semanggi Investments Pte Ltd Investment holding	161	161
PV International Holdings Pte Ltd Investment holding	169,306	169,306
Pluit Village Investments Pte Ltd Investment holding	29,189	29,189
PMF Holdings Pte Ltd Investment holding	57,083	42,153
Plaza Medan Investments Pte Ltd Investment holding	1*	1*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

38. LISTING OF INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiaries, Country of Incorporation,
Place of Operations and Principal Activities

	2017 \$'000	Cost 2016 \$'000
Singapore		
PSX Holdings Pte Ltd Investment holding	9,938	10,912
Palembang Square Holdings Pte Ltd Investment holding	51,216	51,963
Taminis Holdings Pte Ltd Investment holding	19,565	19,757
Kramati Holdings Pte Ltd Investment holding	38,432	39,614
Binjaimall Holdings Pte Ltd Investment holding	23,430	23,430
Pejaten Holdings Pte Ltd Investment holding	117,066	86,462
Super Binjai Investment Pte Ltd Investment holding	1*	1*
Pejatenmall Investment Pte Ltd Investment holding	2,151	1*
Kramat Jati Investment Pte Ltd Investment holding	1*	1*
Tamini Square Investment Pte Ltd Investment holding	1*	1*
Palem Square Investment Pte Ltd Investment holding	1*	1*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

38. LISTING OF INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Cost	
	2017 \$'000	2016 \$'000
Singapore		
PSEXT Investment Pte Ltd Investment holding	1*	1*
LMIRT Capital Pte Ltd Provision of treasury services	1*	1*
KMT 1 Holdings Pte Ltd Investment holding	332,043	341,062
KMT 2 Investment Pte Ltd Investment holding	16,104	16,104
Picon1 Holdings Pte Ltd Investment holding	86,873	75,416
Picon2 Investments Pte Ltd Investment holding	16,375	10,807
Kuta1 Holdings Pte Ltd Investment holding	86,129	86,403
Kuta2 Investments Pte Ltd Investment holding	4,320	4,320
Icon2 Investments Pte Ltd Investment holding	57,000	1*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

38. LISTING OF INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiaries, Country of Incorporation,
Place of Operations and Principal Activities

	2017 \$'000	Cost 2016 \$'000
Indonesia		
PT Graha Baru Raya Owner of Gajah Mada Plaza	805	805
PT Graha Nusa Raya Owner of Mal Lippo Cikarang	805	805
PT Cibubur Utama Owner of Cibubur Junction	1,772	1,772
PT Megah Semesta Abadi Owner of Bandung Indah Plaza	10,692	10,692
PT Suryana Istana Pasundan Owner of Istana Plaza	25,112	25,112
PT Indah Pesona Bogor Owner of Lippo Plaza Ekalokasari Bogor	1,208	1,208
PT Primatama Nusa Indah Owner of The Plaza Semanggi	3,222	3,222
PT Manunggal Wiratama Owner of Sun Plaza	10,476	10,476
PT Duta Wisata Loka Owner of Pluit Village	30,031	30,031
PT Anugrah Prima Owner of Plaza Medan Fair and Plaza Medan Fair Extension	14,630	14,630
PT Amanda Cipta Utama Owner of Binjai Supermall	6,270	6,270
PT Panca Permata Pejaten Owner of Pejaten Village and Kediri Town Square	24,532	15,929
PT Benteng Teguh Perkasa Owner of Lippo Plaza Kramat Jati	10,263	10,263
PT Cahaya Megah Nusantara Owner of Tamini Square	2,566	2,566
PT Jaya Integritas Owner of Palembang Square	2,566	2,566
PT Palembang Paragon Mall Owner of Palembang Square Extension	4,362	4,362

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2017

38. LISTING OF INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	2017 \$'000	Cost 2016 \$'000
Indonesia		
PT Cahaya Bimasakti Nusantara Owner of Palembang Square Extension	2,566	2,566
PT Dinamika Serpong Owner of Mall WTC Matahari Units	805	805
PT Gema Metropolis Modern Owner of Metropolis Town Square Units	805	805
PT Matos Surya Perkasa Owner of Malang Town Square Units	805	805
PT Megah Detos Utama Owner of Depok Town Square Units	805	805
PT Palladium Megah Lestari Owner of Grand Palladium Units and Lippo Plaza Batu	5,364	5,364
PT Madiun Ritelindo Owner of Plaza Madiun Units	805	805
PT Java Mega Jaya Owner of Java Supermall Units	805	805
PT Kemang Mall Terpadu Owner of Lippo Mall Kemang	64,417	64,417
PT Griya Inti Sejahtera Insani Owner of Palembang Icon	5,223	5,223
PT Rekreasi Pantai Terpadu Owner of Lippo Mall Kuta	17,280	8,775
PT Mitra Anda Sukses Bersama Owner of Lippo Plaza Kendari	1*	—
Joint operations held by subsidiary, Icon2 Investments Pte Ltd PT Yogya Central Terpadu Owner of Lippo Plaza Jogja and Siloam Hospital Yogyakarta	14,250	—

* Amount is less than \$1,000.

The subsidiaries incorporated in Indonesia are audited by RSM Amir Abadi Jusuf, Aryanto, Mawar & Rekan (RSM Indonesia), a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

The subsidiaries incorporated in Singapore are audited by RSM Chio Lim LLP in Singapore.

The investments include investment in redeemable preference shares that are redeemable at the option of the subsidiaries.

The share certificates of certain subsidiaries are pledged as security for bank facilities (Note 24A).

INTERESTED PERSON TRANSACTIONS

YEAR ENDED 31 DECEMBER 2017

The transactions entered into with interested persons during the financial year, which fall under the SGX-ST's Listing Manual and the Code on Collective Investment Schemes, are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during FY 2017 under review (excluding transactions less than S\$100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions conducted under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) ⁽¹⁾ S\$'000
PT Lippo Karawaci Tbk and its subsidiaries or associates		
– Manager's management fees	12,518	–
– Acquisition fees	1,237	–
– Property management fees	6,691	–
– Rental and service charge income	52,705	–
– Rental revenue	12,396	–
– Acquisition of investment properties	96,753	–
HSBC Institutional Trust Services (Singapore) Limited		
–Trustee's fees	423	–

⁽¹⁾ LMIR Trust has not sought any general mandate from its Unitholders for interested person transactions pursuant to Rule 920 of the Listing Manual.

Saved as disclosed above, there were no additional interested person transactions (excluding transactions less than S\$100,000 each) entered into during the financial year under review or any material contracts entered into by LMIR Trust that involved the interests of the Chief Executive Officer, any Director or controlling Unitholder of LMIR Trust.

Fees payable to the Manager in accordance with the terms and conditions of the Trust Deed dated 8 August 2008 are not subject to Rule 905 and 906 of the SGX-ST's Listing Manual. Accordingly, such fees are not subject to aggregation and other requirements under Rules 905 and 906 of the SGX-ST's Listing Manual.

SUBSCRIPTIONS OF LMIR TRUST

For the financial year ended 31 December 2017, the issued and subscribed units as at 31 December 2017 is an aggregate of 2,823,987,723 units.

STATISTICS OF UNITHOLDINGS

AS AT 8 MARCH 2018

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	Number of Unitholders	%	Number of Units	%
1 – 99	39	0.35	510	0.00
100 – 1,000	326	2.97	267,980	0.01
1,001 – 10,000	3,606	32.84	23,951,396	0.85
10,001 – 1,000,000	6,945	63.25	488,807,507	17.27
1,000,001 and above	65	0.59	2,316,539,097	81.87
TOTAL	10,981	100.00	2,829,566,490	100.00

TWENTY LARGEST UNITHOLDERS

No.	Name of Unitholders	Number of Units	%
1.	OCBC SECURITIES PRIVATE LIMITED	727,533,540	25.71
2.	RAFFLES NOMINEES (PTE) LIMITED	413,870,335	14.63
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	384,148,066	13.58
4.	DBS NOMINEES (PRIVATE) LIMITED	232,997,864	8.23
5.	LMIRT MANAGEMENT LTD	148,190,438	5.24
6.	HSBC (SINGAPORE) NOMINEES PTE LTD	80,363,072	2.84
7.	DBSN SERVICES PTE. LTD.	39,296,308	1.39
8.	KO OON JOO	32,188,800	1.14
9.	PHILLIP SECURITIES PTE LTD	31,637,835	1.12
10.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	27,344,900	0.97
11.	KGI SECURITIES (SINGAPORE) PTE. LTD.	16,569,500	0.59
12.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	15,767,504	0.56
13.	MAYBANK KIM ENG SECURITIES PTE. LTD.	14,991,792	0.53
14.	ABN AMRO CLEARING BANK N.V.	13,954,800	0.49
15.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	10,587,791	0.37
16.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	9,939,087	0.35
17.	UOB KAY HIAN PRIVATE LIMITED	8,536,676	0.30
18.	TAN CHWEE HUAT	7,286,000	0.26
19.	WING HUAT LOONG PTE LTD	6,735,000	0.24
20.	DB NOMINEES (SINGAPORE) PTE LTD	6,496,988	0.23
	TOTAL	2,228,436,296	78.77

STATISTICS OF UNITHOLDINGS

AS AT 8 MARCH 2018

SUBSTANTIAL UNITHOLDERS

(As at 8 March 2018)

	No. of Units Direct Interest	No. of Units Deemed Interest
1. Bridgewater International Ltd ("BIL")	700,444,940	—
2. PT. Sentra Dwimandiri ("PTSD")	—	700,444,940 ⁽¹⁾
3. PT. Lippo Karawaci Tbk ("LPKR")	—	848,635,378 ⁽²⁾
4. PT Inti Anugerah Pratama ("IAP")	—	848,635,378 ⁽³⁾
5. PT Trijaya Utama Mandiri ("TUM")	—	848,635,378 ⁽⁴⁾
6. James Tjahaja Riady ("JTR")	—	848,635,378 ⁽⁵⁾
7. Wealthy Fountain Holdings Inc	161,938,500	—
8. Shanghai Summit Pte Ltd	—	168,938,500 ⁽⁶⁾
9. Tong Jinquan	—	168,938,500 ⁽⁶⁾
10. LMIRT Management Ltd.	148,190,438	—

Notes:

- BIL is controlled by PTSD. PTSD is therefore deemed to be interested in 700,444,940 Units in which BIL has an interest.
- BIL is controlled by PTSD, which is in turn controlled by LPKR. LPKR is therefore deemed to have an interest in 700,444,940 Units in which BIL has an interest.
 - The Manager, LMIRT Management Ltd. is controlled by Peninsula Investment Limited, which in turn, is controlled by LPKR. LPKR is therefore also deemed to be interested in 148,190,438 Units held by the Manager.
- IAP directly and indirectly holds 34.49% interest in LPKR and is therefore deemed to be interested in LPKR's interest in 848,635,378 Units.
- TUM effectively holds 60% interest in IAP and is therefore deemed to be interested in 848,635,378 Units in which IAP has an interest.
- JTR effectively holds 100% interest in TUM and is therefore deemed to be interested in 848,635,378 Units in which IAP has an interest.
- Wealthy Fountain Holdings Inc and Skyline Horizon Consortium Ltd are wholly owned by Tong Jinquan through Shanghai Summit Pte Ltd. Therefore, Tong Jinquan and Shanghai Summit Pte Ltd are deemed to be interested in 161,938,500 Units held by Wealthy Fountain Holdings Inc and 7,000,000 Units held by Skyline Horizon Consortium Ltd.

MANAGER'S DIRECTORS' UNITHOLDINGS

(As recorded in the Register of Directors' Unitholdings as at 21 January 2018)

None of the Directors of the Manager has Unitholdings in LMIR Trust.

FREE FLOAT

Based on the information made available to the Manager as at 8 March 2018, approximately 64.04% of the Units in LMIR Trust are held in the hands of the public. Accordingly Rule 723 of the Listing Manual of the SGX-ST has been complied with.

TREASURY UNITS AND SUBSIDIARY HOLDINGS

As at 8 March 2018, LMIR Trust does not hold any treasury units and there is no subsidiary holdings.

NOTICE OF ANNUAL GENERAL MEETING OF THE UNITHOLDERS

LIPPO MALLS INDONESIA RETAIL TRUST

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting ("**AGM**") of the holders of units of Lippo Malls Indonesia Retail Trust ("**LMIR Trust**", and the holders of units of LMIR Trust, "**Unitholders**") will be held on 18 April 2018, Wednesday at 2:00 p.m. at Vanda Ballroom, Level 5, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 to transact the following business:

(A) AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Trustee of LMIR Trust issued by Perpetual (Asia) Limited, as trustee of LMIR Trust (the "**Trustee**"), the Statement by the Manager issued by LMIRT Management Ltd, as manager of LMIR Trust (the "**Manager**"), and the Audited Financial Statements of LMIR Trust for the financial year ended 31 December 2017 together with the Auditors' Report thereon. **(Ordinary Resolution 1)**
2. To re-appoint RSM Chio Lim LLP as Auditors of LMIR Trust and to hold office until the conclusion of the next AGM and to authorise the Manager to fix their remuneration. **(Ordinary Resolution 2)**

(B) AS SPECIAL BUSINESS

To consider and if thought fit, to pass with or without any modifications, the following resolution as an Ordinary Resolution:

3. That pursuant to Clause 5 of the trust deed constituting LMIR Trust (as amended) (the "**Trust Deed**") and the listing rules of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Manager be authorised and empowered to:
 - (a) (i) issue units in LMIR Trust ("**Units**") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

- (b) issue Units in pursuance of any Instrument made or granted by the Manager while this Resolution was in force (notwithstanding the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50.0%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to existing Unitholders (including Units to be issued in pursuance of Instruments to be made or granted pursuant to this Resolution) shall not exceed twenty per cent (20.0%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING OF THE UNITHOLDERS (CONT'D)

- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Units and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Units and Instruments shall be based on the total number of issued Units (excluding treasury Units, if any) at the time of the passing of this Resolution, after adjusting for:
- (a) new Units arising from the conversion or exercise of the Instruments or any convertible securities which are outstanding or subsisting at the time of the passing of this Resolution;
 - (B) new Units arising from exercising unit options or vesting of unit awards outstanding and subsisting at the time of the passing of this Resolution; and
 - (C) any subsequent bonus issue, consolidation or subdivision of Units;
- (3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Trust Deed of LMIR Trust for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) unless revoked or varied by Unitholders in a general meeting of LMIR Trust, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next AGM of LMIR Trust or (ii) the date by which the next AGM of LMIR Trust is required by law to be held, whichever is earlier or (iii) in the case of Units to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Units in accordance with the terms of the Instruments;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (6) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider necessary, expedient, incidental or in the interest of LMIR Trust to give effect to the authority contemplated and/or authorised by this Resolution.

(Please see Explanatory Note)

(Ordinary Resolution 3)

4. To transact any other business as may properly be transacted at an AGM.

By Order of the Board
LMIRT Management Ltd
(Company Registration No. 200707703M)
as Manager of Lippo Malls Indonesia Retail Trust

Victor Lai Kuan Loong
Company Secretary

Singapore
26 March 2018

NOTICE OF ANNUAL GENERAL MEETING OF THE UNITHOLDERS (CONT'D)

Explanatory Note:

The Ordinary Resolution (3) in item 3 above, if passed, will empower the Manager from the date of this AGM until the date of the next AGM of the Unitholders of LMIR Trust, or the date by which the next AGM of the Unitholders is required by law to be held, or such authority is varied or revoked by the Unitholders in a general meeting, whichever is the earliest, to issue Units, make or grant Instruments and to issue Units pursuant to such Instruments, up to a number not exceeding, in total, fifty per cent (50.0%) of the total number of issued Units (excluding treasury Units, if any), with a sub-limit of twenty per cent (20.0%) for issues other than on a pro rata basis to Unitholders.

For the purpose of determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the total number of issued Units (excluding treasury Units, if any) at the time this Ordinary Resolution is passed after adjusting for new Units arising from the conversion or exercise of any Instruments, the exercise of unit options or the vesting of unit awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

Important Notice:

1. A Unitholder who is not a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his or her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he or she specifies the proportion of his or her holding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than two proxies to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointment shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the Proxy Form (defined below).

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or
 - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the office of LMIR Trust's Unit Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than seventy-two (72) hours before the time appointed for holding the AGM.

NOTICE OF ANNUAL GENERAL MEETING OF THE UNITHOLDERS (CONT'D)

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by LMIR Trust (or its agents) for the purpose of the processing and administration by LMIR Trust (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for LMIR Trust (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to LMIR Trust (or its agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by LMIR Trust (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify LMIR Trust in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

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PROXY FORM

ANNUAL GENERAL MEETING

LIPPO MALLS INDONESIA RETAIL TRUST

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

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting ("AGM") and vote (please see Note 2 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy units in Lippo Malls Indonesia Retail Trust, this Annual Report is forwarded to them at the request of the CPF Approved Nominees and is sent FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
4. **PLEASE READ THE NOTES TO THE PROXY FORM.**

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representatives(s), the Unitholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 26 March 2018.

I/We _____ (Name)

of _____ (Address)

being a unitholder/unitholders of Lippo Malls Indonesia Retail Trust ("LMIR Trust"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Unitholdings	
		No. of Units	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Unitholdings	
		No. of Units	%
Address			

or, both of whom failing, the Chairman of the Annual General Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of LMIR Trust to be held on 18 April 2018, Wednesday at 2:00 p.m. at Vanda Ballroom, Level 5, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 and any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they may on any other matter arising at the Annual General Meeting and at any adjournment thereof.

No.	Resolutions relating to:	No. of votes 'For'*	No. of votes 'Against'*
ORDINARY BUSINESS			
1	To receive and adopt the Report of the Trustee, the Statement by the Manager, the Audited Financial Statements of LMIR Trust for the financial year ended 31 December 2017 and the Auditors' Report thereon (Ordinary Resolution)		
2	To re-appoint RSM Chio Lim LLP as Auditors of LMIR Trust and authorise the Manager to fix the Auditors' remuneration (Ordinary Resolution)		
SPECIAL BUSINESS			
3	To authorise the Manager to issue new Units and to make or grant convertible instruments (Ordinary Resolution)		

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of Units in the boxes provided.

Dated this _____ day of _____ 2018

Total number of Units held

Signature(s) of Unitholder(s)/Common Seal

IMPORTANT: PLEASE READ NOTES TO PROXY FORM ON REVERSE PAGE

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes to Proxy Form

1. A Unitholder of Lippo Malls Indonesia Retail Trust ("**LMIR Trust**") and a Unitholder of LMIR Trust, "**Unitholder**") who is not a relevant intermediary entitled to attend the meeting and vote is entitled to appoint not more than two proxies to attend and vote instead of the Unitholder. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the proportion of the Unitholder's holdings (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed. "**Relevant intermediary**" means:
 - (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds units in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity; or
 - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the Unit Registrar's office at Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 72 hours before the time set for the Annual General Meeting.
4. Completion and return of the instrument appointing a proxy or proxies shall not preclude a Unitholder from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the meeting in person, and in such event, LMIRT Management Ltd., in its capacity as manager of LMIR Trust (the "**Manager**") reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.
5. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against the Unitholder's name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), the Unitholder should insert that number of Units. If the Unitholder has Units registered in the Unitholder's name in the Register of Unitholders of LMIR Trust, the Unitholder should insert that number of Units. If the Unitholder has Units entered against the Unitholder's name in the said Depository Register and registered in the Unitholder's name in the Register of Unitholders of LMIR Trust, the Unitholder should insert the aggregate number of Units. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by the Unitholder.
6. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Manager) be lodged with the instrument appointing a proxy, failing which the instrument may be treated as invalid.
8. All Unitholders will be bound by the outcome of the Annual General Meeting regardless of whether they have attended or voted at the Annual General Meeting.
9. At any meeting, a resolution put to the vote of the meeting shall be decided by way of a poll.
10. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she is the Unitholder. There shall be no division of votes between a Unitholder who is present and voting at the Annual General Meeting and his or her proxy/ies. A person entitled to more than one vote need not use all his votes or cast them the same way.

General

The Manager shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the instrument appointing a proxy or proxies. In addition, in the case of Units entered in the Depository Register; (a) the Manager may reject an instrument appointing a proxy or proxies if the Unitholder, being the appointor, is not shown to have Units entered against the Unitholder's name in the Depository Register not less than 72 hours before the time appointed for holding the meeting, as certified by CDP to the Manager; (b) shall be entitled and bound to accept as accurate the number of Units entered against the name of that Unitholder as shown in the Depository Register as at the time not earlier than 72 hours prior to the time of the meeting, supplied by CDP to the Manager and to accept as the maximum number of votes which in aggregate that Unitholder and his/her proxy/ies (if any) are able to cast on poll a number which is the number of Units entered against the name of that Unitholder as shown in the Depository Register, whether that number is greater or smaller than that specified by the Unitholder or in the proxy form.

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LMIRT MANAGEMENT LTD.

(The Manager of Lippo Malls Indonesia Retail Trust)
c/o Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

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