

2008

Annual Report

Towards Global Excellence





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Financial Report



Lippo Karawaci's success in developing urban townships, superblocks, retail malls, hospitals and hotels has generated a strong growth for its shareholders.

The Company will continue developing its projects and expand its businesses through delivering high quality products and high service standards to its customers towards achieving global excellence.

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

PT Lippo Karawaci Tbk (“Lippo Karawaci”) was founded on a vision to impact lives through the development of well-planned, sustainable and independent townships with green and flood-free environments, and first class physical and social infrastructure.

Over the last eighteen years, the Company has proven itself as a trusted property developer with the most recognizable brand name and owner of the largest diversified landbank and pioneering projects in strategic locations throughout Indonesia.

Through a merger of 8 property related companies in 2004, the Company has expanded its business portfolio to encompass urban townships, large scale integrated developments, retail malls, healthcare, hotel and leisure, as well as growing fee-based income. This has proved to be a very successful strategy.

Lippo Karawaci is now the largest listed property company in Indonesia accounting for over thirty percent of the property sector with a highly focused, unique and integrated business model, the premier private hospital group and the only one achieving world-class standards, and undisputed retail property industry leader.

2008 Highlights

Launching of Taman Mediterranean, a luxurious cluster at Lippo Village township with a concept of spacious and comprehensive house.

Launching of Heroes Plaza in San Diego Hills Memorial Park, a cemetery area specifically designated for both national and international public figures that have dedicated their lives in certain disciplines and delivered a significant contribution to the public.

The Company again earned the Euromoney Liquid Real Estate Awards 2008 as “Best Developer in Indonesia”.

San Diego Hills Memorial Park launched the Bai Fu Le Yuan (Garden of Prosperity and Joy), a modern cemetery concept with ancient Chinese culture touch and strict implementation of Feng Shui principles.

Launching of The Tiffany, the fourth condominium tower, at Kemang Village.

Private launching of The St. Moritz Penthouses & Residences in West Jakarta.

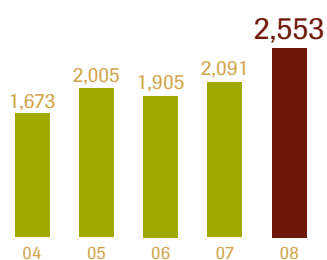
Launching of Elysium Garden at Lippo Cikarang township.

Launching of Emerald Green cluster at Golf Estates, an exclusive area at Lippo Village, with a special design and pristine living environment.

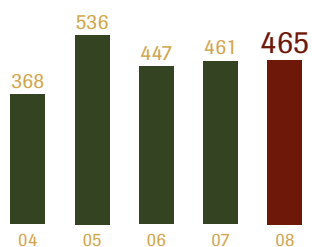
Opening of Pejaten Village Mall, in South Jakarta.

Financial Highlights

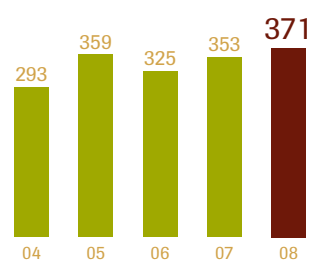
Revenue
(in billion Rupiah)



Operating Profit
(in billion Rupiah)

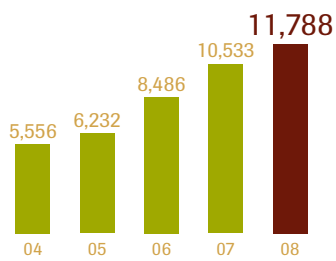


Net Profit After Tax
(in billion Rupiah)

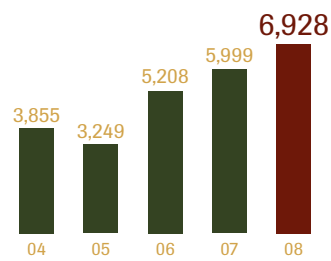


| In billion Rupiah | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------------------------------------|-------|-------|-------|--------|--------|
| PROFIT AND LOSS | | | | | |
| Revenue | 1,673 | 2,005 | 1,905 | 2,091 | 2,553 |
| Gross Profit | 774 | 999 | 973 | 1,106 | 1,219 |
| EBITDA | 450 | 623 | 539 | 533 | 565 |
| Operating Profit | 368 | 536 | 447 | 461 | 465 |
| Net Profit After Tax | 293 | 359 | 325 | 353 | 371 |
| Basic Earning per Share (in Rupiah) | 28 | 25 | 22 | 24 | 21 |
| BALANCE SHEETS | | | | | |
| Total Assets | 5,556 | 6,232 | 8,486 | 10,533 | 11,788 |
| Total Liabilities | 3,855 | 3,249 | 5,208 | 5,999 | 6,928 |
| Stockholders' Equity | 1,445 | 2,693 | 2,962 | 4,206 | 4,501 |

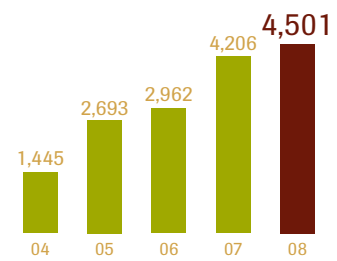
Total Assets (in billion Rupiah)



Total Liabilities (in billion Rupiah)



Stockholders' Equity (in billion Rupiah)



| | 2004 | 2005 | 2006 | 2007 | 2008 |
|-----------------------------|------|------|------|------|------|
| FINANCIAL RATIOS | | | | | |
| Return on Assets (%) | 5 | 6 | 4 | 3 | 3 |
| Return on Equity (%) | 20 | 13 | 11 | 8 | 8 |
| Debt to Assets | 0.5 | 0.3 | 0.3 | 0.3 | 0.3 |
| Debt to Equity (Gross) | 1.9 | 0.6 | 0.8 | 0.7 | 0.7 |
| Debt to Equity (Net) | 1.7 | 0.5 | 0.4 | 0.2 | 0.3 |
| Gross Profit Margin (%) | 46 | 50 | 51 | 53 | 48 |
| EBITDA Margin (%) | 27 | 31 | 28 | 25 | 22 |
| Operating Profit Margin (%) | 22 | 27 | 23 | 22 | 18 |
| Net Profit Margin (%) | 18 | 18 | 17 | 17 | 15 |

Stock Highlights

Shareholder Structure

(as of December 31, 2008)
Shareholders

| | Number of Shares | Percentage of Ownership |
|-------------------------------------|-----------------------|-------------------------|
| Lippo Group Companies | 4,229,601,605 | 24.45% |
| China Resources (Holdings) Co. Ltd. | 2,263,926,350 | 13.08% |
| CP Inlandsimmobilien - Holding GmbH | 1,138,293,750 | 6.58% |
| Public | 9,670,329,990 | 55.89% |
| TOTAL | 17,302,151,695 | 100.00% |

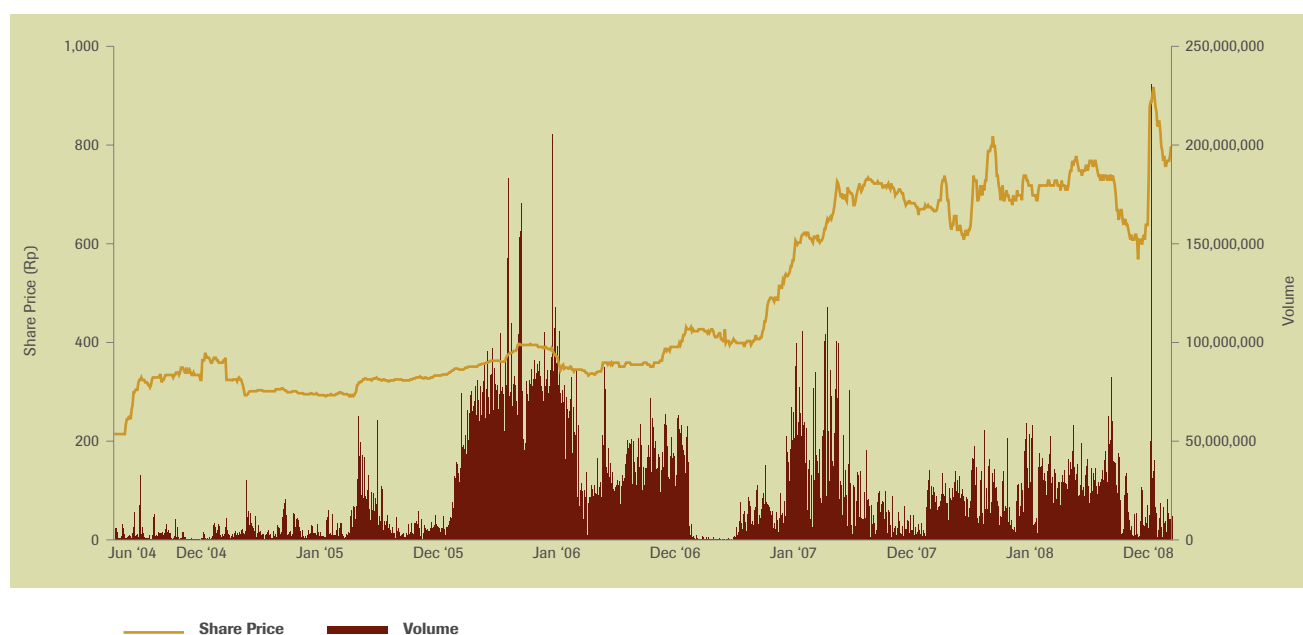
Dividend History

| 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 |

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 |

Share Price Movement



Summary of Share Trading at Indonesia Stock Exchange

2008

| Month | Share Price (Rp) | | | Share Trading | |
|-------|------------------|--------|---------|---------------|-----------------|
| | Highest | Lowest | Closing | Volume (unit) | Amount (Rp) |
| Jan | 750 | 610 | 630 | 479,787,000 | 325,135,115,000 |
| Feb | 760 | 590 | 730 | 469,568,000 | 311,543,280,000 |
| Mar | 830 | 670 | 800 | 456,200,500 | 343,255,380,000 |
| Apr | 820 | 670 | 690 | 345,072,000 | 247,923,510,000 |
| May | 760 | 680 | 700 | 625,335,000 | 452,281,250,000 |
| Jun | 750 | 680 | 730 | 666,892,000 | 480,034,650,000 |
| Jul | 790 | 700 | 780 | 722,200,000 | 534,171,765,000 |
| Aug | 780 | 740 | 770 | 591,064,500 | 449,293,465,000 |
| Sep | 780 | 690 | 700 | 829,204,500 | 609,459,435,000 |
| Oct | 690 | 600 | 610 | 284,640,500 | 186,009,100,000 |
| Nov | 930 | 560 | 910 | 527,833,500 | 413,679,480,000 |
| Dec | 940 | 730 | 800 | 227,269,500 | 188,392,450,000 |

2007

| Month | Share Price (Rp) | | | Share 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 |

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.

October

Started Lippo Cikarang township, an integrated real estate and industrial development located in Cikarang, approximately 40 kilometers to the east of Jakarta.

1996

June

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

1997

June

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

1998

February

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 City of Tomorrow Mall in Surabaya.

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.

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.

2008

August

Launched The St. Moritz Penthouses & Residences, a large scale integrated development in West Jakarta.

December

Opened Pejaten Village Mall, the Company's first leased mall, in South Jakarta.

Event Highlights

January

22

Launching of Taman Mediterranean at Lippo Village township, a cluster with a concept of spacious and comprehensive housing.



March

1

Aston Hotel Sudirman is becoming The Aryaduta Suites Hotel Semanggi.

11

The Aryaduta Hotels, Resorts & Residences Group signed an MOU with Kemang Village for the development of 350-Suites five-star hotel valued USD 100 million.

April

16

Siloam Hospitals Lippo Cikarang officially received the ISO accreditation from the United Registrar of Systems (URS). SHLC has also conducted some renovation and development of facilities such as Medical Check Up (MCU), Maternity & Labor Delivery Suite and Multi Slice CT Scanner installation.

16

San Diego Hills Memorial Park for the first time conducted a funeral for a sport public figure at Heroes Plaza, a cemetery area specifically designed for both national and international public figures that have dedicated their lives in certain disciplines and delivered a significant contribution to the public.

23

San Diego Hills Memorial Park launched the Bai Fu Le Yuan (Garden of Prosperity and Joy), a modern cemetery concept with ancient Chinese culture touch and strict implementation of Feng Shui principles.



May

12

The opening of Mochtar Riady Insitute for Nanotechnology (MRIN), the first private cancer institution in Indonesia. MRIN is part of UPH Medical Sciences Group, which includes the Medical Faculty of Universitas Pelita Harapan and Siloam Hospitals.



June

3

Launching of the Tiffany, the fourth condominium tower at Kemang Village, South Jakarta.



August



9

Private launching of The St. Moritz Penthouses & Residences in West Jakarta.

14

Signing of cooperation between Kemang Village and PT Total Bangun Persada Tbk.



23

Launching of Elysium Garden at Lippo Cikarang township.



September

1

Aston Hotel Palembang & Convention Center becomes The Aryaduta Hotel & Convention Center Palembang. This is the second Aston hotel to become The Aryaduta Hotel.

October

7

PT Lippo Karawaci Tbk received "Euromoney Liquid Real Estate Awards 2008" as "Best Developer in Indonesia".

November

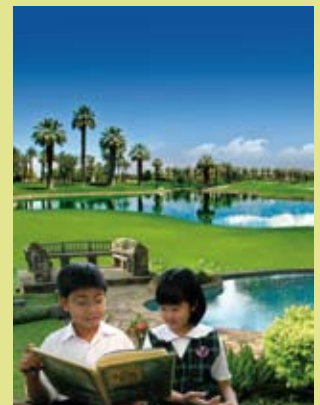
1

Aryaduta Hotel Jakarta, formerly managed by Hyatt International is now managed by The Aryaduta Hotels, Resorts & Residences.

December

11

Launching of Emerald Green cluster at Golf Estates, an exclusive area at Lippo Village township, with a special design and pristine living environment.



19

Opening of Pejaten Village Mall, the Company's first leased mall, in South Jakarta.

Report from the President Commissioner

The Company's ability to achieve good results under the challenging market and economic conditions is proof of its meticulous strategy and the combined efforts of its proactive and motivated management team.

Ning Gaoning
President Commissioner

Dear Shareholders,

The world economy in 2008 was marked by the worsening of the United States subprime mortgage problems which developed into a global financial crisis. The world's stock markets collapsed and the Indonesian economy experienced a slow down. As a result the Rupiah currency depreciated significantly against the USD. Bank Indonesia increased the BI rate to 9.5% p.a. to curb the inflation, which in turn forced banks to tighten their lending, causing housing loans rates to increase to 14%-16% p.a.

We take great pride in the Company's accomplishments during 2008 despite those challenging market and economic conditions. The Company's ability to achieve good results under these circumstances is proof of its meticulous strategy and the combined efforts of its proactive and motivated management team.

In June 2008, the Company successfully launched its fourth condominium tower "The Tiffany" in Kemang Village. The Company also made a record breaking launch of its crown jewel The St. Moritz Penthouses & Residences (St. Moritz) in August when the Company sold 50% of the units offered in one day. Completing the two major large scale integrated developments will be the Company's primary focus for the next few years.

The Company's urban townships continue to contribute significant revenue through the sale of new residential clusters in both Lippo Village (formerly known as Lippo Karawaci township) and Lippo Cikarang. Sales of industrial land also picked up during the year. The Company is also on track to become the largest retail property owner and operator with the opening of Pejaten Village Mall, on 19 December 2008, in its network.

Healthcare division continues to contribute significantly to overall revenue. The Company invested in state-of-the-art medical equipment and launched a doctors partnership program as well as improvements in clinical governance and patients' safety.

In the Hotels & Hospitality division, the Company's newly opened The Aryaduta Hotel Medan promises to become the leading business travelers' hotel in the city.

The continuing global financial crisis will pose real challenges to the Company. With expected slowdown in the economy, there will be downward pressure on demand for its products. At the same time, costs are expected to escalate and access to external capital will be constrained by the credit crunch. All of these point to a difficult year ahead, with sales and profit expected to trend down.

Fortunately, given the Company's strong market position, diversified revenue base and prudent financial policies together with further internal consolidation, it expects to be able to weather the storm and turn in another creditable performance in next year.

We take this opportunity to express our sincere appreciation to our shareholders and employees, who have collectively contributed to the success of the Company last year. We will be counting on all of you to help us maintain our momentum of growth in the coming years.



Ning Gaoning
President Commissioner



Report from the President Director

Lippo Karawaci will continue to maintain its momentum of growth, re-prioritize and focus on its major projects whilst growing its recurring revenue, practice prudent financial and capital management and consolidate its human resources.

Eddy H. Handoko
President Director

Dear Shareholders,

The year 2008 was another good year for the Company, reconfirming its position as indisputably the number one property developer of high-class and high-quality projects in Indonesia. During the year the Company was included in the LQ45, Jakarta Islamic Index and MSCI Global Standard Indices, and for the 3rd time the Company was awarded the Euromoney Liquid Real Estate Awards 2008 as the Best Developer in Indonesia. These milestones bring it closer to being recognized as a world-class company in its field.

In 2008, Lippo Karawaci's revenue reached Rp 2.6 trillion, up 22% from Rp 2.1 trillion last year. Gross profit increased to Rp 1.2 trillion compared to Rp 1.1 trillion last year. As a result, net income rose to Rp 371 billion, increased by 5% from Rp 353 billion a year ago.

In conjunction with its excellent financial performance, its share price rose and at one point reached a record high of Rp 920 per share. It closed the year at Rp 800 per share giving it a market capitalization of Rp 13.8 trillion up from Rp 11.9 trillion in 2007.

In 2008, the Company also embarked on a new course by grouping its operations into six major lines of businesses: Urban Development, Large Scale Integrated Development, Retail Malls, Healthcare, Hotels & Hospitality, and Property & Portfolio Management. This was done to ensure that each of its business divisions will continue to grow into strong and profitable units.

The main achievements of the Company's six pillars of businesses during 2008 can be summarized as follows:

In its urban townships, the Company launched the Taman Mediterranean and Emerald Green Estates in Lippo Village, and the Elysium Garden in Lippo Cikarang. In San Diego Hills Memorial Park, its new concept of memorial park that was launched in 2007, Lippo Karawaci introduced the Chinese Garden, a modern cemetery concept with an ancient Chinese cultural touch.

Following the success of its first three condominium towers, Lippo Karawaci launched its fourth tower in Kemang Village followed by a successful private launch of St. Moritz, the Company's third large scale integrated development, in West Jakarta, the new central business district of Jakarta in the future.

In mid December 2008, the Company opened its first leased mall, the Pejaten Village in South Jakarta. This six storey mall is built on a 2.38 ha site.

In the healthcare business, the Company's goal is to become the best private hospital group in Indonesia providing world-class healthcare. To achieve this goal, the Company has invested heavily in training healthcare personnel augmented by world-class equipment and collaboration with various renowned international medical institutions. The Company also introduced the SDPDP (Siloam Doctors Partnership Development Program) to foster a strong sense of partnership with our doctors.

Hotel development is part and parcel of Lippo Karawaci's large-scale integrated development. Through its Aryaduta Hotel network, currently the Company has operated six hotels in Indonesia.

Fee-based income from the Company's property and portfolio management business continues to grow, supported by its sponsorship of two Real Estate Investment Trusts (REITs) and implementation of the Company's asset-light strategy.

Good Corporate Governance (GCG)

Implementation of GCG practices within the organization has always been Lippo Karawaci's central concern. Recognizing the value of Good Corporate Governance, we ensure that the Company's systems comply with requirements for maintaining accountability, responsibility, transparency, fairness and independence.

Other areas that have become important to Lippo Karawaci is its contribution to the wider community. Activities and initiatives that have started in the past such as the Blood Donation, cooperation with the Brain Foundation and Children's Charity Fund, and involvement in "Lippo Karawaci Peduli" and "Gerakan Masyarakat Mandiri" will be maintained.

Furthermore, the Company supports environmental enhancement through tree planting and socialization of environmental awareness.

Outlook

Despite the continuing tough economic conditions and global slowdown, Lippo Karawaci will continue to maintain its momentum of growth, re-prioritize and focus on its major projects whilst growing its recurring revenue, practice prudent financial and capital management and consolidate its human resources.

Through these measures we will ensure that Lippo Karawaci continues to achieve sustainable growth in the coming years.

On behalf of the Board of Directors, I would like to take this opportunity to thank our shareholders, business partners and clients for their trust and support. My sincere thanks and appreciation also go to the board members and staffs for the constructive efforts they put in to realize the anticipated results for Lippo Karawaci in 2008. Together, we are going to succeed in our journey towards achieving global excellence.



Eddy H. Handoko
President Director



Business Review





The Company's outstanding performance over the years, have made it the biggest and fastest growing company in the industry and the most trusted brand name in the country.

Lippo Karawaci ended the year as the largest listed property company in Indonesia by market capitalization, assets, revenue and net profit. Over the last four years, the Company's market capitalization had grown four times from Rp 3.3 trillion to Rp 13.8 trillion. The Company is now 1.3% of the Jakarta Composite Index (JCI), 31.3% of property sector and has been included in the LQ45 and MSCI Global Indices.

The Company's outstanding performance over the years, have made it the biggest and fastest growing company in the industry and the most trusted brand name in the country. Lippo Karawaci is the only property company in Indonesia to be rated by three leading rating agencies: Standard & Poor's, Moody's and Fitch.



Lippo Karawaci's high reputation is based on several distinctive strengths that ensure its continuing success. Holding the largest landbank in strategic locations around the country, the Company has perhaps one of the most effective integrated business models in the property sector, led by highly experienced and capable professionals. The Company has proven itself a pioneer and leader amongst developers by initiating award-winning projects, and becoming the first and only Indonesian company to set up two Real Estate Investment Trusts (REITs) which are listed in Singapore Stock Exchange. Furthermore, the Company's strong recurring income from other growth businesses mitigates the impact of the property cycle.

The Company currently has six strategic businesses: Urban Development, Large Scale Integrated Development, Retail Malls, Healthcare, Hotels & Hospitality, and Property & Portfolio Management.

Development revenue is derived from the activities related to the development of all property projects and includes Urban Development, Large Scale Integrated Development and Retail Malls. Recurring revenue comes from the business activities of Healthcare, Hotels & Hospitality and fee-based income as REIT and property managers, and will account for 50%-60% of total revenues.

Demand for upscale property in the first nine months of 2008 was strong supported by attractive housing loan rates. However, this conducive environment could not continue due to the global credit crunch. The resulting hike in interest rates and tightening credit led to construction delays and hindered project expansion. The much anticipated liberalization of laws concerning foreign ownership which would have boosted the growth of the property market did not materialize.

The growing trend of middle income Indonesians seeking high quality medical treatment overseas in the last few years combined with scarcity of high quality healthcare facilities and services in Indonesia have motivated Lippo Karawaci to focus on strengthening its leadership position in the hospital business through improvements in service quality, investment in modern technology and equipment to conform to international standards. Stronger demand is expected in the years to come as rising costs in medical treatment abroad will lead patients to favor local hospitals with proven international service standards.

The Company's hotels business benefited from strong tourist arrivals in the first eight months of 2008 and "Visit Indonesia Year 2008". However, the Company is also dependent on domestic business travelers and face competition from new entrants to the business.

Development Business

Designed to attract buyers with each project's global-standard facilities, large scale integrated developments also provide an alternative to slow development in city infrastructure by integrating residential, office, entertainment, education and healthcare facilities into one location.

Urban Development

The concept of urban development, which was pioneered by Lippo Karawaci in the early 1990s, continues to be its trademark. Always ahead of the competition Lippo Karawaci has had a foresight to anticipate trends and future demand for high quality, environmentally-friendly residential spaces. All of the Company's developments are built under detailed master planning controls.

Lippo Village and Lippo Cikarang townships have proved to be very successful. These comprehensive residential, commercial and industrial communities are populated by $\pm 50,000$ and 30,000 people respectively, and more than 110,000 jobs in these two townships. The Lippo Cikarang industrial area is now home to about 500 factories such as Kymco, Toshiba, Proton, Mitsubishi and Danone.

Pioneer and Leader



Tanjung Bunga township, the only seaside residential estate in Makassar, is already populated by more than 5,000 people and has proven itself as an up and coming self-contained township fronting the largest city on Sulawesi island, Makassar.

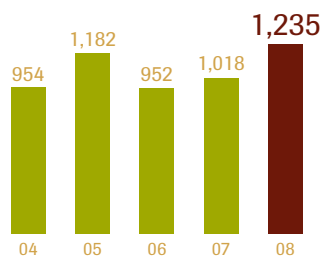
The latest development under Urban Development is San Diego Hills Memorial Park, the first memorial park in the world that incorporates a family center. Built on more than 100 hectares of land, the memorial park allocated 14 hectares for supporting facilities, including a multipurpose building, family center, gardens, and lake. In 2008, the Chinese Garden was launched, followed by a unique Heroes Plaza and the Earth Garden for moslem community. San Diego Hills Memorial Park has attracted an excellent response from the community with about 500 internments to date.

In 2008, the townships recorded sales of Rp 617 billion with the memorial park contributing Rp 62 billion, up 13% and 11% respectively, as compared to the previous year.

Large Scale Integrated Development

The Company also has proven that it can create an attractive and profitable location with its self-contained vertical townships. Designed to attract buyers with each project's global-standard facilities, large scale integrated developments also provide an alternative to slow development in city infrastructure by integrating residential, office, entertainment, education and healthcare facilities into one location. In 2008, the Company continued the development of City of Tomorrow in Surabaya, Kemang Village in South Jakarta and launched St. Moritz project in West Jakarta.

Development Revenue (in billion Rupiah)





City of Tomorrow (CITO)

CITO is located in Surabaya, the second largest city in Indonesia. Constructed on 2.6 hectares of land, it features a strata-titled mall with 1,700 shops, the Aryaduta Residences condominium, 6 office towers, the five-star Aryaduta Hotel and a university. As of December 2008, the strata-titled mall and condominium had been completed and handed over to the buyers, whilst the office towers and hotel were still under construction.

Kemang Village

Located in a prestigious and upper income area in South Jakarta, Kemang Village features the concept of 'City within the City'. Built on a 15 hectare plot of land with infrastructure and world-class facilities targeting the expatriate community and upper-middle income residents in South Jakarta, the project comprises seven condominium towers, Aryaduta Hotel and Resort, Kemang Village Country Club, Pelita Harapan School, Siloam Hospitals, and Kemang Village Mall. Development of Kemang Village is supported by a team with proven expertise and experience from various high-quality development projects around the world.

The first three condominium towers (The Ritz, The Cosmopolitan and The Empire) have commenced construction and reached 20% of completion by the end of 2008. Handover of these towers is scheduled in late 2009. By the end of 2008, 86% of the 721 units offered have been sold.

St. Moritz

St. Moritz is located on 11.4 hectares of land within a new 135 hectares master planned CBD located in West Jakarta. This is projected to become a new modern hub for business, healthcare, education and entertainment in a new part of this rapidly growing capital city. Developed in response to the new trend of companies moving to a non 3-in-1 zone, the St. Moritz's strategic location could be accessed easily from multiple directions via existing and future toll roads system.

St. Moritz will include condominium towers, hotel, office, mall, club house, convention center, hospital, international school, wedding chapel, and Sea World. Three condominium towers (The Presidential, The Ambassador and The Royal) were launched in the first phase. When overall construction is completed in 2015, the Aryaduta Hotel will become the icon within the complex, located on the tallest building in Indonesia at 65 floors.

By December 2008, approximately 50% of the total 494 condominium units, with a total sales value of Rp 490 billion, have been sold.

The total sales of the Company's large scale integrated developments in 2008 reached Rp 828 billion, comparable to that achieved in the previous year.

Retail Malls

The successful development of its townships has inspired the Company to further expand into other real estate-related projects starting with strata-titled commercial malls.

So far the Company has developed eight strata-titled malls, all strategically located in major cities of Indonesia, with large population catchment areas and within easy access to major transportation routes and highways. These include malls located in Greater Jakarta, Medan, Makassar, Surabaya and Malang. Operating these malls creates synergy with retail businesses of Matahari and Hypermart.

In December 2008, Lippo Karawaci opened its first leased mall in a strategic South Jakarta location, the Pejaten Village Mall. Built on a 2.38 hectares site, the 6 storey mall consists of 160 shops, with 24,700 sqm of parking. At its opening the mall was 81% leased.

Taking advantage of the fast growing middle and upper-middle income groups as well as the growing mall culture, the Company plans to strengthen its position as the largest mall operator in Indonesia by building or managing more retail malls across Indonesia, focusing on Jakarta and secondary cities such as in Bali, Makassar, Balikpapan, Pekanbaru and Palembang. This business is supported through the Company's majority ownership of the Singapore-based Lippo Mapletree Indonesia Retail Trust (LMIRT) Management Limited, the manager of Lippo Mapletree Indonesia Retail Trust. Lippo Mapletree Indonesia Retail Trust is a vehicle for asset-light strategy and has been given the first right of refusal on all future leased malls developed by Lippo Karawaci.

Recurring Business

The Company consolidated its top ranking by further investing in the latest healthcare equipment, improving professional skills, reinforcing clinical governance and implementing a modern and up-to-date hospital information system

Healthcare

The shortage of high quality hospitals in Indonesia and the growing trend of Indonesians seeking superior medical care overseas encouraged Lippo Karawaci to enter the healthcare business by establishing its own network of Siloam Hospitals private hospitals with world-class facilities and standards for the medium-to-high income population in Indonesia.

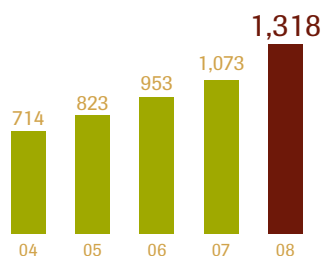
Currently, there are four hospitals under the Siloam Hospitals group management: Siloam Hospitals Lippo Village, Siloam Hospitals Kebon Jeruk, Siloam Hospitals Surabaya and Siloam Hospitals Lippo Cikarang, making the Company the leading private hospital and healthcare group in Indonesia. The fifth hospital, the Mochtar Riady Comprehensive Cancer Centre, is expected to be operational in late 2009.

International Standard



In 2008 the Company consolidated its top ranking by further investing in the latest healthcare equipment, improving professional skills, reinforcing clinical governance and implementing a modern and up-to-date hospital information system (Hospital Information System) together with the introduction of Siloam Doctors Partnership Development Program (SDPDP) which has already contributed to increase healthcare revenues. The Company will continue to collaborate with prestigious international institutions such as the University of Melbourne (Australia), the National University of Singapore (NUS), as well as the Medical Faculty of Universitas Pelita Harapan through its medical training programs and recruitment.

Recurring Revenue (in billion Rupiah)



The Company plans to further expand its healthcare business by establishing other Siloam Hospitals in strategic locations in Jakarta and other big cities in Indonesia.

Hotels & Hospitality

Hotels

Lippo Karawaci's hotel business remains an important part of the Company's large-scale integrated developments. Operating under Aryaduta brand, the Company currently operates six hotels in Jakarta, Pekanbaru, Karawaci, Medan, Makassar and Palembang.

In 2008, the Company continued to consolidate its hotel operations and strengthen the Aryaduta brand name and service excellence. The Company will also expand its growing business in specialist gourmet restaurants and leisure facilities which presently include golf courses and a water park, sports and country clubs, playgrounds and alfresco dining projects.



Town Management

The Lippo Village Town Management Division (TMD) has proved to be an innovative and highly successful municipal management system which has demonstrated a high degree of competency and reliability in handling the total administration of this 50,000 residents. This is being carried out also, in varying degrees, in the other townships and macro developments being managed by Lippo Karawaci.

Over the past 15 years, since the inception of TMD when the idea was first mooted, the division has assumed virtually the whole gamut of responsibilities which is generally provided by the public sector, i.e. the local government. With customer expectations higher than those available locally, TMD has been well accepted by the township residents and commercials as well as educational and healthcare enterprises. To this can be added the interest taken and the support given by the local government in the province and regency in what is seen as support for their efforts at better governance, as well as a benchmark which is regularly being studied by senior government officials from around Indonesia and the Region.

TMD's high quality services include the following:

- Roads and drains maintenance and flood retention and control;
- Potable water treatment and reticulation, sewage treatment and 100% recycling;

- 24/7, 5 layer town-wide security, traffic control, road safety and traffic calming;
- Internal and external public transport systems, with increasing investments to make walking and cycling more viable;
- Planning and building regulations, with more effective enforcement;
- Environmental improvement, maintenance and self-sustainability, targeting a reduction of temperatures, maximizing solid waste recycling (currently 100% "recyclables", 22% "biodegradables") and livability with cleaner air (reducing particulate count), easy access to healthy amenities and greater and safer sidewalks to schools, university, hospital, shopping and employment.

Through this effective governance, TMD has succeeded in improving property values, often against current trends, and retained the loyalty of the residents and commercial entities in Lippo Village. There will be continued improvement over a number of areas affecting the lives of not only the residents and 50,000 to 150,000 transients that visit the town daily, but also for the 50,000 citizens with jobs who work here. These are responsibilities that are being seriously pursued.



Property & Portfolio Management

Establishing its reputation as a pioneer and leader in the development and the real estate industry, Lippo Karawaci became the first, and to date the only Indonesian company to set up two Real Estate Investment Trusts (REITs). The Company's first Singapore listed REIT was launched in December 2006 through the injection of its healthcare properties into First REIT. Lippo Karawaci owns 80% of the REIT manager Bowsprit Capital Corporation Limited.

The second REIT for retail properties, Lippo Mapletree Indonesia Retail Trust (LMIRT), was also listed in Singapore in November 2007. The manager of LMIRT, Lippo-Mapletree Indonesia Retail Trust Management Ltd, is jointly owned by Lippo Karawaci (60%) and Mapletree Group (40%), a leading Singapore real estate company.

Lippo Karawaci receives fee-based income from being the REIT managers of First REIT and LMIRT and property manager for the malls.

Management Report





Management Discussion & Analysis

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

Lippo Karawaci ended the year with good results despite the challenging economic and business conditions in 2008. The Company generated Rp 2,553 billion in revenue, grew by 22% year on year, enabling it to derive a net income of Rp 371 billion, an increase of 5% year on year.

Growing Business



Revenue:**Development**

Rp **1,235** billion

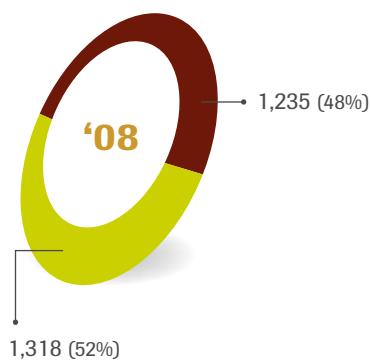
Recurring

Rp **1,318** billion

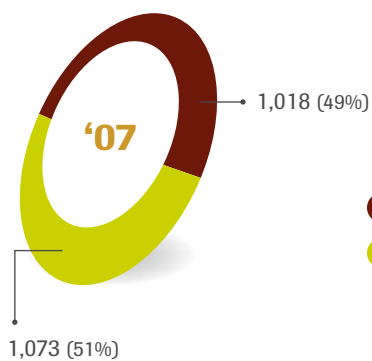
Revenue

From the Rp 2,553 billion total revenue, 48% was contributed by Development Revenue and 52% from Recurring Revenue. Development Revenue rose by 21% compared to last year, while Recurring Revenue increased by 23%.

Revenue 2008 (billion Rupiah)



Revenue 2008 (billion Rupiah)



● Development
● Recurring

| Revenue (billion Rupiah) | 2008 | | 2007 | |
|------------------------------|--------------|-------------|--------------|-------------|
| Development Revenue | 1,235 | 48% | 1,018 | 49% |
| Recurring Revenue | 1,318 | 52% | 1,073 | 51% |
| Healthcare | 743 | 29% | 627 | 30% |
| Hospitality & Infrastructure | 575 | 23% | 446 | 21% |
| TOTAL | 2,553 | 100% | 2,091 | 100% |

1. Development Revenue

The increase in Development Revenue is mainly attributable to the sale of Apartments, Residential Houses & Shophouses, which almost doubled compared to the previous year. In addition, the Company recorded other revenue of Rp 361 billion from selling its hotel and hospital projects.

As a result of the Company's strategy to shift from strata-titled malls to leased malls, plus the limited inventory of unsold retail spaces that the Company still owns, revenue contribution from Retail Malls in 2008 was minimal.

| Revenue (billion Rupiah) | 2008 | | 2007 | |
|--|--------------|-------------|--------------|-------------|
| Apartements, Residential Houses & Shophouses | 384 | 31% | 199 | 20% |
| Land Lots | 404 | 33% | 316 | 31% |
| Memorial Park | 51 | 4% | 56 | 5% |
| Shopping Centers | 35 | 3% | 447 | 44% |
| Other Revenue | 361 | 29% | - | - |
| TOTAL | 1,235 | 100% | 1,018 | 100% |

Apartments, Residential Houses & Shophouses

The successful launch of four condominium towers of Kemang Village (three towers in the second semester of 2007 and one more tower in the second semester of 2008) contributed Rp 162 billion to total Development Revenue for this year. Recognition of revenue from this project will be in line with the construction progress on site. These condominiums are expected to be completed and handed over to the buyers by the end of 2009. Another major contributor to the Apartments, Residential Houses & Shophouses revenue is the revenue from Lippo Cikarang amounting to Rp 99 billion which was generated mainly through the sales of its Vassa Residence.

| Revenue (billion Rupiah) | 2008 | | 2007 | |
|------------------------------|------------|-------------|------------|-------------|
| Lippo Village | 55 | 15% | 50 | 25% |
| Lippo Cikarang | 99 | 26% | 39 | 20% |
| Tanjung Bunga | 17 | 4% | 30 | 15% |
| Binjai - Shophouses | 4 | 1% | - | - |
| City of Tomorrow Condominium | 47 | 12% | 80 | 40% |
| Kemang Village | 162 | 42% | - | - |
| TOTAL | 384 | 100% | 199 | 100% |

Land Lots

In the last few years, the Company had been focussing on selling higher margin-commercial and residential land lots in Lippo Village. In Lippo Cikarang, most of its land sales are for industrial use. In 2008, the Company sold more than Rp 400 billion worth of land lots, an increase of 28% compared to the previous year.

Revenue (billion Rupiah)

| | 2008 | | 2007 | |
|----------------|------------|-------------|------------|-------------|
| Lippo Village | 258 | 64% | 230 | 73% |
| Lippo Cikarang | 108 | 27% | 60 | 19% |
| Tanjung Bunga | 38 | 9% | 26 | 8% |
| TOTAL | 404 | 100% | 316 | 100% |

2. Recurring Revenue

Healthcare

The revenue of this division is generated from the operation of four Siloam Hospitals (see table below). Both inpatient revenue and outpatient revenue increased by 14.7% and 23.9%, respectively. As a result, healthcare revenue increased by 19%, from Rp 627 billion in 2007 to Rp 743 billion in 2008.

| Operational Indicators | Siloam Hospitals Lippo Village | | Siloam Hospitals Kebon Jeruk | | Siloam Hospitals Surabaya | | Siloam Hospitals Lippo Cikarang | |
|-------------------------------------|--------------------------------|------|------------------------------|------|---------------------------|------|---------------------------------|------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Operating Beds | 170 | 160 | 187 | 192 | 160 | 160 | 55 | 62 |
| Bed Occupancy Rate | 79% | 79% | 61% | 62% | 66% | 63% | 60% | 58% |
| Number of Inpatient/Year ('000) | 11.0 | 11.0 | 9.6 | 10.6 | 7.4 | 7.1 | 3.6 | 3.4 |
| Number of Outpatient/Year ('000) | 188 | 181 | 209 | 212 | 63 | 57 | 65 | 57 |
| Gross Operating Revenue | 341 | 289 | 230 | 195 | 109 | 93 | 57 | 47 |
| Inpatient Revenue (billion Rupiah) | 206 | 174 | 133 | 122 | 84 | 74 | 29 | 24 |
| Outpatient Revenue (billion Rupiah) | 135 | 115 | 97 | 73 | 25 | 19 | 28 | 23 |

Hospitality & Infrastructure

The main contributor of revenue growth in this segment was the fee-based income from the Company's role as the property manager and controlling ownership of the REIT Managers of First REIT and LMIRT, which increased by 1.5 times from last year's total. 2008 was the first full year of fee-based income that the Company generated from managing LMIR Trust. Asset enhancements also increased significantly by 47%. Overall the revenue from Hospitality and Infrastructure grew by 16% and 11%, respectively.

| Revenue (billion Rupiah) | 2008 | 2007 | Growth YoY |
|--------------------------|------------|------------|------------|
| Hospitality | | | |
| Hotel and Restaurant | 226 | 187 | 21% |
| Recreation and Sports | 42 | 45 | (7%) |
| Sub Total | 268 | 232 | 16% |
| Infrastructure | | | |
| Town Management | 78 | 63 | 24% |
| Water & Sewage Treatment | 62 | 57 | 9% |
| Others | 11 | 16 | (31%) |
| Sub Total | 151 | 136 | 11% |
| Management Services | 103 | 42 | 145% |
| Asset Enhancement | 53 | 36 | 47% |
| TOTAL | 575 | 446 | 29% |

Gross Profit

Gross profit margin decreased from 53% in 2007 to 48% in 2008. This was attributed to the recognition of revenue from our condominium project which has lower gross profit margin, the recognition of more industrial land sales than commercial land sales in Lippo Cikarang, where the gross profit margin of industrial land is lower than that of commercial land, and the sale of a hospital project.

| Gross Profit (billion Rupiah) | 2008 | 2007 |
|--|--------------------|--------------------|
| Development: | | |
| Apartements, Residential Houses & Shophouses | 123 : 32% | 62 : 31% |
| Land Lots | 261 : 65% | 235 : 74% |
| Memorial Park | 41 : 80% | 47 : 84% |
| Shopping Centers | 17 : 48% | 313 : 70% |
| Others | 205 : 57% | - : - |
| Healthcare | 186 : 25% | 164 : 26% |
| Hospitality & Infrastructure | 385 : 67% | 285 : 64% |
| TOTAL | 1,218 : 48% | 1,106 : 53% |

Operating Expenses

The 17% increase in operating expenses in 2008 was attributed to the increase of both the Selling and General & Administrative (G&A) Expenses by 16% and 17%, respectively. The main factors for the increase in the Company's Selling Expenses were the 15% increase in Marketing and Advertising Expenses in connection with the launch of the Company's two major projects at Kemang Village and St. Moritz.

Net Profit After Tax

Net Profit After Tax in 2008 was Rp 371 billion, reflecting a 5% increase over Rp 353 billion achieved in 2007.

Derivatives

As part of the Company's prudent financial policies of foreign exchange, we had fully hedged through 9 derivative contracts with various international banks, the following:

- a. 6 Non Deliverable USD 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. Under the terms as stipulated in the contracts, the Company has the option to buy the Notional Amount USD at the strike prices of Rp 9,000 to 9,200/USD on 9 March 2011 if the prevailing spot rate is below Rp 12,000/USD.
- b. 3 Non Deliverable USD Seagull Contracts with JP Morgan (S.E.A) Ltd. and BNP Paribas for the Notional Amount of USD 75 million. Based on the contracts, the Company is given the option to buy the USD Notional Amount at the rate of Rp 9,200/USD on 9 March 2011 if the prevailing spot is between Rp 9,200 to 12,000 per USD, and to 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 rates are below Rp 8,250/USD and Rp 9,200/USD, respectively, for each contract.

Our major annual financial obligation in foreign currency includes the 8.875% p.a. coupon payment on the USD 250 million Eurobonds. As at 31 December 2008, these derivative contracts have had a positive impact on the Company's profit and loss statement.

Balance Sheets

Total Assets of the Company grew by 12% from Rp 10,533 billion to Rp 11,788 billion as at 31 December 2008. This was attributed to the increase in inventory by Rp 991 billion in 2008.

Total Liabilities increased from Rp 5,999 billion to Rp 6,928 billion as of end of 2008, mainly due to the increase of Advance from Customers and Total Debt.

Advance from Customers is doubled compared to the previous year. Most of the Advance from Customers were collected from the condominium's pre-sales of our large scale integrated development projects at Kemang Village and St. Moritz. Total Debt increased to Rp 3,199 billion from Rp 2,864 billion as a result of Rupiah's depreciation against USD. Consequently, the Company's debt-to-equity ratio became 0.71. Taking into account of our Cash and Cash Equivalent position, the net gearing ratio for 2008 was 0.33.

Liquidity was adequately maintained with our cash balance of Rp 1,700 billion at the end of 2008. In addition, the Company holds a Rp 190 billion worth of stake in REIT.

Human Resources

The implementation of the Unified Management System in the whole organization, from the top management to the lower levels, has resulted in a very effective and efficient working system.

Qualified human resources are crucial to a company's continuing success. With this in mind, over the years Lippo Karawaci has seriously invested in developing its human capital. The Company's efforts are not limited to conducting training for the employees, but also by creating a working environment and a system that will enhance employees' job satisfaction and performance.

In 2008, the Company continued the programs started in previous years, among others were the UMS (Unified Management System).

Professional and Experienced



The UMS, also called as the Lippo Management System (LMS), is a fundamental way of thinking, interacting, coordinating and managing that is standardized across the whole organization. Implementation of the system, from the top management through to the lower ranks, has resulted in a very satisfactory, efficient working system.

Since 2006, the Company has been implementing an integrated remuneration and positions system. The initiative has brought excellent results for the Company, as shown in faster and better allocation of personnel towards various projects, motivating better environment changes, a clearer recognition in defining future training needs, resulting in an enhanced professionalism evident throughout the Company.

Training both domestic and overseas have also been conducted. Employees are also encouraged to take self-development courses, sponsored by the Company. In line with its future expansion plan, the Company continuously seeks new talent. On the other hand, the Company will constantly reassess its management systems and organizational structure and monitor its progress and effectiveness to align with its vision and mission.

The total number of employees in 2008 increased to 5,280 employees, from 5,234 employees in 2007, of which 72% were permanent and 28% were temporary employees. Of the total employees, the largest number was in the Healthcare Division, representing 47%, followed by the Hospitality and Infrastructure with 29% and the Housing and Land Development Division, 24%.



Corporate Governance Report





Corporate Governance Report

The Company endeavors to ensure that within its organization GCG principles are implemented correctly and in conformity to the pertinent regulations.

Committed to create a sustainable value of stakeholders in the long term, the Company fully understands the importance of Good Corporate Governance (GCG) implementation. An effective GCG implementation is essential and serves as a vehicle for the Company to act professional and prudent in managing its operation for the benefit of shareholders and other stakeholders.

The management and members of the Company at all levels have a commitment to carry out the five principles of GCG, namely Transparency, Accountability, Responsibility, Independency, and Fairness.

Transparency

Transparency requires the need to have openness in all the Company's dealings with public and its shareholders. Transparency is a manifestation of an open management style, ensuring accurate and timely facts being made available to its stakeholders.

Compliance



The Company's management maintains its compliance with Transparency principles by ensuring a timely, adequate and accurate dissemination of information when it is reporting to the capital market and stock exchange authorities at regular intervals with full details as required by the prevailing regulations.

To ensure that investors, shareholders and public are kept fully informed of the Company's performance and activities, all information is regularly made available in the Company's website as well as press releases and various Company's announcements.

The Company regularly issues press releases, in which all have been reported as required by the regulations.

Corporate Secretary

The Corporate Secretary holds a key role in assuring the Company's transparency compliance.

The Corporate Secretary is responsible for maintaining the Company's relationship with the capital market authorities, shareholders, media, community living

around the operational area and public at large; ensures its compliance with the capital market rules and regulations, the Limited Liability Companies Law and the Company's Articles of Association, as well as assisting the Board of Commissioners and Directors in the implementation of GCG in each of the Company's internal and external activities. Since 2004, Jenny Kuistono has held the position of Corporate Secretary.

Investor Relations

Investor Relations is responsible to maintain the transparency aspect towards the capital market community and develop relationship with stock and bond investors, analysts, rating institutions and other related communities.

The Company regularly conducts roadshows, which includes Non Deal Roadshows, analysts' meetings and conference calls to communicate the Company's operational and financial progress. The Company also sends representatives to participate in property and investor conferences held in Asia, United States of America, Europe and Middle East.



Roadshows Schedule during 2008:

| Date | Events | City | Facilitator |
|--------------------|---|--------------|---------------------|
| 13-14 February 08 | UBS Theme Day - Property | Singapore | UBS |
| 15 February 08 | UBS Theme Day - Property | Hong Kong | UBS |
| 3-4 March 08 | UBS Indonesia Conference 2008 | Jakarta | UBS |
| 28-29 April 08 | Citi Asia Pacific Property Conference | Singapore | Citigroup |
| 23 June 08 | Non Deal Roadshow | Dubai | CIMB-GK |
| 24 June 08 | Non Deal Roadshow | Kuala Lumpur | CIMB-GK |
| 16 July 08 | Investor Makassar Trip | Makassar | UBS |
| 5-6 August 08 | Non Deal Roadshow | Hong Kong | Deutsche Bank |
| 7-8 August 08 | Non Deal Roadshow | Singapore | Deutsche Bank |
| 14-15 August 08 | Indonesia Corporate Day 2008 | Bali | CIMB-GK |
| 25 August 08 | Indonesia Investor Conference 2008 | Jakarta | Citigroup |
| 27 August 08 | Investor Makassar Trip | Makassar | UBS |
| 28 August 08 | Indonesia Corporate Day 2008 | Singapore | BNP Paribas |
| 22-23 September 08 | Property Development & Investment Indonesia | Jakarta | Asia Business Forum |
| 10 October 08 | Investor Tour'08 | Jakarta | Citigroup |
| 13-14 October 08 | International Real Estate Conference 2008 | London | Macquarie |
| 16-17 October 08 | International Real Estate Conference 2008 | New York | Macquarie |

Other than that, the Company handles requests for information promptly and responds to enquiries through investor and site visits, phone and electronic correspondence.

Accountability

Accountability is an obligation to take responsibility over the success or failure in implementing the vision and mission of the Company towards its objectives and targets. Accountability is a continual responsibility of the Company's management.

The obligations of GCG are carried out through such as the General Meeting of Shareholders and the Board of Commissioners, Directors and various Committee meetings. Each has its own part to play in the implementation of GCG.

Board of Commissioners

The Board of Commissioners has the role as the Company's supervisory and monitoring body. Its main functions are reviewing development plans, scrutinising and approving budgets, monitoring the implementation of work plans, as well as other important duties in line with its responsibilities as stipulated in the Company's Articles of Association. The Board of Commissioners is made up of 12 (twelve) persons, wherein 7 (seven) are Independent members. This conforms to the Indonesian Capital Market regulation that stipulated a minimum of 30% of members be Independent Commissioners.

The composition of the BOC as per 31 December 2008 was 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 Meetings :

| Date | Percentage |
|------------------|------------|
| 26 February 2008 | 72% |
| 25 April 2008 | 78% |
| 11 June 2008 | 56% |
| 25 July 2008 | 78% |
| 24 October 2008 | 67% |

Board of Directors

The Board of Directors assumes a significant role in the management of the Company's daily operations, which includes the implementation of risk management and GCG. The Board is responsible for establishing corporate strategies and developing policies that shape the direction which the Company wishes to take.

The Board of Directors performs its duties under supervision of the Board of Commissioners. The Board of Directors currently comprises of 6 (six) Directors. Each possesses specific expertise to handle various business needs.

The composition of the BOD as per 31 December 2008 was 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 |

Attendance Data of BOD Meetings :

| Date | Percentage | Date | Percentage |
|------------------|------------|-------------------|------------|
| 8 January 2008 | 83% | 24 July 2008 | 100% |
| 15 January 2008 | 83% | 7 August 2008 | 67% |
| 22 January 2008 | 100% | 14 August 2008 | 67% |
| 21 February 2008 | 100% | 21 August 2008 | 67% |
| 3 April 2008 | 100% | 28 August 2008 | 100% |
| 17 April 2008 | 100% | 4 September 2008 | 71% |
| 24 April 2008 | 83% | 11 September 2008 | 100% |
| 8 May 2008 | 83% | 18 September 2008 | 83% |
| 15 May 2008 | 67% | 16 October 2008 | 71% |
| 22 May 2008 | 83% | 13 November 2008 | 67% |
| 29 May 2008 | 71% | 27 November 2008 | 67% |
| 12 June 2008 | 71% | 4 December 2008 | 100% |
| 3 July 2008 | 100% | 11 December 2008 | 67% |
| 10 July 2008 | 67% | 18 December 2008 | 83% |
| 17 July 2008 | 67% | | |

Committees under the Board of Commissioners

In performing its supervising function, the Board of Commissioners is assisted by 2 (two) Committees, namely Audit Committee and Remuneration Committee. Each Committee has certain provisions that determine its duties and responsibilities as have been approved by the Board of Commissioners.

Audit Committee

The Audit Committee is responsible for providing independent and professional opinions to the Board of Commissioners with regard to the Board of Directors' reports; to ensure the Company's Financial Statements are made according to acceptable accounting principles, and to ensure proper implementation of an internal audit system, financial reporting process and GCG within the organization.

Audit Committee assumes the authority to access internal audit reports and other necessary reports; to communicate directly with both Internal and External Auditors; to discuss problems arising during the decision-making process with the Board of Directors and other key officers with the consent of the Board of Directors, and invite internal and external experts to obtain their professional opinions.

The composition of Audit Committee as of 31 December 2008 was as follows:

| | |
|----------|---|
| Chairman | : Theo L. Sambuaga |
| Members | : Jeffrey G. Turangan Jusuf A. Tjondrolukito |

Activities of Audit Committee in 2008 are comprehensively explained in the Report of Audit Committee in this Annual Report.



Remuneration Committee

The Remuneration Committee is formed to assist the Board of Commissioners in improving the quality of the Company's management by establishing and implementing a fair remuneration policy. This Committee is authorized to propose remuneration policies. In performing its duties, the Company may request recommendations from internal and external parties.

As of 31 December 2008, members of the Remuneration Committee were as follows:

| | |
|----------|---------------------|
| Chairman | : Theo L. Sambuaga |
| Members | : Farid Harianto |
| | Jonathan L. Parapak |
| | Eddy Sindoro |

Company's Code of Conduct

In order to operate professionally and with high integrity, the Company has formulated a Code of Conduct for its members in carrying out their responsibilities.

The Company's Code of Conduct is accessed publicly through its website: www.lippokarawaci.co.id

The Management continuously monitors the effectiveness of its Code of Ethics, and ensures its application is company-wide.

Internal Audit

The Board of Directors is responsible for ensuring that the Company has been managed properly and has adequate internal control functions. The Internal Auditor is responsible to evaluate, review and analyze the overall business unit activities and report all findings to the Board of Directors and the Audit Committee. Internal Audit also assists the Audit Committee in providing internal activity reports and any remedial action proposed, and also serves as a partner of the Company's Independent Auditor during the auditing process.

Independent Auditor

The Independent Auditor is appointed by the Board of Directors based on the authority granted by the General Meeting of Shareholders on 19 March 2008 according to the criteria that has been determined in the General Meeting of Shareholders.

For the year ended 31 December 2008, the Company appointed Aryanto Amir Jusuf & Mawar Public Accountant to audit the Consolidated Financial Statements of the Company and its subsidiaries.

Responsibility

Compliance with the laws and regulations, as well as responsibility to the community and its environment in the aim to sustain the long-term performance and recognition as a good corporate citizen, is a serious responsibility undertaken by the Company.

As a public company, the Company has to follow the Articles of Association and the Limited Liability Company Law. The Company also complies with the Regulations issued by Indonesian Stock Exchange where its shares are listed. In addition, since its bonds are also listed at the Singapore Stock Exchange (SGX), the Company must also comply with the covenant. Payment of interest from bonds and distribution of dividends are based on the schedule determined in the covenant. The Company carefully monitors its credit rating and provides the latest information in a timely manner to the investors and public alike.

The latest credit ratings of the Company are as follows:

| Agency | Rating |
|-------------------|--------|
| Moody's | B1 |
| Standard & Poor's | B+ |
| Fitch | B+ |

Independence

To expedite the implementation of Good Corporate Governance principles, Lippo Karawaci is managed independently, with checks and balances. A condition wherein no part of the Company can dominate another and that outside intervention is not possible, is fully adhered to.

The General Meeting of Shareholders

The General Meeting of Shareholders is a facility for shareholders to make important decisions related to their investment in the Company. This complies with the Company's Articles of Association and other related laws and regulations.

In General Meeting of Shareholders, the shareholders exercise their voting rights with regard to the election of the members of the Board of Commissioners and Directors, allocation of net profits for dividends and the approval of important concerns other than the Company policies and direction and appointment of public accountant.

The Company's Annual General Meeting of Shareholders was held on 19 March 2008 at Lippo Karawaci (now renamed Lippo Village).

Equality

Equality is the principle that all shareholders are treated on the same basis. In conducting its activities, the Company has considered the interests of all shareholders and stakeholders based on this criteria.

The Company protects and respects its shareholders' rights and strives to assist them to exercise these rights by conveying information effectively and in time, whilst encouraging them to participate in the General Meeting of Shareholders.

Fair treatment for the members of the Company

The Company believes that every one of its staff members has to be treated in an equal and fair manner, with respect and pride. The Company appreciates diversity in ideas and creativity of the people coming from different backgrounds and capabilities. The Company highly supports a "fair opportunity" culture, in which success is determined by value and performance.

The Company intends to be the preferred corporation for its employees in each operation area. Strong corporate culture and innovative working environment are key to successfully attracting and retaining its present, valued employees.

The Company will continue providing information to its staff members on the implications of business development and other related matters. To ensure that they all obtain information on the Company's policies and activities, the Company has developed an internal communication portal called "The Village". Through this medium a great deal of useful information can be accessed. This forms a most effective conduit for communication on such as Company regulations, leave applications and so on.

The Company commits to continuously improve its GCG implementation by strengthening the latter's policies and practices, whilst fully utilizing the Company's committees and disseminating GCG policy and practices to all of its staff members.

Audit Committee Report

Lippo Village, 20 March 2009

To
The Board of Commissioners
PT Lippo Karawaci Tbk
Menara Matahari 22nd Floor
7 Boulevard Palem Raya
Lippo Village 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 2008.

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 Company's Financial Statements were prepared in accordance with the generally accepted accounting principles in Indonesia.
2. Throughout 2008, the Company has continuously performed improvements and amendments on internal control to align with the Company's business complexity and diversity. For 2008, the Audit Committee directed the Company's internal audit to be more focused on risk based operational audit, particularly those with largest impact to the Company's financial soundness, and to adherence and compliance to the Company's internal policy and regulation as well as to the prevailing regulations.
3. The Board of Directors has appointed Aryanto Amir Jusuf & Mawar Registered Public Accountant to conduct an audit on the consolidated Financial Statements of PT Lippo Karawaci Tbk and its subsidiaries for the year ended 31 December 2008, pursuant to the authority granted by the Shareholders in the Annual General Shareholders Meeting held on 19 March 2008.

The Audit Committee duly submits this report.

Yours sincerely,
Audit Committee of PT Lippo Karawaci Tbk.



Theo L. Sambuaga
Chairman



Jusuf A. Tjondrolukito
Member



Jeffrey G. Turangan
Member

Audit Committee



1

Theo L. Sambuaga
Chairman

Mr. Theo Sambuaga, gained insights and experiences which are beneficial in the realm of real estate development when he served as Minister of National Housing and Minister of Labor. As a member of the People's Consultative Assembly, he is conversant with many of the socio-economic and regional issues that affect Indonesia. Mr. Theo Sambuaga obtained his undergraduate degree in Social and Political Studies from Universitas Indonesia, and graduate degree from the School of Advanced International Studies, Johns Hopkins University, USA.

2

Jeffrey G. Turangan
Member

Mr. Jeffrey G. Turangan started his career in finance and banking at Citibank N.A. Jakarta Branch (1971-1976), continued with PT Multinational Finance Corporation (1990-1993) with latest position as Executive Director, PT Bank Societe Generale Summa as Director (1993-1996) and Deputy President Director (1997-1998). At present, besides his position as a member of Audit Committee of Lippo Karawaci, he has assumed the position as Commissioner at PT Bank Commonwealth since 2000. he is a member of Indonesia Bankers Association (IBI), ACI-Indonesia, and Chairperson Board of Founders of Certified Wealth Managers Association (CWMA) Indonesia. Graduated from Universitas Pancasila in Aeronautical Engineering.

3

Jusuf A. Tjondrolukito
Member

Mr. Jusuf A. Tjondrolukito began his career with Citibank N.A. and served as Director of Bank Danamon and Commissioner of Korea Exchange Bank Danamond in 1980. Besides his position as a member of Audit Committee of Lippo Karawaci, he is President Commissioner of PT Catur Sentosa Adiprana and Independent Commissioner of PT Matahari Putra Prima Tbk. He graduated from the Faculty of Economics, Universitas Gajah Mada.

Remuneration Committee Report

Lippo Village, 20 March 2009

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

Dear Sirs,

Re: The Remuneration Committee Report

The establishment of the Remuneration Committee is part of the implementation of Good Corporate Governance in providing a competitive remuneration package. The Committee was 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 Directors.

Composition of the Remuneration Committee is as follows:

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

Responsibilities and duties of the Remuneration Committee are as follows:

1. To conduct a formal meeting at least once a year.
2. To ensure an adequate remuneration system and determine the remuneration for the Board of Commissioners and Directors of PT Lippo Karawaci Tbk, including honorarium and fringe benefits, if applicable, for the Board of Commissioners as well as the salary, bonus and parting package (in case of retirement or resignation) for the Board of Directors.
3. Resolution 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 the new Committee member have been appointed by the Board of Commissioners.

The Remuneration Committee prepared the remuneration budget for Board of Commissioners and Directors based on the Company's performance and contribution of members, which reflect the performance of the Board of Commissioners and Directors.

In 2008, the Remuneration Committee held a meeting on 23 October 2008 to determine the budget allocation for honorarium and fringe benefits for the Board of Commissioners as well as the salaries and other benefits for Directors. For 2008, the gross remuneration amounted Rp 21,791,375,122,- (Twenty one billion seven hundred and ninety one million three hundred and seventy five thousand one hundred and twenty two Rupiah).



Theo L. Sambuaga
Chairman



Farid Harianto
Member



Jonathan L. Parapak
Member



Eddy Sindoro
Member

Remuneration Committee



1

Theo L. Sambuaga
Chairman

Mr. Theo Sambuaga, gained insights and experiences which are beneficial in the realm of real estate development when he served as Minister of National Housing and Minister of Labor. As a member of the People's Consultative Assembly, he is conversant with many of the socio-economic and regional issues that affect Indonesia. Mr. Theo Sambuaga obtained his undergraduate degree in Social and Political Studies from Universitas Indonesia, and graduate degree from the School of Advanced International Studies, Johns Hopkins University, USA.

2

Farid Harianto
Member

Mr. Farid Harianto, has over 15 years of experience in the financial industry. In November 2008 he was appointed as advisor to the Governors of Indonesia Central Bank. He is currently a Commissioner of PT Unggul Indah Cahaya Tbk. His previous positions include, among others, Chairman of the Indonesian Rating Agency (PT PEFINDO), Vice Chairman of the Indonesian Banking and Restructuring Agency, and Commissioner of the Indonesia Clearing and Guarantee Corporation (PT KPED). Mr. Farid Harianto is also a member of the Asian Executive Advisory Board of the Wharton School and Senior Advisor to the Institute for Human Virology and Cancer Biology at Universitas Indonesia, and consultant at several big companies in Indonesia and international organizations. Mr. Farid Harianto obtained his undergraduate degree in Electrical Engineering from Institut Teknologi Bandung (ITB), while his Master degree in Applied Economic and his Ph.D with distinction was obtained in 1987 and 1989 from the Wharton School of the University of Pennsylvania, USA.

3

Jonathan L. Parapak
Member

Mr. Jonathan L. Parapak, has extensive experience in large corporations and government institutions in Indonesia. His former positions include, among others, as President Director of PT Indosat, Secretary-General at Department of Tourism, Post and Telecommunication, and a member of the People's Consultative Assembly. In addition to his current position as Commissioner of Lippo Karawaci, he is also the Commissioner of PT AsiaNet and PT Broadband Multimedia, as well as being a Commissioner of several companies within the Lippo Group, including PT Multipolar Tbk and PT Matahari Putra Prima Tbk. Mr. Jonathan L. Parapak earned his Bachelor of Engineering and Master of Engineering Science degree from University of Tasmania, Australia.

4

Eddy Sindoro
Commissioner

Mr. Eddy Sindoro, has an extensive experience and leadership capabilities. He is now the President Commissioner of PT Lippo Cikarang Tbk and PT Pacific Utama Tbk. Prior to joining the Company, he held various important positions in Lippo Group, including Chairman and President Director of PT Bank Lippo Tbk and PT Siloam Healthcare Tbk, and Commissioner of PT Multipolar Tbk and PT Matahari Putra Prima Tbk. Mr. Eddy 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

Social Responsibility

Lippo Karawaci takes pride in contributing to the well-being of the communities in which it operates. For years, the Company has been involved in a number of activities designed to serve as a model of good corporate behavior whilst assisting the community in reaching social goals.

The Company's Corporate Social Responsibility (CSR) activities in 2008 included the following:

- **Blood Donor Club Lippo Karawaci (KDDLK)**
Established since 1999, the Club regularly conducts blood donor activities in cooperation with the Indonesian Red Cross and Siloam Hospitals Lippo Village. Local communities and other companies in the Lippo Village area are also included in this worthwhile exercise.
- **Children's Charity Fund and the Indonesian Brain Foundation**
Through Children's Charity Fund and the Indonesian Brain Foundation, the Company has helped thousands of patients.
- **Health Seminars**
Several health seminars for the community were held on current health issues such as avian flu and dengue fever.

In the past, the Company has also participated in CSR activities in the areas of family empowerment as well as disaster relief and rehabilitation.

Environmental Responsibility

Being the first "environmentally friendly, self-sustainable" developer in Indonesia, the Company has always placed serious consideration on environmental issues when developing each of its projects. The Company's commitment towards environmental responsibility is reflected in its project master plan, which took into account the following:

1. Water Supply

Given the low quality of locally available drinking water supplies and the concern for future supplies of healthy water supply, the Company created water treatment plants (WTP) in its townships to ensure that clean water is available for its residents at the quality that exceed the standards set by the Ministry of Public Health. WTP in Lippo Village township currently has a capacity of 315,000 m³ of potable water per month. Lippo Cikarang produces another 540,000 m³/month.

2. Flood Centre and Retention

Prior to developing each project, the Company carefully considers options to prevent flooding of public property. A system of flood retention was first implemented at the Lippo Village golf course which allowed rain water for virtually the whole of the major part of the township to be naturally absorbed into the ground water system.

Whilst creating wonderful landscape value, the system is engineered to be environmentally friendly. In Kemang Village, the Company is creating a water retention pond that can hold up to 90,000 m³ solely to retain its own rain and wastewater to prevent flooding of neighbouring villages. This in effect means that 1 million tonnes of rain can fall on the town within a 3 hour period without causing disruptive flooding.

3. Micro Climate Improvements

The Company is also implementing a very effective eco-friendly concept in its developments to anticipate the effect of climate changes in the future. To provide a pleasant environment for the population living in the vicinity, a regular plan being implemented is to plant in excess of 2000 trees annually. Up to 2008, the Company has planted over 55,000 trees in Lippo Village alone. This has resulted in cool temperatures prevailing throughout the town. This project is also implemented in its other projects. To reduce ambient temperatures shady trees cover many streets, and only light-coloured roofs are approved. The particulate count has stayed at very acceptable level cool.

4. Sewage Treatment

Good sewage treatment is required to manage domestic waste produced by the residential and commercial zones. For environmental safety, sewage is collected through underground pipes to be treated anaerobically in sewage treatment plants (STP). The treated sewage water is then 100% recycled for landscape irrigation and recharging the aquifer.

5. Gas Pipeline Installation

The Company has recently installed gas pipelines in the Kemang Village project and Lippo Cikarang industrial areas. By doing this, the Company has participated in the government efforts to reduce the use of electricity, while at the same time reduces dependency upon the electricity supply from the State-Owned Electric Company (PLN).

Corporate Data

Projects / Business Units Addresses

Urban Development



Lippo Village
Marketing Gallery,
Menara Matahari 1st Floor
Jl. Boulevard Palem Raya No. 7
Lippo Village Central
Tangerang 15811, Banten, Indonesia
Tel. 62 (21) 5420 3636
Fax. 62 (21) 5420 3535



Lippo Cikarang
Menara Pasifik
Jl. M.H. Thamrin Kav. 107
Lippo Cikarang, Bekasi 17550
West Java, Indonesia
Tel. 62 (21) 897 2484/88
Fax. 62 (21) 897 2039/2493



Tanjung Bunga
Jl. Metro Tanjung Bunga Kav. 3-5
Tanjung Bunga, Makassar 90134
South Sulawesi, Indonesia
Tel. 62 (411) 811 3456
Fax. 62 (411) 811 3494



ROYAL SERPONG VILLAGE

Royal Serpong Village
Ruko WTC No. 5833, Jatiuwung
Jl. Raya Serpong No. 39 Serpong
Tangerang 15326
Banten, Indonesia
Tel. 62 (21) 537 6420
Fax. 62 (21) 537 6435



SAN DIEGO HILLS

San Diego Hills Memorial Park
Sudirman Tower Condominium 1st Floor
Jl. Garnisun Dalam No. 8
Karet Semanggi
Jakarta 12930, Indonesia
Tel. 62 (21) 574 5501
Fax. 62 (21) 574 5503

Large Scale Integrated Development



City of Tomorrow
Jl. Jend. Achmad Yani No.1, Surabaya
East Java, Indonesia
Tel. 62 (31) 827 3888
Fax. 62 (31) 827 3666



Kemang Village
Jl. Pangeran Antasari No. 36
Jakarta 12150, Indonesia
Tel. 62 (21) 725 5999
Fax. 62 (21) 726 6999

THE St. Moritz

Penthouses & Residences

The St. Moritz Penthouses & Residences
Jl. Boulevard Puri Indah Raya Bl. U1
Puri Indah CBD
Jakarta, Indonesia
Tel. 62 (21) 5577 7775
Fax. 62 (21) 5835 8607

Retail Malls



WTC Matahari
Jl. Raya Serpong No. 39, Serpong
Tangerang 15326
Banten, Indonesia
Tel. 62 (21) 5315 5656
Fax. 62 (21) 5315 5757



Metropolis Town Square
Jl. Hartono Raya, Modernland
Kelapa Indah, Tangerang 15117
Banten, Indonesia
Tel. 62 (21) 5574 8384
Fax. 62 (21) 5574 8389



GTC Makassar
Metro Tanjung Bunga
Tanjung Bunga, Makassar 90134
South Sulawesi, Indonesia
Tel. 62 (411) 838 990
Fax. 62 (411) 838 819



Depok Town Square
Jl. Margonda Raya No. 01
Pondok Cina, Beji, Depok 16424
West Java, Indonesia
Tel. 62 (21) 7888 4330
Fax. 62 (21) 775 7968



Malang Town Square
Jl. Veteran No. 2, Klojen – Penanggungan
Malang, East Java, Indonesia
Tel. 62 (341) 575 763
Fax. 62 (341) 575 767



Grand Palladium Medan
Jl. Kapten Maulana Lubis No. 8
Medan 20112
North Sumatera, Indonesia
Tel. 62 (61) 7710 8393
Fax. 62 (61) 456 4393



Bellanova Country Mall
Jl. M.H. Thamrin No. 8
Bukit Sentul Selatan, Bogor 16810
West Java, Indonesia
Tel. 62 (21) 8796 1905
Fax. 62 (21) 8796 1915



Binjai Supermall
Jl. Soekarno Hatta No.14
Binjai 20731
North Sumatera, Indonesia
Tel. 62 (61) 882 5111
Fax. 62 (61) 883 0115



PT Lippo Karawaci Tbk
Menara Matahari 22nd Floor
7 Boulevard Palem Raya, Lippo Village 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

Healthcare



Siloam Hospitals

Siloam Hospitals
Lippo Village,
Indonesia's First
Internationally
Accredited Hospital



Siloam Hospitals Lippo Village
Jl. Siloam No. 6, Lippo Village 1600
Tangerang 15811, Banten, Indonesia
Tel. 62 (21) 546 0055
Fax. 62 (21) 546 0921

Siloam Hospitals



Siloam Hospitals Kebon Jeruk
Jl. Raya Perjuangan Kav. 8, Kebon Jeruk
Jakarta 11530, Indonesia
Tel. 62 (21) 530 0888
Fax. 62 (21) 530 0876

Siloam Hospitals



Siloam Hospitals Lippo Cikarang
Jl. M.H. Thamrin Kav. 105, Lippo Cikarang
Bekasi 17550, West Java, Indonesia
Tel. 62 (21) 8990 1088
Fax. 62 (21) 8990 0022

Siloam Hospitals

Siloam Hospitals Surabaya
Jl. Raya Gubeng No. 70, Surabaya 60281
East Java, Indonesia
Tel. 62 (31) 503 1333
Fax. 62 (31) 503 1533

Siloam Hospitals

Semanggi Specialist Clinic

Semanggi Specialist Clinic
Veteran Building 7th Floor, Plaza Semanggi
Jl. Jend. Sudirman Kav. 50
Jakarta 12930, Indonesia
Tel. 62 (21) 2553 9326
Fax. 62 (21) 2553 9325

Hotels

The Aryaduta Hotel
Jakarta

The Aryaduta Hotel Jakarta
Jl. Prapatan 44-48
Jakarta 10110, Indonesia
Tel. 62 (21) 2352 1234
Fax. 62 (21) 2351 8600

The Aryaduta
Suites Hotel
Semanggi

The Aryaduta Suites Hotel Semanggi
Jl. Garnisun Dalam No. 8, Karet Semanggi
Jakarta 12930, Indonesia
Tel. 62 (21) 251 5151
Fax. 62 (21) 251 4090

The Aryaduta
Hotel & Country Club
Karawaci

Imperial Aryaduta Hotel &
Country Club Lippo Karawaci
Jl. Boulevard Jend. Sudirman No. 401
Lippo Village 1300
Tangerang 15611, Banten, Indonesia
Tel. 62 (21) 546 0101
Fax. 62 (21) 546 0201

The Aryaduta Hotel
Medan

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

ARYADUTA
HOTEL
PEKANBARU

Aryaduta Hotel Pekanbaru
Jl. Diponegoro No. 34
Pekanbaru 28116, Riau, Indonesia
Tel. 62 (761) 44 200
Fax. 62 (761) 44 210

The Aryaduta
Hotel & Convention Center
Palembang

The Aryaduta Hotel &
Convention Center Palembang
Jl. POM IX, Palembang Square
Palembang 30137
South Sumatera, Indonesia
Tel. 62 (711) 383 838
Fax. 62 (711) 377 900

SHIMA
Japanese Restaurant

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

Projects / Business Units Addresses

Leisure



Bentone Junction
Jl. Boulevard Palem Raya No. 38
Lippo Village
Tangerang 15811, Banten, Indonesia
Tel. 62 (21) 547 2307 / 547 2308
Fax. 62 (21) 5421 1176



Permata Sports Club
Jl. Taman Permata No. 301
Lippo Village
Tangerang, Banten, Indonesia
Tel. 62 (21) 591 5966



Grand Bowling
Mall WTC Matahari 5th Floor
Jl. Raya Serpong No. 39, Serpong
Tangerang 15326, Banten, Indonesia
Tel. 62 (21) 5315 4730
Fax. 62 (21) 5315 4732



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



Puncak Resor
Jl. Hanjarwar, Desa Sukanagalih
Pacet, Cipanas
West Java, Indonesia
Tel. 62 (263) 515 001
Fax. 62 (263) 515 020



Balai Serpong
WTC Matahari - Serpong
Jl. Raya Serpong No. 39
Tangerang 15326, Banten, Indonesia
Tel. 62 (21) 5315 5656
Fax. 62 (21) 5315 5757

Managed by The Aryaduta Hotel, Resorts & Residences:



La Collina Italian Restaurant
San Diego Hills Memorial Park
Exit Tol Karawang Barat Km. 46
West Java, Indonesia
Tel. 62 (267) 845 3333
Fax. 62 (267) 845 4575



Water Boom Lippo Cikarang
Jl. Madiun Kav. 115
Lippo Cikarang, Bekasi
West Java, Indonesia
Tel. 62 (21) 8990 7814, 8990 9467
Fax. 62 (21) 8990 9469



Grand Chapel
UPH Tower C 6th Floor
Lippo Village, Tangerang
Banten, Indonesia
Tel. 62 (21) 546 6623, 546 6239
Fax. 62 (21) 5420 2897

Infrastructure



Town Management Services
2121 Boulevard Gajah Mada # 01-01
Lippo Cyber Park, Lippo Village
Tangerang 15811, Banten, Indonesia
Tel. 62 (21) 5579 0190/91
Fax. 62 (21) 5579 7111/17



Potable & Waste Water Management
2121 Boulevard Gajah Mada # 01-01
Lippo Cyber Park, Lippo Village
Tangerang 15811, Banten, Indonesia
Tel. 62 (21) 5579 0190/91
Fax. 62 (21) 5579 7111/17



PT Dinamika Intertrans
2121 Boulevard Gajah Mada # 01-01
Lippo Cyber Park, Lippo Village
Tangerang 15811, Banten, Indonesia
Tel. 62 (21) 5579 0190/91
Fax. 62 (21) 5579 7111/12



Home Care Unit
2121 Boulevard Gajah Mada # 01-01
Lippo Cyber Park, Lippo Village
Tangerang 15811, Banten, Indonesia
Tel. 62 (21) 5579 0190/91
Fax. 62 (21) 5579 7111/17

Supporting Professional & Institutions

Registered Public Accountant

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

Legal Consultant

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

Share Registrar

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

Profile of the Board of Commissioners



Ning Gaoning

President Commissioner

1

Mr. Ning Gaoning, age 50, is a respected leader in the global corporate world. He has many years of extensive experience in a diverse range of industries and brings insightful leadership to Lippo Karawaci. Currently, Mr. Ning Gaoning is the Chairman of the China National Cereals, Oils and Foodstuffs Corporation. He is also the Chairman of Hong Kong Building and Loan Agency Limited and Deputy Chairman of China Vanke Company Limited. Mr. Ning Gaoning obtained his Bachelor of Arts degree in Economics from Shandong University, China, and MBA degree in Finance from the University of Pittsburgh, USA.

Surjadi Soedirdja

Vice President Commissioner

2

Mr. Surjadi Soedirdja, age 70, possesses broad knowledge and interests in the specialty of urban development. He serves concurrently as a Senior Advisor to PT Krakatau Steel. He had served as Coordinating Minister for Political, Social and Security Affairs and as Minister of Home Affairs, and was also a former Governor of Jakarta. Prior to that, Mr. Surjadi Soedirdja had a distinguished career in the Indonesian Armed Forces, retiring with the rank of General.

Theo L. Sambuaga

Independent Commissioner

3

Mr. Theo Sambuaga, age 59, gained insights and experiences which are beneficial in the realm of real estate development when he served as Minister of National Housing and Minister of Labor. As a member of the People's Consultative Assembly, he is conversant with many of the socio-economic and regional issues that affect Indonesia. Mr. Theo Sambuaga obtained his undergraduate degree in Social and Political Studies from Universitas Indonesia, and graduate degree from the School of Advanced International Studies, Johns Hopkins University, USA.



4

Agum Gumelar

Independent Commissioner

Mr. Agum Gumelar, age 63, is a decorated Armed Forces General, with over 30 years of experience in managing large scales 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. Agum Gumelar was the Minister of Transportation and Telecommunications (1999-2000) and Coordinating Minister for Political Affairs, Social and Security (2001). In addition to his military educations, Mr. Agum Gumelar also holds a Master of Science degree in Management from American World University, USA. He had been a chairman of The Indonesian National Sport Committee (KONI).

5

Tanri Abeng

Independent Commissioner

Mr. Tanri Abeng, age 66, brings his vast experience in the government sector, large multinational corporations and good corporate governance to Lippo Karawaci. His former positions, among others, are as Commissioner of the Jakarta Stock Exchange, Minister of State-Owned Enterprises and member of the People's Consultative Assembly, other than serving as Chairman of PT Multi Bintang Indonesia and PT British American Tobacco Indonesia. He concurrently serves as 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. Tanri Abeng earned his MBA degree from the State University of New York, and completed the Advanced Management Program of Claremont Graduate School, Los Angeles, USA.

6

Farid Harianto

Independent Commissioner

Mr. Farid Harianto, age 56, has over 15 years of experience in the financial industry. In November 2008 he was appointed as advisor to the Governors of Indonesia Central Bank. He is currently a Commissioner of PT Unggul Indah Cahaya Tbk. His previous positions include, among others, Chairman of the Indonesian Rating Agency (PT PEFINDO), Vice Chairman of the Indonesian Banking and Restructuring Agency, and Commissioner of the Indonesia Clearing and Guarantee Corporation (PT KPEI). Mr. Farid Harianto is also a member of the Asian Executive Advisory Board of the Wharton School and Senior Advisor to the Institute for Human Virology and Cancer Biology at Universitas Indonesia, and consultant at several big companies in Indonesia and international organizations. Mr. Farid Harianto obtained his undergraduate degree in Electrical Engineering from Institut Teknologi Bandung (ITB), while his Master degree in Applied Economic and his Ph.D with distinction was obtained in 1987 and 1989 from the Wharton School of the University of Pennsylvania, USA.

Profile of the Board of Commissioners



Jonathan L. Parapak
Independent Commissioner

7

Mr. Jonathan L. Parapak, age 66, has extensive experience in large corporations and government institutions in Indonesia. His former positions include, among others, as President Director of PT Indosat, Secretary-General at Department of Tourism, Post and Telecommunication, and a member of the People's Consultative Assembly. In addition to his current position as Commissioner of Lippo Karawaci, he is also the Commissioner of PT AsiaNet and PT Broadband Multimedia, as well as being a Commissioner of several companies within the Lippo Group, including PT Multipolar Tbk and PT Matahari Putra Prima Tbk. Mr. Jonathan L. Parapak earned his Bachelor of Engineering and Master of Engineering Science degree from University of Tasmania, Australia.

Adrianus Mooy
Independent Commissioner

8

Mr. Adrianus Mooy, age 72, has dedicated his expertise in the government of Indonesia for many years. He formerly served as Governor of Indonesia's Central Bank, Ambassador to the European Communities, Alternate Governor for Indonesia at the Asian Development Bank, and Deputy Head of BAPPENAS. Mr. Adrianus Mooy is currently a Partner of Strategic Asia and Senior Associate Professor at STIE Perbanas. He has held various advisory roles 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 at the Faculty of Economics at Universitas Indonesia. Mr. Adrianus 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.

Charley Song Lin
Commissioner

9

Mr. Charley Song Lin, age 45, has an extensive experience in corporate management, engineering, corporate finance and investments. His expertise in safety and environmental engineering has brought insightful contributions to Lippo Karawaci, particularly in the area of project management. He is now the Chairman of China Resources (Holdings) Co. Ltd. He is also the Chairman of China Resources Enterprise Limited, China Resources Power Holdings Co. Ltd., China Resources Land Limited and China Resources Microelectronics Limited. Mr. Charley Song Lin has a Bachelor's degree in Mechanics from Tong Ji University, Shanghai, China, and a graduate degree from the University of Chinese Foreign Trade and Economy.



10

Jiang Wei
Commissioner

Mr. Jiang Wei, age 45, has over 20 years of expertise in finance and risk management. He has held several key positions in China Resources (Holdings) Co. Ltd. He is a Director of China Resources Enterprise Ltd., China Resources Power Holdings Company Ltd., China Resources Land Limited, and China Assets (Holdings) Ltd. Mr. Jiang Wei obtained both his 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. Eddy Sindoro, age 51, has an extensive experience and leadership capabilities. He is now the President Commissioner of PT Lippo Cikarang Tbk and PT Pacific Utama Tbk. Prior to joining the Company, he held various important positions in Lippo Group, including Chairman and President Director of PT Bank Lippo Tbk and PT Siloam Healthcare Tbk, and Commissioner of PT Multipolar Tbk and PT Matahari Putra Prima Tbk. Mr. Eddy 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

Mrs. Viven G. Sitiabudi, age 53, has a succesful career in many companies. Her experience in general management, corporate planning and marketing brought the success to Lippo Karawaci. She is now also the Executive Director and CEO of the Lippo-Mapletree Indonesia Retail Trust Management Ltd. She pioneered PT Lippo Life Insurance and assumed the position of President Director until 1995. Under her leadership, the company successfully established its position as one of the largest life insurance companies in Indonesia and initiated its Initial Public Offering. Previously, Mrs. Viven G. Sitiabudi was the CEO of Legal and General Australia's operations in Indonesia and Vice President Director of Allianz Life Indonesia. Mrs. Viven G. Sitiabudi graduated from the University of New South Wales, Australia in 1977 with a degree in Computer Science and Statistics.

Profile of the Board of Directors



Eddy H. Handoko
President Director

1

Mr. Eddy H. Handoko, age 52, has over 20 years of experience in banking and financial services, which includes his stint as the Director of PT Bank Lippo Tbk from 1989 to 1998, President Director of PT Lippo Securities Tbk from 1998 until 1999, and Deputy President Director of PT Bank Lippo Tbk from 2000 until 2003. Prior to joining Lippo Karawaci, he had been holding several management positions in retail and property companies, Vice President Director of PT Multipolar Tbk and Director of PT Matahari Putra Prima Tbk. Mr. Eddy Handoko graduated from the University of Southern California, Los Angeles, USA, with a degree in Business Administration.

Tjokro Libianto
Director

2

Mr. Tjokro Libianto, age 49, is well-versed in land development regulations and requirements. He has been instrumental in negotiating most of the Lippo Group's land acquisitions. He was formerly the Administrative and Finance Manager of PT Dwi Satya Utama in Surabaya, as well as PT Tifa Finance and PT Tifa Securities. Mr. Tjokro Libianto holds a degree in Accountancy from Universitas Brawijaya, Malang.

Ketut Budi Wijaya
Director

3

Mr. Ketut Budi Wijaya, age 53, brings his in-depth expertise in accounting and corporate finance to Lippo Karawaci. He concurrently serves as an Independent Commissioner of PT Multipolar Tbk. Prior to joining the Company, Mr. Ketut Budi Wijaya held various executive positions in the Lippo Group, including PT Matahari Putra Prima Tbk, PT Multipolar Tbk, and PT Bank Lippo Tbk. He had also worked for PT Bridgestone Tire Indonesia and Darmawan & Co. Public Accountants.

Jopy Rusli
Director

4

Mr. Jopy Rusli, age 46, 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. Jopy Rusli has also served as Director of PT Califa Pratama, a subsidiary of Gunung Sewu & Duta Anggada Realty. Mr. Jopy 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.



Hendra Agus Sugandi
Director

5

Mr. Hendra A. Sugandi, age 37, 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 of the Asset Management and Investment Division of the Indonesian Banking Restructuring Agency. Mr. Hendra A. Sugandi earned his degree in Accountancy from the Faculty of Economics, Universitas Atmajaya, Jakarta.

Yuke Elia Susiloputro
Director

6

Prior to joining Lippo Karawaci, Mr. Yuke E. Susiloputro, age 49, started his career at PT Lippo Cikarang Tbk in 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, and appointed as Commissioners in PT Lippo Cikarang Tbk in 2007. Mr. Yuke 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. He 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 in 1998. Mr. Yuke Elia Susiloputro earned a Bachelor of Architecture degree from the Southern California Institute of Architecture Santa Monica, California, USA, 1986.

L. Krisnan Cahya
Director

7

Mr. Krisnan Cahya, age 47, has over 25 years of experience in Corporate Finance and Banking. Prior to his appointment as the Director of Lippo Karawaci in early 2008, he was a Senior Executive of the Company, responsible for Corporate Finance and Banking Relationship Affairs. Previously held various executive positions in PT Bank Panin Tbk and PT Bank Bali Tbk, he joined Lippo Group in 2001 as Chief Financial Officer and later became Director of PT Multipolar Tbk.

Profile of the Senior Executives



Gordon Benton, OBE

1

Mr. Gordon Benton, age 76, has extensive experience in urban planning, city management, conceptual architectural and construction design, and project and municipal management. Mr. Gordon Benton has 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 II. Mr. Gordon Benton is a member of the Singapore, Malaysian and Royal Institute of British Architects. In addition to having won several awards and citations in architectural design competitions in Pakistan, Kuala Lumpur, Singapore and Indonesia, he has been an active member of the St. Andrew's Societies in Brunei, Singapore and Indonesia.

Gershu Paul

2

Dr. Gershu Paul, age 49, brings his extensive knowledge to Lippo Karawaci with his background in the public health sector and senior executive level experience in diverse sectors including change management. He earned his Medical Degree from the University of Bangalore, India. In addition, he has a Diploma in Sports Studies, an MBA from the University of Otago, New Zealand and the Executive Program at Harvard Medical School, USA. He is also a member of the Royal Australasian College of Medical Administrators.

Juergen Fisher

3

Mr. Juergen Fischer, age 51, is Chief Operating Officer of Aryaduta Hotel since 2007. Prior to joining Aryaduta Hotel, he had been holding several managerial positions at Swiss Belhotel International, Nakamanda Resort & Spa, Gloria International Hotels China, Aerowisata International Hotels and Legend Resort. His extensive knowledge in hotel and tourism was obtained from his working experience in Europe, Middle East, Caribia and Asia including in Patra, Bali, Royal Garden Marriot, Thailand and Dorint Sport Hotel Biesdorf, Germany.



Leigh V. Regan

4

Mr. Leigh V. Regan, age 51, has over 20 years experience as General Manager in retail business, property and construction companies. Prior to his appointment as Senior Executive at Lippo Karawaci, he was a Chief Operation Officer of PT Manggala Gelora Perkasa Senayan City, General Manager of Eastland Shopping Center, Victoria, Australia, Portfolio Manager of Jones Lang LaSalle National, General Manager of Rodamco Pacific & Lippo Group, Lippo Supermal and General Manager of Kumagai Gumi P/L in Melbourne Central, Australia. Mr. Leigh V. Regan holds Bachelor of Business from RMIT, Australia, Certified Practicing Accountant (CPA) and Certified Shopping Centre Manager (CSMA).

Mark Wong

5

Mr. Mark Wong, age 62, a Singaporean, is an experienced banker, stockbroker and venture capitalist specializing in Indonesia financial markets in the last 30 years. He came to Indonesia as Country Representative for the five largest Singapore Banks in the mid 70's and stayed on. He was involved in the ADB study which resulted in the establishment of the Indonesian Capital Markets and help co-found two securities companies. Later on he participated in the formative years of the Indonesian Venture Capital industry and help create the AMVI (Asosiasi Modal Ventura Indonesia) and later on facilitated its founding role in APVCA (Asia Pacific Venture Capital Alliance) in which he held board positions. Prior to joining Lippo Karawaci, Mr. Mark Wong was involved in Merger & Acquisition and financial advisory transactions. Besides active in business, professional and community service organizations, he currently holds Board positions in the International Business Chamber and the Singapore Chamber of Commerce, which he co-founded. Mr. Mark Wong is a business graduate from the University of Singapore and University of Pennsylvania, USA.

Susanto

6

Mr. Susanto, age 39, is an experienced finance and accounting professional. Starting his career in Prasetyo, Utomo & Co. – Arthur Andersen, his latest position was as Andersen Worldwide Manager. He joined Lippo Group in 2000 as Finance and Accounting Division Head of Lippo Karawaci. In 2001, he was appointed as Director of PT Lippo Cikarang Tbk and in August 2004, he was appointed as Chief Controller of Lippo Karawaci. Mr. Susanto holds an Accounting degree from STIE "YAI", Jakarta.

Profile of the Senior Executives



7

Krishnadi Kartawidjaja

Mr. Kartawidjaja, age 52, currently Chief of Hotel Development at Lippo Karawaci, has extensive experience in the hospitality business. Prior to joining Lippo Karawaci, 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 Prasetya Mulya Institute of Management, Jakarta.

8

Jenny Kuistono

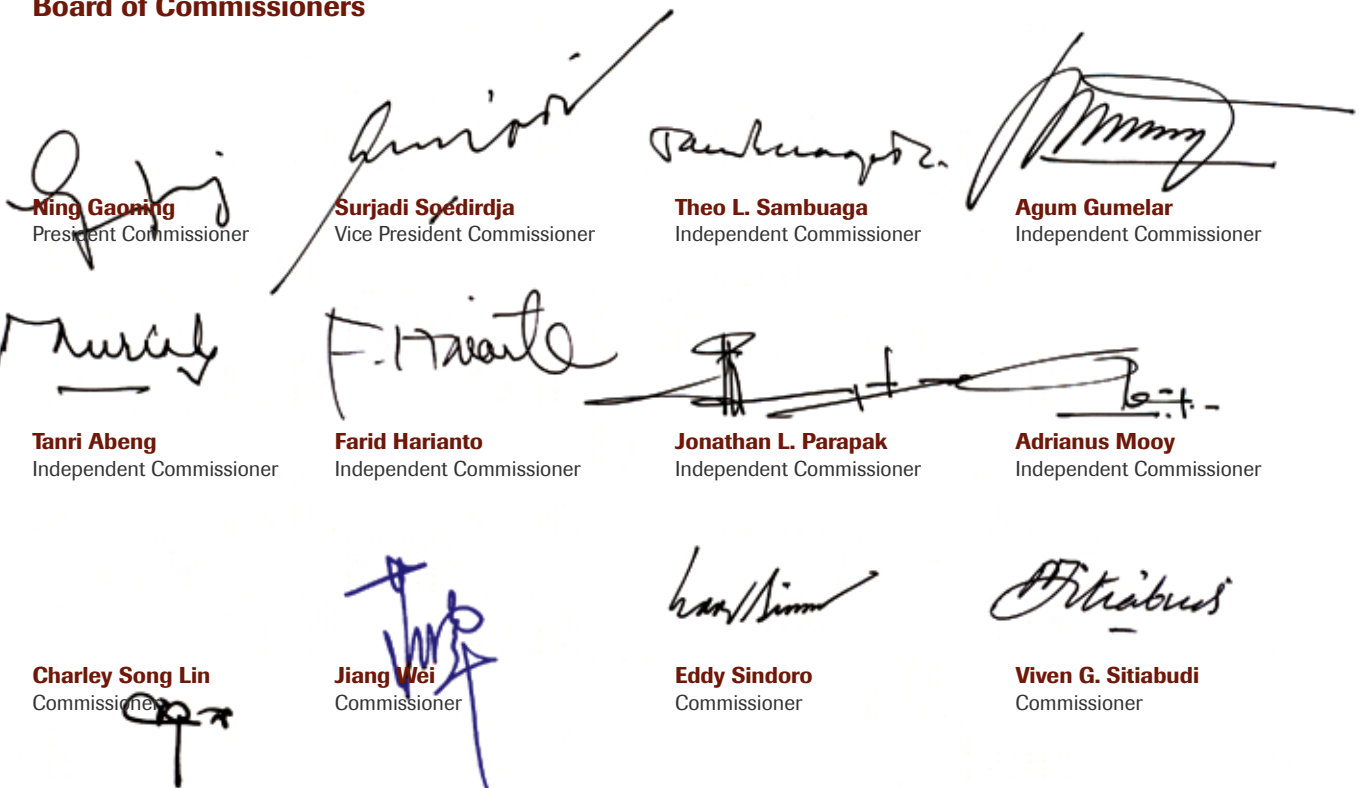
Mrs. Jenny Kuistono, age 46, has an impressive record of service with Lippo Group. She was appointed to the position of Corporate Secretary of Lippo Karawaci in 2004. Adept and knowledgeable about the diverse operation of Lippo, she had worked as a System Engineer with PT Multipolar Tbk, President Director and Commissioner of PT Sharestar Indonesia, Director of PT Multifiling Mitra Indonesia, General Manager of PT Jasa Century Permai Nusantara (JCPENNY) and was Director of PT Multipolar Tbk until July 2004. Mrs. Jenny Kuistono earned a degree in Electronic Engineering from Universitas Trisakti, Jakarta.

Responsibility for the 2008 Annual Report

The Board of Commissioners and Board of Directors of PT Lippo Karawaci Tbk have reviewed and are fully responsible for this 2008 Annual Report, including the accompanying financial statements and related financial information.

Lippo Karawaci, March 2009

Board of Commissioners



Board of Directors



* Resigned as Director of PT Lippo Karawaci Tbk effectively as of 13 December 2008

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 2008 and 2007

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, 2008**

We the undersigned:

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

State that:

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

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

Lippo Karawaci, 2 February 2009

PT Lippo Karawaci Tbk


Eddy Harsono Handoko **Ketut Budi Wijaya**
President Director Director

RSM AAJ Associates

This report is originally issued in Indonesian language

Number : R/089.AGA/4.1/03/09

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

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, 2008 and 2007, 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, 2008 and 2007, which reflect total assets of Rp 287,040 million and Rp 278,543 million or representing about 2.44% and 2.64% of total consolidated assets as of December 31, 2008 and 2007, respectively. Those financial statements were audited by other independent auditors, whose reports dated January 28, 2009 and February 21, 2008, 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 Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

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

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

This report is originally issued in Indonesian language

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, 2008 and 2007, 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.



Saptoto Agustomo

Public Accountant License Number: 98.1.0202

Jakarta, February 2, 2009

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

These consolidated financial statements are originally issued in Indonesian language

R/089.AGA/4.1/03/09

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31, 2008 and 2007

(In Full Rupiah)

| ASSETS | Note | 2008 Rp | 2007 Rp |
|---|-------------------------------|----------------------------------|----------------------------------|
| Cash and Cash Equivalent | 2.c, 2.d, 3, 33 | 1,699,917,347,675 | 2,028,987,176,903 |
| Investments | 2.c, 2.e, 4, 9, 33 | 371,419,800,296 | 384,331,626,350 |
| Accounts Receivable | 2.c, 2.f, 5, 33 | | |
| Third Parties | | 798,246,501,351 | 513,353,151,107 |
| <i>(Net of allowance for doubtful accounts of Rp 50,541,325,142 and Rp 44,773,362,784 as of December 31, 2008 and 2007, respectively)</i> | | | |
| Related Parties | 9 | 1,988,406,936 | 1,519,910,246 |
| <i>(Net of allowance for doubtful accounts of Rp 425,479,259 and Rp 577,533,675 as of December 31, 2008 and 2007, respectively)</i> | | | |
| Other Receivables | 2.c, 2.f, 2.u, 6, 31.j, 33 | 552,271,203,410 | 130,994,611,254 |
| <i>(Net of allowance for doubtful accounts of Rp 7,116,587,959 and Rp 6,648,533,019 as of December 31, 2008 and 2007, respectively)</i> | | | |
| Inventories | 2.g, 2.n, 7 | 5,330,086,982,218 | 4,339,285,439,208 |
| <i>(Net of allowance for decline in inventories value of Rp 39,505,683 as of December 31, 2008 and 2007)</i> | | | |
| Prepaid Taxes and Expenses | 2.h, 2.k, 2.p, 31.i | 176,978,576,919 | 159,207,098,158 |
| Purchase Advances | 8 | 174,581,209,870 | 218,039,951,926 |
| Due from Related Parties | 2.f, 9 | 12,046,789,830 | 12,250,168,734 |
| <i>(Net of allowance for doubtful accounts of Rp 11,975,439,410 and Rp 13,533,963,585 as of December 31, 2008 and 2007, respectively)</i> | | | |
| Deferred Tax Assets - Net | 2.p, 17.b | 69,017,506,654 | 97,073,401,826 |
| Land for Development | 2.g, 2.n, 10 | 957,533,566,870 | 943,856,085,928 |
| Investment Property | 2.i, 2.k, 2.l, 11 | 17,315,554,439 | -- |
| <i>(Net of accumulated depreciation of Rp 6,019,788,807 as of December 31, 2008)</i> | | | |
| Property and Equipment | 2.j, 2.k, 2.l, 12 | 1,268,960,681,947 | 1,403,003,372,571 |
| <i>(Net of accumulated depreciation of Rp 619,451,118,174 and Rp 582,597,608,011 as of December 31, 2008 and 2007, respectively)</i> | | | |
| Intangible Assets | 2.m, 13 | 163,432,474,016 | 140,049,011,818 |
| <i>(Net of accumulated depreciation of Rp 72,573,567,527 and Rp 40,246,985,092 as of December 31, 2008 and 2007, respectively)</i> | | | |
| Other Assets | 2.c, 14, 31.a, 33 | 193,980,608,178 | 161,420,742,050 |
| TOTAL ASSETS | | <u>11,787,777,210,609</u> | <u>10,533,371,748,079</u> |

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

These consolidated financial statements are originally issued in Indonesian language

R/089.AGA/4.1/03/09

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

As of December 31, 2008 and 2007

(In Full Rupiah)

| LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY | Note | 2008 Rp | 2007 Rp |
|--|------------------------|---------------------------|---------------------------|
| LIABILITIES | | | |
| Loans | 2.c, 2.n, 2.v, 15, 33 | | |
| Third Parties | | 3,193,033,167,164 | 2,840,228,118,625 |
| Related Parties | 9 | 5,498,225,669 | 23,873,687,583 |
| Accounts Payable | 2.c, 9, 33 | 368,253,848,082 | 431,152,623,970 |
| Other Payables | 2.c, 33 | 158,753,081,464 | 83,949,485,253 |
| Accrued Expenses | 2.c, 2.o, 16, 31.i, 33 | 412,012,195,151 | 336,684,907,988 |
| Taxes Payable | 2.p, 17.c | 180,305,520,657 | 291,796,888,159 |
| Advance from Customers | 2.o, 18 | 1,148,967,030,769 | 565,745,525,865 |
| Deferred Income | 2.o, 9, 19 | 572,608,024,489 | 563,540,080,041 |
| Obligations Under Finance Lease | 2.k | 200,871,169 | 633,589,520 |
| Due to Related Parties | 9 | 72,500,256,615 | 80,992,954,549 |
| Deferred Gain on Sale and Leaseback Transactions | 2.k, 20, 31.i | 714,232,036,619 | 683,630,692,306 |
| Estimated Liabilities on Employees' Benefits | 2.t, 21 | 101,446,624,605 | 96,729,382,177 |
| Total Liabilities | | 6,927,810,882,453 | 5,998,957,936,036 |
| MINORITY INTERESTS | | 359,472,056,020 | 328,353,897,345 |
| STOCKHOLDERS' EQUITY | | | |
| Capital Stock | | | |
| Par Value of Rp 100 per share | | | |
| Authorized Capital - 40,000,000,000 shares | | | |
| Issued and Fully Paid - 17,302,151,695 shares | 22 | 1,730,215,169,500 | 1,730,215,169,500 |
| Additional Paid in Capital - Net | 23 | 1,304,222,206,548 | 1,304,222,206,548 |
| Difference Arising from Restructuring Transactions of Entities Under Common Control - Net | 2.b, 2.r, 24 | 149,144,092,881 | 149,144,092,881 |
| Unrealized Losses on Available for Sale Securities | 2.e, 4.d | (145,379,229,804) | -- |
| Exchange Difference from Financial Statements Translations | 2.c | 71,859,658,640 | 2,918,405,155 |
| Retained Earnings | | | |
| Appropriated | 25 | 2,000,000,000 | 400,000,000 |
| Unappropriated | | 1,388,432,374,371 | 1,019,160,040,614 |
| Total Stockholders' Equity | | 4,500,494,272,136 | 4,206,059,914,698 |
| TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY | | 11,787,777,210,609 | 10,533,371,748,079 |

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

These consolidated financial statements are originally issued in Indonesian language

R/089.AGA/4.1/03/09

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2008 and 2007

(In Full Rupiah)

| | Note | 2008 Rp | 2007 Rp |
|---|---------------|-------------------------------|-------------------------------|
| NET SALES, SERVICES AND OTHER REVENUES | 2.o, 9, 26 | 2,553,306,718,090 | 2,091,353,986,596 |
| COST OF SALES AND SERVICES | 2.o, 27 | <u>1,334,494,092,559</u> | <u>985,224,114,979</u> |
| GROSS PROFIT | | <u>1,218,812,625,531</u> | <u>1,106,129,871,617</u> |
| OPERATING EXPENSES | 2.o | | |
| Selling | 28.a | 148,530,857,460 | 127,518,486,630 |
| General and Administrative | 28.b | <u>604,828,773,907</u> | <u>517,489,904,633</u> |
| Total Operating Expenses | | <u>753,359,631,367</u> | <u>645,008,391,263</u> |
| INCOME FROM OPERATIONS | | <u>465,452,994,164</u> | <u>461,121,480,354</u> |
| OTHER INCOME (EXPENSES) | 2.o | | |
| Gain on Foreign Exchanges - Net | 2.c | 68,369,099,431 | 7,251,326,379 |
| Penalties Income - Net | 29 | 27,777,602,196 | 16,397,209,137 |
| Interest Income - Net | 30 | 14,929,059,636 | 48,610,026,225 |
| Gain on Disposal of Property and Equipment | 2.j, 12 | 832,130,395 | 1,615,737,314 |
| Unrealized Gain (Loss) from Increase/Decrease in Market Value of Investments | 2.e | (19,105,477,190) | 988,915,273 |
| Amortization Expenses - Net | 2.k, 2.m, 2.v | (42,758,889,537) | (29,136,085,568) |
| Others - Net | | <u>(53,269,063,599)</u> | <u>(32,563,763,253)</u> |
| Total Other Income (Expense) - Net | | <u>(3,225,538,668)</u> | <u>13,163,365,507</u> |
| INCOME BEFORE EQUITY IN NET EARNINGS OF ASSOCIATES | | 462,227,455,496 | 474,284,845,861 |
| EQUITY IN NET EARNINGS OF ASSOCIATES | 2.e, 4.b | <u>9,458,073,114</u> | <u>9,988,818,939</u> |
| INCOME BEFORE INCOME TAX EXPENSE | | <u>471,685,528,610</u> | <u>484,273,664,800</u> |
| INCOME TAX EXPENSE | 2.p, 17.a | | |
| Current | | (46,771,645,647) | (100,634,382,672) |
| Deferred | | <u>(28,055,895,172)</u> | <u>(15,168,216,748)</u> |
| Total Income Tax Expense | | <u>(74,827,540,819)</u> | <u>(115,802,599,420)</u> |
| INCOME BEFORE MINORITY INTERESTS | | 396,857,987,791 | 368,471,065,380 |
| MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES | 2.b | <u>(25,985,654,034)</u> | <u>(15,443,598,685)</u> |
| NET INCOME | | <u><u>370,872,333,757</u></u> | <u><u>353,027,466,695</u></u> |
| EARNINGS PER SHARE | 2.q, 35 | 21 | 24 |

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

These consolidated financial statements are originally issued in Indonesian language

R/089.AGA/4.1/03/09

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

For the Years Ended December 31, 2008 and 2007
(In Full Rupiah)

| Note | Issued and Fully Paid Capital | Additional Paid in Capital - Net | Difference Arising from Restructuring Transactions of Entities Under Common Control | Unrealized Losses on Available for Sale Securities | Exchange Difference from Financial Statements Translations | Retained Earnings | | Total Stockholders' Equity |
|--|-------------------------------|----------------------------------|---|--|--|----------------------|--------------------------|----------------------------|
| | Rp | Rp | Rp | Rp | Rp | Appropriated | Unappropriated | Rp |
| BALANCE AS OF DECEMBER 31, 2006 | 1,467,754,268,000 | 648,069,952,798 | 149,144,092,881 | -- | (986,706,506) | 200,000,000 | 698,306,950,272 | 2,962,488,557,445 |
| Exercised Warrant Series I | 22 | 262,460,901,500 | -- | -- | -- | -- | -- | 262,460,901,500 |
| Premium on Exercising Warrant Series I | 23 | -- | 656,152,253,750 | -- | -- | -- | -- | 656,152,253,750 |
| Cash Dividend | 25 | -- | -- | -- | -- | -- | (31,974,376,353) | (31,974,376,353) |
| Reserved Fund | 25 | -- | -- | -- | -- | 200,000,000 | (200,000,000) | -- |
| Exchange Difference from Financial Statements Translations | 2.b | -- | -- | -- | 3,905,111,661 | -- | -- | 3,905,111,661 |
| Net Income | -- | -- | -- | -- | -- | -- | 353,027,466,695 | 353,027,466,695 |
| BALANCE AS OF DECEMBER 31, 2007 | 1,730,215,169,500 | 1,304,222,206,548 | 149,144,092,881 | -- | 2,918,405,155 | 400,000,000 | 1,019,160,040,614 | 4,206,059,914,698 |
| Unrealized Losses on Available for Sale Securities | -- | -- | -- | (145,379,229,804) | -- | -- | -- | (145,379,229,804) |
| Reserved Fund | 25 | -- | -- | -- | -- | 1,600,000,000 | (1,600,000,000) | -- |
| Exchange Difference from Financial Statements Translations | 2.b | -- | -- | -- | 68,941,253,485 | -- | -- | 68,941,253,485 |
| Net Income | -- | -- | -- | -- | -- | -- | 370,872,333,757 | 370,872,333,757 |
| BALANCE AS OF DECEMBER 31, 2008 | 1,730,215,169,500 | 1,304,222,206,548 | 149,144,092,881 | (145,379,229,804) | 71,859,658,640 | 2,000,000,000 | 1,388,432,374,371 | 4,500,494,272,136 |

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

These consolidated financial statements are originally issued in Indonesian language

R/089.AGA/4.1/03/09

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

For the Years Ended December 31, 2008 and 2007

(In Full Rupiah)

| | 2008 | 2007 |
|--|---------------------------------|---------------------------------|
| | Rp | Rp |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Collection from Customers | 2,676,012,411,179 | 2,424,899,434,483 |
| Interest Payments - Net | (247,319,436,953) | (242,952,422,613) |
| Taxes Payment | (254,238,729,090) | (351,871,772,505) |
| Payment to Employees | (347,844,919,633) | (288,928,417,973) |
| Payment to Suppliers and Third Parties | (2,065,651,030,995) | (1,658,972,471,102) |
| Other Payments - Net | -- | (11,891,982,152) |
| Net Cash Flows Used in Operating Activities | <u>(239,041,705,492)</u> | <u>(129,717,631,862)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividend Received | 34,358,739,614 | 17,830,009,169 |
| Proceeds from Disposal of Property and Equipment | 5,559,505,309 | 4,417,060,953 |
| Redemption (Placement) of Investments | (5,014,994,000) | 11,111,390,009 |
| Placement of Restricted Funds | (41,686,204,592) | (14,061,846,021) |
| Acquisition of Property and Equipment | (267,016,671,933) | (505,843,039,233) |
| Payment for Advances | -- | (8,284,536,605) |
| Net Cash Flows Used in Investing Activities | <u>(273,799,625,602)</u> | <u>(494,830,961,728)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Loans | 80,593,724,254 | 369,243,473,258 |
| Payment of Obligations Under Finance Lease | (432,718,351) | (637,267,321) |
| Cash Received from (Paid to) Related Parties | (6,730,794,855) | 37,201,731,445 |
| Repayment of Promissory Notes | (39,335,266,601) | (18,375,533,921) |
| Repayment of Loans | (101,787,316,913) | (48,191,831,766) |
| Proceeds from Exercised Warrants | -- | 918,613,155,250 |
| Dividend Payment | -- | (31,974,376,353) |
| Net Cash Flows Provided by (Used in) Financing Activities | <u>(67,692,372,466)</u> | <u>1,225,879,350,592</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (580,533,703,560) | 601,330,757,002 |
| Effect on Foreign Exchanges on Cash and Cash Equivalents at the End of the Year | 251,463,874,332 | 78,249,091,679 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 2,028,987,176,903 | 1,349,407,328,222 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>1,699,917,347,675</u> | <u>2,028,987,176,903</u> |
| Cash and Cash Equivalents at the End of the Year consist of: | | |
| Cash on Hand | 4,872,092,089 | 3,376,342,435 |
| Cash in Banks | 80,888,757,315 | 172,916,986,738 |
| Time Deposits | 1,614,156,498,271 | 1,852,693,847,730 |
| Total | <u>1,699,917,347,675</u> | <u>2,028,987,176,903</u> |

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

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2008 and 2007

(In Full Rupiah)

1. General

1.a. The Company's Establishment

PT Lippo Karawaci Tbk (the Company) was established under the name of PT Tunggal Reksakencana on October 15, 1990 based on notarial deed No. 233 of Misahardi Wilamarta, SH. The deed of establishment was approved by the Minister of Justice of the Republic Indonesia in his Decree No. C2-6974.HT.01.01.TH.91 dated November 22, 1991 and published in the State Gazette No. 62, Supplement No. 3593 on August 4, 1992. The Company's article of association have been amended several times, the latest by the Extraordinary Shareholders General Meeting Resolution, as covered by notarial deed No. 19 of Unita Christina Winata, SH, dated December 18, 2008, concerning the changes of the Company's scope of activities. The deed was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his decree No. AHU-100280.AH.01.02.Tahun 2008 dated December 30, 2008.

In accordance with article 3 of the Company's articles of association, the Company's scope of activities include real estate, urban development, land purchasing and clearing, land cut and fill, land development and excavation; infrastructure development; planning, developing, leasing, selling, and managing of buildings, houses, offices and industrial estates, hotels, hospitals, commercial centers, sports centers as well as supporting infrastructure, including but not limited to golf courses, club houses, restaurants, other entertainment centers, medical laboratories, medical pharmacies and related facilities, directly or by investment or capital divestment; build and operate environment infrastructure, build and manage public facilities as well as accommodation services, operating activities in services consisting of public transportation, security services and other supporting services, except for legal and taxation services.

Up to 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 7 Boulevard Palem Raya # 22-23, Menara Matahari, Lippo Karawaci Central, Tangerang 15811, Banten - Indonesia.

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 and Financial Institution Supervisory Agency (Bapepam-LK) (formerly Capital Market Supervisory Board) in his Decree No. S-878/PM/1996 dated June 3, 1996, and was listed at Indonesia Stock Exchange (formerly Jakarta and Surabaya Stock Exchanges) on June 28, 1996.

Subsequently, the Company offered 607,796,000 shares to its existing stockholders through Limited Public Offering I, as approved by the Decree of the Chairman of Bapepam-LK in his letter No. S-2969/PM/1997 dated December 30, 1997. These shares were listed in Indonesia Stock Exchange (formerly Jakarta Stock Exchange and Surabaya Stock Exchange) on January 16, 1998.

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

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2008 and 2007

(In Full Rupiah)

In 2004, the Company offered 881,905,813 common shares at par value of Rp 500 to the shareholders through Limited Public Offering II in connection with preemptive rights issuance and issued 529,143,440 Warrants Serie 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-LK in his Letter No. S-3357/PM/2004 dated October 29, 2004. These shares were listed in Indonesia Stock Exchange (formerly Jakarta Stock Exchange and Surabaya Stock Exchange) on January 20, 2005.

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

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

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 22) and have been listed in Indonesia Stock Exchange (formerly Jakarta Stock Exchange and Surabaya Stock Exchange).

1.c. Company Structure

The Company has ownership of more than 50%, either direct or indirectly, of the following subsidiaries:

| Subsidiary | Domicile | Main Business Activity | Ownership Percentage (directly and/or indirectly) % | Year of Operation Started | Total Assets | |
|---|-------------|---|---|---------------------------|-------------------|-------------------|
| | | | | | 2008 | 2007 |
| | | | | | Rp | Rp |
| PT Prudential Development | Tangerang | Real Estate | 100.00 | -- | 585,313,792 | 585,744,425 |
| Lippo Karawaci Finance B. V. | Netherlands | Investment, Trading and Services | 100.00 | 2006 | 2,802,654,353,318 | 2,379,909,046,153 |
| Lippo Karawaci Corporation Pte. Ltd. and Subsidiaries | Singapore | Investment, Trading and Services | 100.00 | -- | 16,703,407,088 | 14,003,290,624 |
| LK Reit Management Pte. Ltd. and Subsidiary | Singapore | Investment, Trading and Services | 100.00 | -- | 16,695,367,554 | 14,000,373,372 |
| Bowsprit Capital Corp. Ltd. | Singapore | Investment, Trading and Services | 80.00 | 2006 | 16,687,957,271 | 13,997,667,565 |
| Jesselton Investment Ltd. and Subsidiaries | Malaysia | Investment, Trading and Services | 100.00 | -- | 53,278,570,242 | 9,614,355,832 |
| Peninsula Investment Ltd. and Subsidiary | Malaysia | Investment, Trading and Services | 100.00 | -- | 53,160,631,192 | 9,496,415,251 |
| Lippo-Mappletree Indonesia Retail Trust Management Ltd. | Singapore | Investment, Trading and Services | 60.00 | 2007 | 53,042,670,242 | 9,378,455,832 |
| PT Grand Villa Persada | Tangerang | Real Estate | 100.00 | -- | 587,378,000 | 587,048,000 |
| PT Primakreasi Propertindo and Subsidiaries | Tangerang | Real Estate | 100.00 | -- | 1,408,714,305,309 | 197,860,998,280 |
| PT Mujur Sakti Graha and Subsidiaries | Tangerang | Real Estate | 99.83 | -- | 93,464,582,611 | 159,219,682,637 |
| PT Surplus Multi Makmur and Subsidiary | Jakarta | Real Estate | 90.00 | -- | 23,211,736,511 | 32,426,122,932 |
| PT Arta Sarana | Bandung | Investment, Trading and Services | 81.00 | -- | 43,357,158,090 | 42,133,224,932 |
| PT Perdana Kencana Mandiri | Jakarta | Development, Trading, Industry and Services | 100.00 | -- | 4,784,807,560 | 395,500,000 |
| PT Graha Pilar Sejahtera | Tangerang | Trading, Development, Transportation and Services | 100.00 | -- | 12,463,980,294 | 12,483,217,294 |
| PT PuriParagon | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,942 | 590,708,942 |

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, 2008 and 2007
(In Full Rupiah)

| Subsidiary | Domicile | Main Business Activity | Ownership Percentage (directly and/or indirectly) % | Year of Operation Started | Total Assets | |
|---|-----------|-----------------------------------|--|---------------------------|-----------------|-----------------|
| | | | | | 2008 | 2007 |
| | | | | | Rp | Rp |
| PT KemangParagon Mall and Subsidiaries | Tangerang | Trading, Development and Services | 100.00 | -- | 776,704,946,270 | 659,545,818,830 |
| PT Wahana Usaha Makmur and Subsidiaries | Jakarta | Real Estate | 92.00 | -- | 816,182,955,775 | 658,955,109,888 |
| PT Almaron Perkasa | Jakarta | Real Estate | 92.00 | 2005 | 944,636,678,359 | 655,108,003,821 |
| PT Adhi Utama Dinamika | Jakarta | Real Estate | 92.00 | -- | 49,314,546,016 | -- |
| PT PluitParagon Mall | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,342 | 590,708,942 |
| PT BaliParagon Mall | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,341 | 590,708,941 |
| PT Kuta BeachParagon and Subsidiaries | Tangerang | Trading, Development and Services | 100.00 | -- | 112,295,138,367 | 590,708,941 |
| PT Graha Buana Utama and Subsidiaries | Tangerang | Trading, Development and Services | 86.50 | -- | 194,091,256,986 | -- |
| PT Berkat Langgeng Jaya and Subsidiary | Tangerang | Trading, Development and Services | 80.01 | -- | 109,719,756,986 | -- |
| PT Pamor Paramita Utama | Jakarta | Trading, Development and Services | 80.02 | -- | 99,121,170,872 | -- |
| PT PejatenParagon Mall | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,341 | 590,708,941 |
| PT CibuburParagon Mall | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,341 | 590,708,941 |
| PT PalembangParagon Mall | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,341 | 590,708,941 |
| PT MedanParagon Mall | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,341 | 590,708,941 |
| PT BogorParagon Mall | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,341 | 590,708,941 |
| PT ThamrinParagon Mall | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,341 | 590,708,941 |
| PT SurabayaParagon Mall | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,341 | 590,708,941 |
| PT SemarangParagon Mall | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,341 | 590,708,941 |
| PT RiauParagon Mall | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,341 | 590,708,941 |
| PT LampungParagon Mall | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,341 | 590,708,941 |
| PT PontianakParagon Mall | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,341 | 590,708,941 |
| PT BatamParagon Mall | Tangerang | Trading, Development and Services | 100.00 | -- | 590,276,341 | 590,708,941 |
| PT Graha Solusi Mandiri and Subsidiaries | Jakarta | Services | -- | -- | 148,358,779,596 | 147,946,446,971 |
| PT Wijaya Wisesa Propertindo and Subsidiary | Jakarta | Development and Services | 80.00 | -- | 147,627,764,319 | 147,627,764,319 |
| PT Simpuk Arteri Realty | Jakarta | Trading, Development and Services | 60.00 | -- | 147,606,212,511 | 147,606,212,611 |
| PT Kharisma Ekacipta Persada | Tangerang | Trading, Development and Services | 100.00 | -- | 596,427,000 | -- |
| PT Menara Abadi Megah | Tangerang | Trading, Development and Services | 100.00 | -- | 594,750,000 | -- |
| PT Multiselaras Anugrah | Tangerang | Trading, Development and Services | 100.00 | -- | 4,325,704,326 | -- |

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2008 and 2007
(In Full Rupiah)

| Subsidiary | Domicile | Main Business Activity | Ownership Percentage (directly and/or indirectly) % | Year of Operation Started | Total Assets | |
|--|------------|--------------------------------------|--|---------------------------|-------------------|-------------------|
| | | | | | 2008 | 2007 |
| | | | | | Rp | Rp |
| PT Cipta Mahakarya Gemilang | Tangerang | Development and Services Trading, | 100.00 | -- | 600,000,000 | -- |
| PT Mandiri Cipta Gemilang | Jakarta | Development and Services Real Estate | 100.00 | 2003 | 515,110,771,435 | 236,577,741,877 |
| PT Jaya Makmur Bersama | Jakarta | Trading, Development and Services | 100.00 | -- | 600,000,000 | -- |
| PT Mega Proyek Pertiwi | Tangerang | Real Estate | 100.00 | -- | 586,571,000 | 587,003,000 |
| PT Graha Jaya Pratama | Tangerang | Real Estate | 100.00 | -- | 589,049,000 | 600,000,000 |
| PT Megapratama Karya Persada | Tangerang | Investment, Trading and Services | 100.00 | -- | 588,499,000 | 588,931,000 |
| PT Sentra Dwimandiri and Subsidiaries | Tangerang | Real Estate | 100.00 | -- | 2,761,554,102,213 | 2,513,697,589,703 |
| PT Muliasentosa Dinamika (has 4.48% ownership in PT Lippo Cikarang Tbk) | Tangerang | Real Estate | 100.00 | 1997 | 338,588,417,069 | 341,453,310,102 |
| PT Sentra Realindo Development (has 4.62% ownership in PT Lippo Cikarang Tbk) and Subsidiaries | Tangerang | House Improvement | 100.00 | 2001 | 125,995,854,813 | 119,471,869,778 |
| PT Dharma Sarana Nusa Pratama and Subsidiary | Tangerang | Real Estate | 52.70 | 1997 | 112,878,416,498 | 106,483,129,730 |
| PT Tata Mandiri Daerah Villa Permata | Tangerang | Town Management | 42.16 | 2001 | 86,730,710 | 99,646,610 |
| PT Golden Pradamas and Subsidiaries | Tangerang | Real Estate | 100.00 | -- | 147,835,367,358 | 120,952,293,158 |
| PT Mulia Bangun Semesta and Subsidiary | Jakarta | Real Estate | 99.98 | 2002 | 101,272,694,520 | 92,171,724,781 |
| PT Villa Permata Cibodas | Tangerang | Real Estate | 99.98 | 1995 | 91,823,047,739 | 89,814,457,488 |
| PT Puncak Resort International and Subsidiaries | Cianjur | Real Estate | 100.00 | 1994 | 74,232,485,162 | 73,905,111,785 |
| PT Sentosa Seksama | Cianjur | Real Estate | 100.00 | 1994 | 23,235,642,030 | 23,234,020,262 |
| PT Purimegah Swarga Buana | Cianjur | Real Estate | 100.00 | 1994 | 8,777,869,817 | 8,777,869,817 |
| PT Adigraha Rancang Sempurna | Cianjur | Real Estate | 100.00 | 1994 | 7,205,774,631 | 7,205,774,631 |
| PT Pesanggrahan Suripermata Agung | Cianjur | Real Estate | 100.00 | 1994 | 1,974,140,939 | 1,974,140,939 |
| 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 | Installation and Water Treatment | 100.00 | 1994 | 64,371,785,291 | 57,952,881,033 |
| PT Sentra Graha Mandiri | Tangerang | Real Estate | 100.00 | -- | 33,316,593,392 | 33,315,380,192 |
| PT Tata Mandiri Daerah Lippo Karawaci | Tangerang | Town Management | 100.00 | 1999 | 42,754,412,640 | 44,518,323,744 |
| PT Saptapersada Jagatnusa | Tangerang | Bowling | 100.00 | 1998 | 9,132,668,188 | 6,319,898,410 |
| PT Sejatijaya Selaras | Tangerang | Real Estate | 100.00 | -- | 19,318,022,618 | 19,296,475,718 |
| PT Taman Sari Lippo Karawaci** | Tangerang | Food Court | 100.00 | 1994 | -- | 11,398,400,384 |
| PT Surya Makmur Alam Persada | Tangerang | Real Estate | 100.00 | -- | 20,288,793,484 | 20,288,778,084 |
| PT Bahtera Pratama Wirasakti | Tangerang | Real Estate | 100.00 | -- | 15,742,644,676 | 15,739,104,089 |
| PT Sentra Office Realty | Tangerang | Building Management | 100.00 | 1998 | 740,953,015 | 670,360,385 |
| PT Dinamika Intertrans | Tangerang | Transportation | 100.00 | 1994 | 705,612,131 | 820,472,472 |
| PT Imperial Karawaci Golf | Tangerang | Golf | 100.00 | -- | 485,722,000 | 486,154,000 |
| PT Agung Sepadan | Tangerang | Real Estate | 100.00 | -- | 2,198,125,404 | 36,442,930 |
| PT Prudential Townhouse Development | Tangerang | Real Estate | 100.00 | -- | 167,986,670 | 227,206,974 |
| PT Wahana Tatabangun Cemerlang Matahari | Tangerang | Real Estate | 100.00 | -- | 21,883,808 | 17,343,308 |
| PT Wahana Tatabangun Cemerlang | Tangerang | Real Estate | 100.00 | -- | 20,153,066 | 15,612,556 |
| PT Paragon City | Tangerang | Real Estate and Trading | 100.00 | -- | 6,680,269,926 | 6,685,766,926 |
| Bridgewater International Ltd | Seychelles | Investment | 100.00 | 2006 | 1,682,336,457,172 | 1,588,880,847,199 |
| PT Lippo Karawaci Infrastructure & Utilities Division | Tangerang | Construction and Services | 100.00 | -- | 235,788,000 | 241,375,000 |
| Brightlink Capital Pte. Ltd. and Subsidiaries | Malaysia | Investment, Trading and Services | 100.00 | -- | 230,979,857,399 | 110,755,951,811 |
| Gold Capital Pte. Ltd. and Subsidiaries ** | Singapore | Investment, Trading and Services | 100.00 | -- | -- | 110,755,948,806 |
| Higrade Capital Pte. Ltd. ** | Singapore | Investment, Trading and Services | 100.00 | -- | -- | 5,500,006,132 |
| PT Primatama Cemerlang ** | Tangerang | Trading, Development and Services | 100.00 | -- | -- | 110,755,942,674 |
| Evodia Strategic Investment Ltd. and Subsidiaries | Malaysia | Investment, Trading and Services | 100.00 | -- | 136,937,578 | 482,661,631 |
| Great Capital Pte. Ltd. and Subsidiary | Singapore | Investment, Trading and Services | 100.00 | -- | 45,649,607 | 6,502 |
| Key Capital Pte. Ltd. | Singapore | Investment, Trading and Services | 100.00 | -- | 22,828,307 | 6,502 |
| Platinum Strategic Investments Pte. Ltd. and Subsidiary | Singapore | Investment, Trading and Services | 100.00 | -- | 45,649,607 | 583,223,426 |

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2008 and 2007
(In Full Rupiah)

| Subsidiary | Domicile | Main Business Activity | Ownership Percentage (directly and/or indirectly) | Year of Operation Started | Total Assets | |
|--|-------------|------------------------------------|---|---------------------------|-------------------|-------------------|
| | | | | | 2008 | 2007 |
| | | | | | Rp | Rp |
| Ultra Investments Pte. Ltd. | Singapore | Investment, Trading and Services | 100.00 | -- | 22,828,507 | 625,006,132 |
| Globalink Investments Pte. Ltd. and Subsidiary | Singapore | Investment, Trading and Services | 100.00 | -- | 45,649,607 | 6,502 |
| Fortuna Capital Pte. Ltd. | Singapore | Investment, Trading and Services | 100.00 | -- | 22,828,507 | 6,502 |
| PT Lippo Cikarang Tbk and Subsidiaries | Bekasi | Real Estate | 51.64 | 1989 | 1,403,050,864,590 | 1,284,391,266,354 |
| PT Great Jakarta Inti Development | Bekasi | Town Management and Real Estate | 51.64 | 1992 | 111,304,869,153 | 96,687,607,880 |
| PT Erabaru Realindo | Bekasi | Real Estate | 51.64 | -- | 16,980,287,500 | 16,980,287,500 |
| PT Dian Citimarga | Bekasi | Public | 51.64 | 1993 | 105,354,428 | 224,640,517 |
| PT Kreasi Dunia Keluarga | Bekasi | Transportation Recreation Services | 51.38 | 1993 | 4,909,476,724 | 4,804,131,726 |
| Pan Asian Investment Ltd. and Subsidiary | Vanuatu | Trading | 100.00 | -- | 6,790,161,356 | 6,834,813,586 |
| Cromwell Investment Ltd. | Vanuatu | Trading | 100.00 | -- | 21,900 | 18,838 |
| Indigo Investment Fund Ltd. | Cook Island | Investment | 100.00 | -- | 10,950 | 9,419 |
| Banksia Holdings Ltd. | Cook Island | Trading | 100.00 | -- | 10,950 | 9,419 |
| Inglewood Properties Ltd. | Cook Island | Trading | 100.00 | -- | 10,950 | 9,419 |
| Chesterfield Properties Ltd. | Cook Island | Trading | 100.00 | -- | 10,950 | 9,419 |
| PT Maharama Sakti | Jakarta | Trading | 100.00 | -- | 23,674,000 | 17,376,000 |
| PT Wisma Jatim Proptendo and Subsidiaries | Jakarta | Services | 100.00 | -- | 2,191,151,296,945 | 2,706,199,974,652 |
| PT Lippoindo Abadi and Subsidiaries | Jakarta | Trading | 100.00 | -- | 204,606,208,280 | 195,641,239,102 |
| PT Kemuning Satiatama (has 42.20% ownership in PT Lippo Cikarang Tbk) and Subsidiaries | Jakarta | Trading | 100.00 | -- | 200,505,694,104 | 190,721,678,747 |
| PT Megachandra Karyaalestari | Jakarta | Trading | 100.00 | 1992* | 294,787,393 | 289,021,786 |
| PT Prudential Apartment Development | Jakarta | Services | 100.00 | 1993* | 599,876,426 | 600,308,426 |
| PT Sentra Kharisma Indah and Subsidiary | Jakarta | Services | 80.00 | -- | 7,279,735 | 7,711,735 |
| PT Sentra Goldhill Businesspark | Jakarta | Services | 72.00 | -- | -- | -- |
| PT Carakatama Dirgantara and Subsidiary | Jakarta | Trading | 100.00 | -- | 76,656,667,569 | 78,730,388,762 |
| PT Prudential Hotel Development | Jakarta | Trading and Services | 100.00 | 1994* | 76,636,174,787 | 78,709,427,874 |
| PT Ariasindo Sejati and Subsidiaries | Jakarta | Trading and Services | 95.00 | -- | 294,510,251,124 | 283,163,882,035 |
| PT Unitech Prima Indah and Subsidiary | Medan | Real Estate | 94.68 | 2004 | 293,247,644,427 | 280,531,248,213 |
| PT Karya Cipta Pesona | Medan | Accommodation | 100.00 | -- | 160,865,497,462 | 158,634,463,583 |
| PT Metropolitan Leisure and Subsidiaries | Jakarta | Trading and Services | 100.00 | -- | 83,798,203,521 | 83,530,916,859 |
| PT Kurniasindo Sejahtera | Jakarta | Trading and Services | 100.00 | -- | 1,376,925,527 | 1,362,847,274 |
| PT Graha Tata Cemerlang Makassar | Makassar | Real Estate | 100.00 | 2002 | 78,210,354,049 | 79,807,432,400 |
| PT Guna Tata Carakatama | Makassar | Trading and Services | 100.00 | 2002 | 192,570,809 | 151,283,689 |
| PT Lippo Land Cahaya Indonesia | Jakarta | Services | 100.00 | 2003 | 12,369,976,117 | 7,355,363,197 |
| PT Lippoindo and Subsidiary | Jakarta | Trading | 100.00 | -- | 118,690,257,297 | 118,263,000,760 |
| PT Pendopo Niaga | Jakarta | Real Estate | 100.00 | -- | 119,140,256,297 | 118,211,546,487 |
| PT Larasati Anugerah | Jakarta | Trading | 100.00 | -- | 24,595,420 | 17,095,420 |
| PT Bathara Brahma Sakti | Jakarta | Trading and Services | 100.00 | 1992* | 2,489,328,342 | 2,489,760,342 |
| PT Realty Limaribu | Jakarta | Services | 100.00 | 1998* | 370,279,483 | 371,381,981 |
| PT Dwisindo Jaya | Jakarta | Trading | 100.00 | -- | 80,430,586 | 72,967,708 |
| PT Lippo Vacation and Subsidiary | Jakarta | Trading | 100.00 | -- | 235,264,329,448 | 288,267,911,670 |
| PT Jagat Pertala Nusantara | Jakarta | Real Estate | 100.00 | 2004 | 233,429,076,431 | 282,026,965,528 |
| PT Wisma Sumut Proptendo | Jakarta | Services | 100.00 | -- | 2,181,382 | 3,077,441 |
| PT Mulia Mukti Persada Perkasa | Jakarta | Trading | 100.00 | -- | 6,916,400 | 5,000,000 |
| PT Kemang Village and Subsidiaries | Jakarta | Trading | 100.00 | -- | 278,093,531,712 | 282,387,249,816 |
| PT Menara Bhumimegah and Subsidiaries | Jakarta | Services | 100.00 | 2005 | 277,628,649,275 | 281,520,409,439 |
| PT Jaya Usaha Prima and Subsidiaries | Jakarta | Real Estate and Urban Development | 80.00 | -- | 121,465,334,741 | 123,974,228,951 |
| PT Persada Mandiri Abadi and Subsidiaries | Jakarta | Real Estate and Urban Development | 80.00 | 2005 | 121,498,308,741 | 124,007,202,951 |
| PT Pesona Indah Lestari | Jakarta | Hotel and Tourism | 80.00 | -- | 10,000,000,000 | 10,000,000,000 |
| PT Prima Aman Sarana | Jakarta | Services | 80.00 | -- | 500,000,000 | 500,000,000 |
| PT Kemang Multi Sarana | Jakarta | Real Estate and Urban Development | 80.00 | -- | 500,000,000 | 500,000,000 |
| PT Menara Perkasa Megah and Subsidiaries | Jakarta | Real Estate and Urban Development | 100.00 | 2005 | 495,971,349,374 | 479,587,499,098 |
| PT Pelangi Cahaya Intan Makmur and Subsidiaries | Sidoarjo | Trading | 85.00 | -- | 414,960,196,544 | 400,255,393,265 |
| PT Surya Mitra Jaya and Subsidiary | Sidoarjo | Trading and Services | 85.01 | 2005 | 414,963,276,344 | 400,731,769,416 |

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| Subsidiary | Domicile | Main Business Activity | Ownership Percentage (directly and/or indirectly) % | Year of Operation Started | Total Assets | |
|---|-----------------------|---|--|---------------------------|-----------------|-----------------|
| | | | | | 2008 | 2007 |
| | | | | | Rp | Rp |
| PT Citra Harapan Baru | Surabaya | Accommodation Services | 85.01 | -- | 2,000,000,000 | 2,000,000,000 |
| PT Niaga Utama | Jakarta | Trading | 100.00 | -- | 112,062,242 | 120,554,242 |
| PT Mitra Kasih Karunia | Jakarta | Real Estate | 100.00 | -- | 3,255,298,500 | 3,260,960,000 |
| PT Kreasi Megatama Gemilang and Subsidiary | Tangerang | Trading, Development, Industry, Agribusiness, Transportation and Services | 100.00 | -- | 43,099,640,502 | 43,359,874,397 |
| PT Consulting & Management Service Division | Tangerang | Services | 100.00 | -- | 43,099,640,502 | 43,359,874,397 |
| PT Saputra Karya | Jakarta | Real Estate and Urban Development | 100.00 | -- | 39,539,296,259 | 39,511,637,500 |
| PT Grand Provita and Subsidiary | Jakarta | Real Estate | 100.00 | -- | 487,981,000 | 488,680,000 |
| PT Grand Prima Propertindo | Jakarta | Real Estate | 100.00 | -- | 13,231,000 | 13,930,000 |
| PT Pacific Sejahtera | Surabaya | Real Estate | 100.00 | -- | 24,216,100 | 25,000,000 |
| PT Satriamandiri Idola Utama | Jakarta | Real Estate | 100.00 | -- | 590,108,900 | 595,475,000 |
| PT Mahakaya Abadi | Jakarta | Real Estate | 100.00 | -- | 490,000,000 | 490,000,000 |
| PT Persada Mandiri Dunia Niaga and Subsidiaries | Jakarta | Real Estate | 100.00 | -- | 121,430,120,395 | 105,535,398,011 |
| PT Gapura Sakti Prima and Subsidiaries | Jakarta | Real Estate | 78.60 | -- | 117,472,569,553 | 103,187,285,703 |
| PT Menara Megah Tunggal and Subsidiary | Jakarta | Real Estate | 55.02 | -- | 117,472,569,553 | 102,687,285,703 |
| PT Trias Mitra Investama | Jakarta | Real Estate | 54.97 | -- | 117,472,569,553 | 102,187,285,703 |
| PT Permata Agung Propertindo | Jakarta | Real Estate | 100.00 | -- | 528,411,591 | 548,300,176 |
| PT Kencana Mitra Lestari | Jakarta | Trading, Development, Transportation and Services | 100.00 | -- | 589,370,750 | 589,802,750 |
| PT Direct Power and Subsidiaries | Jakarta | Trading, Real Estate, Industry, Printing, Agribusiness, Transportation and Services | 100.00 | -- | 115,421,330,967 | 128,429,997,248 |
| PT Mitra Mulia Kreasi and Subsidiary | Tangerang | Trading, Development, Industry, Mining, Agribusiness, Transportation and Services | 80.00 | -- | 54,196,871,578 | 72,871,289,681 |
| PT Bellanova Country Mall | Tangerang | Trading, Development, Transportation and Services | 80.00 | -- | 54,195,452,178 | 72,882,795,507 |
| PT Sarana Global Multindo and Subsidiaries | Jakarta | Trading, Development, Transportation and Services | 100.00 | -- | 229,196,045,807 | 219,761,353,456 |
| PT Guna Sejahtera Karya and Subsidiaries | Jakarta | Trading, Development, Industry, Agribusiness, Park and Services | 100.00 | -- | 246,690,472,519 | 128,150,821,949 |
| PT Citra Sentosa Raya and Subsidiaries | Jakarta | Trading, Real Estate, Industry, Agribusiness, Transportation and Services | 100.00 | -- | 229,367,205,544 | 92,729,347,956 |
| PT Gading Nusa Utama | Jakarta | Trading, Development, Industry, Agribusiness, gardens and Services | 99.60 | -- | 3,152,452,900 | 1,648,220,000 |
| Rosenet Limited and Subsidiaries | British Virgin Island | Investment | 100.00 | -- | 227,843,553,211 | 91,080,937,654 |
| Seapejaten Pte. Ltd. and Subsidiary | Singapore | Investment | 100.00 | -- | 228,343,553,211 | 91,080,937,654 |
| PT Panca Permata Pejaten | Jakarta | Trading, Development and Real Estate | 100.00 | 2008 | 228,451,970,375 | 91,080,937,654 |
| Continental Investment Ltd. | Malaysia | Investment, Trading and Services | 100.00 | -- | 10,950 | 9,419 |
| PT Sandiego Hills Memorial Park | Tangerang | Trading, | 100.00 | 2006 | 274,016,263,386 | 268,232,543,231 |

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| Subsidiary | Domicile | Main Business Activity | Ownership Percentage (directly and/or indirectly) % | Year of Operation Started | Total Assets | |
|--|-----------|---|--|---------------------------|-----------------|-----------------|
| | | | | | 2008 | 2007 |
| | | | | | Rp | Rp |
| PT CB Commercial | Tangerang | Development, Transportation and Services | 100.00 | -- | 593,104,467 | 593,470,000 |
| PT Mahaduta Purnama and Subsidiary | Jakarta | Development, Trading and Services | 100.00 | -- | 46,450,981,453 | 2,845,609,182 |
| PT Buana Mandiri Selaras | Jakarta | Development and Services | 100.00 | -- | 38,824,358,594 | -- |
| PT Kemilau Karyacipta Persada | Tangerang | Trading, Development and Services | 100.00 | -- | 2,474,075,000 | 2,489,782,000 |
| PT Bumi Indah Pertiwi | Tangerang | Trading, Development and Services | 100.00 | -- | 2,489,412,000 | -- |
| PT Aritasindo Permai Semesta and Subsidiary | Jakarta | Healthcare | 100.00 | -- | 11,551,213,022 | 4,884,977,709 |
| PT Siloam Sarana Karya | Jakarta | Healthcare | 100.00 | 2005 | 4,690,647,575 | 4,866,277,662 |
| PT Siloam International Hospitals and Subsidiaries | Jakarta | Healthcare | 100.00 | -- | 2,861,014,540 | 2,108,312,182 |
| PT Siloam Karya Sejahtera | Jakarta | Trading and Services | 100.00 | -- | 100,000,000 | 100,000,000 |
| PT Siloam Dinamika Perkasa | Jakarta | Trading, Development, Transportation and Services | 100.00 | -- | 248,999,000 | 249,253,058 |
| PT Siloam Graha Utama | Jakarta | Trading, Development, Transportation and Services | 100.00 | -- | 248,999,000 | 249,254,058 |
| PT Siloam Tata Prima | Surabaya | Trading, Development, Transportation and Services | 100.00 | -- | 248,999,000 | 249,253,058 |
| PT Eramulia Pratamajaya | Jakarta | Healthcare | 100.00 | -- | 25,892,000 | 18,700,000 |
| PT Nusa Medika Perkasa | Bekasi | Healthcare | 81.60 | -- | 797,192,460 | -- |
| PT East Jakarta Medika | Bekasi | Healthcare | 50.00 | 2002 | 67,810,107,541 | 67,639,752,976 |
| PT Tigamitra Ekamulia | Jakarta | General | 100.00 | 1998* | 445,939,352 | 5,000,000 |
| PT Abadi Jaya Sakti and Subsidiaries | Tangerang | Investment, Trading and Services | 100.00 | -- | 586,863,500 | 588,295,500 |
| PT Shimatama Graha | Bekasi | Restaurant, Bar, Catering, Etc | 100.00 | 1989 | 1,546,106,452 | 1,757,113,951 |
| PT Aryaduta International Management and Subsidiaries | Jakarta | Management Services | 100.00 | 1998 | 3,230,090,523 | 3,166,131,256 |
| PT Aryaduta Surabaya Management | Surabaya | Services | 100.00 | -- | 599,000,000 | 600,000,000 |
| PT Aryaduta Medan Management | Medan | Services | 100.00 | -- | 599,000,000 | 600,000,000 |
| PT Aryaduta Karawaci Management | Tangerang | Services | 100.00 | -- | 599,495,777 | 600,000,000 |
| PT Aryaduta Makassar Management | Makassar | Services | 100.00 | -- | 599,435,194 | 600,000,000 |
| PT Aryaduta Residences | Jakarta | Services | 100.00 | -- | 962,361,890 | 600,000,000 |
| PT Aryaduta Hotels & Resort | Jakarta | Services | 100.00 | -- | 588,097,000 | 600,000,000 |
| PT Aresta Amanda Lestari (has 0.31% ownership in PT Gowa Makassar Tourism Development Tbk) | Jakarta | General Trading | 99.99 | -- | 3,942,078,408 | 3,941,219,200 |
| PT Aresta Permata Utama (has 3.45% ownership in PT Gowa Makassar Tourism Development Tbk) | Jakarta | General Trading | 99.99 | -- | 2,196,950,000 | 2,187,500,000 |
| PT Fajar Usaha Semesta (has 4.73% ownership in PT Gowa Makassar Tourism Development Tbk) | Jakarta | General Trading | 99.99 | -- | 3,012,960,000 | 3,000,000,000 |
| PT Fajar Raya Cemerlang (has 4.58% ownership in PT Gowa Makassar Tourism Development Tbk) | Jakarta | General Trading | 99.99 | -- | 2,918,805,000 | 2,906,250,000 |
| PT Fajar Abadi Aditama (has 3.45% ownership in PT Gowa Makassar Tourism Development Tbk) | Jakarta | General Trading | 99.99 | -- | 2,249,594,393 | 2,187,500,000 |
| PT Nuansa Indah Lestari and Subsidiaries | Jakarta | General Trading | 99.99 | -- | 33,970,236,743 | 31,346,703,164 |
| PT Metropolitan Permai Semesta and Subsidiaries | Jakarta | General Trading | 89.73 | -- | 35,755,036,741 | 33,131,503,164 |
| PT Makassar Permata Sulawesi (has 32.5% ownership in PT Gowa Makassar Tourism Development Tbk) | Makassar | General Trading | 88.66 | -- | 33,748,132,964 | 31,124,167,386 |
| PT Gowa Makassar Tourism Development Tbk | Makassar | Real Estate and Property | 50.30 | 1997 | 287,040,432,424 | 278,543,367,878 |

* Inactive

** Transferred

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

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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 Justice and Human Rights of the Republic of Indonesia in his Decrees 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 Justice 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 subsidiary 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 Justice 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. The establishment deeds were approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decrees No. W29-01569 HT.01.01.TH.2007 and No. W29-01568 HT.01.01.TH.2007 dated August 20, 2007, respectively.

PT Aryaduta Karawaci Management was established under notarial deed No. 22 of Unita Christina Winata, SH, dated June 26, 2007. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. W29-01567 HT.01.01.TH.2007 dated August 20, 2007.

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 Mappletree 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.

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

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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 was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. C-05759 HT.01.01-TH.2007 dated December 7, 2007.

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 were approved by the Minister of Justice and Human Rights of the Republic Indonesia in his Decrees No. C-00321 HT.01.01.TH.2007 dated October 5, 2007, No. C-00302 HT.01.01.TH.2007 dated October 4, 2007, No. C-00290 HT.01.01.TH.2007 dated October 4, 2007, No. C-00212 HT.01.01.TH.2007 dated October 4, 2007, No. C-00322 HT.01.01.TH.2007 dated October 5, 2007, No. C-00291 HT.01.01.TH.2007 dated October 4, 2007, No. C-00292 HT.01.01.TH.2007 dated October 4, 2007, No. C-00293 HT.01.01.TH.2007 dated October 4, 2007, No. C-00294 HT.01.01.TH.2007 dated October 4, 2007, No. C-00486 HT.01.01.TH.2007 dated October 8, 2007, No. C-00295 HT.01.01.TH.2007 dated October 4, 2007, No. C-00353 HT.01.01.TH.2007 dated October 5, 2007, No. C-00296 HT.01.01.TH.2007 dated October 4, 2007, No. C-00494 HT.01.01.TH.2007 dated October 8, 2007, No. C-00298 HT.01.01.TH.2007 dated October 4, 2007, No. C-00354 HT.01.01.TH.2007 dated October 5, 2007 and No. C-00311 HT.01.01.TH.2007 dated October 5, 2007, respectively.

PT Kharisma Ekacipta Persada was established under notarial deed No. 01 of Surjadi, SH, dated November 2, 2007. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. AHU-02358.AH.01.01. Tahun 2008 dated January 17, 2008.

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 were approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decrees No. AHU-05255 AH.01.01. Tahun 2008 dated February 1, 2008 and No. AHU-07384 AH.01.01. Tahun 2008 dated February 15, 2008, respectively.

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.

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

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PT Bumi Indah Pertiwi was established under notarial deed No. 25 of Myra Yuwono, SH, dated January 21, 2008. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. AHU-14698.AH.01.01.Tahun 2008 dated March 26, 2008.

PT Menara Abadi Megah was established under notarial deed No. 13 of Unita Christina Winata, SH, dated January 23, 2008. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic of Indonesia, in his Decree No. AHU-18849.AH.01.01.Tahun 2008 dated April 16, 2008.

PT Multiselaras Anugrah was established under notarial deed No. 6 of Julijanti Sundjaja, SH, M. Kn. dated Februari 5, 2008. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. AHU-17841.AH.01.01.Tahun 2008 dated April 10, 2008.

PT Cipta Mahakarya Gemilang was established under notarial deed No. 4 of Unik Setyawati, SH, dated Februari 13, 2008. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. AHU-21244.AH.01.01.Tahun 2008 dated April 25, 2008.

On March 28, 2008, PT Kuta BeachParagon, a subsidiary, acquired 86.5% ownership of PT Graha Buana Utama (GBU). GBU owned 92.5% shares in PT Berkas Langgeng Jaya (BLJ), BLJ owned 99.99% shares in PT Pamor Paramita Utama.

On April 30, 2008, all ownerships in PT Taman Sari Lippo Karawaci, a subsidiary, were transferred to third party.

On May 19, 2008, two subsidiaries companies namely PT Wahana Usaha Makmur and PT Almaron Perkasa acquired 99.96% and 0.04% ownership of PT Adhi Utama Dinamika, respectively.

On June 24, 2008, two subsidiaries companies namely PT Mahaduta Purnama and PT Serasi Adikarsa acquired 99.8% and 0.02% ownership of PT Buana Mandiri Selaras, respectively.

On June 27, 2008, three subsidiaries companies namely PT Aritasindo Permai Semesta, PT Perdana Kencana Mandiri and PT Multiselaras Anugrah acquired 27.26%, 17.53% and 14.90% ownership of PT Nusa Medika Perkasa, respectively.

On June 10, 2008, two subsidiaries companies namely PT Primakreasi Propertindo and PT Grand Villa Persada acquired 99.83% and 0.17% ownership of PT Jaya Makmur Bersama, respectively.

On September 29, 2008, all ownerships in Gold Capital Pte. Ltd., a subsidiary, have been transferred to third party.

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

Based on notarial Deed of Annual Shareholders General Meeting Resolution No. 15 dated March 19, 2008 and notarial Deed of Extraordinary Shareholders General Meeting Resolution No. 73 dated November 30, 2007 of Unita Christina Winata, SH, respectively, the Company's Board of Commissioners and Board of Directors as of December 31, 2008 and 2007 were as follows:

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2008 and 2007

(In Full Rupiah)

| | 2008 | 2007 |
|--------------------------------|------------------------------------|----------------------------------|
| Board of Commissioners: | | |
| 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 | Jonathan Limbong Parapak |
| Independent Commissioner | : Adrianus Mooy | 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) | Gouw Vi Ven (Viven G. Sitiabudi) |
| Board of Directors: | | |
| President Director | : Eddy Harsono Handoko | Eddy Harsono Handoko |
| 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 | Yuke Elia Susiloputro |
| Director | : Lay Krisnan Cahya | -- |

**also as Independent Commissioner*

On December 31, 2008 and 2007, the Company and its subsidiaries have 3,701 and 4,107 permanent employees, respectively (unaudited).

2. Summary of Significant Accounting Policies

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

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in Indonesia, consisting of among others, the Statements of Financial Accounting Standard (PSAK) established by the Indonesian Institute of Accountants, and Bapepam-LK regulations.

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 consolidated 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 (PSAK) 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 Rupiah.

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2008 and 2007

(In Full 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 entity.

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

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:

| | 2008 Rp | 2007 Rp |
|---------|------------|------------|
| USD 1 | 10,950 | 9,419 |
| SGD 1 | 7,607 | 6,502 |
| EUR 1 | 15,432 | 13,760 |
| JPY 100 | 12,123 | 8,307 |
| AUD 1 | 7,556 | 8,229 |

The accounts of foreign subsidiaries were translated into rupiah at the middle rate of exchange prevailing at balance sheet date for balance sheet accounts and the average rate during the year for statement of income 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 financial statements, while for the subsidiaries which are not an integral part of the Company, are debited/credited to "Exchange Difference from Financial Statements Translations".

2.d. Cash Equivalent

Cash equivalent consists of time deposits 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 in promissory notes, certain securities 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 the investments are not recoverable.

- **Securities**

Placement in securities without fair value 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:

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2008 and 2007

(In Full Rupiah)

- Trading
Securities in this category, 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 classified as held to maturity 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 Securities" account as a separate component of consolidated stockholders' equity.
- **Investments in Associates and Other Companies**
Investments in stock with ownership of less than 20% where the 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 the percentage of ownership and less the 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.

2.g. Inventories and Land for Development

Inventories, which mainly consist 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 completed. 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 "Land for Development". 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.

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2008 and 2007

(In Full Rupiah)

2.h. Prepaid Expenses

Prepaid expenses are amortized over 1 (one) to 3 (three) years over the periods benefited using straight-line method.

2.i. Investment Property

Investment property owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment property is carried at cost less its accumulated depreciation and any accumulated impairment losses (cost model). Depreciation is computed by using the straight-line method based on the estimated useful lives of the assets. The cost of repairs and maintenance is charged to operation as incurred, whilst significant renovations and additions are capitalized.

2.j. Property and Equipment

Property and equipment are carried at cost and recognized at cost less their accumulated depreciation and any accumulated impairment losses. 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:

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

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

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

Construction in progress represents expenditure incurred directly to infrastructure development and fixed assets preparation. Expenditure including 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.k. Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. Leases are classified as operating leases if substantially all the risks and rewards of ownership are not transferred to the lessee.

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2008 and 2007

(In Full Rupiah)

At the commencement of the lease term, a finance lease is recognized as an asset and as liability in the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognized as an asset. The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned.

2.l. 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.m. Intangible Assets

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

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

2.n. Borrowing Cost

Interest and other financing charges incurred on loan 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 activities related to the acquisition and development of land, or upon completion of the construction and the assets are ready for their intended use.

2.o. 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.

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2008 and 2007

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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 and apartments 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.

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.p. 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 or substantially 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.

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2008 and 2007

(In Full Rupiah)

2.q. 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.

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

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

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

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

2.s. 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 consists 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).

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2008 and 2007

(In Full Rupiah)

2.t. 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.u. Derivative Financial Instruments

The Company adopted Statement of Financial Accounting Standard (PSAK) 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 statements of income. The ineffective portion of the fair value changes are recognized in statements of income immediately.

2.v. 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 nominal value represents premium or discount which is amortized over the term of the bonds by using the straight line method.

2.w. 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.

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2008 and 2007

(In Full Rupiah)

3. Cash and Cash Equivalent

| | 2008 Rp | 2007 Rp |
|---|-----------------------|------------------------|
| Cash on Hand | | |
| (include 2008: USD 39,596, SGD 10,649, EUR 1,005, JPY 163,800, AUD 9,439; 2007: USD 18,251, SGD 11,083, EURO 1,005, AUD 1,789, JPY 163,800) | 4,872,092,089 | 3,376,342,435 |
| Cash in Banks | | |
| Third Parties | | |
| <u>Rupiah</u> | | |
| PT Bank CIMB Niaga Tbk | 41,760,191,689 | 70,771,353,051 |
| PT Bank Central Asia Tbk | 5,721,170,726 | 6,088,954,399 |
| PT Bank Mega Tbk | 4,232,874,026 | 28,593,822,460 |
| PT Bank Permata Tbk | 1,480,665,969 | 293,300,658 |
| PT Bank Mandiri Tbk | 1,319,057,717 | 4,639,840,623 |
| PT Bank OCBC NISP Tbk | 832,520,493 | 16,072,635,768 |
| PT Bank Danamon Indonesia Tbk | 742,539,889 | 1,484,592,152 |
| PT Bank Buana Indonesia Tbk | 565,644,215 | 294,089,370 |
| PT Bank Agroniaga Tbk | 511,925,507 | 900,085,862 |
| PT Bank Internasional Indonesia Tbk | 483,979,778 | 2,571,986,468 |
| Standard Chartered Bank | 404,734,198 | 70,061,719 |
| PT Bank Negara Indonesia Tbk | 395,944,162 | 152,519,043 |
| PT Bank Tabungan Negara Tbk | 314,918,509 | 3,036,969,965 |
| PT Bank Pembangunan Daerah Riau | 207,139,572 | 1,535,786,726 |
| PT Bank Rakyat Indonesia (Persero) Tbk | 124,144,219 | 24,893,544 |
| Others (each below Rp 100 million) | 138,927,298 | 953,583,309 |
| <u>Foreign Currencies</u> | | |
| OCBC Bank (2008: SGD 805,425; 2007: SGD 715,100) | 6,126,866,986 | 4,649,578,054 |
| PT Bank CIMB Niaga Tbk (2008: USD 545,802; 2007: USD 506,481) | 5,976,527,982 | 4,770,543,166 |
| PT Bank OCBC NISP Tbk (2008: USD 343,901, SGD 5,836, EUR 4,541; 2007: USD 47,705, SGD 5,970, EUR 6,198) | 3,880,227,372 | 573,434,116 |
| Deutschebank (2008: USD 230,058, EUR 10,547; 2007: USD 5,706, EUR 113) | 2,681,887,431 | 55,301,490 |
| DBS Bank (2008: USD 30,943, SGD 70,286; 2007: USD 30,938, SGD 2,110,429) | 873,495,081 | 14,013,410,568 |
| PT Bank International Indonesia Tbk (SGD 94,053) | 715,458,281 | -- |
| PT Bank Mega Tbk (2008: USD 62,942, SGD 24,159; 2007: USD 1,153,417, SGD 43,424) | 872,987,444 | 11,146,379,262 |
| Credit Suisse (USD 33,537, SGD 4,453) | 401,098,615 | -- |
| Bank of America N.A (2008: USD 11,309; 2007: USD 6,148) | 123,830,156 | 57,904,622 |
| Others (2007: USD 3,904, SGD 4,953) | -- | 165,960,343 |
| | <u>80,888,757,315</u> | <u>172,916,986,738</u> |

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| | 2008 Rp | 2007 Rp |
|---|---------------------------------|---------------------------------|
| Time Deposits | | |
| Third Parties | | |
| <u>Rupiah</u> | | |
| PT Bank CIMB Niaga Tbk | 25,420,367,264 | 32,016,924,178 |
| PT Bank Mega Tbk | 5,400,000,000 | 25,000,000,000 |
| PT Bank OCBC NISP Tbk | 3,000,000,000 | 103,000,000,000 |
| PT Bank Permata Tbk | 2,000,000,000 | 4,700,000,000 |
| PT Bank Internasional Indonesia Tbk | 551,904,271 | 3,900,000,000 |
| PT Bank Negara Indonesia Tbk | -- | 5,000,000,000 |
| <u>Foreign Currencies</u> | | |
| Credit Suisse (2008: USD 137,066,963; 2007: USD 137,184,223) | 1,500,883,243,079 | 1,292,138,196,165 |
| Bank of India (2008: SGD 5,019,604; 2007: USD 8,711,733) | 38,184,123,901 | 82,055,817,554 |
| OCBC Bank (SGD 3,000,000) | 22,821,000,000 | -- |
| PT Bank CIMB Niaga Tbk (2008: USD 1,451,677; 2007: USD 138,926) | 15,895,859,756 | 1,308,539,833 |
| BNP Paribas (USD 32,000,000) | -- | 301,408,000,000 |
| Deutschebank (USD 230,000) | -- | 2,166,370,000 |
| | <u>1,614,156,498,271</u> | <u>1,852,693,847,730</u> |
| Total Cash and Cash Equivalent | <u>1,699,917,347,675</u> | <u>2,028,987,176,903</u> |

4. Investments

| | 2008 Rp | 2007 Rp |
|-------------------------------------|-------------------------------|-------------------------------|
| Promissory Notes | 65,700,000,000 | -- |
| Investment in Shares of Stock: | | |
| Associates | 57,843,817,142 | 47,250,017,945 |
| Others | 58,355,817,676 | 58,349,973,676 |
| Real Estate Investment Trust (REIT) | 189,520,165,478 | 278,731,634,729 |
| Total | <u>371,419,800,296</u> | <u>384,331,626,350</u> |

a. Promissory Notes

This account represents non-interest bearing promissory notes from PT Makassar Capital Network which matured on December 31, 2008 (in extension process) and June 4, 2010 with nominal amount of USD 3,000,000, respectively.

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b. Investment in Associates

| 2008 | | | | | | |
|--------------------------------|----------------------------|-----------------------|---|--------------------------|-------------------------------------|-----------------------|
| | Percentage of Ownership | Acquisition Cost | Accumulated Equity in Net Earnings (Losses) | Additional Investment | Accumulated Dividend Received | Carrying Value |
| | % | Rp | Rp | Rp | Rp | Rp |
| Equity Method | | | | | | |
| PT Multifiling Mitra Indonesia | 49.81 | 500,000,000 | 26,494,476,210 | -- | (1,000,000,000) | 25,994,476,210 |
| PT Hyundai Inti Development | 45.00 | 6,155,423,370 | 68,404,243,397 | -- | (63,449,873,862) | 11,109,792,905 |
| PT Menara Inti Development | 40.00 | 100,000,000 | 8,985,038,844 | -- | (1,512,000,000) | 7,573,038,844 |
| PT Tritunggal Sentra Utama | 20.00 | 583,500,000 | 1,784,653,241 | -- | -- | 2,368,153,241 |
| PT Lippo Indorent | 50.00 | 200,000,000 | 826,853,442 | -- | -- | 1,026,853,442 |
| PT Lippo Hyundai Development | 40.00 | 16,216,500,000 | (16,216,500,000) | -- | -- | -- |
| PT Bumi Lemahabang Permai | 30.00 | 37,500,000 | (37,500,000) | -- | -- | -- |
| | | <u>23,792,923,370</u> | <u>90,241,265,134</u> | <u>--</u> | <u>(65,961,873,862)</u> | <u>48,072,314,642</u> |
| Cost Method | | | | | | |
| PT Medika Sehat Lestari | 25.00 | -- | -- | 4,999,994,000 | -- | 4,999,994,000 |
| 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 | -- | 7,500,000 | -- | 12,500,000 |
| PT Serasi Adikarsa | 100.00 | 5,000,000 | -- | 7,500,000 | -- | 12,500,000 |
| PT Tunggal Griya Semesta | 5.00 | 2,500,000 | -- | -- | -- | 2,500,000 |
| | | <u>4,756,508,500</u> | <u>--</u> | <u>5,014,994,000</u> | <u>--</u> | <u>9,771,502,500</u> |
| Total | | 28,549,431,870 | 90,241,265,134 | 5,014,994,000 | (65,961,873,862) | 57,843,817,142 |

| | 2007 | | | | | |
|--------------------------------|----------------------------|---------------------|---|--------------------------|-------------------------------------|----------------|
| | Percentage of Ownership | Acquisition Cost | Accumulated Equity in Net Earnings (Losses) | Additional Investment | Accumulated Dividend Received | Carrying Value |
| | % | Rp | Rp | Rp | Rp | Rp |
| Equity Method | | | | | | |
| 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 Menara Inti Development | 40.00 | 100,000,000 | 4,872,850,845 | -- | (1,296,000,000) | 3,676,850,845 |
| 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 Nusa Medika Perkasa* | 21.91 | 2,500,000,000 | (2,076,732,084) | -- | -- | 423,267,916 |
| 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) | -- | -- | -- |
| | | 26,292,923,370 | 78,706,459,936 | -- | (62,505,873,861) | 42,493,509,445 |

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| | 2007 | | | | | |
|--------------------------|---------------|-----------------------|-----------------------|------------|-------------------------|-----------------------|
| | Percentage of | Acquisition | Accumulated | Additional | Accumulated | Carrying Value |
| | Ownership | Cost | Equity in Net | Investment | Dividend | |
| | | | Earnings (Losses) | | Received | |
| | % | Rp | Rp | Rp | Rp | Rp |
| Cost Method | | | | | | |
| PT Dunia Air Indah | 100.00 | 3,781,609,500 | -- | -- | -- | 3,781,609,500 |
| PT Adnansindo Intiprima | 30.00 | 300,000,000 | -- | -- | -- | 300,000,000 |
| PT Tunas Pundi Bumi | 99.92 | 250,000,000 | -- | -- | -- | 250,000,000 |
| PT Swadaya Teknopolis | 99.99 | 249,999,000 | -- | -- | -- | 249,999,000 |
| PT 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 |
| Total | | 31,049,431,870 | 78,706,459,936 | -- | (62,505,873,861) | 47,250,017,945 |

* Consolidated in 2008 (see Note 1.c)

Investments in PT Medika Sehat Lestari, PT Dunia Air Indah, PT Adnansindo Intiprima, PT Tunas Pundi Bumi, PT Swadaya Teknopolis, 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 yet started the commercial operation.

c. Investment in Others

| | 2008 Rp | 2007 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 | <u>56,178,676</u> | <u>50,334,676</u> |
| Total | <u>58,355,817,676</u> | <u>58,349,973,676</u> |

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d. Investment in Real Estate Investment Trust (REIT)

| | 2008 | 2007 |
|--|------------------------|------------------------|
| | Rp | Rp |
| Trading Securities | | |
| Acquisition Cost | | |
| First REIT (55,673,506 units) | -- | 261,575,469,456 |
| Accumulated Unrealized Gain | -- | 17,156,165,273 |
| Fair Value | -- | 278,731,634,729 |
| Available for Sale Securities | | |
| Acquisition Cost | | |
| First REIT (57,271,344 units) | 309,320,810,804 | -- |
| Lippo-Mapletree Indonesia Retail Trust (LMIRT) (5,545,234 units) | 13,076,604,386 | -- |
| Exchange Differences | 14,451,292,009 | -- |
| Accumulated Unrealized Losses - Net | (147,328,541,721) | -- |
| Fair Value | 189,520,165,478 | -- |
| Total | 189,520,165,478 | 278,731,634,729 |

This account represents investments in REIT which listed in Singapore Stock Exchange. On December 31, 2008 and 2007, the Company's percentage of ownership in First REIT and LMIRT is amounting to 20.93% (2007: 20.46%) and 0.52% (2007: nil), respectively.

The Company's management has changed the accounting policy of investment in First REIT from trading securities to available for sale securities on July 1, 2008.

5. Accounts Receivable

| | 2008 | 2007 |
|--|------------------------|------------------------|
| | Rp | Rp |
| Third Parties | | |
| Housing and Land Development: | | |
| Shopping Centers | 196,411,783,390 | 256,427,495,440 |
| Land Lots | 189,552,385,822 | 94,046,006,878 |
| Residential Houses and Shophouses | 45,380,273,502 | 73,867,684,285 |
| Others | 230,979,846,449 | -- |
| Healthcare and Hospitals: | | |
| Inpatient and Outpatient | 53,556,226,003 | 40,729,586,672 |
| Hospitality and Infrastructure: | | |
| Town Management and Water Treatment | 59,853,224,648 | 55,450,442,793 |
| Asset Enhancements | 33,890,044,691 | 4,214,773,017 |
| Management Fee | 23,561,752,085 | 10,003,165,464 |
| Hotels and Restaurants | 13,499,373,413 | 11,842,142,067 |
| Recreations and Sports | 12,922,000 | 677,652,286 |
| Others | 2,089,994,491 | 10,867,564,989 |
| Total | 848,787,826,493 | 558,126,513,891 |
| Less: Allowance for Doubtful Accounts | (50,541,325,142) | (44,773,362,784) |
| Total Receivable from Third Parties - Net | 798,246,501,351 | 513,353,151,107 |

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| | 2008 Rp | 2007 Rp |
|---|------------------------|------------------------|
| Related Parties | | |
| Healthcare and Hospitals: | | |
| Inpatient and Outpatient | 2,413,886,195 | 2,097,443,921 |
| Sub Total Related Parties | 2,413,886,195 | 2,097,443,921 |
| Less : Allowance for Doubtful Accounts | (425,479,259) | (577,533,675) |
| Total Receivable from Related Parties - Net | 1,988,406,936 | 1,519,910,246 |
| Total | 800,234,908,287 | 514,873,061,353 |

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

| | 2008 Rp | 2007 Rp |
|---|------------------|------------------|
| Third Parties | | |
| Up to 3 Months | 754,672,225,647 | 442,405,882,422 |
| > 3 months - 6 months | 8,523,806,237 | 27,096,914,531 |
| > 6 months - 1 year | 9,610,429,850 | 17,107,345,966 |
| > 1 year | 75,981,364,760 | 71,516,370,972 |
| Total | 848,787,826,494 | 558,126,513,891 |
| Less : Allowance for Doubtful Accounts | (50,541,325,142) | (44,773,362,784) |
| Total Receivable from Third Parties - Net | 798,246,501,351 | 513,353,151,107 |

| | | |
|---|------------------------|------------------------|
| Related Parties | | |
| Up to 3 Months | 1,335,948,969 | 1,323,827,619 |
| > 3 months - 6 months | 156,904,550 | 293,401,439 |
| > 6 months - 1 year | 353,216,997 | 112,261,755 |
| > 1 year | 567,815,679 | 367,953,108 |
| Total | 2,413,886,195 | 2,097,443,921 |
| Less : Allowance for Doubtful Accounts | (425,479,259) | (577,533,675) |
| Total Receivable from Related Parties - Net | 1,988,406,936 | 1,519,910,246 |
| Total | 800,234,908,287 | 514,873,061,353 |

The movements of allowance for doubtful accounts are as follows:

| | 2008 Rp | 2007 Rp |
|------------------------|-----------------------|-----------------------|
| Third Parties | | |
| Beginning Balance | 44,773,362,784 | 46,127,711,387 |
| Addition | 5,811,306,702 | 195,654,737 |
| Recovery | (43,344,344) | (1,550,003,340) |
| Ending Balance | 50,541,325,142 | 44,773,362,784 |
| Related Parties | | |
| Beginning Balance | 577,533,675 | 479,230,933 |
| Addition | -- | 98,302,742 |
| Recovery | (152,054,416) | -- |
| Ending Balance | 425,479,259 | 577,533,675 |

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Accounts receivable of the Company and PT Surya Mitra Jaya, a subsidiary, with a minimum value of 125% and 150% from total credit limit, have been collateralized for loans obtained from PT Bank Negara Indonesia Tbk and PT Bank CIMB Niaga Tbk, respectively (see Notes 15.a and 15.b).

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

6. Other Receivables

| | 2008 Rp | 2007 Rp |
|---|-------------------------------|-------------------------------|
| Third Parties | | |
| Call Spread Option (see Note 31.j) | 447,125,000,000 | 64,375,000,000 |
| Tenant Association for Apartments, Condominium and Shopping Centers | 20,071,292,920 | 14,608,243,014 |
| Dividend | 7,755,499,916 | -- |
| PT Artha Sarana Prima | 5,143,770,036 | 5,679,766,603 |
| Others (each less than Rp 5 billion) | 79,292,228,497 | 52,980,134,656 |
| | <u>559,387,791,369</u> | <u>137,643,144,273</u> |
| Less: Allowance for Doubtful Accounts | <u>(7,116,587,959)</u> | <u>(6,648,533,019)</u> |
| Net | <u>552,271,203,410</u> | <u>130,994,611,254</u> |

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

Dividend receivables represents receivables from investments in REIT (see Note 4.d).

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

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

7. Inventories

| | 2008 Rp | 2007 Rp |
|--------------------------------------|--------------------------|--------------------------|
| Housing and Land Development: | | |
| Land under Development | 3,763,891,955,193 | 3,249,214,253,362 |
| Shopping Center | 987,686,882,970 | 630,413,922,062 |
| Residential Houses and Shophouses | 367,920,575,347 | 262,639,927,923 |
| Office Building and Apartment | 138,188,141,877 | 128,212,309,945 |
| Others | 47,242,067,073 | 47,686,454,141 |
| | <u>5,304,929,622,460</u> | <u>4,318,166,867,433</u> |

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| | 2008 Rp | 2007 Rp |
|--|---------------------------------|---------------------------------|
| Healthcare and Hospitals: | | |
| Medical Supplies | | |
| Pharmaceutical | 15,253,313,871 | 10,958,464,152 |
| Non-pharmaceutical | 4,094,508,855 | 5,241,490,432 |
| Non-Medical Supplies | 1,038,102,529 | 738,577,572 |
| | <u>20,385,925,255</u> | <u>16,938,532,156</u> |
| Hospitality and Infrastructure: | | |
| Hotel and Restaurant | 4,370,446,931 | 3,816,372,723 |
| Recreation and Sports | 305,080,020 | 244,229,440 |
| Others | 135,413,235 | 158,943,139 |
| Less: Allowance for Decline in Inventories Value | <u>(39,505,683)</u> | <u>(39,505,683)</u> |
| | <u>4,771,434,503</u> | <u>4,180,039,619</u> |
| Total | <u>5,330,086,982,218</u> | <u>4,339,285,439,208</u> |

Interests and other borrowing costs capitalized into land under development is amounting to Rp 218,319,022,427 and Rp 292,773,944,363 for the years ended December 31, 2008 and 2007, respectively.

As of December 31, 2008, land under development consisted of land covering a net area of approximately 35 hectares in Kelapa Dua and Bencongan village, 11 hectares in Jalan Lingkar Luar Barat - Puri Kembangan, 15 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, 33 hectares in Bonang village, 20 hectares in Sukanagalih village, 5 hectares in Pondok Jagung village, 111 hectares in Margakaya Village, Telukjambe, Karawang, 133 hectares in Cibatu Village, 15 hectares in Serang Village, 41 hectares in Sukaresmi Village, 136 hectares in Cicau Village, 41 hectares in Kelurahan Tanjung Merdeka, 24 hectares in Kelurahan Macini Sombala, 17 hectares in Tamanyeleng Village, 32 hectares in Barombong Village and 14 hectares in Kecamatan Mariso.

Land under development with total area of 173,307.6 sqm was pledged as collateral for loan of the Company obtained from PT Bank Negara Indonesia Tbk (see Note 15.a). Part of medical supplies and non-medical supplies of PT East Jakarta Medika, a subsidiary, are pledged as collateral for loan obtained from PT Bank Permata Tbk (see Note 15.d)

The Company's and subsidiaries' inventories have been insured against all risks, with the sum insured of Rp 1,324 billion and USD 5,140,541 as of December 31, 2008 and Rp 910 billion and USD 2,600,000 as of December 31, 2007. The Company's and its subsidiaries' management believe that the sum insured is adequate to cover any possible losses.

The Company and subsidiaries' management believe that the allowance for declining in value of inventory as of December 31, 2008 and 2007 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 investments, accounts receivable, loan, accounts payable, intercompany charges, deferred income, and revenue. The details of the accounts balance with related parties are as follows:

| | 2008 Rp | 2007 Rp | Percentage from Total Assets/Liabilities/Net Sales | |
|---------------------------------------|-----------------------|-----------------------|---|-------------|
| | | | 2008 % | 2007 % |
| Investment in Associates | | | | |
| PT Multifiling Mitra Indonesia | 25,994,476,210 | 25,097,545,306 | 0.22 | 0.24 |
| PT Hyundai Inti Development | 11,109,792,905 | 9,900,838,695 | 0.09 | 0.09 |
| PT Menara Inti Development | 7,573,038,844 | 3,676,850,845 | 0.06 | 0.03 |
| PT Medika Sehat Lestari | 4,999,994,000 | -- | 0.04 | -- |
| PT Tritunggal Sentra Utama | 2,368,153,241 | 2,368,153,241 | 0.02 | 0.02 |
| PT Lippo Indorent | 1,026,853,442 | 1,026,853,442 | 0.01 | 0.01 |
| PT Nusa Medika Perkasa | -- | 423,267,916 | -- | 0.00 |
| Others | 4,771,508,500 | 4,756,508,500 | 0.04 | 0.05 |
| Total | 57,843,817,142 | 47,250,017,945 | 0.48 | 0.44 |
| Accounts Receivable | | | | |
| Inpatient and Outpatient | 2,413,886,195 | 2,097,443,921 | 0.02 | 0.02 |
| Less: Allowance for Doubtful Accounts | (425,479,259) | (577,533,675) | (0.00) | (0.01) |
| Net | 1,988,406,936 | 1,519,910,246 | 0.02 | 0.01 |
| Due from Related Parties | | | | |
| PT Bumi Lemahabang Permai | 10,090,713,609 | 10,090,713,609 | 0.09 | 0.10 |
| PT Duta Mas Kharisma Indah | 4,891,935,451 | 4,891,935,451 | 0.04 | 0.05 |
| Employees and Directors | 3,298,193,272 | 4,996,344,784 | 0.03 | 0.05 |
| Others (each below Rp 1 billion) | 5,741,386,908 | 5,805,138,475 | 0.04 | 0.05 |
| Total | 24,022,229,240 | 25,784,132,319 | 0.20 | 0.25 |
| Less: Allowance for Doubtful Accounts | (11,975,439,410) | (13,533,963,585) | (0.10) | (0.13) |
| Net | 12,046,789,830 | 12,250,168,734 | 0.10 | 0.12 |
| Loan | | | | |
| PT Ciptadana Multifinance | 5,498,225,669 | 23,873,687,583 | 0.08 | 0.40 |
| Trade Payable | | | | |
| PT First Media Tbk | 11,826,000,000 | 10,172,520,000 | 0.17 | 0.17 |
| Due to Related Parties | | | | |
| PT Bumi Lemahabang Permai | 10,478,277,605 | 10,478,277,605 | 0.15 | 0.17 |
| PT Bintang Mulya Darmabakti | 6,010,589,274 | 6,010,589,274 | 0.09 | 0.10 |
| PT Dunia Air Indah | 3,790,587,326 | 3,790,587,326 | 0.05 | 0.07 |
| PT Cahaya Harapan | 2,799,999,500 | 2,799,999,500 | 0.04 | 0.06 |
| PT Adiprima Karya Nusantara | 2,556,850,000 | 2,556,850,000 | 0.04 | 0.05 |
| PT Gita Multi Sarana | 1,875,752,838 | 4,351,754,922 | 0.03 | 0.04 |
| Others (each below Rp 1 billion) | 44,988,200,072 | 51,004,895,922 | 0.65 | 0.86 |
| Total | 72,500,256,615 | 80,992,954,549 | 1.05 | 1.35 |

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| | 2008 Rp | 2007 Rp | Percentage from Total Assets/Liabilities/Net Sales | |
|---|------------------------|------------------------|---|--------------|
| | | | 2008 % | 2007 % |
| Deferred Income | | | | |
| PT Matahari Putra Prima Tbk | 459,603,931,432 | 470,887,647,712 | 6.63 | 7.85 |
| | 459,603,931,432 | 470,887,647,712 | 6.63 | 7.85 |
| Net Sales, Services and Other Revenues | | | | |
| PT Matahari Putra Prima Tbk | 11,283,716,280 | 230,784,092,808 | 0.44 | 11.04 |
| PT Prima Gerbang Persada | -- | 153,000,000,000 | -- | 7.32 |
| Total | 11,283,716,280 | 383,784,092,808 | 0.44 | 18.35 |

The significant transactions with related parties are as follows:

| Related Parties | Relationship with the Company | Transactions |
|--------------------------------|----------------------------------|--|
| PT Matahari Putra Prima Tbk | Affiliate | Deferred income and net sales |
| PT Bumi Lemahabang Permai | Affiliate | Non-interest bearing of intercompany charges, advance in connection with the cancellation of land |
| PT Lippo Indorent | Associate | Investment in shares of stock |
| PT Hyundai Inti Development | Associate | Intercompany advances and investment |
| PT Multifiling Mitra Indonesia | Associate | Investment in shares of stock |
| PT Tritunggal Sentra Utama | Associate | Investment in shares of stock |
| PT Menara Inti Development | Associate | Investment in shares of stock |
| PT Medika Sehat Lestari | Associate | Investment in shares of stock |
| PT Bintang Mulya Darmabakti | Stockholder of subsidiary | Non-interest bearing of intercompany charges |
| PT Duta Mas Kharisma Indah | Affiliate | Non-interest bearing of intercompany charges |
| PT Adiprima Karya Nusantara | Stockholder of subsidiary | Non-interest bearing of loan |
| PT Dunia Air Indah | Associate | Investment in shares of stock and non-interest bearing of intercompany charges |
| PT Gita Multi Sarana | Affiliate | Non-interest bearing of intercompany charges |
| PT Cahaya Harapan | Affiliate | Intercompany advances |
| PT Ciptadana Multifinance | Affiliate | Factoring facility |
| PT Prima Gerbang Persada | Affiliate | Net sales |
| PT First Media Tbk | Affiliate | Rental of lease line |

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

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10. Land for Development

| | 2008 | | 2007 | |
|--|------------------|------------------------|------------------|------------------------|
| | Area sqm | Value Rp | Area sqm | Value Rp |
| The Company | 1,001,010 | 201,350,714,722 | 999,565 | 202,183,964,722 |
| Subsidiaries | | | | |
| PT Lippo Cikarang Tbk | 4,354,176 | 403,580,241,559 | 4,251,698 | 393,837,155,717 |
| PT Gowa Makassar Tourism Development Tbk | 2,149,167 | 134,590,658,840 | 2,156,095 | 129,839,369,330 |
| PT Mulasentosa Dinamika | 803,413 | 112,455,747,318 | 803,413 | 112,455,747,318 |
| PT Erabar Realindo | 692,082 | 16,961,287,500 | 692,082 | 16,961,287,500 |
| PT Sentragraha Mandiri | 239,759 | 33,313,592,430 | 239,759 | 33,313,592,430 |
| PT Sejatijaya Selaras | 136,909 | 19,306,887,365 | 136,909 | 19,291,682,029 |
| PT Bahtera Pratama Wirasakti | 83,405 | 15,690,813,603 | 83,405 | 15,689,663,349 |
| PT Surya Makmur Alam Persada | 71,303 | 20,283,623,533 | 71,303 | 20,283,623,533 |
| Total | 9,531,224 | 957,533,566,870 | 9,434,229 | 943,856,085,928 |

Land for development 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, Banten; 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.

Land for development of PT Gowa Makassar Tourism Development Tbk, a subsidiary, with area of ± 183,480 sqm was pledged as collateral for loan obtained from PT Bank Agroniaga Tbk (see Note 15.c).

11. Investment Property

| | 2008 | | | |
|---------------------------------|-------------------------|----------------|-----------------|-----------------------|
| | Beginning Balance Rp | Addition Rp | Deduction Rp | Ending Balance Rp |
| Acquisition Cost | | | | |
| Building | -- | 180,000,000 | -- | 23,335,343,246 |
| Total Acquisition Cost | -- | 180,000,000 | -- | 23,335,343,246 |
| Accumulated Depreciation | | | | |
| Building | -- | 1,180,267,164 | -- | 6,019,788,807 |
| Total Accumulated Depreciation | -- | 1,180,267,164 | -- | 6,019,788,807 |
| Book Value | -- | | | 17,315,554,439 |

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In 2008, leased property had been reclassified to investment property with net book value of Rp 18,315,821,603 (see Note 12).

In 2008, depreciation charged to general and administration expense is amounting to Rp 1,180,267,164.

Investment property have been insured against fire damage and other risks, with sum insured amounting to Rp 28.3 billion as of December 31, 2008. The Company and subsidiaries' management were in opinion that the sum insured is adequate to cover any possible losses.

12. Property and Equipment

| | 2008 | | | |
|--|---------------------------------|-------------------------------|------------------------------|---------------------------------|
| | Beginning Balance | Addition | Disposal | Reclassification |
| | Rp | Rp | Rp | Rp |
| Acquisition Cost | | | | |
| Direct Ownership | | | | |
| Land | 378,151,066,932 | 28,284,559 | -- | (101,016,930,390) |
| Building, Infrastructure and Renovations | 481,310,841,549 | 12,666,793,177 | 4,816,637,864 | (37,102,662,231) |
| Parks and Interiors | 6,997,625,500 | 1,024,457,776 | -- | 10,802,114,956 |
| Golf Course and Club House | 164,135,206,726 | 1,174,308,671 | -- | (41,752,444) |
| Transportation Equipment and Vehicles | 22,116,791,356 | 1,844,967,327 | 1,442,092,431 | (357,956,782) |
| Furniture Fixtures and Office Equipment | 261,552,709,498 | 30,430,318,854 | 2,346,979,022 | (6,654,393,561) |
| Tools and Medical Equipment | 209,677,036,108 | 24,447,925,407 | 7,722,693,794 | (352,661,137) |
| Machinery and Project Equipment | 131,564,345,071 | 11,503,894,136 | 322,466,926 | (15,833,925,842) |
| Bowling Machinery | 14,380,816,861 | -- | -- | -- |
| Playground Areas | 3,121,642,093 | 14,104,000 | -- | -- |
| | <u>1,673,008,081,693</u> | <u>83,135,053,907</u> | <u>16,650,870,037</u> | <u>(150,558,167,431)</u> |
| Assets under Finance Lease | <u>2,431,948,780</u> | <u>--</u> | <u>359,450,000</u> | <u>--</u> |
| Construction in Progress | <u>310,160,950,109</u> | <u>183,701,618,026</u> | <u>--</u> | <u>(196,457,364,927)</u> |
| Total Acquisition Cost | <u>1,985,600,980,582</u> | <u>266,836,671,933</u> | <u>17,010,320,037</u> | <u>(347,015,532,358)</u> |
| Accumulated Depreciation | | | | |
| Direct Ownership | | | | |
| Building, Infrastructure and Renovations | 91,143,793,445 | 21,563,247,699 | 2,970,036,439 | (31,030,021,309) |
| Parks and Interiors | 3,916,890,392 | 731,723,233 | -- | 7,995,743,833 |
| Golf Course and Club House | 88,511,345,316 | 8,663,975,829 | -- | (4,662,927) |
| Transportation Equipment and Vehicles | 17,824,887,553 | 1,416,140,783 | 1,065,425,764 | (245,969,729) |
| Furniture Fixtures and Office Equipment | 158,044,962,633 | 30,685,864,095 | 1,805,539,796 | (5,667,100,434) |
| Tools and Medical Equipment | 144,085,451,689 | 18,005,021,273 | 5,974,015,865 | (738,896,484) |
| Machinery and Project Equipment | 62,119,027,529 | 15,477,926,279 | 287,077,259 | (18,945,573,064) |
| Bowling Machinery | 13,123,566,089 | 1,087,119,468 | -- | -- |
| Playground Areas | 3,121,642,093 | 6,839,331 | -- | -- |
| | <u>581,891,566,739</u> | <u>97,637,857,990</u> | <u>12,102,095,123</u> | <u>(48,636,480,114)</u> |
| Assets under Finance Lease | <u>706,041,272</u> | <u>245,214,078</u> | <u>180,850,000</u> | <u>(110,136,668)</u> |
| Total Accumulated Depreciation | <u>582,597,608,011</u> | <u>97,883,072,068</u> | <u>12,282,945,123</u> | <u>(48,746,616,782)</u> |
| Book Value | <u>1,403,003,372,571</u> | | | <u>1,268,960,681,947</u> |

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| | 2007 | | | | |
|--|---------------------------------|-------------------------------|------------------------------|-----------------------|---------------------------------|
| | Beginning Balance | Addition | Disposal | Reclassification | Ending Balance |
| | Rp | Rp | Rp | Rp | Rp |
| Acquisition Cost | | | | | |
| Direct Ownership | | | | | |
| 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 |
| | <u>1,344,344,603,671</u> | <u>277,626,947,767</u> | <u>13,027,355,488</u> | <u>64,063,885,743</u> | <u>1,673,008,081,693</u> |
| Assets under Finance Lease | 2,431,948,780 | -- | -- | -- | 2,431,948,780 |
| Construction in Progress | 146,008,744,385 | 228,216,091,467 | -- | (64,063,885,743) | 310,160,950,109 |
| Total Acquisition Cost | <u>1,492,785,296,836</u> | <u>505,843,039,233</u> | <u>13,027,355,488</u> | <u>--</u> | <u>1,985,600,980,582</u> |
| Accumulated Depreciation | | | | | |
| Direct Ownership | | | | | |
| 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 |
| | <u>519,806,351,838</u> | <u>71,833,662,494</u> | <u>9,748,447,593</u> | <u>--</u> | <u>581,891,566,739</u> |
| Assets under Finance Lease | 423,305,699 | 282,735,573 | -- | -- | 706,041,272 |
| Total Accumulated Depreciation | <u>520,229,657,537</u> | <u>72,116,398,067</u> | <u>9,748,447,593</u> | <u>--</u> | <u>582,597,608,011</u> |
| Book Value | <u>972,555,639,299</u> | | | | <u>1,403,003,372,571</u> |

Depreciation expenses are allocated as follows:

| | 2008 Rp | 2007 Rp |
|-------------------------------------|------------------------------|------------------------------|
| Cost of Sales and Services | 20,304,695,385 | 18,225,255,086 |
| Selling Expenses | 4,844,443,740 | 2,622,968,583 |
| General and Administrative Expenses | <u>72,733,932,943</u> | <u>51,268,174,398</u> |
| Total | <u>97,883,072,068</u> | <u>72,116,398,067</u> |

Land and building of Aryaduta Hotel Jakarta, land and building, all medical equipment, machinery and office equipment of PT East Jakarta Medika, a subsidiary, were pledged as collateral for loans obtained by the Company and subsidiaries from PT Bank CIMB Niaga Tbk and PT Bank Permata Tbk (see Notes 15.b and 15.d), as well as land and building with areas of 82,478 sqm and 781 sqm located at Tanjung Merdeka, Makassar were pledged as collateral for loan obtained by PT Gowa Makassar Tourism Development Tbk, a subsidiary from PT Bank Agroniaga Tbk (see Note 15.c).

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All the Company and subsidiaries' property and equipment have been insured against fire damage and other risks, with sum insured amounting to Rp 816.92 billion and USD 40,348,930 as of December 31, 2008 and Rp 1,062.03 billion and USD 44,333,930 as of December 31, 2007. The Company and subsidiaries' management were in opinion that the sum insured is adequate to cover any possible losses.

In 2008, the Company had reclassified property and equipment with net book value of Rp 298,268,915,576 to investment property and inventories with net book value of Rp 18,315,821,603 (see Note 11) and Rp 279,953,093,973, respectively. Land and building of Hotel Imperial Aryaduta Makassar which had reclassified to inventories with net book value of Rp 29,974,783,875 was sold in 2008 (see Note 26) and property and equipment of PT Primatama Cemerlang, a subsidiary which was transferred in 2008, had reclassified to inventory with net book value of Rp 100,670,000,000 (see Note 1.c).

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

| | 2008 Rp | 2007 Rp |
|--------------------------|---------------------------|-----------------------------|
| Acquisition Cost | 17,010,320,037 | 13,027,355,488 |
| Accumulated Depreciation | <u>12,282,945,123</u> | <u>9,748,447,593</u> |
| Book Value | 4,727,374,914 | 3,278,907,894 |
| Written off - Book Value | -- | (477,584,255) |
| Selling Price | <u>5,559,505,309</u> | <u>4,417,060,953</u> |
| Gain on Disposal | <u>832,130,395</u> | <u>1,615,737,314</u> |

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

13. Intangible Assets

| | 2008 Rp | 2007 Rp |
|--|-------------------------------|-------------------------------|
| Excess of Acquisition Cost over the Subsidiaries' Net Assets | 234,065,201,770 | 178,418,600,927 |
| Acquisition Cost of Software | <u>1,940,839,773</u> | <u>1,877,395,983</u> |
| Total | 236,006,041,543 | 180,295,996,910 |
| Less: Accumulated Amortization | <u>(72,573,567,527)</u> | <u>(40,246,985,092)</u> |
| Net | <u>163,432,474,016</u> | <u>140,049,011,818</u> |

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, 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,

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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 Proptindo, a subsidiary, for Rp 9,258,357,865; acquisition PT Mujur Sakti Graha by PT Prima Kreasi Proptindo, a subsidiary, for Rp 1,165,878,505; and acquisition of PT Graha Solusi Mandiri by PT Primakreasi Proptindo, a subsidiary, for Rp 38,067,060,305. The addition in 2008 represents acquisition of PT Adhi Utama Dinamika by PT Wahana Usaha Makmur and PT Almaron Perkasa, both are subsidiaries, for Rp 24,783,975,543; acquisition of PT Pamor Paramitha Utama by PT Berkas Langgeng Jaya, a subsidiary, for Rp 10,027,716,935; acquisition of PT Berkas Langgeng Jaya by PT KutaBeach Paragon, a subsidiary, for Rp 3,111,072,589; acquisition of PT Buana Mandiri Selaras by PT Mahaduta Purnama, a subsidiary, for Rp 1,173,290,123, and acquisition of PT Nusa Medika Perkasa by PT Perdana Kencana Mandiri, PT Multiselaras Anugrah, and PT Aritasindo Permai Semesta, all subsidiaries, for Rp 16,550,545,653 (see Note 1.c).

14. Other Assets

| | 2008 Rp | 2007 Rp |
|------------------|-------------------------------|-------------------------------|
| Deferred Charges | 73,066,433,075 | 36,024,305,260 |
| Restricted Funds | 58,577,580,910 | 16,891,376,318 |
| Project Advances | 33,977,154,751 | 77,086,051,840 |
| Others | 28,359,439,442 | 31,419,008,632 |
| Total | <u>193,980,608,178</u> | <u>161,420,742,050</u> |

15. Loans

| | 2008 Rp | 2007 Rp |
|--|---------------------------------|---------------------------------|
| Third Parties | | |
| Bank | | |
| a. PT Bank Negara Indonesia Tbk | 354,732,578,215 | 328,138,853,961 |
| b. PT Bank CIMB Niaga Tbk | 71,757,333,332 | 113,386,000,000 |
| c. PT Bank Agroniaga Tbk | 31,500,000,000 | 32,000,000,000 |
| d. PT Bank Permata Tbk | 3,755,127,576 | 6,760,769,551 |
| e. PT Bank Internasional Indonesia Tbk | -- | 2,653,008,270 |
| | <u>461,745,039,123</u> | <u>482,938,631,782</u> |
| Non Bank | | |
| f. Bond | 2,710,328,323,353 | 2,315,369,877,468 |
| g. Promissory Notes | 20,959,804,688 | 41,919,609,375 |
| | <u>2,731,288,128,041</u> | <u>2,357,289,486,843</u> |
| Sub Total Third Parties | <u>3,193,033,167,164</u> | <u>2,840,228,118,625</u> |

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| | 2008 Rp | 2007 Rp |
|------------------------------|---------------------------------|---------------------------------|
| Related Party | | |
| Non Bank | | |
| h. PT Ciptadana Multifinance | 5,498,225,669 | 23,873,687,583 |
| Total | <u>3,198,531,392,833</u> | <u>2,864,101,806,208</u> |

a. PT Bank Negara Indonesia Tbk (BNI)

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 bears an annual interest rate of 13.5%. This loan was used to property and other businesses, except for land acquisition and matured 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. This loan bears an annual interest rate of 12% and matured on October 29, 2007. Based on Amendment of Credit Agreement No. (1) 44 dated 6 June, 2008, these loans have been extended to October 29, 2008. Based on letter No. KPS/1.1/1725/R from BNI dated 27 November 2008, the loan facility will be extended in monthly basis until formal agreement is obtained.

Both facilities are secured by collaterals 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), 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. 118, No. 162, No. 1598, No. 119, No. 113, No. 161, No. 148 and No. 133 registered under the name of VPC, a subsidiary.
- Property and other accounts receivable (excluding accounts receivable from land sold), with minimum of 125% from total credit.

The outstanding balance of these loans as of December 31, 2008 and 2007 is amounting to Rp 203,482,578,215 and Rp 195,138,853,961, respectively.

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 Hospitals, and Hospitality and Infrastructure, except for land acquisition and will mature on March 29, 2011.

This loan is secured by collaterals as follows:

- 35 (thirty five) parcels of land with area of 90,715 sqm consist of Right to Build (HGB) 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.

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The outstanding balance of this loan as of December 31, 2008 and 2007 is amounting to Rp 151,250,000,000 and Rp 133,000,000,000, respectively.

b. PT Bank CIMB 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, with 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 mature on December 21, 2009. The outstanding balance of this loan as of December 31, 2008 and 2007 is amounting to Rp 11,500,000,000 and Rp 23,000,000,000, respectively.

This facility is 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 12).

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 annual interest rate of 13.5%. This loan was used to finance "City of Tomorrow" project and will mature in four years, including one year grace period.

This facility is secured by collaterals as follows:

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

The outstanding balance of this loan as of December 31, 2008 and 2007 is amounting to Rp 60,257,333,332 and Rp 90,386,000,000, respectively.

Based on Credit Agreement No. 205/CBG/JKT/08 dated June 30, 2008, PT East Jakarta Medika (EJM), a subsidiary, obtained Special Transaction Credit Facility with maximum amount of Rp 54,000,000,000 and annual interest rate of 10.5%. This loan will mature in a year. On December 31, 2008, EJM had settled this loan.

c. PT Bank Agroniaga Tbk

Based on Credit Agreement No. 73 dated June 23, 2004, of which has been renewed by Credit Agreement No. 47 dated February 26, 2007, PT Gowa Makassar Tourism Development Tbk (GMTD), a subsidiary, obtained 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 credit of Rp 32,000,000,000 for 12 months period and annual interest rate of 15%. This loan has been extended up to September 30, 2009.

This facility is 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 on HGB No. 20588 located in Tanjung Merdeka, Kecamatan Tamalate, Makassar, South Sulawesi Province registered under the name of GMTD.

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As of December 31, 2008 and 2007, the outstanding balance of this loan is amounting to Rp 31,500,000,000 and Rp 32,000,000,000, respectively.

d. PT Bank Permata Tbk

The loan obtained by PT East Jakarta Medika (EJM), a subsidiary, on August 29, 2003, has maximum limit of Rp 50,000,000,000 with annual interest rates ranging from 14.5% to 18.5%. This loan is secured by EJM assets (see Note 12) 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 repayment of the loan has been completed.

The term loan facility is available for the period of 18 months from the date of agreement and can be extended on demand by EJM.

As of December 31, 2008 and 2007, the outstanding balance of this loan is amounting to Rp 3,755,127,576 and Rp 6,760,769,551, respectively.

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.

Based on the deed of amendment to Credit Agreement No. 46 of the same Notary concerning the change credit maturity period, TL I will due on September 30, 2008, and TL II will due on November 18, 2008. 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. This loan, among others, was used to refinance loan previously obtained from PT Bank Lippo Tbk.

Subsequently, 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 with annual interest rate of time deposit + 1%, and replace all collaterals with certificate of Time Deposit amounting to Rp 3,500,000,000.

The Company had settled these loans on December 31, 2008.

f. Bond

| | 2008 Rp | 2007 Rp |
|---------------------------------------|---------------------------------|---------------------------------|
| Nominal (USD 250,000,000) | 2,737,500,000,000 | 2,354,750,000,000 |
| Bond Issuance Cost - Net | (27,171,676,647) | (39,380,122,532) |
| Total | <u>2,710,328,323,353</u> | <u>2,315,369,877,468</u> |
| Bond Issuance Costs | 65,176,216,045 | 65,176,216,045 |
| Less: Accumulated Amortization | (38,004,539,398) | (25,796,093,513) |
| Unamortized Bond Issuance Cost | <u>27,171,676,647</u> | <u>39,380,122,532</u> |

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On March 9, 2006, Lippo Karawaci Finance B.V., a subsidiary, issued unsecured bonds with nominal value of USD 250,000,000 and annual interest rate of 8.875% at Singapore Stock Exchange. The bond has 5 years period and will due on March 9, 2011. Payment of interest are conducted every 6 months. As of December 31, 2008 and 2007, the outstanding accrued interest expense is amounting to Rp 73,847,424,498 (USD 6,744,057) and Rp 64,975,299,969 (USD 6,898,323), respectively.

The Company entered into Non Deliverable USD Call Spread Option facility agreements with certain third parties to hedge this foreign currency bond (see Note 31.j).

g. Promissory Notes

The Company issued bearing promissory notes with an annual interest rate of 15% that are managed by Asia Growth Investment Limited, Malaysia. On October 22, 2008, promissory notes amounted to Rp 20,959,804,688 has been extended to December 24, 2009. As of December 31, 2008 and 2007, the outstanding balance of interest payable on these promissory notes is amounting to Rp 497,867,142 and Rp 995,734,284, respectively.

h. PT Ciptadana Multifinance

On August 7, 2006, PT Lippo Cikarang Tbk, a subsidiary, and PT Ciptadana Multifinance entered into factoring facility agreement with maximum facility of Rp 75,000,000,000 for the period up to August 7, 2011 and annual interest rate of 18%. In 2008 and 2007, total interest expense was Rp 3,665,778,967 and Rp 1,858,618,055, respectively.

16. Accrued Expenses

| | 2008 | 2007 |
|----------------------------------|------------------------|------------------------|
| | Rp | Rp |
| Estimated Cost for Construction | 248,877,014,059 | 183,946,422,396 |
| Interest | 76,105,146,906 | 67,071,107,386 |
| Hedging Premium | 20,170,873,333 | 17,416,790,638 |
| Salaries and Employees' Benefits | 13,067,730,711 | 12,422,865,514 |
| Endowment Care Fund | 8,038,969,369 | -- |
| Professional Fees | 6,172,341,980 | 10,900,293,408 |
| Electricity, Water and Telephone | 3,500,880,610 | 4,703,823,947 |
| Supplies | 582,179,427 | 1,929,678,726 |
| Marketing | 224,601,817 | 161,414,661 |
| Others | 35,272,456,939 | 38,132,511,312 |
| Total | 412,012,195,151 | 336,684,907,988 |

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17. Taxation

a. Income Tax Expense

| | 2008 Rp | 2007 Rp |
|---------------------------------|-------------------------|--------------------------|
| Current | (46,771,645,647) | (100,634,382,672) |
| Deferred | | |
| Arising from Timing Differences | (23,126,073,268) | (15,168,216,748) |
| Arising from Tax Rate Change | (4,929,821,904) | -- |
| | (28,055,895,172) | (15,168,216,748) |
| Total | (74,827,540,819) | (115,802,599,420) |

Reconciliation between income before income tax expense as presented in the consolidated statements of income, and the Company's taxable income is as follows:

| | 2008 Rp | 2007 Rp |
|---|-----------------------|-----------------------|
| Income before Income Tax Expense According to the Consolidated Statements of Income | 471,685,528,610 | 484,273,664,800 |
| <i>Deduct:</i> | | |
| Income from Subsidiaries | (348,261,269,470) | (159,645,386,794) |
| Elimination of Transactions Related to Consolidated Subsidiaries | (54,880,629,921) | (236,352,849,797) |
| The Company's Commercial Income | 68,543,629,219 | 88,275,428,209 |
| Timing Differences | | |
| Salaries and Employees' Benefits | 6,710,224,132 | 6,776,059,707 |
| Amortization of Deferred Charges | 946,924,393 | 979,983,285 |
| Gain on Sale of Property and Equipment | 242,594,201 | 478,845,179 |
| Provision for Doubtful Accounts | 238,265,732 | 13,512,850 |
| Depreciation of Assets Under Finance Lease | 232,425,406 | 241,355,406 |
| Interest on Lease Obligations | 95,410,509 | 217,812,929 |
| Payments of Obligations Under Finance Lease | (527,828,860) | (668,102,827) |
| Depreciation of Direct Ownership of Property and Equipment | (6,535,116,539) | (4,424,919,070) |
| Deferred Gain on Sale and Leaseback Transactions | (7,303,446,744) | (7,303,446,744) |
| | (5,900,547,770) | (3,688,899,285) |
| Permanent Differences | | |
| Vehicles Rent Expense | 3,573,047,612 | 3,998,426,235 |
| Donation and Representation | 619,454,701 | 824,993,187 |
| Interest Income | (11,655,141,061) | (24,827,505,138) |
| Income Subject to Final Tax - Net | (15,041,183,019) | (18,076,483,710) |
| Others | 113,962,180 | 1,703,195,728 |
| | (22,389,859,587) | (36,377,373,698) |
| Taxable Income | 40,253,221,862 | 48,209,155,226 |

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

| | 2008 Rp | 2007 Rp |
|---|------------------------|------------------------|
| Taxable Income | 40,253,221,862 | 48,209,155,226 |
| Progressive Rates | 12,058,466,559 | 14,445,246,567 |
| Tax Credit | (12,058,466,559) | (14,445,246,567) |
| Estimated Income Tax Article 29 of the Company | -- | -- |
| Subsidiaries | | |
| Taxable Income | 126,568,944,163 | 222,932,470,766 |
| Progressive Rates | 34,713,179,088 | 86,189,136,105 |
| Tax Credit | (9,537,519,531) | (6,067,339,115) |
| Estimated Income Tax Article 29 of the Subsidiaries | 25,175,659,557 | 80,121,796,990 |
| Consolidated Income Tax Payable | 25,175,659,557 | 80,121,796,990 |
| Prior Years Income Tax Article 29 | 91,781,593,826 | 124,105,482,461 |
| Consolidated Income Tax Article 29 | 116,957,253,383 | 204,227,279,451 |

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

| | 2008 Rp | 2007 Rp |
|---|-------------------------|--------------------------|
| Income before Income Tax Expense According to the Consolidated Statements of Income | 471,685,528,610 | 484,273,664,800 |
| <i>Deduct:</i> | | |
| Income of Subsidiaries | (348,261,269,470) | (159,645,386,794) |
| Elimination of Transactions Related to Consolidated Subsidiaries | (54,880,629,921) | (236,352,849,797) |
| The Company's Commercial Income | 68,543,629,219 | 88,275,428,209 |
| Income Tax Calculated by Multiplying with Rate of 30% | (20,545,588,766) | (26,465,128,463) |
| Income Subject to Final Income Tax - Net | 4,512,354,906 | 5,422,945,113 |
| Interest Income | 3,496,542,318 | 7,448,251,541 |
| Donation and Representation | (185,836,410) | (247,497,955) |
| Vehicles Rent Expense | (1,071,914,284) | (1,199,527,871) |
| Deferred Tax Arising from Timing Differences | 387,137,313 | -- |
| Deferred Tax Arising from Tax Rate Change | (2,833,301,715) | -- |
| Others | (34,188,654) | (510,958,717) |
| Total Income Tax Expense of the Company | (16,274,795,292) | (15,551,916,353) |
| Current Tax of the Subsidiaries | (34,713,179,088) | (86,189,136,105) |
| Deferred Tax of the Subsidiaries | (23,839,566,439) | (14,061,546,962) |
| Total Income Tax Expense of the Subsidiaries | (58,552,745,527) | (100,250,683,067) |
| Total Income Tax Expense | (74,827,540,819) | (115,802,599,420) |

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b. Deferred Tax Assets

In 2009, there will be a new tax regulation, among others, the changes of tax rate. Deferred tax is calculated using tax rate of 28%, replacing the previous tax rate of 30%.

Detail of deferred tax assets and liabilities as presented in the consolidated balance sheets as of December 31, 2008 and 2007 is as follows:

| | 2006 | Charged to | 2007 | Charged to | 2008 |
|--|-------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | | Statements of | | Statements of | |
| | Rp | Income | Rp | Income | Rp |
| | | Rp | | Rp | |
| The Company | | | | | |
| Allowance for Doubtful Accounts | 14,814,251,442 | 4,053,855 | 14,818,305,297 | (10,622,486,245) | 4,195,819,052 |
| Estimated Liabilities on Employees' Benefits | 12,111,124,636 | 2,032,817,912 | 14,143,942,548 | 1,317,444,608 | 15,461,387,156 |
| Amortization of Deferred Income from Sale and Lease Back Transactions | 32,853,491,764 | (2,191,034,023) | 30,662,457,741 | (4,195,976,938) | 26,466,480,803 |
| Amortization of Deferred Expense | (742,887,746) | 293,994,986 | (448,892,761) | 295,065,014 | (153,827,747) |
| Depreciation | (14,874,939,064) | (1,246,502,515) | (16,121,441,579) | 9,817,806,326 | (6,303,635,253) |
| Others | 828,181,498 | -- | 828,181,498 | (828,181,498) | -- |
| | <u>44,989,222,530</u> | <u>(1,106,669,786)</u> | <u>43,882,552,744</u> | <u>(4,216,328,733)</u> | <u>39,666,224,011</u> |
| Subsidiaries | <u>67,252,396,044</u> | <u>(14,061,546,962)</u> | <u>53,190,849,082</u> | <u>(23,839,566,439)</u> | <u>29,351,282,643</u> |
| Deferred Tax Assets | <u>112,241,618,574</u> | <u>(15,168,216,748)</u> | <u>97,073,401,826</u> | <u>(28,055,895,172)</u> | <u>69,017,506,654</u> |

c. Taxes Payable

| | 2008 | 2007 |
|-----------------------|-------------------------------|-------------------------------|
| | Rp | Rp |
| Income Tax | | |
| Article 25/29 | 116,957,253,383 | 204,227,279,451 |
| Article 21 | 15,061,158,877 | 17,963,802,949 |
| Article 4 (2) - Final | 7,869,545,701 | 392,564,752 |
| Article 23 | 2,302,838,948 | 11,695,458,386 |
| Article 26 | 596,435,645 | 5,457,902,791 |
| Article 15 | 72,000,000 | -- |
| Value Added Tax | 34,744,445,886 | 49,351,391,019 |
| Government Sales Tax | 2,091,685,553 | 2,079,240,990 |
| Entertainment Tax | 610,156,664 | 629,247,821 |
| Total | <u>180,305,520,657</u> | <u>291,796,888,159</u> |

18. Advance from Customers

| | 2008 | 2007 |
|-----------------------------------|---------------------------------|-------------------------------|
| | Rp | Rp |
| Third Parties | | |
| Apartment | 948,216,008,842 | 355,992,676,387 |
| Residential Houses and Shophouses | 125,019,252,196 | 178,109,325,866 |
| Land Lots | 62,215,206,116 | 14,654,228,557 |
| Maintenance | 5,611,747,406 | 3,981,158,139 |
| Shopping Centers | 785,156,172 | 2,426,697,735 |
| Others | 7,119,660,037 | 10,581,439,181 |
| Total | <u>1,148,967,030,769</u> | <u>565,745,525,865</u> |

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19. Deferred Income

| | 2008 Rp | 2007 Rp |
|--|-------------------------------|-------------------------------|
| Related Parties | | |
| Rent (see Note 9) | 459,603,931,432 | 470,887,647,712 |
| Third Parties | | |
| Rent | 53,255,630,277 | 26,794,154,840 |
| Excess of Net Assets over Acquisition Cost | 51,673,228,669 | 55,080,254,737 |
| Others | 8,075,234,111 | 10,778,022,752 |
| | <u>113,004,093,057</u> | <u>92,652,432,329</u> |
| Total | <u>572,608,024,489</u> | <u>563,540,080,041</u> |

20. Deferred Gain on Sale and Leaseback Transactions

| | 2008 Rp | 2007 Rp |
|--|-------------------------------|-------------------------------|
| 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 |
| Exchange Differences | 96,668,978,854 | 15,890,908,428 |
| Amortization | <u>(98,048,403,546)</u> | <u>(47,871,677,433)</u> |
| Net | <u>714,232,036,619</u> | <u>683,630,692,306</u> |

Deferred gain on sale and leaseback transactions is amortized proportionally over 15 years of lease period using the straight line method (see Note 31.i).

21. Estimated Liabilities on Employees' Benefits

The Company and 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, 2008 was calculated by independent actuaries, which are PT Pointera Aktuarial Strategis and PT Dayamandiri Dharmakonsilindo whose reports dated January 15, 2009 and January 20, 2009. Estimated liabilities on employees' benefits as of December 31, 2007 was calculated by independent actuaries, which are PT Pointera Aktuarial Strategis and PT Dayamandiri Dharmakonsilindo whose reports dated February 4, 2008, and January 3, 2008, respectively. As of December 31, 2008 and 2007, the Company and subsidiaries have 3,701 and 4,107 permanent employees, respectively.

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

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Employees' benefits expense recognized in the statements of income:

| | 2008 Rp | 2007 Rp |
|--|----------------------|-----------------------|
| Current Service Cost (Acquired Benefits during the Current Year) | 21,601,130,863 | 21,870,128,567 |
| Interest Expense | 12,248,380,052 | 10,484,269,147 |
| Past Service Cost (Non Vested) | 872,004,518 | 575,071,918 |
| Amortization of Actuarial Adjustment | (12,298,000) | -- |
| Recognized Actuarial (Gain) Loss | (2,137,970,762) | (1,244,197,766) |
| Correction of Previous Year Expense | (2,541,161,912) | -- |
| Expected Return from Program of Assets | (4,428,306,223) | (3,537,936,687) |
| Net Contribution Paid to Program of Assets | (4,730,540,105) | (3,605,709,838) |
| Estimated Payment Current Year | (14,828,768,003) | (11,224,678,349) |
| Total Employees' Benefits Expense | 6,042,470,428 | 13,316,946,992 |

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

| | 2008 Rp | 2007 Rp |
|---|------------------------|-----------------------|
| Liabilities at Beginning of the year | 96,729,382,177 | 84,589,868,185 |
| Payment of Employees' Benefit in Current Year | (19,578,000) | -- |
| Company's Contribution | (1,305,650,000) | (1,177,433,000) |
| Recognized Employees' Benefit Expense in Current Year | 6,042,470,428 | 13,316,946,992 |
| Estimated Employees' Benefits Liabilities as at Balance Sheet Date | 101,446,624,605 | 96,729,382,177 |

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

| | |
|---|-------------------------|
| Interest Rates | : 12% (2007: 10% - 11%) |
| Salary Increase Projection Rate | : 10% |
| Mortality Rate | : 100% TMI2 and CSO'80 |
| Permanent Disability Rate | : 5% |
| Withdrawal Rate | : 1% per year |
| Proportion Method Intake of Normal Pension Method | : 100% |
| Method | : Projected Unit Credit |

The Company and subsidiaries have established defined benefit pension plans covering all their permanent employees. Pension contribution expense charged to consolidated statements of income is amounting to Rp 7,927,643,674 and Rp 6,628,257,213 as of December 31, 2008 and 2007, respectively.

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22. Capital Stock

The Company's stockholders composition as of December 31, 2008 and 2007 is as follows:

| Stockholders | Total Shares | Percentage of Ownership % | Issued and Fully Paid Rp |
|------------------------------|-------------------------|--|---|
| 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 |
| Total | 17,302,151,695 | 100.00 | 1,730,215,169,500 |

Based on decision of Extraordinary Shareholders General Meeting as covered by notarial deed No. 70 of Unita Christina Winata, SH, dated November 30, 2007, the shareholders approved, 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 Justice and Human Rights of the Republic Indonesia in his Letter No. C-UM.HT.01.10-5006, dated December 3, 2007.

Based on decision 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. The deed has been received and recorded by the Minister of Justice 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.

23. Additional Paid-in Capital - Net

| | Rp |
|--|--------------------------|
| Public Offering I | |
| Premium on Stock | 87,283,750,000 |
| Stock Issuance Cost | (11,844,180,664) |
| Sub Total | 75,439,569,336 |
| Public Offering II | |
| Premium on Stock | 485,048,197,150 |
| Stock Issuance Cost | (7,442,812,013) |
| Sub Total | 477,605,385,137 |
| Premium on Exercising Warrant Series I | 659,475,970,000 |
| Excess of Market Value Over Par Value of Stock Issued in Business Combination Exercised under Purchase Method | 91,701,282,075 |
| Total | 1,304,222,206,548 |

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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.

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

| | <u>Rp</u> |
|---|-------------------------------|
| Transactions arising 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 arising 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> |
| Total | <u>149,144,092,881</u> |

Difference arising from the restructuring transaction of PT Saptapersada Jagatnusa (SPJN), was incurred during the acquisition of SPJN by the Company in 2001.

Difference arising from restructuring transactions of entities under common control from business combination amounted to Rp 190,663,253,676, Rp (196,519,120,943), and Rp 159,677,075,500, respectively, was incurred from the merger of 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 nominal value of new shares issued by the Company.

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25. Cash Dividend and Reserved Fund

Based on decision of Annual Shareholders General Meeting Resolution as covered by notarial deed No. 22 of Unita Christina Winata, SH, dated May 24, 2007, it was decided, among others, the disbursement of cash dividend and reserved fund amounted to Rp 31,974,376,353 and Rp 200,000,000, respectively from 2006 retained earnings.

Based on Shareholders General Meeting Resolution as covered by notarial deed No. 12 of Unita Christina Winata, SH, dated March 19, 2008, it was decided, among others, the decisions of no cash dividend for the year ended December 31, 2007 and appropriate for reserved fund amounted to Rp 1,600,000,000 from 2007 retained earnings.

26. Net Sales, Services and Other Revenues

| | 2008 Rp | 2007 Rp |
|--|---------------------------------|---------------------------------|
| Housing and Land Development: | | |
| Land Lots | 404,157,417,715 | 315,582,972,784 |
| Apartment, Residential Houses and Shophouses | 383,803,900,433 | 199,475,123,743 |
| Hotel Building and Others | 361,015,403,071 | -- |
| Memorial Park | 51,452,063,477 | 55,543,963,030 |
| Shopping Centers | 35,032,042,521 | 447,202,544,423 |
| | <u>1,235,460,827,217</u> | <u>1,017,804,603,980</u> |
| Healthcare and Hospitals: | | |
| Inpatient Department | | |
| Medical Support Services | 171,776,830,463 | 151,898,063,100 |
| Drugs and Medical Supplies | 161,392,073,055 | 137,903,732,788 |
| Ward Fees | 63,881,277,056 | 62,717,056,530 |
| Administration Fees | 23,342,425,888 | 19,545,458,447 |
| Operating Theater | 14,798,171,582 | 13,584,400,500 |
| Delivery Fees | 851,808,750 | 1,155,060,500 |
| Others | 16,050,206,493 | 7,732,483,267 |
| Outpatient Department | | |
| Medical Support Services | 178,987,162,072 | 169,070,053,015 |
| Professional Fees | 102,137,517,308 | 55,136,426,028 |
| Registration Fees | 9,836,332,813 | 8,395,619,582 |
| | <u>743,053,805,480</u> | <u>627,138,353,757</u> |
| Hospitality and Infrastructure: | | |
| Hotel and Restaurants | 226,136,567,683 | 187,323,915,704 |
| Management Fees | 102,618,961,673 | 42,196,162,958 |
| Town Management | 78,271,058,266 | 62,776,744,799 |
| Water and Sewage Treatment | 62,339,682,040 | 57,216,301,873 |
| Asset Enhancement | 53,448,618,193 | 35,422,355,361 |
| Recreation and Sports | 41,652,814,452 | 44,998,000,380 |
| Others | 10,324,383,086 | 16,477,547,784 |
| | <u>574,792,085,393</u> | <u>446,411,028,859</u> |
| Total | <u>2,553,306,718,090</u> | <u>2,091,353,986,596</u> |

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Management fees revenue represents revenue of shopping centers management services and as manager of REIT.

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

27. Cost of Sales and Services

| | 2008 | 2007 |
|--|---------------------------------|-------------------------------|
| | Rp | Rp |
| Housing and Land Development: | | |
| Apartment, Residential Houses and Shophouses | 260,883,832,584 | 137,729,618,627 |
| Hotel Building and Others | 155,932,867,990 | -- |
| Land Lots | 142,814,688,362 | 80,857,061,934 |
| Shopping Centers | 18,218,695,174 | 134,377,201,113 |
| Memorial Park | 10,511,588,177 | 8,665,306,725 |
| | <u>588,361,672,287</u> | <u>361,629,188,399</u> |
| Healthcare and Hospitals: | | |
| Inpatient Department | | |
| Salaries and Employees' Benefits | 171,277,806,886 | 152,191,954,172 |
| Drugs and Medical Supplies | 110,518,534,560 | 84,874,499,066 |
| Clinical Supplies | 15,423,988,246 | 9,987,179,928 |
| Depreciation | 12,350,373,118 | 10,722,339,673 |
| Food and Beverages | 11,374,185,666 | 10,048,521,172 |
| Repair and Maintenance | 7,404,788,798 | 4,219,509,275 |
| Others | 12,001,661,149 | 4,107,444,294 |
| Outpatient Department | | |
| Salaries and Employees' Benefits | 104,107,404,415 | 79,877,232,565 |
| Drugs and Medical Supplies | 83,044,077,722 | 85,079,856,216 |
| Clinical Supplies | 12,373,708,407 | 8,935,135,885 |
| Depreciation | 7,954,322,267 | 7,502,915,413 |
| Repair and Maintenance | 4,708,540,857 | 2,766,959,153 |
| Others | 3,870,790,830 | 2,333,781,643 |
| | <u>556,410,182,921</u> | <u>462,647,328,455</u> |
| Hospitality and Infrastructure: | | |
| Hotel and Restaurants | 102,969,405,436 | 75,122,774,029 |
| Town Management | 34,721,493,714 | 30,956,705,462 |
| Water and Sewage Treatment | 28,974,428,509 | 25,138,442,349 |
| Recreation and Sports | 16,128,623,559 | 17,587,214,950 |
| Others | 6,928,286,133 | 12,142,461,335 |
| | <u>189,722,237,351</u> | <u>160,947,598,125</u> |
| Total | <u>1,334,494,092,559</u> | <u>985,224,114,979</u> |

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28. Operating Expenses

a. Selling

| | 2008 | 2007 |
|----------------------------------|------------------------|------------------------|
| | Rp | Rp |
| Marketing and Advertising | 60,310,191,566 | 52,394,403,036 |
| Salaries and Employees' Benefits | 36,957,260,183 | 30,360,316,058 |
| Management Fees | 9,647,235,669 | 7,611,288,070 |
| Repairs and Maintenance | 9,454,647,832 | 10,119,896,502 |
| Transportation and Accommodation | 7,287,724,656 | 7,715,824,416 |
| Office Supplies | 5,325,816,867 | 3,937,865,031 |
| Electricity and Water | 5,274,678,974 | 4,382,402,657 |
| Depreciation | 4,844,443,740 | 2,622,968,583 |
| Communication | 3,066,283,367 | 3,153,936,929 |
| Rent | 2,744,195,478 | 3,289,173,095 |
| Others | 3,618,379,128 | 1,930,412,253 |
| Total | 148,530,857,460 | 127,518,486,630 |

b. General and Administrative

| | 2008 | 2007 |
|----------------------------------|------------------------|------------------------|
| | Rp | Rp |
| Salaries and Employees' Benefits | 230,667,467,772 | 208,736,435,959 |
| Rent | 97,033,532,246 | 78,468,572,249 |
| Depreciation | 73,914,200,107 | 51,268,174,398 |
| Water and Electricity | 51,399,948,189 | 49,579,111,152 |
| Professional Fees | 27,713,515,797 | 22,495,765,352 |
| Repairs and Maintenance | 25,133,979,651 | 21,751,169,670 |
| Transportation and Accommodation | 24,324,376,171 | 22,460,689,393 |
| Office Supplies | 15,866,717,727 | 15,826,173,462 |
| Training and Seminar | 10,070,074,674 | 6,806,756,080 |
| Communication | 9,383,003,455 | 8,586,477,541 |
| Membership and Subscription Fees | 6,572,107,807 | 4,656,407,599 |
| Insurance | 6,002,630,309 | 5,813,914,726 |
| Bad Debt Expenses | 5,024,423,578 | 475,908,863 |
| Representation and Entertainment | 2,564,860,418 | 2,209,548,251 |
| Taxes | 2,452,871,607 | 2,118,647,452 |
| Others | 16,705,064,399 | 16,236,152,486 |
| Total | 604,828,773,907 | 517,489,904,633 |

29. Penalties Income - Net

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

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30. Interest Income - Net

| | 2008 Rp | 2007 Rp |
|------------------------------------|-----------------------|-----------------------|
| Interest Income | 49,427,340,165 | 58,447,371,846 |
| Interest Expenses | (34,498,280,529) | (9,837,345,621) |
| Total Interest Income - Net | 14,929,059,636 | 48,610,026,225 |

Interest income represents interest earned from investments, cash equivalents, and bank accounts (see Notes 3 and 4), while interest expense represents interest of loans (see Note 15).

31. Commitments and Contingencies

- a. On September 13, 1995, the Company entered into cooperation agreement for the construction and development of Karawaci Interchange and Crossing Gate of Jakarta-Merak with PT Jasa Marga (Persero) (JM), a state owned enterprise, which 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 subsidiaries entered into several agreements with contractors for development of their projects. As of December 31, 2008, total contract value amounting to Rp 403 billion.

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- 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 2,069,521,273 and Rp 2,312,243,262 in 2008 and 2007, respectively.

As of December 31, 2008 and 2007, management and incentive fees payables to Hyatt amounting to nil and Rp 639,602,902, respectively.

The agreement has ended on October 31, 2008 and there is no penalty incurred of this termination.

- 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 in 2008 and 2007 is amounting to Rp 222,222,222 and Rp 245,249,422, respectively.

- e. On August 20, 2004, the Company entered into 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 two 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.

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- 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.

- 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, 2008 was amounting to Rp 146,260,462,526. Difference between book value of assets transferred (see Note 20) 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, 2008 and 2007, the unrealized gain is amounting to Rp 43,750,000,000 and Rp 5,475,000,000, respectively.

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, 2008 and 2007, the unrealized gain is amounting to Rp 48,375,000,000 and Rp 10,100,000,000, 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, 2008 and 2007, the unrealized gain is amounting to Rp 48,750,000,000 and Rp 10,475,000,000, respectively.

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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, 2008 and 2007, the unrealized gain is amounting to Rp 87,500,000,000 and Rp 10,950,000,000, respectively.

On May 17, 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 2.59% 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, 2008 and 2007, the unrealized gain is amounting to Rp 43,750,000,000 and Rp 5,475,000,000, respectively.

On May 17, 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 9,200 to Rp 12,000 with annual Premium Rate of 2.49% 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, 2008 and 2007, the unrealized gain is amounting to Rp 43,750,000,000 and Rp 5,475,000,000, respectively.

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 35,000,000 and USD 25,000,000, respectively, with spread between Rp 8,250; Rp 9,200 and Rp 12,000 with annual Premium Rates of 2.2% and 1.86%, respectively, from Notional Amount. Premium will be paid on every March 9 and September 9. These facilities will due on March 9, 2011. As of December 31, 2008 and 2007, the unrealized gain is amounting to Rp 105,000,000,000 and Rp 7,665,000,000, 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, 2008 and 2007, the unrealized gain is amounting to Rp 26,250,000,000 and Rp 3,285,000,000, respectively.

- k. On September 19, 2008, the Company and Carbon Worldwide Sdn. Bhd. (CW) entered into agreement to organize A1 Grand Prix at Lippo Karawaci, Tangerang for the period of 2009 up to 2013. The Company shall pay USD 1,000,000 per annum and share to CW part of ticketing and others revenue in certain proportion as stated in the agreement.
- l. Based on Sale and Purchase Agreement No. 06 of Julijanti Sundjaja, SH, dated November 12, 2008, the Company entered into lease agreement with PT Matahari Putra Prima Tbk (MPPA) for period of 20 years started from opening date of St. Moritz with total rent expense amounting to Rp 324,259,600,000. The payment of rent shall be conducted on 3 phases. In January 2009, MPPA has paid the first phase amounting to Rp 129,703,840,000.
- m. Lippo-Mapletree Indonesia Retail Trust Management Ltd (LMIR TM), a subsidiary, entered into an agreement with HSBC Institutional Trust Services (Singapore) Limited, as trustee of Lippo-Mapletree Indonesia Retail Trust (LMIR Trust) effectively since listing date of LMIR Trust (November 14, 2007). Based on the agreement, LMIR TM will provide management services to LMIR Trust, among others, investment strategic and investment as well as divestment recommendation. For such services, LMIR TM shall receive certain amount as stated in the agreement.

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32. Segment Information

a. Primary Segment

| | 2008 | | | |
|--|---------------------------------------|-----------------------------------|---|---------------------------|
| | Housing and Land Development Rp | Healthcare and Hospitals Rp | Hospitality and Infrastructure Rp | Consolidated Rp |
| Revenues | | | | |
| External | 1,235,460,827,217 | 743,053,805,480 | 574,792,085,393 | 2,553,306,718,090 |
| Total Revenues | 1,235,460,827,217 | 743,053,805,480 | 574,792,085,393 | 2,553,306,718,090 |
| Result | | | | |
| Segment Results | 647,099,154,930 | 186,643,622,559 | 385,069,848,042 | 1,218,812,625,531 |
| Operating Expenses | | | | |
| Allocated Operating Expenses | 441,982,951,170 | 97,751,045,875 | 213,625,634,322 | 753,359,631,367 |
| Income from Operations | 205,116,203,760 | 88,892,576,684 | 171,444,213,720 | 465,452,994,164 |
| Interest Income (Expenses) - Net | 26,478,248,153 | (9,901,937,288) | (1,647,251,229) | 14,929,059,636 |
| Other Income (Expenses) - Net | (12,424,133,094) | 1,018,019,229 | (6,748,484,439) | (18,154,598,304) |
| Income from Associates | 5,508,752,799 | -- | 3,949,320,315 | 9,458,073,114 |
| Income before Tax Benefit (Expense) | 224,679,071,618 | 80,008,658,625 | 166,997,798,367 | 471,685,528,610 |
| Income Tax Benefit (Expense) | | | | |
| Current Tax | (30,972,226,080) | -- | (15,799,419,567) | (46,771,645,647) |
| Deferred Tax | (47,004,731,936) | 12,552,723,749 | 6,396,113,015 | (28,055,895,172) |
| Income Before Minority Interests | 146,702,113,602 | 92,561,382,374 | 157,594,491,815 | 396,857,987,791 |
| Minority Interests | (25,549,230,955) | -- | (436,423,079) | (25,985,654,034) |
| Net Income | 121,152,882,647 | 92,561,382,374 | 157,158,068,736 | 370,872,333,757 |
| Segment Assets | 10,057,422,504,639 | 397,118,362,435 | 1,275,392,526,393 | 11,729,933,393,467 |
| Investment in Associates | 55,450,665,901 | 2,393,151,241 | -- | 57,843,817,142 |
| Total Assets | 10,112,873,170,540 | 399,511,513,676 | 1,275,392,526,393 | 11,787,777,210,609 |
| Segment Liabilities | 6,535,326,165,583 | 213,498,525,990 | 178,986,190,880 | 6,927,810,882,453 |
| Capital Expenditures | 173,116,002,801 | 59,465,857,323 | 34,434,811,809 | 267,016,671,933 |
| Depreciation | 13,319,701,404 | 26,754,060,009 | 58,989,577,819 | 99,063,339,232 |
| Non Cash Expenses Other than Depreciation | 40,726,770,525 | 2,032,119,012 | -- | 42,758,889,537 |
| Cash Flows from Operating | | | | |
| Receipt from Customers | 1,337,466,100,899 | 732,783,938,149 | 605,762,372,131 | 2,676,012,411,179 |
| Payment to Third Parties | (1,279,992,155,618) | (523,619,948,614) | (262,038,926,763) | (2,065,651,030,995) |
| Others | (499,115,684,435) | (120,428,269,537) | (229,859,131,704) | (849,403,085,676) |
| Cash Flows from Operating | (441,641,739,154) | 88,735,719,998 | 113,864,313,664 | (239,041,705,492) |
| Cash Flows from Investing | | | | |
| Acquisition of Property and Equipment | (173,116,002,801) | (59,465,857,323) | (34,434,811,809) | (267,016,671,933) |
| Receipt from Investment | 29,343,745,614 | -- | -- | 29,343,745,614 |
| Others | (15,532,311,519) | 572,549,654 | (21,166,937,418) | (36,126,699,283) |
| Cash Flows from Investing | (159,304,568,706) | (58,893,307,669) | (55,601,749,227) | (273,799,625,602) |
| Cash Flows from Financing | | | | |
| Proceed from Loans | 80,593,724,254 | -- | -- | 80,593,724,254 |
| Repayment of Loans and Promissory Notes | (124,396,651,620) | (3,005,641,975) | (14,153,008,270) | (141,555,301,865) |
| Others | 56,580,341,757 | (27,584,320,017) | (35,726,816,595) | (6,730,794,855) |
| Cash Flows from Financing | 12,777,414,391 | (30,589,961,992) | (49,879,824,865) | (67,692,372,466) |

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| | 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 | 2,091,353,986,596 |
| Total Revenues | 1,017,804,603,980 | 627,138,353,757 | 446,411,028,859 | 2,091,353,986,596 |
| Result | | | | |
| Segment Results | 656,175,415,581 | 164,491,025,303 | 285,463,430,733 | 1,106,129,871,617 |
| Operating Expenses | | | | |
| Allocated Operating Expenses | 403,807,027,630 | 91,415,381,796 | 149,785,981,837 | 645,008,391,263 |
| Income from Operations | 252,368,387,951 | 73,075,643,507 | 135,677,448,896 | 461,121,480,354 |
| Interest Income (Expenses) - Net | 49,608,094,688 | (1,131,562,367) | 133,493,904 | 48,610,026,225 |
| Other Income (Expenses) - Net | (29,820,133,611) | (4,321,858,127) | (1,304,668,980) | (35,446,660,718) |
| Income from Associates | 8,270,005,534 | -- | 1,718,813,405 | 9,988,818,939 |
| Income before Tax Benefit (Expense) | 280,426,354,562 | 67,622,223,013 | 136,225,087,225 | 484,273,664,800 |
| Income Tax Benefit (Expense) | | | | |
| Current Tax | (93,929,335,853) | -- | (6,705,046,819) | (100,634,382,672) |
| Deferred Tax | (16,437,519,699) | 2,803,605,323 | (1,534,302,372) | (15,168,216,748) |
| Income Before Minority Interests | 170,059,499,010 | 70,425,828,336 | 127,985,738,034 | 368,471,065,380 |
| Minority Interests | (15,810,726,681) | 2,072,515,258 | (1,705,387,262) | (15,443,598,685) |
| Net Income | 154,248,772,329 | 72,498,343,594 | 126,280,350,772 | 353,027,466,695 |
| 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 | 8,925,478,130,201 | 344,136,956,108 | 1,263,756,661,770 | 10,533,371,748,079 |
| Segment Liabilities | 5,656,634,222,973 | 222,021,221,839 | 120,302,491,224 | 5,998,957,936,036 |
| 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 Customers | 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) |
| | (409,530,690,175) | 104,410,690,650 | 175,402,367,663 | (129,717,631,862) |
| 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 | 28,941,399,178 | -- | -- | 28,941,399,178 |
| Others | (14,996,265,113) | 594,879,062 | (3,527,935,622) | (17,929,321,673) |
| | (308,908,054,544) | (33,319,676,274) | (152,603,230,910) | (494,830,961,728) |
| 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 |
| | 1,307,973,260,315 | (67,355,350,429) | (14,738,559,294) | 1,225,879,350,592 |

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PT LIPPO KARAWACI Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2008 and 2007

(In Full Rupiah)

b. Secondary Segment

| | 2008 | | |
|--------------------------|---------------------------------------|-----------------------------------|---|
| | Housing and Land Development Rp | Healthcare and Hospitals Rp | Hospitality and Infrastructure Rp |
| | | | Consolidated Rp |
| Assets | | | |
| Foreign Countries | 2,802,654,353,318 | -- | 69,746,077,331 |
| Jabodetabek | 5,811,849,589,611 | 289,730,428,397 | 1,041,783,632,289 |
| East Java | 543,668,380,971 | 109,781,085,279 | -- |
| Riau | -- | -- | 2,997,319,311 |
| South Sulawesi | 442,405,865,409 | -- | -- |
| North Sumatera | 374,349,451,765 | -- | 160,865,497,462 |
| Bali | 137,945,529,466 | -- | -- |
| Total | 10,112,873,170,540 | 399,511,513,676 | 1,275,392,526,393 |
| Liabilities | | | |
| Foreign Countries | 2,785,601,562,392 | -- | 29,114,112,647 |
| Jabodetabek | 2,715,512,788,264 | 157,928,046,243 | 134,931,532,551 |
| East Java | 321,510,242,726 | 55,570,479,747 | -- |
| Riau | -- | -- | 6,432,642,136 |
| South Sulawesi | 341,426,872,798 | -- | -- |
| North Sumatera | 301,941,314,653 | -- | 8,507,903,546 |
| Bali | 69,333,384,750 | -- | -- |
| Total | 6,535,326,165,583 | 213,498,525,990 | 178,986,190,880 |
| Revenues | | | |
| Foreign Countries | -- | -- | 77,243,951,165 |
| Jabodetabek | 1,102,942,837,463 | 634,303,180,285 | 439,356,964,964 |
| East Java | 64,655,419,035 | 108,750,625,195 | -- |
| Riau | -- | -- | 15,705,992,797 |
| South Sulawesi | 61,587,086,336 | -- | -- |
| North Sumatera | 6,275,484,383 | -- | 42,485,176,467 |
| Bali | -- | -- | -- |
| Total | 1,235,460,827,217 | 743,053,805,480 | 574,792,085,393 |
| Net Income (Loss) | | | |
| Foreign Countries | (4,813,193,904) | -- | 38,210,468,494 |
| Jabodetabek | 150,466,708,983 | 85,365,243,398 | 134,667,200,799 |
| East Java | 4,141,738,746 | 7,196,138,976 | -- |
| Riau | -- | -- | (1,839,904,637) |
| South Sulawesi | 2,439,106,264 | -- | -- |
| North Sumatera | (30,334,090,709) | -- | (13,879,695,920) |
| Bali | (747,386,733) | -- | -- |
| Total | 121,152,882,647 | 92,561,382,374 | 157,158,068,736 |

370,872,333,757

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(In Full Rupiah)

| | 2007 | | |
|--------------------------|---------------------------------|-----------------------------|-----------------------------------|
| | Housing and Land Development | Healthcare and Hospitals | Hospitality and Infrastructure |
| | Rp | Rp | Rp |
| Assets | | | |
| Foreign Countries | 2,403,526,699,111 | -- | -- |
| Jabodetabek | 5,181,356,051,063 | 311,850,843,585 | 1,092,956,081,212 |
| East Java | 518,188,901,515 | 32,286,112,523 | -- |
| Riau | -- | -- | 4,355,570,842 |
| South Sulawesi | 439,687,944,596 | -- | 7,810,546,133 |
| North Sumatera | 382,718,533,916 | -- | 158,634,463,583 |
| Total | 8,925,478,130,201 | 344,136,956,108 | 1,263,756,661,770 |
| Liabilities | | | |
| Foreign Countries | 2,402,365,856,322 | -- | -- |
| Jabodetabek | 2,576,991,100,482 | 200,268,803,174 | 101,090,427,270 |
| East Java | 177,811,237,963 | 21,752,418,665 | -- |
| Riau | -- | -- | 6,656,387,031 |
| South Sulawesi | 344,422,596,784 | -- | 7,205,341,041 |
| North Sumatera | 155,043,431,423 | -- | 5,350,335,883 |
| Total | 5,656,634,222,973 | 222,021,221,839 | 120,302,491,224 |
| Revenues | | | |
| Foreign Countries | 22,661,564,723 | -- | -- |
| Jabodetabek | 605,500,122,953 | 534,514,998,054 | 395,510,941,687 |
| East Java | 173,880,277,155 | 92,623,355,703 | -- |
| Riau | -- | -- | 15,482,790,325 |
| South Sulawesi | 61,555,539,954 | -- | 32,029,856,458 |
| North Sumatera | 154,207,099,195 | -- | 3,387,440,389 |
| Total | 1,017,804,603,980 | 627,138,353,757 | 446,411,028,859 |
| Net Income (Loss) | | | |
| Foreign Countries | (8,349,597,408) | -- | -- |
| Jabodetabek | 119,500,821,062 | 62,516,811,668 | 121,307,817,294 |
| East Java | 45,070,241,755 | 9,981,531,926 | -- |
| Riau | -- | -- | (1,282,276,831) |
| South Sulawesi | 2,672,771,027 | -- | 8,356,379,142 |
| North Sumatera | (4,645,464,107) | -- | (2,101,568,833) |
| Total | 154,248,772,329 | 72,498,343,594 | 126,280,350,772 |

353,027,466,695

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(In Full Rupiah)

33. Assets and Liabilities Denominated in Foreign Currencies

| | 2008 | | | | | |
|---------------------------------|--------------------|-----------|------------|--------|-------|-------------------|
| | Foreign Currencies | | | | | Equivalent to |
| | USD | JPY | SGD | EUR | AUD | Rupiah |
| Assets | | | | | | |
| Cash and Cash Equivalent | 139,816,728 | 163,800 | 9,034,465 | 16.093 | 9,439 | 1,600,057,876,945 |
| Investments | 6,000,000 | -- | 24,913,917 | -- | -- | 255,220,166,619 |
| Accounts Receivable | 1,028,730 | -- | 382.797 | -- | -- | 14,176,664,640 |
| Other Receivables | 41,105,223 | -- | 2,909,879 | -- | -- | 472,238,695,651 |
| Other Assets | 49,950 | -- | 2,130,633 | -- | -- | 16,755,438,078 |
| Total Assets | 188,000,631 | 163,800 | 39,371,691 | 16.093 | 9,439 | 2,358,448,841,933 |
| Liabilities | | | | | | |
| Loan | 250,000,000 | -- | -- | -- | -- | 2,737,500,000,000 |
| Accounts Payable | 1,166,983 | 327,040 | 114,318 | 2,420 | -- | 13,725,109,461 |
| Other Payables | 49,500 | -- | -- | -- | -- | 542,025,000 |
| Accrued Expenses | 8,744,137 | -- | 1,339,463 | -- | -- | 105,938,083,659 |
| Total Liabilities | 259,960,620 | 327,040 | 1,453,781 | 2,420 | -- | 2,857,705,218,120 |
| Total Asset (Liabilities) - Net | (71,959,989) | (163,240) | 37,917,910 | 13,673 | 9,439 | (499,256,376,187) |
| | | | | | | |
| | 2007 | | | | | |
| | Foreign Currencies | | | | | Equivalent to |
| | USD | JPY | SGD | EUR | AUD | Rupiah |
| Assets | | | | | | |
| Cash and Cash Equivalent | 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) |

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For the Years Ended December 31, 2008 and 2007

(In Full Rupiah)

34. Contingencies

Based on the Legal Case Register No. 15/PDTG/2005/PN.TNG, No. 16/PDTG/2005/PN.TNG, and No. 17/PDTG/2005/PN.TNG dated January 24, 2005 and No. 77/PDTG/2005/PN.TNG, No. 78/PDTG/2005/PN.TNG, No. 79/PDTG/2005/PN.TNG, No. 80/PDTG/2005/PN.TNG and No. 81/PDTG/2005/PN.TNG dated April 12, 2005, respectively, Menanti Panjaitan, SH, Mayjen TNI (Purn) M.Y Amin Suyitno, SH, Rudy Andreas Tampi, Ng A Hwi, Ridwan Sunardi, Silvia Sunardi, Tansri Singaju Benui and Aida Sutjiono sued the Company (ex Lippo Land). Based on the case, it was stated that compensation was demanded due to the allegation that kiosks at Depok Town Square was sold to the above mentioned parties at the point where the land status was still under dispute (court case). In 2005, the land dispute case, based on the legal case Register No. 15-16-17, was cancelled by the Banten High Court, whilst the legal case Register No. 77-78-79-80-81 was rejected by Tangerang District Court's. Upon the judgement to the case aforesaid, the plaintiffs are pursuing remedy either by cassation through Supreme Court of the Republic Indonesia or by appeal through Banten High Court. According to the Company's legal counsel, the event will not influence nor threat the ownership status of the land on which Depok Town Square was built.

35. Earnings Per Share

The basic earnings per share calculation is as follows:

| | 2008 | 2007 |
|---|-----------------|-----------------|
| Net Income (Rupiah) | 370,872,333,757 | 353,027,466,695 |
| Weighted Average of Outstanding Shares (shares) | 17,302,151,695 | 15,015,963,393 |
| Basic Earnings per Share (Rupiah) | 21 | 24 |

36. Revised of Statements of Financial Accounting Standard (PSAK)

The following summarizes the revised PSAKs which were recently issued by the Indonesian Institute of Accountants and have not effectively applied to consolidated financial statements for the year ended December 31, 2008:

- a. PSAK 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures", contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interests, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This PSAK requires the disclosure of, among others, information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments. PSAK 50 (Revised 2006) supersedes PSAK 50, "Accounting for Certain Investments in Securities", and is applied prospectively for financial statements covering the periods beginning on or after January 1, 2010. Early application is encouraged and must be disclosed.

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For the Years Ended December 31, 2008 and 2007

(In Full Rupiah)

- b. PSAK 55 (Revised 2006), "Financial Instruments: Recognition and Measurement", establishes the principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This PSAK provides the definitions and characteristics of derivatives, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others. PSAK 55 (Revised 2006) supersedes PSAK 55 (Revised 1999), "Accounting for Derivative Instruments and Hedging Activities", and is applied prospectively for financial statements covering the periods beginning on or after January 1, 2010. Early application is encouraged and must be disclosed.
- c. PSAK 14 (Revised 2008), "Inventories", which prescribes the accounting treatment for inventories and provides guidance on the determination of inventory cost and its subsequent recognition as an expense, including any write-down to net realizable value, as well as guidance on the cost formulas used to assign costs to inventories. This revised PSAK is effective for financial statements beginning on or after January 1, 2009.

The Company and subsidiaries' management are currently studying the effect of the revised PSAKs and have not yet determined the related effects on the consolidated financial statements.

37. Management Responsibility on the Consolidated Financial Statements

The management of the Company is responsible for the preparation of the consolidated financial statements completed on February 2, 2009.



2008

Annual Report

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