

PT LIPPO KARAWACI Tbk

# making it happen

2007 Annual Report

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# making it happen

Guided by a vision to impact on people's lives, Lippo Karawaci builds and grows its business portfolio as a broad-based property company with healthcare, hospitality and infrastructure businesses in Indonesia.

## Vision

To become a leading property company in Indonesia and in the region with strong commitment to positively impact on people's quality of lives and to continuously create value to shareholders.

## Mission

To meet the needs of the middle and upper class Indonesians for housing, shopping centers, commercial development, healthcare, entertainment, hospitality and infrastructure.

To achieve sustainable growth for each of its businesses through a balanced portfolio of development projects while maintaining a healthy level of recurring income.

To provide first class living environment that enhances the physical, social and spiritual experience for its clienteles, and to provide best green environment for each of its development projects.

# Lippo Karawaci at a Glance

Initially the Company was founded on a vision to develop world-class township in Karawaci, 30 KMs to the west of Jakarta and an integrated residential and light industrial estate in Cikarang, approximately 40 KMs to the east of Jakarta.

For 18 years, the Company has proven itself as property developer that pioneers the development of well-planned independent townships with green environment, flood free and first class physical and social infrastructures.

Through a merger in 2004, the Company has expanded its business portfolio to include healthcare, hotel and leisure businesses. As of today, the Company is distinctly different compared to other property companies in Indonesia as it is characterized by a much more diversified landbank and development projects, an integrated business model supported by stable recurring income, and strong commitment to modern and green development.

# 2007 Highlights

- The Company launched San Diego Hills Memorial Park and Funeral Homes.
- Kemang Village superblock was launched, as the Company's first grand scale inner-city development in Jakarta combining condominium, leased mall, hotel, hospital, school, exotic spa, country club and other facilities.
- Launched new clusters in Lippo Karawaci and Lippo Cikarang townships.
- School of Nursing was established by Universitas Pelita Harapan in collaboration with University of Melbourne, Australia, as an integral part of the healthcare growth strategy.
- Siloam Hospitals Lippo Karawaci earned Joint Commission International Accreditation (JCIA) of the United States, the first and only of such accreditation in Indonesia.
- The Company again earned the Euromoney Award as Best Developer in Indonesia.
- The Aryaduta Hotel Medan began its operation.
- LMIRT (Lippo Mapletree Indonesia Retail Trust) was listed in Singapore, the second REIT sponsored by the Company.
- Started the construction of Aryaduta Residences in City of Tomorrow, Surabaya.

# Financial Highlights

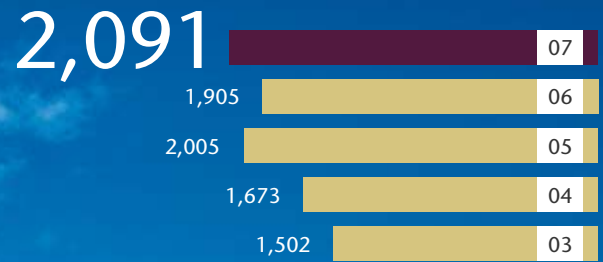
In billions Rupiah	2003*	2004	2005	2006	2007
<b>PROFIT AND LOSS</b>					
Revenue	1,502	1,673	2,005	1,905	2,091
Gross Profit	620	774	999	973	1,106
EBITDA	341	450	623	539	533
Operating Profit	276	368	536	447	461
Net Profit After Tax	281	293	359	325	353
Basic Earning per Share (in Rupiah)	28**	28**	25**	22**	24
<b>BALANCE SHEETS</b>					
Total Assets	4,178	5,556	6,232	8,486	10,533
Total Liabilities	3,266	3,855	3,249	5,208	5,999
Stockholders' Equity	681	1,445	2,693	2,962	4,206
<b>FINANCIAL RATIOS</b>					
Return on Assets (%)	7	5	6	4	3
Return on Equity (%)	41	20	13	11	8
Debt to Assets	0.5	0.5	0.3	0.3	0.3
Debt to Equity (Gross)	3.2	1.9	0.6	0.8	0.7
Debt to Equity (Net)	2.9	1.7	0.5	0.4	0.2
Gross Profit Margin (%)	41	46	50	51	53
EBITDA Margin (%)	23	27	31	28	25
Operating Profit Margin (%)	18	22	27	23	22
Net Profit Margin (%)	19	18	18	17	17

## Notes

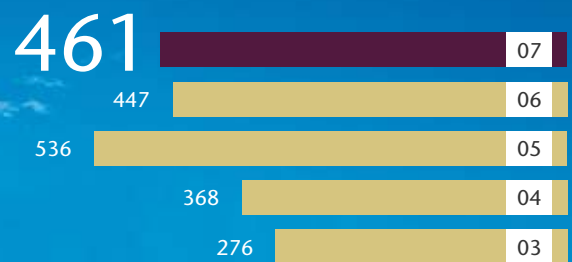
- \*) Has been restated to include the impact of the business merger according to the statement of Financial Accounting Standards (SFAS) no. 22, no. 38, and no. 56.
- \*\*) Has been restated to include the impact of stock split in 2007.



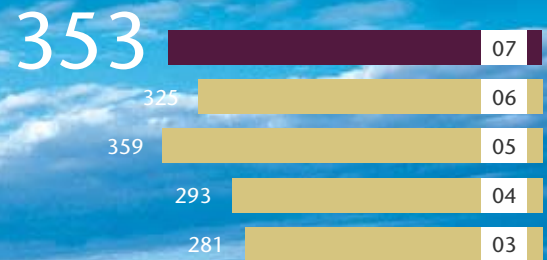
revenue (In Billion Rupiah)



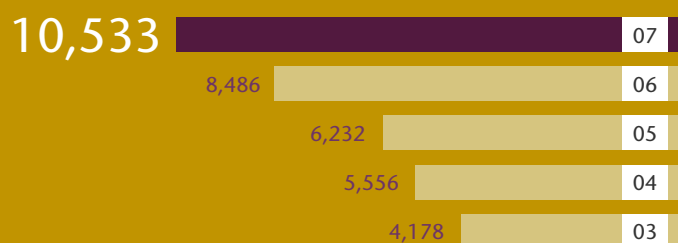
operating profit (In Billion Rupiah)



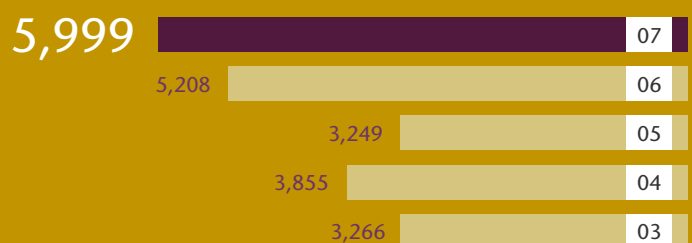
net profit after tax (In Billion Rupiah)



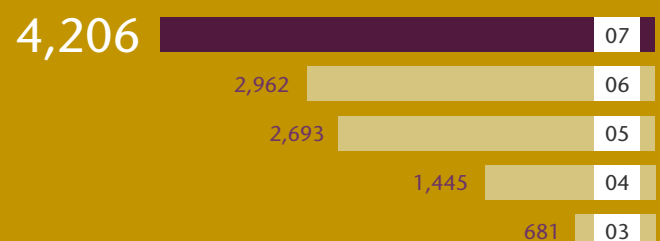
total assets (In Billion Rupiah)



total liabilities (In Billion Rupiah)



stockholders' equity (In Billion Rupiah)



# Stock Highlights

## Shareholder Structure

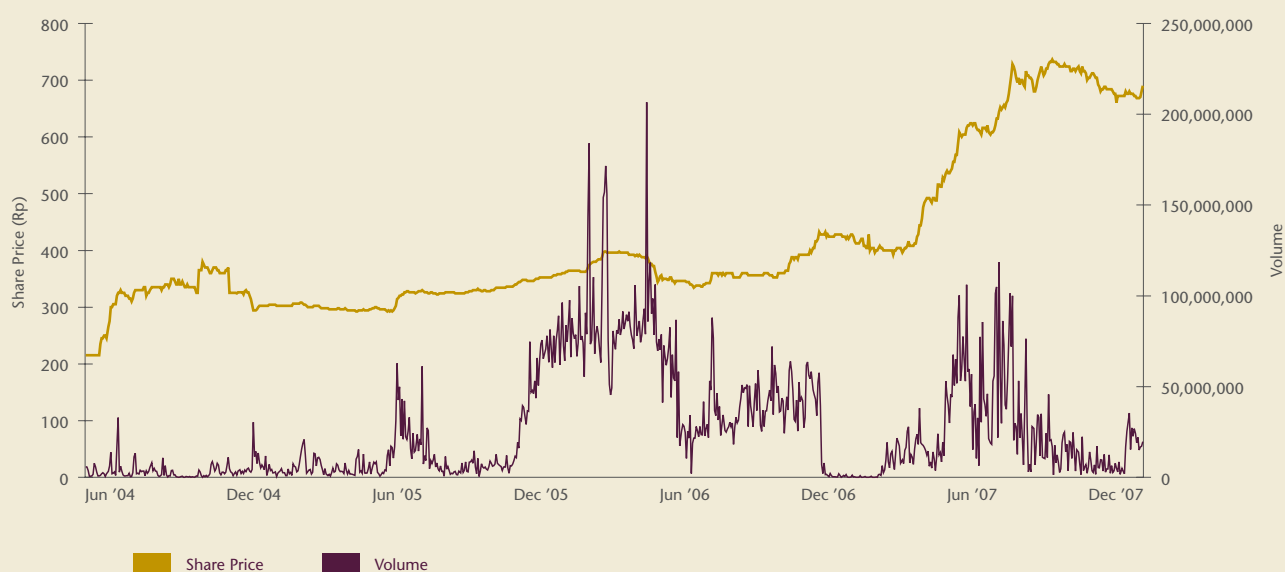
(as of December 31, 2007)

Shareholders	Number of Shares	Percentage of Ownership
Lippo Group Companies	4,229,716,105	24.45%
China Resources (Holdings) Co. Ltd.	2,263,926,350	13.08%
CP Inlandsimmobilien - Holding GmbH	1,138,293,750	6.58%
Public	9,670,215,490	55.89%
TOTAL	17,302,151,695	100.00%

## Dividend History

Shareholders Record Date	Payment Date	Dividend/Share
7 December 2007	27 December 2007	Rp 4.62
6 December 2006	20 December 2006	Rp 9.90
24 August 2005	8 September 2005	Rp 10.00
22 January 1998	20 February 1998	Rp 10.00
16 December 1996	14 January 1997	Rp 40.00

## Share Price Movement





## 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 2005 - 28 Jul 2006	279,099	2,933,128,662
Stock Split I	2 Aug 2006	2,933,128,662	5,866,257,324
Warrant Conversion after Stock Split I	2 Aug - 31 Dec 2006	4,759,748	5,871,017,072
Warrant Conversion	1 Jan - 30 Nov 2007	1,049,843,606	6,920,860,678
Stock Split II	26 Dec 2007	10,381,291,017	17,302,151,695

## Summary of Share Trading at Indonesia Stock Exchange

2007

Month	Stock Price (Rp)			Stock Trading	
	Highest	Lowest	Closing	Volume (unit)	Amount (Rp)
Jan	1,070	1,020	1,020	4,007,000	4,241,595,000
Feb	1,070	980	1,000	24,006,000	24,076,335,000
Mar	1,050	980	1,030	118,607,500	120,362,670,000
Apr	1,290	1,040	1,280	231,601,500	278,065,435,000
May	1,560	1,260	1,540	477,699,500	683,741,070,000
Jun	1,580	1,500	1,520	307,419,000	473,470,785,000
Jul	1,820	1,510	1,760	529,671,500	874,599,190,000
Aug	1,810	1,660	1,800	197,814,000	346,476,835,000
Sep	1,850	1,790	1,790	124,459,500	226,525,815,000
Oct	1,810	1,750	1,760	70,152,000	125,686,590,000
Nov	1,780	1,650	1,680	54,408,000	93,216,145,000
Dec	1,720	640	690	166,132,500	226,378,385,000

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

# Milestones

1990

**October**

Established under the name of PT Tunggal Reksakencana.

1993

**January**

Started Lippo Karawaci township, located in the regency of Tangerang, approximately 30 kilometers to the west of Jakarta.

1996

**June**

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

2004

**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.

2005

**January**

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

# 1997

**June**

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

# 1998

**January**

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

# 2002

**September**

Launched its first retail strata-titled project, WTC Matahari Serpong located in West Jakarta. Since then (2002-2007), 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 Jakarta, Malang Town Square in Malang, East Java, Grand Palladium Medan in North Sumatera, Bellanova Country Mall in Bogor and CITO Mall in Surabaya.

# 2006

**March**

USD 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.

# 2007

**January**

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

**July**

Launched Kemang Village superblock project in South Jakarta.

**December**

1-for-2.5 Stock Split.

# Event Highlights

## january

- 18:** Launching of San Diego Hills Memorial Park & Funeral Homes, a modern memorial park located in West Karawang KM 46 that incorporates with family center facility.



## may

- 08:** PT Lippo Karawaci Tbk invested Rp 4.6 trillion (USD 500 million) for the next 5 to 10 years to expand its healthcare portfolio across Indonesia.



- 12:** Siloam Hospitals Group began the construction of "Building of Hope", the Mochtar Riady Comprehensive Cancer Center (MRCCC), Indonesia's first private cancer treatment center with state-of-the-art equipment.



- 23:** The Annual General Shareholders Meeting and the Extraordinary General Shareholders Meeting approved the 2006 annual report, dividends distribution, and composition of the Board of Commissioners and Board of Directors members.

## july

- 18:** The launching of 12 ha Kemang Village in South Jakarta.



## august

- 02:** The launching of Golf Estate, a luxurious cluster located near the Imperial Golf Club, Lippo Karawaci.



- 04:** The Ground Breaking ceremony of Kemang Village by the Minister of Foreign Affairs, Hassan Wirajuda, and attended by the Ambassadors of foreign countries.



## october

- 01:** PT Lippo Karawaci Tbk received "Euromoney Liquid Real Estate Awards 2007" as Best Developer in Indonesia.



## november

- 03:** Siloam Hospitals Lippo Karawaci to become the first and only hospital in Indonesia to receive accreditation from Joint Commission International of the United States.



- 28:** The Extraordinary General Shareholders Meeting approved the company's plan to conduct stock split and the appointment of Mr. Eddy Harsono Handoko as the President Director.

## december

- 18:** Siloam Hospitals invested in state-of-the-art medical technology by commissioning the latest Dual Source CT Scanners (DSCT) at Siloam Hospitals Lippo Karawaci and Siloam Hospitals Kebon Jeruk, and the 1.5T Magnetic Resonance Imaging (MRI) at Siloam Hospitals Kebon Jeruk, and the latest CT 64 Slice at Siloam Hospitals Surabaya.



# Report from the President Commissioner

The Board is confident nonetheless that with its strong market position, marketing acumen and financial soundness, the Company will be able to meet such challenges and even benefit from them.



1. Ning Gaoning  
President Commissioner



2. Surjadi Soedirdja  
Vice President Commissioner

Dear Shareholders,

The Board of Commissioners is pleased to report to the shareholders the positive results of 2007 where the Company has since consolidated its position as the leading player in the property development industry in Indonesia with a market capitalization of 15% of the entire property companies listed in the Indonesia Stock Exchange.

The Company is a beneficiary of the overall trend of urbanization, modernization and the emerging middle and affluent class in Indonesia. Such trends have created increasing demand for modern and high quality residential, healthcare services and living environment, to which the Company is strongly well positioned to cater. The political and macroeconomic stability of Indonesia has also boded well for the property sector in general and for the Company in particular. With a prolonged stable and relatively low interest rate environment that reached a historical low of 8% by end 2007 in tandem with the lowest mortgage penetration in the region, there had been a prevailing sense of optimism about the future prospect of the industry.

We note that in 2007 the Company achieved several significant milestones, both financially and operationally. First and as expected, the recurring revenue grew to reach 51% of total revenue, right on track to meet the 60% target going forward. Second, the Company successfully sponsored the Lippo Mapletree Indonesia Retail Trust (LMIRT) listed in Singapore, following the success of First REIT in 2006. This wholesale method of monetizing assets strengthened the Company business model of broad-based property development and would continue to become one of the strategic pillars of the Company.



3. Theo L. Sambuaga  
Independent Commissioner



4. Agum Gumelar  
Independent Commissioner



In the healthcare services, the Company consistently improved its business and operational excellence as evidenced by the accreditation from the Joint Commission International of the United States in 2007, the first accreditation awarded to hospitals in Indonesia. With the commencement of the nursing school at Universitas Pelita Harapan also in 2007, these milestones have further cemented the foundation for the growth of the healthcare services of the Company in the future.

Several challenges nevertheless remain in the horizon which need to be addressed by the management of the Company. The high oil and food price environment will undoubtedly affect the purchasing power of Indonesians and hence will negatively affect the demand for housing and retail sectors. In the meantime, increasing prices of steel and cement and other building materials will put a pressure on the Company's net margin. It is therefore imperative that the Company shall continuously improve its operational and financial efficiency to respond to such challenges. The Board is confident nonetheless that with its strong market position, marketing acumen and financial soundness, the Company will be able to meet such challenges and even benefit from them.



5. Tanri Abeng  
Independent Commissioner



6. Farid Harianto  
Independent Commissioner



7. Jonathan L. Parapak  
Independent Commissioner



8. Adrianus Mooy  
Independent Commissioner

On this occasion, we welcome Mrs. Viven Sitiabudi as a new member of the Board of Commissioners. She has been instrumental in the Company's growth and development in the past few years, in her capacity as the President Director of the Company until 2007. We also offer a warm welcome to Mr. Eddy H. Handoko, who succeeded Mrs. Sitiabudi as the President Director of the Company.

We would also like to convey our thanks and sincere appreciation to the shareholders, the Board of Directors and employees of the Company who have all made contribution to the success of the Company in 2007 and beyond. We are confident that with your continuing support, the Company will be able to achieve its growth potentials to attain better performance in 2008 and beyond.



**Ning Gaoning**  
President Commissioner



9. **Charley Song Lin**  
Commissioner



10. **Jiang Wei**  
Commissioner



11. **Eddy Sindoro**  
Commissioner



12. **Viven G. Sitiabudi**  
Commissioner

# Report from the President Director

The success of such large-scale property projects hinges upon the Company's proven ability to secure plots of land in strategic locations, high quality property products, timely and well-managed execution.

In 2007 PT Lippo Karawaci Tbk again reaffirmed its value as a leading property developer in Indonesia. The share price of the Company grew 61% in 2007, and its market capitalization increased by 83% to Rp 11.9 trillion or USD 1.27 billion. This epitomized the Company's position as well-managed, broad-based property development entity in Indonesia.

The macro economic environment in 2007 was generally upbeat for the property sector in Indonesia. Declining interest rate and an anticipation that foreigners would be permitted to own properties in Indonesia impacted positively to the industry. In the meantime, worsening traffic and floods in Jakarta and other big cities induced people to look for quality residential properties that are close to their work place.

The above trends provided a solid basis for the Company's development strategy of the superblock projects. Two superblock projects, City of Tomorrow in Surabaya and Kemang Village in South Jakarta, both already showed strong pre-sales. Until end-2007, City of Tomorrow recorded total sales of Rp 503 billion, while Kemang Village recorded an extraordinary performance with sales of Rp 765 billion in a period of less than six months since its launch at the end of July 2007. The sales of Kemang Village will be booked as income of the Company in 2008 and 2009 in line with the project's construction progress.



1. Eddy H. Handoko  
President Director



2. Tjokro Libianto  
Director

The year of 2007 was also marked with the launch of San Diego Hills Memorial Park & Funeral Homes, a new memorial park concept. The Asia Wall Street Journal attributed that San Diego Hills Memorial Park is perhaps the true world first. This new concept already received a positive market response with sales of more than 5,100 units within a period of 10 months.

Going forward, the Company plans to develop one or two large-scale projects every year, starting from the launch of the Puri Village superblock in West Jakarta, modeled after that of Kemang Village. The success of such large-scale property projects hinges upon the Company's proven ability to secure plots of land in strategic locations, high quality property products, timely and well-managed execution. These are the qualities that have made the Company reaffirm its credential as the "Best Developer in Indonesia" in 2007 from the Euromoney magazine.

The healthcare business of the Company, through the network of Siloam Hospitals, also has shown very positive development. The company continues to improve the quality of health services through collaboration with various international medical institutions, the establishment of a nursing school in cooperation with the University of Melbourne, and the development of Centers of Excellence in each hospital. In 2007, the Siloam Hospitals Lippo Karawaci earned accreditation from Joint Commission International (JCI) of the United States, the first and only of such accreditation in Indonesia. With these endeavors the Company wishes to establish itself as a world-class healthcare provider with international standards of services and facilities in Indonesia.

In 2007 the Company also started the development of Mochtar Riady Comprehensive Cancer Center, which is positioned to be the leading and comprehensive cancer hospital in Indonesia, using the most sophisticated medical facilities for the detection, diagnosis and treatment of cancer.



3. Ketut Budi Wijaya  
Director



4. Jopy Rusli  
Director

In the field of hospitality, the Company completed the construction of The Aryaduta Hotel Medan, which has been operating since November 2007.

The management strongly believes that high quality human resources are key for the success of the Company. The Company recruits best talents and specialists in various fields, while continuously improving the competence of existing employees through various education and training programs be they technical, managerial or leadership. The Company is also cooperating with Louis Allen Worldwide, a world-renowned human resource development consultant, to establish its Unified Management System in the effort to increase efficiency and effectiveness of human resource management in all business units of the Company.

The Board of Directors would like to convey a sincere appreciation to all staff and employees of the Company for their dedication and hard work to support and sustain the success of the Company. We would also like to express our gratitude to the shareholders, the Board of Commissioners, business partners and particularly to our clients for their continuing trust and support to the Company.

Finally, please allow me to convey my personal thanks to all of you who have lent support to me during my first year as the President Director of the Company. I would also like to congratulate my predecessor, Mrs. Viven G. Sitiabudi, on her appointment as a member of the Board of Commissioners of the Company. I trust that her exceptional talents, ideas and leadership will continue to contribute to the success of the Company. It is also a pleasure to welcome Mr. Yuke Elia Susiloputro to join the Board of Directors in 2007.



**Eddy H. Handoko**  
President Director



5. Hendra Agus Sugandi  
Director



6. Yuke Elia Susiloputro  
Director





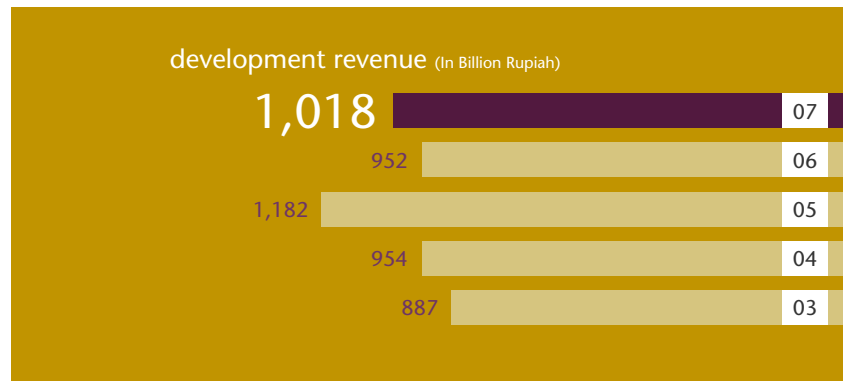


# Business Report



## Development Business

The Company is building its portfolio of large-scale superblock development.



The Company's revenue consists of development and recurring revenues. Development revenue comes from the Housing & Land Development division activities and is related to the development of all property projects, while the recurring revenue is derived from the business activities of healthcare, hospitality and infrastructure, and fee based income as REIT and property managers. The Company aims at maintaining the recurring revenue at about 50% to 60% of total revenue to mitigate the associated risk of property cycles.

## Housing and Land Development

Early in the 1990s the Company introduced a new concept of comfortable, healthy, green and high quality residential environment in Indonesia, through the development of two townships: Lippo Karawaci and Lippo Cikarang in the Greater Jakarta, then followed by the third Tanjung Bunga in Makassar, South Sulawesi. These initiatives then were expanded with strata-titled commercial shopping centers in the first half of 2000s. The Company is currently commencing the large-scale superblock development in Jakarta.

The key ingredients for successful property development business are strategic location, high quality development projects, timing, and excellent execution. For years, the Company has established its reputation and expertise in creating value through the integration of those factors into successful property development and, as such, the Company is well-positioned to capture the bright long-term prospect of property development in Indonesia.

Followings are a more detailed description of each products of the Housing & Land Development Division.

### **Superblock Development**

The superblock development is one of the Company's strategic focus going forward, to capitalize on demographic and lifestyle changes and, at the same time, provide solution to traffic jams, floods, and the the slow upgrading of infrastructure in big cities. These large-scale developments are putting together residential condominiums, office space, commercial and leisure area in one integrated location with first class facilities, infrastructure and green environment making them attractive to upward professionals and business people. The condominium is sold on the pre-sale basis, providing core financing for the development even before the project construction starts.

The first superblock development undertaken by the Company is the City of Tomorrow, strategically located between the city center and the airport of Surabaya. On this land plot of 2.6 hectares, the Company is completing the construction of a strata-titled shopping center, The Aryaduta Residences condominium, six office towers, and 140-rooms Aryaduta Hotel. By the end of 2007, the Company had completed the construction of the shopping center and 75% of The Aryaduta Residences, and had sold 93% of the mall saleable area and 82% of the condominium's take up value.



Kemang Village Show Unit





**Superblock development has become one of the strategic focus of the Company going forward.**

The Kemang Village project, which was launched in July 2007, is located in the elite Kemang area of South Jakarta, with a total land plot of 12 hectares, about 10% of which is dedicated to the green environment for the project. The first phase of the project development includes the construction of three condominium towers, one shopping center (leased mall), an exclusive country club and exotic spa. In less than six months after its launch, the sales of the Ritz, Cosmopolitan and Empire condominium towers reached 86 %, 64 %, and 46%, respectively with a total sales value of Rp 765 billion. The Kemang Village project is expected to become the showcase for the superblock development of the Company and the model will be replicated in other superblock development that the Company will undertake in other areas.

#### **Township Development**

The township development of the Company in Lippo Karawaci, Lippo Cikarang, and Tanjung Bunga contributed a total sales of Rp 543 billion in 2007, more than doubled the sales in 2006 of Rp 234 billion. Such a sales increase was mainly driven by the opening of two new clusters, namely the Golf Estate in Lippo Karawaci and the Robsons Square in Lippo Cikarang.

**Mall Development Project**

The Company has completed the construction of the Binjai Supermall and the mall in the City of Tomorrow. In the coming years the Company will focus more on the development of leased malls as opposed to development of strata-titled malls, which generated a total sales of Rp 447 billion in 2007. The newly constructed leased malls are expected to be sold to LMIRT.

**Memorial Park**

The San Diego Hills Memorial Park & Funeral Homes project is a novel concept of a memorial park and is the first and only memorial park in the world that incorporates a family center equipped with a swimming pool, bicycle track, basketball court, an Italian restaurant, wedding chapel, a multi-function hall and souvenir shop.







**The San Diego Hills Memorial Park epitomizes the pioneering spirit of the Company.**

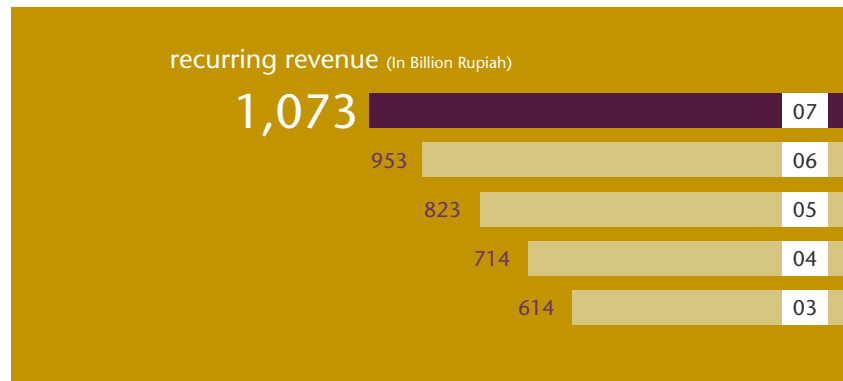
Launched in the beginning of 2007, the first phase of the San Diego Hills Memorial Park project covers a development area of 25 hectares, of which 14 hectares are for the family center, including an 8 hectare of man-made lake. This concept of memorial park has obtained an excellent response from the community, as about 20% of the saleable area had been sold, generating a total revenue of Rp 56 billion in 2007. In view of such good market response, the Company has acquired additional land of 100 hectares for its expansion in the near future.





## Recurring Business

The Siloam Hospitals Group achieved a key milestone of meeting best international practices with the JCI Accreditation for its hospital in Lippo Karawaci in 2007.



## Healthcare

Siloam Hospitals has 4 (four) hospitals in its portfolio with a total capacity of 600 beds equipped with operating theatres, maternity care, pediatric care, and outpatient facilities. Of the four hospitals, Siloam Hospitals Lippo Karawaci, Siloam Hospitals Kebon Jeruk, and Siloam Hospitals Surabaya, are 100% owned by the First Real Estate Investment Trust. Lippo Karawaci holds 50% ownership of Siloam Hospitals Lippo Cikarang and 100% ownership of the Semanggi Specialist Clinic. The hospitals have strong clientele base of mid-upper strata of Indonesians and has established its reputation as healthcare providers implementing international best practices.

The year 2007 was a turning point for Siloam Hospitals as Siloam Hospitals Lippo Karawaci achieved international accreditation by the US based Joint Commission International. In addition, Siloam Hospitals has forged cooperation with the world's leading institutions in Australia, Singapore, United States and India, to further develop its quality services and to build expertise in each centers of excellence in each hospital.

In the areas of research and education, Siloam Hospitals builds cooperations with the Universitas Pelita Harapan (UPH) Medical Faculty in the provision of medical training programs and doctors recruitment, and with the University of Melbourne in developing the teaching curriculum for the School of Nursing of UPH. In addition, Siloam Hospitals is also working together with the Mochtar Riady Institute of Nanotechnology to promote medical research activities within the medical sciences group.

To improve its quality healthcare services, Siloam Hospitals continues to upgrade the skill level of its medical staff, and modernize its medical facilities. In 2007, the Company purchased two units of Dual Source MSCT for Siloam Hospitals Lippo Karawaci and Siloam Hospitals Kebon Jeruk, two 1.5 Tesla MRI for Siloam Hospitals Kebon Jeruk and Siloam Hospitals Surabaya, and one 64 Slice MSCT for Siloam Hospitals Surabaya.

Siloam Hospitals has set a target to earn the JCI for all of its hospitals within the near future. This will be supported by the commitment to staffing excellence through continuous training and international-certification programs. In each areas of specialization including cancer treatment, cardiac, neuro, orthopedics and gastro, Siloam Hospitals is establishing and strengthening collaboration with reputable international institutions.

**The competence of healthcare professionals is continuously upgraded through continuous medical training and international certification programs.**



Siloam Hospitals has developed a three-pronged approach to increase profitability: increasing revenue, cost consolidation, and capacity utilization. The hospitals are establishing a referral network which will enhance their revenue stream. With a number of new hospitals being planned in the next few years together with a more systematic marketing activities, it is expected that there will be a growing flow of patients referral to Siloam Hospitals network thus increase their capacity utilization.

In the area of management, Siloam Hospitals has undertaken an on-going consolidation of group purchasing, information sharing, and its business and organizational structure in an effort to promote efficiency and to improve service and profit margin. Overall, Siloam Hospitals is systematically instilling its corporate culture as first class healthcare service provider, encapsulating the synergy with other business divisions of Lippo Karawaci.



## Hospitality & Infrastructure

### Hospitality

Despite an on-going slump in tourist arrivals into Indonesia, there was an increase in the occupancy rates of our hotels from 50% in 2006 to 53% in 2007. Overall, with an increase in average room rates, the hotel division achieved revenue growth of 9%. In 2007, thanks to loyal customers who trusted the Company for its high quality services.

The Company continues to expand its hotel network and MICE (Meetings, Incentives, Conferences and Exhibitions) facilities to meet the market demand. The new Aryaduta Hotel in Medan was opened in 2007 and the initial response has been favorable to this strategically located new landmark in Medan.

To take advantage of the Visit Indonesia 2008 national campaign, the Company plans to grow through targeted marketing and expanded use of e-marketing. Also, the Company plans to cross-sell its products within the hotel group through a national road show to highlight its product portfolio that emphasizes 'the luxury experience.' Going forward, the Company will continue its efforts to solidify its marketing activities and keep enhancing its high quality services to further improve occupancy rates and revenues.

**The Company has developed a loyal customer base through first-class, high quality services.**



### **Town Management**

The township management staffs are proud of their work for which they have received many compliments. Their fruit of labor has made living in Lippo Karawaci such a pleasant lifestyle experience. These include the provision of security, water and sewage treatment, public transportation, green environment (tree planting, daily solid waste collection/recycling and street maintenance), traffic control and road safety, home services and maintenance, building control, community development and resident relations. In addition, the Company has introduced new security measures that help residents feel even safer. Undoubtedly, these qualities have made Lippo Karawaci the place of choice to live in the Greater Jakarta and even in Indonesia.

In 2007 the Company introduced the Key Performance Indicator (KPI) system in each business unit of the Town Management Division in order to measure and to further improve the service quality and reliability for both individual and commercial consumers. To improve further the quality of water supply to the township, the Company commenced the construction of a Rp 7 billion Main Water Transmission Supply Pipe in 2007.

For yet another year, Lippo Karawaci was privileged to host the Jakarta Highland Gathering and the venue for Universitas Pelita Harapan's Annual Festival in 2007. The township also hosted the Indonesian Sanitation Convention where our executive presented a paper on "Water and Sanitation – Technology and System". In addition, the visits by newly elected Jakarta Governor Fauzi Bowo and by the US and Singaporean Ambassadors in 2007 were truly a special honor to the Company.

With building permits upped 38% from 2006, Lippo Karawaci had remained a popular place to build new residential housing. Total revenue for Town Management increased 11% from 2006, while collection ratio increased from 87% in 2006 to 98% in 2007, proving that customers were very happy with the level of services they received.

The Company will continuously pursue initiatives to enhance the reputation of Lippo Karawaci Township as a safe, flood free, environmentally healthy and convenient place to live and work. Currently it is also contemplating to host the Indonesian A-1 Race in Karawaci, to inject new excitement for life experience in Lippo Karawaci.

### **REIT & Property Management**

In 2007, the Company sponsored the establishment of the Lippo Mapletree Indonesia Retail Trust (LMIRT) listed in Singapore. In cooperation with Mapletree, a Singapore-based group with assets base of SGD 4.5 billion, the Company acts as the manager of the REIT. Through its affiliated company, the Company also acts as the Property Manager of the retail portfolio thus enjoying the additional income streams from these two sources.

In the future, the Company will continue to integrate REITs as platforms for its business model to maximize its capital utilization





# Management Report



## Management Analysis & Discussion

The composition of the Company's revenue remained relatively balanced between Development and Recurring Revenues.

## Revenue:

Development

Rp1,018billion

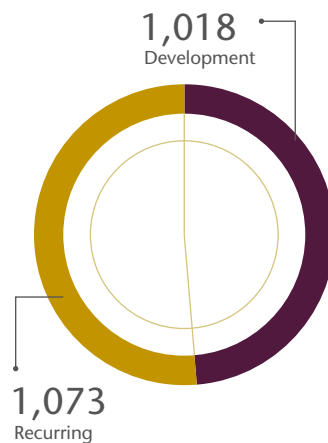
Recurring

Rp1,073billion

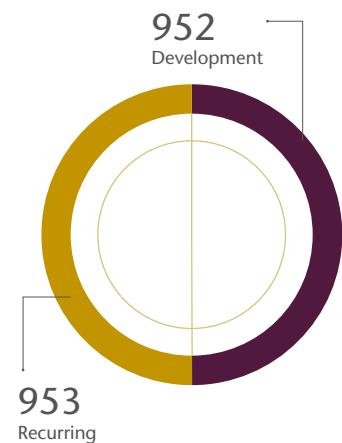
### Revenue

Revenue contribution mix in 2007 did not deviate much from that of 2006, where 49% of which came from development revenue and the remaining 51% from recurring revenue. As sales from Kemang Village development project would only be recognized in 2008 and onward, the development revenue only grew by 7% in 2007. Nonetheless, the recurring revenue was able to grow by 12.7% in the same year, resulting in a total of 9.8% increase in total revenue in 2007.

Revenue 2007 (billion Rupiah)



Revenue 2006 (billion Rupiah)



#### Revenue (Billion Rupiah)

	2007		2006	
Development Revenue	1,018	49%	952	50%
Recurring Revenue				
Healthcare	627	30%	573	20%
Hospitality & Infrastructure	446	21%	380	20%
<b>Total</b>	<b>2,091</b>	<b>100%</b>	<b>1,905</b>	<b>100%</b>

#### Development Revenue

In line with the Indonesian standards of accounting, the Company has adopted a method of development revenue recognition on the basis of the percentage of construction project completion for condominiums and strata malls, and a full accrual method for the sales of landed houses and land plots.

The low interest rate environment has been positively impacting the demand for residential housing and, as such, the Company expects an increasing trend of revenue contribution from residential apartment of the upcoming superblock projects in inner city of Jakarta.

#### Revenue (Billion Rupiah)

	2007		2006	
Retail	447.2	44%	471.6	49%
Land plots	315.6	31%	358.5	38%
Residential	199.5	20%	122.1	13%
Memorial Park	55.5	5%	-	-
<b>Total</b>	<b>1,017.8</b>	<b>100%</b>	<b>952.2</b>	<b>100%</b>

#### Retail Project Development

In response to the changing market environment, the Company has switched its retail development strategy from strata-titled malls sold to individual shop owners to leased malls. As a result, the year of 2007 might become the last time for the Company to book sales from strata-titled malls. The project in Surabaya, City of Tomorrow, recorded satisfactory take up level amid the vast oversupply in the market. The Company sold nearly Rp 400 billion worth of retail space since its launch, approximately 93% of the total saleable area, while other similar projects of other developers were having difficulty to sell. This success can be attributed to its strategic location in Surabaya, the quality of the superblock, the timely launching and the reputation of the Company.

#### Revenue (Billion Rupiah)

	2007		2006	
City of Tomorrow Mall, Surabaya	185.1	41%	210.5	45%
Binjai Supermall, Sumatera	102.2	23%	1.0	-
Lampung, Sumatera	153.0	34%	-	-
Pejaten, South Jakarta	-	-	140.0	30%
Retail Inventory*	6.9	2%	120.1	25%
<b>Total</b>	<b>447.2</b>	<b>100%</b>	<b>471.6</b>	<b>100%</b>

\* Retail inventories consist of the remaining unsold retail spaces in the operating malls (constructed and in operation) such as Mall WTC Matahari, Metropolis Town Square, Malang Town Square, Depok Town Square, Grand Palladium Medan, GTC Makassar and Bellanova Country Mall.

## Land plots

### Revenue (Billion Rupiah)

	2007		2006	
Lippo Karawaci	229.8	73%	172.9	48%
Lippo Cikarang	59.6	19%	38.1	11%
Tanjung Bunga	26.2	8%	39.5	11%
Jogjakarta	-	-	108.0	30%
<b>Total</b>	<b>315.6</b>	<b>100%</b>	<b>358.5</b>	<b>100%</b>

Sales of land plots constitute the sales of vacant, ready for use land plots in the three townships: Lippo Karawaci in the west of Jakarta, Lippo Cikarang in the eastern part of Jakarta, and Tanjung Bunga in the eastern part of Indonesia. In recent years, sales of land plots in Lippo Karawaci township has been concentrated into the high margin-commercial as well as high end residential land plots, while in Lippo Cikarang, most of sales has been for industrial use.

## Residential (Landed Houses, Apartments and Shophouses)

### Revenue (Billion Rupiah)

	2007		2006	
Lippo Karawaci	50.3	25%	65.5	54%
Lippo Cikarang	39.3	20%	28.7	23%
Tanjung Bunga	29.8	15%	15.3	13%
Binjai – Shophouses	-	-	12.6	10%
City of Tomorrow Condominium	80.1	40%	-	-
<b>Total</b>	<b>199.5</b>	<b>100%</b>	<b>122.1</b>	<b>100%</b>

The year of 2007 booked the first revenue recognition of City of Tomorrow Condominium. The revenue was based on 75% construction progress of the total of Rp 107 billion pre-sales value, which also represented 82% of the take up value. The project is expected to be completed and handed over to the tenants in the 2nd half of 2008 and there will be a remaining of Rp 27 billion of revenue to be recognized in 2008.

## Healthcare

The Healthcare business is very competitive in which domestic and overseas healthcare service providers vying for a share in the Indonesian middle and upper income markets. It is therefore imperative that Siloam Hospitals continues to upgrade its clinical governance, medical equipment and quality of services in all of its 4 hospitals to cope with such a competitive pressure, both from domestic as well as foreign-controlled competitors.

One most outstanding development in 2007 was the JCI Accreditation awarded to Siloam Hospitals Lippo Karawaci, the Company's flagship in the healthcare business, which effectively made it the only internationally accredited Indonesian hospital and immediately set it apart from its local competitors.

Operational Indicators	Siloam Hospitals Lippo Karawaci		Siloam Hospitals Kebon Jeruk		Siloam Hospitals Surabaya		Siloam Hospitals Lippo Cikarang	
	2007	2006	2007	2006	2007	2006	2007	2006
Operating Beds	160	160	172	202	160	160	55	66
Bed Occupancy Rate	79%	72%	62%	58%	63%	68%	58%	47%
Number of Outpatient/year	180,693	176,320	212,179	222,216	57,495	52,267	56,889	57,081
Gross Operating Revenue								
Inpatient Revenue (Billion Rupiah)	174	158	122	108	74	73	24	22
Outpatient Revenue (Billion Rupiah)	115	101	73	71	19	15	23	21

### Hospitality & Infrastructure

The main contributor of revenue growth in Hospitality & Infrastructure segment was the fee-based income from the Company's new role as the REIT and property managers. For the most of 2007, the Company through its 80% owned subsidiary, Bowsprit Capital Corp. Ltd, has been managing the First REIT (Real Estate Investment Trust). First REIT is the first healthcare REIT in the South East Asia region as well as the first REIT listed in Singapore Stock Exchange with Indonesian assets. In the late of 2007, the Company established a new joint venture with Mapletree Investment Pte Ltd of Singapore to manage the LMIR Trust, a new REIT with Indonesian retail assets listed in SGX. In the future it is expected that the growth of both REITs, First and LMIRT, will expand further the fee-based income of the Company.

### Revenue (Billion Rupiah)

	2007	2006	Growth YoY
Hospitality			
Hotel and Restaurant	187	175	7%
Recreation and Sports	45	38	18%
Sub Total	232	213	9%
Infrastructure			
Town Management	63	61	3%
Water Management	57	52	10%
Others	16	12	33%
Sub Total	136	125	9%
Management Services	42	15	180%
Asset Enhancement	36	27	33%
<b>TOTAL</b>	<b>446</b>	<b>380</b>	<b>17%</b>



### Gross Profit

In 2007, the Company's gross profit margin improved slightly to 53% from 51% in 2006.

#### Gross Profit

	2007		2006	
	Billion Rupiah	Margin	Billion Rupiah	Margin
<b>Development Revenue</b>	<b>656</b>	<b>64%</b>	<b>595</b>	<b>63%</b>
Retail	313	70%	302	64%
Land plots	234	74%	254	71%
Residential	62	31%	39	32%
Memorial Park	47	84%	N.A.	N.A.
<b>Healthcare</b>	<b>165</b>	<b>26%</b>	<b>140</b>	<b>24%</b>
<b>Hospitality &amp; Infrastructure</b>	<b>285</b>	<b>64%</b>	<b>238</b>	<b>63%</b>
<b>Total</b>	<b>1,106</b>	<b>53%</b>	<b>973</b>	<b>51%</b>

The margin improvement was partly attributed to the launching of San Diego Hills Memorial Park product in early 2007, with a gross profit margin of 84%, the highest among the Company's businesses. In addition, the Company had also witnessed the increasing sales of commercial and upper end residential area in its townships which also contributed to higher gross profit margin. The contribution of the fee-based income from REIT and asset management in the future is also expected to improve the overall gross profit margin, and an increasing trend of contribution from those revenues will be sufficient to compensate the potential margin tightening resulting from the shifting from higher-margin strata-titled mall sales to lower margin leased malls and condominium sales.

### Operating Expenses

The Company's operating expenses grew by 23% in 2007, mainly attributable to 27% increase in General & Administrative (G&A) Expenses. The two main contributing factors in increasing G&A expenses were 32% hike in salary expenses and the booking of full year rental expenses paid to the First REIT: the sale and leaseback transaction of the four properties entered into in the fourth quarter of 2006. Although the rental expenses to the First REIT incurred for the first time in 2006, the Company started paying the rental expenses for full year in 2007.

The Rp 50.7 billion increase in salary expenses from Rp 158 billion in 2006 was mainly associated with the Company's entry into a number of mega projects, the superblock development in Kemang Village and in upcoming Puri Village. The development value of the two superblock projects in Jakarta could easily fetch USD 1.5 billion in total and the two developments will become the Company's main revenue generator for the next several years.

Detail of REIT expenses:	Rental Expenses (SGD 24.6 million)	Rp 135,939,535,477
	Amortization of Income (non cash)	(Rp 47,871,677,433)
	Offset : 20% distribution of profit	(Rp 24,189,562,488)
	Net Effect in G&A Expenses	Rp 63,878,295,556

### Net Profit After Tax

The Company's Net Profit After Tax grew by Rp 28 billion in 2007, or an 9% increase from 2006. As a percentage to gross revenue, however, the Net Profit After Tax decreased slightly, from 18% in 2006 to 17% in 2007.

## Derivatives

The Company is exposed to the foreign currency risk both in translation risk (Balance Sheet exposure) as well as transactional risk (cash flow exposure). The translation risk, especially pertaining to the Company's USD 250 million Eurobonds outstanding since 2006 has been fully hedged by the 9 derivative contracts with various international banks, as follows:

- a) 6 Call Spread Contracts with the following banks: BNP Paribas, UBS AG, Deutsche Bank and Merrill Lynch Capital Markets Bank Ltd. for the Notional Amount of USD 175 million. These give the Company the option to buy the USD Notional Amount at the strike price of Rp 9,000 to Rp 9,200/USD on 7 March 2011 if the prevailing spot rate is below Rp 12,000/USD.
- b) 3 Seagull Contracts with J.P. Morgan (S.E.A) Ltd and BNP Paribas for the Notional Amount of USD 75 million. These give the Company option to buy the USD Notional Amount at the rate of Rp 9,200/USD on 7 March 2011 if the prevailing spot rate is between Rp 9,200 to Rp 12,000 per USD, and fix the exchange rate for the Notional Amount at the rate of Rp 8,250/USD and Rp 9,200/USD if the prevailing spot rate is below Rp. 8,250/USD and Rp 9,200/USD respectively for each contract.

It is noted that the Company's foreign exchange cash flow exposure is not hedged. The major annual obligation in foreign currency includes the 8.875% p.a. coupon payment on the USD 250 million Eurobonds, and about SGD 25 million Rental Expenses payable annually to the First REIT.

## Balance Sheet

Lippo Karawaci had assets of Rp 10,533 billion as of 31 December 2007. This was 24% above the 2006 figure of Rp 8,486 billion. In addition to the retained earning in 2007, the November redemption of the outstanding Warrants had led to large addition of cash of over Rp 900 billion in the assets of the Company.

## Liquidity

Cash position as of 31 December 2007 was Rp 2,029 billion, together with Rp 278 billion worth of First REIT units in Marketable Securities and Rp 515 billion in Account Receivables made up the total of Rp 2,822 billion liquidity position at end-2007. The Company's total liquid assets were almost twice of its total short term liabilities. Such cash position has been earmarked for financing the existing construction schedule, particularly of the superblock development, and for any investment and acquisition in land and other property assets in due time, as opportunities present themselves.

## Credit Worthiness

The Warrants exercised in November 2007 brought in Rp 919 billion of cash to strengthen the equity capital of the Company. This had reduced the Debt to Equity Ratio from 75% to 68%, way below the Company's policy of maximum D/E Ratio of 1. Taking into account the Cash position, Net Gearing Ratio (Net Debt/Equity) was down to 20% in 2007 from 34% in the previous year.

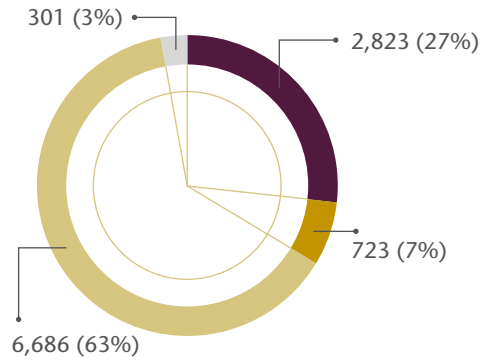
The Company has been rated by three international and two domestic rating agencies as follows:

	Rating & Outlook	Domestic Rating
S&P	B+/Stable	
Fitch	B+/Stable	BBB+(idn)
Moody's	B1/Negative	A2.id / Negative

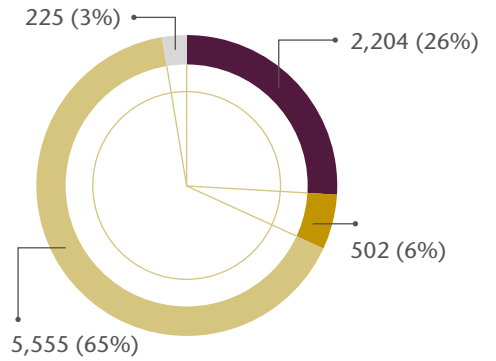
## Balance Sheets Composition

Assets 2007 (billion Rupiah)

- Liquidity (Cash, Marketable Securities, Account Receivables)
- Other Operating Assets
- Property & Equipment and Landbank
- Intangible Assets

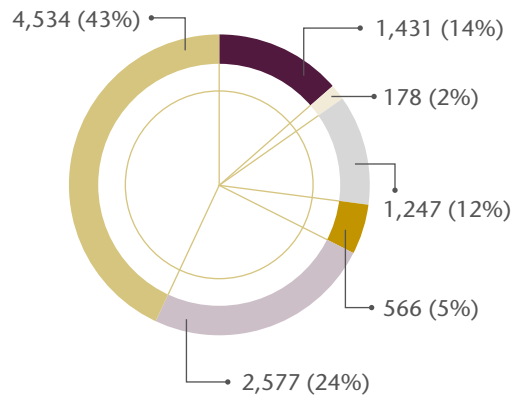


Assets 2006 (billion Rupiah)

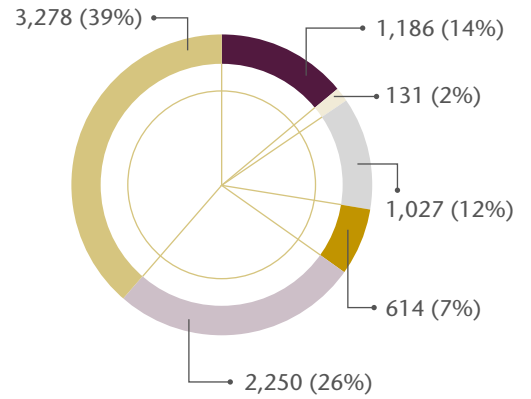


Liabilities & Stockholders' Equity 2007 (billion Rupiah)

- Short-term Liabilities (Short-term Debt, Accounts Payable, Accrued Expenses & Tax Payable)
- Other Operating Liabilities
- Non Cash Liabilities (Deferred Income, etc)
- Customers' Deposits
- Long-term Debt
- Equity (including Minority Interests)



Liabilities & Stockholders' Equity 2006 (billion Rupiah)





## Human Resources

The Code of Conduct of the Company, which describe the values, principles, rules and regulations of the Company, provide support and guidance for employees at all levels in making their decisions.

## Human Resources

PT Lippo Karawaci Tbk realizes that the quality of its human resources is of paramount importance to its future success. For that reason, the Company has invited Louis Allen Worldwide Management Consultants to bring about significant changes in its human resources management practices, in creating unified management systems, and in overall coordination of human resource effectiveness. These initiatives are expected to enhance employees job effectiveness and satisfaction, in order to address the increasing demand and challenges as a regional organization and ultimately, to create values to shareholders.

These initiatives started in 2006 with the standardization of remuneration and positions and on the new company-wide Oracle based system. The results have been positive in four respects. First, the new system allows for a faster and more effective allocation of personnel towards various projects. Second, the system promotes high motivational atmosphere to make the best out of each individual. Third, through such a system, the management is better equipped to address future training needs and finally, raising the level of professionalism throughout the organization.

The quality of human resource in the Housing & Land Development Division is important to ensure that development projects are well planned and can be executed within the specified budget and time frame and, at the same time, can be marketed timely and effectively. In the Healthcare Division, the newly established School of Nursing is expected to increase the supply of highly skilled nurses to support the future expansion of Siloam



Hospitals. At the same time, Siloam Hospitals' medical professional search committees are actively attracting top candidates to fill in a growing roster of positions within the hospitals. In the Hospitality and Infrastructure Division, there has been a continuous effort to instill professionalism and to reinforce the values of personalized service and lifestyle enhancement. The aim is to empower employees with the 'special touch' and willingness to go extra-miles to satisfy residents and clients of the townships, for which Lippo Karawaci is known for.

### **Employees' Code of Conduct**

The Company's Code of Conduct are living guidelines for employees of all levels. The Code of Conduct describe the values, principles, rules and regulations of the Company, to be adhered by all employees and at the same time, provide a basis for making good and well-informed decisions.

Human Resources quality is important to ensure that development projects are well planned and implemented according to schedule.



**Human Resources quality is important to ensure that development projects are well planned and implemented according to schedule.**

Every employee is required to sign the Employees' Code of Conduct and by doing so, they agree to abide by their requirements. The Code of Conduct cover issues of integrity, gifts/other presents, conflict of interest, and confidentiality. By writing down these principles, rules and regulations, employees have a better understanding of what are required of them.

#### **Enhancing the Organization Capability**

To support its growth strategy, the Company must constantly upgrade the skills and knowledge of its people and at the same time constantly looking for new talents. The Company will continue to re-asses its management systems, organizational structure and monitor its progress and effectiveness to ensure its alignment with its vision and mission.

#### **Employee Profile**

The total number of employees increased in 2007 to 5,234 employees, of which 80% were permanent and the remaining 20% were temporary employees.

From the total employees in 2007, 46% were in the Healthcare Division, 31% were in the Hospitality & Infrastructure Division, and 23% were in the Housing & Land Development Division. These numbers were in line with those from the previous year, reflecting a balanced growth overall.



# Corporate Governance Report





## Corporate Governance Report

Lippo Karawaci believes that its commitment to upholding GCG in all aspects of the operation is a very important factor in meeting the Company's business objectives.



## **Corporate Governance Report**

Lippo Karawaci is fully aware of the importance of upholding Good Corporate Governance (GCG) practices throughout its organization in earning the trust of customers, shareholders and all stakeholders. The Company also believes that its commitment to upholding GCG in all aspects of the operation is a very important factor in meeting the Company's business objectives.

The management of Lippo Karawaci consistently conducts continuous and overall control to ensure that the corporate culture is implemented according to GCG principles, and so that all employees are fully aware of these guidelines. The following report outlines how the Company has implemented GCG, and the risk management associated with the Company's operations.

### **Board of Commissioners (BOC)**

The Board of Commissioners 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.

Assisted by the established Committees, 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 based on their standing as prominent individuals who have high integrity, extensive experience and in-depth expertise in managing national and multinational organization.

As of 31 December 2007, the BOC of Lippo Karawaci consisted of 12 (twelve) members, including the President Commissioner and 7 (seven) Independent Commissioners.

The composition of the BOC as per 31 December 2007 is as follows:

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
Independent Commissioner	: Jonathan L. Parapak
Independent Commissioner	: Adrianus Mooy
Commissioner	: Charley Song Lin
Commissioner	: Jiang Wei
Commissioner	: Eddy Sindoro
Commissioner	: Viven G. Sitiabudi

Attendance data of BOC Meeting

Date	Percentage
16 March 2007	70%
27 April 2007	60%
27 July 2007	55%
9 October 2007	64%
9 November 2007	55%

### Board of Directors

The BOD of Lippo Karawaci is responsible for managing the Company's daily operations, 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 in relation with internal audit findings. In addition, the BOD's responsibilities also extend to formulating business strategy, including the Company's business plan and budget, as well as ensuring that the implementation of accounting and administration practices is in accordance with all prevailing regulations for listed companies.

Similar to the BOC, candidates for the BOD are nominated by the controlling shareholders and are appointed through the AGSM. As of 31 December 2007, the BOD consists of 6 (six) members as follows:

President Director	: Eddy H. Handoko
Director	: Tjokro Libianto
Director	: Ketut Budi Wijaya
Director	: Jopy Rusli
Director	: Hendra Agus Sugandi
Director	: Yuke Elia Susiloputro

### Periodic Meetings of the BOC and BOD

The BOC and the BOD conducted 5 (five) joint meetings during 2007 to discuss a variety of issues, including reviews of the business strategy and its implementation, as well as business and operational performance. The BOD conducted a further 26 (twenty six) meetings to discuss operational issues.

Attendance data of BOD Meetings

Date	Percentage	Date	Percentage
2 January	67%	3 July	67%
16 January	83%	17 July	83%
23 January	100%	31 July	83%
30 January	100%	14 August	100%
13 February	100%	21 August	100%
27 February	83%	4 September	100%
13 March	100%	11 September	100%
1 May	67%	18 September	83%
22 May	83%	25 September	83%
31 May	100%	2 October	100%
5 June	83%	30 October	67%
14 June	83%	11 December	67%
28 June	67%	18 December	100%

### BOC Committees

To ensure the implementation of GCG, the BOC has established an Audit Committee and the Remuneration Committee, both of which are responsible to the BOC. During 2007, the Audit Committee conducted 4 (four) meetings and the Remuneration Committee conducted 1 (one) meeting.

#### Audit Committee

The Audit Committee is assigned to provide independent and professional opinions on reports submitted by the BOD to the BOC. The Audit Committee also ensures 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 auditors, to 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.

The composition of the members of Audit Committee as of 31 December 2007 is as follows:

Chairman : Farid Harianto

Member : Isnandar R. Ali

Utomo Santoso

The Audit Committee's activities in 2007 are described in the Audit Committee Activity Report in this Annual Report.

### **Remuneration Committee**

The Remuneration Committee is established to assist the BOC in enhancing the management quality through the formulation and implementation of an appropriate remuneration policy. The Committee has the authority to submit recommendations on remuneration policy and in execution of its duties, the Committee is allowed to seek internal and external opinions. The Remuneration Committee conducts at least one meeting a year.

As of 31 December 2007, the composition of the Remuneration Committee is as follows:

Chairman : Theo L. Sambuaga

Member : Farid Harianto

Jonathan L. Parapak

Eddy Sindoro

### **Internal Audit**

The Internal Audit is responsible for the implementation of the company's 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 Internal Audit activity reports and any planned corrective actions, and acts in conjunction with the Independent Auditor during the audit process. In addition, the Internal Audit periodically audits the Company's functional departments and project offices, and reports its findings to the BOD. All reports of the Internal Audit, including the 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 statement. The Independent Auditor is appointed based on the criteria determined by the AGSM.

Based on the authority delegated by the shareholders at the AGSM held on 23 May 2007, the BOC appointed Aryanto Amir Jusuf & Mawar as the Independent Auditor for the financial statement for the year ended 31 December 2007.

### **Corporate Secretary**

As part of the commitment toward transparency and disclosure, Lippo Karawaci has a Corporate Secretary, who is responsible to maintain 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 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.

Lippo Karawaci held the AGSM on 23 May 2007 and an Extraordinary General Shareholder Meeting on 28 November 2007. Moreover, the Company periodically reported the share ownership of its majority shareholders to the Indonesia Capital Market Supervisory Agency (Bapepam), the Jakarta Stock Exchange (JSX) and the Surabaya Stock Exchange (SSX) - currently the Indonesia Stock Exchange/IDX, 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 IDX and the media. Investors and the general public may also access information regarding the Company and its activities through the Company's website: [www.lippokarawaci.co.id](http://www.lippokarawaci.co.id).

### **Business Risks**

Lippo Karawaci is fully aware of the existence of business risks related to 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 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.

**Operational 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 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.



## Audit Committee Report

Lippo Karawaci, 26 February 2008

To  
The Board of Commissioners  
PT Lippo Karawaci Tbk  
Menara Matahari, 22<sup>nd</sup> Floor  
7 Boulevard Palem Raya  
Lippo Karawaci Central  
Tangerang 15811

Dear Commissioners,

Re: Audit Committee Report

Pursuant to the requirement 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 2007.

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 Aryanto Amir Jusuf & Mawar, Registered Public Accountant, to conduct an audit on the consolidated Financial Statement of PT Lippo Karawaci Tbk and its subsidiaries for the year ended 31 December 2007, pursuant to the authority granted by the Shareholders in the Annual General Shareholders Meeting held on 23 May 2007.

The Audit Committee duly submits this report.

Yours Sincerely,



Farid Harianto  
Chairman



Isnandar R. Ali  
Member



Utomo Santoso  
Member

## Audit Committee



**Farid Harianto**  
Chairman

Mr. Harianto has over 15 years of experience in the financial 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 Institut Teknologi Bandung (ITB), and was later awarded Ph.D degree 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 Senior Advisor to the Institute for Human Virology and Cancer Biology at Universitas Indonesia.



**Isnandar R. Ali**  
Member

Prior to his assignment as a member of Audit Committee, Mr. Ali was the President Director of PT Kotamas Makmur, PT Lippo Indah and Bank Pasar Perdagangan, the Vice President Director of Bank Bhumi Bahari, and lastly as Vice President Director of Tokai Lippo Bank (a joint venture with Japanese Bank). He obtained his Bachelor's degree and MM degree from Universitas Krisnadwipayana and a Ph.D degree from Universitas Negeri Jakarta.



**Utomo Santoso**  
Member

Apart from his assignment as a member of Audit Committee, Mr. Santoso is concurrently serving as President Director of PT EcoStar Engineering, an environmental engineering company, PT Karabha Digdaya, Emerald Golf & Country Club, and PT Sibany International. Having considerable leadership experience in various companies in Indonesia, he is also the founder and member of Asian Golf Course Owner Association (AGCOA). He earned his Bachelor's Degree from Universitas Diponegoro and Postgraduate degree from Oregon State University, USA.

# Remuneration Committee Report

Lippo Karawaci, 26 February 2008

To  
The Board of Commissioners  
PT Lippo Karawaci Tbk  
Menara Matahari, 22<sup>nd</sup> Floor  
7 Boulevard Palem Raya  
Lippo Karawaci Central  
Tangerang 15811

Dear Commissioners,

Re: Remuneration Committee Report

The establishment of the Remuneration Committee is part of the implementation of Good Corporate Governance with regards to a competitive remuneration package. The Committee is established to assist the duties of the Board of Commissioners in determining the remuneration system and its implementation for the members of the Board of Commissioners and Board of Directors.

Members of the Remuneration Committee are appointed by the Board of Commissioners meeting on 26 April 2007. The membership composition of the Remuneration Committee is as follows:

Chairman : Theo L. Sambuaga  
Members : Farid Harianto,  
Jonathan L. Parapak  
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 the Board of Commissioners and the Board of Directors of PT Lippo Karawaci Tbk, including the honorarium and fringe benefits, if applicable, for the Board of Commissioners, as well as the salary, bonus and parting package (in the case of retirement or resignation) for the Board of Directors.
3. Resolutions are made by 3 votes out of 4, in a Committee meeting or by a circular letter. In the absence of the 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 budget for the Board of Commissioners and Board of Directors is determined by the Remuneration Committee based on the performance of the Company and each member of the Board of Commissioners and Board of Directors.

The Remuneration Committee conducted a meeting on 8 October 2007 to determine the budget allocation for honorarium and fringe benefits for Commissioners as well as the salaries and bonuses for Directors of the Company. For the year 2007, the gross Remuneration amounted Rp 20,022,449,079 (Twenty billion twenty two million four hundred and forty nine thousand seventy nine rupiahs).



Theo L. Sambuaga  
Chairman



Farid Harianto  
Member



Jonathan L. Parapak  
Member



Eddy Sindoro  
Member

## Remuneration Committee



**Theo L. Sambuaga**  
Chairman

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 Universitas Indonesia, and a graduate degree from the School of Advanced International Studies, Johns Hopkins University, USA.



**Farid Harianto**  
Member

Mr. Harianto has over 15 years of experience in the financial 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 Institut Teknologi Bandung (ITB), and was later awarded Ph.D degree 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 Senior Advisor to the Institute for Human Virology and Cancer Biology at Universitas Indonesia.



**Jonathan L. Parapak**  
Member

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.



**Eddy Sindoro**  
Member

Mr. Sindoro brings his extensive experience and leadership capabilities to his position as 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 an MBA degree from Mississippi State University, USA.

## Social Responsibility of the Company

Lippo Karawaci takes every opportunity to make a difference to the people's lives in the communities in which it operates and beyond, and involves in a number of programs and activities with the overall objective of enhancing the community's standard of living and impacting their lives.

The Company supports its blood donor club (KDDLK / Klub Donor Darah Lippo Karawaci) that has periodically conducted blood donor activities since 1999. The Company also regularly organizes several health seminars for the community concerning current health issues, such as avian flu and dengue.

The Charity Ward at Siloam Hospitals Lippo Karawaci continuously provides affordable high quality medical services. In 2007, the Charity Ward served over 1,600 patients. The Indonesian Brain Foundation based at this hospital, has helped 126 neuro patients, whilst the Children's Charity Fund treated more than 100 young patients.

Through "Lippo Karawaci Peduli" program, the Company has implemented several education, medical and welfare assistance programs for the people live in the villages around Lippo Karawaci township, such as the development of public libraries and health clinics for the communities. Since 1999, the Company has involved in community development programs through the "Gerakan Masyarakat Mandiri". This program is intended to assist low income people in the community to improve their economic welfare through home industry activities such as poultry, fish and vegetable farms, provided 10 hectares for 93 households.

The Company also organizes post-disaster handling programs, personnel mobilization, supply, and assistance funds to areas in need, following the 2005 tsunami relief in Aceh, the 2006 earthquake relief in Yogyakarta, and flood relief in Jakarta at the beginning of 2007. In addition, Lippo Karawaci actively assists independent organizations in conducting charity activities, such as Kampung Kids, East Bali Poverty Project, a rehabilitation project for the disabled in Aceh, and the Aceh Tsunami Relief Fund.

In its overall development, the Company has the commitment to optimize clean and healthy living environment. Tree planting programs, enhancement of the community awareness concerning environment, as well as the creation of comfortable environments, are still the main priorities of the Company.



# Corporate Data

# Projects/Business Units Addresses

## Residential, Retail & Commercial



**Lippo Karawaci City**  
Marketing Gallery, Menara Matahari 1<sup>st</sup> Floor  
Boulevard Palem Raya No.7  
Lippo Karawaci Central  
Tangerang 15811, Banten, Indonesia  
Tel. 62 (21) 25669000  
Fax. 62 (21) 25669099



**Lippo Cikarang City**  
Menara Pasifik, Lippo Cikarang  
M.H. Thamrin Kav. 107  
Bekasi 17550, West Java, Indonesia  
Tel. 62 (21) 8972484/88  
Fax. 62 (21) 8972039/2493



**Tanjung Bunga City**  
Metro Tanjung Bunga Kav. 3-5  
Tanjung Bunga, Makassar 90134  
South Sulawesi, Indonesia  
Tel. 62 (411) 8113456  
Fax. 62 (411) 856242



**Royal Serpong Village**  
Ruko WTC No. 5833, Jatiuwung  
Raya Serpong No. 39  
Tangerang 15326  
Banten, Indonesia  
Tel. 62 (21) 5376420  
Fax. 62 (21) 5376435



**San Diego Hills Memorial Park**  
Sudirman Tower Condominium 1<sup>st</sup> Floor  
Garnisun Dalam No. 8  
Karet Semanggi, Jakarta 12930  
Indonesia  
Tel. 62 (21) 5745501  
Fax. 62 (21) 5745503



**WTC Matahari**  
Raya Serpong No. 39  
Tangerang 15326  
Banten, Indonesia  
Tel. 62 (21) 53155656  
Fax. 62 (21) 53155757



**Metropolis Town Square**  
Hartono Raya Modern, Kelapa Indah  
Tangerang 15117, Banten, Indonesia  
Tel. 62 (21) 55748388  
Fax. 62 (21) 55748389



**GTC Makassar**  
Metro Tanjung Bunga  
Tanjung Bunga, Makassar 90134  
South Sulawesi, Indonesia  
Tel. 62 (411) 838990  
Fax. 62 (411) 838819



**Depok Town Square**  
Margonda Raya No. 01  
Pondok Cina Beji, Depok 16424  
West Java, Indonesia  
Tel. 62 (21) 78884330  
Fax. 62 (21) 7757968



**Malang Town Square**  
Veteran No. 2, Klojen – Penanggungan  
Malang, East Java, Indonesia  
Tel. 62 (341) 575763  
Fax. 62 (341) 575767



**Grand Palladium Medan**  
Kapten Maulana Lubis, Medan 20112  
North Sumatera, Indonesia  
Tel. 62 (61) 77108393  
Fax. 62 (61) 4564393



**Bellanova Country Mall**  
M. H. Thamrin No. 8  
Bukit Sentul, Bogor 16810  
West Java, Indonesia  
Tel. 62 (21) 87961905  
Fax. 62 (21) 87961915



**Binjai Supermall**  
Soekarno Hatta No.14, Binjai 20731  
North Sumatera, Indonesia  
Tel. 62 (61) 8825111  
Fax. 62 (61) 8830115



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

## Mixed Use Projects, Siloam Hospitals, Infrastructure



**City of Tomorrow**  
Jend. Achmad Yani No.1, Surabaya  
East Java, Indonesia  
Tel. 62 (31) 8273888  
Fax. 62 (31) 8273666



**Kemang Village**  
Pangeran Antasari No. 36  
Jakarta 12150, Indonesia  
Tel. 62 (21) 7255999  
Fax. 62 (21) 7266999



**Siloam Hospitals Lippo Karawaci**  
Siloam No. 6, Lippo Karawaci 1600  
Tangerang 15811, Banten, Indonesia  
Tel. 62 (21) 5460055



**Siloam Hospitals Kebon Jeruk**  
Raya Perjuangan Kebon Jeruk  
Jakarta 11530, Indonesia  
Tel. 62 (21) 5300887/8/9



**Siloam Hospitals Surabaya**  
Raya Gubeng No. 70, Surabaya 60281  
East Java, Indonesia  
Tel. 62 (31) 5031333



**Town Management Services**  
2121 Boulevard Gajah Mada # 01-01  
Lippo Cyber Park, Lippo Karawaci  
Tangerang 15811, Banten, Indonesia  
Tel. 62 (21) 55790190/91  
Fax. 62 (21) 55797111/17



**Office Building Management**  
2121 Boulevard Gajah Mada # 01-01  
Lippo Cyber Park, Lippo Karawaci  
Tangerang 15811, Banten, Indonesia  
Tel. 62 (21) 55790190/91  
Fax. 62 (21) 55797111/17



**Transportation**  
2121 Boulevard Gajah Mada # 01-01  
Lippo Cyber Park, Lippo Karawaci  
Tangerang 15811, Banten, Indonesia  
Tel. 62 (21) 55790190/91  
Fax. 62 (21) 55797111/12



**Puri Village**  
2121 Boulevard Gajah Mada # 01-01  
Lippo Cyber Park, Lippo Karawaci  
Tangerang 15811, Banten, Indonesia  
Tel. 62 (21) 55790190/91  
Fax. 62 (21) 55797111/17



**Siloam Hospitals Lippo Cikarang**  
M.H. Thamrin Kav. 105, Lippo Cikarang  
Bekasi 17550, West Java, Indonesia  
Tel. 62 (21) 89901088



**Semanggi Specialist Clinic**  
Veteran Building 7<sup>th</sup> Floor  
Plaza Semanggi  
Jend. Sudirman Kav. 50, Jakarta 12930  
Tel. 62 (21) 25539326/25539327  
Fax. 62 (21) 25539325



**Potable & Waste Water Management**  
2121 Boulevard Gajah Mada # 01-01  
Lippo Cyber Park, Lippo Karawaci  
Tangerang 15811, Banten, Indonesia  
Tel. 62 (21) 55790190/91  
Fax. 62 (21) 55797111/17



**Home Care Unit**  
2121 Boulevard Gajah Mada # 01-01  
Lippo Cyber Park, Lippo Karawaci  
Tangerang 15811, Banten, Indonesia  
Tel. 62 (21) 55790190/91  
Fax. 62 (21) 55797111/17

## Hotels & Resort, Leisure, Restaurants, Convention



**Aryaduta Hotel Jakarta**  
Prapatan 44-48  
Jakarta 10110, Indonesia  
Tel. 62 (21) 2352 1234  
Fax. 62 (21) 2351 8646



**Imperial Aryaduta Hotel & Country Club Lippo Karawaci**  
Boulevard Jend. Sudirman No. 401  
Lippo Karawaci 1300  
Tangerang 15811, Banten, Indonesia  
Tel. 62 (21) 546 0101/0123  
Fax. 62 (21) 546 0201/0124/0203



**Aryaduta Hotel Pekanbaru**  
Diponegoro No. 34  
Pekanbaru 28116, Riau, Indonesia  
Tel. 62 (761) 44 200/209  
Fax. 62 (761) 44 210, 46 527/510



**Imperial Aryaduta Hotel Makassar**  
Somba Opu No. 297, Makassar 90111  
South Sulawesi, Indonesia  
Tel. 62 (411) 870 555  
Fax. 62 (411) 870 222/202/666



**The Aryaduta Hotel Medan**  
Kapten Maulana Lubis No. 8  
Medan 20112  
North Sumatera, Indonesia  
Tel. 62 (61) 457 2999  
Fax. 62 (61) 457 1999



**Puncak Resor**  
Hanjarwar, Desa Sukanagalih Pacet  
Kabupaten Cianjur 43253  
West Java, Indonesia  
Tel. 62 (263) 515001  
Fax. 62 (263) 515020



**Imperial Klub Golf**  
Pulau Golf 2709  
Lippo Karawaci 2700  
Tangerang 15811, Banten, Indonesia  
Tel. 62 (21) 546 0120  
Fax. 62 (21) 546 0121



**Permata Sports Club**  
Taman Permata No. 301  
Vila Permata, Lippo Karawaci  
Tangerang, Banten, Indonesia  
Tel. 62 (21) 5472308/5915966



**Grand Bowling**  
WTC Matahari – Serpong  
Raya Serpong No. 39  
Tangerang 15326, Banten, Indonesia  
Tel. 62 (21) 53155656  
Fax. 62 (21) 53155757



**Shima Japanese Restaurant**  
Main Lobby - Aryaduta Hotel Jakarta  
Prapatan No. 44-48,  
Jakarta 10110, Indonesia  
Tel. 62 (21) 3852233, 3844926,  
62 (21) 2311234 ext. 88159/88199



**Taman Sari Food Center**  
Boulevard Palem Raya 2809  
Lippo Karawaci 1200  
Tangerang 15811, Banten, Indonesia  
Tel. 62 (21) 5460839/5472305  
Fax. 62 (21) 5460842



**Benton Junction**  
Boulevard Palem Raya No.3  
Lippo Karawaci  
Tangerang 15811, Banten, Indonesia  
Tel. 62 (21) 55790190/91  
Fax. 62 (21) 55797111



**Balai Serpong**  
WTC Matahari - Serpong  
Raya Serpong No. 39  
Tangerang 15326, Banten, Indonesia  
Tel. 62 (21) 53155656  
Fax. 62 (21) 53155757

# Supporting Professional & Institutions

## Registered Public Accountant

Aryanto Amir Jusuf & Mawar (AAJ Associates)  
Plaza ABDA 10th & 11th Floor  
Jend. Sudirman Kav. 59  
Jakarta 12190, Indonesia

## Legal Consultant

Makes & Partners Law Firm  
Menara Batavia 7th Floor  
K.H. Mas Mansyur Kav. 126  
Jakarta 10220, Indonesia

## Share Registrar

PT Sharestar Indonesia  
Citra Graha 3rd Floor  
Gatot Subroto Kav. 35-36  
Jakarta 12950, Indonesia



# Profile of the Board of Commissioners



1. 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 degree in Finance from the University of Pittsburgh, USA.



2. 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.



3. 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 Universitas Indonesia, and a graduate degree from the School of Advanced International Studies, Johns Hopkins University, USA.



4. 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).



5. 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 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.



6. Farid Harianto  
Independent Commissioner

Mr. Harianto has over 15 years of experience in the financial 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 Institut Teknologi Bandung (ITB), and was later awarded Ph.D degree 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 Senior Advisor to the Institute for Human Virology and Cancer Biology at Universitas Indonesia.



7. Jonathan L Parapak  
Independent 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.



8. Adrianus Mooy  
Independent Commissioner

Mr. Mooy has many years of extensive experience in government as a former Ambassador to the European communities, Governor of Indonesia's Central Bank, Alternate Governor for Indonesia at Asian Development Bank, and served as Deputy Head of BAPPENAS. Mr. Mooy is currently a Partner of Strategic Asia and Senior Associate Professor at STIE Perbanas. He has been holding various advisory role as the Senior Advisor of Asian Development Bank, Indonesia's Central Bank, UNSFIR, SEACEN Center, United Nations ESCAP and the Government of Indonesia, as well as being a lecturer on the Faculty of Economics at Universitas Indonesia. Mr. Mooy earned his Bachelor of Science in Economics from Universitas Gajah Mada, Yogyakarta and holds a Master of Science degree and a Ph.D degree in Economics from the University of Wisconsin, USA.



9. 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.



10. 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 holds an undergraduate degree in International Trade and a Master degree in International Business and Finance from the University of International Business and Economics in Beijing, China.



11. Eddy Sindoro  
Commissioner

Mr. Sindoro brings his extensive experience and leadership capabilities to his position as 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 an MBA degree from Mississippi State University, USA.



12. Viven G. Sitiabudi  
Commissioner

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 Vice President Director of Allianz Life Indonesia.

# Profile of the Board of Directors



1. Eddy H. Handoko  
President Director

Mr. Handoko has over 20 years of experience in banking and financial services, which includes his stint as the Director of Lippo Bank from 1989 to 1998, President Director of PT Lippo Securities Tbk from 1998 until 1999, and Deputy President Director of Lippo Bank from 2000 until 2003. Prior to joining PT Lippo Karawaci Tbk, Mr. Handoko had been holding several management responsibilities in retail and property companies. He is also the Vice President Director of PT Multipolar Tbk and Director of PT Matahari Putra Prima Tbk. Mr. Handoko graduated from the University of Southern California, Los Angeles, with a degree in Business Administration.



2. 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 Universitas Brawijaya, Malang.



3. 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 PT Matahari Putra Prima Tbk, PT Multipolar Corporation Tbk, and PT Lippo Bank Tbk. He had also worked for PT Bridgestone Tire Indonesia and Darmawan & Co. Public Accountants.



4. 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 Trittipio & 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 degree in Real Estate from the National University, San Diego, USA.



5. 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, Universitas Atmajaya, Jakarta.



6. Yuke Elia Susiloputro  
Director

Mr. Susiloputro started his career as a design architect in Future Systems, Los Angeles, California from 1986 to 1988. He was later an Associate Director of Glenwood L. Garvey & Associates, Santa Monica, California. Prior to joining PT Lippo Karawaci Tbk, Mr. Susiloputro has been joining PT Lippo Cikarang Tbk since 1992. He was appointed as Director in 1995, Vice President Director in 1997 and President Director of PT Lippo Cikarang Tbk from 1999 to 2006. Mr. Susiloputro currently serves as Head of the New Township Development in the Indonesian Real Estate Association and the Chairman of the Indonesian Industrial Estate Association for Infrastructure Facilities Development. He is also the President Director of the International Zone Area (Special Economic Zone), Bekasi, West Java. Mr. Susiloputro earned Bachelor of Architecture from the Southern California Institute of Architecture, Santa Monica, California, USA.



# Profile Senior Executives



1. L. Krisnan Cahya

Mr. Cahya has over 25 years of experience in Corporate Finance and Banking. He was appointed as 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 Chief Financial Officer and later became Director of PT Multipolar Corporation Tbk.



2. 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, Singapore and Indonesia.



3. 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.



4. Juergen Fisher

Prior to his appointment as Chief Operating Officer of Lippo Karawaci's hotel division in 2007, Mr. Fisher was the General Manager of Imperial Aryaduta Hotel Makassar since June 2005. Mr. Fisher has over 26 years of experience in the hospitality industry in Europe, Middle East, Caribbean and Asia. He had been holding several managerial positions at Swiss-Belhotel International - Vietnam, Nakamanda Resort & Spa - Thailand, Gloria International Hotels China, The Legend Resort – Malaysia, and Aerowisata International Hotels in Bali and Lombok, Indonesia.



5. 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 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 Eurest. 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.



6. 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 homes 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 degree in Business Administration from De La Salle College in Manila, Philippines.



7. 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.



8. Krishnadi Kartawidjaja

Mr. Kartawidjaja, currently Chief of Hotel Development 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 Director of both the Sendang Group and the Jaya Group. He earned his undergraduate degree in Civil Engineering from Universitas Trisakti, Jakarta, and holds an MBA from the Prasetya Mulya Institute of Management, Jakarta.



9. 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 Universitas Trisakti, Jakarta.

# Responsibility for the 2007 Annual Report

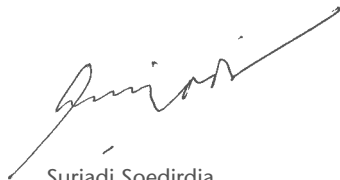
This 2007 Annual Report, including the accompanying financial statements and related financial information, is the responsibility of the Management of PT Lippo Karawaci Tbk, and has been duly approved by members of the Board of Commissioners and Board of Directors.

Lippo Karawaci, March 2008

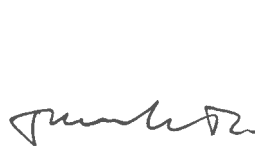
## Board of Commissioners



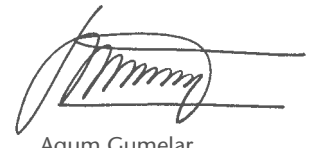
Ning Gaoning  
President Commissioner



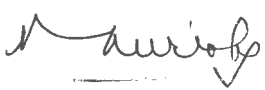
Surjadi Soedirdja  
Vice President Commissioner



Theo L. Sambuaga  
Independent Commissioner



Agum Gumelar  
Independent Commissioner



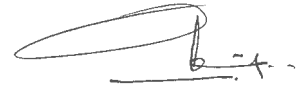
Tanri Abeng  
Independent Commissioner



Farid Harianto  
Independent Commissioner



Jonathan L. Parapak  
Independent Commissioner



Adrianus Mooy  
Independent Commissioner



Charley Song Lin  
Commissioner



Jiang Wei  
Commissioner



Eddy Sindoro  
Commissioner



Viven G. Sitiabudi  
Commissioner

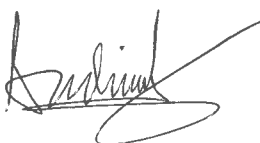
## Board of Directors



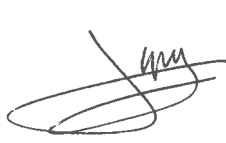
Eddy H. Handoko  
President Director



Tjokro Libianto  
Director



Ketut Budi Wijaya  
Director



Jopy Rusli  
Director



Hendra Agus Sugandi  
Director



Yuke Elia Susiloputro  
Director

the 1990s, the incidence of *S. flexneri* has increased in the United Kingdom [10]. In the United States, *S. flexneri* has been reported as the most common serotype in the 1990s [11]. In the United Kingdom, *S. flexneri* has been reported as the most common serotype in the 1990s [12].

The purpose of this study was to determine the prevalence of *S. flexneri* in the United Kingdom, and to determine the serotypes of *S. flexneri* in the United Kingdom. The study was conducted in the United Kingdom, and the results are presented in this paper.

#### MATERIALS

##### Specimens

The specimens were obtained from the National Public Health Service for Wales, and the National Public Health Service for England. The specimens were obtained from the National Public Health Service for Wales, and the National Public Health Service for England.

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# Financial Report



**RSM! AAJ Associates**

**PT LIPPO KARAWACI Tbk**  
AND SUBSIDIARIES

Independent Auditor's Report  
and  
Consolidated Financial Statements  
for the Years Ended  
31 December 2007 and 2006

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, 2007**

We the undersigned:

- |  |   |
|--|---|
| 1. Name                                      | : Eddy Harsono Handoko  |
| Address                                      | : 22 <sup>nd</sup> floor Menara Matahari<br>7 Boulevard Palem Raya<br>Lippo Karawaci Central, Tangerang 15811 |
| Residential Address<br>(as in identity card) | : Jln. Niaga Hijau Raya No. 51<br>RT. 001 RW. 017 Pondok Pinang<br>Kebayoran Lama, Jakarta Selatan            |
| Telephone                                    | : (021) 2566 9000   |
| Title  | : President Director  |
| 2. Name                                      | : Ketut Budi Wijaya   |
| Address                                      | : 22 <sup>nd</sup> floor Menara Matahari<br>7 Boulevard Palem Raya<br>Lippo Karawaci Central, Tangerang 15811 |
| Residential Address<br>(as in identity card) | : Jl. Percetakan Negara II/3<br>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, February 25, 2008

**PT Lippo Karawaci Tbk**

  
**Eddy Harsono Handoko**  
President Director

  
**Ketut Budi Wijaya**  
Director

**PT. Lippo Karawaci Tbk.**

7 Boulevard Palem Raya # 22-00, Menara Matahari Lippo Karawaci Central, Tangerang 15811, Banten - Indonesia

T. +62 21 2566 9000, F. +62 21 2566 9099

e-mail: [lippokarawaci.co.id](mailto:lippokarawaci.co.id) [www.lippokarawaci.co.id](http://www.lippokarawaci.co.id)

*This report is originally issued in Indonesian language*

**Number : R/019-E/7/02/08**

**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.aajassociates.com](http://www.rsm.aajassociates.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, 2007 and 2006, 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, 2007 and 2006, which reflect total assets of Rp 278,543 million and Rp 268,622 million or representing about 2.64% and 3.17% of total consolidated assets as of December 31, 2007 and 2006, respectively. Those financial statements were audited by other independent auditors, whose reports dated February 21, 2008 and February 12, 2007, 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.



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, 2007 and 2006, 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, February 25, 2008

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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.

R/019-E/7/02/08

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

As of December 31, 2007 and 2006

(In Full Rupiah)

<b>ASSETS</b>	<b>Notes</b>	<b>2007 Rp</b>	<b>2006 Rp</b>
Cash and Cash Equivalents	2.c , 2.d, 3, 31	2,028,987,176,903	1,349,407,328,222
Investments	2.c, 2.e, 4, 9, 31	384,331,626,350	356,004,602,653
Accounts Receivable	2.c, 2.f, 31		
Third Parties	5		
<i>(Net of allowance for doubtful accounts of         Rp 44,773,362,784 and Rp 46,127,711,387 as of         December 31, 2007 and 2006, respectively)</i>		513,353,151,107	608,315,933,346
Related Parties	5, 9		
<i>(Net of allowance for doubtful accounts of         Rp 577,533,675 and Rp 479,230,933 as of         December 31, 2007 and 2006, respectively)</i>		1,519,910,246	951,094,656
Other Receivables	2.c, 2.f, 2.t, 6, 29.j, 31		
<i>(Net of allowance for doubtful accounts of     Rp 6,648,533,019 as of December 31, 2007 and 2006)</i>		128,324,811,882	77,004,385,568
Inventories	2.g, 2.m, 7		
<i>(Net of allowance for decline in inventories value of     Rp 39,505,683 as of December 31, 2007 and 2006)</i>		4,339,285,439,208	3,673,731,892,479
Prepaid Taxes and Expenses	2.h, 2.o, 29.i	159,207,098,158	67,387,244,616
Purchase Advances	8	218,039,951,926	117,596,656,965
Due from Related Parties	2.f, 9		
<i>(Net of allowance for doubtful accounts of     Rp 13,533,963,585 and Rp 13,537,112,085 as of     December 31, 2007 and 2006, respectively)</i>		14,919,968,106	16,831,549,797
Deferred Tax Assets - Net	2.o, 16.b	97,073,401,826	112,241,618,574
Undeveloped Land	2.g, 2.m, 10	943,856,085,928	909,078,259,633
Property and Equipment	2.i, 2.j, 2.k, 11		
<i>(Net of accumulated depreciation of Rp 582,597,608,011     and Rp 520,229,657,537 as of December 31, 2007     and 2006, respectively)</i>		1,403,003,372,571	972,555,639,299
Intangible Assets	2.l, 12		
<i>(Net of accumulated amortization of Rp 40,246,985,092     and Rp 24,243,822,938 as of December 31, 2007     and 2006, respectively)</i>		140,049,011,818	117,682,785,721
Other Assets	2.c, 13, 29.a, 31	161,420,742,050	107,064,815,701
<b>TOTAL ASSETS</b>		<b>10,533,371,748,079</b>	<b>8,485,853,807,230</b>

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

R/019-E/7/02/08

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

As of December 31, 2007 and 2006

(In Full Rupiah)

<b>LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY</b>	<b>Notes</b>	<b>2007 Rp</b>	<b>2006 Rp</b>
<b>LIABILITIES</b>			
Loans	2.c, 2.m, 2.u, 14, 31		
Third Parties		2,840,228,118,625	2,419,923,389,282
Related Parties	9	23,873,687,583	26,530,602,207
Accounts Payable	2.c, 31	431,152,623,970	214,925,268,872
Other Payables	2.c, 2.t, 31	83,949,485,253	61,142,172,515
Accrued Expenses	2.c, 2.n, 15, 29.j, 31	336,684,907,988	261,181,053,546
Taxes Payable	2.o, 16.c	291,796,888,159	452,935,710,349
Advance from Customers	2.n, 9, 17	565,745,525,865	614,161,114,945
Deferred Income	2.n, 9, 18	563,540,080,041	313,913,981,950
Obligations Under Capital Lease	2.j	633,589,520	1,270,856,841
Due to Related Parties	9	80,992,954,549	44,813,093,707
Deferred Gain on Sale and Leaseback Transactions	2.j, 11, 29.i	683,630,692,306	712,866,650,227
Estimated Liabilities on Employees' Benefits	2.s, 19	96,729,382,177	84,589,868,185
<b>Total Liabilities</b>		<b><u>5,998,957,936,036</u></b>	<b><u>5,208,253,762,626</u></b>
<b>MINORITY INTERESTS</b>			
		<b><u>328,353,897,345</u></b>	<b><u>315,111,487,159</u></b>
<b>STOCKHOLDERS' EQUITY</b>			
Capital Stock			
Par Value of Rp 100 per share and Rp 250 per share as of			
December 31, 2007 and 2006, respectively			
Authorized Capital - 40,000,000,000 shares as of			
December 31, 2007 and 16,000,000,000 shares as of			
December 31, 2006			
Issued and Fully Paid - 17,302,151,695 shares as of			
December 31, 2007 and 5,871,017,072 shares as of			
December 31, 2006	20	1,730,215,169,500	1,467,754,268,000
Additional Paid in Capital - Net	21	1,304,222,206,548	648,069,952,798
Difference Arising from Restructuring Transactions	2.b, 2.q, 23	149,144,092,881	149,144,092,881
of Entities Under Common Control - Net			
Difference Arising from Foreign Currency Translations	2.b	2,918,405,155	(986,706,506)
Retained Earnings			
Appropriated	22	400,000,000	200,000,000
Unappropriated		1,019,160,040,614	698,306,950,272
<b>Total Stockholders' Equity</b>		<b><u>4,206,059,914,698</u></b>	<b><u>2,962,488,557,445</u></b>
<b>TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY</b>		<b><u>10,533,371,748,079</u></b>	<b><u>8,485,853,807,230</u></b>

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



R/019-E/7/02/08

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

	Notes	2007 Rp	2006 Rp
<b>NET SALES, SERVICES AND OTHER REVENUES</b>	2.n, 9, 24	2,091,353,986,596	1,905,330,356,857
<b>COST OF SALES AND SERVICES</b>	2.n, 25	985,224,114,979	932,337,046,506
<b>GROSS PROFIT</b>		<u>1,106,129,871,617</u>	<u>972,993,310,351</u>
<b>OPERATING EXPENSES</b>	2.n		
Selling	26.a	127,518,486,630	119,403,895,205
General and Administrative	26.b	517,489,904,633	406,416,679,488
Total Operating Expenses		<u>645,008,391,263</u>	<u>525,820,574,693</u>
<b>INCOME FROM OPERATIONS</b>		<u>461,121,480,354</u>	<u>447,172,735,658</u>
<b>OTHER INCOME (EXPENSES)</b>	2.n		
Interest Income - Net	27	48,610,026,225	10,479,745,322
Penalties Income - Net	28	16,397,209,137	8,445,581,606
Gain (Loss) on Foreign Exchanges	2.c	7,251,326,379	(3,550,458,689)
Gain on Disposal of Property and Equipment	2.i, 11	1,615,737,314	906,850,570
Unrealized Gain from Increasing of Market Value of Investment in Property	4.d	988,915,273	16,167,250,000
Amortization Expenses - Net	2.j, 2.l, 2.u	(29,136,085,568)	(14,157,104,320)
Others - Net		<u>(32,563,763,253)</u>	<u>(12,410,795,729)</u>
Total Other Income - Net		<u>13,163,365,507</u>	<u>5,881,068,760</u>
<b>INCOME BEFORE EQUITY IN NET EARNINGS OF ASSOCIATES</b>		474,284,845,861	453,053,804,418
<b>EQUITY IN NET EARNINGS OF ASSOCIATES</b>	2.e, 4	<u>9,988,818,939</u>	<u>10,937,953,719</u>
<b>INCOME BEFORE INCOME TAX BENEFIT (EXPENSE)</b>		<u>484,273,664,800</u>	<u>463,991,758,137</u>
<b>INCOME TAX BENEFIT (EXPENSE)</b>	2.o, 16.a		
Current		(100,634,382,672)	(192,760,905,013)
Deferred		<u>(15,168,216,748)</u>	<u>71,590,794,221</u>
Total Income Tax Expense		<u>(115,802,599,420)</u>	<u>(121,170,110,792)</u>
<b>INCOME BEFORE MINORITY INTERESTS</b>		368,471,065,380	342,821,647,345
<b>MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES</b>	2.b	<u>(15,443,598,685)</u>	<u>(17,985,276,013)</u>
<b>NET INCOME</b>		<u><u>353,027,466,695</u></u>	<u><u>324,836,371,332</u></u>
<b>EARNINGS PER SHARE</b>	2.p, 33		
Basic		24	22*
Diluted		--	19*

\* Restated, see Note 33

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

R/019-E/7/02/08

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER EQUITY**

For the Years Ended December 31, 2007 and 2006

(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
<b>BALANCE AS OF DECEMBER 31, 2005</b>		<b>1,466,424,785,000</b>	<b>644,746,245,298</b>	<b>149,144,092,881</b>	<b>--</b>	<b>200,000,000</b>	<b>432,119,289,787</b>	<b>2,692,634,412,966</b>
Exercised Warrant Series I	21	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
<b>BALANCE AS OF DECEMBER 31, 2006</b>		<b>1,467,754,268,000</b>	<b>648,069,952,798</b>	<b>149,144,092,881</b>	<b>(986,706,506)</b>	<b>200,000,000</b>	<b>698,306,950,272</b>	<b>2,962,488,557,445</b>
Exercised Warrant Series I	21	262,460,901,500	--	--	--	--	--	262,460,901,500
Premium on Exercising Warrant Series I	21	--	656,152,253,750	--	--	--	--	656,152,253,750
Cash Dividend	22	--	--	--	--	--	(31,974,376,353)	(31,974,376,353)
Reserved Fund	22	--	--	--	--	200,000,000	(200,000,000)	--
Difference Arising from Foreign Currency Translations	2.b	--	--	--	3,905,111,661	--	--	3,905,111,661
Net Income		--	--	--	--	--	353,027,466,695	353,027,466,695
<b>BALANCE AS OF DECEMBER 31, 2007</b>		<b>1,730,215,169,500</b>	<b>1,304,222,206,548</b>	<b>149,144,092,881</b>	<b>2,918,405,155</b>	<b>400,000,000</b>	<b>1,019,160,040,614</b>	<b>4,206,059,914,698</b>

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

R/019-E/7/02/08

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS CASH FLOWS**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

	2007 Rp	2006 Rp
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collection from Customers	2,424,899,434,483	2,093,154,009,872
Interest Payments - Net	(242,952,422,613)	(289,955,690,637)
Payment to Employees	(288,928,417,973)	(231,786,905,991)
Taxes Payment	(351,871,772,505)	(121,320,755,073)
Payment to Suppliers and Third Parties	(1,658,972,471,102)	(1,938,443,201,698)
Other Payments - Net	(11,891,982,152)	(676,183,939,935)
Net Cash Flows Used in Operating Activities	(129,717,631,862)	(1,164,536,483,462)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend Receipt	17,830,009,169	4,940,475,000
Redemption of Investments	11,111,390,009	24,769,465,833
Disposal of Property and Equipment	4,417,060,953	1,044,056,335
Payment for Advances	(8,284,536,605)	(20,057,491,474)
Withdrawal (Placement) of Restricted Funds	(14,061,846,021)	1,240,172,303
Acquisition of Property and Equipment	(505,843,039,233)	(193,211,613,341)
Net Cash Flows Used in Investing Activities	(494,830,961,728)	(181,274,935,344)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceed from Exercised Warrants	918,613,155,250	4,653,190,500
Proceed from Loans	369,243,473,258	126,530,603,207
Cash Received from Related Parties	37,201,731,445	20,187,853,362
Proceed from Bonds Issuance	--	2,336,250,000,000
Proceed from Sale and Leaseback Transactions	--	860,214,483,965
Payment of Obligations Under Capital Lease	(637,267,321)	(630,560,124)
Repayment of Promissory Notes	(18,375,533,921)	(57,573,487,053)
Dividend Payment	(31,974,376,353)	(58,648,710,847)
Repayment of Loans	(48,191,831,766)	(767,529,172,184)
Net Cash Flows Provided by Financing Activities	1,225,879,350,592	2,463,454,200,826
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	601,330,757,002	1,117,642,782,020
Effect on Foreign Exchanges on Cash and Cash Equivalents at the End of the Year	78,249,091,679	(55,863,296,358)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	1,349,407,328,222	287,627,842,560
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>2,028,987,176,903</b>	<b>1,349,407,328,222</b>
<b>Cash and Cash Equivalents at the End of the Year consist of:</b>		
Cash on Hand	3,376,342,435	3,653,956,635
Cash in Banks	172,916,986,738	483,792,502,041
Time Deposits	1,852,693,847,730	861,960,869,546
<b>Total</b>	<b>2,028,987,176,903</b>	<b>1,349,407,328,222</b>

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, 2007 and 2006

(In Full Rupiah)

**1. General**

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**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 Minister of Justice of The Republic of 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 has been amended several times and the latest by the Shareholders' Extraordinary Meeting Resolution, which was further legalized with notarial deeds No. 70 and No. 71 of Unita Christina Winata, SH dated November 30, 2007, concerning among others, the issuance of new shares resulting from the exercise of warrants series I and the Company's stock split. The deed of amendments were received and recorded by the Minister of Law and Human Rights of the Republic of Indonesia in his Letters No. C-UM.HT.01.10-5006 dated December 3, 2007 and No. C-UM.HT.01.10-5187 dated December 5, 2007.

In accordance with Article 3 of The Company's Article of Association, The Company's scope of activities includes real estate, urban development, land purchasing and clearing, land cut and fill, land development and excavation; infrastructure development, planning & development of homes, buildings, offices, and industrial estates, hotels, hospitals, commercial centres, sport centres, as well as supporting infrastructure, including but not limited to, golf courses, club houses, restaurants, other entertainment centres, medical laboratories, medical pharmacies and related facilities; sell, rent, and operate the above activities, build and manage accommodation and public facilities, operating activities in public services consist of public transportation, security protection, and other public services, except 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 Stock Exchange and Surabaya Stock Exchange 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 at Jakarta Stock Exchange and Surabaya Stock Exchange on January 16, 1998.

On 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.

# PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2007 and 2006

(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 Warrants 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 Stock Exchange and Surabaya Stock Exchange on January 20, 2005.

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

Based on Shareholders' Extraordinary Meeting (SEM) Resolution as covered by notarial deed No. 72 of Unita Christina Winata, SH dated November 30, 2007, the shareholders approved additional capital through Non Preemptive Rights Issuance (PRI) with maximum 5% of paid-in capital which will be executed by the Company after stock split were exercised. Additional capital through Non PRI can be exercised all at once or partially in 3 years since the approval obtained in SEM.

On December 26, 2007, the Company exercised stock split from Rp 250 per share to Rp 100 per share. The outstanding shares as of December 31, 2007 is 17,302,151,695 shares (see Note 20) and have been listed in Indonesia Stock Exchange (formerly Jakarta Stock Exchange 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 Activity	Ownership Percentage (directly and/or indirectly) %	Year of Operation Started	Total Assets	
					2007	2006
					Rp	Rp
PT Prudential Development	Tangerang	Real Estate	100.00	--	585,744,425	593,445,175
Lippo Karawaci Finance B.V.	Netherland	Investment, Trading and Service	100.00	--	2,379,909,046,153	2,253,257,218,554
Lippo Karawaci Corporation Pte. Ltd. and Subsidiaries	Singapore	Investment, Trading and Service	100.00	--	14,003,290,624	8,393,871,588
LK Reit Management Pte. Ltd. and Subsidiary	Singapore	Investment, Trading and Service	100.00	--	14,000,373,372	8,393,877,467
Bowsprit Capital Corp. Ltd.	Singapore	Investment, Trading and Service	80.00	--	13,997,667,565	8,393,871,588
Jesselton Investment Ltd. and Subsidiaries	Malaysia	Investment, Trading and Service	100.00	--	9,614,355,832	--
Peninsula Investment Ltd. and Subsidiary	Malaysia	Investment, Trading and Service	100.00	--	9,496,415,251	--
Lippo-Mappletree Indonesia Retail Trust Management Ltd.	Singapore	Investment, Trading and Service	60.00	--	9,378,455,832	--
PT Grand Villa Persada	Tangerang	Real Estate	100.00	--	587,048,000	589,485,000
PT Primakreasi Propertindo and Subsidiaries	Tangerang	Real Estate	100.00	--	197,860,998,280	87,521,864,111
PT Mujur Sakti Graha and Subsidiaries	Tangerang	Real Estate	99.83	--	159,219,682,637	33,520,775,452
PT Surplus Multi Makmur and Subsidiary	Jakarta	Real Estate	90.00	--	32,426,122,932	28,216,609,660
PT Arta Sarana	Bandung	Investment, Trading and Service	81.00	--	42,133,224,932	32,917,379,792
PT Graha Pilar Sejahtera	Tangerang	Trading, Development, Transportation and Service	100.00	--	12,483,217,294	--

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, 2007 and 2006

(In Full Rupiah)

Subsidiaries	Domicile	Main Business Activity	Ownership Percentage (directly and/or indirectly) %	Year of Operation Started	Total Assets	
					2007	2006
					Rp	Rp
PT Perdana Kencana Mandiri	Jakarta	Trading, Development, Industry and Service	100.00	--	395,500,000	--
PT PuriParagon	Tangerang	Trading, Development and Service	100.00	--	590,708,942	--
PT KemangParagon Mall	Tangerang	Trading, Development and Service	100.00	--	590,708,942	--
PT PluitParagon Mall	Tangerang	Trading, Development and Service	100.00	--	590,708,942	--
PT BaliParagon Mall	Tangerang	Trading, Development and Service	100.00	--	590,708,941	--
PT Kuta BeachParagon	Tangerang	Trading, Development and Service	100.00	--	590,708,941	--
PT PejatenParagon Mall	Tangerang	Trading, Development and Service	100.00	--	590,708,941	--
PT CibuburParagon Mall	Tangerang	Trading, Development and Service	100.00	--	590,708,941	--
PT PalembangParagon Mall	Tangerang	Trading, Development and Service	100.00	--	590,708,941	--
PT MedanParagon Mall	Tangerang	Trading, Development and Service	100.00	--	592,758,941	--
PT BogorParagon Mall	Tangerang	Trading, Development and Service	100.00	--	590,708,941	--
PT ThamrinParagon Mall	Tangerang	Trading, Development and Service	100.00	--	590,708,941	--
PT SurabayaParagon Mall	Tangerang	Trading, Development and Service	100.00	--	590,708,941	--
PT SemarangParagon Mall	Tangerang	Trading, Development and Service	100.00	--	590,708,941	--
PT RiauParagon Mall	Tangerang	Trading, Development and Service	100.00	--	590,708,941	--
PT LampungParagon Mall	Tangerang	Trading, Development and Service	100.00	--	590,708,941	--
PT PontianakParagon Mall	Tangerang	Trading, Development and Service	100.00	--	590,708,941	--
PT BatamParagon Mall	Tangerang	Trading, Development and Service	100.00	--	590,708,941	--
PT Graha Solusi Mandiri	Jakarta	Service	100.00	--	147,946,446,971	--
PT Wijaya Wisesa Propertindo	Jakarta	Development and Service	80.00	--	147,627,764,319	--
PT Simpruk Arteri Realty	Jakarta	Trading, Development and Service	60.00	--	147,606,212,611	--
PT Mega Proyek Pertiwi	Tangerang	Real Estate	100.00	--	587,003,000	589,485,000
PT Graha Jaya Pratama	Tangerang	Real Estate	100.00	--	600,000,000	600,000,000
PT Abadi Jaya Sakti	Tangerang	Investment, Trading and Service	100.00	--	588,295,500	600,867,000
PT Mega Pratama Karya Persada	Tangerang	Investment, Trading and Service	100.00	--	588,931,000	599,867,000



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, 2007 and 2006

(In Full Rupiah)

Subsidiaries	Domicile	Main Business Activity	Ownership Percentage (directly and/or indirectly) %	Year of Operation Started	Total Assets	
					2007	2006
					Rp	Rp
PT Sentra Dwimandiri and Subsidiaries	Tangerang	Real Estate	100.00	--	2,513,697,589,703	1,828,471,432,994
PT Muliasentosa Dinamika (4.48% ownership in PT Lippo Cikarang Tbk)	Tangerang	Real Estate	100.00	1997	341,453,310,102	315,655,117,676
PT Sentra Reallindo Development (4.62% ownership in PT Lippo Cikarang Tbk) and Subsidiaries	Tangerang	Home Renovation	100.00	2001	119,471,869,778	104,128,222,599
PT Dharma Sarana Nusa Pratama and Subsidiary	Tangerang	Real Estate	52.70	1997	106,483,129,730	91,252,607,882
PT Tata Mandiri Daerah Villa Permata	Tangerang	Town Management	42.16	2001	99,646,610	66,603,110
PT Golden Pradamas and Subsidiaries	Tangerang	Real Estate	100.00	--	120,952,293,158	114,483,797,480
PT Mulia Bangun Semesta and Subsidiary	Jakarta	Real Estate	99.98	2002	92,171,724,781	89,733,450,825
PT Villa Permata Cibodas	Tangerang	Real Estate	99.98	1995	89,814,457,488	89,115,567,844
PT Puncak Resort International and Subsidiaries	Cianjur	Real Estate	100.00	1994	73,905,111,785	73,178,398,508
PT Sentosa Seksama	Cianjur	Real Estate	100.00	1994	23,234,020,262	23,234,340,030
PT Purimegah Swarga Buana	Cianjur	Real Estate	100.00	1994	8,777,869,817	8,777,930,817
PT Adigraha Rancang Sempurna	Cianjur	Real Estate	100.00	1994	7,205,774,631	7,206,102,631
PT Pesanggrahan Suripermata Agung	Cianjur	Real Estate	100.00	1994	1,974,140,939	1,974,446,939
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	Water Treatment and Installation	100.00	1994	57,952,881,033	46,138,346,881
PT Sentra Graha Mandiri	Tangerang	Real Estate	100.00	--	33,315,380,192	33,311,629,192
PT Tata Mandiri Daerah Lippo Karawaci	Tangerang	Town Management	100.00	1999	44,518,323,744	40,269,671,340
PT Saptapersada Jagatnusa	Tangerang	Bowling	100.00	1998	6,319,898,410	6,179,229,895
PT Sejahtera Selaras	Tangerang	Real Estate	100.00	--	19,296,475,718	19,286,045,718
PT Taman Sari Lippo Karawaci	Tangerang	Food Court	100.00	1994	11,398,400,384	10,056,683,054
PT Surya Makmur Alam Persada	Tangerang	Real Estate	100.00	--	20,288,778,084	20,284,540,418
PT Bahtera Pratama Wirasakti	Tangerang	Real Estate	100.00	--	15,739,104,089	15,738,815,279
PT Sentra Office Realty	Tangerang	Building Management	100.00	1998	670,360,385	2,012,068,714
PT Dinamika Intertrans	Tangerang	Transportation	100.00	1994	820,472,472	2,709,317,998
PT Imperial Karawaci Golf	Tangerang	Golf	100.00	--	486,154,000	486,586,000
PT Agung Sepadan	Tangerang	Real Estate	100.00	--	36,442,930	36,762,221
PT Prudential Townhouse Development	Tangerang	Real Estate	100.00	--	227,206,974	129,621,613
PT Wahana Tatabangun Cemerlang Matahari	Tangerang	Real Estate	100.00	--	17,343,308	17,795,308
PT Wahana Tatabangun Cemerlang	Tangerang	Real Estate	100.00	--	15,612,566	16,064,566
PT Paragon City	Tangerang	Real Estate and Trading	100.00	--	6,685,766,926	489,356,426
Bridgewater International Ltd and Subsidiaries	Seychelles	Investment	100.00	--	1,588,880,847,199	1,069,628,526,176
PT Lippo Karawaci Infrastructure & Utilities Division	Tangerang	Construction and Service	100.00	--	241,375,000	241,807,000
Brightlink Capital Pte. Ltd. and Subsidiaries	Malaysia	Investment, Trading and Service	100.00	--	110,755,951,811	--
Gold Capital Pte. Ltd. and Subsidiaries	Singapore	Investment, Trading and Service	100.00	--	110,755,948,806	--
Higrade Capital Pte. Ltd.	Singapore	Investment, Trading and Service	100.00	--	5,500,006,132	--
PT Primatama Cemerlang	Tangerang	Trading, Development and Service	100.00	--	110,755,942,674	--
Evodia Strategic Investment Ltd. and Subsidiaries	Malaysia	Investment, Trading and Service	100.00	--	482,661,631	--
Great Capital Pte. Ltd. and Subsidiary	Singapore	Investment, Trading and Service	100.00	--	6,502	--
Key Capital Pte. Ltd.	Singapore	Investment, Trading and Service	100.00	--	6,502	--
Platinum Strategic Investments Pte. Ltd. and Subsidiary	Singapore	Investment, Trading and Service	100.00	--	583,223,426	--
Ultra Investments Pte. Ltd.	Singapore	Investment, Trading and Service	100.00	--	625,006,132	--
Globalink Investments Pte. Ltd. and Subsidiary	Singapore	Investment, Trading and Service	100.00	--	6,502	--
Fortuna Capital Pte. Ltd.	Singapore	Investment, Trading and Service	100.00	--	6,502	--
PT Lippo Cikarang Tbk and Subsidiaries	Bekasi	Real Estate	51.33	1989	1,284,391,266,354	1,161,979,825,867
PT Great Jakarta Inti Development (2.5% and 10% ownership in PT Dian Citimarga and PT Dunia Air Indah respectively)	Bekasi	Town Management and Real Estate	51.33	1992	96,687,607,880	95,179,379,931

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, 2007 and 2006

(In Full Rupiah)

Subsidiaries	Domicile	Main Business Activity	Ownership Percentage (directly and/or indirectly) %	Year of Operation Started	Total Assets	
					2007	2006
					Rp	Rp
PT Erabaru Realindo	Bekasi	Real Estate	51.33	--	16,980,287,500	16,980,287,500
PT Dian Citimarga	Bekasi	Public	51.33	1993	224,640,517	133,623,470
PT Kreasi Dunia Keluarga	Bekasi	Transportation Recreational Service	51.38	1993	4,804,131,726	4,192,333,070
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	--	18,838	18,040
Indigo Investment Fund, Ltd	Cook Island	Investment	100.00	--	9,419	9,020
Banksia Holdings, Ltd	Cook Island	Trading	100.00	--	9,419	9,020
Inglewood Properties, Ltd	Cook Island	Trading	100.00	--	9,419	9,020
Chesterfield Properties, Ltd	Cook Island	Trading	100.00	--	9,419	9,020
PT Maharama Sakti	Jakarta	Trading	100.00	--	17,376,000	17,598,000
PT Wisma Jatim Propertindo and Subsidiaries	Jakarta	Service	100.00	--	2,706,199,974,652	2,325,215,621,207
PT Lipposindo Abadi and Subsidiaries	Jakarta	Trading	100.00	--	195,641,239,102	195,784,220,048
PT Kemuning Satiatama (42.20% ownership in PT Lippo Cikarang Tbk) and Subsidiaries	Jakarta	Trading	100.00	--	190,721,678,747	190,826,019,478
PT Megachandra Karyalestari	Jakarta	Trading	100.00	1992*	289,021,786	383,576,516
PT Prudential Office Development **	Jakarta	Trading and Service	100.00	1994*	--	865,197,583
PT Prudential Apartment Development	Jakarta	Service	100.00	1993*	600,308,426	609,230,426
PT Sentra Kharisma Indah and Subsidiary	Jakarta	Service	80.00	--	7,711,735	8,143,735
PT Sentra Goldhill Businesspark	Jakarta	Service	72.00	--	--	25,000,000
PT Carakatama Dirgantara and Subsidiary	Jakarta	Trading	100.00	--	78,730,388,762	66,818,976,806
PT Prudential Hotel Development	Jakarta	Trading and Service	100.00	1994*	78,709,427,874	66,797,644,672
PT Ariasindo Sejati and Subsidiaries	Jakarta	Trading and Service	95.00	--	283,163,882,035	184,855,228,738
PT Unitech Prima Indah and Subsidiary	Medan	Real Estate	94.68	2004	280,531,248,213	180,854,930,128
PT Karya Cipta Pesona	Medan	Accommodation	100.00	--	158,634,463,583	--
PT Metropolitan Leisure and Subsidiaries	Jakarta	Trading and Service	100.00	--	83,530,916,859	89,701,135,556
PT Kumiasindo Sejahtera	Jakarta	Trading and Service	100.00	--	1,362,847,274	1,358,932,260
PT Graha Tata Cemerlang Makassar	Makassar	Real Estate	100.00	2002	79,807,432,400	83,313,530,413
PT Guna Tata Carakatama	Makassar	Trading and Service	100.00	2002	151,283,689	118,531,878
PT Lippo Land Cahaya Indonesia	Jakarta	Service	100.00	2003	7,355,363,197	4,889,796,690
PT Lipposindo and Subsidiary	Jakarta	Trading	100.00	--	118,263,000,760	159,178,158,765
PT Pendopo Niaga	Jakarta	Real Estate	100.00	2004	118,211,546,487	159,064,959,356
PT Larasati Anugerah	Jakarta	Trading	100.00	--	17,095,420	17,095,420
PT Bathara Brahma Sakti	Jakarta	Trading and Service	100.00	1992*	2,489,760,342	2,541,829,656
PT Realty Limaribu	Jakarta	Service	100.00	1998*	371,381,981	370,686,201
PT Dwisindo Jaya	Jakarta	Trading	100.00	--	72,967,708	145,720,733
PT Lippo Vacation and Subsidiary	Jakarta	Trading	100.00	--	288,267,911,670	371,431,915,285
PT Jagat Pertala Nusantara	Jakarta	Real Estate	100.00	2004	282,026,965,528	360,785,595,395
PT Wisma Sumut Propertindo	Jakarta	Service	100.00	--	3,077,441	5,005,747
PT Mulia Mukti Persada Perkasa	Jakarta	Trading	100.00	--	5,000,000	5,000,000
PT Kemang Village and Subsidiaries	Jakarta	Trading	100.00	--	282,387,249,816	138,623,616,150
PT Menara Bhumimegah and Subsidiaries	Jakarta	Service	100.00	2005	281,520,409,439	140,712,817,833
PT Jaya Usaha Prima and Subsidiaries	Jakarta	Real Estate and Urban Development	80.00	--	123,974,228,951	125,807,741,977
PT Persada Mandiri Abadi and Subsidiaries	Jakarta	Real Estate and Urban Development	80.00	2005	124,007,202,951	125,837,715,977
PT Pesona Indah Lestari	Jakarta	Hotel and Tourism	80.00	--	10,000,000,000	10,000,000,000
PT Prima Aman Sarana	Jakarta	Service	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	479,587,499,098	316,905,730,345
PT Pelangi Cahaya Intan Makmur and Subsidiaries	Sidoarjo	Trading	85.00	--	400,255,393,265	288,853,313,876
PT Surya Mitra Jaya and Subsidiary	Sidoarjo	Trading and Service	85.01	2005	400,731,769,416	290,044,259,153
PT Cipta Harapan Baru	Surabaya	Accommodation	100.00	--	2,000,000,000	--
PT Niaga Utama	Jakarta	Trading	100.00	--	120,554,242	120,986,242
PT Mitra Kasih Karunia	Jakarta	Real Estate	100.00	--	3,260,960,000	3,260,960,000
PT Kreasi Megatama Gemilang and Subsidiary	Tangerang	Trading, Development, Industry, Agribusiness, Transportation and Service	100.00	--	43,359,874,397	16,006,032,000
PT Consulting & Management Service Division	Tangerang	Service	100.00	--	43,359,874,397	16,006,032,000
PT Mandiri Cipta Gemilang	Jakarta	Real Estate	100.00	2003	236,577,741,877	370,674,589,679

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## PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2007 and 2006

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Subsidiaries	Domicile	Main Business Activity	Ownership Percentage (directly and/or indirectly) %	Year of Operation Started	Total Assets	
					2007	2006
					Rp	Rp
PT Saputra Karya	Jakarta	Real Estate and Urban Development	100.00	--	39,511,637,500	23,801,000,000
PT Grand Provita and Subsidiary	Jakarta	Real Estate	100.00	--	488,680,000	489,389,000
PT Grand Prima Propertindo	Jakarta	Real Estate	100.00	--	13,930,000	14,362,000
PT Pacific Sejahtera	Surabaya	Real Estate	100.00	--	25,000,000	25,000,000
PT Wahana Usaha Makmur and Subsidiary	Jakarta	Real Estate	100.00	--	658,955,109,888	325,336,084,619
PT Almaron Perkasa	Jakarta	Real Estate	100.00	--	655,108,003,821	319,905,406,393
PT Satriamandiri Idola Utama	Jakarta	Real Estate	100.00	--	595,475,000	600,000,000
PT Mahakaya Abadi	Jakarta	Real Estate	100.00	--	490,000,000	490,867,000
PT Persada Mandiri Dunia Niaga and Subsidiaries	Jakarta	Real Estate	100.00	--	105,535,398,011	160,014,391,744
PT Gapura Sakti Prima and Subsidiaries	Jakarta	Real Estate	78.60	--	103,187,285,703	62,255,973,108
PT Menara Megah Tunggal and Subsidiary	Jakarta	Real Estate	55.02	--	102,687,285,703	61,755,973,108
PT Trias Mitra Investama	Jakarta	Real Estate	54.97	--	102,187,285,703	61,255,973,108
PT Permata Agung Propertindo	Jakarta	Real Estate	100.00	--	548,300,716	597,823,000
PT Kencana Mitra Lestari	Jakarta	Trading, Development, Transportation and Service	100.00	--	589,802,750	594,326,000
PT Direct Power and Subsidiaries	Jakarta	Trading, Real Estate, Industry, Printing, Agribusiness, Transportation and Service	100.00	--	128,429,997,248	139,797,473,219
PT Mitra Mulia Kreasi and Subsidiary	Tangerang	Trading, Real Estate, Industry, Mining, Agribusiness, Transportation and Service	80.00	--	72,871,289,681	78,344,850,956
PT Bellanova Country Mall	Tangerang	Trading, Infrastructure, Transportation and Service	100.00	--	72,882,795,507	81,121,539,280
PT Sarana Global Multindo and Subsidiaries	Jakarta	Trading, Infrastructure, Transportation and Service	100.00	--	219,761,353,456	168,680,712,031
PT Guna Sejahtera Karya and Subsidiaries	Jakarta	Trading, Infrastructure, Transportation, Agribusiness, Gardening, Industry and Service	100.00	--	128,150,821,949	36,047,854,000
PT Citra Sentosa Raya and Subsidiaries	Jakarta	Trading, Real Estate, Industry, Agribusiness, Transportation and Service	100.00	--	92,729,347,956	521,068,000
PT Gading Nusa Utama	Jakarta	Trading, Real Estate, Industry, Agribusiness, Gardens and Service	99.60	--	1,648,220,000	25,000,000
Rosenet Limited and Subsidiaries	British Virgin Island	Investment	100.00	--	91,080,937,654	9,020
Sea Pejaten Pte. Ltd. and Subsidiary	Singapore	Investment	100.00	--	91,080,937,654	--
PT Panca Permata Pejaten	Jakarta	Trading, Development and Real Estate	100.00	--	91,080,937,654	--
Continental Investment Ltd.	Malaysia	Investment, Trading and Service	100.00	--	9,419	--
PT Sandiego Hills Memorial Park	Tangerang	Trading, Development, Transportation and Service	100.00	2006	268,232,543,231	886,748,982

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# PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Subsidiaries	Domicile	Main Business Activity	Ownership Percentage (directly and/or indirectly) %	Year of Operation Started	Total Assets	
					2007	2006
					Rp	Rp
PT CB Commercial	Tangerang	Development, Trading and Service	100.00	--	593,470,000	--
PT Mahaduta Purnama (formerly PT Siloam Hospital)	Jakarta	Medical Service	99.98	--	2,845,609,182	2,108,312,102
PT Kemilau Karyacipta Persada	Tangerang	Trading, Development and Service	100.00	--	2,489,782,000	--
PT Aritasindo Permai Semesta and Subsidiary	Jakarta	Medical Service	100.00	--	4,884,977,709	7,659,481,468
PT Siloam Sarana Karya (formerly PT Siloam Gleneagles Specialist Clinic)	Jakarta	Medical Service	99.88	2005	4,866,277,662	5,532,469,239
PT Siloam International Hospitals and Subsidiaries	Jakarta	Medical Service	99.98	--	2,108,312,182	2,108,312,882
PT Siloam Karya Sejahtera	Jakarta	Trading and Service	99.98	--	100,000,000	100,000,000
PT Siloam Dinamika Perkasa	Jakarta	Trading, Development, Transportation and Service	99.98	--	249,253,058	249,568,058
PT Siloam Graha Utama	Jakarta	Trading, Development, Transportation and Service	99.98	--	249,254,058	249,569,058
PT Siloam Tata Prima	Surabaya	Trading, Development, Transportation and Service	99.98	--	249,253,058	249,568,058
PT Eramulia Pratamajaya	Jakarta	Medical Service	99.98	--	18,700,000	18,700,000
PT East Jakarta Medika	Bekasi	Medical Service	50.00	2002	67,639,752,976	64,320,477,923
PT Tigamitra Ekamulia and Subsidiaries	Jakarta	General	100.00	1998*	5,000,000	5,000,000
PT Shimatama Graha	Bekasi	Restaurant, Bar, Catering, etc	100.00	1989	1,757,113,951	2,043,761,842
PT Aryaduta International Management	Jakarta	Building Management	100.00	1998	3,166,131,256	11,000,000
PT Aryaduta Surabaya Management	Surabaya	Service	100.00	--	600,000,000	--
PT Aryaduta Medan Management	Medan	Service	100.00	--	600,000,000	--
PT Aryaduta Karawaci Management	Tangerang	Service	100.00	--	600,000,000	--
PT Aryaduta Makassar Management	Makassar	Service	100.00	--	600,000,000	--
PT Aryaduta Residences	Jakarta	Service	100.00	--	600,000,000	--
PT Aryaduta Hotel & Resorts	Jakarta	Service	100.00	--	600,000,000	--
PT Aresta Amanda Lestari (0.31% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	3,941,219,200	4,258,397,600
PT Aresta Permata Utama (3.45% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	2,187,500,000	2,378,000,000
PT Fajar Usaha Semesta (4.73% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	3,000,000,000	3,254,400,000
PT Fajar Raya Cemerlang (4.58% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	2,906,250,000	3,157,700,000
PT Fajar Abadi Aditama (3.45% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	--	2,187,500,000	2,294,300,000
PT Nuansa Indah Lestari and Subsidiaries	Jakarta	General Trading	99.99	--	31,346,703,164	28,884,521,318
PT Metropolitan Permai Semesta and Subsidiaries	Jakarta	General Trading	89.73	--	33,131,503,164	30,669,321,318
PT Makassar Permata Sulawesi (32.5% ownership in PT Gowa Makassar Tourism Development Tbk)	Makassar	General Trading	88.65	--	31,124,167,386	28,661,553,540
PT Gowa Makassar Tourism Development Tbk	Makassar	Real Estate and Property	50.30	1997	278,543,367,878	268,622,001,762

\* Not Active

\*\* Sold

PT Mahakarya Abadi and PT Grand Provita were established under notarial deed No. 26 and No. 27, respectively, 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 of 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.

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Lippo Karawaci Finance B.V was established under notarial deed of Anton Arnaud Voodneman, 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, 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 of 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 Unita Christina Winata, SH, dated March 23, 2006, respectively. The establishment deeds were approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Decrees 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 of 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, respectively.

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 were received by the Minister of Law and Human Rights of the Republic of Indonesia in his Letters No. C-UM.02.01.10617 dated June 26, 2006 and Letter No. W7-HT.01.10-633 dated January 16, 2007.

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.

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 of 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 deeds No. 14 and No. 15 of Julijanti Sundjaja, SH, dated June 19, 2006, respectively. The establishment deeds were approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Decrees No. C-22137HT.01.01.TH.2006 and No. C-22138 HT.01.01.TH.2006 dated July 28, 2006, respectively.

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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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 has 78.6% ownership in PT Gapura Sakti Prima (GSP). GSP has 70% ownership in PT Menara Megah Tunggal (MMT). MMT has 99.8% ownership 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 of Indonesia in his Decree No. C-22796 HT.01.01.TH.2006 dated August 3, 2006.

Rosenet Ltd was established on July 7, 2006, in British Virgin Islands.

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

PT Sarana Global Multindo and PT Kencana Mitra Lestari were established under notarial deed No. 20 and No. 21 of Surjadi, SH, dated August 10, 2006, respectively. The establishment deeds were approved by the Minister of Law and Human Rights of the Republic of 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 of 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 has 80% ownership in PT Mitra Mulia Kreasi (MMK) and MMK has 99.99% ownership in PT Bellanova Country Mall.

PT Grand Villa Persada, PT Mega Proyek Pertiwi and PT Primakreasi Propertindo were established under notarial deeds No. 8, No. 9 and No. 10 of Unita Christina Winata, SH, dated October 10, 2006, respectively. The establishment deeds were approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Decrees No. W29-00298 HT.01.01-TH.2006, No. W29-00299 HT.01.01-TH.2006, and No. W29-00300 HT.01.01-TH.2006 dated November 1, 2006, respectively.



**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

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PT Abadi Jaya Sakti and PT Megapratama Karya Persada were established under notarial deeds No. 1 and No. 2 of Unik Setyawati, SH, dated November 3, 2006, respectively. The establishment deeds were approved by the Minister of Law and Human Rights of the Republic of 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.

PT Graha Jaya Pratama was established under notarial deed No. 50 of Surjadi, SH, dated November 10, 2006. The establishment deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Decree No. W7-01276 HT.01.01-TH.2007 dated February 7, 2007.

On December 28, 2006, PT Primakreasi Propertindo, a subsidiary, acquired 99,83% ownership of PT Mujur Sakti Graha (MSG). MSG owned 90% shares in PT Surplus Multi Makmur (SMM). SMM owned 90% shares in PT Arta Sarana.

PT Karya Cipta Pesona, PT Aryaduta Medan Management, PT Citra Harapan Baru and PT Aryaduta Surabaya Management were established under notarial deeds No. 18, No. 19, No. 20, and No. 21 of Unita Christina Winata, SH, dated January 26, 2007, respectively. The establishment deeds were approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Decree No. W29-00251 HT.01.01.TH.2007, dated February 12, 2007, No. W29-00317 HT.01.01.TH.2007, dated February 23, 2007, No. W29-00264 HT.01.01.TH.2007 dated February 14, 2007, and No. W29-00318 HT.01.01.TH.2007 dated February 23, 2007, respectively.

PT CB Commercial was established under notarial deed No. 18 of Unita Christina Winata, SH, dated February 27, 2007. The establishment deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Decree No. W29-00645 HT.01.01-TH.2007 dated April 9, 2007.

On February 28, 2007, two subsidiaries companies namely PT Primakreasi Propertindo and PT Grand Villa Persada acquired 99.5% and 0.5% ownership of PT Perdana Kencana Mandiri, respectively.

PT Graha Pilar Sejahtera was established under notarial deed No. 61 of Surjadi, SH, dated March 23, 2007. The establishment deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Decree No. W7-07672 HT.01.01-TH.2007 dated July 11, 2007.

On April 4, 2007, Rosenet Ltd., a subsidiary, acquired 100% ownership of Seapejaten Pte. Ltd.(SEA). SEA owned 95% shares in PT Panca Permata Pejaten (PPP). On the same date, PT Gading Nusa Utama, a subsidiary, acquired 5% ownership of PPP.

On May 4, 2007, the Company acquired 100% ownership of Jesselton Investment Ltd.

On May 29, 2007, ownership in PT Prudential Office Development, a subsidiary, has been fully transferred to third party.

PT Kemilau Karyacipta Persada and PT Primatama Cemerlang were established under notarial deeds No. 15 and No. 16 of Unita Christina Winata, SH, dated June 19, 2007, respectively. Up to the date of completion this consolidated financial statements, the establishment deeds are still in the process of obtaining approval from the Minister of Law and Human Rights of the Republic of Indonesia.

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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PT Aryaduta Karawaci Management was established under notarial deed No. 22 of Unita Christina Winata, SH, dated June 26, 2007. Up to the date of completion 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 of Indonesia.

On July 3, 2007, PT Sentra Dwimandiri, a subsidiary, acquired 100% ownership of Brightlink Capital Pte. Ltd.

On July 3, 2007, Jesselton Investment Ltd., a subsidiary, acquired 100% ownership of Peninsula Investment Ltd. (PI). PI has 60% ownership in Lippo Mapletree Indonesia Retail Trust Management Ltd.

Gold Capital Pte. Ltd. was established on July 16, 2007 in Singapore.

Higrade Capital Pte. Ltd. was established on July 30, 2007 in Singapore.

On August 20, 2007, PT Citra Sentosa Raya, a subsidiary, acquired 100% ownership of Continental Investment Ltd.

PT Aryaduta Makassar Management was established under notarial deed No. 11 of Unita Christina Winata, SH, dated August 28, 2007. The establishment deed is still in the process of obtaining an approval from the Minister of Law and Human Rights of the Republic of Indonesia.

On September 3, 2007, PT Sentra Dwimandiri, a subsidiary, acquired 100% ownership of Evodia Strategic Investment Ltd. (ESI). ESI has 100% ownership in Great Capital Pte. Ltd. (GCP), Platinum Strategic Investments Pte. Ltd. (PSI) and Globalink Investments Pte. Ltd. (GI), respectively. GCP, PSI and GI have 100% ownership in Key Capital Pte. Ltd., Ultra Investments Pte. Ltd. and Fortuna Capital Pte. Ltd., respectively.

PT PuriParagon, PT KemangParagon Mall, PT PluitParagon Mall, PT BaliParagon Mall, PT Kuta BeachParagon, PT PejatenParagon Mall, PT CibuburParagon Mall, PT PalembangParagon Mall, PT MedanParagon Mall, PT BogorParagon Mall, PT ThamrinParagon Mall, PT SurabayaParagon Mall, PT SemarangParagon Mall, PT RiauParagon Mall, PT LampungParagon Mall, PT PontianakParagon Mall and PT BatamParagon Mall were established under notarial deeds No. 5, No. 6, No. 7, No. 8, No. 9, No. 10, No. 11, No. 12, No. 13, No. 14, No. 15, No. 16, No. 17, No. 18, No. 19, No. 20 and No. 21 of Unita Christina Winata, SH, dated September 11, 2007, respectively. The establishment deeds are still in the process of obtaining an approval from the Minister of Law and Human Rights of the Republic of Indonesia.

PT Aryaduta Hotels & Resorts and PT Aryaduta Residences were established under notarial deeds No. 94 and No. 95 of Myra Yuwono, SH, dated November 30, 2007, respectively. The establishment deeds are still in the process of obtaining an approval from the Minister of Law and Human Rights of the Republic of Indonesia.

On December 21, 2007, two subsidiaries companies namely PT Primakreasi Propertindo and PT Grand Villa Persada acquired 99.97% and 0.03% ownership of PT Graha Solusi Mandiri (GSM), respectively. GSM owned 80% shares in PT Wijaya Wisesa Propertindo (WWP). WWP owned 75% shares in PT Simpruk Arteri Realty.

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

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

Based on the notarial Deed of Shareholders Extraordinary Meeting Resolution No. 73 of Unita Christina Winata, SH, dated November 30, 2007 and based on the notarial Deed of Shareholders' Meeting Resolution No. 16 of Unita Christina Winata, SH, dated April 18, 2006, The Company's Board of Commissioners and Board of Directors as of December 31, 2007 and 2006 were as follows:

	2007	2006
<b>Board of Commissioners:</b>		
President Commissioner	: Ning Gaoning	Ning Gaoning
Vice President Commissioner	: Surjadi Soedirdja*	Surjadi Soedirdja
Independent Commissioner	: Theo L. Sambuaga	Theo L. Sambuaga
Independent Commissioner	: Tanri Abeng	Tanri Abeng
Independent Commissioner	: Farid Harianto	Farid Harianto
Independent Commissioner	: Agum Gumelar	Agum Gumelar
Independent Commissioner	: Jonathan Limbong Parapak	--
Independent Commissioner	: Adrianus Mooy	--
Commissioner	: Song Lin (Song Lin, Charley)	Song Lin (Song Lin, Charley)
Commissioner	: Jiang Wei	Jiang Wei
Commissioner	: Eddy Sindoro	Eddy Sindoro
Commissioner	: Gouw Vi Ven (Viven G. Sitiabudi)	Jonathan Limbong Parapak
<b>Board of Directors</b>		
President Director	: Eddy Harsono Handoko	Gouw Vi Ven (Viven G. Sitiabudi)
Director	: Tjokro Libianto	Tjokro Libianto
Director	: Ketut Budi Wijaya	Ketut Budi Wijaya
Director	: Jopy Rusli	Jopy Rusli
Director	: Hendra Agus	Hendra Agus
Director	: Yuke Elia Susiloputro	Samuel Tahir

\*also as Independent Commissioner

On December 31, 2007 and 2006, the Company and its subsidiaries have 4,107 and 3,925 permanent employees, respectively (unaudited).

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

**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. 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 statements 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 its 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.

**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:

	2007 Rp	2006 Rp
USD 1	9,419	9,020
SGD 1	6,502	5,879
EUR 1	13,760	11,858
JPY 100	8,307	7,580
AUD 1	8,229	7,133
GBP 1	18,804	17,697
HKD 1	1,208	1,160

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, 2007 and 2006

(In Full Rupiah)

**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 their 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.

• **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 by deducting any dividend 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 relevant accounts receivable when management believes that such accounts receivable were to be definitely uncollectible.

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

**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.

**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:

		<b>Years</b>
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.



**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

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).

**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.

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

**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;
- 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.

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

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 15,015,963,393 shares and 14,666,347,198 shares for the years ended December 31, 2007 and 2006.

**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.

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

**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.

**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.

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

**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.

**3. Cash and Cash Equivalents**

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
<b>Cash on Hand</b>		
(Include 2007: USD 18,251, SGD 11,083, EURO 1,005, AUD 1,789, JPY 163,800; 2006: USD 13,486, SGD 6,936, EURO 2,505, GBP 1,000, HKD 3,500, AUD 1,816, JPY 163,800)	<u>3,376,342,435</u>	<u>3,653,956,635</u>
<b>Cash in Banks</b>		
<b>Third Parties</b>		
<u>Rupiah</u>		
PT Bank Lippo Tbk	65,048,746,613	26,193,165,246
PT Bank Mega Tbk	28,593,822,460	54,744,604,015
PT Bank NISP Tbk	16,072,635,768	40,358,519,536
PT Bank Central Asia Tbk	6,088,954,399	2,729,528,147
PT Bank Niaga Tbk	5,722,606,438	241,774,404,703
PT Bank Mandiri Tbk	4,639,840,623	39,604,197
PT Bank Tabungan Negara Tbk	3,036,969,965	999,462,312
PT Bank Internasional Indonesia Tbk	2,571,986,468	1,146,719,730
PT Bank Pembangunan Daerah Riau	1,535,786,726	132,084,987
PT Bank Danamon Indonesia Tbk	1,484,592,152	1,397,347,293
PT Bank Agroniaga Tbk	900,085,862	600,468,696
PT Bank Buana Indonesia Tbk	294,089,370	129,532,503
PT Bank Permata Tbk	293,300,658	103,685,114
PT Bank Negara Indonesia Tbk	152,519,043	694,732,702
PT Bank Bukopin Tbk	100,234,139	185,809,543
PT Bank Kesawan Tbk	70,061,719	68,147,064
PT Bank Rakyat Indonesia (Persero) Tbk	24,893,544	52,354,238
Others (each below Rp 50 million)	953,583,309	104,658,504

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

	<u>2007</u> <u>Rp</u>	<u>2006</u> <u>Rp</u>
<u>Foreign Currencies</u>		
DBS Bank (USD 30,938, SGD 2,110,429)	14,013,410,568	--
PT Bank Mega Tbk (2007: USD 1,153,417, SGD 43,424; 2006: USD 2,578,375.82)	11,146,379,262	23,256,949,896
PT Bank Lippo Tbk (2007: USD 506,481; 2006: USD 314,328.05)	4,770,543,166	2,835,239,056
OCBC Bank (2007: SGD 715,100; 2006: SGD 348,713)	4,649,578,054	2,050,083,727
PT Bank NISP Tbk (2007: USD 47,705, SGD 5,970, EUR 6,198; 2006: USD 68,308.36)	573,434,116	616,141,407
Bank of America N.A (2007: USD 6,148; 2006: USD 4,730.79)	57,904,622	42,671,726
Deutschebank (2007: USD 5,706, EUR 113; 2006: USD 4,786.57, SGD 14,193,091.93, EURO 1,741.96)	55,301,490	83,505,018,517
Others (2007: USD 3,904, SGD 4,453; 2006: USD 3,499.91)	65,726,204	31,569,182
	<u>172,916,986,738</u>	<u>483,792,502,041</u>
<b>Time Deposits</b>		
<b>Third Parties</b>		
<u>Rupiah</u>		
PT Bank NISP Tbk	103,000,000,000	--
PT Bank Lippo Tbk	32,016,924,178	98,784,488,149
PT Bank Mega Tbk	25,000,000,000	--
PT Bank Negara Indonesia Tbk	5,000,000,000	--
PT Bank Permata Tbk	4,700,000,000	2,200,000,000
PT Bank Internasional Indonesia Tbk	3,900,000,000	400,000,000
<u>Foreign Currencies</u>		
Credit Suisse (USD 137,184,223)	1,292,138,196,165	--
BNP Paribas (2007: USD 32,000,000; 2006: SGD 125,945,000)	301,408,000,000	740,430,655,000
Bank of India (USD 8,711,733)	82,055,817,554	--
Deutschebank (2007: USD 230,000; 2006: USD 180,000)	2,166,370,000	1,623,600,000
PT Bank Lippo Tbk (2007: USD 138,926; 2006: USD 139,713)	1,308,539,833	1,260,210,629
UBS AG (USD 1,863,738)	--	16,810,915,768
Bank of America N.A (USD 50,000)	--	451,000,000
	<u>1,852,693,847,730</u>	<u>861,960,869,546</u>
<b>Total Cash and Cash Equivalents</b>	<u><b>2,028,987,176,903</b></u>	<u><b>1,349,407,328,222</b></u>

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

**4. Investments**

	2007 Rp	2006 Rp
Promissory Notes	--	11,111,390,009
Investment in Shares of Stock:		
Associates	47,250,017,945	40,785,442,969
Others	58,349,973,676	58,365,569,675
Real Estate Investment Trust (REIT)	278,731,634,729	245,742,200,000
<b>Total</b>	<b>384,331,626,350</b>	<b>356,004,602,653</b>

**a. Promissory Notes**

	2007 Rp	2006 Rp
<b>Related Parties</b>		
PT AsiaNet Multimedia	--	2,911,390,009
<b>Third Parties</b>		
PT Indah Pesona Bogor	--	8,200,000,000
<b>Total</b>	<b>--</b>	<b>11,111,390,009</b>

Promissory notes of PT AsiaNet Multimedia which was owned by PT Villa Permata Cibodas, a subsidiary, earned an annual discount rate of 10%. These promissory notes was redeemed on October 31, 2007.

Promissory notes of PT Indah Pesona Bogor which was owned by the Company, earned an annual discount rate of 15%. These promissory notes matured on August 15, 2007 and was redeemed on March 26, 2007.

**b. Investment in Associates**

	Percentage of Ownership	Acquisition Cost	2007			Carrying Value
			Accumulated Equity in Net Earnings (Losses)	Additional Investment	Accumulated Dividend Received	
	%	Rp	Rp	Rp	Rp	Rp
<b>Equity Method</b>						
PT Multifiling Mitra Indonesia	49.81	500,000,000	25,597,545,306	--	(1,000,000,000)	25,097,545,306
PT Hyundai Inti Development	45.00	6,155,423,370	63,955,289,186	--	(60,209,873,861)	9,900,838,695
PT Nusa Medika Perkasa	21.91	2,500,000,000	(2,076,732,084)	--	--	423,267,916
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	826,853,442	--	--	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	--	(1,296,000,000)	3,676,850,845
		<u>26,292,923,370</u>	<u>78,706,459,936</u>	<u>--</u>	<u>(62,505,873,861)</u>	<u>42,493,509,445</u>



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2007					
Percentage of Ownership %	Acquisition Cost Rp	Accumulated Equity in Net Earnings (Losses) Rp	Additional Investment Rp	Accumulated Dividend Received Rp	Carrying Value Rp
<b>Cost Method</b>					
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 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	5,000,000	--	--	5,000,000
PT Serasi Adikarsa	100.00	5,000,000	--	--	5,000,000
PT Tunggal Griya Semesta	5.00	2,500,000	--	--	2,500,000
		4,756,508,500	--	--	4,756,508,500
<b>Total</b>		<b>31,049,431,870</b>	<b>--</b>	<b>(62,505,873,861)</b>	<b>47,250,017,945</b>

2006					
Percentage of Ownership %	Acquisition Cost Rp	Accumulated Equity in Net Earnings (Losses) Rp	Additional Investment Rp	Accumulated Dividend Received Rp	Carrying Value Rp
<b>Equity Method</b>					
PT Multifiling Mitra Indonesia	49.81	500,000,000	18,921,779,462	--	18,421,779,462
PT Hyundai Inti Development	45.00	6,155,423,370	60,647,665,972	--	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	--	35,875,384,469
<b>Cost Method</b>					
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
<b>Total</b>		<b>32,456,015,690</b>	<b>2,000</b>	<b>(60,579,873,861)</b>	<b>40,785,442,969</b>

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

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Investments in PT Dunia Air Indah, PT Adnansindo Intiprima, PT Tunas Pundi Bumi, PT Swadaya Teknopolis, PT Gunung Cermi 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 yet commercial operation.

**c. Investment in Others**

	2007 Rp	2006 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
Others	50,334,676	65,930,675
<b>Total</b>	<b>58,349,973,676</b>	<b>58,365,569,675</b>

**d. Investment in Real Estate Investment Trust (REIT)**

	2007 Rp	2006 Rp
<b>Trading Securities</b>		
Acquisition Cost (2007: 55,673,506 units; 2006: 55,000,000 units)	261,575,469,456	229,574,950,000
Accumulated Unrealized Gain	17,156,165,273	16,167,250,000
<b>Fair Value</b>	<b>278,731,634,729</b>	<b>245,742,200,000</b>

This represents investment in First REIT which owned investment in real estate assets. This investment listed in Singapore Stock Exchange with percentage of ownership amounting to 20.46% and 20.27% as of December 31, 2007 and 2006, respectively.

**5. Accounts Receivable**

	2007 Rp	2006 Rp
<b>Third Parties</b>		
Housing and Land Development:		
Shopping Centers	256,427,495,440	400,888,172,162
Land Lots	94,046,006,878	94,123,163,023
Residential Houses and Shophouses	73,867,684,285	39,221,928,598
Healthcare and Hospitals:		
Inpatient and Outpatient	40,729,586,672	39,364,703,143
Hospitality and Infrastructure:		
Town Management and Water Treatment	55,450,442,793	52,216,518,256
Hotels and Restaurants	11,842,142,067	8,300,663,824
Asset Enhancements	4,214,773,017	1,151,356,254
Recreations and Sports	677,652,286	797,011,906
Management Fee	10,003,165,464	15,000,000,000
Others	10,867,564,989	3,380,127,567
<b>Total</b>	<b>558,126,513,891</b>	<b>654,443,644,733</b>
Less: Allowance for Doubtful Accounts	(44,773,362,784)	(46,127,711,387)
<b>Total Receivable Third Parties - Net</b>	<b>513,353,151,107</b>	<b>608,315,933,346</b>

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(In Full Rupiah)

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
<b>Related Parties</b>		
Healthcare and Hospitals:		
Inpatient and Outpatient	2,097,443,921	1,430,325,589
Sub Total Related Parties	2,097,443,921	1,430,325,589
Less : Allowance for Doubtful Accounts	(577,533,675)	(479,230,933)
Total Receivable from Related Parties - Net	1,519,910,246	951,094,656
<b>Total</b>	<b>514,873,061,353</b>	<b>609,267,028,002</b>

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

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
<b>Third Parties</b>		
Up to 3 Months	442,405,882,422	531,641,000,065
> 3 months - 6 months	27,096,914,531	35,243,416,011
> 6 months - 1 year	17,107,345,966	20,922,020,385
> 1 year	71,516,370,972	66,637,208,272
Total	558,126,513,891	654,443,644,733
Less : Allowance for Doubtful Accounts	(44,773,362,784)	(46,127,711,387)
Total Receivable from Third Parties - Net	513,353,151,107	608,315,933,346

<b>Related Parties</b>		
Up to 3 Months	1,323,827,619	791,430,511
> 3 months - 6 months	293,401,439	127,334,896
> 6 months - 1 year	112,261,755	395,010,700
> 1 year	367,953,108	116,549,482
Total	2,097,443,921	1,430,325,589
Less : Allowance for Doubtful Accounts	(577,533,675)	(479,230,933)
Total Receivable from Related Parties - Net	1,519,910,246	951,094,656
<b>Total</b>	<b>514,873,061,353</b>	<b>609,267,028,002</b>

The movements of allowance for doubtful accounts are as follows:

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
<b>Third Parties</b>		
Beginning Balance	46,127,711,387	44,450,909,580
Addition	195,654,737	1,693,769,537
Recovery	(1,550,003,340)	(16,967,730)
<b>Ending Balance</b>	<b>44,773,362,784</b>	<b>46,127,711,387</b>
<b>Related Parties</b>		
Beginning Balance	479,230,933	204,467,631
Addition	98,302,742	274,763,302
<b>Ending Balance</b>	<b>577,533,675</b>	<b>479,230,933</b>

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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Account receivable of the Company and PT Surya Mitra Jaya, a subsidiary, with a minimum value of 125% and 150% from total limit, have been collateralized for loans obtained from PT Bank Negara Indonesia Tbk and PT Bank Niaga Tbk, respectively (see Notes 14.a and 14.b).

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

**6. Other Receivables**

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
<b>Third Parties</b>		
Call Spread Option (see Note 29.j)	64,375,000,000	625,000,000
Tenant Association for Apartments, Condominium and Shopping Centers	14,608,243,014	13,189,473,584
PT Artha Sarana Prima	5,679,766,603	5,228,602,333
Others (each less than Rp 5 billion)	50,310,335,284	64,609,842,670
	134,973,344,901	83,652,918,587
Less: Allowance for Doubtful Accounts	(6,648,533,019)	(6,648,533,019)
<b>Total</b>	<b>128,324,811,882</b>	<b>77,004,385,568</b>

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 Kawaraci area.

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

**7. Inventories**

	<b>2006</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
<b>Housing and Land Development:</b>		
Land under Development	3,249,214,253,362	2,799,270,941,997
Shopping Center	630,413,922,062	586,911,995,817
Residential Houses and Shophouses	262,639,927,923	203,545,877,300
Office Building and Apartment	128,212,309,945	57,349,731,558
Others	47,686,454,141	6,464,381,639
	4,318,166,867,433	3,653,542,928,311

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

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	2006 Rp	2006 Rp
Healthcare and Hospitals:		
Medical Supplies		
Pharmaceutical	10,958,464,152	13,180,053,212
Non-pharmaceutical	5,241,490,432	3,026,052,087
Non-Medical Supplies	738,577,572	543,319,304
	<u>16,938,532,156</u>	<u>16,749,424,603</u>
Hospitality and Infrastructure:		
Hotel and Restaurant	3,816,372,723	3,034,549,189
Recreation and Sports	244,229,440	244,719,969
Others	158,943,139	199,776,090
Less: Allowance for Decline in Inventories Value	(39,505,683)	(39,505,683)
	<u>4,180,039,619</u>	<u>3,439,539,565</u>
<b>Total</b>	<u><b>4,339,285,439,208</b></u>	<u><b>3,673,731,892,479</b></u>

Interests and other borrowing costs capitalized into Land under Development amounted to Rp 292,773,944,363 and Rp 278,303,872,722 for the years ended December 31, 2007 and 2006, respectively.

As of December 31, 2007, Land under Development consisted of land covering a net area of approximately 40 hectares in Kelapa Dua and Bencongan village, 11 hectares in Jalan Lingkar Luar Barat - Puri Kembangan, 12 hectares in kecamatan Mampang Prapatan, 3 hectares in Simprug, South Jakarta, 21 hectares in West Panunggangan village, 32 hectares in Binong village, 2 hectares in Kelapa Indah village, 40 hectares in Bonang village, 20 hectares in Sukanagalih village, 5 hectares in Pondok Jagung village, 108 hectares in Margakaya Village, Telukjambe, Karawang, 151 hectares in Cibatu Village, 15 hectares in Serang Village, 40 hectares in Sukaresmi Village, 149 hectares in Cicau Village, 46 hectares in Kelurahan Tanjung Merdeka, 23.9 hectares in Kelurahan Macini Sombala, 16.5 hectares in Tamanyeleng Village, 32.4 hectares in Barombong Village and 13.6 hectares in Kecamatan Mariso.

The Land under Development with area of 202,776 sqm are pledged as collateral for loans of the Company obtained from PT Bank Negara Indonesia Tbk and PT Bank Agroniaga Tbk (See Notes 14.a and 14.c). 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.d)

The Company's and subsidiaries' inventories have been insured against all risks, with the sum insured of Rp 909,720,000,000 and USD 2,600,000 as of December 31, 2007 and Rp 1,001,850,000,000 and USD 2,000,000 as of December 31, 2006. The Company and its subsidiaries' management believe that the foregoing insurance coverage is adequate to cover possible losses from the said risks.

The Company and its subsidiaries' management believe that the allowance for decline in value of inventory as of December 31, 2007 and 2006 is adequate.

## **8. Purchase Advances**

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

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**9. Transactions and Balances with Related Parties**

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

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

	2007 Rp	2006 Rp	Percentage from Total Assets/Liabilities/Net Sales	
			2007 %	2006 %
<b>Investments</b>				
<b>Promissory Notes</b>				
PT AsiaNet Multimedia	--	2,911,390,009	--	0.03
<b>Investment in Associates</b>				
PT Multifiling Mitra Indonesia	25,097,545,306	18,421,779,462	0.24	0.22
PT Hyundai Inti Development	9,900,838,695	7,223,215,481	0.09	0.09
PT Menara Inti Development	3,676,850,845	4,972,850,845	0.03	0.06
PT Tritunggal Sentra Utama	2,368,153,241	2,368,153,241	0.02	0.03
PT Lippo Indorent	1,026,853,442	1,026,853,442	0.01	0.01
PT Nusa Medika Perkasa	423,267,916	1,862,531,998	--	0.02
Others	4,756,508,500	4,910,058,500	0.05	0.06
	47,250,017,945	40,785,442,969	0.44	0.49
<b>Total</b>	<b>47,250,017,945</b>	<b>43,696,832,978</b>	<b>0.44</b>	<b>0.52</b>
<b>Accounts Receivable</b>				
Inpatient and Outpatient	2,097,443,921	1,430,325,589	0.02	0.02
Less: Allowance for Doubtful Accounts	(577,533,675)	(479,230,933)	(0.01)	(0.01)
<b>Net</b>	<b>1,519,910,246</b>	<b>951,094,656</b>	<b>0.01</b>	<b>0.01</b>
<b>Due from Related Parties</b>				
PT Bumi Lemahabang Permai	10,090,713,609	10,090,213,609	0.10	0.12
Employees and Directors	4,996,344,784	6,954,018,331	0.05	0.08
PT Duta Mas Kharisma Indah	4,891,935,451	4,891,935,451	0.05	0.06
PT Royal Sentul	2,669,799,372	2,669,799,372	0.02	0.03
Others (each below Rp 1 billion)	5,805,138,475	5,762,695,119	0.05	0.07
Total	28,453,931,691	30,368,661,882	0.27	0.36
Less: Allowance for Doubtful Accounts	(13,533,963,585)	(13,537,112,085)	(0.13)	(0.16)
<b>Net</b>	<b>14,919,968,106</b>	<b>16,831,549,797</b>	<b>0.14</b>	<b>0.20</b>
<b>Loan</b>				
PT Ciptadana Multifinance	23,873,687,583	26,530,602,207	0.40	0.51
<b>Trade Payable</b>				
PT First Media Tbk	10,172,520,000	--	0.17	--

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	2007 Rp	2006 Rp	Percentage from Total Assets/Liabilities/Net Sales	
			2007 %	2006 %
<b>Due to Related Parties</b>				
PT Bumi Lemahabang Permai	10,478,277,605	10,478,277,605	0.17	0.20
PT Bintang Mulya Darmabakti	6,010,589,274	6,010,589,274	0.10	0.12
PT Gita Multi Sarana	4,351,754,922	4,690,740,008	0.07	0.09
PT Dunia Air Indah	3,790,587,326	3,790,587,326	0.06	0.07
PT Cahaya Harapan	2,799,999,500	2,799,999,500	0.05	0.05
PT Adiprima Karya Nusantara	2,556,850,000	2,556,850,000	0.04	0.05
Others (each below Rp 1 billion)	51,004,895,922	14,486,049,994	0.86	0.28
<b>Total</b>	<b>80,992,954,549</b>	<b>44,813,093,707</b>	<b>1.35</b>	<b>0.86</b>
<b>Advance from Customer</b>				
PT Matahari Putra Prima Tbk	--	404,245,418,000	--	7.76
<b>Deferred Income</b>				
PT Matahari Putra Prima Tbk	470,887,647,712	222,228,740,521	7.85	4.27
<b>Net Sales, Services and Other Revenues</b>				
PT Matahari Putra Prima Tbk	230,784,092,808	--	11.04	--
PT Prima Gerbang Persada	153,000,000,000	--	7.32	--
<b>Total</b>	<b>383,784,092,808</b>	<b>--</b>	<b>18.35</b>	<b>--</b>

The significant transactions with related parties are as follows:

Related Parties	Relationship with the Company	Transactions
PT Matahari Putra Prima Tbk	Affiliated	Purchase advance, rental advance, deferred income, and net sales
PT Bumi Lemahabang Permai	Affiliated	Non-interest bearing of intercompany charges, advance in connection with the cancellation of land
PT Lippo Indorent	Associates	Investment in shares of stock
PT Hyundai Inti Development	Associates	Intercompany advances and investment
PT Multifiling Mitra Indonesia	Associates	Investment in shares of stock
PT Nusa Medika Perkasa	Associates	Investment in shares of stock
PT Tritunggal Sentra Utama	Associates	Investment in shares of stock
PT Menara Inti Development	Associates	Investment in shares of stock
PT Bintang Mulya Darmabakti	Stockholder of subsidiary	Non-interest bearing of intercompany charges
PT Duta Mas Kharisma Indah	Affiliated	Non-interest bearing of intercompany charges
PT Adiprima Karya Nusantara	Stockholder of subsidiary	Non-interest bearing of loan
PT Dunia Air Indah	Associates	Investment in shares of stock and non-interest bearing of intercompany charges
PT Gita Multi Sarana	Affiliated	Non-interest bearing of intercompany charges
PT Cahaya Harapan	Affiliated	Intercompany advances and investment
PT AsiaNet Multimedia	Affiliated	Promissory Notes



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Related Parties	Relationship with the Company	Transactions
PT Ciptadana Multifinance	Affiliated	Factoring Facility
PT Royal Sentul	Affiliated	Non-interest bearing of intercompany charges
PT Prima Gerbang Persada	Affiliated	Net sales
PT First Media Tbk	Affiliated	Rental of Lease Line

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

**10. Undeveloped Land**

	2007		2006	
	Area sqm	Value Rp	Area sqm	Value Rp
The Company	999,565	202,183,964,722	978,558	201,049,964,722
Subsidiaries				
PT Lippo Cikarang Tbk	4,251,698	393,837,155,717	4,210,889	360,840,323,468
PT Gowa Makassar Tourism Development Tbk	2,156,095	129,839,369,330	2,160,482	129,204,378,896
PT Muliasentosa Dinamika	803,413	112,455,747,318	803,413	112,455,747,318
PT Erabaru Realindo	692,082	16,961,287,500	692,082	16,961,287,500
PT Sentragraha Mandiri	239,759	33,313,592,430	239,759	33,308,984,800
PT Sejatijaya Selaras	136,909	19,291,682,029	136,909	19,285,461,162
PT Bahtera Pratama Wirasakti	83,405	15,689,663,349	83,405	15,689,138,349
PT Surya Makmur Alam Persada	71,303	20,283,623,533	71,303	20,282,973,418
<b>Total</b>	<b>9,434,229</b>	<b>943,856,085,928</b>	<b>9,376,800</b>	<b>909,078,259,633</b>

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, Cibatu, Cicau, Sukamukti, Sirnajati, 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 (GMTD), a subsidiary, with area of ± 183,480 sqm was pledged as collateral for loan obtained from PT Bank Agroniaga Tbk (see Note 14.c).

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

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**11. Property and Equipment**

	2007				Ending Balance Rp
	Beginning Balance Rp	Addition Rp	Deduction Rp	Reclassification Rp	
<b>Acquisition Cost</b>					
<b>Direct Ownership</b>					
Land	266,889,318,432	111,261,748,500	--	--	378,151,066,932
Building, Infrastructure and Renovations	406,254,399,630	23,907,969,495	6,304,915,348	57,453,387,772	481,310,841,549
Parks and Interiors	4,191,248,220	2,377,185,417	--	429,191,863	6,997,625,500
Golf Course and Club House	160,787,131,376	3,348,075,350	--	--	164,135,206,726
Transportation Equipment and Vehicles	22,879,991,281	2,887,550,220	3,676,650,145	25,900,000	22,116,791,356
Furniture Fixtures and Office Equipment	184,041,189,287	77,294,521,580	832,641,090	1,049,639,721	261,552,709,498
Tools and Medical Equipment	194,065,523,107	17,787,161,905	2,175,648,905	--	209,677,036,108
Machinery and Project Equipment	87,733,343,384	38,762,735,300	37,500,000	5,105,766,387	131,564,345,071
Bowling Machinery	14,380,816,861	--	--	--	14,380,816,861
Playground Areas	3,121,642,093	--	--	--	3,121,642,093
	1,344,344,603,671	277,626,947,767	13,027,355,488	64,063,885,743	1,673,008,081,693
<b>Assets under Capital Lease</b>	2,431,948,780	--	--	--	2,431,948,780
<b>Construction in Progress</b>	146,008,744,385	228,216,091,467	--	(64,063,885,743)	310,160,950,109
<b>Total Acquisition Cost</b>	<b>1,492,785,296,836</b>	<b>505,843,039,233</b>	<b>13,027,355,488</b>	<b>--</b>	<b>1,985,600,980,582</b>
<b>Accumulated Depreciation</b>					
<b>Direct Ownership</b>					
Building, Infrastructure and Renovations	76,357,216,936	18,490,254,561	3,706,201,451	2,523,398	91,143,793,445
Parks and Interiors	3,471,475,591	383,902,052	--	61,512,749	3,916,890,392
Golf Course and Club House	79,905,259,115	8,606,086,201	--	--	88,511,345,316
Transportation Equipment and Vehicles	20,079,943,532	1,377,436,615	3,632,908,094	415,500	17,824,887,553
Furniture Fixtures and Office Equipment	141,613,893,011	17,287,614,175	782,763,941	(73,780,612)	158,044,962,633
Tools and Medical Equipment	130,325,964,490	15,348,561,307	1,589,074,108	--	144,085,451,689
Machinery and Project Equipment	53,245,472,685	8,901,725,879	37,500,000	9,328,965	62,119,027,529
Bowling Machinery	11,685,484,385	1,438,081,704	--	--	13,123,566,089
Playground Areas	3,121,642,093	--	--	--	3,121,642,093
	519,806,351,838	71,833,662,494	9,748,447,593	--	581,891,566,739
<b>Assets under Capital Lease</b>	423,305,699	282,735,573	--	--	706,041,272
<b>Total Accumulated Depreciation</b>	<b>520,229,657,537</b>	<b>72,116,398,067</b>	<b>9,748,447,593</b>	<b>--</b>	<b>582,597,608,011</b>
<b>Book Value</b>	<b>972,555,639,299</b>				<b>1,403,003,372,571</b>

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	2006				
	Beginning Balance Rp	Addition Rp	Deduction Rp	Reclassification Rp	Ending Balance Rp
<b>Acquisition Cost</b>					
<b>Direct Ownership</b>					
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
Playground Areas	3,121,642,093	--	--	--	3,121,642,093
	<u>1,674,735,701,951</u>	<u>80,241,549,909</u>	<u>426,087,780,041</u>	<u>15,455,131,852</u>	<u>1,344,344,603,671</u>
<b>Assets under Capital Lease</b>	4,623,444,402	1,454,422,905	--	(3,645,918,527)	2,431,948,780
<b>Construction in Progress</b>	45,626,044,653	112,191,913,057	--	(11,809,213,325)	146,008,744,385
<b>Total Acquisition Cost</b>	<u>1,724,985,191,006</u>	<u>193,887,885,871</u>	<u>426,087,780,041</u>	<u>--</u>	<u>1,492,785,296,836</u>
<b>Accumulated Depreciation</b>					
<b>Direct Ownership</b>					
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
Playground Areas	3,121,642,093	--	--	--	3,121,642,093
	<u>541,179,629,405</u>	<u>91,793,771,751</u>	<u>114,269,477,498</u>	<u>1,102,428,180</u>	<u>519,806,351,838</u>
<b>Assets under Capital Lease</b>	1,245,067,272	280,666,607	--	(1,102,428,180)	423,305,699
<b>Total Accumulated Depreciation</b>	<u>542,424,696,677</u>	<u>92,074,438,358</u>	<u>114,269,477,498</u>	<u>--</u>	<u>520,229,657,537</u>
<b>Book Value</b>	<u>1,182,560,494,329</u>				<u>972,555,639,299</u>

Depreciation expenses are allocated as follows:

	2007 Rp	2006 Rp
Cost of Sales and Services	18,225,255,086	27,661,281,897
Selling Expenses	2,622,968,583	1,107,934,921
General and Administrative Expenses	<u>51,268,174,398</u>	<u>63,172,284,845</u>
<b>Total</b>	<u>72,116,398,067</u>	<u>91,941,501,663</u>

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 Rp 132,936,695.

Land and building of Aryaduta Hotel Jakarta, land and building, 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 its subsidiaries from PT Bank Niaga Tbk, PT Bank Permata Tbk and PT Bank Internasional Indonesia Tbk (see Note 14).

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

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All the Company's and subsidiaries' property and equipment have been insured against fire damage and other risks, with sum insured amounting to Rp 1,062.03 billion and USD 44,333,930 as of December 31, 2007 and Rp 958.93 billion and USD 22,002,994 as of December 31, 2006. The Company and its 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**

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
Acquisition Cost	13,027,355,488	3,561,247,615
Accumulated Depreciation	<u>9,748,447,593</u>	<u>3,175,018,139</u>
Book Value	3,278,907,894	386,229,476
Written off - Book Value	(477,584,255)	(249,023,711)
Selling Price	<u>4,417,060,953</u>	<u>1,044,056,335</u>
<b>Gain on Disposal</b>	<b><u>1,615,737,314</u></b>	<b><u>906,850,570</u></b>

**b. Sale and Leaseback**

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
Acquisition Cost	422,526,532,426	422,526,532,426
Accumulated Depreciation	<u>111,094,459,359</u>	<u>111,094,459,359</u>
Book Value	311,432,073,067	311,432,073,067
Proceed	<u>1,027,043,534,378</u>	<u>1,027,043,534,378</u>
Deferred Gain on Sale and Leaseback Transactions	715,611,461,311	715,611,461,311
Foreign Exchange	15,890,908,428	--
Amortization	<u>47,871,677,433</u>	<u>2,744,811,084</u>
<b>Net</b>	<b><u>683,630,692,306</u></b>	<b><u>712,866,650,227</u></b>

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

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

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**12. Intangible Assets**

	2007 Rp	2006 Rp
Excess of Acquisition Cost over the Subsidiaries' Net Assets	178,418,600,927	140,351,540,622
Acquisition Cost of Software	1,877,395,983	1,575,068,037
Total	180,295,996,910	141,926,608,659
Less: Accumulated Amortization	(40,246,985,092)	(24,243,822,938)
<b>Net</b>	<b>140,049,011,818</b>	<b>117,682,785,721</b>

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; acquisition of PT Menara Bhumimegah by PT Kemang Village, a subsidiary, for Rp 1,707,831,551; acquisition of PT Persada Mandiri Dunia Niaga 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; acquisition PT Mujur Sakti Graha by PT Prima Kreasi Propertindo, a subsidiary, for Rp 1,165,878,505; and acquisition of PT Graha Solusi Mandiri by PT Primakreasi Propertindo, a subsidiary, for Rp 38,067,060,305 in 2007 (see Note 1.c).

**13. Other Assets**

	2007 Rp	2006 Rp
Project Advances	77,086,051,840	35,868,440,480
Restricted Funds	16,891,376,318	4,719,744,040
Deferred Charges	8,591,930,946	8,124,824,050
Others	58,851,382,946	58,351,807,131
<b>Total</b>	<b>161,420,742,050</b>	<b>107,064,815,701</b>

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**14. Loans**

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
<b>Third Parties</b>		
<b>Bank</b>		
a. PT Bank Negara Indonesia Tbk	328,138,853,961	100,000,000,000
b. PT Bank Niaga Tbk	113,386,000,000	34,500,000,000
c. PT Bank Agroniaga Tbk	32,000,000,000	10,300,000,000
d. PT Bank Permata Tbk	6,760,769,551	10,077,740,256
e. PT Bank Internasional Indonesia Tbk	2,653,008,270	5,727,869,331
f. PT Bank Bukopin Tbk	--	17,000,000,000
	<u>482,938,631,782</u>	<u>177,605,609,587</u>
<b>Non Bank</b>		
g. Bonds	2,315,369,877,468	2,200,398,170,320
h. Promissory Notes	41,919,609,375	41,919,609,375
	<u>2,357,289,486,843</u>	<u>2,242,317,779,695</u>
Sub Total Third Parties	<u>2,840,228,118,625</u>	<u>2,419,923,389,282</u>
<b>Related Parties</b>		
<b>Non Bank</b>		
i. PT Ciptadana Multifinance	23,873,687,583	26,530,602,207
<b>Total</b>	<u><u>2,864,101,806,208</u></u>	<u><u>2,446,453,991,489</u></u>

**a. PT Bank Negara Indonesia Tbk**

- Based on Credit Agreement No. 34 of Notary H. Zamri, SH, dated October 30, 2006, which was renewed by Credit Agreement No. 46 of Notary H. Zamri, SH, dated March 29, 2007, the Company obtained a Working Capital Credit facility with maximum amount of Rp 250,000,000,000 and bore an annual interest rate of 13.5%. This loan was used to property and other business, except for acquired land and will mature on October 29, 2007. Furthermore, based on Credit Agreement No. 44 of Notary H. Zamri, SH, dated March 29, 2007, the Company obtained additional Working Capital Credit facility with maximum amount of Rp 20,000,000,000 resulting in total Working Capital Credit facility amounting to Rp 270,000,000,000 and bore an annual interest rate of 13.5% and will due on October 29, 2007. These loans have been extended until January 29, 2008. Up to the date of completion this consolidated financial statements, the amendments are still in the process.

Both facilities were secured by collateral as follows:

- 14 (fourteen) parcels of land with area of 52,312.4 sqm, consist 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) (formerly PT Grandgraha Gemilang), a subsidiary;
- 11 (eleven) parcels of land with area of 30,280.2 sqm, consist of part of HGB No. 750, No. 116, No. 111, No. 161, No. 118, No. 162, No. 1598, No. 119, No. 113, HGB No. 148 and No. 133 registered under the name of VPC, a subsidiary.
- Property and others account receivable (excluded accounts receivable from land sold), with minimum of 125% from total credit.

The outstanding balance of these facilities as of December 31, 2007 and 2006 amounted to Rp 195,138,853,961 and Rp 100,000,000,000, respectively.

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- Based on Credit Agreement No. 45 of Notary H. Zamri, SH, dated March 29, 2007, the Company obtained a term loan credit facility with maximum amount of Rp 270,000,000,000. This loan bears an annual interest rate of 13.5%. The loan was used to finance the Company's projects in Housing and Land Development, Healthcare and Hospitality, and Infrastructure, except for acquired land and will be due on March 29, 2011.

This loan was secured by collaterals as follows:

- 35 (thirty five) parcel of land with area of 90.715 sqm each with Right to Build No. 487, No. 486, No. 488, No. 490, No. 485, No. 477, No. 545, No. 546, No. 547, No. 489, No. 521, No. 520, No. 519, No. 518, No. 517, No. 516, No. 515, No. 514, No. 508, No. 509, No. 510, No. 511, No. 512, No. 513, No. 532, No. 531, No. 530, No. 529, No. 528, No. 527, No. 526, No. 525, No. 524, No. 523 and No. 522 registered under the name of PT Almaron Perkasa, a subsidiary.
- Property inventories (excluding land) with minimum amount of 100% of total credit.

The outstanding balance of this facility as of December 31, 2007 is Rp 133,000,000,000.

**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 bears an annual interest rate of 18%. This loan was used to finance renovation of Aryaduta Hotel Jakarta and Imperial Aryaduta Hotel & Country Club, Karawaci Tangerang, and will due on December 21, 2009. The balance of this facility as of December 31, 2007 and 2006 amounted to Rp 23,000,000,000 and Rp 34,500,000,000, respectively.

This facility was secured by Right to Build (HGB) No. 292 and No. 293 located in Desa Gambir Kecamatan Gambir, Kotamadya Jakarta Pusat, DKI Jakarta, registered under the Company's name (See Note 11).

- Based on Credit Agreement No. 045/CBG/JKT/07 dated February 22, 2007, PT Surya Mitra Jaya, a subsidiary, obtained Special Transaction Credit Facility with maximum amount of Rp 150,000,000,000, and bear an annual interest rate of 13.5%. This loan was used to finance "City of Tomorrow" project and will due in four years, including one year grace period.

This facility was secured by collaterals as follows:

- All land and building in "City of Tomorrow" project with minimum value of Rp 180,000,000,000.
- Fiduciary of accounts receivable from sales of apartment unit, mall, and office space with minimum value of 150% of total loan.

The outstanding balance of this facility as of December 31, 2007 amounted to Rp 90,386,000,000.

**c. PT Bank Agri Niaga Tbk**

- Based on Credit Agreement No. 73 dated June 23, 2004, of which was renewed by Credit Agreement No. 47 dated February 26, 2007, PT Gowa Makassar Tourism Development Tbk (GMTD), a subsidiary, obtain an approval alteration of credit facility, credit limit, and collaterals. Credit facility changed from Fixed Installment Credit facility with maximum limit of Rp 24,200,000,000 to Regular Fixed credit facility with maximum limit of Rp 32,000,000,000 for the period of 12 months and bears an annual interest rate of 14.25%.



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This facility was secured by collaterals as follows:

- 13 (thirteen) parcel of land with area of 183,480 sqm, consist of Right to Build (HGB) No. 20001, No. 20002, No. 20003, No. 20004, No. 20005, No. 20006, No. 20007, No. 20008, No. 20009, No. 20010, No. 20011, No. 20012 and No. 20013 located in Kelurahan Barombong, Kecamatan Tamalate, Makassar, South Sulawesi Province registered under the name of GMTD.
- Land and building with area of 82,478 sqm and 781 sqm, respectively, based HGB No. 20588 located in Tanjung Merdeka, Kecamatan Tamalate, Makassar, South Sulawesi Province registered under the name of GMTD.

As of December 31, 2007 and 2006, the outstanding balance of this loan was Rp 32,000,000,000 and Rp 10,300,000,000, respectively.

- In 2006, the Company obtained Regular Fixed Credit facility amounted to Rp 40,000,000,000 and bears an interest rate of 16.5% which 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 Desa Kelapa Dua, Kecamatan Curug, Kabupaten Tangerang, West Java registered under the name of the Company (see Note 7). Up to the date of completion this consolidated financial statements, this facility remain unused.

**d. 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 assets (see Note 11) as follows:

- Land approximately of 9,900 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 credits facilities obtained are as follows:

	2007 Rp	2006 Rp
Revolving Loan (RL)	--	3,443,798,833
Term Loan 1 (TL)	6,760,769,551	6,633,941,423
<b>Total</b>	<b>6,760,769,551</b>	<b>10,077,740,256</b>

The 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 of 18 months from the date of agreement and can be extended at the request of EJM.

**e. 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.

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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 concerning to the change the 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.

Onward, based on amendment of Credit Agreement No. 672/PrbPK/2007/MKS dated November 11, 2007, TL I and TL II have been converted to Term Loan Back to Back amounting to Rp 2,921,837,215, which will due on November 18, 2008 and annual interest rate to become time deposit rate + 1%, and change the all collaterals by certificate of Time Deposit amounting to Rp 3,500,000,000.

**f. PT Bank Bukopin Tbk**

The loan obtained by PT Almaron Perkasa (AP), a subsidiary, from PT Bank Bukopin Tbk with maximum credit limit of Rp 100,000,000,000 was secured by certain land approximately 26,532 sqm. This loan bore an annual interest of 15.5% and will due on October 27, 2008. As of December 31, 2006, the outstanding balance of this facilities amounted to Rp 17,000,000,000 and has been settled on April 18, 2007.

**g. Bonds**

	2007 Rp	2006 Rp
Nominal (USD 250,000,000)	2,354,750,000,000	2,255,000,000,000
Bond Issuance Cost - Net	<u>(39,380,122,532)</u>	<u>(54,601,829,680)</u>
<b>Total</b>	<b><u>2,315,369,877,468</u></b>	<b><u>2,200,398,170,320</u></b>
 Bond Issuance Costs	 65,176,216,045	 65,176,216,045
Less: accumulated amortization	<u>(25,796,093,513)</u>	<u>(10,574,386,365)</u>
<b>Unamortized Bond Issuance Cost</b>	<b><u>39,380,122,532</u></b>	<b><u>54,601,829,680</u></b>

On March 9, 2006, Lippo Karawaci Finance B.V., a subsidiary, issued unsecured bonds 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, 2007 and 2006, the outstanding accrued interest expense amounting to Rp 64,975,299,969 (USD 6,898,323) and Rp 62,289,864,969 (USD 6,905,750), respectively.

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).

**h. Promissory Notes**

On December 31, 2007 and 2006, the outstanding balance of promissory notes issued by PT Lippo Cikarang Tbk (LC), a subsidiary, were Rp 41,919,609,375 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 is managed by Asia Growth Investment Limited. On December 31, 2007 and 2006, the outstanding balance of interest payable on these promissory notes was Rp 886 million and Rp 796 million, respectively.

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

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**i. PT Ciptadana Multifinance**

On August 2006, PT Lippo Cikarang Tbk, a subsidiary, obtained factoring facility from PT Ciptadana Multifinance amounted to Rp 75,000,000,000 with an annual interest rate of 18%. The outstanding balance of factoring facility as of December 31, 2007 and 2006 was Rp 23,873,687,583 and Rp 26,530,602,207, respectively.

**15. Accrued Expenses**

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
Estimated Cost for Construction	183,946,422,396	101,952,394,864
Interest	67,071,107,386	66,058,492,954
Hedging Premium	17,416,790,638	15,838,155,366
Salaries and Employees' Benefits	12,422,865,514	5,707,416,637
Professional Fees	10,900,293,408	32,858,317,524
Electricity, Water and Telephone	4,703,823,947	3,873,866,711
Supplies	1,929,678,726	1,147,322,385
Marketing	161,414,661	821,357,867
Others	38,132,511,314	32,923,729,238
<b>Total</b>	<b>336,684,907,988</b>	<b>261,181,053,546</b>

**16. Taxation**

**a. Income Tax Benefit (Expense)**

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
Current	(100,634,382,672)	(192,760,905,013)
Deferred	(15,168,216,748)	71,590,794,221
<b>Total</b>	<b>(115,802,599,420)</b>	<b>(121,170,110,792)</b>

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:

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
Income before Income Tax Benefit (Expense) According to the Consolidated Statements of Income	484,273,664,800	463,991,758,137
<i>Deduct:</i>		
Income from Subsidiaries	(159,645,386,794)	(232,581,264,119)
Elimination of Transactions Related to Consolidated Subsidiaries	(236,352,849,797)	(92,651,253,812)
The Company's Commercial Income	88,275,428,209	138,759,240,206

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

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	2007 Rp	2006 Rp
<b>Timing Differences</b>		
Salaries and Employees' Benefits	6,776,059,707	6,541,177,879
Amortization of Deferred Income	979,983,285	(1,748,547,145)
Gain on Sale of Property and Equipment	478,845,179	14,746,702
Depreciation of Assets Under Capital Lease	241,355,406	206,130,607
Interest on Lease Obligations	217,812,929	123,663,668
Provision for Doubtful Accounts	13,512,850	22,075,036
Payments of Obligations Under Capital Lease	(668,102,827)	(702,155,881)
Depreciation of Direct Ownership of Property and Equipment	(4,424,919,070)	8,340,892,621
Deferred Gain on Sale and Leaseback Transactions	(7,303,446,744)	109,511,639,213
	<u>(3,688,899,285)</u>	<u>122,309,622,700</u>
<b>Permanent Differences</b>		
Vehicles Rent Expense	3,998,426,235	2,571,524,940
Employees' Benefits	1,221,662,782	2,308,721,066
Donation and Representation	824,993,187	2,050,459,839
Rent Income	(18,076,483,710)	(12,781,578,306)
Interest Income	(24,827,505,138)	(28,211,010,726)
Others	481,532,946	652,552,725
	<u>(36,377,373,698)</u>	<u>(33,409,330,462)</u>
<b>Taxable Income</b>	<u><b>48,209,155,226</b></u>	<u><b>227,659,532,444</b></u>

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

	2007 Rp	2006 Rp
Taxable Income	<u>48,209,155,226</u>	<u>227,659,532,444</u>
Progressive Rates	14,445,246,567	68,280,359,733
Tax Credit	(14,445,246,567)	(34,183,716,665)
Estimated Income Tax of Company Article 29	<u>--</u>	<u>34,096,643,068</u>
<b>Subsidiaries</b>		
Taxable Income	<u>222,932,470,766</u>	<u>415,786,817,600</u>
Progressive Rates	86,189,136,105	124,480,545,280
Tax Credit	(6,067,339,115)	(7,847,702,887)
Estimated Income Tax of Subsidiaries Article 29	<u>80,121,796,990</u>	<u>116,632,842,393</u>
<b>Consolidated Income Tax Payable</b>	<u><b>80,121,796,990</b></u>	<u><b>150,729,485,461</b></u>
Prior Year Income Tax Article 29	<u>124,105,482,461</u>	<u>148,202,867,378</u>
<b>Consolidated Income Tax Article 29</b>	<u><b>204,227,279,451</b></u>	<u><b>298,932,352,839</b></u>

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

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

	2007 Rp	2006 Rp
Income before Income Tax Benefit (Expense) According to the Consolidated Statements of Income	484,273,664,800	463,991,758,137
<i>Deduct:</i>		
Income of Subsidiaries	(159,645,386,794)	(232,581,264,119)
Elimination of Transactions Related to Consolidated Subsidiaries	(236,352,849,797)	(92,651,253,812)
The Company's Commercial Income	<u>88,275,428,209</u>	<u>138,759,240,206</u>
Income Tax Calculated by Multiplying with Rate of 30%	(26,465,128,463)	(41,627,772,062)
Interest Income	7,448,251,541	8,463,303,218
Rent Income	5,422,945,113	3,834,473,492
Donation and Representation	(247,497,955)	(615,137,952)
Employees' Benefits	(366,498,835)	(692,616,320)
Vehicles Rent Expense	(1,199,527,871)	(771,457,482)
Others	(144,459,883)	(178,265,818)
Total Income Tax Expense of the Company	<u>(15,551,916,353)</u>	<u>(31,587,472,923)</u>
Current Tax of the Subsidiaries	(86,189,136,105)	(124,480,545,280)
Deferred Tax of the Subsidiaries	(14,061,546,962)	34,897,907,411
Total Income Tax Expense of the Subsidiaries	<u>(100,250,683,067)</u>	<u>(89,582,637,869)</u>
<b>Total Income Tax Expense</b>	<b><u>(115,802,599,420)</u></b>	<b><u>(121,170,110,792)</u></b>

**b. Deferred Tax Assets - Net**

Details of deferred tax assets and liabilities as presented in the consolidated balance sheets as of December 31, 2007 and 2006 are as follows:

	2005 Rp	Charged to Statements of Income Rp	Correction Rp	2006 Rp	Charged to Statements of Income Rp	2007 Rp
<b>The Company</b>						
Allowance for Doubtful Accounts	14,807,628,930	6,622,512	--	14,814,251,442	4,053,855	14,818,305,297
Estimated Liabilities on Employees' Benefits	10,148,771,272	1,962,353,364	--	12,111,124,636	2,032,817,912	14,143,942,548
Amortization of Deferred Income from Sale and Lease Back Transactions	524,269,446	32,329,222,318	--	32,853,491,764	(2,191,034,023)	30,662,457,741
Amortization of Deferred Expense	(742,593,048)	(294,698)	--	(742,887,746)	293,994,986	(448,892,761)
Depreciation	(17,269,922,378)	2,394,983,314	--	(14,874,939,064)	(1,246,502,515)	(16,121,441,579)
Others	(2,286,448,187)	--	3,114,629,685	828,181,498	--	828,181,498
	<u>5,181,706,035</u>	<u>36,692,886,810</u>	<u>3,114,629,685</u>	<u>44,989,222,530</u>	<u>(1,106,669,786)</u>	<u>43,882,552,744</u>
<b>Subsidiaries</b>	<u>35,469,118,318</u>	<u>34,897,907,411</u>	<u>(3,114,629,685)</u>	<u>67,252,396,044</u>	<u>(14,061,546,962)</u>	<u>53,190,849,082</u>
<b>Deferred Tax Assets - Net</b>	<b><u>40,650,824,353</u></b>	<b><u>71,590,794,221</u></b>	<b><u>--</u></b>	<b><u>112,241,618,574</u></b>	<b><u>(15,168,216,748)</u></b>	<b><u>97,073,401,826</u></b>

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**c. Taxes Payable**

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
Income Tax		
Article 25/29	204,227,279,451	298,932,352,839
Article 21	17,963,802,949	28,849,755,478
Article 23	11,695,458,386	49,653,802,667
Article 26	5,457,902,791	10,082,799,406
Final	392,564,752	316,480,678
Article 15	--	58,500,000
Value Added Tax	49,351,391,019	62,753,105,404
Government Sales Tax	2,079,240,990	1,744,454,372
Entertainment Tax	629,247,821	544,459,505
<b>Total</b>	<b><u>291,796,888,159</u></b>	<b><u>452,935,710,349</u></b>

**17. Advance from Customers**

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
<b>Related Parties</b>		
Shopping Centers (see Note 9)	--	404,245,418,000
<b>Third Parties</b>		
Apartment	355,992,676,387	34,735,311,343
Residential Houses and Shophouses	178,109,325,866	117,936,702,980
Land Lots	14,654,228,557	13,236,840,813
Maintenance	3,981,158,139	3,684,579,386
Shopping Centers	2,426,697,735	28,051,178,578
Others	10,581,439,181	12,271,083,845
	<u>565,745,525,865</u>	<u>209,915,696,945</u>
<b>Total</b>	<b><u>565,745,525,865</u></b>	<b><u>614,161,114,945</u></b>

**18. Deferred Income**

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
<b>Related Parties</b>		
Rent (see Note 9)	470,887,647,712	222,228,740,521
<b>Third Parties</b>		
Excess of Net Assets over Acquisition Cost	55,080,254,737	58,487,280,805
Rent	26,794,154,840	24,097,016,756
Others	10,778,022,752	9,100,943,868
	<u>92,652,432,329</u>	<u>91,685,241,429</u>
<b>Total</b>	<b><u>563,540,080,041</u></b>	<b><u>313,913,981,950</u></b>

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**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, 2007 was calculated by independent actuaries, which are PT Pointera Aktuarial Strategis and PT Dayatamandiri Dharmakonsilindo with their reports dated February 4, 2008, and January 3, 2008, respectively. Estimated liabilities on employees' benefits as of December 31, 2006 was calculated by independent actuaries, which are PT Pointera Aktuarial Strategis and PT Dayatamandiri Dharmakonsilindo with their reports dated January 22, 2007 and January 4, 2007. As of December 31, 2007 and 2006, the Company and its subsidiaries have 4,107 and 3,925 permanent 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:

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
Interest Expense	10,484,269,147	9,742,144,852
Current Service Cost (Acquired Benefits during the Current Year)	21,870,128,567	6,114,447,073
Recognized Actuarial (Gain) Loss	(1,244,197,766)	2,051,580,154
Past Service Cost (Non Vested)	575,071,918	621,325,292
Amortization of Actuarial Adjustment	--	(5,462,000)
Net Contribution Paid to Program of Assets	(3,605,709,838)	--
Estimated Payment Current Year	(11,224,678,349)	(4,607,602,713)
Expected Return from Program of Assets	(3,537,936,687)	(10,897,830,890)
<b>Total Employees' Benefits Expense</b>	<b>13,316,946,992</b>	<b>3,018,601,768</b>

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

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
Liabilities at Beginning of the year	84.589.868.185	83.032.066.417
Payment of Employees' Benefit in Current Year	--	(9.582.000)
Company's Contribution	(1.177.433.000)	(1.451.218.000)
Recognized Employees' Benefit Expense in Current Year	13.316.946.992	3.018.601.768
<b>Estimated Employees' Benefits Liabilities as at Balance Sheet Date</b>	<b>96.729.382.177</b>	<b>84.589.868.185</b>

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	: 10% - 11% (2006: 11%)
Salary Increase Projection Rate	: 10%
Mortality Rate	: 100% TMI2 and CSO'80
Permanent Disability Rate	: 5%
Withdrawal Rate	: 18 - 29 : 1% - 8.5% per year 30 - 39 : 1% - 6% per year 40 - 44 : 1% - 4% per year > 45 : 1% per year
Proportion Method Intake of Normal Pension Method	: 100%
Method	: <i>Projected Unit Credit</i>

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

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The Company and its subsidiaries established defined benefit pension plans covering all their permanent employees. Pension contribution expense charged to the operation was Rp 6,628,257,213 and Rp 6,156,742,733 as of December 31, 2007 and 2006, respectively.

**20. Capital Stock**

	2007		
	Total Shares	Percentage Ownership %	Issued and Fully Paid Rp
<b>Stockholders</b>			
UBS AG, Hongkong	2,263,926,350	13.08	226,392,635,000
Pacific Asia Holdings Ltd	1,836,706,250	10.62	183,670,625,000
Capital Bloom Investment Ltd	1,138,293,750	6.58	113,829,375,000
Others (each less than 5%)	12,063,225,345	69.72	1,206,322,534,500
<b>Total</b>	<b>17,302,151,695</b>	<b>100.00</b>	<b>1,730,215,169,500</b>
	2006		
	Total Shares	Percentage Ownership %	Issued and Fully Paid Rp
<b>Stockholders</b>			
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
<b>Total</b>	<b>5,871,017,072</b>	<b>100.00</b>	<b>1,467,754,268,000</b>

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 stock split from Rp 500 to Rp 250 per share which also approved by the Minister of Law and Human Rights of the Republic Indonesia in his Decree No. C-13265.HT.01.04.TH.2006 dated May 8, 2006. The stock split effective on July 28, 2006.

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 exercise of warrants series I. The amendment of the Company's article of association 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.

Based on statement of Extraordinary Shareholders General Meeting as covered by notarial deed No. 70 of Unita Christina Winata, SH, dated November 30, 2007, concerning among others, the issuance of Company's new shares resulting from the exercise of warrants series I. The amendment of the Company's article of association has been received and recorded by the Minister of Law and Human Rights of the Republic Indonesia in his Letter No. C-UM.HT.01.10-5006, dated December 3, 2007.



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Based on statement of Extraordinary Shareholders General Meeting as covered by notarial deed No. 71 of Unita Christina Winata, SH, dated November 30, 2007, the shareholders approved the stock split from Rp 250 to Rp 100 per share and has been received and recorded by the Minister of Law and Human Rights of the Republic of Indonesia in his Decree No. C-UM.HT.01.10-5187, dated December 5, 2007. The stock split was exercised on December 26, 2007.

**21. Additional Paid-in Capital - Net**

	2007 Rp	2006 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	<u>75,439,569,336</u>	<u>75,439,569,336</u>
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	<u>477,605,385,137</u>	<u>477,605,385,137</u>
Premium on Exercising Warrant Series I	659,475,970,000	3,323,716,250
Excess of Market Value Over Par Value of Stock Issued in Business Combination Exercised under Purchase Method	<u>91,701,282,075</u>	<u>91,701,282,075</u>
<b>Total</b>	<b><u>1,304,222,206,548</u></b>	<b><u>648,069,952,798</u></b>

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.

**22. Cash Dividend and Reserved Fund**

Based on the notarial Deed of Shareholders General Meeting Resolution No. 22 of Unita Christina Winata, SH, dated May 24, 2007, concerning among others, disbursement of cash dividend and reserved fund amounted to Rp 31,974,376,353 and Rp 200,000,000, respectively from retained earning of 2006.

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

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

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.

**24. Net Sales, Services and Other Revenues**

	<u>2007 Rp</u>	<u>2006 Rp</u>
Housing and Land Development:		
Shopping Centers	447,202,544,423	471,595,734,635
Land Lots	315,582,972,784	358,522,792,569
Residential Houses and Shophouses	199,475,123,743	122,127,105,017
Memorial Park	<u>55,543,963,030</u>	<u>--</u>
	<u>1,017,804,603,980</u>	<u>952,245,632,221</u>

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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	2007 Rp	2006 Rp
Healthcare and Hospitals:		
Inpatient Department		
Medical Support Services	151,898,063,100	134,750,915,618
Drugs and Medical Supplies	137,903,732,788	131,192,329,859
Ward Fees	62,717,056,530	55,660,889,938
Administration Fees	19,545,458,447	17,942,643,835
Operating Theater	13,584,400,500	11,816,818,627
Delivery Fees	1,155,060,500	1,104,919,589
Others	7,732,483,267	9,357,782,922
Outpatient Department		
Medical Support Services	169,070,053,015	157,597,425,717
Professional Fees	55,136,426,028	45,252,857,577
Registration Fees	8,395,619,583	8,819,646,150
	<u>627,138,353,757</u>	<u>573,496,229,832</u>
Hospitality and Infrastructure:		
Hotel and Restaurants	187,323,915,704	174,471,815,516
Town Management	62,776,744,799	61,112,946,208
Water and Sewage Treatment	57,216,301,873	52,153,922,223
Recreation and Sports	44,998,000,380	38,442,195,878
Management Fees	42,196,162,958	15,000,000,000
Asset Enhancement	35,422,355,361	26,775,828,399
Others	16,477,547,784	11,631,786,580
	<u>446,411,028,859</u>	<u>379,588,494,804</u>
<b>Total</b>	<b><u>2,091,353,986,596</u></b>	<b><u>1,905,330,356,857</u></b>

Revenue from management fees represents revenue from property management of shopping centers and manager of REIT.

Revenue from asset enhancement represent revenue from rental of the Company's assets.

**25. Cost of Sales and Services**

	2007 Rp	2006 Rp
Housing and Land Development:		
Residential Houses and Shophouses	137,729,618,627	81,486,972,053
Shopping Centers	134,377,201,113	169,785,663,813
Land Lots	80,857,061,934	106,041,956,450
Memorial Park	8,665,306,725	--
	<u>361,629,188,399</u>	<u>357,314,592,316</u>

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	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
Healthcare and Hospitals:		
Inpatient Department		
Salaries and Employees' Benefits	152,191,954,172	138,926,203,509
Drugs and Medical Supplies	84,874,499,066	94,859,831,550
Depreciation	10,722,339,673	16,323,817,752
Food and Beverages	10,048,521,172	9,478,250,397
Clinical Supplies	9,987,179,928	6,578,452,282
Repair and Maintenance	4,219,509,275	3,201,285,224
Others	4,107,444,294	3,394,808,661
Outpatient Department		
Drugs and Medical Supplies	85,079,856,216	63,222,139,625
Salaries and Employees' Benefits	79,877,232,565	74,599,139,534
Clinical Supplies	8,935,135,885	6,829,691,394
Depreciation	7,502,915,413	11,337,464,145
Repair and Maintenance	2,766,959,153	2,848,064,280
Others	2,333,781,642	2,137,915,718
	<u>462,647,328,455</u>	<u>433,737,064,071</u>
Hospitality and Infrastructure:		
Hotel and Restaurants	75,122,774,029	64,524,859,330
Town Management	30,956,705,462	29,933,577,832
Water and Sewage Treatment	25,138,442,349	21,412,334,451
Recreation and Sports	17,587,214,950	17,649,926,590
Others	12,142,461,335	7,764,691,916
	<u>160,947,598,125</u>	<u>141,285,390,119</u>
<b>Total</b>	<b><u>985,224,114,979</u></b>	<b><u>932,337,046,506</u></b>

**26. Operating Expenses**

**a. Selling**

	<b>2007</b>	<b>2006</b>
	<b>Rp</b>	<b>Rp</b>
Marketing and Advertising	52,394,403,036	52,486,666,906
Salaries and Employees' Benefits	30,360,316,058	23,588,977,332
Repairs and Maintenance	10,119,896,502	8,077,290,051
Transportation and Accommodation	7,715,824,416	6,978,644,776
Management Fees	7,611,288,070	7,524,596,143
Water and Electricity	4,382,402,657	3,619,276,119
Office Supplies	3,937,865,031	4,897,859,309
Rent	3,289,173,095	2,391,262,429
Communication	3,153,936,929	2,533,335,134
Depreciation	2,622,968,583	1,107,934,921
Others	1,930,412,253	6,198,052,085
<b>Total</b>	<b><u>127,518,486,630</u></b>	<b><u>119,403,895,205</u></b>

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**b. General and Administrative**

	2007 Rp	2006 Rp
Salaries and Employees' Benefits	208,736,435,959	158,027,076,240
Rent	78,468,572,249	16,398,725,633
Depreciation	51,268,174,398	63,172,284,845
Water and Electricity	49,579,111,152	44,486,765,822
Professional Fees	22,495,765,352	18,002,743,539
Transportation and Accommodation	22,460,689,393	21,824,962,129
Repairs and Maintenance	21,751,169,670	26,512,522,045
Office Supplies	15,826,173,462	14,001,377,507
Communication	8,586,477,541	9,415,486,099
Training and Seminar	6,806,756,080	4,908,148,753
Insurance	5,813,914,726	3,270,495,633
Membership and Subscription Fees	4,656,407,599	2,666,566,799
Representation and Entertainment	2,209,548,251	4,010,128,121
Taxes	2,118,647,452	2,729,930,625
Bad Debt Expenses	475,908,863	1,473,847,714
Others	16,236,152,484	15,515,617,984
<b>Total</b>	<b><u>517,489,904,633</u></b>	<b><u>406,416,679,488</u></b>

**27. Interest Income (Expenses) - Net**

	2007 Rp	2006 Rp
Interest Income	58,447,371,845	31,995,588,687
Interest Expenses	<u>(9,837,345,621)</u>	<u>(21,515,843,365)</u>
<b>Total Interest Income - Net</b>	<b><u>48,610,026,225</u></b>	<b><u>10,479,745,322</u></b>

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

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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(In Full Rupiah)

**29. Commitments and Contingencies**

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- 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. As of December 31, 2007, total contract value amounting to Rp 405 billion.
- 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 2,312,243,262 and Rp 2,001,450,788 in 2007 and 2006, respectively.

As of December 31, 2007 and 2006, management and incentive fees payables to Hyatt amounting to Rp 639,602,902 and Rp 589,257,136, respectively.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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- 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 245,249,422 and Rp 222,222,000 in 2007 and 2006, respectively.

- 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 3,848.57 sqm to PT Shell Indonesia (SI) d/h PT Kridapetra Graha. 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.

SI 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.

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- 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, 2007 was amounting to Rp 135,939,535,477. 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 to Rp 12,000 with annual Premium Rate of 2.525% from Notional Amount. Premium will be paid on every March 9 and September 9. This facility will due on March 9, 2011. As of December 31, 2007, unrealized gain is amounted to Rp 5,475,000,000.

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 to Rp 12,000 with annual Premium Rate of 2.72% from Notional Amount. Premium will be paid on every March 9 and September 9. This facility will due on March 9, 2011. As of December 31, 2007 and 2006, unrealized gain amounted to Rp 10,100,000,000 and Rp 125,000,000, respectively.

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 to Rp 12,000 with annual Premium Rate of 2.69% from Notional Amount. Premium will be paid on every March 9 and September 9. This facility will due on March 9, 2011. As of December 31, 2007 and 2006, unrealized gain amounted to Rp 10,475,000,000 and Rp 500,000,000, respectively.

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 to Rp 12,000 with annual Premium Rate of 2.475% from Notional Amount. Premium will be paid on every March 9 and September 9. This facility will due on March 9, 2011. As of December 31, 2007, unrealized gain amounted to Rp 10,950,000,000.

On May 17, 2006, the Company entered into Non Deliverable USD Call Spread Option facilities with BNP Paribas, Singapore branch and UBS AG, Singapore branch amounting to USD 25,000,000 each for spread between Rp 9,200 to Rp 12,000 with annual Premium Rate of 2.49% and 2.59%, respectively, from Notional Amount. Premium will be paid on every March 9 and September 9. This facility will due on March 9, 2011. As of December 31, 2007, unrealized gain amounted to Rp 5,475,000,000.



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On June 9 and July 11, 2006, the Company entered into Non Deliverable USD Call Spread Option facilities with J.P. Morgan (S.E.A.) Limited, Singapore branch amounting to USD 25,000,000 and USD 35,000,000, respectively, with spread between Rp 8,250; Rp 9,200 and Rp 12,000 with annual Premium Rate of 1.86% and 2.2%, respectively, from Notional Amount. Premium will be paid on every March 9 and September 9. This facility will due on March 9, 2011. As of December 31, 2007, unrealized gain amounted to Rp 7,665,000,000 and Rp 5,475,000,000, respectively.

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 with annual Premium Rate of 1.525% from Notional Amount. Premium will be paid on every March 9 and September 9. This facility will due on March 9, 2011. As of December 31, 2007, unrealized gain amounted to Rp 3,285,000,000.

**30. Segment Information**

**a. Primary Segment**

	2007		
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Hospitality and Infrastructure Rp
			Consolidated Rp
Revenues			
External	1,017,804,603,980	627,138,353,757	446,411,028,859
<b>Total Revenues</b>	<b>1,017,804,603,980</b>	<b>627,138,353,757</b>	<b>446,411,028,859</b>
Result			
Segment Results	656,175,415,581	164,491,025,303	285,463,430,733
Operating Expenses			
Allocated Operating Expenses	403,807,027,630	91,415,381,796	149,785,981,837
<b>Income from Operations</b>	<b>252,368,387,951</b>	<b>73,075,643,507</b>	<b>135,677,448,896</b>
Interest Income (Expenses) - Net	49,608,094,688	(1,131,562,367)	133,493,904
Other Income (Expenses) - Net	(29,820,133,611)	(4,321,858,127)	(1,304,668,980)
Income (Loss) in Associates	8,270,005,534	--	1,718,813,405
<b>Income before Tax Benefit (Expense)</b>	<b>280,426,354,562</b>	<b>67,622,223,013</b>	<b>136,225,087,225</b>
Income Tax Benefit (Expense)			
Current Tax	(93,929,335,853)	--	(6,705,046,819)
Deferred Tax	(16,437,519,699)	2,803,605,323	(1,534,302,372)
<b>Income Before Minority Interests</b>	<b>170,059,499,010</b>	<b>70,425,828,336</b>	<b>127,985,738,034</b>
Minority Interests	(15,810,726,681)	2,072,515,258	(1,705,387,262)
<b>Net Income</b>	<b>154,248,772,329</b>	<b>72,498,343,594</b>	<b>126,280,350,772</b>

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	2007			
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Hospitality and Infrastructure Rp	Consolidated Rp
Segment Assets	8,878,651,380,172	343,713,688,192	1,263,756,661,770	10,486,121,730,134
Investment in Associates	46,826,750,029	423,267,916	--	47,250,017,945
Total Assets	<u>8,925,478,130,201</u>	<u>344,136,956,108</u>	<u>1,263,756,661,770</u>	<u>10,533,371,748,079</u>
Segment Liabilities	<u>5,656,634,222,973</u>	<u>222,021,221,839</u>	<u>120,302,491,224</u>	<u>5,998,957,936,036</u>
Capital Expenditures	322,853,188,609	33,914,555,336	149,075,295,288	505,843,039,233
Depreciation	9,341,460,277	23,695,072,163	39,079,865,627	72,116,398,067
Non Cash Expenses Other than Depreciation	27,745,766,333	1,390,319,235	--	29,136,085,568
Cash Flows from Operating				
Receipt from Costumers	1,361,894,238,053	629,898,759,857	433,106,436,573	2,424,899,434,483
Payment to Third Parties	(969,069,783,952)	(449,366,975,980)	(240,535,711,170)	(1,658,972,471,102)
Others	(802,355,144,276)	(76,121,093,227)	(17,168,357,740)	(895,644,595,243)
	<u>(409,530,690,175)</u>	<u>104,410,690,650</u>	<u>175,402,367,663</u>	<u>(129,717,631,862)</u>
Cash Flows from Investing				
Acquisition of Property and Equipment	(322,853,188,609)	(33,914,555,336)	(149,075,295,288)	(505,843,039,233)
Receipt from investment	22,247,070,122	--	--	22,247,070,122
Others	(8,301,936,057)	594,879,062	(3,527,935,622)	(11,234,992,617)
	<u>(308,908,054,544)</u>	<u>(33,319,676,274)</u>	<u>(152,603,230,910)</u>	<u>(494,830,961,728)</u>
Cash Flows from Financing				
Proceed from Loans	369,243,473,258	--	--	369,243,473,258
Repayment of Loans and Promissory Notes	(49,312,801,242)	(3,316,970,705)	(14,574,861,061)	(67,204,633,008)
Others	988,042,588,299	(64,038,379,724)	(163,698,233)	923,840,510,342
	<u>1,307,973,260,315</u>	<u>(67,355,350,429)</u>	<u>(14,738,559,294)</u>	<u>1,225,879,350,592</u>

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	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
<b>Total Revenues</b>	<b>952,245,632,221</b>	<b>573,496,229,832</b>	<b>379,588,494,804</b>	<b>1,905,330,356,857</b>
Results				
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
<b>Income from Operations</b>	<b>242,215,199,243</b>	<b>99,124,115,643</b>	<b>105,833,420,772</b>	<b>447,172,735,658</b>
Interest Income (Expenses) - Net	20,642,293,121	(9,168,558,446)	(993,989,353)	10,479,745,322
Other Income (Expenses) - Net	(8,874,622,530)	4,811,266,461	(535,320,493)	(4,598,676,562)
Income (Loss) in Associates	10,937,953,719	--	--	10,937,953,719
<b>Income before Tax Benefit (Expense)</b>	<b>264,920,823,553</b>	<b>94,766,823,658</b>	<b>104,304,110,926</b>	<b>463,991,758,137</b>
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
<b>Income before Minority Interests</b>	<b>155,381,279,401</b>	<b>97,960,768,923</b>	<b>89,479,599,021</b>	<b>342,821,647,345</b>
Minority Interests	(21,738,104,648)	3,752,828,635	--	(17,985,276,013)
<b>Net Income</b>	<b>133,643,174,753</b>	<b>101,713,597,558</b>	<b>89,479,599,021</b>	<b>324,836,371,332</b>
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
<b>Total Assets</b>	<b>7,073,824,114,106</b>	<b>333,916,792,769</b>	<b>1,078,112,900,355</b>	<b>8,485,853,807,230</b>
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 Costumers	1,161,336,049,887	567,968,571,885	363,849,388,100	2,093,154,009,872
Payment to Third Parties	(1,384,731,043,337)	(358,442,981,881)	(195,269,176,480)	(1,938,443,201,698)
Others	(1,212,040,526,077)	(89,831,263,559)	(17,375,502,000)	(1,319,247,291,636)
<b>Cash Flows from Operating</b>	<b>(1,435,435,519,527)</b>	<b>119,694,326,445</b>	<b>151,204,709,620</b>	<b>(1,164,536,483,462)</b>
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)
Receipt from 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)
<b>Cash Flows from Investing</b>	<b>(156,623,720,520)</b>	<b>8,132,589,613</b>	<b>(32,783,804,437)</b>	<b>(181,274,935,344)</b>
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	937,494,565,867	(5,288,226,518)	(105,799,522,369)	826,406,816,980
<b>Cash Flows from Financing</b>	<b>2,710,004,455,497</b>	<b>(129,580,372,153)</b>	<b>(116,969,882,518)</b>	<b>2,463,454,200,826</b>

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

**b. Secondary Segment**

	2007			
	Housing and Land Development	Healthcare and Hospitals	Hospitality and Infrastructure	Consolidated
	Rp	Rp	Rp	Rp
<b>Assets</b>				
Foreign Country	2,403,526,699,111	--	--	2,403,526,699,111
Jabodetabek	5,181,356,051,063	311,850,843,585	1,092,956,081,212	6,586,162,975,860
East Java	518,188,901,515	32,286,112,523	--	550,475,014,038
Riau	--	--	4,355,570,842	4,355,570,842
South Sulawesi	439,687,944,596	--	7,810,546,133	447,498,490,729
North Sumatera	382,718,533,916	--	158,634,463,583	541,352,997,499
<b>Total</b>	<b>8,925,478,130,201</b>	<b>344,136,956,108</b>	<b>1,263,756,661,770</b>	<b>10,533,371,748,079</b>
<b>Liabilities</b>				
Foreign Country	2,402,365,856,322	--	--	2,402,365,856,322
Jabodetabek	2,576,991,100,482	200,268,803,174	101,090,427,270	2,878,350,330,926
East Java	177,811,237,963	21,752,418,665	--	199,563,656,628
Riau	--	--	6,656,387,031	6,656,387,031
South Sulawesi	344,422,596,784	--	7,205,341,041	351,627,937,825
North Sumatera	155,043,431,423	--	5,350,335,883	160,393,767,306
<b>Total</b>	<b>5,656,634,222,973</b>	<b>222,021,221,839</b>	<b>120,302,491,224</b>	<b>5,998,957,936,036</b>
<b>Revenues</b>				
Foreign Country	22,661,564,723	--	--	22,661,564,723
Jabodetabek	605,500,122,953	534,514,998,054	395,510,941,687	1,535,526,062,694
East Java	173,880,277,155	92,623,355,703	--	266,503,632,858
Riau	--	--	15,482,790,325	15,482,790,325
South Sulawesi	61,555,539,954	--	32,029,856,458	93,585,396,412
North Sumatera	154,207,099,195	--	3,387,440,389	157,594,539,584
<b>Total</b>	<b>1,017,804,603,980</b>	<b>627,138,353,757</b>	<b>446,411,028,859</b>	<b>2,091,353,986,596</b>
<b>Net Income (Loss)</b>				
Foreign Country	(8,349,597,408)	--	--	(8,349,597,408)
Jabodetabek	119,500,821,062	62,516,811,668	121,307,817,294	303,325,450,024
East Java	45,070,241,755	9,981,531,926	--	55,051,773,681
Riau	--	--	(1,282,276,831)	(1,282,276,831)
South Sulawesi	2,672,771,027	--	8,356,379,142	11,029,150,169
North Sumatera	(4,645,464,107)	--	(2,101,568,833)	(6,747,032,940)
<b>Total</b>	<b>154,248,772,329</b>	<b>72,498,343,594</b>	<b>126,280,350,772</b>	<b>353,027,466,695</b>

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

	2006		
	Housing and Land Development Rp	Healthcare and Hospitals Rp	Hospitality and Infrastructure Rp
			Consolidated Rp
<b>Assets</b>			
Foreign Country	10,122,544,169	--	--
Jabodetabek	6,224,351,660,043	253,103,747,287	1,045,457,917,105
East Java	159,064,959,355	80,813,045,482	--
Riau	--	--	27,945,125,960
South Sulawesi	438,174,047,303	--	4,709,857,290
North Sumatera	242,110,903,236	--	--
<b>Total</b>	<b>7,073,824,114,106</b>	<b>333,916,792,769</b>	<b>1,078,112,900,355</b>
<b>Liabilities</b>			
Foreign Country	2,262,688,035,289	--	--
Jabodetabek	2,031,581,851,125	216,481,679,463	112,592,698,710
East Java	50,328,399,929	43,072,618,583	--
Riau	--	--	5,301,342,229
South Sulawesi	347,837,947,828	--	5,747,327,330
North Sumatera	132,621,862,140	--	--
<b>Total</b>	<b>4,825,058,096,311</b>	<b>259,554,298,046</b>	<b>123,641,368,269</b>
<b>Revenues</b>			
Foreign Country	--	--	--
Jabodetabek	861,360,324,004	484,781,030,196	332,359,393,700
East Java	4,796,059,818	88,715,199,636	--
Riau	--	--	15,802,538,173
South Sulawesi	58,708,373,290	--	31,426,562,931
North Sumatera	27,380,875,109	--	--
<b>Total</b>	<b>952,245,632,221</b>	<b>573,496,229,832</b>	<b>379,588,494,804</b>
<b>Net Income (Loss)</b>			
Foreign Country	(9,628,186,735)	--	--
Jabodetabek	134,654,644,481	88,484,871,594	82,198,896,295
East Java	2,401,579,736	13,228,725,964	--
Riau	--	--	(1,489,421,964)
South Sulawesi	8,012,980,586	--	8,770,124,690
North Sumatera	(1,797,843,315)	--	--
<b>Total</b>	<b>133,643,174,753</b>	<b>101,713,597,558</b>	<b>89,479,599,021</b>
			<b>324,836,371,332</b>

# PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

### 31. Assets and Liabilities Denominated in Foreign Currencies

	2007							
	Foreign Currency						Equivalent	
	USD	HKD	GBP	JPY	SGD	EUR	AUD	Rupiah
Assets								
Cash and Cash Equivalents	180,037,432	--	--	163,800	2,890,458	7,316	1,789	1,714,695,325,044
Investments	--	--	--	--	42,868,600	--	--	278,731,634,729
Accounts Receivable	1,086,493	--	--	--	371,538	--	--	12,649,416,971
Other Receivables	6,963,758	--	--	--	1,047,943	--	--	72,405,366,390
Other Assets	51,450	--	--	--	133,914	--	--	1,355,312,467
Total Assets	188,139,133	--	--	163,800	47,312,453	7,316	1,789	2,079,837,055,601
Liabilities								
Loan	250,000,000	--	--	--	--	--	--	2,354,750,000,000
Accounts Payable	1,113,162	--	--	--	7,431	--	--	10,533,195,250
Other Payables	109,042	--	--	--	--	--	--	1,027,068,482
Accrued Expenses	8,699,113	--	--	--	497,593	--	--	85,172,287,723
Total Liabilities	259,921,317	--	--	--	505,024	--	--	2,451,482,551,455
Total Asset (Liabilities) - Net	(71,782,184)	--	--	163,800	46,807,429	7,316	1,789	(371,645,495,854)
	2006							
	Foreign Currency						Equivalent	
	USD	HKD	GBP	JPY	SGD	EUR	AUD	Rupiah
Assets								
Cash and Cash Equivalents	5,220,967	3,500	1,000	163,800	140,493,741	4,247	1,816	873,153,303,805
Investments	--	--	--	--	41,800,000	--	--	245,742,200,000
Accounts Receivable	1,243,601	--	--	--	--	--	--	11,217,281,020
Other Receivables	69,290	--	--	--	--	--	--	625,000,000
Other Assets	51,450	--	--	--	--	--	--	464,075,753
Total Assets	6,585,308	3,500	1,000	163,800	182,293,741	4,247	1,816	1,131,201,860,578
Liabilities								
Loan	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 Asset (Liabilities) - Net	(252,245,493)	3,500	1,000	163,800	182,293,741	(37,234)	143	(1,203,943,846,821)

### 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 judgment 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 was built.

**PT LIPPO KARAWACI Tbk AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2007 and 2006

(In Full Rupiah)

- b. On 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 judgment was later confirmed by the Jakarta State Administration High Court. Upon the judgment 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.

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 December 26, 2007, the Company has exercised stock split from Rp 250 to Rp 100 per share (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. Therefore, the calculation of basic earnings (loss) per share has been restated as follows:

	2006	
	Earnings per Share Before Restated	Earnings per Share After Restated
Net Income (Rupiah)	324,836,371,332	324,836,371,332
Weighted Average of Outstanding Shares (share)	5,866,538,879	14,666,347,198
Basic Earnings Per Share (Rupiah)	55	22

- b. The basic earnings per share was calculation as follows:

	2007	2006
Net Income (Rupiah)	353.027.466.695	324.836.371.332
Weighted Average of Outstanding Shares (share)	15.015.963.393	14.666.347.198
Dilutive Potential Common Stocks (share)	--	2.632.422.335
Basic Earnings per Share (Rupiah)	24	22
Diluted Earnings per Share (Rupiah)	--*	19

\* The warrant series I has expired on November 30, 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, 2007 and 2006

(In Full Rupiah)

**34. Management Responsibility on the Consolidated Financial Statements**

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The management of the Company is responsible for the preparation of the consolidated financial statements completed on February 25, 2008.





## 2007 Annual Report

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