



PT Lippo Karawaci Tbk
2006 Annual Report

Building on a Vision

Contents

01

Building on a Vision

02

Financial Highlights

04

Shareholder Structure,
Capital History, Dividend History and
Share Price Movement & Trading

06

Milestones

08

Event Highlights

10

The Three Pillars

12

Report from
the President Commissioner

16

Report from
the President Director

22

Housing & Land Development

28

Healthcare

34

Hospitality &
Infrastructure

38

Human Resources

42

Information Technology

46

Corporate Governance Report

52

Audit Committee Report

53

Remuneration Committee Report

54

Management Discussion & Analysis

61

Responsibility for
the 2006 Annual Report

63

Financial Report

129

Corporate Data

Building on a Vision

Guided by its vision of Impacting Lives, Lippo Karawaci focuses firmly on strengthening its credibility in the creation of medium to long term business growth, relying on its proven capabilities as the acknowledged premier lifestyle development company in Indonesia.

Vision

To be the premier broad-based property company committed to impact people's lives in everything we do and to continue creating shareholder value.

Mission

- To meet the needs of Indonesian middle and upper class consumers, in the areas of quality housing, shopping centers, commercial development, healthcare, entertainment, hospitality and infrastructure.
- To maintain sustainable business growth through building strong recurring income and sustainable development activities.

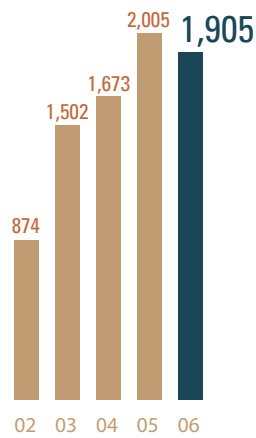
Financial Highlights

	2002*	2003*	2004	2005	2006
PROFIT AND LOSS (in billion Rupiah)					
Revenue	874	1,502	1,673	2,005	1,905
Gross Profit	283	620	774	999	973
EBITDA	12	341	450	623	539
Operating Profit (Loss)	(52)	276	368	536	447
Net Profit After Tax	127	281	293	359	325
Basic Earning per Share (in Rupiah)	64	142	139	124	55
BALANCE SHEETS (in billion Rupiah)					
Total Assets	3,590	4,178	5,556	6,232	8,486
Total Liabilities	2,949	3,266	3,855	3,249	5,208
Stockholders' Equity	408	681	1,445	2,693	2,962
FINANCIAL RATIOS					
Return on Assets (%)	4	7	5	6	4
Return on Equity (%)	31	41	20	13	11
Debt to Assets	0.4	0.5	0.5	0.3	0.3
Debt to Equity (Gross)	3.7	3.2	1.9	0.6	0.8
Debt to Equity (Net)	2.8	2.9	1.7	0.5	0.4
Gross Profit Margin (%)	32	41	46	50	51
EBITDA Margin (%)	1	23	27	31	28
Operating Profit Margin (%)	(6)	18	22	27	23
Net Profit Margin (%)	15	19	18	18	17

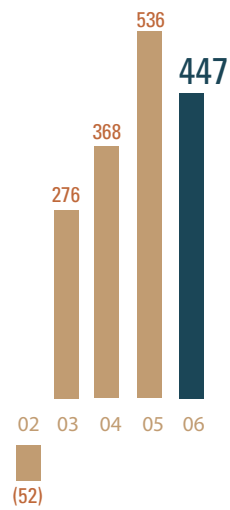
Notes

*) Has been restated to include the impact of the business merger according to the Statement of Financial Accounting Standard no. 22, 38 and 56.

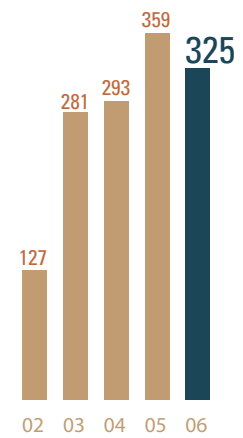
REVENUES
in billion Rupiah



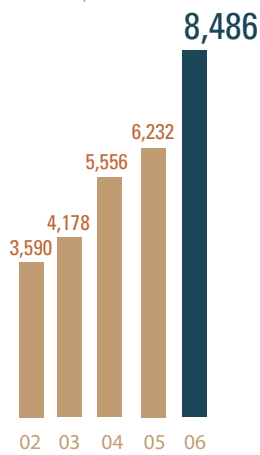
OPERATING PROFIT (LOSS)
in billion Rupiah



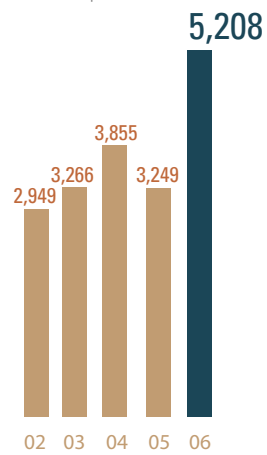
NET PROFIT AFTER TAX
in billion Rupiah



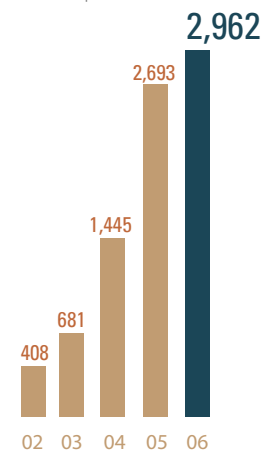
ASSETS
in billion Rupiah



LIABILITIES
in billion Rupiah



STOCKHOLDERS' EQUITY
in billion Rupiah



Shareholder Structure, Capital History, Dividend History and Share Price Movement & Trading

Shareholder Structure

(as of December 31, 2006)

Shareholders	Number of Shares	Percentage of Ownership
Lippo Group Companies	1,584,906,154	27.00
China Resources (Holdings) Co. Ltd	905,570,540	15.42
CP Inlandsimmobilien – Holding GmbH	455,317,500	7.76
Public	2,925,222,878	49.82
Total	5,871,017,072	100.00

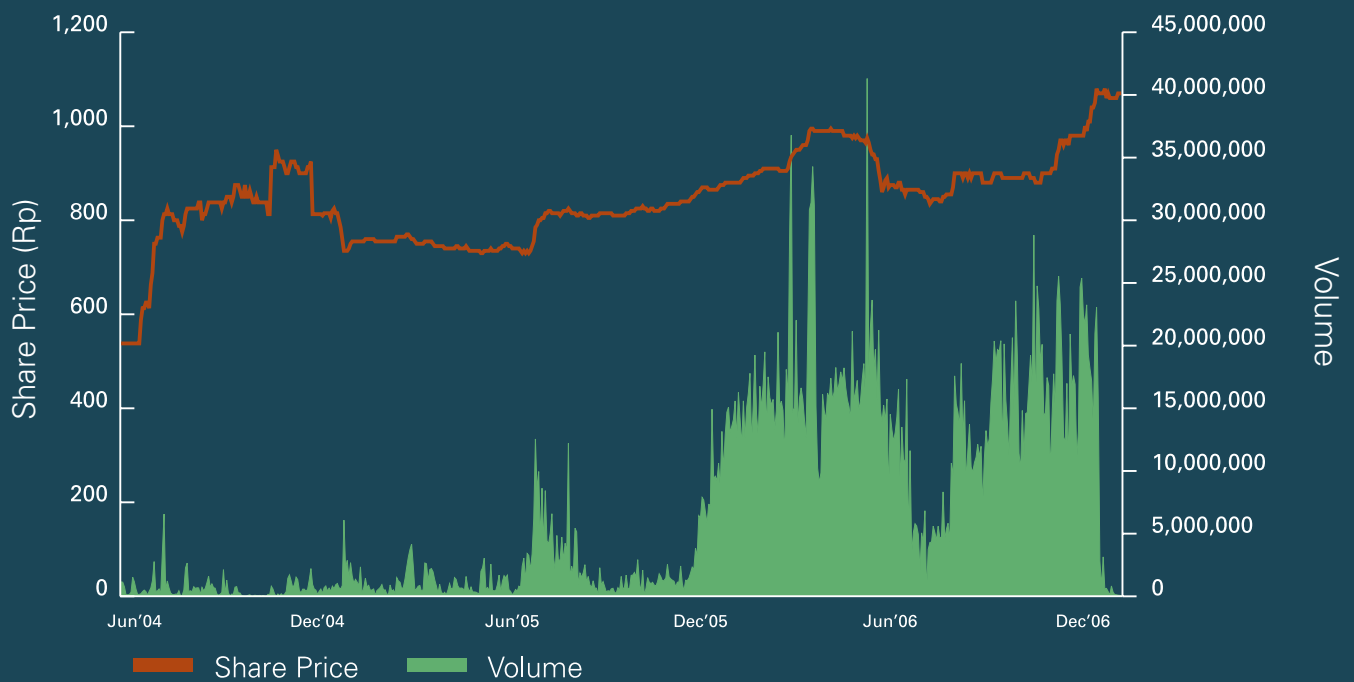
Capital History

Description	Date	Shares	Total Issued Shares
IPO	28 Jun 1996	30,800,000	30,800,000
Company Listing		244,000,000	274,800,000
Convertible Bonds		105,072,500	379,872,500
Rights Issue I	27 Feb 1998	607,796,000	987,668,500
Merger	30 Jul 2004	1,063,275,250	2,050,943,750
Rights Issue II	20 Jan 2005	881,905,813	2,932,849,563
Warrant Conversion before Stock Split	20 Jan 05 – 28 Jul 06	279,099	2,933,128,662
Stock Split	02 Aug 06	2,933,128,662	5,866,257,324
Warrant Conversion after Stock Split	2 Aug – 31 Dec 06	4,759,748	5,871,017,072

Dividend History

Shareholders Record Date	Payment Date	Dividend/Share
6 December 2006	20 December 2006	Rp 9.9,-
24 August 2005	8 September 2005	Rp 10,-
22 January 1998	20 February 1998	Rp 10,-
16 December 1996	14 January 1997	Rp 40,-

Share Price Movement



Summary of Share Trading at Jakarta Stock Exchange in 2006

Month	Stock Price (Rp)			Stock Trading	
	Highest	Lowest	Closing	Volume (unit)	Amount (Rp)
Jan	1,820	1,750	1,800	288,494,000	511,759,550,000
Feb	1,840	1,790	1,820	312,626,500	802,577,255,000
Mar	2,000	1,810	1,980	414,770,500	802,577,255,000
Apr	2,000	1,930	1,950	298,040,000	586,727,925,000
May	1,970	1,720	1,780	383,467,500	723,038,630,000
Jun	1,780	1,690	1,720	205,853,500	357,995,660,000
Jul	1,800	890	900	146,053,000	225,003,800,000
Aug	910	860	880	243,663,500	216,212,110,000
Sep	910	880	900	344,873,500	307,784,140,000
Oct	930	870	910	301,576,500	269,748,510,000
Nov	1,020	900	1,010	409,632,500	396,621,270,000
Dec	1,090	1,000	1,070	100,716,000	106,183,900,000

Summary of Share Trading at Jakarta Stock Exchange in 2005

Month	Stock Price (Rp)			Stock Trading	
	Highest	Lowest	Closing	Volume (unit)	Amount (Rp)
Jan	1,680	1,390	1,510	26,874,000	40,885,795,000
Feb	1,530	1,490	1,510	14,488,500	21,880,235,000
Mar	1,550	1,490	1,500	27,100,500	41,349,150,000
Apr	1,520	1,470	1,480	21,020,500	31,464,425,000
May	1,490	1,450	1,470	18,924,500	27,806,635,000
Jun	1,500	1,450	1,470	18,500,000	27,377,530,000
Jul	1,650	1,450	1,630	107,334,500	168,956,365,000
Aug	1,660	1,600	1,620	67,542,500	110,149,165,000
Sep	1,640	1,600	1,630	16,501,500	26,772,270,000
Oct	1,670	1,620	1,650	26,315,000	43,269,755,000
Nov	1,690	1,630	1,680	22,806,500	38,022,045,000
Dec	1,770	1,670	1,750	144,400,000	250,072,855,000

Milestones

October:

Established under the name of PT Tunggal Reksakencana.

1990

1993

June:

Initial Public Offering of 30,800,000 shares and listed on Jakarta Stock Exchange and Surabaya Stock Exchange.

1996

June:

Started Tanjung Bunga township, the largest integrated community development in eastern Indonesia.

1997

1998

January:

Started Lippo Karawaci township, located in the regency of Tangerang, approximately 30 kilometers west of central Jakarta. The development was designed as a self-contained "Edge City" beyond the boundaries of Jakarta.

October:

Started Lippo Cikarang township, an integrated real estate and light industrial development at Cikarang, approximately 40 kilometers east of central Jakarta.

January:

1st Rights Issue of 607,796,000 shares at Rp 500,- per share.

September:

Launched its first retail strata-titled project, WTC Matahari Serpong, located in west of Jakarta. Since that time, Lippo Karawaci has developed the retail and commercial properties of Metropolis Town Square in Tangerang, GTC Makassar in South Sulawesi, Depok Town Square in Depok, south of Jakarta, Malang Town Square in Malang, East Java, and Grand Palladium Medan in North Sumatra.

January:

2nd Rights Issue of 881,905,813 shares at Rp 1,050,- per share.

2002

2004

2005

2006

July:

Merger of 8 property-related companies, making the new PT Lippo Karawaci Tbk Indonesia's largest listed property company with three business pillars: Housing & Land Development, Healthcare and Hospitality & Infrastructure.

March:

US\$ 250 million bond issuance, at the rate of 8.875% pa., issue price 100%, due 2011.

August:

1-for-2 Stock Split .

December:

The listing of First REIT on the Singapore Stock Exchange, offering 271,400,000 units at an offering price of SGD 0.71/ unit with distribution yield of 9.17% for year 2007

Event Highlights

January

- 30 The Extraordinary General Meeting of Shareholders of PT Lippo Karawaci Tbk approved the plan for the Company's restructuring, including the transfer of rights ownership in several land and building assets valued at Rp 476 billion to four Asset Management Companies.

February



- 28 Siloam Hospitals Lippo Cikarang received a Hospital Accreditation certification from the Ministry of Health, having fulfilled the five hospital service standards in Medical Service, Administration & Management, Emergency Services, Nursing Services and Medical Records.

March



- 9 Issuance of US\$ 250 million, 8.875% guaranteed Notes due 2011.
- 24 Celebration of 10 year Neuroscience at Siloam Hospitals Lippo Karawaci. The Siloam Hospitals Lippo Karawaci Neuroscience Center has successfully performed more than 2,839 surgical cases since 1996.

April



- 17 The Annual General Meeting of Shareholders approved two additional Commissioners and a director to strengthen the Management.
- 19 Grand Launching of City of Tomorrow (CITO) Superblock, strategically located at the center of traffic between the city center and the airport of Surabaya.
- 21 Jakarta Highland Gathering - the largest Scottish themed event in Indonesia - was held in Lippo Karawaci.

June



- 8 Launching of Cypress Residence at Tanjung Bunga township, Makassar - a botanical garden housing complex with Children Playground & Kiddy Pool.

July



- 6 Soft Opening of Bellanova Country Mall which has strategic location at the side of Jagorawi toll road.



- 10 PT Lippo Karawaci Tbk received the award of Indonesia's Most Admired Companies (IMAC) 2006 in the property developer category held by Frontier Consulting Group and BusinessWeek Indonesia magazine.



- 21 Launching of Maple Leaf Residence and Ventura Commercial Center Lippo Cikarang.

August



- 15 Siloam Hospitals Surabaya received a Hospital Accreditation certification from the Ministry of Health, having fulfilled the five hospital service standards in Medical Service, Administration & Management, Emergency Services, Nursing Services and Medical Records.

September

- 4 Corporate office move to new office at Menara Matahari, Lippo Karawaci Central.

October



- 1 PT Lippo Karawaci Tbk received the Investor Award 2006 as "Best Listed Company in the Property Sector."



- 12 Opening of Grand Palladium Mall, the first strata-titled shopping mall in Medan, North Sumatra.
- 22 Siloam Hospitals Lippo Karawaci received the "Paramakarya Dharmartha Husada" award from the Indonesian Association of Hospitals for its achievements in hospital management and public health services.

November



- 15 Topping off City of Tomorrow (CITO) Mall, located in the Waru roundabout, a high traffic commercial area in Surabaya.



- 17 Launching of Coronado Design at Taman Golf and Taman Beverly Golf, Lippo Karawaci.

December



- 1 PT Lippo Karawaci Tbk received The Golden Project Achievement 2006 award as "The Developer with the Most Comprehensive Facilities" from Indonesia Property Watch.



- 5 Listing of the First REIT - first Indonesian REIT and first healthcare REIT in Asia - sponsored by PT Lippo Karawaci Tbk on the Singapore Stock Exchange.



PT LIPPO KARAWACI Tbk

HOUSING & LAND DEVELOPMENT

HEALTHCARE

Residential

Commercial & Retail

Mixed Use Development



Lippo Karawaci City



WTC Matahari Serpong



City of Tomorrow



Lippo Cikarang City



Metropolis Town Square



Kemang Village



Tanjung Bunga City



GTC Makassar



Royal Serpong Village



Depok Town Square



San Diego Hills Memorial Park



Malang Town Square



Grand Palladium Medan



Bellanova Country Mall



Binjai Supermall



Siloam Hospitals
Lippo Karawaci



Siloam Hospitals
West Jakarta



Siloam Hospitals
Surabaya



Siloam Hospitals
Lippo Cikarang



Semanggi Specialist Clinic
Semanggi Specialist Clinic

The Three Pillars

HOSPITALITY & INFRASTRUCTURE

Hotels & Resort

Infrastructure

Leisure

Restaurants

Convention



Aryaduta Hotel Jakarta



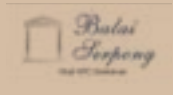
Town Management Services



Imperial Club Golf



Shima Japanese Restaurant



Balai Serpong –
Mall WTC Matahari



Imperial Aryaduta Hotel &
Country Club Lippo
Karawaci



Office Building Management



Permata Sports Club



Taman Sari Food Center



Aryaduta Hotel
Pekanbaru



Transportation



Grand Bowling



Imperial Aryaduta Hotel
Makassar



Potable & Waste Water
Management



The Regency Aryaduta
Medan



Puncak Resor

Report from the President Commissioner

Ning Gaoning

Dear Shareholders,

PT Lippo Karawaci Tbk (Lippo Karawaci) transitioned into a new growth paradigm in 2006. The issue of Eurobond in March 2006 and the float of the first Indonesian and Healthcare Real Estate Investment Trust (REIT) in the region in December 2006 consolidated the Company's foray to become a truly regional player.

The Board of Commissioners commend the Company's strategy to balance the investment in Development and Recurring Revenue as it enabled the Company to maintain its net operating revenue and bottom line through a volatile interest market. With the forecast of lower interest and inflation rates, we believe the year 2007 will present greater opportunities to enhance net worth.

We take this opportunity to congratulate the Board of Directors for their achievements in 2006, and we are confident that through their bold and innovative diversification strategy they will launch unique products such as the full-service memorial park in 2007 to further expand the property development portfolio.

Notwithstanding, we anticipate that each of our products (residential, commercial and industrial) will have their own potential and challenges. However, we are confident that through our vision, strategy and operational capability we will fully exploit the dynamism and opportunity presented in each sub-sector in different regions in Indonesia. We will achieve this without losing sight on the overall posture of the social, political and economic context of our business endeavors.

We understand that every downturn, misfortune and even tragedy brings with it new meanings and opportunities. As floods and traffic congestion have become a fact of life for urban dwellers, Lippo Karawaci is well geared to offer very attractive developments free from flood and traffic jams, be they condominium, township or commercial development. With our commitment to provide good quality living, secure and lifestyle environments as seen in our established townships of Karawaci, Cikarang and Makassar, we believe that Lippo Karawaci is well positioned to respond to the demands of the increasingly affluent and sophisticated tastes of Indonesians.

Healthcare in Indonesia presents an exciting and long term business proposition for Lippo Karawaci. This is the growth area that we will focus and invest in the coming decades. This will secure our ability to balance the volatility of the property market and maintain our revenue generating potential over the long haul. To aid us exploit the opportunity, we have established the 'Health Science Hub', involving Siloam Hospitals, the Mochtar Riady Research Institute of Nanotechnology and the Universitas Pelita Harapan School of Medicine and School of

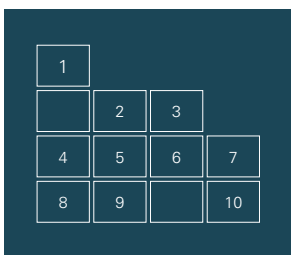
Nursing. This strategic collaboration will allow us to sustainably provide high quality medical and nursing staff to deliver contemporary services that are in line with international best practice. We commend the Board of Directors and the Company's healthcare team for their hard work and dedication in preparing for the accreditation process of US based Joint Commission International Accreditation (JCIA). Achieving JCIA will be a significant milestone as Siloam Hospitals will become the first and only Indonesian healthcare provider with a recognizable international stamp of quality approval.

Through these initiatives, we are poised to build a strong network of hospitals to capitalize on the ever-increasing demand for healthcare; diversify and expand our portfolio in the property development and retail business; and establish our hospitality brand. We will also be able to maximize return and further enhance our growth through the synergies we have established across the group.

On behalf of the Board of Commissioners, I would like to express my gratitude and appreciation to the Board of Directors and all our employees for a job well done in 2006. Their commitment and hard work have laid a solid foundation that will allow the Company to thrive in the years to come. We are confident that we can look forward to a more rewarding year in 2007 and beyond.



Ning Gaoning
President Commissioner



1. **Ning Gaoning**
President Commissioner
2. **Surjadi Soedirdja**
Vice President Commissioner
3. **Theo L. Sambuaga**
Independent Commissioner
4. **Tanri Abeng**
Independent Commissioner
5. **Farid Harianto**
Independent Commissioner
6. **Agum Gumelar**
Independent Commissioner
7. **Charley Song Lin**
Commissioner
8. **Jiang Wei**
Commissioner
9. **Eddy Sindoro**
Commissioner
10. **Jonathan L. Parapak**
Commissioner

Report from the President Director

Viven G. Sitiabudi



The year of 2006 was another exciting year for the Company. We passed a new milestone on the Company's journey towards becoming a regional player when we tapped the global financial market with the issue of a US\$ 250,000,000 5-year 8.875% Eurobond in March 2006, and followed this with the floatation of the first Indonesian and the first Healthcare REIT in the region in December 2006. The encouraging response from the global investment community towards both offerings put the seal of approval on this initial step of our endeavor to be a regional player.

Amid a dynamic macro-environment, particularly in the property industry, Lippo Karawaci continued its concerted efforts to deliver sound performance for all shareholders and stakeholders during the year. Though we posted a decline in revenue from our property development of 19% to Rp 952.2 billion in 2006, Recurring Revenue remained strong at Rp 953.1 billion, a 16% growth compared to last year, leading to a marginal decline in total revenue from Rp 2.0 trillion in 2005 to Rp 1.9 trillion in 2006. This result justified our reliance on Recurring Revenue as a cushion against the fluctuating market in the development sector.

On this evidence, the Board of Directors is convinced that the strategy of building up the Recurring Revenue base, coupled with innovative product development and diversification, is central to the Company's vision of building sustainable, long-term shareholder value, and in particular to create better future earnings visibility and mitigate volatility throughout the business cycle.

In response to the above, the Company will accelerate its strategy of building leased malls, shifting the emphasis from strata-titled mall development of the previous years. In addition to contributing steady, long-term contractual Recurring Revenue, it will also help us build and create value through effective tenancy management.

On the diversification front, 2006 marked the Company's first condominium development in Surabaya, which will soon be followed by similar developments in Jakarta. We view condominiums as an increasingly sought-after lifestyle choice and popular 'second home', given the ever-worsening commuting time from residential suburbs to the downtown area, traumatic experiences with floods and general congestion.

Necessity spawned innovation on the product development front. Early in 2007, the Company will launch a one of a kind product that brings together a memorial park with a family center. This unique development will be named San Diego Hills Memorial Park & Funeral Homes.

Going forward, alongside our traditional township development, which has been the Company's core business since the outset, we will focus on mixed use developments, starting with two 11-hectare sites located in the heart of up market residential areas in South and West Jakarta. Sluggish infrastructure progress combined with rising land prices posed increasing challenges for the long-term potential of future expansion of large-scale township development in Jakarta's outer suburbs.

Recurring Revenue from the Healthcare business played a significant role as a mitigating factor against the volatility of the development business. The year 2006 saw a healthy 18% growth in revenue from Healthcare business, with increasing awareness and recognition of our hospitals as Centers of Excellence contributing to the higher Bed Occupancy Rate in 2006.

Given the substantial long term growth potential, Healthcare business plays a critical role in our long term strategy to strengthen Recurring Revenue. In a mutually beneficial collaboration, the Siloam Hospitals, the Mochtar Riady Research Institute of Nanotechnology and the Universitas Pelita Harapan School of Medicine and School of Nursing set up the 'Health Science Hub'. This synergy will advance the growth of our Healthcare business by allowing us to manage the challenge of recruiting and retaining internationally recognized clinical staff – a marriage between evidence based healthcare, leading edge research and contemporary clinical teaching.

Over the long term, our healthcare operations will span the primary, secondary and tertiary network, thus making it the only hospital group in the country able to provide health care across the episode of care. This will involve the development of a number of diagnostic centers and primary care outlets, the building or acquisition of strategically located feeder hospitals ranging from 50-150 beds, augmentation of centres of excellence (neuro, cardiac, trauma, fertility, etc) and creation of a tertiary hub.

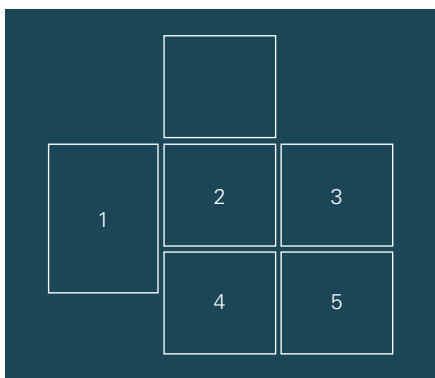
We are fully aware that realizing the Company's vision and executing the planned expansion program requires financing. On the other hand, we are committed to growing the Company within the boundaries of a sound and healthy capital structure. Accordingly, we have to use capital efficiently. The floatation of First REIT on the Singapore Stock Exchange is one example of the Company's intention to use its capital in an efficient way. Through the First REIT, we unlocked the full value of four properties consisting of three hospitals and one hotel while continuing to own and operate the Recurring Revenue operations in those properties. The transaction provided the Company with SGD 154 million in new funds in addition to 20.27% of the marketable holdings in First REIT worth SGD 41.8 million as of 31 December 2006.

On behalf of the Board of Directors, I would like to express my highest appreciation to all of our employees for their dedication and commitment in 2006. The Housing and Land Development team worked hard, and excelled in the opening of Bellanova Country Mall in Sentul, West Java and Grand Palladium Medan, North Sumatra, launch of The Regency Apartments at City of Tomorrow project in Surabaya, East Java, as well as performing a great deal of other work that will enable us to embrace the year 2007 with confidence. The Healthcare team made extensive preparations to subject itself to the Joint Commission International Accreditation (JCIA), and their passion and dedication resulted in considerable improvements in services and ensured that the operation was robust and grew well. Our Hospitality & Infrastructure team forged ahead with the development of the future 5-star Aryaduta Hotels in Medan and Surabaya, while the innovative and improved services in the Town Management business initiated during 2006 has set our Townships well ahead of the competition.

The Board would also like to express its gratitude to the shareholders, bondholders, creditors and our business partners for their confidence in the Company throughout the year. Your continued trust and support is invaluable for us to build PT Lippo Karawaci Tbk to be a rewarding investment for you.



Viven G. Sitiabudi
President Director



1. **Tjokro Libianto**
Director
2. **Ketut Budi Wijaya**
Director
3. **Jopy Rusli**
Director
4. **Hendra Agus Sugandi**
Director
5. **Samuel Tahir**
Director

Business Report

Lippo Karawaci continued its concerted efforts to deliver the best performance to its shareholders, supported by its three business pillars: Housing and Land Development, Healthcare and Hospitality & Infrastructure.

Housing & Land Development

Through strategic location and thorough development concept, Lippo Karawaci has created distinguished lifestyle to its customers hence offered distinctive values to its customers and the shareholders.



All Lippo Karawaci's property projects are targeted to promote high quality lifestyle.



Supported by large land bank and extensive experience in property development and equipped with the ability to offer creative and innovative products, Lippo Karawaci is committed to delivering high-value property projects to its customers. In anticipation of the stronger demand for residential products resulting from the lower interest rate environment in 2007, the Company launched and developed Maple Leaf Residence and Ventura Commercial Center in Lippo Cikarang township and Cypress Residence in Tanjung Bunga township. Meanwhile, in the Commercial and Retail business, the Company enhanced the management quality of its strata-titled malls

in order to reinforce their image. Facilities were also redesigned and improved, creating a new atmosphere in the malls that will help to boost sales of the remaining unsold space. The Company also opened two new malls: Bellanova Country Mall in Sentul, West Java and Grand Palladium Medan in North Sumatra, and launched The Regency Apartments on its first superblock development project, City of Tomorrow (CITO), Surabaya. Meanwhile, its strata-titled mall at CITO had its topping off ceremony in November 2006, with 80% of the construction completed.



Bellanova Country Mall, Sentul, West Java

Engaged in various types of business, Lippo Karawaci persistently strives to exploit its diversity to create unique value for its customers. The Regency Apartments in Surabaya provides a clear example of the Company's ability to capitalize on its diversified businesses as the apartments combine high-rise residential space with unsurpassed services from the hotel. The drive to be innovative and the needs to diversify has led the Company to expand its development skills from its traditional edge city development on the three townships it is developing since the year of 1990s, to the development of retail malls, smaller single residential cluster called micro-suburb to another complex development like mixed use and one of a kind memorial park development.

To build a continuing flow of new development and to sustain the growth of Development Revenue, the Company also continued to acquire new sites in many strategic locations for future development. Lippo Karawaci purchased an additional 9 hectares of land. The biggest parcel is in Kemang, adjacent to the Company's existing 2.6 hectare lot, making

it the only developer with a sizable land bank in this prestigious area. Throughout the year, the Company negotiates with various parties for new land acquisitions. The site selection is conducted under a set of strict requirements and guidelines based on a careful feasibility study, thorough market study and discipline in setting the acquisition price.

Residential and Township Projects

Performance Review

Lippo Karawaci succeeded in recording total marketing sales of Rp 334 billion from the three townships in 2006. Meanwhile, the Company's micro-suburb, Royal Serpong Village, recorded sales of Rp 4 billion, bringing total marketing sales to Rp 338 billion in 2006, an increase of 74% over the previous year. More than 500 houses and shophouses were sold in 2006, while sales of land for industrial and commercial projects were more than 75,000 sqm.

Outlook

In 2007, Lippo Karawaci will launch several new clusters in the townships, capitalizing on the Company's huge land bank. Development of these clusters will be carried out in stages,

Lippo Karawaci maintains its position as price leader in the cities where the townships are located.



San Diego Hills Memorial Park & Funeral Homes, Karawang, West Java

in line with the broader township development plans. Moreover, improvements will be made to infrastructure and facilities to ensure that the Company maintains its position as price leader in the cities where the townships are located.

Commercial & Retail Projects

Performance review

The heyday of retail strata-titled malls development in the early 2000s were benefiting for the Company. Going forward, Lippo Karawaci opted to review its plan to launch new retail projects, a decision that allowed the Company to arrive at a better and more inspiring concept. The Company managed to book total marketing sales of Rp 95 billion from its strata-titled projects in 2006, particularly from its newly opened strata-titled mall, Bellanova Country Mall in Sentul, West Java, which has a total retail area of 11,500 sqm. By the end of 2006, a cumulative total of over 175,000 sqm worth Rp 2.0 trillion in seven strata-titled malls had been sold, or equivalent to 70% take up.

Outlook

Lippo Karawaci will continue to sell retail spaces in its existing strata-titled malls in 2007. Synergies within the Company's business portfolio will be further enhanced in order to generate a higher value add for the existing malls. Strong performance is expected from the Grand Palladium Medan once the Aryaduta Hotel Medan commences operations.

In its bid to expand its Recurring Revenue business from Rental Income, to enhance the future earnings visibility and to build up a monetizable asset base, the Company will be developing leased malls in various major cities independently or as part of its mixed use development.

Mixed Use Projects

Having build its experience in varying sector of the development business, ranging from an edge city scale of development, condominium to retail malls, the Company started to embrace into the new concept combining various skill sets across the development discipline into the mixed use project. Changes in the demography,



We have been living in Lippo Karawaci township for over 10 years. We are very satisfied with the facilities and services provided by the township. We also support the developer's idea of promoting a healthy living by continuously planting trees in the surrounding area.

Brown's Family
Lippo Karawaci Resident

lifestyle and preference combined with the mismatch between the need and the speed of infrastructure expansion call for an integrated, interconnected and self-contained development where residential properties are connected with commercial, retail, education, healthcare and many other lifestyle facilities reducing the needs for the people commute. Such mixed use development can take place in the residential belts nearby or with easy access to the Central Business District.

The first mixed use complex built by the Company is the City of Tomorrow, located strategically at the center of traffic between

Surabaya city center and the airport. It combines the residential, retail and commercial centers for sale and a serviced apartment to enrich the mix of the Company's Recurring Revenues. By the end of 2006, 80% of the total saleable area in this mall are sold. Meanwhile, at The Regency Apartments 60% of the 250 units offered are sold. The strata-titled mall is expected to open in 2007 and followed by The Regency Apartments in 2008.

Outlook

The trend of declining interest rates towards the end of 2006 offers a more positive

outlook for the Company. This encouraging prospect should put the Company in a good position to launch its second mixed use project, Kemang Village in South Jakarta, which will initially consist of a leased mall and apartments. On the total of 8.6 hectares site, the development will eventually contains a full range of residential, retail, education, healthcare and commercial facilities potentially exceeding a total of 480,000 square meters GFA.

Another site set for the next mixed use development is the 11 hectares land in the Central Business District of West Jakarta which will be named Puri Paragon City.

Memorial Park

Another innovative project was carefully planned and meticulously designed in 2006 and just recently launched is San Diego Hills, the first memorial park of its kind in Indonesia. It is also the first memorial park in the world

(as documented in the February 15, 2007 issue of The Wall Street Journal) that offers families recreational facilities. These include boating on an 8-hectare man-made lake, a first-class Italian restaurant, a convention center, a wedding chapel, a modern retreat house, shops and outdoor sports (swimming, soccer, basketball and cycling). This unique and modern concept is situated as part of a planned 500-hectare lot in Karawang, West Java. The first phase include construction of the main square for recreational facilities, the lake and a total of more than 12,000 burial units on a 25 hectares land acquired in 2006. Neighboring Asian countries have taken notice and expressed interest in emulating this project. By developing San Diego Hills, Lippo Karawaci has led the way in satisfying one of Indonesia's most basic needs and has further strengthened its position in the property industry.

Healthcare

Lippo Karawaci through Siloam Hospitals consolidated its position as the premier private hospital provider in Indonesia in 2006 consistently operating to an international standards of quality supported by a qualified work force, leading edge technology, state-of-the-art equipment and contemporary training.



At Siloam Hospitals our staff takes pride in their compassionate and caring attitude towards our patients.

Lippo Karawaci's Healthcare portfolio has in its fold at present four international standard hospitals in greater Jakarta and Surabaya: Siloam Hospitals Lippo Karawaci (SHLK), Siloam Hospitals West Jakarta (SHWJ), Siloam Hospitals Surabaya (SHS) and Siloam Hospitals Lippo Cikarang (SHLC). Siloam Hospitals' main target market continues to be mid-to-top tier Indonesian and overseas patients. The group has successfully grown its market position over the last few years.

In 2006, Siloam Hospitals' primary aim was to strengthen its position so as to create the platform for rapid expansion and growth over the next 3-5 years. Siloam Hospitals has invested significantly in its Centers of Excellence. SHLK is widely considered the leading neuroscience healthcare provider in Indonesia, and invested in a new neuro microscope to complement its services. SHLK Heart Centre provides excellence in cardio and vascular surgery. SHS has an internationally enviable success rate at its Center of Excellence in fertility. SHWJ specializes in urology and gastroenterology.

The hospital group hosted a number of plenary sessions with international experts in neuroscience and respiratory medicine. This program contributed significantly to the group's quest to enhance intellectual capacity and capability.

Strong collaboration with both domestic and international institutions was established during the year. The triumvirate partnership between the hospitals, the Mochtar Riady Institute of Research and the Universitas Pelita Harapan (UPH) School of Medicine was established to ensure synergy between evidence based healthcare, leading aged research and contemporary clinical teaching.

Siloam Hospitals embarked on a drive to recruit, train and retain high quality personnel so that it is able to provide evidence based healthcare services across a range of specialties. To facilitate this outcome, the group consolidated its competency based professional development program in 2006. The program focused on enhancing the expertise and competence of medical, nursing, customer service staff and hospital administration. To guarantee the availability of medical personnel in future, Siloam Hospitals supported the scholarship scheme for outstanding students at the UPH Medical Science Faculty.

Information technology and state-of-the-art equipment continues to play a critical role in our endeavor to provide seamless and integrated care. Over the year, the group made several equipment purchases and upgraded the radiology facilities. As an initial step to move toward digital hospitals by 2011, the group signed an MoU with a leading international agency to implement and commission a new Hospital Information System (HIS). This HIS platform will be operational early in 2008.

Siloam Hospitals serve a wide range of international and intra state patients for diagnostic tests and treatment. Our International Patient Relations staff assists patients and their families with all arrangements during their stay with us. The language capability at the flagship hospital, SHLK, includes Bahasa Indonesia, English, Japanese, and Korean.

We assist patients with:

- Airport transfers
- Hospital admission and discharge
- Outpatient clinic assistance
- 5-star hotel accommodation for families at the adjacent Imperial Aryaduta Hotel & Country Club, Lippo Karawaci
- And much more

In an emergency every second can count and a fast response time may be the difference between survival and permanent disability or death. Siloam Hospitals, through its parent company, has a fleet of helicopters on standby to provide immediate response to life's emergencies. The helicopters operate within the greater Jakarta metropolitan area, as well as to nearby regional centres such as Bandung, Bogor, Lampung, Cirebon, etc within a flying time of around one hour of Jakarta without refueling, or further with refueling stop.

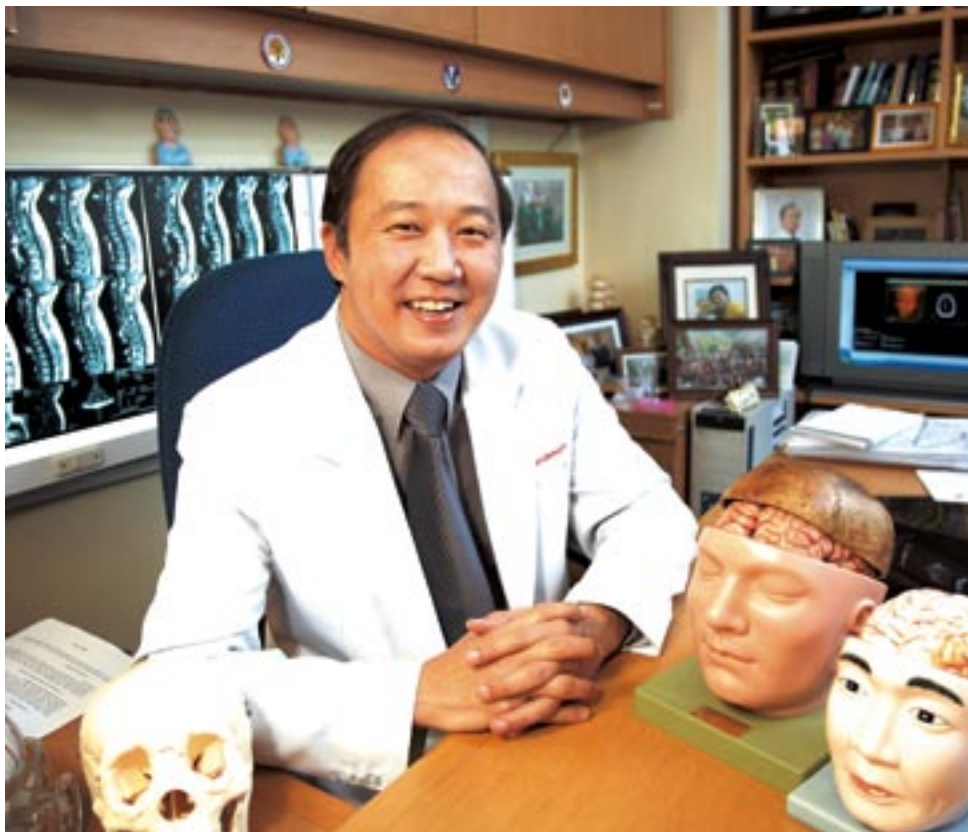
Performance Review

Siloam Hospitals recorded an 18% growth in revenue as compared to the previous corresponding period. This strong result was driven by improved hospital performance and bed occupancy, more complex and higher value operations with increased theatre utilization, particularly in neurosurgery, urology, ophthalmology and cardiology.



Siloam Hospitals
continuously enhance
the nursing quality
and pay great care
to the patients'
healthiness.





“Lippo Karawaci continues to provide me with the opportunity to broaden my academic and practical knowledge and helps me stay on top of my profession. This also allows me to perform leading edge neurosurgery at our Center of Excellence in Indonesia. I am proud to be a member of the Siloam Hospitals team.”

Dr. Eka J. Wahjoepramono, SpBS

Head of Department Neurosurgery - Neuroscience SHLK

Outlook

Lippo Karawaci will continue to invest and develop Siloam Hospitals throughout 2007 and beyond to achieve its goal to be the biggest and best healthcare provider in Indonesia. SHLK will submit itself to US based, Joint Commission International for world parity hospital accreditation. It is confident of being successful and this in turn will provide the international stamp of “quality and safety” as a health service provider to Siloam Hospitals as a group and will also be a first for Indonesia.

Siloam Hospitals has established a bold work plan to achieve this credential across the remaining three hospitals by 2009.

On the expansion side, the group has in place plans to develop a portfolio of hospitals across the country, covering key market catchments in Jakarta and major regional centers in Indonesia. It is also finalizing plans to build a state-of-the-art comprehensive



Lippo Karawaci
will continue
investing in
its Centers of
Excellence.

cancer hospital in central Jakarta that is due for completion in December 2008.

The expansion strategy will cover the primary, secondary and tertiary network thus making Siloam Hospitals the only hospital group that will be able to provide health services across the spectrum of the episode of care. This will involve the development of a number of diagnostic centres and primary pharmacy outlets, building or acquisition of strategically located feeder hospitals ranging in size from 50-150 beds, augmentation of the Centers of Excellence (neuro, cardiac, trauma, fertility, etc) and creation of tertiary hubs.

The future needs of quality nursing staff will be met by the new School of Nursing, which opens in February 2007. The school will adopt an Australian curriculum, which will be implemented through collaboration with the University of Melbourne.

The future is exciting and Siloam Hospitals is confident that the robust strategy in train will help it achieve the goal of being the “biggest and best” in the country, in addition to being a regional player over the next three years and beyond.

Hospitality & Infrastructure

While contributing to the Recurring Revenue, the existence of 5-star hotels, hospitality and infrastructure units in our developments enhance value and uplift the prestige of the overall development.

We continuously improve the quality of services by investing in a number of training programs and inducing the culture of passion to serve.



The hotel industry in Indonesia faced tough challenges during 2006, particularly with unfavorable external factors such as Embassy travel warnings, which persisted throughout the year. However, our establishments, supported by excellent locations, well-trained, hospitable staff and international management, continued to perform well despite the circumstances.

Meanwhile, the Township Management unit also continued to perform well, benefiting from an increasing customer base and significant improvements in the facilities and services offered to customers, such as upgraded security and public transport. Moreover, tree planting has also continued as part of the Company's solution to maintaining a carbon neutral environment in its township developments.

Hospitality

Lippo Karawaci focused on strengthening the MICE (Meetings, Incentives, Conferences and Exhibitions) segment during the year. Our hotel therefore thoroughly upgraded their facilities so that they now offer improved levels of comfort and convenience, enabling them to serve their MICE customers better. Special packages were also offered to tap large corporate customers.

Improving the quality of services was another strategic initiatives of the year. The hotel business invested in a number of training programs, both internal and external, to ensure the delivery of high standard services.



The Company also expanded its network, with the construction of a new Aryaduta Hotel in Medan in 2006, which is expected to be completed in 2007. The Company is optimistic about the future prospects from the hotel, given its strategic location and facilities.

Performance Review

The unfavorable external factors have affected the performance of almost all hotels in Indonesia, including those operated by Lippo Karawaci. The Company posted a decline in the Average Occupancy Rate to 50% in 2006 from 52% in 2006. Meanwhile, the Average Room Rate improved from Rp 464 thousand to Rp 476 thousand reflecting the Company's ability to increase the rate without significantly losing its market share.

Outlook

The Company will continue to enhance services to entice more visitors, and thereby improve the occupancy rate and average room yield. Business travellers as well as group reservations will remain the top priority segments, and these segments will also strengthen revenue from the MICE business.

Meanwhile, the new Aryaduta Hotel in Medan is expected to bring added value to the hotel business. The hotel's 1,000 sqm ballroom will be one of the country's largest, and it will be the first hotel to offer a real international rated spa experience as well as an open kitchen cuisine concept.

Township Management

Supported by 1,300 people, the township management unit is responsible for managing the Lippo Karawaci townships. Services cover security, water and sewage treatment, public transportation, environmental enhancement (tree planting, daily solid waste collection/recycling and street cleaning), traffic control and road safety, home services and maintenance, building control, community development and residents' relations.

During 2006, Lippo Karawaci continued to improve services for the residents. One of the Company's Town Management initiatives was a 'one-stop customer service' operating 24 hours, 7 days a week to provide enhanced services and security to the residents. The township also installed additional power substations to improve the electrical supply in

Lippo Karawaci townships introduced a 'one-stop customer service' operating 24 hours, 7 days a week to provide enhanced service and security to the residents.



We have been using Hotel Imperial Aryaduta for over five years. We chose this hotel not only because it is the closest five star hotel to Cilegon, but also because it offers good facilities and comforts for a stay and for meetings. We are very satisfied with the amenities and hospitality offered by the hotel.

Dr. Heinz Gawlik

Head of Power Generation Factory Division - PT Siemens Indonesia

the Lippo Karawaci townships and minimize power fluctuations. CCTV was installed in commercial districts in the interests of public safety and improved traffic control.

Paying attention to community development, Lippo Karawaci built seven new children's playgrounds and upgraded eight existing playgrounds in 2006 to meet the leisure needs of its younger residents.

Performance Review

As a result of improvement in the facilities and services, the number of customer contacts increased from 50,386 in 2005 to 53,265 in 2006. Most of the contacts were made by residents of Lippo Karawaci townships, even though similar services were actually provided at Lippo Cikarang and Tanjung Bunga.

Outlook

The Company will maintain its strategy of upgrading facilities to ensure satisfaction for

all residents, increase water transmission pipe capacity to meet the town's potable water supply requirements and build additional sidewalks for pedestrians. Other ongoing priorities for the Company will be promoting quality family lifestyles and providing the safest, healthiest and most pleasant environment for residents. Capturing the opportunities offered by rapid technological advance in Information Technology, the Company provides e-mail and SMS applications to allow easy access to services.

Based on the success of Township Management in Lippo Karawaci, the Company is replicating the same concept in its townships, Lippo Cikarang and Tanjung Bunga, Makassar. This will help maintaining the Company's position as the premier broad-based property development group in Indonesia.

Human Resources

In light of the Company's regional expansion, Lippo Karawaci is paying an extra care to the development of its human resources.



Lippo Karawaci is fully aware of the importance of high quality human resources to support the Company's regional vision.

Lippo Karawaci is fully aware of the importance of high quality human resources to support the Company's development, particularly in light of the Company's regional expansion. Therefore the Company appointed Louis Allen Worldwide Management Consultants to assist the Management in formulating the best human resources strategy to cope with the increasing expectations of the shareholders, particularly the regional investors.

The Company's position as a regional player has created a need for unifying structure of management that provides a system

that enables disciplined management. This unifying structure comprises the management principles, functions and activities of an effective management system. Louis Allen Management Systems has assisted the Company in addressing these issues, which include having plans linked to real external needs, meaningful metrics that measure both purpose and progress and enable employees to "sign-up", five-way communication, employee selection and development based on critical goals, and plans that are coordinated across the Company's three business units. Moreover, Louis Allen Worldwide Management Consultants also helped the

Company to strengthen the leadership at Senior Management level in order to expedite the alignment of people management.

In addition, internal measures to improve human resource policy have been taken throughout the year. In 2006, Lippo Karawaci standardized the remuneration package for all employees, bringing the levels, positions and compensation of all the businesses into line. The Company also completed the formulation of the standard policy and procedure for the Company's three business units.

Another initiative in 2006 was the implementation of an enterprise human resources solution that will enable more effective management of human resources. The new Oracle-based system is designed to support the integration and consolidation of all employee data.

Employees' Code of Conduct

Lippo Karawaci has formulated an Employees' Code of Conduct to serve as a guide for all employees in the performance of their duties. The Code of Conduct is consistent with the Company's values, policies and corporate culture, and complies with the prevailing laws and regulations. The Code of Conduct will be continuously updated and enhanced as necessary to support the development of the Company.

All employees of Lippo Karawaci are required to sign the Employees' Code of Conduct. In doing so, they agree to conduct all their actions for the Company in accordance with the Code. The Code of Conduct covers integrity, gift/other presents, conflict of interest, human resources and confidential information.



Lippo Karawaci has actively conducted trainings to enhance the quality of its personnel to support the Company's sustainable growth.

Enhancing organizational capability

Going forward, the Company will emphasize the enhancement of its organizational capability. Improvements will be made in the recruitment and selection system to ensure that the Company can attract high quality people to the right position at the right time to support the Company's future growth. Being able to retain the best people is also a priority, and Lippo Karawaci will improve its performance evaluation system and establish an assessment center to help employee plan and move along their career path to the mutual advantage of employees and Company. The Company will also take steps to ensure that job descriptions and the organizational structure support a fast and effective decision-making process. All these initiatives are designed to ensure that Lippo Karawaci has the necessary organizational capability in place to enable the Company to achieve its objectives in line with its vision and mission.

Employment Profile

In tandem with the expansion of its business, Lippo Karawaci's workforce continued to grow. At the end of 2006, the Company employed a total of 4,759 people, comprising 80% permanent and 20% temporary employees.

In terms of divisional units, Healthcare accounted for almost half of total employees, or 49%, while Hospitality & Infrastructure and Housing & Land Development accounted for 28% and 23%, respectively.

Information Technology

At Lippo Karawaci, Information Technology (IT) plays roles to support central business strategy in increasing value for the customers, to support business development and to enhance the Company's efficiency and effectiveness.



IT plays an important role in enhancing the Company's efficiency and effectiveness.

IT plays three important roles at Lippo Karawaci. First, IT is intended to support a central business strategy in order to increase value for the customers. Secondly, IT is also expected to support business development. Lastly, it should be able to enhance the Company's efficiency and effectiveness. To assist the Company in selecting and implementing new technologies, as well as synchronizing existing business processes with these new technologies, Lippo Karawaci hired an external IT consultant.

During the year, all IT roles were redesigned to bring improvements in the Company's customer relationships, township management and back-office operations to support new product development and internal and external communications. In the coming months, IT will also be playing an increasingly important role in supporting asset management, project team management and resource sharing for multiple projects.

During 2006, Lippo Karawaci centralized its IT policies and standardized its IT platform and operating system to improve performance, control IT expenses and enhance services to the customers. Moreover, a new investment was made in communication infrastructure. This will make the Company's handling of projects in widely scattered locations more efficient.

Going forward, the IT division plans to centralize all policy formulation, allow interoperable critical mission solutions among business units and unify the platforms for operating systems and basic support functions. The results will be an IT platform that can provide robust support for the Company's sustainable growth.

Management Report

Corporate Governance Report

Lippo Karawaci consistently implements GCG practices throughout the organization and takes measures to instill corporate values that are based on GCG principles.



Lippo Karawaci is fully aware of the importance of upholding GCG practices in earning the trust of customers, business partners, shareholders and other stakeholders. Moreover, the Company believes that its keen commitment to upholding GCG in all aspects of the operation is a crucial factor in meeting the Company's business objectives. The Management of Lippo Karawaci therefore consistently takes measures to build a corporate culture and instill values that are based on GCG principles. The following report outlines how the Company has implemented GCG during the year, and the business risks associated with the Company's operations.

Board of Commissioners (BOC)

The BOC supervises the implementation of the Company's business plan, its budget and its vision and mission. It also assesses the performance of the Board of Directors (BOD) throughout the year.

In addition, the BOC oversees management decisions, monitors the implementation of the Company's risk management systems and the BOD's actions related to audit findings, monitors and encourages the implementation

of GCG practices and recommends the remuneration package for the Board.

Members of the BOC are appointed by the shareholders through the Annual General Shareholders' Meeting (AGSM). The members are selected on the basis of their standing as prominent individuals who have high integrity, extensive experience and in-depth expertise in managing national and multinational organizations.

As of 31 December 2006, the BOC of Lippo Karawaci consisted of ten members, including the President Commissioner and four Independent Commissioners.

Attendance Data of Board of Commissioners Meetings

Date	Percentage
17 January	63%
25 April	60%
26 July	70%
17 October	50%



Board of Directors (BOD)

The BOD is responsible for managing the day-to-day operations of the Company, including the implementation of risk management and GCG practices. The BOD is also responsible for the implementation of the Company's internal control structure, internal audit function and actions related to the internal audit findings.

The BOD's responsibilities also extend to formulating the strategy, including the Company's business plan and budget, and ensuring that the implementation of accounting and administration practices is in

accordance with all prevailing regulations for listed companies.

Like the BOC, candidates for the BOD are nominated by the controlling shareholders and appointed through the AGSM. As of 31 December 2006, there were six members of the BOD.

Periodic Meetings of BOC and BOD

The BOC and the BOD conducted four joint meetings during the course of 2006 to discuss a variety of issues, including reviews of the business strategy and its implementation, as well as business and operational performance.

Attendance Data of Board of Directors Meetings

Date	(%)	Date	(%)
03 January	80%	27 June	67%
07 February	100%	04 July	100%
21 February	100%	11 July	67%
07 March	100%	18 July	100%
04 April	80%	25 July	100%
18 April	83%	01 August	100%
02 May	100%	08 August	100%
09 May	67%	05 September	100%
16 May	83%	12 September	100%
23 May	100%	26 September	100%
06 June	100%	21 November	100%
13 June	100%	19 December	100%
20 June	83%		

The BOD held a further 25 meetings to discuss operational issues.

BOC Committees

To ensure the full implementation of GCG, the BOC has established an Audit Committee and a Remuneration Committee, both of which are responsible to the BOC. In 2006, the Audit Committee met four times, while the Remuneration Committee met twice.

Audit Committee

The Audit Committee provides independent and professional opinion on reports submitted by the BOD to the BOC. It also has to ensure that the Company's financial statements conform to prevailing accounting principles and that the internal control system, the financial reporting processes and GCG have all been properly implemented.

The Audit Committee has the authority to access internal audit reports and other necessary reports; communicate directly with internal and external auditor; discuss problems in the decision making process with the BOD or key senior executives with the consent of the BOD; and invite internal as well as external experts to hear their opinions.

As of 31 December 2006, the Audit Committee comprised the members listed below:

Chairman : Farid Harianto (Independent Commissioner)
Member : Isnandar R. Ali
Member : Utomo Santoso

The Audit Committee's activities for the year 2006 are described in the Audit Committee Activity Report section of this Annual Report.

Attendance Data of Audit Committee Meetings

Date	(%)
10 February	67%
24 July	67%
17 October	100%
14 December	67%

Remuneration Committee

The Remuneration Committee was established to enhance the quality of the management through the formulation and implementation of an appropriate remuneration policy. The Committee has the authority to make proposals on the formulation of the remuneration policy and, in the execution of its duties, the Committee is allowed to seek internal as well as external opinions. The Remuneration Committee meets at least once a year.

As of 31 December 2006, the Remuneration Committee comprised the members listed below:

Chairman : Theo L. Sambuaga
Member : Farid Harianto
Jonathan L. Parapak
Eddy Sindoro

Internal Audit

The Internal Audit carries out internal control activities by auditing all business units and reporting the audit findings to the BOD and the BOC.

The Internal Audit also assists the Audit Committee by providing reports on its internal audit activities and any planned corrective actions, and it partners the Independent Auditor during the auditing process. In addition, the Internal Audit periodically audits the Company's functional departments and project offices, and reports the findings to the BOD. All Internal Audit reports, including recommendations for improvement, are also submitted to the Audit Committee.

Independent Auditor

Every year, the Company appoints an Independent Auditor to conduct an external audit of the Company's financial statements. The Independent Auditor is appointed through the AGSM, based on the recommendation of the Audit Committee and the BOC.

At the AGSM held on 17 April 2006, the Company appointed Aryanto Amir Jusuf & Mawar as the Independent Auditor for the financial statement for the year ending 31 December 2006.

Corporate Secretary

As part of its commitment to transparency and disclosure, Lippo Karawaci has a Corporate Secretary whose responsibilities include maintaining a relationship with the capital market authority, shareholders, mass media, communities in the vicinity of the Company's operational area as well as the general public; ensuring compliance with capital market regulations, the Limited Liability Act and the Company's Articles of Association; and assisting the BOC and the BOD in implementing GCG practices and in carrying out both the internal and external activities of the BOC and the BOD.

Public Disclosure

As a reflection of its commitment to public disclosure, Lippo Karawaci undertook several activities aimed at disseminating information about the Company's performance, such as regular meetings with shareholders, equity analysts and institutional investors.

The Company held an Extraordinary General Shareholder Meeting in January 2006 and the Annual General Shareholder Meeting in April 2006. The Company also held over 80 meetings with equity analysts and organized roadshows to a number of major international cities, including Singapore, Hongkong and London.

Moreover, Lippo Karawaci reported the share ownership of its majority shareholders to Bapepam, JSX and SSX, published half yearly and yearly financial reports, including the audited financial statements to stakeholders, conducted public exposes and press conferences and distributed press releases to JSX and mass media.

Investors and the general public can also access information regarding the Company and its activities through the Company's website, www.lippokarawaci.co.id.

Business Risks

Lippo Karawaci is fully aware of the existence of business risks associated with its property development projects. Such risks include economic conditions, political developments and regulatory aspects as well as the prevailing market competition situation. Therefore, the Company persistently monitors changes in the external and internal environment which might heighten the presence of risk factors. The following are the major risk factors that are continuously monitored by the Company:

Economic Risks. The property industry in general is exposed to risks associated with fluctuations in the national and international economy. Changes in inflation, interest and exchange rates may directly and/or indirectly affect the Company's operational activities.

Operation Risks. Being engaged in variety of property business, including Housing and Land Development, Healthcare as well as Hospitality and Infrastructure, Lippo Karawaci is exposed to the risk of failure in delivering value-added products and services due to misconduct in any aspect of its operations, including personnel, procedures and technology.

Political Risks. A change in political conditions might also affect the Company's ability to deliver sound performance. A new government regulation concerning land ownership, for example, could, to a certain extent, adversely affect the Company's operations.

Competitive Risks. The Company operates its business in a competitive environment. The Company therefore needs to continuously review its competitive strategy based on the



Lippo Karawaci has actively participated in several social activities to improve the quality of life of communities surrounding the area.

prevailing market conditions and competitive trends. Such reviews may cause the Company to take actions which may temporarily have an adverse impact on its operational and financial performance. Competitive risks include a possible rise in demand for raw materials and contractors, which may lead to an increase in construction costs for its residential, hospital and hotel developments.

Other Risks. The Company's operations will also be influenced by any disruptions beyond the Company's control, such as natural disasters or delays in obtaining construction permits from the local authorities. Such factors will affect the Company's ability to deliver the targeted growth.

Social Responsibility

Lippo Karawaci takes every opportunity to make a difference to the lives of the people both in the communities in which it operates, and beyond. Throughout the year, a number of programs and activities were carried out with the overall goal of enhancing and impacting people's lives. Following the earthquake in Yogyakarta, the Siloam Hospitals mobilized a team of 15 doctors and nurses to support the immediate healthcare needs of the people affected by the disaster.

The Company also continued to support its Charity Ward at Siloam Hospitals Lippo Karawaci, which has provided thousands of Indonesian with access to affordable medical services. In 2006, the Charity Ward served 1,673 patients. Furthermore, the Indonesian Brain Foundation based at SHLK helped 126 neuro patients, whilst the Children's Charity Fund treated 120 young patients.

The Company also supported blood donor programs during the year, which yielded more than 900 blood pouches. In addition, a number of seminars were held in the surrounding communities to promote healthy living.

Audit Committee Report

Lippo Karawaci, 15 March 2007

To:
The Board of Commissioners of PT Lippo Karawaci Tbk
Menara Matahari 22nd Floor
7 Boulevard Palem Raya
Lippo Karawaci Central
Tangerang 15811

Dear Commissioners,
RE : Audit Committee Report

Pursuant to the requirements stipulated in the Chairman's Decree of the Capital Market Supervisory Board No. KEP-29/PM/2004 regarding the Establishment and Operational Guidance of the Audit Committee and Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-305/BEJ/07/2004 dated 19 July 2004 pertaining to the General Guidance on Listing of Equities and Securities in the Stock Exchange, we as the Audit Committee of the Company hereby render activities and results from the discussions in the meetings of the Audit Committee held during 2006.

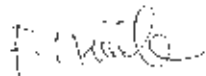
In conducting the audit, the Committee studied financial statements, observed accounting policies, procedures and integrated control within the operational activities, and held intensive discussions with the management, internal audit and Public Accountant.

To fulfill the disclosure obligation regarding the report of the Audit Committee on the Company's Annual Report, we hereby state as follows:

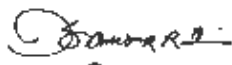
1. To the best of our knowledge, the business activities of the Company are conducted with sufficient internal control, but regarding the merger conducted by the Company in July 2004, which has resulted in the Company's expanded scope of control in diversified business units, the Board of Directors must continually improve the quality of internal control in accordance with the Company's business development. This includes, but is not limited to the harmonization of Charts of Accounts for each business unit to facilitate the consolidation process as well as put emphasis on the operational audit.
2. Financial Statements were prepared in accordance with the generally accepted accounting principles in Indonesia.
3. The Board of Commissioners has appointed Public Accountant of Aryanto Amir Jusuf & Mawar to conduct an audit on the consolidated Financial Statements of PT Lippo Karawaci Tbk and its subsidiaries for the year ended December 31, 2006, pursuant to the authority granted by the Shareholders in the Annual General Meeting of Shareholders held on April 17, 2006.

The Audit Committee duly submits this report.

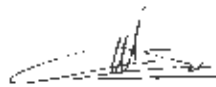
Yours sincerely,



Farid Harianto
Chairman



Isnandar R. Ali
Member



Utomo Santoso
Member

Remuneration Committee Report

Lippo Karawaci, 16 March 2007

To:
The Board of Commissioners of PT Lippo Karawaci Tbk
Menara Matahari 22nd Fl.
7 Boulevard Palem Raya
Lippo Karawaci Central
Tangerang 15811

Dear Commissioners,
RE: Remuneration Committee Report

The establishment of the Remuneration Committee of PT Lippo Karawaci Tbk is part of the implementation of Good Corporate Governance with regards to a competitive and equitable remuneration package.

Members of the Remuneration Committee are appointed by the Board of Commissioners meeting on April 25, 2006. The membership composition of the Remuneration Committee is as follows:

Chairman : Theo L. Sambuaga
Member : Farid Harianto
Member : Jonathan L. Parapak
Member : Eddy Sindoro

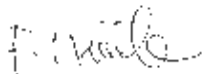
The key responsibilities and duties of the Remuneration Committee are as follow:

1. To conduct a formal meeting at least once a year.
2. To determine the remuneration for Commissioners and Directors of PT Lippo Karawaci Tbk, including the honorarium and fringe benefits, if applicable, for Commissioners, as well as the salary, bonus and parting package (in the case of retirement or resignation) for the Directors.
3. Resolutions are made by 3 votes out of 4, in a Committee meeting or by a circular letter. In the absence of a Committee member, the Chairman of the Committee (or two other Committee members if the Chairman is absent), shall ask the President Director, or another Director appointed by the President Director, to fill-in on the vacant position temporarily until the respective Committee member can resume his function, or until a new Committee member have been appointed by the Commissioners.

The Remuneration Committee has conducted meetings on November 20, 2006 and January 29, 2007, to determine the budget allocation for the honorarium and fringe benefits for Commissioners and the salaries and bonuses for Directors of the Company for the year 2006.



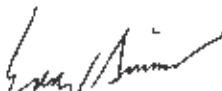
Theo L. Sambuaga
Chairman



Farid Harianto
Member



Jonathan L. Parapak
Member



Eddy Sindoro
Member

Management Discussion & Analysis

Lippo Karawaci's financial performance remained sound, particularly supported by 16% growth in Recurring Revenue.

REVENUES

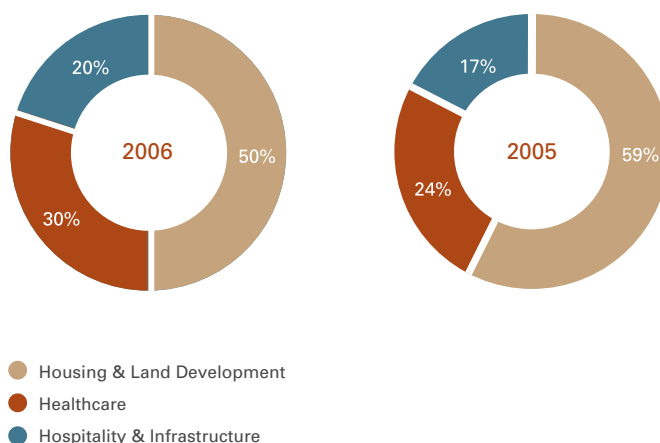
Lippo Karawaci posted total revenue of Rp 1,905 billion for the year 2006, a 5% decline from Rp 2,005 billion in 2005 mainly due to 24% decline in Development Revenue in 2006 compare to 2005. Fewer and smaller project launched combined with high interest rates during second half of 2005 until third quarter of 2006 drove up the financing cost as well as the opportunity cost of property buying contributed to lower sales the Company's development. However, performance in Recurring Revenues from Healthcare and Hospitality & Infrastructure grew by 16% has made up the total decline.

Consequently revenue contribution from Development dropped to 50% in 2006 from 59% in 2005, while Healthcare and Hospitality & Infrastructure increased their contribution to 30% and 20% in 2006 from 24% and 17% in 2005 respectively.

The Company has postponed the launching of Kemang Village a 2.6 hectares mixed use development in 2006 as it acquired additional 8.6 hectares site adjacent to the original site. The new project is set to launch in 2007. Effectively, the Company only launched two projects in 2006 namely The Regency Apartments in City of Tomorrow, Surabaya which has not recognized any revenue in 2006 due to preliminary work in progress, and Bellanova Country Mall in Sentul, West Java, a smaller strata-titled mall launched and completed in 2006.

Revenues Breakdown

	Revenue (billion Rp)	
	2006	2005
Housing & Land Development	952	1,182
Healthcare	573	488
Hospitality & Infrastructure	380	335
Total	1,905	2,005



Housing & Land Development

Housing & Land Development division comprises of three business sectors: Retail, Commercial & Industrial and Residential.

Retail Projects

	Revenue (billion Rp)		Building area (sqm)	
	2006	2005	2006	2005
Retail Inventory	67	92	8,334	6,464
New retail projects	404	872	25,724	71,353
Total	472	964	34,058	77,819

Revenue from Retail Development consisted of sales of retail space inventories from the preciously completed malls and sales of retail space from the new projects in progress or completed in 2006.

Only one new project completed in 2006 which was Bellanova Country Mall in Sentul, West Java, which revenues have been entirely recognized in the same year. While revenue recognition from project in progress City of Tomorrow Mall, Surabaya has reached 80% by the year end compare to only 20% last year. As fewer and smaller projects launched and completed during 2006, revenue from Retail Development has declined by 51% compared to 2005. As comparison, the total space completed in 2005 which comprised of three retail malls was approximately 200,000 sqm, while the two malls constructed in 2006 have only 100,000 sqm GFA.

Commercial and Industrial

	Revenue (billion Rp)		Land (sqm)	
	2006	2005	2006	2005
Commercial Area	321	71	87,634	36,008
Industrial Area	37	61	85,505	110,955
Total	358	132	173,139	146,963

Revenue from sales of Commercial Development increased to Rp 321 billion in 2006 from only Rp 71 billion in 2005. Most of the revenue came from sales of Commercial Land in Lippo Karawaci township. This is in line with the Company's strategy to put more emphasize on the development of commercial area in Lippo Karawaci township to take advantage of the expanding residential development in its surrounding. Industrial Land Development on the other hand suffered a negative growth of 39% as the country investment conditions slump during the year.

Residential and Shophouses

	Revenue (billion Rp)		Units	
	2006	2005	2006	2005
Lippo Karawaci	63	19	987	42
Lippo Cikarang	29	30	91	90
Tanjung Bunga	15	28	37	204
Royal Serpong	3	9	12	26
Binjai - Shophouses	13	-	19	-
Total	123	87	1,146	362

As part of the Company's traditional development, the Company continues in developing new clusters of residential in Lippo Cikarang township as well as in Tanjung Bunga, Makassar, South Sulawesi, while residential development in Lippo Karawaci township has been aiming to higher value residential products. Revenues from sales of residential products in 2006 increased by 41.3% to Rp 123 billion from Rp 87 billion in 2005 as more units were sold during the year.

Healthcare

As part of the Company's effort in strengthening its Recurring Revenues, the initiatives taken in improving Healthcare performance has been contributed to the increased of 18% of Healthcare revenue to Rp 573 billion in 2006 from Rp 487 in 2005. All four hospitals have contributed to this year growth, whereas Siloam Hospital Lippo Karawaci's revenue was the major contributor which accounted for 46% of the total Healthcare Revenues. Almost all key performance indicators such as BOR (Bed Occupancy Rate), OPD (Out Patient per day visit), IPD (In Patient revenue per day) as well as utilization of hospital facilities (ancillaries) have shown improvement during the year.

Operational Indicators	Siloam Hospitals Lippo Karawaci		Siloam Hospitals West Jakarta		Siloam Hospitals Surabaya		Siloam Hospitals Lippo Cikarang	
	2006	2005	2006	2005	2006	2005	2006	2005
Operating Beds	160	160	205	205	160	160	66	66
Bed Occupancy Rate	72%	68%	58%	61%	68%	67%	47%	43%
Gross Operating Revenue (billion Rp)								
- Inpatient Revenue	158	122	108	107	73	61	22	20
- Outpatient Revenue	101	86	71	62	15	11	21	18
Revenue/Inpatient/Day (thousand Rp)	2,587	2,187	1,970	1,768	1,372	1,160	1,515	1,460
Revenue/Outpatient Visit (thousand Rp)	330	305	258	208	176	114	240	221

Hospitality & Infrastructure

Revenue from the Hospitality & Infrastructure sector grew by 13% to Rp 380 billion in 2006. Most of this growth was derived from the Infrastructure sector, which comprises Town Management, Water and Waste Water Treatment Management, Asset Enhancement and Others. The sector grew by 33.6% to Rp 167 billion in 2006. Meanwhile the revenue of Hospitality sector, which consist of Hotels and Restaurants operations as well as Recreation and Sports, grew by 1.5% year-on-year.

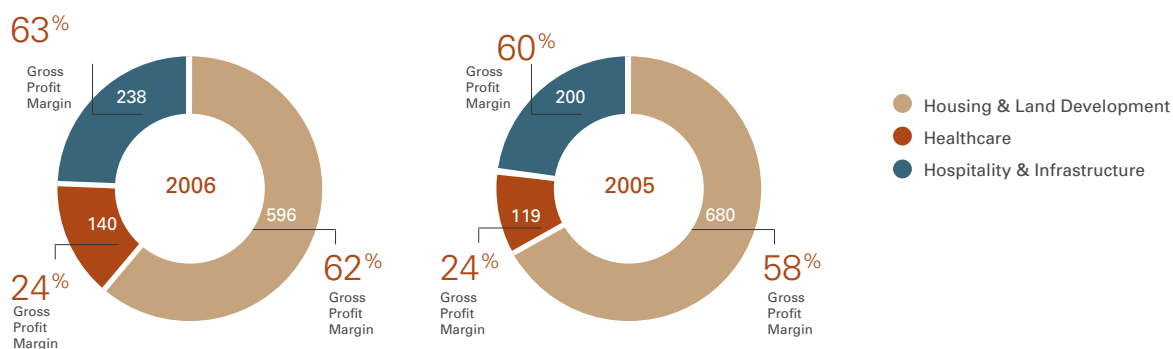
	Revenue (billion Rp)	Revenue (billion Rp)	Growth YoY
	2006	2005	%
Hospitality			
Hotel and Restaurants	174	176	-1.0%
Leisure (Recreation & Sports)	38	34	11.7%
Sub Total	213	210	1.5%
Infrastructure			
Town Management	61	56	9.0%
Water Management	52	42	23.8%
Asset Enhancement	27	17	58.5%
Others	27	10	170.0%
Sub Total	167	125	33.6%
Total	380	335	13.4%

GROSS PROFIT

As a result of a decline in Revenue, Gross Profit declined by 2.6% to Rp 973 billion. Despite the decline, however, the overall Gross Margin improved to 51% in 2006.

Gross Profit Margin from the Housing & Land Development business improved to 62% mainly because of higher proportion of Commercial Land sale which has higher Gross Profit Margin compared with those of building sale. Revenue from sales of Commercial and Industrial Land in 2006 represents 38% of total Development Revenue, while it was 11% only in 2005.

Gross Profit (billion Rp) and Gross Profit Margin



OPERATING EXPENSES

Operating Expenses grew by 13.5% to Rp 526 billion in 2006, mainly attributable to 12% increase in Salary Expenses to Rp 182 billion in 2006 and increase in Selling & Advertising Expenses, which rose by 18% to Rp 52.5 billion from Rp 39 billion in 2005. This was partly due to an increase in advertising and marketing activities following the launching of The Regency Apartments at CITO, Surabaya, Grand Opening of CITO Mall, the opening of Bellanova Country Mall, and marketing expenses of Lippo Cikarang and Healthcare.

NET PROFIT AFTER TAX

Net Profit After Tax declined by 9.5% to Rp 325 billion in 2006. The Net Profit Margin also declined slightly to 17% in 2006 from 18% in the previous year, which was largely attributable to higher Operating Expenses.

FIRST REIT

In December 2006, the Company sponsored the issuance of First REIT, the first Real Estate Investment Trust in Singapore Stock Exchange that owns Indonesian assets. The transaction was structured as Sale and Leaseback transaction, in which the Company sold the property assets (land and building) of three hospitals, Siloam Hospitals Lippo Karawaci, Siloam Hospitals West Jakarta and Siloam Hospitals Surabaya and one hotel, Imperial Aryaduta Hotel & Country Club, Lippo Karawaci and then lease back the properties to operate its hospital and hotel business. The Company had entered into a lease agreement on the four properties in December 2006 for the period of 15 years.

By the transaction, the Company monetized the four properties for SGD 153,644,000 cash and 55,000,000 units equivalent to 20.27% ownership in the First REIT valued at SGD 41,800,000 as of 31 December 2006.

The lease agreement started in December 2006 and first year rental will be SGD 24,597,000. The rental expenses will increase every year thereafter at a rate equal to two times the percentage increase of the CPI of Singapore for the preceding calendar year, subject to a floor of 0.0% and a cap of 2.0%, and a variable increase from 0.75% to 2.0% of nominal Gross Revenue in the preceding year generated by the Company's operation in the properties.

DERIVATIVES

The Company entered into several derivative contracts with various international banks to hedge the foreign exchange risk of its US\$ 250,000,000 bonds, as follows:

- 6 Call Spread Contract with various banks for the Notional Amount of US\$ 175,000,000 which give the Company option to buy the Notional Amount US\$ at the strike price of Rp 9,000 to Rp 9,200/US\$ (respective to each contract) at 7 March 2011 if the prevailing spot rate is below Rp 12,000/US\$.
- 2 Seagull Contract with a bank for the Notional Amount of US\$ 60,000,000 which give the Company option to buy the Notional Amount US\$ at the rate of Rp 9,200/US\$ at 7 March 2011 if the prevailing spot rate is below Rp 12,000/US\$, and fix the exchange rate for the Notional Amount at the rate of Rp 8,250/US\$ if the prevailing spot rate is below Rp 8,250/US\$.
- 1 Seagull Contract with a bank for the Notional Amount of US\$ 15,000,000 which set the exchange rate for the Notional Amount US\$ at the rate of Rp 9,200/US\$ at 7 March 2011 if the prevailing spot rate is below Rp 12,000/US\$.

ASSETS

As of end December 2006, Lippo Karawaci's Total Assets stood at Rp 8,486 billion, 36% higher compared to its end 2005 level, primarily due to an increase in cash and cash equivalents resulting from successful First REIT, acquisition of new lands and new projects as well as completion of the Company's construction projects. Since its merger, Lippo Karawaci has persistently grown its assets, indicating the Company's continuous expansion and sustainable growth.

LIABILITIES & STOCKHOLDERS EQUITY

As of 31 December 2006, the Company's Debt consists of the US\$ 250,000,000 bonds issued in March 2006 and a total of Rp 246 billion debts from various banks and financial institutions. The bonds will become due in March 2011 and pays 8,875% p.a. semi-annual coupon. The bonds was issued to refinance the Company's short term debts as well as for future expansion and working capital.

Debt to Equity Ratio and Net Debt to Equity Ratio stood at 0.8 times and 0.4 times respectively as of the end of 2006.

Stockholders' Equity increased by 10% to Rp 2,962 billion in 2006, which was principally a result of an increase in Retained Earnings derived from the Company's performance during the year. There were 1,052,968,934 warrants outstanding as of 31 December 2006 with exercise price at Rp 875/share. The warrants will be due at 30 November 2007.

Looking Ahead

Lippo Karawaci continues to pursue growth opportunities – including new projects in new geographic areas and markets. After successfully launching the superblock project, City of Tomorrow in Surabaya, the similar concept will follow in two prestigious areas in Jakarta. The Company is also looking for an exciting new development from its Healthcare division, taking advantage of the synergy between hospitals, research and university that have been established last year. Several new hotels are also targeted to be built in the future to add the current hotel portfolios, hence enabled to the Company to further grow its Recurring Revenues. All the projects in the pipeline which targeted to be completed in the next three years will significantly augment the Company's revenue streams, hence will further strengthen its position in the property industry.

Responsibility for the 2006 Annual Report

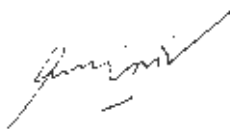
This 2006 Annual Report, including the accompanying financial statements and related financial information, is the responsibility of the Management of PT Lippo Karawaci Tbk, and has been duly approved by members of the Board of Commissioners and Board of Directors.

Lippo Karawaci, April 2007

Board of Commissioners



Ning Gaoning
President Commissioner



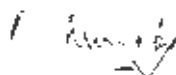
Surjadi Soedirdja
Vice President Commissioner



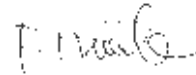
Theo L. Sambuaga
Independent Commissioner



Agum Gumelar
Independent Commissioner



Tanri Abeng
Independent Commissioner



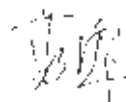
Farid Harianto
Independent Commissioner



Charley Song Lin
Commissioner



Eddy Sindoro
Commissioner

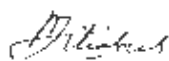


Jiang Wei
Commissioner



Jonathan L. Parapak
Commissioner

Board of Directors



Viven G. Sitiabudi
President Director



Tjokro Libianto
Director




Ketut Budi Wijaya
Director



Jopy Rusli
Director



Hendra Agus Sugandi
Director



Samuel Tahir
Director

Financial Report

RSM! AAJ Associates

PT LIPPO KARAWACI Tbk
AND SUBSIDIARIES

Independent Auditors' Report
and
Consolidated Financial Statements
For the Years Ended
December 31, 2006 and 2005

Aryanto Amir Jusuf & Mawar
Registered Public Accountants

**DIRECTOR'S STATEMENT
ON
THE RESPONSIBILITY FOR PT LIPPO KARAWACI TBK
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006**

We the undersigned:

- | | |
|--|--|
| 1. Name | : Viven G. Sitiabudi |
| Address | : 22 nd floor Menara Matahari
7 Boulevard Palem Raya
Lippo Karawaci Central, Tangerang -15811 |
| Residential Address
(as in identity card) | : Jln. Taman Golf No.386
Taman Golf
Lippo Karawaci |
| Telephone | : (021) 2566 9000 |
| Title | : President Director |
| 2. Name | : Ketut Budi Wijaya |
| Address | : 22 nd floor Menara Matahari
7 Boulevard Palem Raya
Lippo Karawaci Central, Tangerang-15811 |
| Residential Address
(as in identity card) | : Jl. Percetakan Negara II/3
Johar Baru, Jakarta Pusat |
| Telephone | : (021) 2566 9000 |
| Title | : Director |


State that:

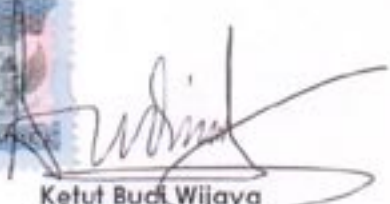
1. We are responsible for the preparation and the presentation of the consolidated financial statements of PT Lippo Karawaci Tbk ("the Company");
2. The Company's consolidated financial statements have been prepared and presented in accordance with generally accepted accounting principles in Indonesia;
3. a. All information contained in the Company's consolidated financial statements is complete and correct;
b. The Company's consolidated financial statements do not contain misleading material information or facts and do not omit material information or facts; and
4. We are responsible for the Company's internal control system.

This statement is issued to the best of our knowledge and belief.

Lippo Karawaci, March 2, 2007

PT Lippo Karawaci Tbk


Viven G. Sitiabudi
President Director


Ketut Budi Wijaya
Director

RSM! AAJ Associates

This report is originally issued in Indonesian language

Number : R/069/7/03/07

Aryanto Amir Jusuf & Mawar

Registered Public Accountants

Plaza ABDA, Floor 10 & 11

Jl. Jend. Sudirman Kav. 59 Jakarta 12190, Indonesia

Phone : (62) (21) 5140 1340

Fax : (62) (21) 5140 1350

www.rsm.aaassociates.com

Independent Auditors' Report

The Stockholders, Commissioners and Directors
PT Lippo Karawaci Tbk

We have audited the accompanying consolidated balance sheets of PT Lippo Karawaci Tbk and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of PT Gowa Makassar Tourism Development Tbk, a subsidiary, for the years ended December 31, 2006 and 2005, which reflect total assets of Rp 268,622 million and Rp 266,098 million or representing about 3.17% and 4.27% of total consolidated assets as of December 31, 2006 and 2005, respectively. Those financial statements were audited by other independent auditors, whose reports dated February 12, 2007 and January 26, 2006, respectively, expressed an unqualified opinion thereon. Those reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the subsidiary is based solely on the reports of the other independent auditor.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Aryanto Amir Jusuf & Mawar is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms

License numbers :
Minister of Finance : KEP-269/KM.6/2004
Capital Market Supervisory Board
(BAPEFAM) : S-772/PN/1994
Bank Indonesia : No. 063

Branch Office :
Jl. Mayjen Sungkono
Komplek Darmo Park I Blok II B 17-19
Surabaya 60256 - Indonesia

In our opinion, based on our audits and the reports of the other independent auditor, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PT Lippo Karawaci Tbk and subsidiaries as of December 31, 2006 and 2005, and the results of their operations, their changes in stockholders' equity and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Indonesia.



Arief A. Dhani, BAP

License Number: 03.1.0881

Jakarta, March 2, 2007

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in shareholders' equity, and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Indonesia. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

These consolidated financial statements are originally issued in Indonesian language

R/069/7/03/07

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

As of December 31, 2006 and 2005

(In Full Rupiah)

ASSETS	Notes	2006 Rp	2005 Rp
Cash and Cash Equivalents	2.c, 2.d, 3, 31	1,349,407,328,222	287,627,842,560
Investments	2.c, 2.e, 4, 9, 31	356,004,602,653	128,586,916,522
Accounts Receivable	2.c, 2.f, 31		
Third Parties			
<i>(Net of allowance for doubtful accounts of Rp 46,127,711,387 and Rp 44,450,909,580 as of December 31, 2006 and 2005, respectively)</i>	5	608,315,933,346	478,383,577,586
Related Parties			
<i>(Net of allowance for doubtful accounts of Rp 479,230,933 and Rp 204,467,631 as of December 31, 2006 and 2005, respectively)</i>	5, 9	951,094,656	1,044,182,232
Other Receivables			
<i>(Net of allowance for doubtful accounts of Rp 6,648,533,019 and Rp 6,316,521,239 as of December 31, 2006 and 2005, respectively)</i>	2.c, 2.f, 2.t, 6, 29.j, 31	77,004,385,568	50,455,625,606
Inventories			
<i>(Net of allowance for decline in inventories value of Rp 39,505,683 as of December 31, 2006 and 2005, respectively)</i>	2.g, 2.m, 7	3,673,731,892,479	2,895,977,738,844
Prepaid Taxes and Expenses	2.c, 2.h, 2.o, 29.i, 31	67,387,244,616	20,160,069,844
Purchase Advances	8	117,596,656,965	45,633,449,318
Due from Related Parties			
<i>(Net of allowance for doubtful accounts of Rp 13,537,112,085 and Rp 13,665,783,177 as of December 31, 2006 and 2005, respectively)</i>	2.f, 9	16,831,549,797	19,276,776,212
Deferred Tax Assets - Net	2.o, 17.b	112,241,618,574	40,650,824,353
Undeveloped Land	2.g, 2.m, 10	909,078,259,633	876,274,768,453
Property and Equipment			
<i>(Net of accumulated depreciation of Rp 520,229,657,537 and Rp 542,424,696,677 as of December 31, 2006 and 2005, respectively)</i>	2.i, 2.j, 2.k, 11	972,555,639,299	1,182,560,494,329
Intangible Assets			
<i>(Net of accumulated amortization of Rp 24,243,822,938 and Rp 10,751,187,381 as of December 31, 2006 and 2005, respectively)</i>	2.l, 12	117,682,785,721	112,264,354,230
Other Assets	2.c, 13, 29.a, 31	107,064,815,701	93,337,873,343
TOTAL ASSETS		8,485,853,807,230	6,232,234,493,432

See the Accompanying Notes which are an integral part of these Consolidated Financial Statements

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)

As of December 31, 2006 and 2005

(In Full Rupiah)

LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	Notes	2006	2005
		Rp	Rp
LIABILITIES			
Loans	2.c, 2.m, 2.u, 14, 31		
Third Parties		2,419,923,389,282	1,005,317,292,968
Related Parties	9	26,530,602,207	--
Accounts Payable	2.c, 31	214,925,268,872	195,368,367,657
Other Payables	2.c, 2.t, 15, 31	61,142,172,515	815,956,628,415
Accrued Expenses	2.c, 2.n, 16, 29.j, 31	261,181,053,546	166,013,617,097
Taxes Payable	2.o, 17.c	452,935,710,349	307,601,249,457
Advance from Customers	2.n, 9, 18	614,161,114,945	466,343,199,689
Deferred Income	2.n, 9	313,913,981,950	165,960,241,375
Obligations Under Capital Lease	2.j	1,270,856,841	446,994,060
Due to Related Parties	9	44,813,093,707	40,770,746,550
Deferred Gain on Sale and Leaseback Transactions	2.j, 11, 29.i	712,866,650,227	1,747,564,816
Estimated Liabilities on Employees' Benefits	2.s, 19	84,589,868,185	83,032,066,417
Total Liabilities		5,208,253,762,626	3,248,557,968,501
MINORITY INTERESTS		315,111,487,159	291,042,111,965
STOCKHOLDERS' EQUITY			
Capital Stock			
Par Value of Rp 250 per share and Rp 500 per share as of			
December 31, 2006 and 2005, respectively			
Authorized Capital - 16,000,000,000 shares as of			
December 31, 2006 and 8,000,000,000 shares as of			
December 31, 2005			
Issued and Fully Paid - 5,871,017,072 shares as of			
December 31, 2006 and 2,932,849,570 shares as of			
December 31, 2005	20	1,467,754,268,000	1,466,424,785,000
Additional Paid in Capital - Net	21	648,069,952,798	644,746,245,298
Difference Arising from Restructuring Transactions			
of Entities Under Common Control - Net	2.b, 2.q, 23	149,144,092,881	149,144,092,881
Difference Arising from Foreign Currency Translations	2.b	(986,706,506)	--
Retained Earnings			
Appropriated		200,000,000	200,000,000
Unappropriated		698,306,950,272	432,119,289,787
Total Stockholders' Equity		2,962,488,557,445	2,692,634,412,966
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY		8,485,853,807,230	6,232,234,493,432

See the Accompanying Notes which are an integral part of these Consolidated Financial Statements

These consolidated financial statements are originally issued in Indonesian language

R/069/7/03/07

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

	Notes	2006 Rp	2005 Rp
NET SALES, SERVICES AND OTHER REVENUES	2.n, 24	1,905,330,356,857	2,004,950,543,306
COST OF SALES AND SERVICES	2.n, 25	932,337,046,506	1,005,743,111,025
GROSS PROFIT		<u>972,993,310,351</u>	<u>999,207,432,281</u>
OPERATING EXPENSES	2.n		
Selling	26.a	119,403,895,205	101,507,509,136
General and Administrative	26.b	406,416,679,488	361,696,782,896
Total Operating Expenses		<u>525,820,574,693</u>	<u>463,204,292,032</u>
INCOME FROM OPERATIONS		<u>447,172,735,658</u>	<u>536,003,140,249</u>
OTHER INCOME (EXPENSES)	2.n		
Unrealized Gain from Increasing of Market Value of Investment in Property	4.d	16,167,250,000	--
Interest Income (Expenses) - Net	27	10,479,745,322	(38,662,323,854)
Penalties Income - Net	28	8,445,581,606	16,488,547,922
Gain on Disposal of Property and Equipment	2.i, 11	906,850,570	3,285,604,685
Gain (Loss) on Foreign Exchanges	2.c	(3,550,458,689)	11,038,415,902
Amortization Expenses - Net	2.j, 2.l, 2.u	(14,157,104,320)	(10,915,729,785)
Others - Net		<u>(12,410,795,729)</u>	<u>13,887,251,789</u>
Total Other Income (Expenses) - Net		<u>5,881,068,760</u>	<u>(4,878,233,341)</u>
INCOME BEFORE EQUITY IN NET EARNINGS OF ASSOCIATES		453,053,804,418	531,124,906,908
EQUITY IN NET EARNINGS OF ASSOCIATES	2.e, 4	<u>10,937,953,719</u>	<u>3,914,998,918</u>
INCOME BEFORE INCOME TAX BENEFIT (EXPENSE)		<u>463,991,758,137</u>	<u>535,039,905,826</u>
INCOME TAX BENEFIT (EXPENSE)	2.o, 17.a		
Current		(192,760,905,013)	(162,670,018,457)
Deferred		71,590,794,221	(7,209,960,592)
Total Income Tax Expense		<u>(121,170,110,792)</u>	<u>(169,879,979,049)</u>
INCOME BEFORE MINORITY INTERESTS		342,821,647,345	365,159,926,777
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	2.b	<u>(17,985,276,013)</u>	<u>(6,216,455,536)</u>
NET INCOME		<u><u>324,836,371,332</u></u>	<u><u>358,943,471,241</u></u>
EARNINGS PER SHARE			
Basic	2.p, 33	55	62*
Diluted		47	--

* Restated, see Note 33

See the Accompanying Notes which are an integral part of these Consolidated Financial Statements

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2006 and 2005
(In Full Rupiah)

	Notes	Issued and Fully Paid Capital	Additional Paid in Capital - Net	Difference Arising from Restructuring Transactions of Entities Under Common Control	Difference Arising from Foreign Currency Translations	Retained Earnings		Total Stockholders' Equity
						Appropriated	Unappropriated	
		Rp	Rp	Rp	Rp	Rp	Rp	Rp
BALANCE AS OF DECEMBER 31, 2004		1,025,693,649,500	167,383,190,047	149,144,092,881	--	200,000,000	102,504,314,176	1,444,925,246,604
Additional Shares Through Preemptive Rights Issuance	20	440,731,132,000	--	--	--	--	--	440,731,132,000
Premium on Stock	21	--	477,363,046,501	--	--	--	--	477,363,046,501
Exercised Warrant Series I	20	3,500	--	--	--	--	--	3,500
Premium on Exercising Warrant Series I	21	--	8,750	--	--	--	--	8,750
Cash Dividend	22	--	--	--	--	--	(29,328,495,630)	(29,328,495,630)
Net Income		--	--	--	--	--	358,943,471,241	358,943,471,241
BALANCE AS OF DECEMBER 31, 2005		1,466,424,785,000	644,746,245,298	149,144,092,881	--	200,000,000	432,119,289,787	2,692,634,412,966
Exercised Warrant Series I	20	1,329,483,000	--	--	--	--	--	1,329,483,000
Premium on Exercising Warrant Series I	21	--	3,323,707,500	--	--	--	--	3,323,707,500
Cash Dividend	22	--	--	--	--	--	(58,648,710,847)	(58,648,710,847)
Difference Arising from Foreign Currency Translations	2.b	--	--	--	(986,706,506)	--	--	(986,706,506)
Net Income		--	--	--	--	--	324,836,371,332	324,836,371,332
BALANCE AS OF DECEMBER 31, 2006		1,467,754,268,000	648,069,952,798	149,144,092,881	(986,706,506)	200,000,000	698,306,950,272	2,962,488,557,445

See the Accompanying Notes which are an integral part of these Consolidated Financial Statements

These consolidated financial statements are originally issued in Indonesian language

R/069/7/03/07

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2006 and 2005
(In Full Rupiah)

	2006 Rp	2005 Rp
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection from Customers	2,093,154,009,872	1,873,514,631,111
Taxes Receipt	50,174,945,096	--
Taxes Payment	(171,495,700,169)	(119,707,522,036)
Payment to Employees	(231,786,905,991)	(197,259,912,848)
Interest Payments - Net	(289,955,690,637)	(340,685,306,868)
Payment to Suppliers and Third Parties	(1,949,785,561,055)	(986,032,929,045)
Other Payments - Net	(676,183,939,935)	(1,534,990,728,471)
Net Cash Flows Used in Operating Activities	(1,175,878,842,819)	(1,305,161,768,157)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of Investment	24,769,465,833	53,486,187,168
Dividend Receipt	4,940,475,000	4,892,870,481
Withdrawal of Restricted Funds	1,240,172,303	(124,362,746)
Disposal of Property and Equipment	1,044,056,335	3,792,558,886
Payment for Advances	(20,057,491,474)	(17,543,551,992)
Acquisition of Property and Equipment	(193,211,613,341)	(101,822,491,469)
Net Cash Flows Used in Investing Activities	(181,274,935,344)	(57,318,789,672)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from Bonds Issuance	2,336,250,000,000	--
Proceed from Sale and Leaseback Transactions	860,214,483,965	--
Proceed from Loans	126,530,603,207	746,050,000,000
Cash Received from (Paid to) Related Parties	20,187,853,362	(20,607,869,140)
Proceed from Exercised Warrants	4,653,190,500	--
Payment of Obligations Under Capital Lease	(630,560,124)	(1,325,318,869)
Payment of Dividend	(47,306,351,490)	(29,328,495,630)
Repayment of Promissory Notes	(57,573,487,053)	(192,580,569,626)
Repayment of Loans	(767,529,172,184)	(40,000,125,272)
Proceed from Stock Issuance	--	918,094,178,501
Net Cash Flows Provided by Financing Activities	2,474,796,560,183	1,380,301,799,964
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,117,642,782,020	17,821,242,135
Effect on Foreign Exchanges on Cash and Cash Equivalents at the End of the Year	(55,863,296,358)	801,445,177
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	287,627,842,560	269,005,155,248
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,349,407,328,222	287,627,842,560
Cash and Cash Equivalents at the End of the Year consist of:		
Cash on Hand	3,653,956,635	4,270,286,722
Cash in Banks	483,792,502,041	56,517,027,664
Time Deposits	861,960,869,546	226,840,528,174
Total	1,349,407,328,222	287,627,842,560

See the Accompanying Notes which are an integral part of these Consolidated Financial Statements

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2006 and 2005
(In Full Rupiah)

1. General

1.a. The Company's Establishment

PT Lippo Karawaci Tbk (the Company) was established under the name of PT Tunggal Reksakencana on October 15, 1990 based on notarial deed No. 233 of Misahardi Wilamarta, SH. The deed of establishment was approved by the Minister of Justice of the Republic Indonesia in his Decree No. C2-6974.HT.01.01.TH.91 dated November 22, 1991 and published in the State Gazette No. 62, Supplement No. 3593 on August 4, 1992. The Company's article of association have been amended several times and the latest by the Shareholders Extraordinary Meeting Resolution, which was further legalized with notarial deed No. 24 of Unita Christina Winata, SH, dated November 24, 2006, concerning among others, the issuance of new shares resulting from the execution of warrant series I. The deed of amendment was received and recorded by the Minister of Law and Human Rights of the Republic Indonesia in his Letter No. W29-HT.01.04-414 dated December 1, 2006.

In accordance with article 3 of the Company's Articles of Association, the Company's scope of activities include real estate, urban development, land purchasing and clearing, land cut and fill, land development and excavation; infrastructure development; planning and developing of homes, buildings, offices and industrial estates, hotels, hospitals, commercial centers, sports centers as well as supporting infrastructure, including but not limited to golf courses, club houses, restaurants, other entertainment centers, medical laboratories, medical pharmacies and related facilities, sale, rent and operate the above activities, build and manage accommodation and public facilities, operating activities in public services consisting of public transportation, security protection and other supporting services, except for legal and taxation services.

As at the reporting date, the main activities of the Company are conducting businesses related to Housing and Land Development, Healthcare and Hospitals, and Hospitality and Infrastructure.

The Company is domiciled in 2121 Bulevar Gajah Mada #01-01, Lippo Cyber Park, Lippo Karawaci Tangerang.

1.b. Company's Stocks Public Offering

The Company's Initial Public Offering of 30,800,000 shares was declared effective by the Chairman of Capital Market Supervisory Board (Bapepam) in his Decree No. S-878/PM/1996 dated June 3, 1996, and was listed at Jakarta and Surabaya Stock Exchanges on June 28, 1996.

Subsequently, the Company offered 607,796,000 shares to its existing stockholders through Rights Issue I, as approved by the Decree of the Chairman of Bapepam in his letter No. S-2969/PM/1997 dated December 30, 1997. These shares were listed in Jakarta and Surabaya Stock Exchanges on January 16, 1998.

In July 30, 2004, the Company acquired several companies and merged them into the Company. As part of the merger, the Company issued 1,063,275,250 new shares to the merged companies' shareholders. Thus the Company's total issued shares was becoming 2,050,943,750 shares. The increase of authorized, issued and fully paid capital was approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-19039.HT.01.04.Th.04 dated July 30, 2004.

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

In 2004, the Company issued new shares through a Limited Public Offering II in connection with preemptive rights issuance of 881,905,813 common shares at a par value of Rp 500 per share, and issued 529,143,440 Warrant Series I as a compliment to shareholders that exercised their rights in the Limited Public Offering II. This offering was approved by the Decree of The Chairman of Bapepam in his Letter No. S-3357/PM/2004 dated October 29, 2004. These shares were listed in Jakarta and Surabaya Stock Exchanges on January 20, 2005.

On July 28, 2006, the Company exercised stock split from one share become two shares. The outstanding shares as of December 31, 2006 are 5,871,017,072 shares (see Notes 20) and have been listed in Jakarta and Surabaya Stock Exchange.

1.c. Company Structure

The following list presents the Company's ownership at subsidiaries in which the Company has control over their management and/or has ownership of more than 50%, either direct or indirectly.

Subsidiaries	Domicile	Main Business Activities	Ownership Percentage (directly and/or indirectly) %	Operation Started	Total Assets	
					2006	2005
					Rp	Rp
PT Prudential Development	Tangerang	Real Estate	100.00	--	593,445,175	255,439,975
Prudential Development Ltd**	Vanuatu	Investment	100.00	--	--	2,088
Lippo Karawaci Finance B.V.	Netherlands	Investment, Trading and Service	100.00	--	2,253,257,218,554	--
Lippo Karawaci Corporation Pte. Ltd. and Subsidiaries	Singapore	Investment, Trading and Service	100.00	--	8,393,871,588	--
LK Reit Management Pte. Ltd. and Subsidiary	Singapore	Investment, Trading and Service	100.00	--	8,393,877,467	--
Bowsprit Capital Corp. Ltd.	Singapore	Investment, Trading and Service	80.00	--	8,393,871,588	--
PT Grand Villa Persada	Tangerang	Real Estate	100.00	--	589,485,000	--
PT Primakreasi Proptendo and Subsidiaries	Tangerang	Real Estate	100.00	--	87,521,864,111	--
PT Mujur Sakti Graha and Subsidiaries	Tangerang	Real Estate	99.83	--	33,520,775,452	--
PT Surplus Multi Makmur and Subsidiary	Jakarta	Real Estate	90.00	--	28,216,609,660	--
PT Arta Sarana	Bandung	Investment, Trading and Service	81.00	--	32,917,379,792	--
PT Mega Proyek Pertiwi	Tangerang	Real Estate	100.00	--	589,485,000	--
PT Graha Jaya Pratama	Tangerang	Real Estate	100.00	--	600,000,000	--
PT Abadi Jaya Sakti	Tangerang	Investment, Trading and Service	100.00	--	600,867,000	--
PT Mega Pratama Karya Persada	Tangerang	Investment, Trading and Service	100.00	--	599,867,000	--
PT Sentra Dwimandiri and Subsidiaries	Tangerang	Real Estate	100.00	--	1,828,471,432,994	777,650,680,365
PT Muliasentosa Dinamika (which has 4.48% ownership in PT Lippo Cikarang Tbk)	Tangerang	Real Estate	100.00	1997	315,655,117,676	326,984,501,967
PT Sentra Realindo Development (which has 4.62% ownership in PT Lippo Cikarang Tbk) and Subsidiaries	Tangerang	House Improvement	100.00	2001	104,128,222,599	99,906,821,327
PT Dharma Sarana Nusa Pratama and Subsidiary	Tangerang	Real Estate	52.70	1997	91,252,607,882	87,709,129,417
PT Tata Mandiri Daerah Villa Permata	Tangerang	Town Management	42.16	2001	66,603,110	879,647,392
PT Golden Pradamas and Subsidiaries	Tangerang	Real Estate	100.00	--	114,483,797,480	130,519,009,530
PT Mulia Bangun Semesta and Subsidiary	Jakarta	Real Estate	99.98	2002	89,733,450,825	105,768,270,875
PT Villa Permata Cibodas	Tangerang	Real Estate	99.98	1995	89,115,567,844	96,539,867,098
PT Puncak Resort International and Subsidiaries	Cianjur	Real Estate	100.00	1994	73,178,398,508	72,843,659,081
PT Sentosa Seksama	Cianjur	Real Estate	100.00	1994	23,234,340,030	23,234,483,030
PT Purimegah Swarga Buana	Cianjur	Real Estate	100.00	1994	8,777,930,817	8,778,597,817
PT Adigraha Rancang Sempurna	Cianjur	Real Estate	100.00	1994	7,206,102,631	7,206,131,453
PT Pesanggrahan Suripermata Agung	Cianjur	Real Estate	100.00	1994	1,974,446,939	1,974,104,943
PT Dona Indo Prima	Cianjur	Real Estate	100.00	--	50,000,000	50,000,000
PT Sukmaprima Sejahtera	Cianjur	Real Estate	100.00	--	50,000,000	50,000,000
PT Sentra Asritama Realty Development	Tangerang	Installation and Water Treatment	100.00	1994	46,138,346,881	36,099,131,370
PT Sentra Graha Mandiri	Tangerang	Real Estate	100.00	--	33,311,629,192	33,312,021,192
PT Tata Mandiri Daerah Lippo Karawaci	Tangerang	Town Management	100.00	1999	40,269,671,340	44,340,289,167
PT Saptapersada Jagatnusa	Tangerang	Bowling	100.00	1998	6,179,229,895	7,730,154,698
PT Sejatijaya Selaras	Tangerang	Real Estate	100.00	--	19,286,045,718	19,286,608,708

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2006 and 2005
(In Full Rupiah)

Subsidiaries	Domicile	Main Business Activities	Ownership Percentage (directly and/or indirectly) %	Operation Started	Total Assets	
					2006	2005
					Rp	Rp
PT Taman Sari Lippo Karawaci	Tangerang	Food Court	100.00	1994	10,056,683,054	8,468,094,108
PT Surya Makmur Alam Persada	Tangerang	Real Estate	100.00	--	20,284,540,418	20,283,954,418
PT Bahtera Pratama Wirasakti	Tangerang	Real Estate	100.00	--	15,738,815,279	15,738,997,777
PT Sentra Office Realty	Tangerang	Building Management	100.00	1998	2,012,068,714	2,725,241,027
PT Dinamika Intertrans	Tangerang	Transportation	100.00	1994	2,709,317,998	3,653,192,051
PT Imperial Karawaci Golf	Tangerang	Golf	100.00	--	486,586,000	487,733,000
PT Agung Sepadan	Tangerang	Real Estate	100.00	--	36,762,221	37,058,934
PT Prudential Townhouse Development	Tangerang	Real Estate	100.00	--	129,621,613	65,326,888
PT Wahana Tatabangun Cemerlang Matahari	Tangerang	Real Estate	100.00	--	17,795,308	18,539,308
PT Wahana Tatabangun Cemerlang	Tangerang	Real Estate	100.00	--	16,064,566	16,808,566
PT Paragon City	Tangerang	Real Estate and Trading	100.00	--	489,356,426	500,000,000
PT Lippo Karawaci Infrastructure & Utilities Division	Tangerang	Construction and Services	100.00	--	241,807,000	--
Bridgewater International Ltd and Subsidiaries	Seychelles	Investment	100.00	--	1,069,628,526,176	49,150,000
Henley Investments Pte. Ltd and Subsidiary**	Singapore	General	100.00	--	--	590,700
PT Graha Indah Pratama**	Jakarta	Hospitals Building Management	100.00	--	--	250,000,000
Primerich Investments Pte. Ltd and Subsidiary**	Singapore	General Trading	100.00	--	--	11,814
PT Tata Prima Indah**	Jakarta	Hospitals Building Management	100.00	--	--	250,000,000
Lovage International Pte. Ltd and Subsidiary**	Singapore	General Trading	100.00	--	--	177,210,000
PT Karya Sentra Sejahtera**	Jakarta	Hotels Building Management	100.00	--	--	250,000,000
Got Pte. Ltd and Subsidiary**	Singapore	General Trading	100.00	--	--	5,907,000
PT Sentra Dinamika Perkasa**	Jakarta	Hospitals Building Management	100.00	--	--	250,000,000
PT Lippo Cikarang Tbk and Subsidiaries	Bekasi	Real Estate	51.33	1989	1,161,979,825,867	1,110,566,438,655
PT Great Jakarta Inti Development (which has 2.5% and 10% ownership in PT Dian Citimarga and PT Dunia Air Indah, respectively)	Bekasi	Town Management and Real Estate	51.33	1992	95,179,379,931	113,693,416,217
PT Erabaru Realindo	Bekasi	Real Estate	51.33	--	16,980,287,500	16,980,287,500
PT Dian Citimarga	Bekasi	Public Transportation	51.33	1993	133,623,470	117,204,202
PT Kreasi Dunia Keluarga	Bekasi	Recreation Service	51.38	1993	4,192,333,070	2,591,294,897
Lippo Land Development International Finance Company B.V.	Netherlands	Investment	100.00	--	136,623,470	356,351,927
PT Maharama Sakti	Jakarta	Trading	100.00	--	17,598,000	41,103,928
PT Wisma Jatim Propertindo (which has 0.02% ownership in PT Pendopo Niaga) and Subsidiaries	Jakarta	Services	100.00	--	2,325,215,621,207	1,239,747,946,416
PT Lipposindo Abadi and Subsidiaries	Jakarta	Trading	100.00	--	195,784,220,048	194,165,286,784
PT Kemuning Satiatama (which has 42.20% ownership in PT Lippo Cikarang Tbk) and Subsidiaries	Jakarta	Trading	100.00	--	190,826,019,478	189,202,551,560
PT Megachandra Karyaalestari	Jakarta	Trading	100.00	1992*	383,576,516	573,341,744
PT Prudential Office Development	Jakarta	Trading and Service	100.00	1994*	865,197,583	1,527,065,542
PT Prudential Apartment Development	Jakarta	Services	100.00	1993*	609,230,426	1,446,362,945
PT Sentra Kharisma Indah and Subsidiaries	Jakarta	Services	80.00	--	8,143,735	118,515,766
PT Sentra Goldhill Businesspark	Jakarta	Services	72.00	--	25,000,000	49,980,030
Norfolk Enterprises, Ltd	Cook Island	Trading	80.00	--	9,020	9,830
PT Carakatama Dirgantara and Subsidiary	Jakarta	Trading	100.00	--	66,818,976,806	12,714,757,213
PT Prudential Hotel Development	Jakarta	Trading and Service	100.00	1994*	66,797,644,672	12,693,224,176
PT Ariasindo Sejati and Subsidiary	Jakarta	Trading and Service	95.00	--	184,855,228,738	182,837,795,391
PT Unitech Prima Indah	Medan	Real Estate	94.68	2004	180,854,930,128	177,469,763,993
PT Metropolitan Leisure and Subsidiaries	Jakarta	Trading and Service	100.00	--	89,701,135,556	108,822,884,865
PT Kurniasindo Sejahtera	Jakarta	Trading and Service	100.00	--	1,358,932,260	1,358,921,820
PT Graha Tata Cemerlang Makassar (which has 0.34% ownership in PT Lippo Cikarang Tbk)	Makassar	Real Estate	100.00	2002	83,313,530,413	101,811,428,232
PT Guna Tata Carakatama	Makassar	Trading and Service	100.00	2002	118,531,878	116,838,667
PT Lippo Land Cahaya Indonesia	Jakarta	Services	100.00	2003	4,889,796,690	5,534,929,947
PT Lipposindo and Subsidiary	Jakarta	Trading	100.00	--	159,178,158,765	57,002,902,731
PT Pendopo Niaga	Jakarta	Real Estate	100.00	2004	159,064,959,356	56,782,957,186
PT Lippo Vacation and Subsidiary	Jakarta	Trading	100.00	--	371,431,915,285	373,037,953,977
PT Jagat Pertaia Nusantara	Jakarta	Real Estate	100.00	2004	360,785,595,395	357,981,208,920

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

Subsidiaries	Domicile	Main Business Activities	Ownership Percentage (directly and/or indirectly) %	Operation Started	Total Assets	
					2006	2005
					Rp	Rp
PT Kemang Village and Subsidiaries	Jakarta	Trading	100.00	--	138,623,616,150	85,037,551,442
PT Menara Bhumimegah and Subsidiaries	Jakarta	Services	100.00	2005	140,712,817,833	83,314,802,547
PT Jaya Usaha Prima and Subsidiaries	Jakarta	Real Estate and Urban Development	80.00	--	125,807,741,977	68,937,896,979
PT Persada Mandiri Abadi and Subsidiaries	Jakarta	Real Estate and Urban Development	80.00	2005	125,837,715,977	68,964,695,979
PT Pesona Indah Lestari	Jakarta	Hotel and Tourism	80.00	--	10,000,000,000	10,000,000,000
PT Prima Aman Sarana	Jakarta	Services	80.00	--	500,000,000	500,000,000
PT Kemang Multi Sarana	Jakarta	Real Estate and Urban Development	80.00	--	500,000,000	500,000,000
PT Menara Perkasa Megah and Subsidiaries	Jakarta	Real Estate and Urban Development	100.00	2005	316,905,730,345	209,600,148,361
PT Pelangi Cahaya Intan Makmur and Subsidiary	Sidoarjo	Trading	85.00	--	288,853,313,876	155,378,342,024
PT Surya Mitra Jaya	Sidoarjo	Trading and Service	85.01	2005	290,044,259,153	154,483,772,608
PT Mandiri Cipta Gemilang	Jakarta	Real Estate	100.00	2003	370,674,589,679	367,802,069,050
PT Bathara Brahma Sakti	Jakarta	Trading and Service	100.00	1992*	2,541,829,656	2,572,625,701
PT Realty Limaribu	Jakarta	Services	100.00	1998*	370,686,201	368,989,971
PT Dwisindo Jaya	Jakarta	Trading	100.00	--	145,720,733	117,397,077
PT Wisma Sumut Propertindo	Jakarta	Services	100.00	--	5,005,747	36,335,992
PT Larasati Anugerah	Jakarta	Trading	100.00	--	17,095,420	17,095,420
PT Mulia Mukti Persada Perkasa	Jakarta	Trading	100.00	--	5,000,000	5,000,000
PT Niaga Utama	Jakarta	Trading	100.00	--	120,986,242	--
PT Mitra Kasih Karunia	Jakarta	Real Estate	100.00	--	3,260,960,000	--
PT Kreasi Megatama Gemilang and Subsidiary	Tangerang	Trading, Development, Industry, Agribusiness, Transportation and Service	100.00	--	16,006,032,000	--
PT Consulting & Management Service Division	Tangerang	Services	100.00	--	16,006,032,000	--
PT Saputra Karya	Jakarta	Real Estate and Urban Development	100.00	--	23,801,000,000	--
PT Grand Provita and Subsidiary	Jakarta	Real Estate	100.00	--	489,389,000	--
PT Grand Prima Propertindo	Jakarta	Real Estate	100.00	--	14,362,000	--
PT Pacific Sejahtera	Surabaya	Real Estate	100.00	--	25,000,000	--
PT Wahana Usaha Makmur and Subsidiary	Jakarta	Real Estate	100.00	--	325,336,084,619	--
PT Almaron Perkasa	Jakarta	Real Estate	100.00	--	319,905,406,393	--
PT Satriamandiri Idola Utama	Jakarta	Real Estate	100.00	--	600,000,000	--
PT Mahakaya Abadi	Jakarta	Real Estate	100.00	--	490,867,000	--
PT Persada Mandiri Dunia Niaga and Subsidiaries	Jakarta	Real Estate	100.00	--	160,014,391,744	--
PT Gapura Sakti Prima and Subsidiaries	Jakarta	Real Estate	78.60	--	62,255,973,108	--
PT Menara Megah Tunggal and Subsidiary	Jakarta	Real Estate	55.02	--	61,755,973,108	--
PT Trias Mitra Investama	Jakarta	Real Estate	54.97	--	61,255,973,108	--
PT Permata Agung Propertindo	Jakarta	Real Estate	100.00	--	597,823,000	--
PT Kencana Mitra Lestari	Jakarta	Trading, Development, Transportation and Service	100.00	--	594,326,000	--
PT Direct Power and Subsidiaries	Jakarta	Trading, Real Estate, Industry, Printing, Agribusiness, Transportation and Service	100.00	--	139,797,473,219	--
PT Mitra Mulia Kreasi and Subsidiary	Tangerang	Trading, Development, Industry, Mining, Agribusiness, Transportation and Service	80.00	--	78,344,850,956	--
PT Bellanova Country Mall	Tangerang	Trading, Development, Transportation and Service	100.00	--	81,121,539,280	--

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2006 and 2005
(In Full Rupiah)

Subsidiaries	Domicile	Main Business Activities	Ownership Percentage (directly and/or indirectly) %	Operation Started	Total Assets	
					2006	2005
					Rp	Rp
PT Sarana Global Multindo and Subsidiaries	Jakarta	Trading, Development, Transportation and Service	100.00	--	168,680,712,031	--
PT Guna Sejahtera Karya and Subsidiaries	Jakarta	Trading, Development, Industry, Agrobusiness, Park and Service	100.00	--	36,047,854,000	--
PT Citra Sentosa Raya and Subsidiaries	Jakarta	Trading, Real Estate, Industry, Agribusiness, Transportation and Service	100.00	--	521,068,000	--
PT Gading Nusa Utama	Jakarta	Trading, Development, Industry, Agribusiness, Park and Service	99.60	--	25,000,000	--
Rosenet Limited	British Virgin Island	Investments	100.00	--	9,020	--
PT Sandiego Hills Memorial Park	Tangerang	Trading, Development, Transportation and Service	100.00	2006	886,748,982	--
Pan Asian Investment, Ltd and Subsidiary	Vanuatu	Trading	100.00	--	6,834,813,586	6,834,813,586
Cromwell Investment, Ltd	Vanuatu	Trading	100.00	--	18,040	19,660
Indigo Investment Fund, Ltd	Cook Island	Investments	100.00	--	9,020	9,830
Banksia Holdings, Ltd	Cook Island	Trading	100.00	--	9,020	9,830
Inglewood Properties, Ltd	Cook Island	Trading	100.00	--	9,020	9,830
Chesterfield Properties Ltd	Cook Island	Trading	100.00	--	9,020	9,830
PT Aritasindo Permai Semesta and Subsidiaries	Jakarta	Healthcare	100.00	--	7,659,481,468	6,989,792,997
PT Siloam Gleneagles Specialis Clinic	Jakarta	Healthcare	100.00	2005	5,532,469,239	6,971,092,997
PT Siloam Karya Sejahtera	Jakarta	Trading and Service	99.98	--	100,000,000	--
PT Siloam International Hospitals and Subsidiaries	Jakarta	Healthcare	99.98	--	2,108,312,882	2,069,929,502
PT Siloam Hospital and Subsidiaries	Jakarta	Healthcare	99.98	--	2,108,312,102	2,000,000,000
PT Siloam Dinamika Perkasa	Jakarta	Trading, Development, Transportation and Service	99.98	--	249,568,058	--
PT Siloam Graha Utama	Jakarta	Trading, Development, Transportation and Service	99.98	--	249,569,058	--
PT Siloam Tata Prima	Surabaya	Trading, Development, Transportation and Service	99.98	--	249,568,058	--
PT Eramulia Pratamajaya	Jakarta	Healthcare	99.98	--	18,700,000	18,700,000
PT East Jakarta Medika	Bekasi	Healthcare	50.00	2002	64,320,477,923	62,217,354,521
PT Shimatama Graha	Bekasi	Restaurant, Bar, Catering, Etc	100.00	1989	2,043,761,842	2,155,445,132
PT Aryaduta International Management	Jakarta	Building Management	100.00	1998	11,000,000	295,496,705
PT Tigamitra Ekamulia	Jakarta	General	100.00	1998*	5,000,000	131,439,263
PT Aresta Amanda Lestari (which has 0.31% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	4,258,397,600	4,272,840,000
PT Aresta Permata Utama (which has 3.45% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	2,378,000,000	2,315,000,000
PT Fajar Usaha Semesta (which has 4.73% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	3,254,400,000	3,173,000,000
PT Fajar Raya Cemerlang (which has 4.58% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	3,157,700,000	3,074,000,000
PT Fajar Abadi Aditama (which has 3.45% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	2,294,300,000	2,315,000,000
PT Nuansa Indah Lestari and Subsidiaries	Jakarta	General Trading	99.99	--	28,884,521,318	31,238,038,911
PT Metropolitan Permai Semesta and Subsidiaries	Jakarta	General Trading	89.73	--	30,669,321,318	33,022,838,911
PT Makassar Permata Sulawesi (which has 32.5% ownership in PT Gowa Makassar Tourism Development Tbk)	Makassar	General Trading	88.65	--	28,661,553,540	31,014,679,133
PT Gowa Makassar Tourism Development Tbk	Makassar	Real Estate and Property	50.30	1997	268,622,001,762	266,098,434,908

* Not Active

** Sold

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

PT Kemang Village was established under notarial deed No. 45 of Unita Christina Winata, SH, dated April 15, 2005. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-22400.HT.01.01.TH.2005 dated August 11, 2005.

PT Niaga Utama was established under notarial deed No. 11 of Unita Christina Winata, SH, dated May 18, 2005. The establishment deed was approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. C-12673.HT.01.01.TH.2006 dated May 3, 2006.

On May 27, 2005, PT Lippo Vacation, a subsidiary, acquired 99.96% ownership of PT Jagat Pertala Nusantara.

On August 9, 2005, two subsidiaries companies namely PT Aritasindo Permai Semesta and PT Maharama Sakti acquired 99% and 1% ownership of PT Metaindo Pratama, respectively. Based on Shareholders' General Meeting held on September 20, 2005, which was legalized by notarial deed No. 13 of Unik Setyawati, SH, PT Metaindo Pratama changed its name to PT Siloam Gleneagles Specialist Clinic. The establishment deed was approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. C-27758.HT.01.04.TH.2005 dated October 7, 2005.

On November 10, 2005, two subsidiaries companies namely PT Wisma Jatim Propertindo and PT Maharama Sakti acquired 96% and 4% ownership of PT Menara Perkasa Megah (MPM), respectively. MPM owned 85% shares in PT Pelangi Cahaya Intan Makmur (PCIM) and PCIM owned 99.95% shares in PT Surya Mitra Jaya.

On November 23, 2005, two subsidiaries companies namely PT Kemang Village and PT Wisma Jatim Propertindo acquired 99.99% and 0.01% ownership of PT Menara Bhumimegah (MBM), respectively. MBM owned 80% shares in PT Jaya Usaha Prima (JUP) and JUP have 99.99% shares ownership in PT Persada Mandiri Abadi (PMA). PMA owned 99.99% shares in PT Pesona Indah Lestari, PT Prima Aman Sarana and PT Kemang Multi Sarana.

PT Graha Indah Pratama (GIP), PT Sentra Dinamika Perkasa (SDP), PT Tata Prima Indah (TPI) dan PT Karya Sentra Sejahtera (KSS) were established under notarial deeds No. 12, No. 13, No. 14 and No. 15 of Myra Yuwono, SH, dated December 15, 2005, respectively. The establishment deeds were approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-34546.HT.01.01.TH.2005, No. C-34547 HT.01.01.TH. 2005, No. C-34630 HT.01.01.TH. 2005 and No. C-34548 HT.01.01.TH. 2005 dated December 27, 2005, respectively. On December 29, 2005, PT Sentra Dwi Mandiri acquired 99.98% ownership of Bridgewater International Ltd. (BI) and PT Prudential Development acquired 0.02% ownership of BI. BI owned 100% shares in Henley Investments Pte. Ltd. (HI), Primerich Investments Pte. Ltd. (PI), Lovage International Pte. Ltd. (LI) and Got Pte. Ltd. (GOT). On April 28, 2006, GIP, SDP, TPI and KSS, subsidiaries, whereas indirectly owned 100% by the Company have been transferred to subsidiaries in Singapore namely HI, PI, LI and GOT, whereas all shares of those Companies in Singapore were owned 100% indirectly by the Company. Based on Share Purchase Agreement dated October 23, 2006, all ownerships BI on HI, PI, LI and GOT have been transferred to First Real Estate Investment Trust (First REIT) which established on October 19, 2006 and listed in Singapore Stock Exchange.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

PT Mahakaya Abadi and PT Grand Provita were established under notarial deed No. 26 and No. 27 of Unita Christina Winata, SH, dated January 25, 2006. The establishment deeds were approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. C-03058 HT.01.01.TH.2006 dated February 3, 2006 and No. C-03059 HT.01.01.TH.2006 dated April 4, 2006, respectively.

On February 10, 2006, two subsidiaries companies namely PT Wisma Jatim Propertindo and PT Maharama Sakti acquired 96% and 4% ownership of PT Pacific Sejahtera, respectively.

Lippo Karawaci Finance B.V. was established under notarial deed of Anton Arnaud Voorneman dated February 21, 2006 in Amsterdam, Netherland.

On March 14, 2006, two subsidiaries companies namely PT Wisma Jatim Propertindo and PT Maharama Sakti acquired 99.83% and 0.17% ownership of PT Mitra Kasih Karunia (MKK), respectively.

PT Siloam Karya Sejahtera was established under notarial deed No. 30 of Unita Christina Winata, SH, dated March 20, 2006. The establishment deed was approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. C-11829 HT.01.01.TH.2006 dated April 25, 2006.

PT Consulting & Management Service Division and PT Lippo Karawaci Infrastructure & Utilitas Division were established under notarial deeds No. 46 and No. 47 of Unita Christina Winata, SH, dated March 23, 2006. The establishment deeds were approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. C-13337 HT.01.01.TH.2006 dated May 9, 2006 and No. C-15261 HT.01.01.TH. 2006 dated May 23, 2006, respectively.

PT Grand Prima Propertindo was established under notarial deed No. 2 of Unita Christina Winata, SH, dated April 4, 2006. The establishment deed was approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. C-16867 HT.01.01.TH.2006 dated June 9, 2006.

On April 7, 2006, two subsidiaries companies namely PT Wisma Jatim Propertindo and PT Maharama Sakti acquired 99.96% and 0.04% ownership of PT Saputra Karya (SK), respectively.

On April 26, 2006, all ownership in PT Prudential Development Ltd., a subsidiary, was sold to third party.

Lippo Karawaci Corporation Pte. Ltd., LK Reit Management Pte. Ltd. and Bowsprit Capital Corp. Ltd. were established on May 8, 2006, May 10, 2006 and May 17, 2006, respectively, in Singapore.

On May 26, 2006, two subsidiaries companies namely PT Wisma Jatim Propertindo (WJP) and PT Maharama Sakti (MS) acquired 99.83% and 0.17% ownership of PT Satriamandiri Idola Utama (SIU), respectively. On the same date, WJP and MS acquired 99.99% and 0.01% ownership of PT Kreasi Megatama Gemilang (KMG), respectively. The amendment deed of changes on shareholders composition of SIU and KMG have been received by the Minister of Law and Human Rights of the Republic Indonesia in his Letter No. C-UM.02.01.10617 dated June 26, 2006 and No. W7-HT.01.10-633 dated January 16, 2007, respectively.

On May 30, 2006, two subsidiaries companies namely PT Wisma Jatim Propertindo and PT Maharama Sakti acquired 99.8% and 0.2% ownership of PT Wahana Usaha Makmur, respectively.

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

PT Siloam Tata Prima was established under notarial deed No. 7 of Unita Christina Winata, SH, dated June 15, 2006. The establishment deed was approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. C-22413 HT.01.01.TH.2006 dated August 1, 2006.

PT Siloam Graha Utama and PT Siloam Dinamika Perkasa were established under notarial deed No. 14 and No. 15 of Julijanti Sundjaja, SH, dated June 19, 2006. The establishment deeds were approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. C-22137 HT.01.01.TH.2006 and No. C-22138 HT.01.01.TH.2006 dated July 28, 2006, respectively.

On June 19, 2006, two subsidiaries companies namely PT Wisma Jatim Propertindo and PT Maharama Sakti acquired 96% and 4% ownership of PT Persada Mandiri Dunia Niaga (PMDN), respectively. PMDN owned 78.6% shares in PT Gapura Sakti Prima (GSP), GSP owned 70% shares ownership in PT Menara Megah Tunggal (MMT) and MMT owned 99.8% shares in PT Trias Mitra Investama.

PT Permata Agung Propertindo was established under notarial deed No. 45 of Myra Yuwono, SH, dated June 26, 2006. The establishment deed was approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. C-22796 HT.01.01.TH.2006 dated August 3, 2006.

On July 12, 2006, PT Wahana Usaha Makmur, a subsidiary, acquired 94% ownership of PT Almaron Perkasa.

PT Sarana Global Multindo (SGM) and PT Kencana Mitra Lestari (KML) were established under notarial deeds No. 20 and No. 21 of Surjadi, SH, dated August 10, 2006. The establishment deeds were approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. W-00281 HT.01.01-TH.2006 dated September 8, 2006 and No. W7-00348 HT.01.01-TH.2006 dated September 11, 2006, respectively.

On September 4, 2006, PT Mandiri Cipta Gemilang, a subsidiary, owned 99.99% by the Company has been transferred to PT Wisma Jatim Propertindo, a subsidiary, which directly and indirectly owned 100% by the Company.

PT Sandiego Hills Memorial Park was established under notarial deed No. 14 of Surjadi, SH, dated September 19, 2006. The establishment deed was approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. W7-00987 HT.01.01-TH.2006 dated September 26, 2006.

On September 21, 2006, two subsidiaries companies namely PT Sarana Global Multindo and PT Kencana Mitra Lestari acquired 87.6% and 12.4% ownership of PT Guna Sejahtera Karya (GSK), respectively. On September 27, 2006, GSK and PT Wisma Jatim Propertindo, subsidiaries, acquired 99.9998% and 0.0002% ownership of PT Citra Sentosa Raya (CSR), respectively, and CSR owned 99.6% shares in PT Gading Nusa Utama.

On September 27, 2006, two subsidiaries companies namely PT Wisma Jatim Propertindo and PT Maharama Sakti acquired 99.9999% and 0.0001% ownership of PT Direct Power (DP), respectively. DP owned 80% shares in PT Mitra Mulia Kreasi (MMK) and MMK owned 99.99% shares in PT Bellanova Country Mall.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

PT Grand Villa Persada was established under notarial deed No. 8 of Unita Christina Winata, SH, dated October 10, 2006. The establishment deed was approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. W29-00298 HT.01.01-TH.2006.

PT Primakreasi Propertindo was established under notarial deed No. 10 of Unita Christina Winata, SH, dated October 10, 2006. The establishment deed was approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. W29-00300 HT.01.01-TH.2006 dated November 1, 2006.

PT Mega Proyek Pertiwi was established under notarial deed No. 9 of Unita Christina Winata, SH, dated October 10, 2006. The establishment deed was approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. W29-00299 HT.01.01-TH.2006 dated November 1, 2006.

PT Graha Jaya Pratama was established under notarial deed No. 50 of Surjadi, SH, dated November 10, 2006. Up to the date of completing this consolidated financial statements, the establishment deed is still in the process of obtaining approval from the Minister of Law and Human Rights of the Republic Indonesia.

PT Abadi Jaya Sakti and PT Mega Pratama Karya Persada were established under notarial deeds No. 1 and No. 2 of Unik Setyawati, SH, dated November 3, 2006. The establishment deeds were approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. W29-00061.HT.01.01.TH.2007 and No. W29-00062.HT.01.01.TH.2007 dated January 9, 2007, respectively.

On December 28, 2006, PT Prima Kreasi Propertindo, a subsidiary, acquired 99.83% shares of PT Mujur Sakti Graha (MSG). MSG owned 90% shares in PT Surplus Multi Makmur (SMM). SMM owned 90% shares in PT Arta Sarana.

1.d. Board of Commissioners, Board of Directors and Employees

Based on the notarial Deed of Shareholders' Meeting Resolution No. 16 of Unita Christina Winata, SH, dated April 18, 2006, the Company's Boards of Commissioners and Directors as of December 31, 2006 were as follows:

Board of Commissioners:

President Commissioner	:	Ning Gaoning
Vice President Commissioner	:	Surjadi Soedirdja
Independent Commissioner	:	Theo L. Sambuaga
Independent Commissioner	:	Tanri Abeng
Independent Commissioner	:	Farid Harianto
Independent Commissioner	:	Agum Gumelar
Commissioner	:	Eddy Sindoro
Commissioner	:	Song Lin (Song Lin, Charley)
Commissioner	:	Jiang Wei
Commissioner	:	Jonathan Limbong Parapak

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

Directors:

President Director	:	Gouw Vi Ven (Viven G. Sitiabudi)
Director	:	Tjokro Libianto
Director	:	Ketut Budi Wijaya
Director	:	Jopy Rusli
Director	:	Hendra Agus
Director	:	Samuel Tahir

As of December 31, 2006 and 2005, the Company and its subsidiaries have 3,925 and 4,128 permanent employees, respectively (unaudited).

2. Summary of Significant Accounting Policies

2.a. Basis of Measurement and Preparation of Consolidated Financial Statements

The consolidated financial statements are prepared in conformity with generally accepted accounting principles in Indonesia, consisting of among others, the Statements of Financial Accounting Standard (SFAS) established by the Indonesian Institute of Accountants, and regulations from Capital Market Supervisory Board (Bapepam).

The basis of measurement in the preparation of this consolidated financial statements is by using the historical cost concept, except for investments in certain securities which are carried at fair value, and inventories which are carried at the lower of cost or net realizable value and certain property and equipment which have been revalued. The financial statements are prepared using the accrual method, except for statements of cash flows.

The consolidated balance sheets are presented based on the unclassified method in accordance with Statement of Financial Accounting Standards (SFAS) No. 44 "Accounting for Real Estate Activities".

The consolidated statement of cash flows are prepared using the direct method by classifying cash flows into operating, investing and financing activities.

The reporting currency used in the preparation of the financial statements is Indonesian Rupiah.

2.b. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and subsidiaries which are presented in Note 1.c.

The consolidated financial statements have been prepared on the basis of entity concept. All significant related intercompany accounts, transactions and profits among the consolidated companies have been eliminated to reflect the financial position and result of operations as a whole.

The accounts of foreign subsidiaries were translated into rupiah amounts at the middle rate of exchange prevailing at balance sheet date for balance sheet accounts and the average rate during the year for profit and loss accounts. The resulting difference arising from the translations of the financial statements of subsidiaries which are an integral part of the Company are debited/credited to "gain (loss) on foreign exchanges" in the consolidated statements of income, while for the subsidiaries which are not an integral part of the Company, are debited/credited to "Difference arising from foreign currency translations".

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

2.c. Foreign Currency Transactions and Translation of Financial Report

Transactions involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. On the balance sheets date, monetary assets and liabilities denominated in foreign currencies were adjusted to reflect the rates of exchange prevailing at the time, with the following conversion rates:

	2006 Rp	2005 Rp
USD 1	9,020	9,830
SGD 1	5,879	5,907
EUR 1	11,858	11,660
JPY 100	7,580	8,342
AUD 1	7,133	7,206
GBP 1	17,697	16,947
HKD 1	1,160	1,268

2.d. Cash Equivalents

Cash equivalents consist of time deposits and other short-term investments with maturities of not more than or equal to 3 (three) months since the date of placement and are not used as collateral to any liabilities.

2.e. Investments

Investments consist of placement of promissory notes, certain securities, mutual funds and investments in associated and other companies.

• Promissory Notes

Investments in promissory notes are carried at acquisition cost less provisions for decline in value of investment, if any. Provisions are provided in the event when management believes that certain portion of risk in these investments are not recoverable.

• Securities

Placement securities for which no fair market value are available are carried at cost. Placement in securities, which have a readily determinable fair value consists of debt and equity securities, and is classified into the following 3 (three) categories:

- Trading

Securities that in principal, are bought and held for the purpose of selling them in the near future, which are usually indicated by high frequency of purchase and sale transactions. These securities are held for the purpose of profit-taking in the short term. These securities are carried at fair value. Unrealized gains (losses) are recognized in the current year statement of income.

- Held to Maturity

Debt securities are classified as held to maturity and are carried at cost net of unamortized discount or premium.

- Available for Sale

Investment in securities which cannot be classified as "Trading" or "Held to Maturity" are carried at fair value. Any unrealized gain or loss from adjustment to fair value on the date of consolidated balance sheet is credited (debited) under "Unrealized Gain (Loss) on Available for Sale Investment" account as a separate component of stockholders' equity.

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

- **Mutual Fund**

Investments in mutual fund are carried at net asset value. Unrealized gain (loss) from changes in net asset value at the balance sheets date is credited (debited) to the statement of income in the current year.

- **Investments in Associates and Other Companies**

Investments in stock with ownership of less than 20% for which a fair market value are not readily determinable are carried at acquisition cost (cost method). Whereas investments with ownership from 20% up to 50%, either direct or indirect, are carried at acquisition cost by adding or deducting with the Company's share in net earnings or losses of the investee from the date of acquisition in proportion to ownership percentage and deducting any dividends received (equity method).

2.f. Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on the review of the status of the debtors at the end of year. The outstanding balance of receivables is written-off against the respective allowance for doubtful accounts or by direct write off the relevants accounts receivable when management believes that such accounts receivable were to be definitely uncollectible.

2.g. Inventories and Undeveloped Land

Inventories, which consist mainly of acquisition cost of land under development, shopping center, residential houses, shophouses, office buildings, and apartments, are carried at cost. Cost is determined by using the average method. Cost of land under development includes cost of land improvement and development, and capitalized interest and other financing charges obtained to finance the acquisition and development of land until the completion stage. The cost of residential houses and shophouses consist of actual construction cost.

Inventories of healthcare business (e.g. medicines, medical equipments, foods, beverages and others) are carried at the lower of cost or net realizable value. Cost is determined by using the average method.

Inventories of hotel business (e.g. food, beverages and others) are carried at the lower of cost or net realizable value. Cost is determined by using the first-in-first-out method (FIFO). Allowance for decline in inventories value is provided based on a review of inventory status at the end of year.

Land for future development which are owned by the Company and subsidiaries is classified as "undeveloped land". Upon the commencement of development and construction of infrastructure, the carrying cost of land will be transferred to the respective inventories or fixed assets accounts, whichever is most appropriate.

2.h. Prepaid Expenses

Prepaid expenses are amortized over 1 (one) to 3 (three) years according to each benefit period by using the straight-line method.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

2.i. Property and Equipment

Property and equipment are carried at cost, except for certain fixed assets which are revalued based on government rules, less their accumulated depreciation. Land are carried at cost and not amortized. Depreciation is computed by using the straight line method based on the estimated useful lives of the assets, as follows:

	<u>Years</u>
Building, Infrastructure, and Renovations	: 4 - 40
Parks and Interiors	: 5
Golf Course and Club House	: 20
Transportation Equipment and Vehicles	: 4 - 8
Furniture, Fixtures and Office Equipment	: 3 - 10
Tools and Medical Equipment	: 3 - 10
Machinery and Project Equipment	: 3 - 10
Bowling Machinery	: 10
Playground Areas	: 5

The cost of repairs and maintenance is charged to operation as incurred, whilst significant renovations and additions are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in the statement of income for the year.

Unutilized property and equipment are presented as a component of other assets and valued based on the lower of its carrying amount or net realizable value.

Construction in progress represents expenditure incurred directly to infrastructure development and fixed assets preparation. Expenditure include borrowing cost of loan used for developing assets during the construction period. Construction in progress will be transferred to the appropriate property and equipment account when the construction is completed and ready for its intended use.

2.j. Leases

Lease transactions are accounted for under capital lease when all of the following criteria are present:

- (i) A lessee has an option to purchase the leased assets at the end of the lease period at a price mutually agreed upon at the commencement of the lease agreement;
- (ii) Total periodic payments plus residual value shall fully cover the acquisition cost of leased capital goods plus interest thereon reflecting the lessor's profit (full pay out lease); and
- (iii) Lease period covers a minimum of 2 (two) years.

If one of the above criteria is not fulfilled, the lease transaction is categorized as an operating lease.

Gain on sale-and-leaseback transaction is deferred and amortized over the remaining useful lives of the leased assets (capital lease) or proportionally with rent expense (operating lease) using the straight line method.

Under the capital lease method, asset is presented under "Property and Equipment" account whereas its liability is presented under "Obligations Under Capital Lease" account. Property and equipment under capital lease and obligation under capital lease are recorded at present value of all lease payment plus its residual value (option price).

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

2.k. Impairment of Assets Value

Recoverable of assets value shall be estimated whenever events and changes of circumstances indicating carrying value may not be recoverable. Impairment in asset value is recognized as loss in the consolidated statements of income.

2.l. Intangible Assets

The difference of acquisition cost and the fair value of net assets of subsidiaries (goodwill) is amortized by using the straight-line method up to 20 (twenty) years.

Acquisition cost of accounting software which was acquired, is deferred and amortized by using the straight-line method based on the estimated of economic useful lives for 5 (five) years.

2.m. Borrowing Cost

Interest and other financing charges incurred on loans and debt obtained to finance the acquisition and development of land and building construction are capitalized to inventories and undeveloped land, whichever more appropriate. Capitalization ceases upon completion of all the activities related to the acquisition and development of land, or upon completion of the construction and the assets are ready for their intended use.

2.n. Revenue and Expense Recognition

The Company and subsidiaries recognize revenues from the sale of real estate using the full accrual method. Revenues of real estate sales will be fully recognized if the following conditions for each type of sale are met.

Sale of parcel of vacant land. The criteria that should be met are as follows:

- a. The payments received from the buyer have reached 20% of the agreed selling price and the amount is non-refundable;
- b. The collectibility of the sales price is reasonably assured;
- c. The receivables from the sale is not subject to future subordination against other loans which will be obtained by the buyer;
- d. The process of land development has been completed thus the seller is not obliged to develop the sold lots such as the obligation to construct lot of land or obligation to develop main infrastructure promised by the seller, in accordance with the sales and purchase agreement or any regulation requirements; and
- e. The sale consists only of the vacant land, without any obligation of the seller in the construction of the buildings upon the land sold.

Sale of residential houses, shophouses and other similar types of buildings including parcel of land. The criteria that should be met are as follows:

- a. The sale is consummated;
- b. The collectibility of the sales price reasonably assured;
- c. The receivables from the sale is not subject to future subordination against other loans which will be obtained by the buyer; and
- d. The seller has transferred to the buyer the usual risks and rewards of ownership through a transaction representing a sale in substance and the seller does not have substantial continuing involvement with such property.

The revenue from shopping centers are recognized based on percentage of completion method, if all of the following criteria are met:

- a. The construction process has already beyond preliminary stage, that is the building foundation has been completed and all of the requirements to start the construction have been fulfilled;

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

- b. Total payments received from the buyer is at least 20% of the contract sales price and that such amount is not refundable; and
- c. The amount of revenue and cost of the unit property can reasonably be estimated.

The method used to determine the level of development activity completion is based on percentage of actual activities accomplished to total development activities need to be accomplished.

If a real estate sale fails to meet the criteria of full accrual method, revenue recognition is deferred and that transaction is recognized using the deposit method until all of the conditions of full accrual method are fulfilled.

Cost of land lots sold is determined based on estimated acquisition cost of the land plus other estimated expenditures for its improvements and developments. The cost of residential houses and shophouses sold is determined based on actual cost incurred and estimated cost to complete the work. The estimated cost to complete is included under "Accrued Expenses". The difference between the estimated cost and the actual cost of construction or development is charged to "Cost of Sales" in the current year.

Revenue from medical service are recognized when medical services are rendered or when medical supplies are delivered to patients.

Hotel, club membership and restaurant revenues are recognized when services have been rendered. Initiation and membership fees received in advance are presented as Deferred Income and are recognized as income over the period of membership.

Expenses are recognized when incurred (accrual basis).

2.o. Income Tax

All temporary differences arising between tax bases of assets and liabilities and their carrying value are recognized as deferred tax using the liability method. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets relating to carryforward unused tax losses are recognized to the extent that it is probable the future taxable profit will be available against which the unused tax losses can be utilized. Amendments to tax obligations are recorded when an assessment is received or, if appealed against, when the results of the appeal are determined.

Current tax is recognized based on taxable income for the year, in accordance with current tax regulations.

2.p. Earning per Share

Basic earning per share (EPS) is computed by dividing residual net income (income or loss after tax less preferred stock dividend) available to common stockholders' with the weighted average number of common stocks during 1 (one) reporting period, while diluted EPS is computed by dividing residual net income (income or loss after tax less preferred stock dividend) available to common stockholders' with the weighted average number of common stocks during 1 (one) reporting period plus dilutive potential common stocks. The total weighted average number of shares outstanding are amounting to 5,866,538,879 and 5,788,420,248 shares for the years ended December 31, 2006 and 2005, respectively.

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

2.q. Difference Arising from Restructuring Transactions of Entities Under Common Control

The restructuring transactions with entities under common control, such as transfers of assets, liabilities, shares or other ownership instruments by re-organizing entities within the same group, does not represent changes of ownership in terms of economic substance, should not result in gain or loss for the group companies as a whole or for the individual entity in the group.

Since restructuring transactions with entities under common control do not result in changes in term of economic substance of ownership in transferred assets, liabilities or other ownership instruments, the transferred assets or liabilities (in legal form) should be recorded at book value in a manner similar to business combination transactions using the pooling of interest method.

The difference between transfer price and book value does not represent goodwill. Such difference is recorded in an account entitled "Difference Arising from Restructuring Transactions of Entities Under Common Control" and presented as a component of stockholders' equity.

2.r. Segment Information

Primary segment information of the Company and subsidiaries are presented based on business segment group. Business segment is a distinguishable component and results in a different products or services based on different industry or a product group or service, especially for customers outside the Company's entity.

The Company's business segment consist of Housing and Land Development, Healthcare and Hospitals, and Hospitality and Infrastructure. Housing and Land Development segment comprises, among other, activities in real estate, urban development, land acquisition and clearing, land development and excavation, infrastructure development. Healthcare and Hospitals segment comprises activities in health services. Hospitality and Infrastructure segment comprises, among others, activities in hotels, restaurants, town management and water and sewage treatment, rental service, recreation center, transportation and management service.

The geographical segment represents the Company's distinguishable components which provide products or services within a particular economic environment (location) and this component contains risks and returns that are different from those components which operate in other economic environments (locations).

2.s. Estimated Liabilities on Employees' Benefits

Short-term employees benefits is recognized at an undiscounted amount when employees have rendered their services to the Company during the accounting period.

Post employment benefit was recognized at discounted amount when the employees have rendered their service to the Company during the accounting period. Liabilities and expenses are measured using actuarial techniques which include constructive obligation that arises from the Company's common practices. In calculating the liabilities, the benefit must be discounted by using the projected unit credit method.

Termination benefit is recognized when, and only when, the Company is committed to either:

- (a) terminate the employment of an employee or group of employees before the normal retirement date;
- or
- (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

2.t. Derivative Financial Instruments

The Company adopted Statement of Financial Accounting Standard (SFAS) No. 55 (revised 1999) regarding "Accounting for Derivative Instruments and Hedging Activities".

For derivatives designated as forward hedges, fair value changes of the effective portion of the hedging instrument are recognized in Forward Receivable or Payable until the hedged item is recognized in earnings. The ineffective portion of the fair value changes are recognized in earnings immediately.

2.u. Bonds Issuance Cost

Bonds issuance cost deducted directly from proceeds in order to describe net proceeds of the bonds. The difference between the net proceeds and the face value represents premium or discount which are amortized over the term of the bonds by using the straight line method.

2.v. Use of Estimates

The preparation of the consolidated financial statements is in accordance with generally accepted accounting principles in Indonesia, which requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of the contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Due to inherent uncertainty in the estimation determination, the actual amount of assets, liabilities, revenues and expenses reported in the future might possibly be different from these estimates.

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

3. Cash and Cash Equivalents

	2006 Rp	2005 Rp
Cash on Hand		
(Including 2006: USD 13,486, SGD 6,936, EURO 2,505, GBP 1,000, HKD 3,500, AUD 1,816, JPY 163,800; 2005: USD 4,495, SGD 2,083, EURO 555, AUD 1,218, JPY 41,800)	3,653,956,635	4,270,286,722
Cash in Banks		
Third Parties		
<u>Rupiah</u>		
PT Bank Niaga Tbk	241,774,404,703	4,210,627,644
PT Bank Mega Tbk	54,744,604,015	11,538,062,533
PT Bank NISP Tbk	40,358,519,536	669,972,827
PT Bank Lippo Tbk	26,193,165,246	30,887,590,429
PT Bank Central Asia Tbk	2,729,528,147	3,448,916,926
PT Bank Danamon Indonesia Tbk	1,397,347,293	672,714,184
PT Bank Internasional Indonesia Tbk	1,146,719,730	1,067,793,644
PT Bank Tabungan Negara Tbk	999,462,312	--
PT Bank Negara Indonesia Tbk	694,732,702	--
PT Bank Agroniaga Tbk	600,468,696	2,318,843,752
PT Bank Bukopin Tbk	185,809,543	22,969,108
PT Bank Pembangunan Daerah Riau	132,084,987	5,816,135
PT Bank Buana Indonesia Tbk	129,532,503	--
PT Bank Permata Tbk	103,685,114	259,401,606
PT Bank Kesawan Tbk	68,147,064	67,813,352
PT Bank Rakyat Indonesia (Persero) Tbk	52,354,238	44,070,309
Others (each below Rp 50 million)	144,262,701	20,780,145
<u>Foreign Currency</u>		
Deutchebank (2006: USD 4,786.57; SGD 14,193,091.93, EURO 1,741.96)	83,505,018,517	--
PT Bank Mega Tbk (2006: USD 2,578,375.82; 2005: USD 978.00)	23,256,949,896	9,623,550
PT Bank Lippo Tbk (2006: USD 314,328.05; 2005: USD 119,259.25)	2,835,239,056	1,172,318,423
OCBC Bank (SGD 348,713)	2,050,083,727	--
PT Bank NISP Tbk (USD 68,308.36)	616,141,407	--
Bank of America N.A (2006: USD 4,730.79; 2005: USD 9,154.22)	42,671,726	89,986,018
Others (2006: USD 3,499.91; 2005: USD 989.53)	31,569,182	9,727,079
	483,792,502,041	56,517,027,664
Time Deposits		
Third Parties		
<u>Rupiah</u>		
PT Bank Lippo Tbk	98,784,488,149	66,355,167,000
PT Bank Permata Tbk	2,200,000,000	--
PT Bank Internasional Indonesia Tbk	400,000,000	900,000,000
PT Bank Niaga Tbk	--	100,000,000,000
PT Bank Mega Tbk	--	16,500,000,000
PT Bank NISP Tbk	--	15,000,000,000
PT Bank Agroniaga Tbk	--	12,500,000,000
PT Bank Danamon Indonesia Tbk	--	6,200,000,000
PT Bank Central Asia Tbk	--	5,100,000,000

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

	2006 Rp	2005 Rp
<u>Foreign Currency</u>		
BNP Paribas (SGD 125,945,000)	740,430,655,000	--
UBS AG (USD 1,863,738)	16,810,915,768	--
Deutschebank (USD 180,000)	1,623,600,000	--
PT Bank Lippo Tbk (2006: USD 139,713; 2005: USD 385,947)	1,260,210,629	3,793,861,174
Bank of America N.A (2006 and 2005: USD 50,000)	451,000,000	491,500,000
	861,960,869,546	226,840,528,174
Total Cash and Cash Equivalents	1,349,407,328,222	287,627,842,560
 Time Deposits:		
Interest Rates		
Rupiah	4% - 9.5%	5% - 10%
Foreign Currency	5% - 5.16%	0.35% - 3.25%
Maturity Period	1 Month	1 Month

4. Investments

	2006 Rp	2005 Rp
Promissory Notes	11,111,390,009	11,111,390,009
Investment in Shares of Stock:		
Associates	40,785,442,969	34,302,487,250
Others	58,365,569,675	58,403,573,430
Investment in Real Estate Investment Trust (REIT)	245,742,200,000	--
Time Deposits	--	24,575,000,000
Mutual Funds (Trading)	--	194,465,833
Total	356,004,602,653	128,586,916,522

a. Promissory Notes

	2006 Rp	2005 Rp
Related Parties		
PT AsiaNet Multimedia	2,911,390,009	2,911,390,009
Third Parties		
PT Indah Pesona Bogor	8,200,000,000	8,200,000,000
Total	11,111,390,009	11,111,390,009

Promissory notes of PT AsiaNet Multimedia which is owned by PT Villa Permata Cibodas, a subsidiary, earned an annual discount rate of 7%. These promissory notes will mature on February 22, 2007 and has been extended up to August 22, 2007.

Promissory notes of PT Indah Pesona Bogor which is owned by the Company, earned an annual discount rate of 15%. These promissory notes will mature on August 15, 2007.

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

b. Investment in Associates

	Percentage of Ownership	Acquisition Cost	2006			Carrying Value
			Accumulated Equity in Net Earnings (Losses)	Additional Investment	Accumulated Dividend Received	
			Rp	Rp	Rp	Rp
Equity Method						
PT Multifiling Mitra Indonesia	49.81	500,000,000	18,921,779,462	--	(1,000,000,000)	18,421,779,462
PT Hyundai Inti Development	45.00	6,155,423,370	60,647,665,972	--	(59,579,873,861)	7,223,215,481
PT Nusa Medika Perkasa	21.91	2,500,000,000	(637,468,002)	--	--	1,862,531,998
PT Tritunggal Sentra Utama	20.00	583,500,000	1,784,653,241	--	--	2,368,153,241
PT Lippo Indorent	40.00	1,453,035,820	(426,182,378)	--	--	1,026,853,442
PT Lippo Hyundai Development	50.00	16,216,500,000	(16,216,500,000)	--	--	--
PT Bumi Lemahabang Permai	30.00	37,500,000	(37,500,000)	--	--	--
PT Menara Inti Development	40.00	100,000,000	4,872,850,845	--	--	4,972,850,845
		27,545,959,190	68,909,299,140	--	(60,579,873,861)	35,875,384,469
Cost Method						
PT Dunia Air Indah	100.00	3,781,609,500	--	--	--	3,781,609,500
PT Adnansindo Intiprima	30.00	300,000,000	--	--	--	300,000,000
PT Tunas Pundi Bumi	99.92	250,000,000	--	--	--	250,000,000
PT Swadaya Teknopolis	99.99	249,999,000	--	--	--	249,999,000
PT Gunung Cermat Batamin	85.00	153,550,000	--	--	--	153,550,000
PT Ilmu Intiswadaya	20.00	100,000,000	--	--	--	100,000,000
PT Bekasi Mega Power	100.00	49,900,000	--	--	--	49,900,000
PT Taman Karawaci Permai	10.00	12,500,000	--	--	--	12,500,000
PT Sentra Star Dinamika	100.00	4,999,000	--	1,000	--	5,000,000
PT Serasi Adikarsa	100.00	4,999,000	--	1,000	--	5,000,000
PT Tunggal Griya Semesta	5.00	2,500,000	--	--	--	2,500,000
		4,910,056,500	--	2,000	--	4,910,058,500
Total		32,456,015,690	68,909,299,140	2,000	(60,579,873,861)	40,785,442,969

	Percentage of Ownership	Acquisition Cost	2005			Carrying Value
			Accumulated Equity in Net Earnings (Losses)	Additional Investment	Accumulated Dividend Received	
			Rp	Rp	Rp	Rp
Equity Method						
PT Multifiling Mitra Indonesia	49.81	500,000,000	16,184,968,913	--	(1,000,000,000)	15,684,968,913
PT Hyundai Inti Development	45.00	6,155,423,370	56,444,913,352	--	(55,124,873,861)	7,475,462,861
PT Nusa Medika Perkasa	21.91	2,500,000,000	178,477,045	--	--	2,678,477,045
PT Tritunggal Sentra Utama	20.00	583,500,000	1,784,653,241	--	--	2,368,153,241
PT Lippo Indorent	40.00	200,000,000	(267,667,130)	1,253,035,820	--	1,185,368,690
PT Lippo Hyundai Development	50.00	16,216,500,000	(16,216,500,000)	--	--	--
PT Bumi Lemahabang Permai	30.00	37,500,000	(37,500,000)	--	--	--
PT Menara Inti Development	40.00	100,000,000	(100,000,000)	--	--	--
		26,292,923,370	57,971,345,421	1,253,035,820	(56,124,873,861)	29,392,430,750
Cost Method						
PT Dunia Air Indah	100.00	3,781,609,500	--	--	--	3,781,609,500
PT Adnansindo Intiprima	30.00	300,000,000	--	--	--	300,000,000
PT Tunas Pundi Bumi	99.92	250,000,000	--	--	--	250,000,000
PT Swadaya Teknopolis	99.99	249,999,000	--	--	--	249,999,000
PT Gunung Cermat Batamin	85.00	153,550,000	--	--	--	153,550,000
PT Ilmu Intiswadaya	20.00	100,000,000	--	--	--	100,000,000
PT Bekasi Mega Power	100.00	49,900,000	--	--	--	49,900,000
PT Taman Karawaci Permai	10.00	12,500,000	--	--	--	12,500,000
PT Sentra Star Dinamika	99.99	4,999,000	--	--	--	4,999,000
PT Serasi Adikarsa	99.99	4,999,000	--	--	--	4,999,000
PT Tunggal Griya Semesta	5.00	2,500,000	--	--	--	2,500,000
		4,910,056,500	--	--	--	4,910,056,500
Total		31,202,979,870	57,971,345,421	1,253,035,820	(56,124,873,861)	34,302,487,250

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

Investments in PT Dunia Air Indah, PT Adnansindo Intiprima, PT Tunas Pundi Bumi, PT Swadaya Teknopolis, PT Gunung Cermat Batamin, PT Ilmu Intiswadaya, PT Bekasi Mega Power, PT Sentra Star Dinamika and PT Serasi Adikarsa are reported under cost method considering those companies have not started commercial operation.

c. Investment in Others

	2006 Rp	2005 Rp
PT Supermall Karawaci	57,372,704,000	57,372,704,000
PT East Jakarta Industrial Park	766,935,000	766,935,000
PT Spinindo Mitradaya	160,000,000	160,000,000
PT Bahana Dana Prima	1,500,000	1,500,000
Others	64,430,675	102,434,430
Total	58,365,569,675	58,403,573,430

d. Investment in Real Estate Investment Trust (REIT)

This represents investment in First REIT which owned investment in real estate assets. This investment listed in Singapore Stock Exchange. The Company owns 20.27% or 55,000,000 units REIT with market value of Rp 245,742,200,000 including unrealized gain amounting to Rp 16,167,250,000 as of December 31, 2006.

e. Time Deposits

	2006 Rp	2005 Rp
Third Party		
<u>Foreign Currency</u>		
PT Bank Niaga Tbk (USD 2,500,000)	--	24,575,000,000
Total	--	24,575,000,000
 Interest Rates		
Foreign Currency	--	4%
Maturity Period		
Foreign Currency	--	5 Months

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

5. Accounts Receivable

	2006 Rp	2005 Rp
Third Parties		
Housing and Land Development:		
Shopping Centers	400,888,172,162	269,822,935,418
Land Lots	94,123,163,023	109,699,872,858
Residential Houses and Shophouses	39,221,928,598	63,938,716,679
Healthcare and Hospitals:		
Inpatient and Outpatient	39,364,703,143	27,464,512,579
Hospitality and Infrastructure:		
Town Management and Water Treatment	52,216,518,256	39,259,711,541
Management Fee	15,000,000,000	--
Hotels and Restaurants	8,300,663,824	9,677,450,327
Asset Enhancements	1,151,356,254	--
Recreations and Sports	797,011,906	936,744,574
Others	3,380,127,567	2,034,543,190
Total	654,443,644,733	522,834,487,166
Less: Allowance for Doubtful Accounts	(46,127,711,387)	(44,450,909,580)
Total Receivable Third Parties - Net	608,315,933,346	478,383,577,586
Related Parties		
Healthcare and Hospitals:		
Inpatient and Outpatient	1,430,325,589	1,248,649,863
Sub Total Related Parties	1,430,325,589	1,248,649,863
Less: Allowance for Doubtful Accounts	(479,230,933)	(204,467,631)
Total Receivable from Related Parties - Net	951,094,656	1,044,182,232
Total	609,267,028,002	479,427,759,818

The accounts receivable schedule from the date of the invoice is as follows:

	2006 Rp	2005 Rp
Third Parties		
Up to 3 months	531,641,000,065	345,450,769,497
> 3 months - 6 months	35,243,416,011	118,799,989,976
> 6 months - 1 year	20,922,020,385	5,251,456,102
> 1 year	66,637,208,272	53,332,271,591
Total	654,443,644,733	522,834,487,166
Less: Allowance for Doubtful Accounts	(46,127,711,387)	(44,450,909,580)
Total Receivable from Third Parties - Net	608,315,933,346	478,383,577,586
Related Parties		
Up to 3 months	791,430,511	975,354,128
> 3 months - 6 months	127,334,896	--
> 6 months - 1 year	395,010,700	238,500
> 1 year	116,549,482	273,057,235
Total	1,430,325,589	1,248,649,863
Less: Allowance for Doubtful Accounts	(479,230,933)	(204,467,631)
Total Receivable from Related Parties - Net	951,094,656	1,044,182,232
Total	609,267,028,002	479,427,759,818

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

The movements of allowance for doubtful accounts are as follows:

	2006 Rp	2005 Rp
Third Parties		
Beginning Balance	44,450,909,580	44,145,623,783
Addition	1,693,769,537	1,023,047,411
Recovery	(16,967,730)	(717,761,614)
Ending Balance	46,127,711,387	44,450,909,580
Related Parties		
Beginning Balance	204,467,631	51,708,789
Addition	274,763,302	152,758,842
Ending Balance	479,230,933	204,467,631

Accounts receivable of PT Gowa Makassar Tourism Development Tbk, a subsidiary, at a maximum of 25% from credit limit, have been collateralized for loan obtained from PT Bank Agroniaga Tbk (see Note 14.d).

Management believes that the allowance for doubtful account is adequate to cover the possibility of uncollectible accounts receivable.

6. Other Receivables

	2006 Rp	2005 Rp
Third Parties		
Tenant Association for Apartments, Condominium and Shopping Centers	13,189,473,584	15,605,050,292
PT Metropolis Propertindo Utama	8,348,474,616	1,390,380,988
PT Artha Sarana Prima	5,228,602,333	4,575,995,927
Others (each less than Rp 5 billion)	56,886,368,054	35,200,719,638
	83,652,918,587	56,772,146,845
Less: Allowance for Doubtful Accounts	(6,648,533,019)	(6,316,521,239)
Total	77,004,385,568	50,455,625,606

Receivables from Tenant Associations for Apartments, Condominium and Shopping Centers represent receivables of maintenance, security, electricity and water.

Receivables from PT Artha Sarana Prima represents receivables from providing security services in Lippo Kavaraci area.

The Company and the subsidiaries' management believe that allowance for doubtful accounts is adequate to cover the possibility of uncollectible other receivables.

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

7. Inventories

	2006 Rp	2005 Rp
Housing and Land Development:		
Land under Development	2,799,270,941,997	2,218,042,881,242
Shopping Center	586,911,995,817	437,783,557,701
Residential Houses and Shophouses	203,545,877,300	188,851,912,392
Office Building and Apartment	57,349,731,558	25,459,558,899
Others	6,464,381,639	6,009,385,259
	<u>3,653,542,928,311</u>	<u>2,876,147,295,493</u>
Healthcare and Hospitals:		
Medical Supplies		
Pharmaceutical	13,180,053,212	12,241,849,267
Non-pharmaceutical	3,026,052,087	3,164,693,336
Non-Medical Supplies	543,319,304	725,930,788
	<u>16,749,424,603</u>	<u>16,132,473,391</u>
Hospitality and Infrastructure:		
Hotel and Restaurant	3,034,549,189	3,067,033,920
Recreation and Sports	244,719,969	305,313,479
Others	199,776,090	365,128,244
Less: Allowance for Decline in Inventories Value	(39,505,683)	(39,505,683)
	<u>3,439,539,565</u>	<u>3,697,969,960</u>
Total	<u>3,673,731,892,479</u>	<u>2,895,977,738,844</u>

Interests and other borrowing costs capitalized into Land under Development amounted to Rp 278,303,872,722 and Rp 301,864,089,063 for the years ended December 31, 2006 and 2005, respectively.

As of December 31, 2006, Land under Development consisted of land covering a net area of approximately 42 hectares in Kelapa Dua and Bencongan village, 11 hectares in Jalan Lingkar Luar Barat - Puri Kembangan, 21 hectares in West Panunggangan village, 32 hectares in Binong village, 2 hectares in Kelapa Indah village, 42 hectares in Bonang village, 20 hectares in Sukanagalih village, 5 hectares in Pondok Jagung village, 158 hectares in Cibatua village, 16 hectares in Serang village, 40 hectares in Sukaresmi village and 151 hectares in Cicau village, 52 hectares in Kelurahan Tanjung Merdeka, 24 hectares in Kelurahan Macini sombala, 16 hectares in Tamanyeleng village, 32 hectares in kelurahan Barombong, and 14 hectares in Matoangin district.

The Land under Development with area of 138,594 sqm are pledged as collateral of the Company and PT Almaron Perkasa, a subsidiary, for loans obtained from PT Bank Negara Indonesia Tbk, PT Bank Bukopin Tbk and PT Bank Agroniaga Tbk (see Notes 14.a, 14.c and 14.d). Part of medical supplies and non-medical supplies of PT East Jakarta Medika, a subsidiary, are pledged as collateral for loans obtained from PT Bank Permata Tbk (see Note 14.e).

The Company's and subsidiaries' inventories have been insured against all risks, with the sum insured of Rp 1,001,850,000,000 and USD 2,000,000 as of December 31, 2006; and Rp 259,060,000,000 and USD 300,000 as of December 31, 2005. The Company's and the subsidiaries' management believe that the foregoing insurance coverage is adequate to cover possible losses from the said risks.

The Company's and the subsidiaries' management believe that the allowance for decline in value of inventories as of December 31, 2006 and 2005 is adequate.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

8. Purchase Advances

This account represents advances of assets purchased by the Company and subsidiaries.

9. Transactions and Balances with Related Parties

Transactions with related parties mainly consist of accounts receivable, intercompany advances and charges, investments and loans.

The details of the accounts balance with related parties are as follows:

	2006 Rp	2005 Rp	Percentage from Total Assets/Liabilities	
			2006 %	2005 %
Investments				
Promissory Notes				
PT AsiaNet Multimedia	2,911,390,009	2,911,390,009	0.03	0.05
Investment in Associates				
PT Multifiling Mitra Indonesia	18,421,779,462	15,684,968,913	0.22	0.25
PT Hyundai Inti Development	7,223,215,481	7,475,462,861	0.09	0.12
PT Menara Inti Development	4,972,850,845	--	0.06	--
PT Tritunggal Sentra Utama	2,368,153,241	2,368,153,241	0.03	0.04
PT Nusa Medika Perkasa	1,862,531,998	2,678,477,045	0.02	0.04
PT Lippo Indorent	1,026,853,442	1,185,368,690	0.01	0.02
Others	4,910,058,500	4,910,056,500	0.06	0.08
	40,785,442,969	34,302,487,250	0.49	0.55
Total	43,696,832,978	37,213,877,259	0.52	0.60
Accounts Receivable				
Inpatient and Outpatient	1,430,325,589	1,248,649,863	0.02	0.02
Total	1,430,325,589	1,248,649,863	0.02	0.02
Less: Allowance for Doubtful Accounts	(479,230,933)	(204,467,631)	--	--
Net	951,094,656	1,044,182,232	0.02	0.02
Due from Related Parties				
PT Bumi Lemahabang Permai	10,090,213,609	10,107,317,847	0.12	0.16
Employees and Director	6,954,018,331	7,657,145,647	0.08	0.12
PT Duta Mas Kharisma Indah	4,891,935,451	4,891,935,451	0.06	0.08
PT Royal Sentul	2,669,799,372	2,669,799,372	0.03	0.04
PT Bukit Sentul	855,496,146	855,496,146	0.01	0.01
PT Satriajati Patihuhur	719,914,840	1,011,751,260	0.01	0.02
Others (each below Rp 500 million)	4,187,284,133	5,749,113,666	0.05	0.09
Total	30,368,661,882	32,942,559,389	0.36	0.52
Less: Allowance for Doubtful Accounts	(13,537,112,085)	(13,665,783,177)	(0.16)	(0.22)
Net	16,831,549,797	19,276,776,212	0.20	0.30

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

	2006 Rp	2005 Rp	Percentage from Total Assets/Liabilities	
			2006 %	2005 %
Loan				
PT Ciptadana Multifinance	26,530,602,207	--	0.31	--
Due to Related Parties				
PT Bumi Lemahabang Permai	10,478,277,605	10,336,489,226	0.20	0.32
PT Bintang Mulya Darmabakti	6,010,589,274	8,375,589,274	0.12	0.26
PT Gita Multi Sarana	4,690,740,008	8,677,186,674	0.09	0.27
PT Dunia Air Indah	3,790,587,326	3,790,587,326	0.07	0.12
PT Cahaya Harapan	2,799,999,500	2,799,999,500	0.05	0.09
PT Adiprima Karya Nusantara	2,556,850,000	2,556,850,000	0.05	0.08
Others (each below Rp 500 million)	14,486,049,994	4,234,044,550	0.28	0.13
Total	44,813,093,707	40,770,746,550	0.86	1.27
Advance from Customer				
PT Matahari Putra Prima Tbk	404,245,418,000	302,095,580,000	7.76	9.30
Deferred Income				
PT Matahari Putra Prima Tbk	222,228,740,521	60,264,000,000	4.27	1.86

The significant transactions with related parties are as follows:

Related Parties	Relationship with the Company	Transaction
PT Matahari Putra Prima Tbk	Affiliated	Purchase advance, rental deposit and deferred income
PT Bumi Lemahabang Permai	Affiliated	Non-interest bearing of intercompany charges, deposit in connection with the cancellation of land
PT Lippo Indorent	Association	Non-interest bearing of intercompany charges
PT Pacific Utama Tbk	Affiliated	Administration agent of promissory note and "Kavling Serasi"
PT Lippo General Insurance Tbk	Affiliated	Insurance for certain assets, interest expense, medical services
PT Sharestar Indonesia Tbk	Affiliated	Professional fee, security administration
PT Hyundai Inti Development	Association	Intercompany advances and investment
PT Multifiling Mitra Indonesia	Association	Investment in shares of stock
PT Nusa Medika Perkasa	Association	Investment in shares of stock
PT Tritunggal Sentra Utama	Association	Investment in shares of stock
PT Bintang Mulia Darmabakti	Stockholder of subsidiary	Non-interest bearing of intercompany charges
PT Adiprima Karya Nusantara	Stockholder of subsidiary	Non-interest bearing loan
PT Dunia Air Indah	Association	Investment in shares of stock
PT Gita Multi Sarana	Affiliated	Non-interest bearing of intercompany charges
PT Cahaya Harapan	Affiliated	Intercompany advances and investment
PT AsiaNet Multimedia	Affiliated	Promissory note
PT Ciptadana Multifinance	Affiliated	Factoring facility

Transactions with related parties were conducted on equal normal business terms as with third parties' transactions, unless disclosed otherwise.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

10. Undeveloped Land

	2006		2005	
	Area sqm	Value Rp	Area sqm	Value Rp
The Company	978,558	201,049,964,722	978,558	196,844,414,722
Subsidiaries:				
PT Lippo Cikarang Tbk	4,210,889	360,840,323,468	4,167,969	334,698,146,928
PT Gowa Makassar Tourism Development Tbk	2,160,482	129,204,378,896	2,190,985	126,749,664,256
PT Muliasentosa Dinamika	803,413	112,455,747,318	803,413	112,455,747,318
PT Erabar Realindo	692,082	16,961,287,500	692,082	16,961,287,500
PT Sentragraha Mandiri	239,759	33,308,984,800	239,759	33,308,984,800
PT Sejatijaya Selaras	136,909	19,285,461,162	136,909	19,285,461,162
PT Bahtera Pratama Wirasakti	83,405	15,689,138,349	83,405	15,688,088,349
PT Surya Makmur Alam Persada	71,303	20,282,973,418	71,303	20,282,973,418
Total	9,376,800	909,078,259,633	9,364,383	876,274,768,453

Undeveloped land of the Company and subsidiaries are located at Curug Wetan village, Curug Kulon, Sukabakti in Curug district; Serdang Wetan village, Rancagong in Legok district; Ciakar village, Serdang Kulon, Cukang Galih, Tangerang regency, West Java; Cipambuan village in Citeureup district, Bogor regency, West Java; Sukaresmi, Cibat, Cicau, Sukamukti, Simajati, Jayamukti in Lemahabang district, South Cikarang; Tanjung Merdeka village, Barombong, Maccini Sombala, Tamanyeleng, Mariso, Benteng Somba Opu in Makassar, South Sulawesi.

Site development permits of each land has been obtained from their respective local governors.

Undeveloped land of PT Gowa Makassar Tourism Development Tbk, a subsidiary, with area of \pm 187,480 sqm was pledged as collateral for loan obtained from PT Bank Agroniaga Tbk (see Note 14.d).

11. Property and Equipment

	2006				Ending Balance Rp
	Beginning Balance Rp	Additions Rp	Deductions Rp	Reclassification Rp	
Acquisition Cost					
Direct Ownership					
Land	369,082,089,251	26,211,960,000	128,404,730,819	--	266,889,318,432
Building, Infrastructure and Renovations	668,903,739,598	21,056,972,254	294,153,594,100	10,447,281,878	406,254,399,630
Parks and Interiors	4,119,591,485	47,139,860	550,000	25,066,875	4,191,248,220
Golf Course and Club House	160,311,790,317	433,588,615	--	41,752,444	160,787,131,376
Transportation Equipment and Vehicles	22,711,125,299	1,322,400,445	1,967,834,463	814,300,000	22,879,991,281
Furniture Fixtures and Office Equipment	164,041,089,833	18,733,286,629	807,443,230	2,074,256,055	184,041,189,287
Tools and Medical Equipment	190,082,621,090	9,435,766,172	222,653,788	(5,230,210,367)	194,065,523,107
Machinery and Project Equipment	78,083,783,408	2,897,848,650	530,973,641	7,282,684,967	87,733,343,384
Bowling Machinery	14,278,229,577	102,587,284	--	--	14,380,816,861
Children's Playgrounds	3,121,642,093	--	--	--	3,121,642,093
	1,674,735,701,951	80,241,549,909	426,087,780,041	15,455,131,852	1,344,344,603,671
Assets under Capital Lease	4,623,444,402	1,454,422,905	--	(3,645,918,527)	2,431,948,780
Construction in Progress	45,626,044,653	112,191,913,057	--	(11,809,213,325)	146,008,744,385
Total Acquisition Cost	1,724,985,191,006	193,887,885,871	426,087,780,041	--	1,492,785,296,836

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

	2006				
	Beginning Balance Rp	Additions Rp	Deductions Rp	Reclassification Rp	Ending Balance Rp
Accumulated Depreciation					
Direct Ownership					
Building, Infrastructure and Renovations	151,917,082,445	31,942,109,368	111,107,284,354	3,605,309,477	76,357,216,936
Parks and Interiors	3,057,842,815	414,182,776	550,000	--	3,471,475,591
Golf Course and Club House	71,542,289,424	8,438,122,756	--	(75,153,065)	79,905,259,115
Transportation Equipment and Vehicles	19,230,766,992	2,175,651,396	1,748,936,812	422,461,956	20,079,943,532
Furniture Fixtures and Office Equipment	123,487,243,479	18,693,231,920	756,320,884	189,738,496	141,613,893,011
Tools and Medical Equipment	114,947,485,348	19,141,979,598	129,407,016	(3,634,093,440)	130,325,964,490
Machinery and Project Equipment	43,625,309,446	9,552,976,915	526,978,432	594,164,756	53,245,472,685
Bowling Machinery	10,249,967,363	1,435,517,022	--	--	11,685,484,385
Children's Playgrounds	3,121,642,093	--	--	--	3,121,642,093
	541,179,629,405	91,793,771,751	114,269,477,498	1,102,428,180	519,806,351,838
Assets under Capital Lease	1,245,067,272	280,666,607	--	(1,102,428,180)	423,305,699
Total Accumulated Depreciation	542,424,696,677	92,074,438,358	114,269,477,498	--	520,229,657,537
Book Value	1,182,560,494,329				972,555,639,299
	2005				
	Beginning Balance Rp	Additions Rp	Deductions Rp	Reclassification Rp	Ending Balance Rp
Acquisition Cost					
Direct Ownership					
Land	369,082,089,251	--	--	--	369,082,089,251
Building, Infrastructure and Renovations	641,730,865,035	3,290,315,487	454,771,195	24,337,330,271	668,903,739,598
Parks and Interiors	4,121,920,652	73,089,000	75,418,167	--	4,119,591,485
Golf Course and Club House	159,866,310,828	445,479,489	--	--	160,311,790,317
Transportation Equipment and Vehicles	25,276,290,942	1,024,773,000	3,748,442,938	158,504,295	22,711,125,299
Furniture Fixtures and Office Equipment	143,122,469,289	14,219,321,631	561,606,510	7,260,905,423	164,041,089,833
Tools and Medical Equipment	162,591,619,470	29,761,695,022	2,226,631,101	(44,062,301)	190,082,621,090
Machinery and Project Equipment	70,800,422,312	1,037,647,448	116,659,771	6,362,373,419	78,083,783,408
Bowling Machinery	14,246,729,577	31,500,000	--	--	14,278,229,577
Children's Playgrounds	3,121,642,093	--	--	--	3,121,642,093
	1,593,960,359,449	49,883,821,077	7,183,529,682	38,075,051,107	1,674,735,701,951
Assets under Capital Lease	4,444,844,402	--	--	178,600,000	4,623,444,402
Construction in Progress	32,049,254,856	51,830,440,904	--	(38,253,651,107)	45,626,044,653
Total Acquisition Cost	1,630,454,458,707	101,714,261,981	7,183,529,682	--	1,724,985,191,006
Accumulated Depreciation					
Direct Ownership					
Building, Infrastructure and Renovations	123,423,252,641	28,605,606,439	111,776,635	--	151,917,082,445
Parks and Interiors	2,650,915,158	444,636,742	37,709,085	--	3,057,842,815
Golf Course and Club House	61,650,388,269	9,891,901,155	--	--	71,542,289,424
Transportation Equipment and Vehicles	19,923,506,702	2,799,964,953	3,742,670,178	249,965,515	19,230,766,992
Furniture Fixtures and Office Equipment	108,374,493,488	15,868,204,117	506,175,110	(249,279,016)	123,487,243,479
Tools and Medical Equipment	97,969,567,600	18,832,017,760	1,854,100,012	--	114,947,485,348
Machinery and Project Equipment	34,920,061,656	8,809,030,161	103,095,871	(686,500)	43,625,309,446
Bowling Machinery	8,824,506,887	1,425,460,476	--	--	10,249,967,363
Children's Playgrounds	3,121,642,093	--	--	--	3,121,642,093
	460,858,334,494	86,676,821,803	6,355,526,891	--	541,179,629,405
Assets under Capital Lease	678,521,505	566,545,767	--	--	1,245,067,272
Total Accumulated Depreciation	461,536,855,999	87,243,367,570	6,355,526,891	--	542,424,696,677
Book Value	1,168,917,602,708				1,182,560,494,329

Depreciation expenses are allocated as follows:

	2006 Rp	2005 Rp
Cost of Sales and Services	27,661,281,897	28,420,649,431
Selling Expenses	1,107,934,921	989,414,846
General and Administrative Expenses	63,172,284,845	57,833,303,293
Total	91,941,501,663	87,243,367,570

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

Additions of the property and equipment in 2006 include the property and equipment of "Acquired Companies" (see Note 1.c), with acquisition cost of Rp 676,272,530 and accumulated depreciation of Rp132,936,695.

Land and building of Aryaduta Hotel Jakarta, vehicle and office equipment of PT Gowa Makasar Tourism Development Tbk, a subsidiary, all medical equipment, machinery and office equipment of PT East Jakarta Medika, a subsidiary, land and building with its supporting facilities of Imperial Aryaduta Makassar hotel were pledged as collateral for loans obtained by the Company and subsidiaries from PT Bank Niaga Tbk, PT Bank Agroniaga Tbk, PT Bank Permata Tbk dan PT Bank Internasional Indonesia Tbk (see Note 14).

All the Company's and subsidiaries' property and equipment have been insured against fire damage and other risks, with sum insured as of 958.93 billion and USD 22,002,994 as of December 31, 2006 and of Rp 740.05 billion and USD 22,435,560 as of December 31, 2005, respectively. The Company's and subsidiaries' management were in opinion that the sum insured were adequate to cover any possible losses.

The disposal of property and equipment represents sales of assets with details as follows:

a. Sale of Property and Equipments

	2006 Rp	2005 Rp
Acquisition Cost	3,561,247,615	7,183,529,682
Accumulated Depreciation	3,175,018,139	6,355,526,891
Book Value	386,229,476	828,002,791
Written off - Book Value	(249,023,711)	(321,048,590)
Selling Price	1,044,056,335	3,792,558,886
Gain on Disposal	906,850,570	3,285,604,685

b. Sale and Leaseback

	2006 Rp	2005 Rp
Acquisition Cost	422,526,532,426	--
Accumulated Depreciation	111,094,459,359	--
Book Value	311,432,073,067	--
Proceed	1,027,043,534,378	--
Deferred Gain on Sale and Leaseback Transactions	715,611,461,311	--
Amortization	2,744,811,084	--
Net	712,866,650,227	--

Deferred gain on sale and leaseback transactions was amortized proportionally over 15 years of lease period using the straight line method (see Note 29.i).

The Company's and subsidiaries' management were in opinion that there are no impairment in the carrying value of property and equipment.

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

12. Intangible Assets

	2006 Rp	2005 Rp
Excess of Acquisition Cost over the Subsidiaries' Net Assets	140,351,540,622	122,269,899,311
Acquisition Cost of Software	1,575,068,037	745,642,300
Total	141,926,608,659	123,015,541,611
Less: Accumulated Amortization	(24,243,822,938)	(10,751,187,381)
Net	117,682,785,721	112,264,354,230

In 2005, excess of acquisition cost over the subsidiaries' net assets represents the difference arising from acquisition of PT Nuansa Indah Lestari, PT Aresta Amanda Lestari, PT Aresta Permata Utama, PT Fajar Usaha Semesta, PT Fajar Raya Cemerlang, PT Fajar Abadi Aditama, and PT Gowa Makassar Tourism Development Tbk by the Company for Rp 96,070,942,680; acquisition of PT Unitech Prima Indah by PT Ariasindo Sejati, a subsidiary, for Rp 5,470,663,157; acquisition of PT Pendopo Niaga by PT Lipposindo, a subsidiary, for Rp 246,980,535; acquisition of PT Jagat Pertala Nusantara by PT Lippo Vacation, a subsidiary, for Rp 17,621,494,991; acquisition of PT Menara Perkasa Megah by PT Wisma Jatim Propertindo, a subsidiary, for Rp 1,151,986,397; and acquisition of PT Menara Bhumimegah by PT Kemang Village, a subsidiary, for Rp 1,707,831,551. While in 2006 from acquisition of PT Persada Mandiri Dunia Megah by PT Wisma Jatim Propertindo, a subsidiary, for Rp 1,542,978,254; acquisition of PT Almaron Perkasa by PT Wahana Usaha Makmur, a subsidiary for Rp 6,114,426,687; acquisition of PT Direct Power by PT Wisma Jatim Propertindo, a subsidiary, for Rp 9,258,357,865 and acquisition PT Mujur Sakti Graha by PT Prima Kreasi Propertindo, a subsidiary, for Rp 1,165,878,505 (see Note 1.c).

13. Other Assets

	2006 Rp	2005 Rp
Project Advance	35,868,440,480	13,286,224,311
Deferred Charges	8,124,824,050	9,566,078,360
Restricted Funds	4,719,744,040	4,531,940,440
Others	58,351,807,131	65,953,630,232
Total	107,064,815,701	93,337,873,343

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

14. Loans

	2006 Rp	2005 Rp
Third Parties		
Bank		
a. PT Bank Negara Indonesia Tbk	100,000,000,000	--
b. PT Bank Niaga Tbk	34,500,000,000	181,000,000,000
c. PT Bank Bukopin Tbk	17,000,000,000	46,466,666,668
d. PT Bank Agroniaga Tbk	10,300,000,000	45,766,666,400
e. PT Bank Permata Tbk	10,077,740,256	13,542,133,992
f. PT Bank Internasional Indonesia Tbk	5,727,869,331	8,273,229,480
g. Raiffeisen Zentralbank Oesterreich AG, Singapore (USD 50,000,000)	--	491,500,000,000
h. PT Bank Lippo Tbk (including USD 4,850,000)	--	112,675,500,000
i. PT Bank Danamon Indonesia Tbk	--	6,600,000,000
	<u>177,605,609,587</u>	<u>905,824,196,540</u>
Non Bank		
j. Bonds	2,200,398,170,320	--
k. Promissory Notes	41,919,609,375	72,011,297,126
l. Promissory Notes Corfina Finance Limited (including USD 452,973)	--	27,481,799,302
	<u>2,242,317,779,695</u>	<u>99,493,096,428</u>
Sub Total Third Parties	<u>2,419,923,389,282</u>	<u>1,005,317,292,968</u>
Related Parties		
Non Bank		
m. PT Ciptadana Multifinance	26,530,602,207	--
Total	<u>2,446,453,991,489</u>	<u>1,005,317,292,968</u>

a. PT Bank Negara Indonesia Tbk

Based on Credit Agreement of Notary H. Zamri, SH, dated October 30, 2006, the Company obtained a Working Capital Credit facility with maximum amount of Rp 250,000,000,000. This loan bore an annual interest rate of 14.5% and will due on October 29, 2007 and secured by 14 (fourteen) parcels of land with area of 52,312.4 sqm, consists of part of Right to Build (HGB) No. 183, No. 750, No. 134, No. 110, No. 187, No. 115, No. 1447, No. 1597, No. 150, No. 114, No. 979, No. 177, No. 101 and No. 178 registered under the name of PT Villa Permata Cibodas (VPC), a subsidiary; 11 (eleven) parcels of land with area of 30,280.2 sqm, consists of part of HGB No. 750, No. 116, No. 111, No. 161, No. 118, No. 148, No. 162, No. 1598, No. 133, No. 119 and No. 113 registered under the name of VPC, a subsidiary.

b. PT Bank Niaga Tbk

- Based on Credit Agreement No. 351/CBG/JKT/05 dated December 21, 2005, the Company obtained Special Transaction Credit facility with maximum amount of Rp 46,000,000,000, and bear interest rate of 18%. This loan was used to finance renovation of Aryaduta Hotel Jakarta, and Imperial Aryaduta Hotel and Country Club, Karawaci Tangerang, and will due on December 21, 2009. The outstanding balance of this facility as of December 31, 2006 and 2005 amounted to Rp 34,500,000,000 and Rp 46,000,000,000, respectively.
- Based on Credit Agreement No. 352/CBG/JKT/05 dated December 21, 2005, the Company obtained Fixed Loan facility with maximum amount of Rp 35,000,000,000 with an interest rate of 18%. This loan was used to finance the Company's projects (except hotel division), and will due on December 21, 2006 and has been settled by the Company on March 24, 2006.

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

Both facilities were secured by Right to Build (HGB) No. 292 and 293. Located at Desa Gambir, Kecamatan Gambir, Kotamadya Jakarta Pusat, DKI Jakarta registered under the Company's name (see Note 11).

- Based on Credit Agreement No. 430/CBG/JKT/05 dated December 27, 2005, which was amended by Credit Agreement No. 370.A/AMD/CBG/JKT/05, the Company has a Revolving Loan facility with maximum amount of Rp 300,000,000,000, and bear an interest rate ranging from 8.7% - 16%. This loan was secured by corporate guarantee from PT Villa Permata Cibodas, a subsidiary. This facility will due on December 27, 2006. The outstanding balance of this facility as of December 31, 2005 amounted to Rp 100,000,000,000 and has been settled by the Company on March 24, 2006.

c. PT Bank Bukopin Tbk

The loan obtained from PT Bank Bukopin Tbk which has a maximum limit of Rp 60,000,000,000 was secured by certain land with area of approximately 12,840 sqm and Company's medical equipment. This loan bore an annual interest rates of 16%-17% in 2006 and 16% in 2005, and will due on August 15, 2008, including a 12 (twelve) months' grace period and has been settled by the Company on June 8, 2006.

Other loan obtained by PT Almaron Perkasa, a subsidiary, from PT Bank Bukopin Tbk with a maximum limit of Rp 100,000,000,000 secured by certain land with area of approximately 26,532 sqm. This loan bore an annual interest rate of 15.5% and will due on October 27, 2008. As of December 31, 2006 the outstanding balance of this facility amounted to Rp 17,000,000,000.

d. PT Bank Agroniaga Tbk

- In 2003, PT Muliasantosa Dinamika (MSD), a subsidiary, obtained a Fixed Installment Loan facility of Rp 30,000,000,000 carrying an interest rates of 15%-17%, which was used to complete the construction of shophouses and shopping center of WTC Matahari, Serpong. The outstanding balance of the loan amounted to Rp 12,500,000,000 as of December 31, 2005 and has been settled by the Company on February 16, 2006.

According to the loan agreement dated September 10, 2003, which was amended by loan agreement No. 127, this loan will mature on February 15, 2006, and was secured by 2 (two) parcels of land under the Right to Build (HGB) No. 04818/Pondok Jagung of 39,925 sqm and HGB No. 04817/Pondok Jagung of 2,775 sqm, which are registered under the name of MSD. Based on the agreement, MSD should use Coldwell Banker as the property agent and the building management of shophouses and shopping center of WTC Matahari Serpong.

- Based on the letter No. 278/Dir.01/VI/2004 dated June 15, 2004, PT Gowa Makassar Tourism Development Tbk, a subsidiary, obtained an approval of a Fixed Installment Loan facility with a maximum limit of Rp 24,200,000,000 for the period of 4 (four) years and bear annual interest rate of 14.5%. This loan was secured by land of approximately 187,480 sqm, 11 (eleven) operational vehicles, office equipment and receivables with maximum of 25% of the loan limit (see Notes 5, 10 and 11). The first installment commenced on July, 2004. On December 31, 2006 and 2005, the outstanding balance of this loan was Rp 10,300,000,000 and Rp 16,600,000,000, respectively.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

- In 2005, PT Pendopo Niaga (PN), a subsidiary, obtained a Fixed Installment Loan facility of Rp 25,000,000,000 and carrying an interest rate of 14.25%, which was used to refinance the development of Malang Town Square. The outstanding balance of the loan as of December 31, 2005 amounted to Rp 16,666,666,400. According to the loan agreement dated March 21, 2005, this loan will mature on March 31, 2007, and was secured by 2 (two) parcels of land under Right to Build (HGB) No. 289/Penanggungan of 3,272 sqm and HGB No. 290/Penanggungan of 15,336 sqm, both are registered under the name of PN and has been settled by the Company on June 8, 2006.
- In 2006, the Company obtained Regular Fixed Credit facility amounted to Rp 40,000,000,000 with an interest rate of 16.5%. This loan was used to finance the Company's working capital. According to the loan agreement dated August 10, 2006, this loan will mature on August 10, 2007, and was secured by certain land area of 29,469 sqm located on Kelapa Dua Village, Kecamatan Curug, Kabupaten Tangerang, West Java registered under the name of Company (see Note 7). Up to the date of completing this consolidated financial statements, this facility remain unused.

e. PT Bank Permata Tbk

The loan obtained by PT East Jakarta Medika (EJM), a subsidiary, on August 29, 2003, had a maximum limit of Rp 50,000,000,000 with an annual interest rates ranging from 14.5% to 18.5%. This loan is secured by EJM's assets (see Note 10), as follows:

- Land approximately of 9,990 sqm and building; and
- All existing machines, medical equipment, office equipment, inventory and other assets including all assets that will be acquired in the future by EJM, until the repayment of the loan has been completed.

Amount and types of credit facilities obtained are as follows:

	2006 Rp	2005 Rp
Overdraft (OD)	--	807,423,038
Revolving Loan (RL)	3,443,798,833	2,783,798,833
Term Loan 1 (TL)	6,633,941,423	9,950,912,121
Total	10,077,740,256	13,542,133,992

The OD and RL facilities are available for the period of one year from the date of agreement and can be extended at the request of EJM. The TL facilities are available for the period 18 months from the date of agreement and can be extended at the request of EJM.

f. PT Bank Internasional Indonesia Tbk

Based on the notarial deed of Credit Agreement No. 57 of Sri Hartini Widjaja, SH, dated September 30, 2003, the Company obtained Term Loan (TL) amounting to Rp 12,500,000,000 that consist of:

- Term Loan I (TL I) of Rp 11,000,000,000; and
- Term Loan II (TL II) of Rp 1,500,000,000.

TL I will due on September 30, 2008, and TL II will due on November 18, 2008 based on the deed of amendment to Credit Agreement No. 46 of the same Notary related to the change in credit maturity period. This loan bears an annual interest rate of 16%.

This loan was secured by land, building, and fiduciary transfer over supporting building facilities of Imperial Aryaduta Makassar Hotel (see Note 11). This loan, among others, was used to covered previously loan obtained from PT Bank Lippo Tbk.

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

g. Raiffeisen Zentralbank Oesterreich AG, Singapore

On August 12, 2005, the Company obtained loan from Raiffeisen Zentralbank Oesterreich AG (RZB), Singapore Branch amounted to USD 50,000,000, with an annual interest rate at 3% above LIBOR and will mature in 9 (nine) months and has been settled by the Company on May 11, 2006.

h. PT Bank Lippo Tbk

Rupiah

The loan obtained by the Company from PT Bank Lippo Tbk (BL), represents a fixed loan facility with a maximum credit limit of Rp 33,000,000,000. This loan bore an annual interest rate of 14% for 2006 and 2005. The outstanding balance of this loan was Rp 30,000,000,000 as of December 31, 2005 and has been settled by the Company on June 6, 2006.

US Dollar

The Company also obtained Fixed Loan facility from BL which was used to refinance a portion of the Company's bridging loan with a maximum credit limit of USD 5,000,000. This loan bore an annual interest rate of 6% for 2006 and 2005. The outstanding balance as of December 2005 was Rp 47,675,500,000 (USD 4,850,000).

These Rupiah and USD loans were secured by a pledge of 5,400,000 of the Company's shares, which are owned by PT Anugerah Mulia Jaya (AMJ) and PT Inti Utama Sentosa (IUS), on pari passu basis. As a result, the Company paid a compensation fee to AMJ and IUS. The Company also provide certain medical equipment as additional collateral.

This loan was used as working capital for Siloam Hospital. On April 26, 2005, BL had extend the maturity date to April 26, 2006. This loan has been settled by the Company on March 16, 2006.

On June 15, 2005, the Company obtained a Fixed Loan facility for a 12 months period with maximum credit limit of Rp 35,000,000,000 with an annual interest rate of 14% which was used to refinance working capital. This loan was secured by land under the Right to Build (HGB) No. 187 with area of 29,469 sqm and HGB No. 750 with area of 24,056 sqm in Panunggangan Barat Jatiuwung, Tangerang under the name of PT Villa Permata Cibodas, a subsidiary. On December 31, 2005, the outstanding balance of loan was Rp 35,000,000,000 and has been settled by the Company on June 7, 2006.

i. PT Bank Danamon Indonesia Tbk

Based on Credit Agreement No. 19 dated December 22, 2005, the Company obtained the following loan facilities:

- a. Installment Loan facility 1 (non revolving) with maximum amount of Rp 4,900,000,000 and bears an interest rate equal to SBI plus 5.5% per annum, with maximum term of 42 months without grace period commencing from December 22, 2005 and will due on June 22, 2009. This loan was used to finance the Company's investment.
- b. Installment Loan facility 2 (non revolving) with maximum amount of Rp 1,700,000,000 and bears an interest rate equal to SBI plus 5.5% per annum, with maximum term of 42 months without grace period commencing from December 22, 2005 and will due on June 22, 2009. This loan was used to finance the Company's investment.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

The collaterals of this credit facilities are as follows:

- Right to Build (HGB) No. 2189/Kelapa Dua, with area of 1,615 sqm.
- Right to Build (HGB) No. 2857/Kelapa Dua, with area of 595 sqm.
- Right to Build (HGB) No. 3756/Kelapa Dua, with area of 2,705 sqm.

All of the collaterals are located in Banten province, Tangerang regency, Curug district, Kelapa Dua village and registered under the Company's name (see Note 7). On June 8, 2006, the Company has repaid the outstanding loan.

j. Bonds

	2006 Rp	2005 Rp
Nominal (USD 250,000,000)	2,255,000,000,000	--
Bond Issuance Costs - net	(54,601,829,680)	--
Total	2,200,398,170,320	--
Bond Issuance Costs	65,176,216,045	--
Less: accumulated amortization	(10,574,386,365)	--
Unamortized bond issuance cost	54,601,829,680	--

On March 9, 2006, Lippo Karawaci Finance B.V., a subsidiary, issued unsecured bond with nominal value amounting to USD 250,000,000 with interest rate of 8.875% per annum at Singapore Stock Exchange. The bonds has 5 years period and will due on March 9, 2011. Payment of interest are conducted every 6 months. As of December 31, 2006, the outstanding accrued interest expense amounting to Rp 62,289,864,969 (USD 6,905,750).

The Company entered into Non Deliverable USD Call Spread Option facility agreements with certain third parties to hedge foreign currency bond (see Note 29.j).

k. Promissory Notes

On December 31, 2006 and 2005, the outstanding balance of promissory notes issued by PT Lippo Cikarang Tbk (LC), a subsidiary, were Rp 41,919,609,375 and Rp 59,885,156,250 respectively, with an annual interest rate of 12%. These promissory notes had been extended several times, the latest will mature on December 31, 2008. The issuance of these promissory notes was managed by Asia Growth Investment Limited. On December 31, 2005, the outstanding balance of interest payable on these promissory notes was Rp 1.1 billion. Other promissory notes issued by LC to individuals and/or companies have 1 (one), 3 (three) or 6 (six) months tenor. The issuance of these promissory notes was managed by PT Pacific Utama Tbk, a related party, as the administrative agent. These promissory notes bore annual interest rates ranging from 10.5% - 13.5% in 2005. On December 31, 2005, the outstanding balance of these promissory notes was Rp 12,126,140,876. In 2006, the Company has settled all those promissory notes.

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

I. Promissory Notes of Corfina Finance Limited

US Dollar

The Company entered into an agreement with Corfina Finance Limited, British Virgin Islands, as the arranger in the issuance of unsecured Promissory Notes with a maximum face value of USD 500,000. On May 31, 2001, the Company issued promissory notes with a face value of USD 430,000 which was discounted at 9% of its face value. This promissory notes were initially scheduled to mature on May 30, 2004, however, it was extended and will due on February 28, 2006 at a discounted rate of 4.6% from its face value. The outstanding balance as of December 31, 2005 was Rp 4,452,724,590 (USD 452,973), after deducted by unamortized discounts of Rp 21,305,018 and has been settled by the Company on February 28, 2006.

Rupiah

In 1997, the Company issued promissory notes to finance the acquisition of a portion of Yayasan Budi Mulia assets. These promissory notes were payable to Corfina Finance Limited, Singapore (Corfina) and have been extended several times, with total balance of USD 2,442,633 (including interest of USD 142,475), and will mature on March 15, 2005. On June 17, 2004, Corfina agreed to convert these promissory notes into Rp 20,842,987,389 (1 USD = Rp 8,533). On December 31, 2005, the outstanding balance of these promissory notes was Rp 23,029,074,712, after deducted by an unamortized discounts of Rp 731,930,911 and has been settled by the Company on March 15, 2006.

m. PT Ciptadana Multifinance

On August 2006, PT Lippo Cikarang Tbk, a subsidiary, obtained factoring facility amounted to Rp 75,000,000,000 from PT Ciptadana Multifinance with an annual interest rate of 18%. The outstanding balance as of December 31, 2006 was amounting to Rp 26,530,602,207.

15. Other Payables

	2006 Rp	2005 Rp
"Kavling Serasi"	--	669,826,595,493
Forward Foreign Exchange	--	1,549,295,775
Others	61,142,172,515	144,580,737,147
Total	61,142,172,515	815,956,628,415

"Kavling Serasi" represents payments received from buyers of property product namely "Kavling Serasi" that was sold with a pre-selling system through the Company's marketing network. As evidence of payment, buyers receive a Kavling Serasi certificate issued by the Company, by which buyers automatically have the right to chose at anytime a certain piece of land in Kavling Serasi or choose another piece of the Company's land, or another Company's product within a certain agreed upon period of time. Each purchase is also entitled to a money-back guarantee with a certain rate of return determined in advance, and after a certain period (maximum 12 months), if buyers decide not to buy any of the Company's products. The seller and buyer may cancel product "Kavling Serasi" transaction according to the terms stipulated on the certificate. The "Kavling Serasi" product is not pledged as a collateral. In 2006, the Company and its subsidiaries have repaid all payments from buyers' of property product "Kavling Serasi".

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

On December 21, 2005 the Company entered into a forward foreign exchange facility agreement with PT Bank Niaga Tbk amounted to USD 50,000,000 for hedging loan obtained from Raiffeisen Zentralbank Oesterreich AG (RZB), Singapore Branch. The tenor of the facility is for the maximum 9 (nine) months or on the maturity date of credit facility obtained from RZB, whichever is the earliest. In 2006, the outstanding balance loan from RZB has been settled (see Note 14.g).

16. Accrued Expenses

	2006 Rp	2005 Rp
Estimated Cost for Construction	101,952,394,864	86,817,976,417
Interest	66,058,492,954	15,714,234,520
Professional Fees	32,858,317,524	8,652,291,749
Hedging Premium	15,838,155,366	--
Salaries and Employees' Benefits	5,707,416,637	11,696,173,922
Electricity, Water and Telephone	3,873,866,711	2,853,090,926
Supplies	1,147,322,385	1,056,964,647
Marketing	821,357,867	1,923,593,406
Others	32,923,729,238	37,299,291,510
Total	261,181,053,546	166,013,617,097

17. Taxation

a. Income Tax Benefit (Expense)

	2006 Rp	2005 Rp
Current	(192,760,905,013)	(162,670,018,457)
Deferred	71,590,794,221	(7,209,960,592)
Total	(121,170,110,792)	(169,879,979,049)

A reconciliation between income before tax benefit (expense) as presented in the consolidated statements of income, and the Company's taxable income is as follows:

	2006 Rp	2005 Rp
Income before Income Tax Benefit (Expense) According to the Consolidated Statements of Income	463,991,758,137	535,039,905,826
<i>Deduct:</i>		
Income from Subsidiaries	(232,581,264,119)	(335,941,749,035)
Elimination of Transactions Related to Consolidated Subsidiaries	(92,651,253,812)	(156,211,618,902)
The Company's Commercial Income	138,759,240,206	42,886,537,889

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

	2006 Rp	2005 Rp
Timing Differences		
Deferred Gain on Sale and Leaseback Transactions	109,511,639,213	--
Depreciation of Direct Ownership of Property and Equipment	8,340,892,621	6,042,521,449
Salaries and Employees' Benefit	6,541,177,879	8,123,495,185
Depreciation of Capital Lease Assets	206,130,607	492,009,773
Interest on Lease Obligations	123,663,668	241,835,136
Gain on Sale of Property and Equipment	14,746,702	(234,864,856)
Amortization of Deferred Income	(1,748,547,145)	(106,993,764)
Payments of Obligations Under Capital Lease	(702,155,881)	(1,667,471,636)
Provision for Doubtful Accounts	22,075,036	72,986,609
	<u>122,309,622,700</u>	<u>12,963,517,896</u>
Permanent Differences		
Vehicles Rent Expense	2,571,524,940	774,054,355
Employees' Benefits	2,308,721,066	(1,236,155,825)
Donation and Representation	2,050,459,839	1,712,136,489
Interest Income	(28,211,010,726)	(8,411,188,751)
Rent Income	(12,781,578,306)	(10,810,866,837)
Others	652,552,725	1,288,427,817
	<u>(33,409,330,462)</u>	<u>(16,683,592,752)</u>
The Company's Taxable Income	227,659,532,444	39,166,463,033
Loss Compensation in Last Year	--	(64,853,236,423)
Adjustment of Loss Compensation	--	32,584,616,898
Taxable Income	<u>227,659,532,444</u>	<u>6,897,843,508</u>

Calculation of Estimated Current Income Tax and Tax Payable is as follows:

	2006 Rp	2005 Rp
Taxable Income	<u>227,659,532,444</u>	<u>6,897,843,508</u>
Progressive Rates	68,280,359,733	2,069,353,052
Tax Credit	(34,183,716,665)	--
Estimated Income Tax of Company Article 29	<u>34,096,643,068</u>	<u>2,069,353,052</u>
Subsidiaries		
Taxable Income	<u>415,768,817,600</u>	<u>535,831,645,949</u>
Progressive Tax Rates	124,480,545,280	160,600,665,405
Tax Credit	(7,847,702,887)	(920,646,903)
Estimated Income Tax of Subsidiaries Article 29	<u>116,632,842,393</u>	<u>159,680,018,502</u>
Consolidated Income Tax Payable	<u>150,729,485,461</u>	<u>161,749,371,554</u>
Prior Year Income Tax Article 29	<u>148,202,867,378</u>	<u>62,928,436,138</u>
Consolidated Income Tax Article 29	<u>298,932,352,839</u>	<u>224,677,807,692</u>

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

A reconciliation between tax expense and the multiplication of the consolidated income with the prevailing tax rate is as follows:

	2006 Rp	2005 Rp
Income before Income Tax Benefit (Expense) as per the Consolidated Statements of Income	463,991,758,137	535,039,905,826
<i>Deduct</i>		
Income from Subsidiaries	(232,581,264,119)	(335,941,749,035)
Elimination of Transactions Related to Consolidated Subsidiaries	(92,651,253,812)	(156,211,618,902)
The Company's Commercial Income	138,759,240,206	42,886,537,889
Income Tax Calculated by Multiplying with Rate of 30%	(41,627,772,062)	(12,865,961,367)
Interest Income	8,463,303,218	2,523,356,625
Rent Income	3,834,473,492	3,243,260,051
Vehicles Rent Expense	(771,457,482)	(232,216,307)
Employees' Benefits	(692,616,320)	370,846,748
Donation and Representation	(615,137,952)	(513,640,947)
Compensation Loss of Merged Company	--	(9,775,385,066)
Recovery Allowance for Unrecoverable Deferred Tax Assets	--	4,511,413,070
Others	(178,265,817)	(386,528,345)
Total Income Tax Benefit (Expense) of the Company	(31,587,472,923)	(13,124,855,538)
Current Tax of the Subsidiaries	(124,480,545,280)	(160,600,665,405)
Deferred Tax of the Subsidiaries	34,897,907,411	3,845,541,894
Total Income Tax Expense of the Subsidiaries	(89,582,637,869)	(156,755,123,511)
Total Income Tax Expense	(121,170,110,792)	(169,879,979,049)

b. Deferred Tax Assets - Net

Details of deferred tax assets and liabilities as presented in the consolidated balance sheets on December 31, 2006 and 2005 are as follows:

	2005 Rp	Charged to Statement of Income Rp	Correction Rp	2006 Rp
The Company				
Allowance for Doubtful Accounts	14,807,628,930	6,622,512	--	14,814,251,442
Estimated Liabilities on Employees' Benefits	10,148,771,272	1,962,353,364	--	12,111,124,636
Amortization of Gain on Sale and Lease Back Transactions	524,269,446	32,329,222,318	--	32,853,491,764
Amortization of Deferred Expense	(742,593,048)	(294,698)	--	(742,887,746)
Depreciation	(17,269,922,378)	2,394,983,314	--	(14,874,939,064)
Others	(2,286,448,187)	--	3,114,629,685	828,181,498
	5,181,706,035	36,692,886,810	3,114,629,685	44,989,222,530
Subsidiaries	35,469,118,318	34,897,907,411	(3,114,629,685)	67,252,396,044
Deferred Tax Assets - Net	40,650,824,353	71,590,794,221	--	112,241,618,574

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

	2004	Charged to Statement of Income	Correction	2005
	Rp	Rp	Rp	Rp
The Company				
Loss Compensation	19,455,970,925	(19,455,970,925)	--	--
Allowance for Doubtful Accounts	14,785,732,948	21,895,982	--	14,807,628,930
Estimated Liabilities on Employees' Benefits	8,581,434,543	2,437,048,556	(869,711,827)	10,148,771,272
Amortization of Gain on Sale and Lease Back Transactions	556,367,575	(32,098,129)	--	524,269,446
Amortization of Deferred Expense	(742,593,048)	--	--	(742,593,048)
Allowance for Unrecoverable Deferred Tax Assets	(4,511,413,070)	4,511,413,070	--	--
Depreciation	(18,732,131,338)	1,462,208,960	--	(17,269,922,378)
Others	(3,156,160,014)	--	869,711,827	(2,286,448,187)
	16,237,208,521	(11,055,502,486)	--	5,181,706,035
Subsidiaries	31,623,576,424	3,845,541,894	--	35,469,118,318
Deferred Tax Assets - Net	47,860,784,945	(7,209,960,592)	--	40,650,824,353

c. Taxes Payable

	2006 Rp	2005 Rp
Income Tax		
Article 29	298,932,352,839	224,677,807,692
Article 23	49,653,802,667	69,293,918,184
Article 21	28,849,755,478	11,278,394,212
Article 26	10,082,799,406	14,809,837
Final	316,480,678	104,553,198
Article 15	58,500,000	--
Value Added Tax	62,753,105,404	--
Government Sales Tax	1,744,454,372	1,823,858,089
Entertainment Tax	544,459,505	407,908,245
Total	452,935,710,349	307,601,249,457

18. Advance from Customers

	2006 Rp	2005 Rp
Related Parties		
Shopping Centers (see Note 9)	404,245,418,000	302,095,580,000
Third Parties		
Residential Houses and Shophouses	117,936,702,980	92,440,791,839
Apartment	34,735,311,343	--
Shopping Centers	28,051,178,578	55,724,501,555
Land Lots	13,236,840,813	9,404,001,582
Maintenance	3,684,579,386	2,082,960,830
Others	12,271,083,845	4,595,363,883
	209,915,696,945	164,247,619,689
Total	614,161,114,945	466,343,199,689

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

19. Estimated Liabilities on Employees' Benefits

The Company and its subsidiaries have determined and recognized liabilities on employees' benefits in accordance with the existing manpower regulations. Estimated liabilities on employees' benefits as of December 31, 2006 was calculated by two independent actuaries, which are PT Pointera Aktuarial Strategis and PT Dayatamandiri Dharmakonsilindo, with their reports dated January 22, 2007 and January 4, 2007, respectively. Estimated liabilities on employees' benefits as of December 31, 2005 was calculated by two independent actuaries, which are PT Pointera Aktuarial Strategis and PT Dayatamandiri Dharmakonsilindo with their reports dated January 23, 2006 and January 2, 2006, respectively. As at December 31, 2006 and 2005 the Company and its subsidiaries have 3,925 and 4,128 employees, respectively.

Management is in the opinion that the estimate of employees' benefits is sufficient to cover such liabilities.

Detail of employees' benefits recognized in statements of income:

	2006 Rp	2005 Rp
Interest Expense	9,742,144,852	7,571,789,295
Current Service Cost (Acquired Benefits during the Current Year)	6,114,447,073	11,706,111,568
Recognized Actuarial (Gain) Loss	2,051,580,154	(264,597,857)
Past Service Cost (Non Vested)	621,325,292	572,077,771
Amortization of Actuarial Adjustment	(5,462,000)	193,469,591
Estimated Payment Current Year	(4,607,602,713)	--
Expected Return from Program of Assets	(10,897,830,890)	--
Effect of Curtailment	--	(3,425,467,001)
Total Employees' Benefits Expense	3,018,601,768	16,353,383,367

Reconciliation of changes on assets/liabilities recognized in balance sheets:

	2006 Rp	2005 Rp
Liabilities at Beginning of the year	83,032,066,417	66,678,683,050
Liabilities at Beginning Balance of Merged Company	--	467,617,341
Payment of Employees' Benefit in Current Year	(9,582,000)	(111,407,433)
Company's Contribution	(1,451,218,000)	--
Recognized Employees' Benefit Expense in Current Year	3,018,601,768	15,997,173,459
Liabilities at Balance Sheet Date	84,589,868,185	83,032,066,417

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

Present value of liabilities, related current service cost and past service cost have been calculated by independent actuaries by using the following assumptions :

Interest Rates	: 11% (2005: 10% - 12%)
Salary Increase Projection Rate	: 10%
Mortality Rate	: 100% TMI2 and CSO'80
Permanent Disability Rate	: 5%
Withdrawal Rate	: 18 - 29 : 1% - 8.5% per annum 30 - 39 : 1% - 6% per annum 40 - 44 : 1% - 4% per annum > 45 : 1% per annum
Proportion Method Intake of Normal Pension Method	: 100%
Method	: Projected Unit Credit

The Company and its subsidiaries established defined benefit pension plans covering all their permanent employees. Pension contribution expense charged to the operation was Rp 6,156,742,733 and Rp 5,738,283,830 as of December 31, 2006 and 2005, respectively.

20. Stockholders' Equity

Stockholders	2006		
	Number of Shares	Percentage of Ownership	Issued and Fully Paid
		%	Rp
Greatmind Investment Limited	905,570,540	15.42	226,392,635,000
Pacific Asia Holdings Ltd	818,431,352	13.94	204,607,838,000
Capital Bloom Investment Ltd	455,317,500	7.76	113,829,375,000
Others (each less than 5%)	3,691,697,680	62.88	922,924,420,000
Total	5,871,017,072	100.00	1,467,754,268,000

Stockholders	2005		
	Number of Shares	Percentage of Ownership	Issued and Fully Paid
		%	Rp
Greatmind Investment Limited	452,785,270	15.44	226,392,635,000
Pacific Asia Holdings Ltd	409,215,676	13.95	204,607,838,000
Capital Bloom Investment Ltd	227,658,750	7.76	113,829,375,000
Others (each less than 5%)	1,843,189,874	62.85	921,594,937,000
Total	2,932,849,570	100.00	1,466,424,785,000

Based on Statement of Extraordinary Shareholders' General Meeting as covered by notarial deed No. 24 of Unita Christina Winata, SH dated November 24, 2006, concerning among others, the issuance of Company's new shares resulting from the execution of warrant series I. The deed of amendment has been received and recorded by the Minister of Law and Human Rights of the Republic Indonesia in his Letter No. W29-HT.01.04-414, dated December 1, 2006.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

Based on Statement of Extraordinary Shareholders' General Meeting as covered by notarial deed No. 33 of Unita Christina Winata, SH dated April 28, 2006, the shareholders approved the changes of capital stock's par value from Rp 500 to Rp 250 per share which also approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-13265.HT.01.04.TH.2006 dated May 8, 2006. The changes of capital stock's par value effective on July 28, 2006.

Based on Statement of Extraordinary Shareholders' General Meeting as covered by notarial deed No. 5 of Unita Christina Winata, SH, dated December 15, 2004, the Company issued new shares to the shareholders through a Limited Public Offering II in conjunction to Preemptive Rights Issuance. The authorized capital was 8,000,000,000 shares, issued and fully paid capital was increased from 2,050,943,750 shares to 2,932,849,563 shares with a par value of Rp 500 per share. The increase of issued and fully paid capital was approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decree No. C-07114.HT.01.04.TH.2005 dated March 17, 2005. The period to register, order and make payment of this offering commenced on December 29, 2004 and continued until January 17, 2005.

As of December 31, 2006, 5,317,946 warrants have been exercised and the number of unexercised warrants is 1,052,968,934 warrants at Rp 875 per share and will be expired on November 30, 2007.

21. Additional Paid-in Capital - Net

	2006 Rp	2005 Rp
Rights Issue I		
Premium on Stock	87,283,750,000	87,283,750,000
Stock Issuance Cost	(11,844,180,664)	(11,844,180,664)
Sub Total	75,439,569,336	75,439,569,336
Rights Issue II		
Premium on Stock	485,048,197,150	485,048,197,150
Stock Issuance Cost	(7,442,812,013)	(7,442,812,013)
Sub Total	477,605,385,137	477,605,385,137
Premium on Exercising Warrant Series I	3,323,716,250	8,750
Excess of Market Value Over Par Value of Stock Issued in Business Combination Exercised under Purchase Method	91,701,282,075	91,701,282,075
Total	648,069,952,798	644,746,245,298

The excess of market value over par value of stock issued during business combination exercised under purchase method represents the difference between the highest share price reached during the 90 day period prior to the announcement of the business combination and par value of the Company's issued shares. The highest share price during the 90 day period prior to the business combination was Rp 825 per share while par value per share is Rp 500.

Premium on exercising Warrant Series I represents the difference between warrant execution price and par value (see Note 20).

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

22. Cash Dividend

Based on notarial deed of Statement of Shareholders' General Meeting No. 15 of Unita Christina Winata, SH, dated April 18, 2006, concerning among others, the disbursement of cash dividend of Rp 20 per share or Rp 58,648,710,847 from retained earnings of 2005.

Based on notarial deed of Statement of Shareholders' General Meeting No. 49 of Misahardi Wilamarta, SH, dated April 12, 2005, concerning among others, the disbursement of cash dividend of Rp 10 per share or Rp 29,328,495,630 from retained earnings of 2004.

23. Difference Arising from Restructuring Transactions of Entities Under Common Control

	Rp
Transactions from before Business Combination:	
Net Assets Value PT Saptapersada Jagatnusa	322,884,648
Acquisition Cost	(5,000,000,000)
Sub Total	(4,677,115,352)
Transactions from Business Combination:	
Net Assets Value Siloam (including ex Sumber Waluyo)	275,837,221,176
Acquisition Cost	(85,173,967,500)
Sub Total	190,663,253,676
Net Assets Value Lippo Land	69,227,950,557
Acquisition Cost	(265,747,071,500)
Sub Total	(196,519,120,943)
Net Assets Value Aryaduta	199,314,766,000
Acquisition Cost	(39,637,690,500)
Sub Total	159,677,075,500
Total	149,144,092,881

Difference arising from the restructuring transaction of PT Saptapersada Jagatnusa (SPJN), an entity under common control, incurred during the acquisition of SPJN by the Company in 2001.

Difference arising from restructuring transactions of entities under common control due to business combination amounted to Rp 190,663,253,676, Rp (196,519,120,943), and Rp 159,677,075,500, respectively, was derived from ex Siloam (including ex Sumber Waluyo), ex Lippo Land, and ex Aryaduta in 2004. The difference was determined from the difference in net asset value of ex Siloam (including ex Sumber Waluyo), ex Lippo Land, and ex Aryaduta and the face value of new shares issued by the Company to stockholders of ex Siloam (including ex Sumber Waluyo), ex Lippo Land, and ex Aryaduta.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

24. Net Sales, Services and Other Revenues

	2006 Rp	2005 Rp
Housing and Land Development:		
Shopping Centers	471,595,734,635	963,712,208,697
Lands for Industrial and Commercial	358,522,792,569	131,869,733,609
Residential Houses and Shophouses	122,127,105,017	86,506,188,683
	<u>952,245,632,221</u>	<u>1,182,088,130,989</u>
Healthcare and Hospitals:		
Inpatient Department		
Medical Support Services	134,750,915,618	110,658,286,550
Drugs and Medical Supplies	131,192,329,859	110,647,474,479
Ward Fees	55,660,889,938	51,433,856,281
Administration Fees	17,942,643,835	15,249,270,691
Operating Theater	11,816,818,627	12,081,006,060
Delivery Fees	1,104,919,589	1,506,423,696
Others	9,357,782,922	8,294,173,740
Outpatient Department		
Medical Support Services	157,597,425,717	130,104,368,581
Professional Fees	45,252,857,577	40,096,689,974
Registration Fees	8,819,646,150	7,377,387,332
	<u>573,496,229,832</u>	<u>487,448,937,384</u>
Hospitality and Infrastructure:		
Hotel and Restaurants	174,471,815,516	175,577,828,018
Town Management	61,112,946,208	55,740,451,347
Water Treatment	52,153,922,223	42,353,497,701
Recreation and Sports	38,442,195,878	34,146,066,049
Asset Enhancement	26,775,828,399	17,449,620,952
Management Fee	15,000,000,000	--
Others	11,631,786,580	10,146,010,866
	<u>379,588,494,804</u>	<u>335,413,474,933</u>
Total	<u>1,905,330,356,857</u>	<u>2,004,950,543,306</u>

Asset enhancement revenue consist of revenue from rental of the Company's assets.

25. Cost of Sales and Services

	2006 Rp	2005 Rp
Housing and Land Development:		
Shopping Centers	169,785,663,813	393,275,014,451
Lands for Industrial and Commercial	106,041,956,450	61,685,484,138
Residential Houses and Shophouses	81,486,972,053	46,915,491,396
	<u>357,314,592,316</u>	<u>501,875,989,985</u>

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

	2006 Rp	2005 Rp
Healthcare and Hospitals:		
Inpatient Department		
Salaries and Employees' Benefit	138,926,203,509	116,540,127,875
Drug and Medical Supplies	94,859,831,550	80,209,197,381
Depreciation	16,323,817,752	16,643,263,805
Food and Beverages	9,478,250,397	8,578,253,724
Clinical Supplies	6,578,452,282	4,917,364,202
Repairs and Maintenance	3,201,285,224	2,181,098,182
Others	3,394,808,661	2,943,142,415
Outpatient Department		
Salaries and Employees' Benefit	74,599,139,534	62,252,177,262
Drug and Medical Supplies	63,222,139,625	52,020,145,539
Depreciation	11,337,464,145	11,777,385,626
Clinical Supplies	6,829,691,394	6,338,979,703
Repairs and Maintenance	2,848,064,280	1,661,045,109
Others	2,137,915,718	2,156,314,452
	<u>433,737,064,071</u>	<u>368,218,495,275</u>
Hospitality and Infrastructure:		
Hotel and Restaurants	64,524,859,330	68,897,089,291
Town Management	29,933,577,832	27,520,539,920
Water and Sewage Treatment	21,412,334,451	16,338,478,395
Recreation and Sports	17,649,926,590	16,851,456,790
Others	7,764,691,916	6,041,061,369
	<u>141,285,390,119</u>	<u>135,648,625,765</u>
Total	<u>932,337,046,506</u>	<u>1,005,743,111,025</u>

26. Operating Expenses

a. Selling

	2006 Rp	2005 Rp
Marketing and Advertising	52,486,666,906	39,105,461,190
Salaries and Employees' Benefit	23,588,977,332	24,509,092,762
Repairs and Maintenance	8,077,290,051	7,503,557,663
Management Fees	7,524,596,143	7,829,758,665
Transportation and Accommodation	6,978,644,776	3,886,101,125
Office Supplies	4,897,859,309	2,943,104,477
Water and Electricity	3,619,276,119	2,290,280,577
Communication	2,533,335,134	1,176,135,479
Rent	2,391,262,429	1,634,989,822
Depreciation	1,107,934,921	989,414,846
Others	6,198,052,085	9,639,612,530
Total	<u>119,403,895,205</u>	<u>101,507,509,136</u>

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

b. General and Administrative

	2006 Rp	2005 Rp
Salaries and Employees' Benefit	158,027,076,240	137,093,069,485
Depreciation	63,172,284,845	57,833,303,293
Water and Electricity	44,486,765,822	37,884,171,173
Repairs and Maintenance	26,512,522,045	21,852,950,740
Transportation and Accommodation	21,824,962,129	18,603,354,040
Professional Fees	18,002,743,539	21,137,637,420
Rent	16,398,725,633	6,104,188,031
Office Supplies	14,001,377,507	17,763,157,539
Communication	9,415,486,099	6,251,984,176
Training and Seminar	4,908,148,753	4,117,141,455
Representation and Entertainment	4,010,128,121	3,136,551,447
Insurance	3,270,495,633	2,824,384,391
Taxes	2,729,930,625	686,835,199
Membership and Subscription Fees	2,666,566,799	1,287,229,790
Bad Debt Expenses	1,473,847,714	717,761,614
Others	15,515,617,984	24,403,063,103
Total	406,416,679,488	361,696,782,896

27. Interest Income (Expenses) - Net

	2006 Rp	2005 Rp
Interest Income	31,995,588,687	13,695,847,350
Interest Expense	(21,515,843,365)	(52,358,171,204)
Total Interest Income (Expenses) - Net	10,479,745,322	(38,662,323,854)

Interest income represents interest earned from investments, cash equivalents, and bank accounts (see Notes 3 and 4). Interest expense represents interest on loans (see Note 14).

28. Penalties Income - Net

This account represents penalties on cancellations of sales transactions, late payments from customers and late constructions by the Company.

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

29. Commitments and Contingencies

- a. On September 13, 1995, the cooperation agreement for the construction and development of Karawaci Interchange and Crossing Gate of Jakarta-Merak between the Company and PT Jasa Marga (Persero) (JM), a state owned enterprise, was legalized in notarial deed No. 84 by Agus Madjid, SH (Revenue Sharing Agreement). The construction shall be completed by the Company within a certain period as mutually agreed upon by both parties with total project cost of Rp 31,509,304,000, consisting of Rp 20,113,174,000 for the Karawaci Interchange and Rp 11,396,130,000 for the Crossing Gate. JM will operate the project upon completion and reimburse the project cost to the Company amounting to 40.5% of the daily toll revenues.

The payment from JM to the Company was arranged as follows:

- (i). Payment for the Karawaci Interchange amounting to 17.5% of toll revenues for a period of 10 (ten) years since commencement date. This payment does not include interest; and
- (ii). Payment for the Crossing Gate amounting to 23% of toll revenues for a period of 10 (ten) years since commencement date and should there remain as unpaid obligation at the end of the ten years, and JM shall pay the entire debt within 3 (three) months thereafter. This payment includes interest at 2.5% above the average one-year time deposit rate of 5 (five) government banks.

Based on notarial deed No. 94 by Agus Majid, SH, dated March 30, 2004, the Company and JM amended the Revenue-Sharing Agreement for the construction and development of Karawaci Interchange and Crossing Gate of Jakarta-Merak as drawn up in notarial deed No. 84 of Agus Madjid, SH dated September 13, 1995. The construction which was completed by the Company with total project cost of Rp 19,426,689,000 will be refunded by JM based upon a profit sharing scheme of the daily toll revenues from North and South Karawaci exit toll gates for a period of 10 (ten) years starting from October 1, 2001, with proportion as follows:

- 82.5% for JM including operational and maintenance expenses of 18%; and
- 17.5% for the Company.

- b. The Company and its subsidiaries entered into several agreements with contractors for development of their projects. On December 31, 2006, the total contract value on housing and land development segment was amounted to Rp 153,072,087,351 and for hospitality and infrastructure segment was amounted to Rp 34,748,395,497.
- c. On December 18, 1975, ex Aryaduta entered into a management agreement with Hyatt International - Asia Pacific Limited (Hyatt), Hongkong (previously Hyatt of Hongkong Limited) to operate Aryaduta Hotel Jakarta (AHJ) until December 31, 2005. On December 15, 1997, Hyatt transferred its rights and obligations under the management agreement to PT Hyatt Indonesia. On May 13, 2002, this agreement was amended to extend the operating period until December 31, 2015 and to include completion of the renovation program by December 31, 2004. On September 16, 2002, the agreement was further amended to extend the deadline for the completion of the renovation program to December 31, 2005. Based on the agreement, Hyatt will receive management and incentive fees computed at a certain rate, depending upon the fulfillment of certain conditions mentioned in the agreement.

Management and incentive fees charged to operations amounting to Rp 2,001,450,788 and Rp 2,171,336,296 in 2006 and 2005, respectively.

On December 31, 2006 and 2005 management and incentive fees payables to Hyatt amounting to Rp 589,257,136 and Rp 843,259,012, respectively.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

- d. On September 17, 1993, ex Aryaduta entered into an agreement with the Regional Government of Riau ("Riau Government") in connection with the operation of Aryaduta Hotel Pekanbaru (AHP). According to the agreement, the Company agreed to plan, develop and operate AHP whilst the Riau Government agreed to provide Right to Use No. 466 with land area of 21,360 sqm at Jl. Diponegoro, Simpang Empat, Pekanbaru. The Government receives a royalty fee and a share in the hotel's profits as a compensation. This agreement is valid for 25 years commencing from the date of the grand opening of the hotel and can be extended for another 10 years. In an amendment to the agreement with the Regional Government dated July 7, 1997, the Regional Government of Riau granted a landright in the name of ex Aryaduta which will be returned to Regional Government of Riau at the end of the agreement. The grand opening was conducted at January 1, 2001.

Royalty fee expenses charged to operations amounting to Rp 222,222,000 in 2006 and 2005.

- e. On August 20, 2004, the Company entered into an agreement with PT Untaian Rejeki Abadi (URA) whereby the Company will provide technical and marketing services to URA's business property with area of 10,568 sqm for a period up to May 27, 2034, which can be extended. URA shall pay a certain amount as specified in the agreement.
- f. Based on lease agreement No. 062/LK-PSM/LGL/VII/05 dated on August 31, 2005, the Company entered into lease agreement with PT Matahari Putra Prima Tbk (MPPA) that commenced on September 1, 2005 and will expire on August 31, 2010. The Company lease fully furnished residential house to MPPA.

The total rental fee for the period of 5 years is USD 348,000 (excluding VAT). The rental fee will be paid in advance for the first five years in the amount of USD 120,000 and payable upon signing and commencement of the lease agreement, whichever is earlier.

MPPA shall pay to the Company a security deposit amounting to USD 15,000 or equivalent to 3 months rental to secure payment of all liabilities of MPPA as stipulated in the lease agreement. The security deposit shall be paid upon signing of the lease agreement.

- g. Based on lease agreement No. 001/LA-LK/PTLK-PTKG/BD-106/II-05 dated March 4, 2005 which was amended on October 21, 2005, the Company lease a plot of land with area of 8,848.57 sqm to PT Kridapetra Graha (KG). The lease period is for 10 years commenced from the lease agreement date. Total value of lease was amounting to Rp 16,560,000,000 with the initial base rent for the first three years start at Rp 40,000 per square meter per month inclusive of 10% Withholding Tax and 10% Value Added Tax.

KG agreed to pay a security deposit amounting to Rp 443,796,000 in the form of a bank transfer (cash deposit), and will be refunded when the lease period ended, or expires, or terminated.

- h. On April 9, 2006, PT Consulting & Management Service Division (CMSD), a subsidiary, entered into shopping centers management agreement with their main shareholders to manage, to sell and maintain the shopping centers' facilities. CMSD shall receive certain management service fee as stipulated in the agreement.

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

- i. Based on sale and purchase agreements dated December 11, 2006, No. 233, No. 234, No. 235, No. 236, No. 237, No. 238, No. 239, No. 240, No. 241, No. 242, No. 243, No. 244, No. 245, No. 246, No. 247, No. 248, No. 249, No. 250, No. 251, No. 252, No. 253 and No. 254 of Unita Christina, SH; No. 135, No. 136, No. 137, No. 138, No. 139, No. 140, No. 141, No. 142 and No. 143 of Rusdi Muljono, SH; and No. 41 of Wenda Taurusita Amidjaja, SH, the Company and PT Prudential Hotel Development, a subsidiary, transferred land and building of their 3 hospitals and 1 hotel to PT Karya Sentra Sejahtera (KSS), PT Graha Indah Pratama (GIP), PT Tata Prima Indah (TPI) and PT Sentra Dinamika Perkasa (SDP) which owned 100% directly by Lovage International Pte. Ltd, Henley Investments Pte. Ltd, Primerich Investment Pte. Ltd and Got Pte. Ltd, whereas those Companies were owned by First Real Estate Investment Trust (First REIT). Based on rental agreement of Allen & Gledhill Advocates & Solicitors dated October 23, 2006, the Company entered into rental and management agreement of certain assets which have been transferred aforesaid, with KSS, GIP, TPI and SDP for 15 years. According to the agreement, the Company shall pay certain amount as stipulated in the agreement. Rental expense for the year ended December 31, 2006 were amounting to Rp 7,670,475,806. Difference between book value of assets transferred (see Note 11.b) against selling price is presented as deferred gain on sale and leaseback transactions and amortized over the rental period.

- j. On March 24, 2006, the Company entered into Non Deliverable USD Call Spread Option facility with BNP Paribas, Singapore branch amounting to USD 25,000,000 for spread between Rp 9,200 and Rp 12,000. This facility due on March 9, 2011.

On March 28, 2006, the Company entered into Non Deliverable USD Call Spread Option facility with UBS AG, Singapore branch amounting to USD 25,000,000 for spread between Rp 9,015 and Rp 12,000. This facility due on March 9, 2011. As of December 31, 2006, the unrealized gain is amounted to Rp 125,000,000.

On April 4, 2006, the Company entered into Non Deliverable USD Call Spread Option facility with Deutsche Bank AG, Jakarta branch amounting to USD 25,000,000 for spread between Rp 9,000 and Rp 12,000. This facility due on March 9, 2011. As of December 31, 2006, the unrealized gain is amounted to Rp 500,000,000.

On April 5, 2006, the Company entered into Non Deliverable USD Call Spread Option facility with Merrill Lynch & Co, Singapore branch amounting to USD 50,000,000 for spread between Rp 9,200 and Rp 12,000. This facility due on March 9, 2011.

On May 17, 2006, the Company entered into Non Deliverable USD Call Spread Option facility with BNP Paribas, Singapore branch and UBS AG, Singapore branch amounting to USD 25,000,000 each, for spread between Rp 9,200 and Rp 12,000. These facilities due on March 9, 2011.

On July 11 and June 9, 2006, the Company entered into Non Deliverable USD Call Spread Option facility with J.P. Morgan (S.E.A.) Limited, Singapore branch amounting to USD 35,000,000 and USD 25,000,000 for spread between Rp 8,250; Rp 9,200 and Rp 12,000. These facilities due on March 9, 2011.

On November 8, 2006, the Company entered into Non Deliverable USD Call Spread Option facility with BNP Paribas, Singapore branch amounting to USD 15,000,000 for spread between Rp 9,200; Rp 9,200 and Rp 12,000. This facility due on March 9, 2011.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

30. Segment Information

a. Primary Segment

	2006			
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Hospitality and Infrastructure Rp	Consolidated Rp
Revenues				
External	952,245,632,221	573,496,229,832	379,588,494,804	1,905,330,356,857
Total Revenues	952,245,632,221	573,496,229,832	379,588,494,804	1,905,330,356,857
Result				
Segment Results	594,931,039,905	139,759,165,761	238,303,104,685	972,993,310,351
Operating Expenses				
Allocated Operating Expenses	352,715,840,662	40,635,050,118	132,469,683,913	525,820,574,693
Operating Profit	242,215,199,243	99,124,115,643	105,833,420,772	447,172,735,658
Finance Income (Charges)	20,642,293,121	(9,168,558,446)	(993,989,353)	10,479,745,322
Other Income (Expenses)	(8,874,622,530)	4,811,266,461	(535,320,493)	(4,598,676,562)
Income in Associates	10,937,953,719	--	--	10,937,953,719
Income Before Tax Benefit (Expense)	264,920,823,553	94,766,823,658	104,304,110,926	463,991,758,137
Income Tax Benefit (Expense)				
Current Tax	(186,371,375,428)	--	(6,389,529,585)	(192,760,905,013)
Deferred Tax	76,831,831,276	3,193,945,265	(8,434,982,320)	71,590,794,221
Income Before Minority Interests	155,381,279,401	97,960,768,923	89,479,599,021	342,821,647,345
Minority Interests	(21,738,104,648)	3,752,828,635	--	(17,985,276,013)
Net Income	133,643,174,753	101,713,597,558	89,479,599,021	324,836,371,332
Segment Assets	7,035,416,822,378	331,538,641,528	1,078,112,900,355	8,445,068,364,261
Investment in Associates	38,407,291,728	2,378,151,241	--	40,785,442,969
Total Assets	7,073,824,114,106	333,916,792,769	1,078,112,900,355	8,485,853,807,230
Segment Liabilities	4,825,058,096,311	259,554,298,046	123,641,368,269	5,208,253,762,626
Capital Expenditures	157,159,407,005	11,589,374,486	24,462,831,850	193,211,613,341
Depreciation	8,949,363,314	38,630,820,307	44,361,318,042	91,941,501,663
Non Cash Expenses Other than Depreciation	14,656,891,263	1,333,396,770	--	15,990,288,033
Cash Flows from Operating				
Receipt from Customers	1,161,336,049,887	567,968,571,885	363,849,388,100	2,093,154,009,872
Payment to Third Parties	(1,396,073,402,694)	(358,442,981,881)	(195,269,176,480)	(1,949,785,561,055)
Others	(1,212,040,526,077)	(89,831,263,559)	(17,375,502,000)	(1,319,247,291,636)
Cash Flows from Operating	(1,446,777,878,884)	119,694,326,445	151,204,709,620	(1,175,878,842,819)
Cash Flows from Investing				
Acquisition of Property and Equipment	(145,362,627,651)	(18,941,106,149)	(28,907,879,541)	(193,211,613,341)
Investment	24,769,465,833	--	--	24,769,465,833
Others	(36,030,558,702)	27,073,695,762	(3,875,924,896)	(12,832,787,836)
Cash Flows from Investing	(156,623,720,520)	8,132,589,613	(32,783,804,437)	(181,274,935,344)
Cash Flows from Financing				
Proceed from Loans	2,462,780,603,207	--	--	2,462,780,603,207
Repayment of Loans and Promissory Notes	(690,270,713,577)	(124,292,145,635)	(11,170,360,149)	(825,733,219,361)
Others	948,836,925,224	(5,288,226,518)	(105,799,522,369)	837,749,176,337
Cash Flows from Financing	2,721,346,814,854	(129,580,372,153)	(116,969,882,518)	2,474,796,560,183

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

	2005			
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Hospitality and Infrastructure Rp	Consolidated Rp
Revenues				
External	1,182,088,130,989	487,448,937,384	335,413,474,933	2,004,950,543,306
Total Revenues	1,182,088,130,989	487,448,937,384	335,413,474,933	2,004,950,543,306
Result				
Segment Results	680,212,141,004	119,230,442,109	199,764,849,168	999,207,432,281
Operating Expenses				
Allocated Operating Expenses	306,885,884,403	38,126,798,899	118,191,608,730	463,204,292,032
Operating Profit	373,326,256,601	81,103,643,210	81,573,240,438	536,003,140,249
Finance Charges	(22,931,457,329)	(13,930,652,334)	(1,800,214,191)	(38,662,323,854)
Other Income (Expenses)	39,583,747,498	(4,775,172,484)	(1,024,484,501)	33,784,090,513
Income in Associates	3,855,004,075	59,994,843	--	3,914,998,918
Income Before Tax Benefit (Expense)	393,833,550,845	62,457,813,235	78,748,541,746	535,039,905,826
Income Tax Benefit (Expense)				
Current Tax	(157,378,011,424)	--	(5,292,007,033)	(162,670,018,457)
Deferred Tax	(934,196,055)	(3,755,003,854)	(2,520,760,683)	(7,209,960,592)
Income Before Extraordinary Items	235,521,343,366	58,702,809,381	70,935,774,030	365,159,926,777
Minority Interests	(12,939,834,398)	6,723,378,862	--	(6,216,455,536)
Net Income	222,581,508,968	65,426,188,243	70,935,774,030	358,943,471,241
Segment Assets	3,886,457,078,959	1,204,025,386,945	1,107,449,540,278	6,197,932,006,182
Investment in Associates	31,924,336,009	2,378,151,241	--	34,302,487,250
Total Assets	3,918,381,414,968	1,206,403,538,186	1,107,449,540,278	6,232,234,493,432
Segment Liabilities	2,870,963,518,248	248,306,112,160	129,288,338,093	3,248,557,968,501
Capital Expenditures	38,019,950,969	36,356,663,412	27,648,093,983	102,024,708,364
Depreciation	5,777,541,187	39,003,187,623	42,462,638,760	87,243,367,570
Non Cash Expenses Other than Depreciation	15,387,626,859	1,250,326,041	172,947,000	16,810,899,900
Cash Flows from Operating				
Receipt from Customers	1,061,916,482,606	482,666,662,770	328,931,485,735	1,873,514,631,111
Payment to Third Parties	(483,274,671,248)	(319,340,165,496)	(183,418,092,301)	(986,032,929,045)
Others	(2,058,117,918,312)	(81,491,110,476)	(53,034,441,435)	(2,192,643,470,223)
Cash Flows from Operating	(1,479,476,106,954)	81,835,386,798	92,478,951,999	(1,305,161,768,157)
Cash Flows from Investing				
Acquisition of Property and Equipment	(8,612,001,831)	(37,929,893,225)	(55,280,596,413)	(101,822,491,469)
Investment	53,486,187,168	--	--	53,486,187,168
Others	(12,142,369,027)	4,438,623,085	(1,278,739,429)	(8,982,485,371)
Cash Flows from Investing	32,731,816,310	(33,491,270,140)	(56,559,335,842)	(57,318,789,672)
Cash Flows from Financing				
Proceed from Loans	700,050,000,000	--	46,000,000,000	746,050,000,000
Repayment of Loans and Promissory Notes	(208,497,772,465)	(16,898,467,611)	(8,509,773,691)	(233,906,013,767)
Others	1,020,719,035,417	(41,344,277,779)	(111,216,943,907)	868,157,813,731
Cash Flows from Financing	1,512,271,262,952	(58,242,745,390)	(73,726,717,598)	1,380,301,799,964

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

b. Secondary Segment

	2006			
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Hospitality and Infrastructure Rp	Consolidated Rp
Assets				
Foreign Country	10,122,544,169	--	--	10,122,544,169
Jabotabek	6,224,351,660,043	253,103,747,287	1,045,457,917,105	7,522,913,324,435
Jawa Timur	159,064,959,355	80,813,045,482	--	239,878,004,837
Riau	--	--	27,945,125,960	27,945,125,960
Sulawesi Selatan	438,174,047,303	--	4,709,857,290	442,883,904,593
Sumatera Utara	242,110,903,236	--	--	242,110,903,236
Total	7,073,824,114,106	333,916,792,769	1,078,112,900,355	8,485,853,807,230
Liabilities				
Foreign Country	2,262,688,035,289	--	--	2,262,688,035,289
Jabotabek	2,031,581,851,125	216,481,679,463	112,592,698,710	2,360,656,229,298
Jawa Timur	50,328,399,929	43,072,618,583	--	93,401,018,512
Riau	--	--	5,301,342,229	5,301,342,229
Sulawesi Selatan	347,837,947,828	--	5,747,327,330	353,585,275,158
Sumatera Utara	132,621,862,140	--	--	132,621,862,140
Total	4,825,058,096,311	259,554,298,046	123,641,368,269	5,208,253,762,626
Revenues				
Foreign Country	--	--	--	--
Jabotabek	861,360,324,004	484,781,030,196	332,359,393,700	1,678,500,747,900
Jawa Timur	4,796,059,818	88,715,199,636	--	93,511,259,454
Riau	--	--	15,802,538,173	15,802,538,173
Sulawesi Selatan	58,708,373,290	--	31,426,562,931	90,134,936,221
Sumatera Utara	27,380,875,109	--	--	27,380,875,109
Total	952,245,632,221	573,496,229,832	379,588,494,804	1,905,330,356,857
Net Income (Loss)				
Foreign Country	(9,628,186,735)	--	--	(9,628,186,735)
Jabotabek	134,654,644,481	88,484,871,594	82,198,896,295	305,338,412,370
Jawa Timur	2,401,579,736	13,228,725,964	--	15,630,305,700
Riau	--	--	(1,489,421,964)	(1,489,421,964)
Sulawesi Selatan	8,012,980,586	--	8,770,124,690	16,783,105,276
Sumatera Utara	(1,797,843,315)	--	--	(1,797,843,315)
Total	133,643,174,753	101,713,597,558	89,479,599,021	324,836,371,332
	2005			
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Hospitality and Infrastructure Rp	Consolidated Rp
Assets				
Jabotabek	3,086,560,373,136	1,141,845,992,109	1,017,494,213,287	5,245,900,578,532
Jawa Timur	189,476,588,343	64,557,546,077	--	254,034,134,420
Riau	--	--	28,505,604,522	28,505,604,522
Sulawesi Selatan	464,874,689,496	--	61,449,722,469	526,324,411,965
Sumatera Utara	177,469,763,993	--	--	177,469,763,993
Total	3,918,381,414,968	1,206,403,538,186	1,107,449,540,278	6,232,234,493,432

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

	2005			Consolidated Rp
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Hospitality and Infrastructure Rp	
Liabilities				
Jabotabek	2,478,350,133,727	208,260,267,015	119,287,476,007	2,805,897,876,749
Jawa Timur	83,141,605,139	40,045,845,145	--	123,187,450,284
Riau	--	--	4,609,063,096	4,609,063,096
Sulawesi Selatan	243,909,848,559	--	5,391,798,990	249,301,647,549
Sumatera Utara	65,561,930,823	--	--	65,561,930,823
Total	2,870,963,518,248	248,306,112,160	129,288,338,093	3,248,557,968,501
Revenues				
Jabotabek	701,819,766,385	415,416,575,097	282,189,116,544	1,399,425,458,026
Jawa Timur	109,174,139,008	72,032,362,287	1,388,489,099	182,594,990,394
Riau	--	--	17,070,075,202	17,070,075,202
Sulawesi Selatan	93,271,653,415	--	34,765,794,088	128,037,447,503
Sumatera Utara	277,822,572,181	--	--	277,822,572,181
Total	1,182,088,130,989	487,448,937,384	335,413,474,933	2,004,950,543,306
Net Income (Loss)				
Jabotabek	46,946,911,233	54,934,742,588	62,922,973,139	164,804,626,960
Jawa Timur	49,250,549,602	10,491,445,655	1,388,489,099	61,130,484,356
Riau	--	--	(3,544,507,268)	(3,544,507,268)
Sulawesi Selatan	24,796,210,875	--	10,168,819,060	34,965,029,935
Sumatera Utara	101,587,837,258	--	--	101,587,837,258
Total	222,581,508,968	65,426,188,243	70,935,774,030	358,943,471,241

31. Assets and Liabilities Denominated in Foreign Currencies

	2006							Equivalent to Rupiah
	Foreign Currencies							
	USD	HKD	GBP	JPY	SGD	EUR	AUD	
Assets								
Cash and Cash Equivalents	5,040,967	3,500	1,000	163,800	140,493,741	4,247	1,816	872,758,895,737
Investments	--	--	--	--	41,800,000	--	--	245,742,200,000
Accounts Receivable	1,243,601	--	--	--	--	--	--	11,217,281,020
Others Receivable	69,290	--	--	--	--	--	--	625,000,000
Other Assets	51,450	--	--	--	--	--	--	464,075,753
Total Assets	6,405,308	3,500	1,000	163,800	182,293,741	4,247	1,816	1,130,807,452,510
Liabilities								
Loans	250,000,000	--	--	--	--	--	--	2,255,000,000,000
Accounts Payable	57,050	--	--	--	--	41,481	--	1,006,472,698
Other Payables	49,500	--	--	--	--	--	--	446,490,000
Accrued Expenses	8,724,251	--	--	--	--	--	1,673	78,692,744,701
Total Liabilities	258,830,801	--	--	--	--	41,481	1,673	2,335,145,707,399
Total Net Liabilities	(252,425,493)	3,500	1,000	163,800	182,293,741	(37,234)	143	(1,204,338,254,889)

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

	2005					Equivalent to Rupiah
	USD	Foreign Currencies			AUD	
		JPY	SGD	EUR		
Assets						
Cash and Cash Equivalents	570,822	41,800	2,083	555	1,218	5,642,219,705
Investments	2,500,000	--	--	--	--	24,575,000,000
Accounts Receivable	2,014,399	--	--	--	--	19,801,545,246
Others Receivable	135,000	--	--	--	--	1,327,050,000
Prepaid Expenses	1,204	--	--	--	--	11,832,863
Other Assets	49,950	--	--	--	--	491,008,500
Total Assets	5,271,375	41,800	2,083	555	1,218	51,848,656,314
Liabilities						
Loans	55,302,973	--	--	--	--	543,628,224,590
Accounts Payable	55,552	--	--	--	--	546,071,835
Other Payables	453,488	--	--	--	--	4,457,787,040
Accrued Expenses	1,318,125	--	--	--	--	12,957,168,750
Total Liabilities	57,130,138	--	--	--	--	561,589,252,215
Total Net Liabilities	(51,858,763)	41,800	2,083	555	1,218	(509,740,595,901)

32. Contingencies

- Based on the Legal Case Register No. 15/PDTG/2005/PN.TNG, No. 16/PDTG/2005/PN.TNG, and No. 17/PDTG/2005/PN.TNG dated January 24, 2005 and No. 77/PDTG/2005/PN.TNG, No. 78/PDTG/2005/PN.TNG, No. 79/PDTG/2005/PN.TNG, No. 80/PDTG/2005/PN.TNG and No. 81/PDTG/2005/PN.TNG dated April 12, 2005, respectively, Menanti Panjaitan, SH, Mayjen TNI (Purn) M.Y Amin Suyitno, SH, Rudy Andreas Tampi, Ng A Hwi, Ridwan Sunardi, Silvia Sunardi, Tansri Singaju Benui and Aida Sutjiono sued the Company (ex Lippo Land). Based on the case, it was stated that compensation was demanded due to the allegation that kiosks at Depok Town Square was sold to the above mentioned parties at the point where the land status was still under dispute (court case). In 2005, the land dispute case, based on the legal case Register No. 15-16-17, was cancelled by the Banten High Court, whilst the legal case Register No. 77-78-79-80-81 was rejected by Tangerang District Court's. Upon the judgement to the case aforesaid, the plaintiffs are pursuing remedy either by cassation through Supreme Court of the Republic Indonesia or by appeal through Banten High Court. According to the Company's legal counsel, the event will not influence nor threat the ownership status of the land on which Depok Town Square is being built.
- In 2003, based on the Legal Case Register No. 29/G.TUN/2003/PTUN-JKT and No. 30/G.TUN/2003/PTUN-JKT dated February 11, 2003, H. Jen Bin Genjul and its associated parties, sued the Head of Land Office of West Jakarta as Defendant; the Head of BPPN as Defendant II Intervention and PT Mandiri Cipta Gemilang (MCG), a subsidiary, as Defendant II Intervention 1, amongst others claiming for the cancellation (due to its illegality) of the HGB certificates (Right to Build) No. 1810, No. 1811 and No. 2591 of the land located at South Kembangan, which were initially owned by PT Antilope Maju that was later transferred to MCG, a subsidiary. Based on the decision of the Jakarta Administrative Court No. 29/G.TUN/2003/PTUN-JKT and No. 30/G.TUN/2003/PTUN-JKT dated July 31, 2003, those claims were rejected. This judgement was later confirmed by the Jakarta State Administration High Court. Upon the judgement to the case aforesaid, the plaintiffs are pursuing an appeal. As at completion date of this consolidated financial statements, the case is still in the process of appeal to the Supreme Court.

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2006 and 2005

(In Full Rupiah)

The land of which the title deeds in dispute were supported with certificates obtained from BPPN through Sale and Purchase Agreement No. 137/2003 dated May 8, 2003. Based on the progress of the claim above, the Company's legal counsel believes that MCG has a strong position and the impact of those cases will not cause significant liabilities or potential losses to MCG.

33. Earnings Per Share

- a. On July 28, 2006, the Company has exercised stock split from one share become two shares (see Note 1.b). In accordance with Statements of Financial Accounting Standards (SFAS) No. 56, this stock split applied retrospectively in the beginning of earliest period reported. Thus, the computation of basic earnings (loss) per share has been restated as follows:

	2005	
	<u>Earnings per Share Before Restatement</u>	<u>Earnings per Share After Restatement</u>
Net Income (Rupiah)	358,943,471,241	358,943,471,241
Weighted Average of Outstanding Shares (share)	2,894,210,124	5,788,420,248
Basic Earnings Per Share (Rupiah)	124	62

- b. Earnings per share computations are as follows:

	<u>2006</u>	<u>2005</u>
Net Income (Rupiah)	324,836,371,332	358,943,471,241
Weighted Average of Outstanding Shares (share)	5,866,538,879	5,788,420,248
Dilutive Potential Common Stocks (Rupiah)	1,052,968,934	1,058,286,866
Basic Earnings Per Share (Rupiah)	55	62
Diluted Earnings Per Share (Rupiah)	47	—*

* due to exercised price were higher than market price as of December 31, 2005, diluted earnings per share was not computed for December 31, 2005.

34. Management Responsibility on the Consolidated Financial Statements

The management of the Company is responsible for the preparation of the consolidated financial statements completed on March 2, 2007.

Corporate Data

Profile of the Board of Commissioners



Ning Gaoning
President Commissioner

Mr. Ning Gaoning is a respected leader in the global corporate world. Currently Chairman of the China National Cereals, Oils and Foodstuffs Corporation, Mr. Ning has many years of extensive experience in a diverse range of industries, and brings insightful leadership

to PT Lippo Karawaci Tbk. Mr. Ning holds a Bachelor of Arts degree in Economics from Shandong University, China and an MBA in Finance from the University of Pittsburgh, USA.



Surjadi Soedirdja
Vice President Commissioner

Mr. Soedirdja is an invaluable member of the Board of Commissioners, with broad interests and knowledge in the field of urban development. Mr. Soedirdja has served as Coordinating Minister for Political, Social and Security Affairs and as Minister of Home

Affairs, and is also a former Governor of Daerah Khusus Ibukota Jakarta. Prior to that, Mr. Soedirdja had a distinguished career in the Indonesian Armed Forces, retiring with the rank of General. Mr. Soedirdja serves concurrently as a Senior Adviser to PT Krakatau Steel.



Theo L. Sambuaga
Independent Commissioner

As a member of the People's Consultative Assembly, Mr. Sambuaga is conversant with many of the socio-economic and sectoral issues that affect Indonesia. In addition, the insights and experience he gained while serving as Minister for National Housing and Minister of Labor are especially beneficial in the

realm of real estate development. Mr. Sambuaga has an undergraduate degree in Social and Political Studies from the University of Indonesia, and a graduate degree from the School of Advanced International Studies, Johns Hopkins University, USA.



Tanri Abeng
Independent Commissioner

Mr. Abeng brings his vast experience in the government sector, large multinational corporations and good corporate governance to PT Lippo Karawaci Tbk. Aside from serving as Chairman of PT Multi Bintang Indonesia and PT British American Tobacco Indonesia, Mr. Abeng is also a former Commissioner of the Jakarta Stock Exchange, a former Minister of State-Owned Enterprises and a former member of the People's Consultative

Assembly. Mr. Abeng is currently President Commissioner of PT Telkom Indonesia Tbk, Chairman of the Executive Center for Global Leadership, co-chairman of the Indonesia-Malaysia Business Council, and a member of the Non-Aligned Movement Business Council. Mr. Abeng earned his MBA from the State University of New York, and has also completed the Advanced Management Program of Claremont Graduate School, Los Angeles, USA.



Farid Harianto
Independent Commissioner

Mr. Harianto has over 15 years of experience in the finance industry. Beside as a Commissioner of PT Lippo Karawaci Tbk, he is also a Commissioner of the Indonesian Clearing and Guarantee Corporation (PT KPEI) and PT Unggul Indah Cahaya Tbk. Mr. Harianto is a former Chairman of the Indonesian rating agency, PT PEFINDO, and a former Vice Chairman of the Indonesian Banking Restructuring Agency.

Mr. Harianto obtained his undergraduate degree in Electrical Engineering from the Bandung Institute of Technology, and was later awarded a Ph.D with distinction from the Wharton School of the University of Pennsylvania, USA. Mr. Harianto is currently a member of the Asian Executive Advisory Board of the Wharton School as well as a Senior Advisor to the Institute for Human Virology and Cancer Biology at the University of Indonesia.



Agum Gumelar
Independent Commissioner

Mr. Gumelar is a decorated Armed Forces General, with over 30 years of experience in managing large scale organizations and complex operations. He also has a sound reputation in developing and implementing national policies in the infrastructure, transportation and national security sectors.

Mr. Gumelar previously served as Minister of Transportation and Telecommunications and as Coordinating Minister for Political Affairs, and is currently the Chairman of KONI (the Indonesian National Sports Committee).



Charley Song Lin
Commissioner

Mr. Song Lin is a senior executive with wide-ranging experience in engineering, as well as in corporate finance and investments. With his expertise in safety and environmental engineering, he has brought insightful contributions to PT Lippo Karawaci Tbk, notably in the area of project management. Prior to joining the Company, he held a number of executive level positions at China Resources

(Holdings) Co. Ltd, where he was primarily responsible for corporate development and marketing strategy as well as strategic investments. Mr. Song has a Bachelor's degree in Mechanical Engineering from Tong Ji University, Shanghai, PRC, and a graduate degree from the University of Chinese Foreign Trade and Economy.



Jiang Wei
Commissioner

Mr. Wei has amassed almost 20 years of expertise in finance and risk management. Prior to joining PT Lippo Karawaci Tbk, he held several key positions in China Resources (Holdings) Company Limited (CRC). He was also a non-executive director of China Resources Cement Holdings Limited, China

Enterprise Limited, China Resources Power Holdings Company Limited, China Resources Land Limited and China Assets (Holdings) Limited. Mr. Wei has an undergraduate degree in International Trade and a Master's in International Business and Finance from the University of International Business and Economics in Beijing, China.



Eddy Sindoro
Commissioner

Mr. Sindoro brings his extensive experience and leadership capabilities to his position as a Commissioner of PT Lippo Karawaci Tbk. He concurrently serves as the President Commissioner of PT Lippo Cikarang Tbk and PT Pacific Utama Tbk. Prior to joining the Company, he held various important positions

in the Lippo Group, including Chairman and President Director of PT Bank Lippo Tbk and PT Siloam HealthCare Tbk, and Commissioner of PT Multipolar Corporation Tbk and PT Matahari Putra Prima Tbk. Mr. Sindoro earned his Bachelor of Science from California State University, USA and has an MBA from Mississippi State University, USA.



Jonathan L. Parapak
Commissioner

Mr. Parapak has extensive experience in large corporations and government institutions in Indonesia. He is a former President Director of PT Indosat and has served as a member of the People's Consultative Assembly. In addition to his current position as Commissioner of PT Lippo Karawaci Tbk, he is also the President

Commissioner of PT AsiaNet and PT Broadband Multimedia, as well as being a Commissioner of several companies within the Lippo Group, including PT Multipolar Corporation Tbk and PT Matahari Putra Prima Tbk.

Profile of the Board of Directors



Viven G. Sitiabudi
President Director

Ms. Sitiabudi is a professional and an entrepreneur, who brings to PT Lippo Karawaci Tbk a wealth of experience in general management, corporate planning and marketing. Ms. Sitiabudi pioneered PT Lippo Life Insurance and assumed the position of

its President Director until 1995. Ms. Sitiabudi led the Company to its position as one of the largest life insurance companies in Indonesia and piloted its Initial Public Offering. Previously, Ms. Sitiabudi was CEO of Legal and General Australia's operations in Indonesia and a Vice President Director of Allianz Life Indonesia.



Tjokro Libianto
Director

Well-versed in land development regulations and requirements, Mr. Libianto has been instrumental in negotiating most of the Lippo Group's land acquisitions. He was formerly the Administrative and Finance Manager of Dwi Satya Utama in Surabaya, as well as PT Tifa

Finance and PT Tifa Securities. Mr. Libianto holds a degree in Accountancy from Brawijaya University, Malang.



Ketut Budi Wijaya
Director

Mr. Wijaya brings his in-depth expertise in accounting and corporate finance to PT Lippo Karawaci Tbk. He concurrently serves as an Independent Commissioner of PT Multipolar Corporation Tbk. Prior to joining the Company, Mr. Wijaya held various executive positions in

the Lippo Group, including with PT Matahari Putra Prima Tbk, PT Multipolar Corporation Tbk, and PT Lippo Bank Tbk. He has also worked for PT Bridgestone Tire Indonesia and Darmawan & Co. Public Accountants.



Jopy Rusli
Director

Mr. Rusli has used his architectural talent and experience to create and effectively market many of Lippo Karawaci's successful projects. A former Project Designer with Trittip & Associates in San Diego, California, USA and Project Manager and Designer with the Pacific Architecture and Planning Group, San Diego,

California, Mr. Rusli has also served as Director of PT Califa Pratama, a subsidiary of Gunung Sewu & Duta Anggada Realty. Mr. Rusli obtained his Bachelor's degree in Architecture from the University of Oregon, and has an MBA in Real Estate from the National University, San Diego, USA.



Hendra Agus Sugandi
Director

Mr. Sugandi has considerable experience and extensive knowledge of corporate finance and accounting. Prior to joining Lippo Karawaci, he worked with the Prasetyo Utomo & Co-Arthur Andersen Public Accounting firm, handling the accounts of large finance and

property companies in Indonesia. He was also Vice President Asset Management and Investment Division of the Indonesian Banking Restructuring Agency. Mr. Sugandi earned his degree in Accountancy from the Faculty of Economics, Atmajaya University, Jakarta.



Samuel Tahir
Director

Mr. Tahir brings his wide knowledge in marketing and strong leadership capability to PT Lippo Karawaci Tbk. He has previously held various important positions in other companies in the Lippo Group, including Network Director

of PT Lippo Bank Tbk, Director of PT Natrindo Telepon Seluler and Director of PT Lippo E-Net. He also served as Senior Associate Director of PT AIG Lippo Life.

Profile of Senior Executives, Corporate Secretary & Audit Committee Members



L. Krisnan Cahya

Mr. Cahya has over 25 years of experience in Corporate Finance and Banking. He was appointed as a Senior Executive of PT Lippo Karawaci Tbk, responsible for Corporate Finance and Banking Relationship Affairs in August 2005. He previously held various

executive positions in PT Bank Panin and PT Bank Bali. He joined Lippo Group in 2001 as CFO and later became a Director of PT Multipolar Corporation Tbk.



Gordon Benton, OBE

Mr. Benton has extensive experience in urban and city planning, the formulation of city management concepts, architectural and construction design, and project and municipal management. He has enjoyed a distinguished career in several countries, including Scotland, Kenya, Iran, the Indian sub-continent, and many Southeast Asian countries. He also had the distinction of being named an Officer of

the Most Excellent Order of the British Empire by Queen Elizabeth and is a member of the Singapore, Malaysian and Royal Institute of British Architects. Mr. Benton has won several awards and citations in architectural design competitions in Pakistan, Kuala Lumpur, Singapore and Indonesia, and was formerly an active member of the St. Andrew's Societies in Brunei, Java and Singapore.



Gershu Paul

With a background in the public health sector and senior executive level experience in diverse sectors including change management, dr Gershu Paul brings his extensive knowledge to PT Lippo Karawaci Tbk. dr Gershu holds a medical degree from University of Bangalore, India; a Diploma in Sports Studies and an MBA

from the University of Otago, New Zealand. He is also a member of the Royal Australasian College of Medical Administrators and attended the executive program at Harvard Medical School, USA.



Peter Freeman

Following his military service, Mr. Freeman has spent 20 years in the hospitality industry holding various senior management roles in New Zealand and Australia as well as Indonesia with international Hospitality management companies such as CDL, Accor and Century International. He was also appointed as a Company Director of the Owning Company of the Ritz Carlton Double Bay Sydney and worked as a Senior Operations Manager at the

Sydney 2000 Olympics with Eures. Prior to his appointment to the position of Town Manager of PT Lippo Karawaci Tbk, he was the General Manager of the 5-star Imperial Aryaduta Hotel and Country Club. He was also elected to the executive committee of the Jakarta International Hotel Association and regularly participated in trade missions to promoting Jakarta in the Asia region.



Manuel Francisco

Mr. Francisco has over 40 years' experience in sales and marketing, having worked for several international companies including Procter & Gamble, J. Walter Thompson Advertising Co., Sun Life of Canada and Service Corporation International (SCI). He has lived and worked in five countries: the Philippines, Canada, the United States, Mexico and Indonesia. He was a sales legend in the California (USA)

death-care industry, where he spent 20 years working for various funeral home and cemetery organizations. Mr. Francisco joined Lippo Karawaci in 2006 and was assigned as the Executive Director of San Diego Hills Memorial Park. He holds a Bachelor of Arts and Bachelor of Science in Business Administration from De La Salle College in Manila, Philippines.



Susanto

Mr. Susanto is an experienced Finance and Accounting professional. He started his career as a consultant at Prasetio Utomo & Co - Arthur Andersen Public Accounting Firm and held last position as Andersen Worldwide Manager. He joined Lippo Group in 2000 as Finance and Accounting Division Head of PT Lippo Karawaci Tbk. In 2001, he was appointed Director of

PT Lippo Cikarang Tbk and in August 2004, he was appointed as Chief Controller with PT Lippo Karawaci Tbk. Mr. Susanto holds an Accounting degree from STIE "YAI", Jakarta.



Krishnadi Kartawidjaja

Mr. Kartawidjaja, currently Chief Operating Officer of the Hospitality Division at PT Lippo Karawaci Tbk, has extensive experience in the hospitality business. Prior to joining PT Lippo Karawaci Tbk, he was a Director of PT Aryaduta Hotels Tbk, and served as a Director of both

the Sendang Group and the Jaya Group. He earned his undergraduate degree in Civil Engineering from Trisakti University, Jakarta, and holds an MBA from the Prasetya Mulya Institute of Management, Jakarta.



Jenny Kuistono

Ms. Kuistono joined the Lippo Group in 1986 as a Junior Systems Engineer with PT Multipolar Corporation, Tbk. Ms. Kuistono has since become an experienced executive, highly conversant with the diverse operations of many of Lippo's companies. Ms. Kuistono assumed the positions of President Director and Commissioner of PT Sharestar Indonesia, Director of PT Multifiling Mitra Indonesia,

General Manager of PT Jasa Century Permai Nusantara (JCPenney) and was Director of PT Multipolar Corporation Tbk until July 2004 when Ms. Kuistono was appointed as Corporate Secretary of PT Lippo Karawaci Tbk. Ms. Kuistono has a degree in Electronic Engineering from Trisakti University, Jakarta.

Audit Committee Members

Isnandar Rachmat Ali

Mr. Ali held various important positions prior to his assignment as a member of Audit Committee. He was the President Director of PT Kotamas Makmur, PT Lippo Indah and Bank Pasar Perdagangan. He also served as Vice

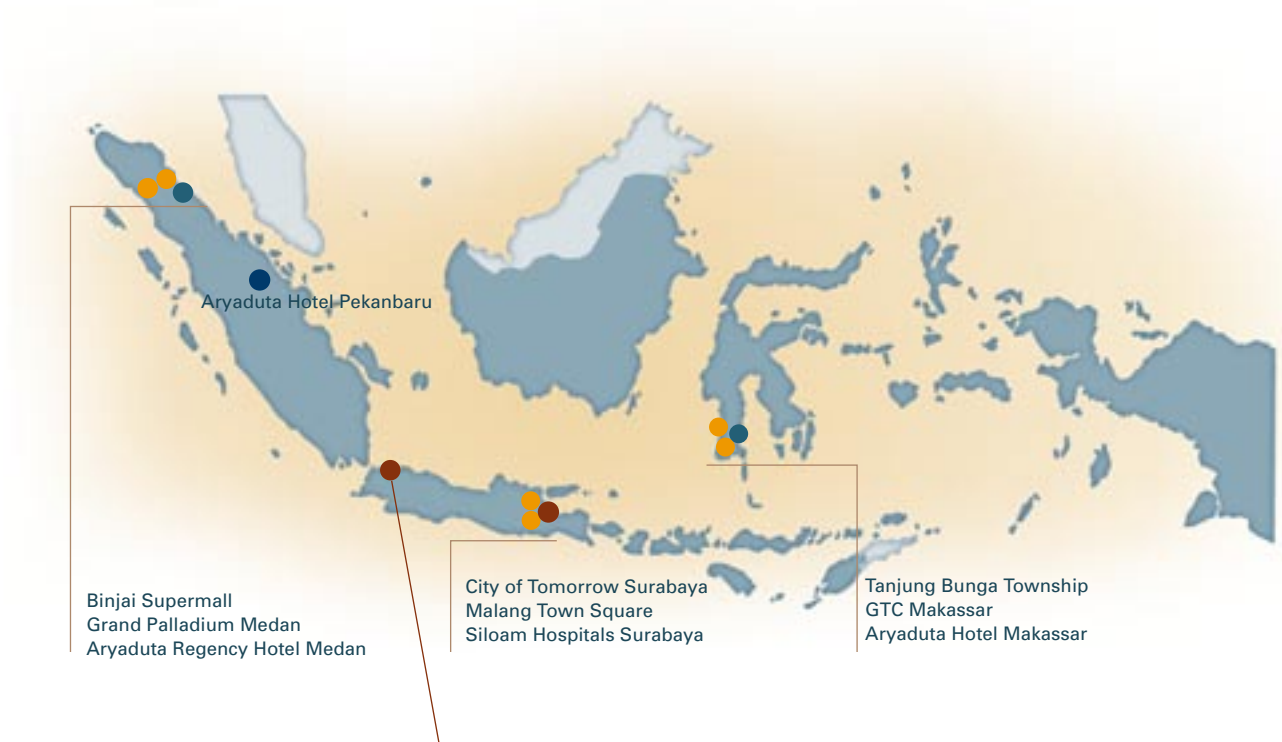
President Director of Tokai Lippo Bank (a joint venture with Japanese Bank). He obtained his Bachelor's Degree and Magister Management degree from Krisnadwipayana University as well as Ph.D from Universitas Negeri Jakarta.

Utomo Santoso

Mr. Santoso has considerable leadership experience in various companies in Indonesia. Apart from his assignment as a member of Audit Committee, he is also concurrently serves as President Director of PT EcoStar Engineering, Emerald Golf & Country Club,

and PT Sibany International. He is also the founder and member of Asian Golf Course Owner Association (AGCOA). He earned his Bachelor's Degree from Diponegoro University and Post Bachelor Degree from Oregon State University, USA.

Portfolio



Projects in Greater Jakarta



PT Lippo Karawaci Tbk
Menara Matahari, 22nd Floor
7 Boulevard Palem Raya
Lippo Karawaci Central
Tangerang 15811, Banten
Indonesia

Tel. (62-21) 2566 - 9000
Fax. (62-21) 2566 - 9099
Email: corsec@lippokarawaci.co.id
Website: www.lippokarawaci.co.id