

IMPORTANT NOTICE

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This offering circular has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantors, Citigroup Global Markets Singapore Pte. Ltd, Deutsche Bank AG, Singapore Branch, Merrill Lynch (Singapore) Pte. Ltd. and Credit Suisse (Singapore) Limited or any person who controls, or is a director, officer, employee, agent, representative or affiliate of, any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic form and the hard copy version available to you on request from Citigroup Global Markets Singapore Pte. Ltd, Deutsche Bank AG, Singapore Branch, Merrill Lynch (Singapore) Pte. Ltd. or Credit Suisse (Singapore) Limited.

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THETA CAPITAL PTE. LTD.

(incorporated in the Republic of Singapore with limited liability)

US\$150,000,000

7.0% SENIOR NOTES DUE 2022

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY



PT LIPPO KARAWACI TBK

(incorporated in the Republic of Indonesia with limited liability)

AND CERTAIN OF ITS SUBSIDIARIES

ISSUE PRICE: 100.0%

The US\$150,000,000 7.0% Senior Notes due 2022 (the “Notes”) to be issued by Theta Capital Pte. Ltd. (the “Issuer”) will bear interest from and including April 11, 2014 at the rate of 7.0% per annum payable semi-annually in arrear on April 11 and October 11 of each year (each, an “Interest Payment Date”) commencing on October 11, 2014.

The Issuer is a wholly-owned subsidiary of PT Lippo Karawaci Tbk. (the “Company”). The Issuer will contribute the net proceeds of the offering of Notes to Theta Kemang Pte. Ltd. (“Kemang”), a company incorporated in the Republic of Singapore with limited liability and a wholly-owned subsidiary of the Issuer. Kemang acts as a group financing company and will use the funds obtained from the Issuer to fund our corporate purposes by granting one or more loans or through other funding methods to the Company and/or its subsidiaries that guarantee the Notes. See “Use of Proceeds” and “The Issuer”.

Unless previously redeemed or purchased and cancelled as provided in the terms and conditions of the Notes (the “Conditions”), the Notes will be redeemed at their principal amount on April 11, 2022 (the “Maturity Date”). At any time on or after April 11, 2018, the Issuer may redeem the Notes, in whole or in part, at the redemption prices specified under “Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Optional Redemption”, plus accrued and unpaid interest, if any, to the redemption date. At any time prior to April 11, 2018, the Issuer may at its option redeem all or any portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined herein) and accrued and unpaid interest, if any, to the redemption date. At any time prior to April 11, 2017, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with proceeds from certain equity offerings at a redemption price of 107.0% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date. No later than 30 days following a Change of Control Triggering Event (as defined herein), the Issuer will make an offer to repurchase all Notes then outstanding at a purchase price equal to 101.0% of their principal amount plus accrued and unpaid interest, if any, to the Offer to Purchase Payment Date (as defined herein). The Notes are subject to redemption in whole but not in part, at 100.0% of their principal amount, together with accrued and unpaid interest to the date of repurchase, at the option of the Issuer at any time in the event of certain changes affecting taxes of the Republic of Singapore or the Republic of Indonesia (“Indonesia”). See “Terms and Conditions of the Notes — Redemption, Purchase and Cancellation”.

Payments on the Notes will be made in U.S. dollars without deduction for or on account of taxes imposed or levied by Indonesia or Singapore (and certain other jurisdictions) to the extent described under “Terms and Conditions of the Notes — Taxation”. The Company and certain of its subsidiaries described herein (together with the Company, the “Guarantors”) will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes (the “Guarantees”).

Investing in the Notes involves certain risks. See “Risk Factors” beginning on page 15 for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States. The Notes are being offered and sold outside the United States in reliance on Regulation S of the Securities Act (“Regulation S”). See “Subscription and Sale”.

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (“MAS”) and the Notes are offered by the Issuer pursuant to exemptions invoked under Sections 274 and 275 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA; (ii) to a relevant person pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

The Company has obtained approval-in-principle for the listing of the Notes on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The SGX-ST takes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of either us, this offering or the Notes.

The Notes will initially be represented by a global certificate (the “Global Certificate”), in registered form, which will be registered in the name of the nominee of the common depository for Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) and Euroclear Bank S.A./N.V. (“Euroclear”) on or about April 11, 2014. Except as described herein, definitive certificates (“Definitive Certificates”) evidencing holdings of Notes will not be issued in exchange for beneficial interests in the Global Certificate. See “Summary of Provisions Relating to the Notes While in Global Form”.

The Notes have been rated “Ba3” by Moody’s Investors Service, Inc. (“Moody’s”), “BB-” by Fitch Ratings (“Fitch”) and “BB-” by Standard and Poor’s Ratings Group, a division of McGraw-Hill Companies, Inc. (“Standard & Poor’s”). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Joint Global Coordinators

Citigroup

Deutsche Bank

Joint Bookrunners

Citigroup

Deutsche Bank

BofA Merrill Lynch

Credit Suisse

Financial Advisor

PT Ciptadana Capital

The date of this Offering Circular is April 4, 2014.

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We and the Issuer accept responsibility for the information contained in this Offering Circular. Having made all reasonable enquiries, we and the Issuer confirm that this Offering Circular contains all information with respect to the Issuer, us, the Notes and the Guarantees that is material in the context of the issue and the offering of the Notes, that the information in this Offering Circular is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Circular are honestly held, are not misleading in any material respect and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that neither we nor the Issuer are aware of any other facts the omission of which in our or its reasonable opinion might make this document as a whole or any of such information or the expression of any such opinions or intentions materially misleading, that all reasonable inquiries have been made by us or the Issuer to verify the accuracy of such information, and that this Offering Circular does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or that is necessary in order to make the statements herein, in the light of the circumstances under which they are made, not misleading.

This Offering Circular is confidential and has been prepared by us and the Issuer solely for use in connection with the issue and offering of the Notes described herein. Each of us and the Issuer and Citigroup Global Markets Singapore Pte. Ltd. (“Citigroup”), Deutsche Bank AG, Singapore Branch (“Deutsche Bank”) Merrill Lynch (Singapore) Pte. Ltd (“BofA Merrill Lynch”) and Credit Suisse (Singapore) Limited (together with Citigroup, Deutsche Bank and BofA Merrill Lynch, the “Joint Bookrunners”) reserves the right to reject any offer to subscribe for the Notes, in whole or in part, for any reason. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Any disclosure of any of the contents of this Offering Circular, without our prior written consent, is prohibited. Each prospective purchaser, by accepting delivery of the Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents attached hereto.

The distribution of this Offering Circular and the offering, sale or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by us and the Joint Bookrunners to inform themselves about and to observe any such restrictions. See “Subscription and Sale”. No action is being taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. No representation or warranty, express or implied, is made by the Joint Bookrunners or the Trustee as to the accuracy or completeness of the information set forth herein, and nothing contained in this Offering Circular is, or shall be relied upon as a promise or representation, whether as to the past or the future. None of the Joint Bookrunners, the Trustee, the Registrar, the Paying Agent and any Transfer Agent (each as defined herein) has independently verified any of such information and assumes no responsibility for its accuracy or completeness.

No person has been authorized to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, the Company or the Joint Bookrunners. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in our financial position since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Joint Bookrunners, the Trustee, the Registrar, the Paying Agent and the Transfer Agent do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Circular. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Bookrunners, the Trustee, the Registrar, the Paying Agent and the Transfer Agent or any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision. Each person contemplating making an investment in the Notes must make its own investigation and analysis of our creditworthiness and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. No person should construe the contents of this Offering Circular as legal, business or tax advice and each person should be aware that it may be required to bear the financial risks of any investment in the Notes for an indefinite period of time. Each person should consult its own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of an investment in the Notes.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of us, the Joint Bookrunners or any affiliate or representative of any of us or them to subscribe for or purchase, any Notes in any jurisdiction or in any circumstances in which such offer, invitation or solicitation is not authorized or to any person to whom it is unlawful to make such offer, invitation or solicitation.

Neither we nor the Joint Bookrunners nor any affiliate or representative of us or any of them are making any representation to any investor regarding the legality of an investment by such investor under applicable laws.

Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Notes or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Notes under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales and neither we nor the Joint Bookrunners shall have any responsibility therefor. For the avoidance of doubt, any disclosure of the contents of this Offering Circular, without our prior written consent, is prohibited.

This Offering Circular is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. This Offering Circular has not been approved or reviewed by any regulator which is a competent authority under the Prospectus Directive in the European Economic Area or in any other jurisdiction. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the offering contemplated in this Offering Circular as completed by a final Offering Circular in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any of the Joint Bookrunners to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Joint Bookrunners have authorized, nor do they authorize, the making of any offer of the Notes in circumstances in which an obligation arises for the Issuer or the Joint Bookrunners to publish or supplement a prospectus for such offer. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

In connection with the offering of the Notes, the Joint Bookrunners are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients nor for providing advice in relation to the issue.

In connection with the issue of the Notes, Citigroup (the “Stabilizing Manager”) (or persons acting on behalf of the Stabilizing Manager) may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager (or persons acting on its behalf) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) in accordance with all applicable laws and rules.

CONVENTIONS WHICH APPLY TO THIS OFFERING CIRCULAR

Market data used throughout this Offering Circular has been obtained from Knight Frank/PT. Willson Properti Advisindo and Frost & Sullivan, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, market research, while believed to be reliable, has not been independently verified. Although we believe that such industry publications, market research and publicly available information are reliable, we take responsibility for only the accurate reproduction and extraction of such information. Neither we nor the Joint Bookrunners makes any representation as to the accuracy or completeness of that information.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to “Indonesia” are references to the Republic of Indonesia. All references to the “Government” herein are references to the Government of the Republic of Indonesia. All references to “United States” or “US” herein are to the United States of America. All references to “United Kingdom” herein are to the United Kingdom of Great Britain and Northern Ireland. All references to “Singapore” herein are to the Republic of Singapore.

For convenience, certain U.S. dollar amounts have been translated into Rupiah amounts, based on the prevailing exchange rate on December 31, 2013 of Rp12,189 = US\$1.00, being the average of buying and selling rates of exchange for Rupiah against U.S. dollars quoted by Bank Indonesia on that date. Such translations should not be construed as representations that the Indonesian Rupiah or U.S. dollar amounts referred to could have been, or could be, converted into Rupiah or U.S. dollars, as the case may be, at that or any other rate or at all. See “Exchange Rates and Exchange Controls” for further information regarding rates of exchange between the Rupiah and U.S. dollar.

In this Offering Circular, “the Issuer” refers to Theta Capital Pte. Ltd., “Kemang” refers to Theta Kemang Pte. Ltd. and, unless the context otherwise requires, “we”, “us”, “our” and “the Company” refer to PT Lippo Karawaci Tbk. and its subsidiaries taken as a whole. “Greater Jakarta” refers, collectively, to the cities of Jakarta, Bogor, Tangerang, Bekasi and Depok.

PRESENTATION OF FINANCIAL INFORMATION

The financial information included in this Offering Circular has been derived from the consolidated financial statements of the Company. Unless otherwise indicated, financial information in this Offering Circular has been prepared in accordance with Indonesian Financial Accounting Standards (“Indonesian FAS”), which differs in significant respects from International Financial Reporting Standards (“IFRS”). For a summary of the significant differences between Indonesian FAS and IFRS, see “Summary of Certain Differences between Indonesian FAS and IFRS” included elsewhere in this Offering Circular. Unless otherwise indicated or otherwise required by the context, all references in this Offering Circular to “Rupiah” or “Rp” are to the lawful currency of Indonesia. References to “U.S. dollars” or “US\$” are to United States dollars, the lawful currency of the United States. References to “Singapore dollars” or “S\$” are to Singapore dollars, the lawful currency of the Republic of Singapore. Rounding adjustments have been made in calculating some of the financial information included in this Offering Circular. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

NON-GAAP/NON-IFRS FINANCIAL MEASURES

EBITDA as well as the related ratios presented in this Offering Circular are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with, Indonesian FAS or IFRS. EBITDA in this Offering Circular represents our income from operations under Indonesia FAS plus depreciation. EBITDA is not a measurement of financial performance or liquidity under Indonesian FAS or IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with Indonesian FAS or IFRS or as an alternative to cash flow from operating activities as a measure of liquidity. In addition, EBITDA is not a standardized term, hence a direct comparison between companies using such a term may not be possible.

We believe that EBITDA facilitates comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense and finance charges), tax positions (such as the impact on periods or companies of changes in effective tax rates

or net operating losses), the age and booked depreciation and amortization of assets (affecting relative depreciation and amortization of expense). EBITDA has been presented because we believe that it is frequently used by securities analysts, investors and other interested parties in evaluating similar companies, many of whom present such non-GAAP/non-IFRS financial measures when reporting their results. Finally, EBITDA is presented as a supplemental measure of our ability to service debt. Nevertheless, EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our financial condition or results of operations, as reported under Indonesian FAS. Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to invest in the growth of our business.

ENFORCEABILITY

Enforceability of Foreign Judgments in Indonesia and the Republic of Singapore

The Issuer is incorporated in the Republic of Singapore and the Company and the Subsidiary Guarantors are incorporated in Indonesia. One of the directors of the Issuer resides in the Republic of Singapore, while the other director of the Issuer resides in the Republic of Philippines and all of the Company's commissioners, directors and executive officers (and certain experts named in this Offering Circular) reside in Indonesia. The Issuer is a special-purpose company with limited assets, while all or a substantial portion of the Company's and the Subsidiary Guarantors' assets are located in Indonesia. As a result, it may not be possible for investors to effect service of process outside of Indonesia, including judgments, upon such persons, or to enforce against the Company and the Subsidiary Guarantors in an Indonesian court, judgments obtained in courts outside of Indonesia.

Judgments of English courts are not enforceable in Indonesian courts. A foreign court judgment could be offered and accepted into non-conclusive evidence in a proceeding on the underlying claim in an Indonesian court and may be given such evidentiary weight as the Indonesian court may deem appropriate in its sole discretion. A claimant may be required to pursue claims in Indonesian courts on the basis of Indonesian law. Re-examination of the underlying claim *de novo* would be required before the Indonesian court. There can be no assurance that the claims or remedies available under Indonesian law will be the same, or as extensive, as those available in other jurisdictions.

Pursuant to Articles 3, 11 (1) and 11 (2) of the Law No. 30 of 1999 regarding Arbitration and Alternative Dispute Resolution ("Law No. 30/1999"), a written arbitration agreement obviates the rights of the parties to bring a dispute in the Indonesian district court, which would otherwise have jurisdiction over civil disputes. Further, based on said law, such court has no authority to hear disputes where parties are bound by an arbitration agreement and is required to reject and not participate in the resolution of disputes which have already been adjudicated by arbitration, except in limited circumstances as provided in the Law No. 30/1999. In general, Indonesian courts should honor such arbitration agreements. However, there are a number of precedents whereby parties who lost (or expect to lose) an arbitration attempt to by-pass an arbitration agreement or award by bringing a lawsuit before an Indonesian district court on a theory of tort or fraud, and Indonesian courts have accepted the lawsuit on such basis and awarded damages to the losing party in the arbitration on the grounds of tort despite the clear agreement by the relevant parties to arbitrate.

There were also a number of cases in which foreign arbitral awards were annulled by the Indonesian courts. Pursuant to Article 70 of Law No. 30/1999, an application to annul an arbitration award may be made if any of the following conditions are alleged to exist: (i) letters or documents submitted in the hearings are acknowledged to be false or forged or are declared to be forgeries after the award has been rendered, (ii) after the award has been rendered, documents are found which are decisive in nature and which were deliberately concealed by the opposing party, or (iii) the award was rendered as a result of fraud committed by one of the parties to the dispute. The elucidation to Article 70 states: "...the basis for the annulment petition as mentioned in this article shall be evidenced by a court decision. If a court decides that the basis for the petition is with or without merit, then this court decision may be used as grounds for a judge to grant or reject the petition." Further, pursuant to Article 72 (2) of Law No. 30/1999, if the application (for annulment) is granted, the Chief Judge of the relevant Indonesian district court shall determine further the consequences of the annulment of the whole, or a part, of the arbitration award.

The Company has been advised by its Singapore Counsel, Stamford Law Corporation, that foreign court judgments are not automatically enforceable in the Republic of Singapore, unless that foreign country and Singapore are parties to a treaty providing for reciprocal recognition and enforcement of judgments. As Indonesia

and the Republic of Singapore do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters, a final and conclusive judgment for the payment of money rendered by any courts in Indonesia based on civil liability, would not be enforceable in Singapore as if it was a judgment of the Singapore court. However, if the party in whose favor such final judgment is rendered brings a new suit in a court of competent jurisdiction in Singapore, such party may submit to the Singapore court the final judgment that has been rendered in Indonesia as evidence of fact in relation to the claim for the money judgment. If and to the extent the Singaporean court finds that the jurisdiction of the court in Indonesia is an *in personam* final and conclusive judgment, which is also judgment for a definite sum of money, the Singapore court will, in principle, grant a Singapore judgment for the sum entered under the foreign judgment, without substantive re-examination or re-litigation on the merits of the subject matter thereof, unless such judgment was procured by fraud or its enforcement would be contrary to public policy in Singapore or that the proceedings in which it was obtained were contrary to natural justice.

The agreements entered into with respect to the issue of the Notes are governed by the laws of England. The recognition and enforcement in the Republic of Singapore of a judgment rendered by an English court will be subject to the provisions of the Reciprocal Enforcement of Commonwealth Judgments Act, Chapter 264 of Singapore. Each of the Issuer and the Guarantors will designate Law Debenture as its agent for service of process in England with respect to the Notes, the Guarantees, the Trust Deed (as hereinafter defined) and the Agency Agreement.

Enforceability of the Guarantees in Indonesia

Under the Indonesian Civil Code, a guarantor may waive its right to require the obligee to exhaust its legal remedies against the obligor's assets on a guaranteed obligation prior to the obligee exercising its rights under the related guarantee. The Guarantees contain a waiver of this obligation. Paragraph 1 of Article 1832 of the Indonesian Civil Code stipulates that once a guarantor has waived its rights to require a lender to exhaust its legal remedy against the obligor, such guarantor may no longer claim otherwise. However, the outcome of specific cases in the Indonesian legal system is subject to considerable discretion and uncertainty. See "Risk Factors — Risks Relating to the Notes and the Guarantees — Through the purchase of the Notes, the Noteholders may be exposed to a legal system subject to considerable discretion and uncertainty; it may be difficult or impossible for Noteholders to pursue claims under the Notes or the Guarantees." In addition, we have been advised by our Indonesian counsel that even though a guarantee contains such waiver, the guarantor may nevertheless require that the obligee must first prove that all available legal remedies against the obligor have, in fact, been exhausted. Accordingly, if such request is granted, we and/or the Subsidiary Guarantors may not be required to comply with our respective obligations under the Guarantees that we are providing in respect of the Notes until all legal remedies against the Issuer have been exhausted.

In several court cases in Indonesia, Indonesian companies that had defaulted on debt incurred through offshore financing entities (using structures involving a guarantee issued by an Indonesian company) have sued their creditors to, among other things, invalidate their debt obligations and have sought damages from creditors exceeding the original proceeds of the debt issued. In one case, which was subsequently settled, an Indonesian court annulled the transaction documents in a structure involving a guarantee issued by an Indonesian company for debt of an offshore subsidiary. In another case, an Indonesian court declared a loan agreement between an offshore entity and its creditors null and void, awarding damages to the defaulting borrower. The courts' reports of these decisions do not provide a clear factual basis of legal rationale for the judgments.

In a June 2006 decision, the Indonesian Supreme Court affirmed a lower court judgment that invalidated US\$500 million of notes issued through an offshore offering structure involving a guarantee issued by an Indonesian company with similar documentation to that contemplated in this offering of Notes and the Guarantees (the "June 2006 Decision"). The decision involved an Indonesian-listed company, PT Indah Kiat Pulp & Paper Tbk. ("Indah Kiat") as plaintiff and various parties as the defendants, whereby notes were issued through a Dutch subsidiary of Indah Kiat and guaranteed by Indah Kiat. The Indonesian Supreme Court upheld the decisions of a District Court and High Court in Indonesia in favor of Indah Kiat. The Indonesian courts ruled that the defendants (including the trustee, underwriter and security agent for the issuance of the notes) committed a tort (*perbuatan melawan hukum*), and therefore, the issuance of the notes was declared null and void. The courts nullified the notes by reasoning that the contracts made in relation to the notes were signed without any legal cause, and so did not meet the provision of Article 1320 of the Indonesian Civil Code which requires a legal cause as one of the elements for a valid agreement. The Indonesian courts accepted the plaintiff's argument that Indah Kiat acted both as a debtor and as a guarantor of the same debt even though on the facts of the case, Indah Kiat International Finance Company B.V. (Indah Kiat's Dutch subsidiary) established for the purpose of the

issuance of the notes, was the issuer of the notes and Indah Kiat was the guarantor of such notes. The Indonesian courts also ruled that the establishment of Indah Kiat International Finance Company B.V. was unlawful as it was established in order to avoid Indonesian withholding tax payments.

On August 19, 2008, the Indonesian Supreme Court granted civil review of the claim (*peninjauan kembali*) and annulled the June 2006 Decision described above. The Indonesian Supreme Court in its civil review decision stated that Indah Kiat had failed to prove that the transaction was an act of legal manipulation that caused damages to Indah Kiat. Therefore, the Indonesian Supreme Court concluded that the defendants did not commit any unlawful act. Further, the Indonesian Supreme Court maintained that it was clear that the money borrowed by Indah Kiat from its subsidiary originated from the issuance of notes, as evidenced in the recital of the relevant loan agreement, and thus the claim that the whole transaction was a manipulation of law had no merit. Moreover, with regard to the validity and enforceability of the security documents, the civil review stated that the security agreements would prevail as long as the underlying agreements were still valid and binding. On the tax issues, the civil review determined that the Indonesian Supreme Court had misapplied the tax law as such law did not prohibit tax saving, and thus the claim relating to tax was annulled. The civil review also stated that for certain New York law governed agreements in the transaction (such as the indenture, the loan agreement, the amended and restated loan agreement and the underwriting agreement), the claim should be brought to the appropriate court in the State of New York.

Despite the decision described above, and according to Indonesian Supreme Court records, in March 2009, the Supreme Court took a contrary view by refusing a civil review (the “March 2009 Decision”) of a judgment by the District Court of Kuala Tungkal, in South Sumatra, which invalidated US\$500 million of notes issued by APP International Finance Company, B.V. (“APPC”) and guaranteed by PT Lontar Papyrus Pulp & Paper Industry (“Lontar Papyrus”), a sister corporation of the Indonesian company, Indah Kiat, which was the plaintiff in the court case related to the June 2006 Decision. Lontar Papyrus’ legal arguments in its lower court case were fundamentally the same as those in the earlier cases by Indah Kiat, namely that, under the notes structure, the plaintiff was acting as both the debtor and guarantor for the same debt and, therefore, the structure was invalid. The Indonesian Supreme Court’s refusal to grant a civil review of the lower court’s decision effectively affirmed that court’s decision to invalidate all of the transaction documents, including Lontar Papyrus’ obligations under the notes and indicates that the verdict is now final. The Indonesian Supreme Court’s refusal to grant the civil review was based on reasons that the loan agreement between APPC and Lontar Papyrus and the indenture with regard to the issuance of notes required adjustment in order to comply with the prevailing laws and regulations in Indonesia. In addition, the fact that the loan had been paid in full by Lontar Papyrus to APPC under the relevant loan agreement resulted in Lontar Papyrus having no continuing outstanding legal obligation, either as debtor under the relevant loan agreement or as guarantor under the indenture. Lontar Papyrus and Indah Kiat are subsidiaries of Asia Pulp & Paper Company Ltd., and their original court cases against their creditors were filed at approximately the same time. While the lower court decisions in certain of these cases have been ultimately annulled by the Indonesian Supreme Court, as was the case in August 2008, it appears that the Indonesian Supreme Court has taken a contradictory view on the Lontar Papyrus case.

In September 2011, the Indonesian Supreme Court refused a civil review of a decision by the District Court of Bengkalis (whose judgment was the subject of the Indonesian Supreme Court’s June 2006 Decision and August 2008 Decision) (the “September 2011 Decision”), which invalidated the notes issued by Indah Kiat BV. The facts and legal claims presented by Indah Kiat BV were substantially the same as those made by Indah Kiat in the lower court cases that were the subject of the June 2006 Decision. The September 2011 Decision specifically noted that the Indonesian Supreme Court chose to not consider its August 2008 Decision despite such substantially similar facts and legal claims.

The Indonesian Supreme Court’s refusal to grant civil reviews of the lower court decisions in the March 2009 Decision and September 2011 Decision effectively affirmed the lower courts’ decisions to invalidate the relevant notes and the issuers’ and guarantors’ obligations under such notes, and such lower court decisions are now final and not subject to further review.

The Indonesian court decisions are not binding precedents and do not constitute a source of law at any level of the judicial hierarchy as would typically be the case in common law jurisdictions such as the United States and the United Kingdom. This means that while lower courts are not bound by the Indonesian Supreme Court decisions, such decisions have persuasive force. Therefore, there can be no assurance that in the future a court will not issue a similar decision to the June 2006 Decision mentioned above in relation to the validity and enforceability of the Notes and the Guarantees or grant additional relief to the detriment of noteholders, if the Issuer were to contest efforts made by noteholders to enforce these obligations.

For a description of potential limitations on enforcement against the Guarantors and the right of the holders of the Notes under the Guarantees, see “Risk Factors — Risks Relating to the Notes and the Guarantees — Indonesian companies have filed suits in Indonesian courts to invalidate transactions with offshore structures and have successfully brought legal action against lenders and other transaction participants. Moreover, such legal action has resulted in judgments against such defendants invalidating all obligations under the applicable debt instruments. Such legal action has also resulted in judgments against defendants in excess of the amounts borrowed” and “Risk Factors — Risks Relating to the Notes and the Guarantees — Through the purchase of the Notes, the noteholders may be exposed to a legal system subject to considerable discretion and uncertainty; it may be difficult or impossible for noteholders to pursue claims under the Notes or the Guarantees.”

Indonesian Regulation of Offshore Borrowings

Under Presidential Decree No. 59/1972, dated October 12, 1972, as amended by Presidential Decree No. 15/1991 dated March 18, 1991 (“PD 15/1991”), the Company is required, and if any of the Subsidiary Guarantors receive proceeds from the offering of the Notes through intercompany loans, the Subsidiary Guarantors are also required, to report particulars of their offshore borrowings to the Minister of Finance of Indonesia and Bank Indonesia, on the acceptance, implementation, and repayment of principal and interest. The Ministry of Finance Decree No. KEP-261/MK/IV/5/1973 dated May 3, 1973, as amended with the Ministry of Finance Decree No. 417/KMK.013/1989 dated May 1, 1989 and Ministry of Finance Decree No.279/KMK.01/1991 dated March 18, 1991, as the implementing regulation of this PD 15/1991, further sets forth the requirement to submit periodic reports to the Minister of Finance of Indonesia and Bank Indonesia on the effective date of the contract and each subsequent three-month period. In addition, under Presidential Decree No. 39/1991 dated September 4, 1991 (“PD 39/1991”), all offshore commercial borrowers, must submit periodic reports to the Offshore Commercial Borrowings Team (the “PKLN Team”) upon the implementation of their offshore commercial borrowing. PD 39/1991 does not stipulate either the time frame or the format or the contents of the periodic reports that must be submitted.

On December 21, 2012, Bank Indonesia issued Bank Indonesia Regulation No. 14/21/PBI/2012 (“PBI 14/21/2012”) on Foreign Exchange Reporting, which was effective as of January 1, 2013 and revoked (i) Bank Indonesia Regulation No. 13/15/PBI/2011, as amended by Bank Indonesia Regulation No. 14/4/PBI/2012 on Supervision of Foreign Exchange Traffic Activities of Non-Bank Institutions, (ii) Bank Indonesia Regulation No. 12/1/PBI/2010 on Offshore Borrowings of Non-Bank Companies, and (iii) Bank Indonesia Regulation No. 12/24/PBI/2010 on Offshore Loan Reporting Requirements. Indonesian companies, such as the Company, and/or individuals are required to submit a monthly foreign exchange report for any foreign exchange activities stipulated under PBI 14/21/2012, except in connection with any plan to obtain an offshore loan, to Bank Indonesia, by no later than the fifteenth day of the subsequent month. The foreign exchange activities report shall cover: (i) trade activities in goods, services and other transactions between residents and non-residents of Indonesia; (ii) the position and changes in the balance of foreign financial assets and/or foreign financial liabilities; and/or (iii) any plan to incur offshore loans and/or its implementation. The report shall include, among others, offshore financial assets including any changes, offshore liabilities including any changes, and offshore commitments and contingencies. Failure to comply with this Bank Indonesia Regulation will result in administrative sanctions. Any plan to obtain an offshore loan is required to be submitted to Bank Indonesia by no later than March 15 of the respective year when the plan is formulated by the company. In the event there is a change to the company’s plan to obtain an offshore loan, an amendment to such report must be submitted to Bank Indonesia by no later than July 1 of the year of such change. Further, an Indonesian company which obtains an offshore loan is also required to file its financial data with Bank Indonesia no later than June 15 and December 15 of each year. Failure to submit the foreign exchange report (other than the offshore loan plan report) could result in the imposition of an administrative sanction in the amount of Rp.10,000,000. Bank Indonesia will issue a warning letter and/or report to the authority, should the Indonesian companies and/or individuals fail to submit offshore loan report, change on the offshore loan plan report, and/or financial data. The aforementioned sanctions became effective as of 2014. According to PBI 14/21/2012, as implemented by Circular Letter of Bank Indonesia No. 15/16/DInt dated April 29, 2013, any non-bank entity that obtains offshore commercial borrowings in foreign currency and/or Rupiah pursuant to a loan agreement, debt securities, trade credits and other debts, except two step loans incurred by the government of Indonesia (which refer to loans made by international financial institutions that are distributed to Indonesian commercial and rural banks through Bank Indonesia to support the government’s programs), clearing accounts, savings and deposits, without any minimum amount requirement (in contrast to reporting obligations of an individual’s offshore borrowings which are required to be in an amount of at least US\$200,000 or its equivalent in any other currency) must submit reports to Bank Indonesia. The reports consist of the main data report and/or its amendment and the

recapitulation data report. The main data report must be submitted to Bank Indonesia no later than the 15th day of the following month at 14:00 Western Indonesia time after the signing of the loan agreement or the issuance of the debt securities and/or the debt acknowledgement over the trade credits and/or other loans, and a monthly recapitulation data report must be submitted to Bank Indonesia in no later than the 15th day of the following month at 24:00 Western Indonesia time, until the offshore commercial borrowing has been repaid in full. The Company has been advised by its Indonesian counsel that any failure to submit the required reports will subject the Guarantors to certain administrative sanctions in the form of fines, but will not invalidate the obligations of the Guarantors under their respective Guarantee. The sanctions will take effect against an offshore borrower for failure to submit an offshore borrowing report that is required to be submitted in February 2014.

Further to PBI 14/21/2012, Bank Indonesia has also issued Circular Letter of Bank of Indonesia No.15/17/Dint dated April 29, 2013 regarding Reporting on Foreign Exchange Traffic Activities in the Form of Offshore Borrowings Plan, Change of Offshore Borrowings Plan and Financial Information (“BI Letter 15/17/2013”). BI Letter 15/17/2013 stipulates that a company intending to obtain a long-term offshore loan, namely a loan with tenor of more than one year, is required to submit reports to Bank Indonesia on its rating assessment (where applicable), an offshore loan plan and management risk analysis, through an online system at the latest by March 15 of the respective year at 24:00 Western Indonesia Time, while any changes thereto must be submitted through an online system at the latest by July 1 of the respective year at 24:00 Western Indonesia Time. The procedure to submit such reports is stipulated in BI Letter 15/17/2013. In addition, a company that is incurring an offshore loan (regardless of the length of tenor) is required to submit reports on its financial information to Bank Indonesia through an online system, at the latest by June 15 and December 15 of each year. Failure to comply with BI Letter 15/17/2013 will result in administrative sanctions. The sanctions will take effect against offshore borrowers for any failure to submit an offshore borrowing plan report that is required to be submitted in March 2014.

On December 27, 2012, Bank Indonesia issued Bank Indonesia Regulation No. 14/25/PBI/2012 concerning the Export Proceeds Receipt and Offshore Loan Withdrawal in Foreign Exchange (“PBI 14/25/2012”). Under PBI 14/25/2012, each Indonesian debtor is required to withdraw its offshore loan (in foreign currencies) which originated from (i) a non-revolving loan agreement that is not used for refinancing purpose, (ii) a difference between the new loan and the refinanced loan, or (iii) debt securities (i.e. bonds, medium-term notes, floating rate notes, promissory notes and commercial paper) through foreign exchange banks located in Indonesia, and such withdrawal must be reported to Bank Indonesia. PBI 14/25/2012 also stipulates that the accumulated amount of withdrawals for an offshore loan must be equal to the commitment amount of such offshore loan as stated under the relevant offshore loan agreement. If the accumulated amount of withdrawals is not equal to the commitment amount of the offshore loan, the Indonesian debtor must provide a written explanation to Bank Indonesia. Any violation of PBI 14/25/2012 will subject Indonesian debtors to a fine of Rp.10,000,000 for each non-complying withdrawal.

Further, Bank Indonesia Regulation No. 13/22/PBI/2011 on Reporting Obligations of Offshore Loan Withdrawal (“PBI 13/22/PBI/2011”) stipulates that the report on the withdrawal of offshore loan as required under PBI 13/22/PBI/2011 must be submitted to Bank Indonesia each month (at the latest the 10th day of the following month). Failure to comply with the reporting obligation will subject the borrower to administrative sanctions.

LANGUAGE OF TRANSACTION DOCUMENTS

Pursuant to Law No. 24 of 2009 regarding Flag, Language, Coat of Arms and National Anthem enacted on July 9, 2009 (“Law No. 24/2009”), agreements to which Indonesian parties are a party are required to be executed in Bahasa Indonesia, although, when a foreign entity is a party, dual language documents in English or the national language of the foreign party are permitted. There exists substantial uncertainty regarding how Law No. 24/2009 will be interpreted and applied, and it is not certain that an Indonesian court would permit the English version to prevail or even consider the English version. See “Risk Factors — Risks Relating to the Notes and Guarantees — The Trust Deed and certain other documents entered into in connection with the issuance of the Notes have been or will also be prepared in Bahasa Indonesia as required under Indonesian Law. However, there can be no assurance that, in the event of inconsistencies between the Bahasa Indonesia and English language versions of these documents, an Indonesian court would hold that the English language versions of such documents would prevail”.

While the law itself came into effect on July 9, 2009, the implementing Presidential Regulation that has not yet been issued. In connection with the provision of Article 31 of Law No. 24/2009, the Minister of Law and Human

Rights of the Republic of Indonesia, in Letter No. M.HH.UM 01-01-35, dated December 28, 2009, regarding Law No. 24/2009 (the “MOLHR Clarification Letter”), which clarifies the use of Bahasa Indonesia pursuant to Law No. 24/2009. The MOLHR Clarification Letter stipulates that even though an agreement between Indonesian private entities (*lembaga swasta Indonesia*) is executed in English, it should not violate the provisions of Article 31 of Law No. 24/2009. As basis for this analysis, MOLHR Clarification Letter makes a reference to Article 40 of Law No. 24/2009, which states that the use of Bahasa Indonesia, including for the purposes of Article 31 of Law No. 24/2009, shall be further regulated by Presidential Regulations. Pursuant to the MOLHR Clarification Letter, until further implementing regulations of Article 31 of Law No. 24/2009 have been issued, an agreement between Indonesian private entities that is executed in English should not be deemed to have violated the provisions of Article 31 of Law No. 24/2009. However, until now, no implementing regulations have been issued. Hence, pursuant to the MOLHR Clarification Letter, any agreement that is executed in English without a Bahasa version is still legal and valid, and does not violate the provisions of Article 31 of Law No. 24/2009. However, this letter is issued only as an opinion and does not fall within the types and hierarchy stipulated in Article 7 of Law No. 12 of 2011 regarding Formation of Laws and Regulations to be considered a law or regulation.

In addition, on June 20, 2013, the District Court of West Jakarta ruled in a decision No. 451/Pdt.E/2012/PN.Jkt Bar (the “June 2013 Decision”) that a loan agreement entered into between an Indonesian borrower, PT Bangun Karya Pratama Lestari, as plaintiff, and a non-Indonesian lender, Nine AM Ltd., as defendant, is null and void under Indonesian law. The governing law of such agreement was Indonesian law and the agreement was written in the English language. The court ruled that the agreement had contravened Article 31(1) of Law No. 24/2009 and declared it to be invalid. In arriving at this conclusion, the court relied on Articles 1320, 1335 and 1337 of the Indonesian Civil Code, which taken together render an agreement void if, *inter alia*, it is tainted by illegality. The court held that as the agreement had not been drafted in the Indonesian language, as required by Article 31(1), it therefore failed to satisfy the “lawful cause” requirement and was void from the outset, meaning that a valid and binding agreement had never existed. The June 2013 Decision is currently on appeal to the Jakarta High Court. Indonesian court decisions are generally not binding precedents and do not constitute a source of law at any level of the judicial hierarchy, as would be typically be the case in common law jurisdictions such as the United States and the United Kingdom. However, there can be no assurance that a court will not, in the future, issue a similar decision to the June 2013 Decision in relation to the validity and enforceability of agreements which are made in the English language.

On January 15, 2014, Law No. 2 of year 2014 on Notary Law was issued. Pursuant to the Notary Law, a notarial deed made after January 15, 2014, must be drawn up in the Indonesian language. If the parties require, the notarial deed can be made in foreign language and in such event the notary must translate the deed into the Indonesian language but in the event of different interpretation as to the content of the deed, the Indonesian language deed shall prevail.

Except for the Indonesian deeds of corporate guarantee, which will only be executed in Indonesian language with the English version attached to such deed as reference only, the Guarantors will execute dual English and Bahasa Indonesia versions of all transaction agreements to which they are party. All of these documents will provide that in the event of a discrepancy or inconsistency, the parties intend the English version to prevail. Some concepts in the English language may not have a corresponding term in the Indonesian language and the exact meaning of the English text may not be fully captured by the Indonesian language version. If this occurs, there can be no assurance that the terms of the Notes, including the Trust Deed, will be as described in the Offering Circular, or will be interpreted and enforced by the Indonesian courts as intended.

FORWARD LOOKING STATEMENTS AND ASSOCIATED RISKS

This Offering Circular contains words such as “believe”, “plan”, “expect”, “intend” and “anticipate” and similar expressions that constitute “forward-looking statements”.

Such statements are subject to certain risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- the anticipated demand and selling prices for our developments and related capital expenditures and investments;
- our ability to be and remain competitive;

- our financial condition, business strategy, budgets and projected financial and operating data as well as the plans and objectives of management for future operations;
- generation of future receivables; and
- environmental compliance and remediation.

Such statements are subject to certain risks and uncertainties including:

- economic, social and political conditions in Indonesia;
- increases in regulatory burdens in Indonesia, including environmental regulations and compliance costs; and
- fluctuations in foreign currency exchange rates.

Should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed and anticipated improvements in production, capacity or performance might not be fully realized. Although we believe that the expectations of our management as reflected by such forward-looking statements are reasonable based on information currently available to us, no assurances can be given that such expectations will prove to have been correct. Accordingly, prospective purchasers are cautioned not to place undue reliance on forward-looking statements. In any event, these statements speak only as of their dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Summary

This summary highlights information contained elsewhere in this Offering Circular. This summary is qualified by, and must be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Offering Circular. We urge you to read this entire Offering Circular carefully, including our consolidated financial statements and related notes and “Risk Factors”.

OVERVIEW

We are one of the leading diversified property companies in Indonesia in terms of our market capitalization on the Indonesian Stock Exchange (“IDX”), assets, revenue and net profit. We develop residential, commercial and retail properties, and light industrial areas throughout Indonesia, with the majority of our current developments based in and around five major cities in Indonesia, including Jakarta, Makassar and Manado. In addition, as of December 31, 2013, we operated 16 hospitals, including four that commenced operations in 2013. As of December 31, 2013, we also owned three and leased two Aryaduta-branded hotels, had three hotels under development, managed three hotel properties owned by third parties under the Aryaduta brand, provided a broad range of infrastructure services to the residents of our developments, and provided other property management and REIT management services. For the year ended December 31, 2013, our total revenues were Rp6,666.2 billion (US\$546.9 million) and our EBITDA was Rp1,801.0 billion (US\$147.8 million). Our market capitalization as of March 28, 2014 was Rp25,039.3 billion (US\$2,054.3 million) based on the closing price per ordinary share on the IDX of Rp1,085 as of March 28, 2014.

At December 31, 2013, 51.9% our revenues were derived from recurring income (including revenues from the operation of our healthcare, hospitality and infrastructure business units and fees earned by our property and portfolio management business unit), and 48.1% of our revenues were derived from development income (including the development and sale of residential, commercial and retail and light industrial properties).

Our first project, which commenced construction in January 1993, was the urban development “Lippo Karawaci”, in the regency of Tangerang, approximately 30 kilometers west of, and accessible by a toll road from, central Jakarta. Renamed “Lippo Village”, the development was designed as a self-contained “Edge City” beyond the boundaries of Jakarta. Lippo Village has since evolved into a modern and integrated city with extensive infrastructure facilities, offering a potable water and sewage reticulation and treatment system (which is unique in Indonesia), firefighting, security, road and drainage construction and maintenance and traffic management services, the provision of electricity, telephone and broadband internet and all aspects of home care and building management. As of December 31, 2013, Lippo Village had a population of approximately 58,000 residents and provided approximately 48,600 jobs.

Through our two significant publicly-listed subsidiaries, PT Lippo Cikarang Tbk. and PT Gowa Makassar Tourism Development Tbk. (“GMTD”), of which we own 54.4% and 54.0%, respectively, we have developed and currently operate urban developments at “Lippo Cikarang” in Bekasi and “Tanjung Bunga” in Makassar, respectively. These subsidiaries were listed on the IDX on July 24, 1997 and December 11, 2000, respectively. Lippo Cikarang was launched in October 1993 and Tanjung Bunga in June 1997.

Our operations are organized into six business units:

- *Urban Development*, which includes the development and sale of residential, commercial, light industrial properties and memorial parks, all of which are on landed properties. We are internationally recognized and have won awards for our pioneering development of “Edge Cities” in Indonesia. “Edge Cities” are designed and constructed with all necessary infrastructure to establish self-contained urban communities beyond the boundaries of larger cities. As of December 31, 2013, our three urban developments, Lippo Village, Lippo Cikarang and Tanjung Bunga, had a combined population of approximately 113,250 residents and 28,393 houses and employed more than 410,095 workers. For each of our urban developments, we identified large tracts of undeveloped land which were in close proximity to larger cities, offering significant appreciation potential at a relatively inexpensive cost. Urban development accounted for approximately 28.3% of our total revenues and had EBITDA of Rp572.2 billion (US\$46.9 million) for the year ended December 31, 2013, a decrease from Rp830.1 billion for the year ended December 31, 2012.

- Large Scale Integrated Development*, which includes the large scale development and sale of residential properties, office space and retail, hospitality, leisure, education and healthcare facilities, typically on a high-rise basis, together in one location. We are currently developing two large scale integrated developments containing residential properties, office space and entertainment, education and healthcare facilities within the same location — Kemang Village in South Jakarta and The St. Moritz in the newly developed central business district in West Jakarta. The first phase of Kemang Village was completed in the first quarter of 2011 with final completion of the development scheduled in 2017. The first phase of The St. Moritz has been completed, with final completion of the development scheduled in 2018. We have already developed the City of Tomorrow (“CITO”), our first large scale integrated development in Surabaya. Large scale integrated development accounted for approximately 16.8% of our total revenues and had EBITDA of Rp479.6 billion (US\$39.3 million) for the year ended December 31, 2013, an increase from Rp294.7 billion for the year ended December 31, 2012.
- Retail Malls*, which includes the development and ownership of malls. As of December 31, 2013, we had completed six leased malls and eight strata-titled malls with a total gross floor area of 1,017,714 square meters and had two malls in different stages of planning and construction. In 2013, we opened Lippo Mall Kuta in Bali, with a gross floor area of 33,416 square meters and net leasable area of 20,190 square meters. Since the beginning of 2013, we have commenced construction of two additional malls, one in Yogyakarta and one in West Jakarta, which are expected to be completed in third quarter of 2014 and 2015, respectively. Retail malls accounted for approximately 3.0% of our total revenues and had EBITDA of Rp130.0 billion (US\$10.7 million) for the year ended December 31, 2013, an increase from Rp62.9 billion for the year ended December 31, 2012.
- Healthcare*, which includes the operation of hospitals and medical facilities. As of December 31, 2013, we operated 16 hospitals. Seven of these hospitals are located in Greater Jakarta and the other nine are located in Surabaya, Balikpapan, Palembang, Jambi, Manado, Makassar and Bali. Nine of the hospitals are owned by First REIT and leased to us. In 2013, we opened four new hospitals, which we also operate, in South Jakarta and Bali. Our medical facilities offer a comprehensive range of specialist medical services, including surgical procedures, as well as laboratory services, radiology and imaging facilities, general healthcare services and diagnostic and emergency services. As of December 31, 2013, our hospitals had a combined capacity of 1,985 operational beds. In September 2013, our wholly-owned subsidiary, PT Siloam International Hospitals Tbk, which operates our healthcare business unit, completed its initial public offering on the Indonesia Stock Exchange. Healthcare accounted for approximately 37.6% of our total revenues and had EBITDA of Rp278.4 billion (US\$22.9 million) for the year ended December 31, 2013, an increase from Rp197.3 billion for the year ended December 31, 2012.
- Hospitality and Infrastructure*, which includes the ownership, lease and operation of hotel properties, restaurants and recreational facilities and other related infrastructure in multiple locations throughout Indonesia. In addition, we provide town management services such as security, water and sewage treatment, garbage collection, landscaping, roads and drainage maintenance and public transportation services to the residents of our urban developments. Our hotel operations are offered under the “Aryaduta” brand, one of Indonesia’s largest five-star hotel groups by number of rooms. We currently own three and lease two Aryaduta-branded hotels, in addition to another three hotels under development. Hospitality and infrastructure accounted for approximately 9.9% of our total revenues and had EBITDA of Rp229.3 billion (US\$18.8 million) for the year ended December 31, 2013, an increase from Rp227.6 billion for the year ended December 31, 2012.
- Property and Portfolio Management*, which includes REIT management and property management services for malls and hotel operators. We currently manage First REIT (through our wholly owned subsidiary, Bowsprit Capital Corp. Ltd) and Lippo Malls Indonesian Retail Trust (“LMIRT”) and receive fee-based income for the management of these REITs. We also manage three Aryaduta-branded hotels owned by third parties. We originally managed LMIRT through a joint venture with Mapletree. In 2011, we acquired Mapletree’s 40% stake in the management company, providing us with 100% ownership in the management company of LMIRT. In addition, we act as property manager for 34 malls with over 16,000 shops, with a total gross leasable area of nearly 2.0 million square meters and net leasable area of 1.0 million square meters. Property and portfolio management accounted for approximately 4.5% of our total revenues and had EBITDA of Rp111.5 billion (US\$9.1 million) for the year ended December 31, 2013, a decrease from Rp122.7 billion for the year ended December 31, 2012.

COMPETITIVE STRENGTHS

We believe that our principal competitive strengths include:

Leadership among broad based property companies in Indonesia

We are one of the leading broad based property companies in Indonesia in terms of our market capitalization on the IDX, assets, revenue and net profit. Our operations are organized into six broad business units, with operations located in multiple locations in Indonesia, providing us with diversity and operating presence in several rapidly developing areas, in particular Jakarta. Our efforts and contributions to the real estate sector in Indonesia have been recognized by the industry through several awards, including the Real Estate Award by Euromoney — “Best Developer in Indonesia” for 2012, 2011, 2009, 2008, 2007 and 2005. We were also awarded the “Best Developer in Indonesia” award by the South East Asia Property Awards for 2013, 2012 and 2011.

We believe that the size and diversity of our business units and our track record of success provide us with a stable platform to grow our businesses and allow us to pursue large scale, high profile development opportunities. We also believe that it enables us to benefit from economies of scale in negotiating with key material suppliers for favorable cost components and volume discounts. We believe the diversity of our products also provides us with significant channels for cross-selling across our business units. It also helps us to successfully mitigate the adverse impact of the cyclical nature of our business units on our profitability and cash flows. We have used our brand name to bolster our marketing initiatives across our business units.

Large and high-quality landbank, particularly around Jakarta

We believe that our landbank of approximately 1,569 hectares as of December 31, 2013 is among the largest held by Indonesian property companies and serves as a platform for the expansion of our existing and future development projects. We anticipate that our landbank will be sufficient for our planned development projects for the next ten years. We acquired portions of our landbank in individual parcels over a period of time, when land prices were relatively inexpensive, and continue to develop our landbank assets when market and pricing conditions are favorable, which allows us to competitively price our development projects and pursue our targeted profit margins. Our policy is to maintain a landbank sufficient for ten years of future development, subject to price, availability and quality. In addition, our operations are located within some of the most developed regions in Indonesia. Our significant presence in the property market in Greater Jakarta, one of the fastest growing regions in Indonesia, reflects our belief that this area offers high consumer demand which is currently underserved.

High proportion of stable recurring revenues

We believe that the recurring revenues generated by several of our business units, particularly healthcare, provide us with an advantage over our competitors who are not as diversified and thus subject to greater fluctuation in revenue from the cyclical nature of the property market. Our total recurring revenue for the years ended December 31, 2013, 2012 and 2011 were 51.9%, 42.4% and 47.9%, respectively, of our total revenues. The increase in recurring revenue as a percentage of total annual revenue in 2013 was primarily due to an increase in the revenue generated by our healthcare business unit in 2013. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Results of Operations for the year ended December 31, 2013 as compared to the year ended December 31, 2012”. We plan to continue with our strategy to grow recurring revenue, both on an absolute basis and as a percentage of total revenue, as we believe that the significant recurring revenue component of our total revenues assists us to mitigate the cyclical nature of our development business units and enables us to be resilient during economic downturns. In particular, we believe our healthcare business unit differentiates us from our competitors by providing a stable source of income. In the past, we have maintained our recurring revenues as a significant component of total revenues, and are planning in the future to expand our recurring income business units by developing more hospitals and retail and commercial properties on a leasehold basis, thereby strengthening our recurring income streams.

Track record of recycling capital

In December 2006, we sponsored the establishment of First REIT, the first real estate investment trust on the Singapore Stock Exchange to own Indonesian assets as well as the first healthcare real estate investment trust

listed on the Singapore Stock Exchange. In 2007, we also sponsored the establishment of LMIRT, a REIT which holds retail assets in Indonesia that is also listed on the Singapore Stock Exchange. In November 2012, we completed the sale and lease-back of two of our hospitals, Siloam Hospitals Makassar and Siloam Hospitals Manado, and one of our hotels, Hotel Aryaduta Manado for a total of approximately S\$142.9 million to First REIT. In December 2012, we completed the sale of two of our malls, namely Pejaten Village and Binjai Supermall, to LMIRT for an aggregate consideration of Rp731 billion and Rp148 billion, respectively. In May 2013, we completed a sale and leaseback of Siloam Hospitals Denpasar and Siloam Hospitals Simatupang to First REIT for a total consideration of S\$140.4 million. We are the first Indonesian developer to utilize such vehicles, which allows us to unlock value from stabilized assets, recycle capital, earn management fees and deploy proceeds from selling assets to the REITs to invest in new opportunities.

Strong financial position

We actively manage our working capital requirements by pre-selling our developments, particularly in our urban development and large scale integrated development business units, which enables us to fund our construction costs without significant third-party financing. As of December 31, 2013, 98% of Phase I and Phase II of our Kemang Village development and 89% of Phase I and Phase II of our The St. Moritz development had been pre-sold. We also actively recycle capital through the selling of assets to the REITs to allow us to invest in new opportunities.

Experienced management team

We have a highly experienced management team with deep industry knowledge across our business units. The 15 members of our board of directors and senior management team have an average of approximately 25 years of experience in the property industry. Together they form a talented and experienced leadership team. We believe that our management team follows a prudent approach in order to implement a balanced growth strategy. Most of our senior management team have worked together for more than five years.

STRATEGY

Through our six diverse business units, we endeavor to meet the needs of Indonesia's growing segment of middle and upper-middle class consumers in housing, healthcare, recreation and entertainment. By drawing on our competitive strengths, we believe we have developed clear and focused strategies for our urban, commercial, retail, and light industrial developments as well as our healthcare, hospitality and infrastructure and property management activities to achieve consistent and sustainable growth and to expand our recurring revenue base through all of our business units. We also strive to optimize the value of our assets through active asset management and capital recycling. We seek to manage our balance sheet prudently by only expanding in growth markets and diversifying our business where appropriate.

Our strategy includes the following:

Grow our business units organically

We strive to grow each of our business units organically and to foster marketing synergies among these segments. We believe we are well positioned to benefit from the increasing demand of the young and growing middle-upper income population in the housing, healthcare and retail sectors and GDP growth in Indonesia.

In particular, for each of our business units, we are focused on the following strategies:

- *Urban Development* — In addition to continuing to expand our existing urban developments, we intend to focus on acquiring small land parcels in strategic locations to develop smaller, targeted residential areas and developing apartments and condominiums in urban areas targeted at the growing and increasingly wealthy middle to upper-middle class in Indonesia. Our policy has been to acquire undeveloped land in Indonesia with the potential for economic and population growth. As of December 31, 2013, approximately 77% (by area) of our landbank is located in Greater Jakarta, one of Indonesia's fastest growing regions. We also plan to develop commercial and retail developments (including office buildings) in strategic locations within Indonesia, which we believe exhibit strong retail growth potential and are

underserved by existing developments. We also plan to develop high-rise strata title mixed use projects, including residential apartments, retail malls and office buildings, which we believe will improve our land utilization rate without having to acquire significant additional landbank in the near future. From time to time, we consider selling land as land prices rise to exploit favorable market conditions, such as our 2011 increased sales of industrial land at Lippo Cikarang.

- *Large Scale Integrated Developments* — We are focused on the completion of the Kemang Village and The St. Moritz developments. Further, we will seek to exploit our product diversity by incorporating a number of products from our other business units into our large scale integrated developments.
- *Retail Malls* — We intend to strengthen our retail malls segment through building more malls including approximately 12 to 18 new malls to be constructed or acquired within the next seven years. Given the strong consumption-driven growth Indonesia has recently experienced, we are looking to capitalize on the growing retail market through our expansion, and hope to increase our market share in the retail mall space by broadening our mall portfolio nationwide. Further, we aim to improve profitability from our existing leased malls by improving our tenant mix and rental margins. We will also focus on completing projects under development and intend to sell our retail mall developments to LMIRT once the assets are stabilized.
- *Healthcare* — We plan to expand our healthcare network by opening five additional hospitals in strategic locations within Indonesia during 2014. We have a long-term plan to expand our healthcare network by up to 24 new hospitals, which are expected to be constructed or acquired over the next three to five years. The supply of hospital services in Indonesia is currently unable to meet the demand of the country's population of approximately 240 million people. We aim to further penetrate this underserved market and, through our expansion, increase the availability of quality healthcare to a significant portion of the Indonesian population. We aim to broaden our target market to include the growing middle and lower-middle classes. We intend to continue providing quality healthcare services at international standards with advanced equipment and telemedicine and strong doctor relationships. We intend to intensify our marketing efforts to promote our "Siloam Hospitals" brand name. In addition to providing greater services to the traditionally underserved Indonesian healthcare market generally, we believe the high quality services and specialty treatments in our Siloam Hospitals will attract a portion of the significant number of Indonesians who regularly seek similar specialist treatments in other countries. For example, in the third quarter of 2011 we opened MRCCC, one of Indonesia's first comprehensive cancer centers, which provides specialist services previously unavailable in Indonesia.
- *Hospitality and Infrastructure* — We intend to strengthen our branding efforts and intensify our marketing efforts and incentives to business travelers to increase occupancy rates and income from meetings, conventions and exhibitions in each of our hotel properties. We will also continue to explore new opportunities to develop hotel properties within Indonesia. We also plan to continue to develop this business unit's leading reputation for providing high quality town management services by ensuring consistency of services across all of our developments to enhance and improve the living environments of our residents.
- *Property and Portfolio Management* — We plan to continue growing our fee-based income arising from managing an enlarged portfolio of malls and hotels developed by ourselves as well as from managing the REITs.

Prudent balance sheet management

We strive to maintain an appropriate level of leverage and a strong cash position to increase our ability to respond quickly and competitively to investment or development opportunities. In addition, we have available credit facilities which may be utilized to fund growth and expansion.

Our recurring income stream can be utilized to finance our development projects, thereby reducing our reliance on external funding. In addition, our recurring revenues reduce the volatility of our overall income stream inherent in the property development business.

We intend to also recycle capital through our strategy of asset divestment. By undertaking sale and leaseback transactions involving certain of our hospital assets with First REIT and selling certain of our retail assets to

LMIRT, we expect to optimize capital usage and the value of our assets. We will then be in a position to utilize sale proceeds to finance future projects. Currently, nine of the hospitals we operate are owned by First REIT and leased back to us. In November 2012, we completed the sale and lease-back of Hotel Aryaduta Manado, Siloam Hospitals Makassar and Siloam Hospitals Manado with First REIT. The term of the lease is for 15 years, with an option to renew for a further terms of 15 years. In December 2012, we completed the sale of two of our malls, namely Pejaten Village and Binjai Supermall, to LMIRT for an aggregate consideration of Rp731 billion and Rp148 billion, respectively. In May 2013, we sold Siloam Hospitals Denpasar and Siloam Hospitals Simatupang to First REIT for a total consideration of S\$140.4 million.

Continue growth in recurring revenues

We intend to continue growing our recurring revenues to reduce the volatility of our overall income stream inherent in the property development business. In particular, we plan to develop retail and commercial projects on a leasehold basis through which we will receive rental income, as well as expand our hospital and property management portfolio. Our growing recurring revenue as a percentage of total revenue as well as on an absolute basis remains a key focus and differentiating competitive advantage of the Group.

Optimize corporate and capital structure

We intend to explore options to optimize our corporate and capital structure in the future, which may include, among other things, the public listing of, or private sales of minority interests in, one or more of our subsidiaries, including those that generate recurring revenue. In September 2013, our subsidiary, PT Siloam International Hospitals Tbk, which operates our healthcare business unit, completed its initial public offering on the Indonesia Stock Exchange. We currently operate and manage six main business units, all of which are owned by us. For operating efficiency, accounting, financing and taxation purposes, we may restructure the ownership and operation of some or all these business units through our current or future subsidiary companies, and further explore the potential public listing of, or private sales of minority interests in, such subsidiaries.

CORPORATE INFORMATION

Our head office is located at 2121 Bulevar Gajah Mada #01-01, Lippo Cyber Park, Lippo Karawaci Utara, Tangerang 15811, Indonesia. Our telephone number is +62 21 2566 9000.

RECENT DEVELOPMENTS

On March 18, 2014, we sold 82.5 million shares in PT Siloam International Hospitals Tbk, our subsidiary which operates our healthcare business unit, for Rp10,400 per share. As a result, our shareholding in PT Siloam International Hospitals Tbk decreased from approximately 86.0% to approximately 78.9%. The net proceeds from the sale amounted to Rp858 billion. We plan to use the proceeds for the development of hospitals and related property projects.

In March 2014, First REIT agreed to purchase Siloam Hospitals Purwakarta in West Java for approximately S\$31 million. The transaction is expected to be completed in the second quarter of 2014 and we will be operating the hospital through PT Siloam International Hospitals Tbk.

Summary of the Offering

The following is a general summary of the terms of the Notes and does not purport to be complete. This summary is derived from, is qualified in its entirety by reference to, and should be read in conjunction with the full text of the terms and conditions of the Notes and the Trust Deed relating to the Notes. The terms and conditions of the Notes and the Trust Deed prevail to the extent of any inconsistency with the terms set out in this section.

Issuer	Theta Capital Pte. Ltd.
Guarantors	PT Lippo Karawaci Tbk., PT Sentra Dwimandiri, PT Wisma Jatim Propertindo, PT Megapratama Karya Persada and PT Primakreasi Propertindo (PT Sentra Dwimandiri, PT Wisma Jatim Propertindo, PT Megapratama Karya Persada and PT Primakreasi Propertindo, together the “Subsidiary Guarantors”).
Issue	US\$150,000,000 aggregate principal amount 7.0% Senior Notes due 2022.
Issue Price	100.0% of the principal amount of the Notes.
Issue Date	April 11, 2014.
Maturity Date	April 11, 2022.
Rate of Interest	7.0% per annum.
Interest Payment Dates	Interest will be payable semi-annually in arrear on April 11 and October 11 of each year, commencing October 11, 2014.
Form and Denomination of Notes	The Notes will be issued in registered form in the denomination of US\$200,000 each and integral multiples of US\$1,000 in excess thereof. The Notes will be represented by the Global Certificate, which will be registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg, on or about the Issue Date. The purchase, sale and transfer of the Notes may only be effected through accounts at Euroclear and Clearstream, Luxembourg. The Global Certificate will be exchangeable for definitive Notes in the denomination of US\$200,000 each or integral multiples of US\$1,000 excess thereof in the limited circumstances set out in it. See “Summary of Provisions Relating to the Notes While in Global Form”.
Guarantees	The Company and certain of its subsidiaries will unconditionally and irrevocably guarantee (the “Parent Guarantee” and the “Subsidiary Guarantees”, respectively, and collectively, the “Guarantees”) the due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes.
Ranking	The Notes will be unsecured and will be the direct, unconditional and unsubordinated obligations of the Issuer. The Guarantees will be the direct, unconditional, unsubordinated and unsecured obligation of each of the Guarantors. The Notes will rank at least <i>pari passu</i> with

all existing and future unsecured obligations of the Issuer. The Guarantees will rank at least *pari passu* with all existing and future unsubordinated and unsecured obligations of each of the Guarantors.

Taxation All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or Indonesia (or certain other jurisdictions) or any authority therein or thereof having power to tax or, unless such withholding or deduction is required by law. In that event, we shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except in circumstances specified in “Terms and Conditions of the Notes — Taxation”.

Redemption for Taxation Reasons Subject to certain exceptions and as more fully described herein, the Issuer may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption, if, as a result of certain changes in tax law, the Issuer or the Company (as the case may be) would be required to pay certain additional amounts; provided that were the additional amounts payable as a result of changes affecting Indonesian taxes, the Notes may be redeemed only in the event that the withholding rate exceeds 20%.

Redemption at the Option of the Issuer The Notes may be redeemed, in whole or in part, at the option of the Issuer at any time on or after April 11, 2018 at the redemption prices set forth in the Conditions together with accrued interest to the redemption date. At any time prior to April 11, 2018, the Issuer may at its option redeem all or any portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined herein) and accrued and unpaid interest, if any, to the redemption date. At any time prior to April 11, 2017, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with proceeds from certain equity offerings at a redemption price of 107.0% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Redemption upon a Change of Control Triggering
Event Unless the Notes are previously redeemed, repurchased and cancelled, the Issuer will, no later than 30 days

following a Change of Control Triggering Event (as defined in the Conditions) make an Offer to Purchase (as defined in the Conditions) all outstanding Notes at a purchase price equal to 101.0% of their principal amount together with accrued and unpaid interest, if any, to the Offer to Purchase Payment Date (as defined in the Conditions).

Certain Covenants The Issuer and each of the Guarantors have agreed in the Trust Deed constituting the Notes and the Conditions related thereto to observe certain covenants, including, among other things, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. See “Terms and Conditions of the Notes”.

Events of Default Certain events will permit acceleration of the principal of the Notes (together with all interest and additional amounts accrued and unpaid thereon). These events include default with respect to the payment of principal of, premium, if any, or interest on, the Notes. See “Terms and Conditions of the Notes — Events of Default”.

Use of Proceeds The Issuer will contribute the net proceeds of the offering to Kemang by way of subscription of additional shares in the capital of, and/or shareholder loan to, Kemang. The net proceeds of the contribution to Kemang will be used to fund our corporate purposes by granting an intercompany loan (the “Intercompany Loan”) or through other funding methods to the Company and/or the Subsidiary Guarantors. Any Intercompany Loan would be subordinated in right of payment to the Guarantees. We intend to use the net proceeds that we receive from the offering and sale of the Notes as follows: approximately 80% for the development of new properties that generate recurring revenue, including hospitals and retail malls, and the remainder for working capital requirements and general corporate purposes. See “Use of Proceeds”.

Selling Restrictions There are restrictions on the offer, sale and transfer of the Notes in, among others, the United States, the United Kingdom, Hong Kong, Singapore and Indonesia. For a description of the selling restrictions on offers, sales and deliveries of the Notes, see “Subscription and Sale”.

Listing and Trading The Company has obtained approval-in-principle for the listing of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 for so long as the Notes are listed on the SGX-ST.

Identification Numbers ISIN: XS1054375446; Common Code: 105437544.

Trustee DB Trustees (Hong Kong) Limited.

Paying Agent.....	Deutsche Bank AG, Hong Kong Branch.
Registrar.....	Deutsche Bank Luxembourg S.A.
Governing Law.....	The Notes, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection therewith will be governed by, and construed in accordance with, the laws of England.
Ratings.....	The Notes have been rated “Ba3” by Moody’s, “BB-” by Fitch and “BB-” by Standard & Poor’s. The credit ratings accorded the Notes are not a recommendation to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant. See “Risk Factors — Risks Relating to the Notes and the Guarantees — The ratings assigned to the Notes may be lowered or withdrawn entirely in the future”.
Risk Factors	Investment in the Notes involves risks which are described in the “Risk Factors” section of this Offering Circular.

Summary Consolidated Financial Information and Operating Data

You should read the summary consolidated financial information presented below in conjunction with our consolidated financial statements and the notes to these financial statements included in this Offering Circular.

The following tables present our summary consolidated financial information and operating data as of the dates and for each of the years and periods indicated. We have derived the summary consolidated statements of comprehensive income and cash flows and other financial data for the years ended December 31, 2011, 2012 and 2013 and our summary consolidated financial position data as of December 31, 2011, 2012 and 2013 in the tables below from our historical financial statements, which have been audited by Aryanto, Amir Jusuf, Mawar & Saptoto (a member firm of RSM International), independent auditors, who have issued an unqualified opinion with respect to their audit. The historical results presented below are not necessarily indicative of the results that may be expected for any future period. Our financial statements have been prepared and presented in accordance with Indonesian FAS, which differs in certain material respects from IFRS, see “Summary of Certain Differences between Indonesian FAS and IFRS”.

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
STATEMENT OF COMPREHENSIVE INCOME DATA				
Revenues	4,189.6	6,160.2	6,666.2	546.9
Cost of Sales	(2,293.3)	(3,339.3)	(3,619.6)	(297.0)
Gross Profit	1,896.3	2,820.9	3,046.6	249.9
Other Income	126.4	247.0	585.1	48.0
Operating Expenses	(968.3)	(1,343.9)	(1,534.2)	(125.9)
Other Expenses	(71.2)	(174.8)	(154.5)	(12.7)
Profit From Operations	983.2	1,549.2	1,943.0	159.4
Financial Income (Charges) — Net	(0.8)	1.6	(26.7)	(2.2)
Share in the Profit of Associates	2.4	26.3	8.5	(0.7)
Profit Before Tax	984.8	1,577.1	1,924.8	157.9
Tax Expenses	(170.7)	(254.2)	(332.3)	(27.3)
Profit For The Year	814.1	1,322.8	1,592.5	130.7
Other Comprehensive Income				
Gain from Translations of Financial Statements in Foreign Currency	6.3	50.6	551.9	45.3
Gain (Loss) on Changes in Fair Value of Available-for-Sale Financial Assets	(240.4)	1,109.1	(468.3)	(38.4)
Total Other Comprehensive Income (Expense) For The Year	(234.2)	1,159.7	83.7	6.9
Total Comprehensive Income for the Year	579.9	2,482.5	1,676.1	137.5
Profit for the year/period attributable to:				
Owner of the Parent Company	708.3	1,060.2	1,228.2	100.8
Non-Controlling Interest	105.8	262.6	364.3	29.9
Total	814.1	1,322.8	1,592.5	130.7
Total Comprehensive Income attributable to:				
Owner of the Parent Company	474.1	2,219.9	1,311.9	107.6
Non-Controlling Interest	105.8	262.6	364.3	29.9
Total	579.9	2,482.5	1,676.1	137.5

	As of December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
FINANCIAL POSITION DATA				
Assets				
Current Assets				
Cash and Cash Equivalent.....	2,174.6	3,337.4	1,855.1	152.2
Trade Accounts Receivable.....				
Third Parties.....	561.9	591.2	769.2	63.1
Related Parties.....	2.8	3.2	2.4	0.2
Other Current Financial Assets.....	2,671.8	4,603.4	6,778.5	556.1
Inventory.....	7,892.2	10,504.9	13,894.0	1,139.9
Prepaid Taxes.....	209.2	330.2	576.1	47.3
Prepaid Expenses.....	96.1	109.2	137.9	11.3
Total Current Assets.....	13,608.4	19,479.5	24,013.1	1,970.1
Non-Current Assets				
Due from Related Parties Non-Trade.....	10.1	11.5	9.7	0.8
Other Non-Current Financial Assets.....	253.2	402.6	518.8	42.6
Investment in Associates.....	64.0	85.8	130.4	10.7
Investment Property.....	528.4	301.7	306.4	25.1
Property and Equipment.....	1,556.1	2,222.4	2,810.9	23.1
Intangible Assets.....	210.3	214.6	331.8	27.2
Deferred Tax Assets.....	77.5	76.5	50.4	4.1
Advances.....	738.8	1,079.8	1,456.4	119.5
Land for Development.....	987.8	929.5	1,611.4	132.2
Other Non-Current Non-Financial Assets.....	224.6	65.4	61.0	5.0
Total Non-Current Assets.....	4,650.8	5,389.8	7,287.2	597.9
Total Assets.....	18,259.2	24,869.3	31,300.4	2,567.9
Liabilities and Equity:				
Trade Accounts Payable				
Third Parties.....	416.9	575.7	397.7	32.6
Related Party.....	—	—	—	—
Accrued Expenses.....	325.8	487.3	551.6	45.3
Taxes Payable.....	166.1	199.1	253.6	20.8
Short-Term Employment Benefits Liabilities.....	3.7	6.3	13.3	1.1
Short-Term Bank Loans.....	144.9	4.9	4.9	0.4
Current Portion of Long-Term Bank Loans.....	7.5	11.2	11.8	1.0
Other Current Financial Liabilities.....	91.2	179.5	300.2	24.6
Advances from Customers.....	963.3	1,850.7	3,076.0	252.4
Deferred Income.....	76.4	79.7	112.8	9.3
Deferred Gain on Sales and Leaseback Transactions.....	58.3	84.7	119.6	9.8
Total Current Liabilities.....	2,254.1	3,479.2	4,841.6	397.2
Non-Current Liabilities				
Long-Term Bank Loans.....	66.0	54.8	43.0	3.5
Due to Related Parties Non-Trade.....	4.4	3.2	3.8	0.3
Bonds Payable.....	3,534.7	5,943.5	7,747.8	635.6
Other Non-Current Financial Liabilities.....	31.6	85.6	51.0	4.2
Long-Term Employment Benefits Liabilities.....	143.2	161.3	187.6	15.4
Deferred Tax Liabilities.....	—	6.7	12.0	1.0
Advances from Customers.....	1,408.0	2,142.9	2,245.7	184.2
Deferred Income.....	827.0	662.9	715.8	58.7
Deferred Gain on Sale and Leaseback Transactions.....	581.2	859.1	1,274.5	104.6
Total Non-Current Liabilities.....	6,596.1	9,920.0	12,281.2	1,007.6
Total Liabilities.....	8,850.2	13,399.2	17,122.8	1,404.8

	As of December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
Equity				
Equity Attributable to Owner of the Parent Company				
Capital Stock				
Par Value Rp100				
Authorized Capital — 64,000,000,000 shares				
Issued and Fully Paid — 23,077,689,619 shares				
As of December 31, 2012 and 2011	2,307.8	2,307.8	2,307.8	189.3
Additional Paid-in Capital — Net	4,063.1	4,063.1	4,063.1	333.3
Difference in Transactions with Non-Controlling Interest	(177.7)	(242.9)	(185.8)	(15.2)
Difference in Equity Changes in Subsidiaries	—	—	1,105.1	90.7
Treasury Stock	(61.7)	(216.5)	(216.5)	(17.8)
Retained Earnings	2,907.5	3,790.2	4,748.5	389.6
Other Comprehensive Income	(205.3)	954.4	978.7	80.3
Total Equity Attributable to Owner of the Parent Company	8,833.7	10,656.1	12,800.9	1,050.2
Non-Controlling Interest	575.3	814.0	1,376.7	112.9
Total Equity	9,409.0	11,470.1	14,177.6	1,163.1
Total Liabilities and Equity	18,259.2	24,869.3	31,300.4	2,567.9

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
CASH FLOW DATA				
Net Cash Flows Provided by (Used in) Operating Activities.....	374.5	1,288.8	(2,078.8)	(170.5)
Net Cash Flows Used in Investing Activities	(2,905.3)	(1,704.4)	(580.3)	(47.6)
Net Cash Flows Provided by Financial Activities	1,037.7	1,536.8	1,142.0	93.7
Net Increase (Decrease) in Cash and Cash Equivalent	(1,493.1)	1,121.2	(1,517.2)	(124.5)
Effect of Foreign Exchanges on Cash and Cash Equivalent at the End of the Year/Period.....	7.5	41.6	34.9	2.9
Cash and Cash Equivalent at the Beginning of the Year/Period	3,660.1	2,174.6	3,337.4	273.8
Cash and Cash Equivalent at the End of the Year/Period	2,174.6	3,337.4	1,855.1	152.2

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
OTHER FINANCIAL DATA				
EBITDA ⁽¹⁾	1,082.5	1,686.3	1,801.0	147.8
Interest Expense ⁽²⁾	419.6	449.8	579.7	47.6
Capital Expenditures ⁽³⁾	424.4	951.7	1,311.2	107.6
EBITDA Margin (%) ⁽⁴⁾	25.8	27.4	27.0	27.0
EBITDA/Interest Expense (x)	2.6	3.7	3.1	3.1
Net Debt/EBITDA (x) ⁽⁵⁾	1.4	1.6	3.3	3.3

- (1) (a) We calculate EBITDA by adding depreciation to profit from operations calculated under Indonesian FAS.
(b) EBITDA is not a standard measure under Indonesian FAS.
(c) EBITDA is a widely used financial indicator of a company's ability to service and incur debt.
(d) EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities.
(e) EBITDA does not account for taxes, interest expense or other non-operating cash and non-cash expenses.
(f) In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as revenues and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges.

- (g) We have included EBITDA because we believe EBITDA is a useful supplement to cash flow data as a measure of our historical performance and our ability to generate cash from operations to cover debt service and taxes.
- (h) EBITDA presented herein may not be comparable to similarly titled measures presented by other companies.
- (i) You should not compare EBITDA presented by us to EBITDA presented by other companies because not all companies use the same definition.
- (j) You should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Trust Deed governing the Notes. Interest expense excludes amounts capitalized. See the section entitled "Terms and Conditions of the Notes" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Trust Deed governing the Notes.
- (2) Includes capitalized interest.
- (3) Capital expenditure represents expenditure on property and equipment and investment properties.
- (4) EBITDA Margin is calculated as EBITDA divided by revenues.
- (5) Net Debt/EBITDA is calculated as total debt minus cash and cash equivalent divided by EBITDA.

	Year ended December 31,			
	2011	2012	2013	2013
OPERATING DATA				
Urban Development:				
<u>Residential</u>				
Number of houses sold	1,239	853	1,079	—
Total area sold (square meters)	149,600	136,117	152,872	—
Average price per sqm (Rp thousands/US\$)	Rp2,631	Rp3,435	Rp4,656	US\$382.0
<u>Industrial</u>				
Total area sold (square meters)	1,287,071	656,474	692,106	—
Average price per sqm (Rp thousands/US\$)	Rp442	Rp895	Rp1,071	US\$87.9
Retail Malls:				
Total area sold (square meters)	319	1,803	300	—
Leased Malls:				
Range of rental rates (per month per square meters) (Rp thousands)	Rp47-169	Rp56-188	Rp57-213	US\$4.7-US\$17.5
Occupancy rate (per month) (%)	87	85	88	—
Range of lease expiry periods (years)	3-10	3-10	3-10	—
Healthcare:				
<u>Inpatient</u>				
Number of operational beds	912	1,533	1,985	—
Bed occupancy ratio (%)	60.0	45.0	51.0	—
Average revenue per patient day (Rp thousands/US\$)	Rp3,586	Rp4,229	Rp4,144	US\$340.0
<u>Medical Experts</u>				
Number of general practitioners	162	205	304	—
Number of specialists ⁽¹⁾	846	960	1,209	—
Number of nurses	1,440	2,130	2,767	—
<u>Outpatient</u>				
Number of one day care patients	5,096	6,051	6,796	—
Number of patient visits (in thousands)	636	966	1,204	—
Average revenue per visit (Rp thousands/US\$)	Rp563	Rp731	Rp793	US\$65.1
Hotels				
Number of rooms	783	987	994	—
Average room occupancy rate (%)	70.2	67.1	71.6	—
Average room rate (Rp thousands)	Rp572	Rp596	Rp622	US\$51.0
Revenue per available room (Rp thousands/US\$)	Rp401	Rp400	Rp445	US\$36.5

(1) Includes full-time, part-time and visiting specialists in 2011 and 2012, and full-time and part-time specialists in 2013.

Risk Factors

An investment in the Notes involves a number of risks. You should carefully consider all the information contained in this Offering Circular including the risks described below before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The market price of the Notes could decline due to any of these risks and you may lose all or part of your investment. The risks described below are not the only ones that may affect us or the Notes.

RISKS RELATING TO OUR BUSINESS

Our operations are divided into six business units: (i) urban development, which includes the development and sale of residential, commercial and light industrial properties, (ii) large scale integrated development, which includes the development and sale of residential, office, entertainment, education and healthcare facilities in one location, (iii) retail malls, which consists of the development and ownership of malls we own, (iv) healthcare, which includes the ownership/lease and operation of hospitals and medical facilities, (v) hospitality and infrastructure, which includes the operation, lease and ownership of hotel properties and ongoing township management services and development of infrastructure in several locations throughout Indonesia, and (vi) property and portfolio management, which includes the provision of property management services for hotels owned by third parties, for malls either developed and owned by our retail malls business unit or owned by third parties, and REIT management. Each of our business units is subject to risks specific to the industries in which it operates, which could materially and adversely affect our business, financial condition, results of operations and prospects, and on the Issuer's ability to pay interest on, and repay the principal of, the Notes.

Some or all of our existing and planned projects may not be completed in a timely manner or at all.

Our success and financial performance will depend on our ability to identify, develop, market and sell our developments in a timely and cost effective manner. Our development activities are subject to various construction risks, including but not limited to, the risk of delays in obtaining required approvals, availability of raw materials, increases in construction costs, natural disasters, and reliance on third-party contractors as well as the risk of decreased market demand during the development of a project.

Construction of new developments entails significant risks, including shortages of materials or skilled labor, unforeseen engineering, environmental or geological problems, work stoppages, litigation, weather interference, floods and unanticipated cost increases, any of which could give rise to delays or cost overruns. Any significant increase in the price of construction materials, for example, would increase our cost of development. Difficulties in obtaining any requisite licenses, permits, allocations or authorizations from regulatory authorities could also increase the cost, or delay the construction or opening, of new developments.

We also engage third-party contractors to provide us with various services in connection with our urban, residential and retail developments, including construction, piling and foundation, building and property fitting-out work, interior decoration, installation of air-conditioning units and elevators and gardening and landscaping works. Many of our agreements with contractors are for fixed prices, but if costs exceed a threshold amount, the contractor may negotiate with us for higher fees and we may have to bear such additional amounts in order to provide them with sufficient incentives to complete projects. Furthermore, there is a risk that major contractors may experience financial or other difficulties, which may affect their ability to carry out construction works, thus delaying the completion of development projects or resulting in additional costs to us. There can also be no assurance that the services rendered by the third-party contractors will always be satisfactory or match our targeted quality levels.

As a result of these and other factors described herein, no assurance can be given as to whether or when existing and planned projects will be successfully completed. In recent years, we have undertaken numerous large projects and we expect this trend to continue as we grow and real estate markets in Indonesia mature. Although we plan to apply many of the same development and marketing strategies that we have employed in the past, new projects may pose unforeseen challenges and demands on our managerial and financial resources. Failing to complete any of our developments may have a material and adverse effect on our business, reputation, financial condition, results of operations and prospects, and on the Issuer's ability to pay interest on, and repay the principal of, the Notes.

The availability of, and interest rates on, financing for potential purchasers of our properties may have a significant impact on the demand for our property developments.

A number of potential buyers of our residential properties finance their purchases through third-party mortgage financing. See “Business — Sales, Marketing and Pricing — Urban Development and Large Scale Integrated Developments.” In the case of the purchase of a first residential property, Bank Indonesia requires a minimum down payment of 30% of the purchase price of the property. The minimum down payment requirement increases to 40% of the purchase price for the second residential property and to 50% of the purchase price for the third or any subsequent residential property.

Any increase in the minimum down payment requirement for our properties may adversely affect the ability of potential purchasers to finance their purchases of residential properties through mortgages. Bank Indonesia also regulates mortgage financing by specifying the maximum loan-to-value (“LTV”) ratio for loans granted by commercial banks and the maximum financing-to value (“FTV”) ratio for financing granted by sharia banks. Under BI Circular Letter No. 15/40/DKMP dated September 24, 2013, effective on September 30, 2013, Bank Indonesia revised the maximum LTV ratio for loans from commercial banks to between 50% and 80%, and the maximum FTV ratio for financing from sharia banks to between 50% and 90%, in each case depending on the type of the property, the nature of the facility and the number of mortgage facilities held by the applicant.

In addition, under BI Circular Letter No. 15/40/DKMP, Bank Indonesia placed certain restrictions on a bank’s ability to grant residential mortgage loans, which are subject to certain exceptions. Such restrictions prohibit banks from (i) granting a mortgage loan to finance the down payment for the purchase of a residential property, and (ii) extending a mortgage loan before the relevant property is completed and ready for handover, which does not apply, among others, to mortgages for first-time mortgage loan borrowers, or where there is a cooperation agreement between the bank and developer which at least includes an undertaking from the developer to complete the development of the property. Such regulations may adversely affect the ability of potential purchasers to finance their purchases of our properties through mortgages.

An increase in interest rates in Indonesia may also negatively impact our property developments. High interest rates generally impact the real estate industry by making it harder for consumers to qualify for and secure financing, which can lead to a decrease in the demand for residential, commercial or industrial developments. Even though interest rates have significantly decreased from the 1990s when they ranged between approximately 18% and 21% per annum to between approximately 8% and 12% per annum in recent years, there can be no assurance that interest rates on such loans will not increase or there will not be a decrease in the availability of such loans, which may result in a reduction in the use of such loans. Any downturn in the economy or consumer confidence may result in reduced housing demand and slower commercial and industrial development, which could negatively impact the demand for all of the types of property that we have under development and negatively affect our business, reputation, financial condition and results of operations, and the Issuer’s ability to pay interest on, and repay the principal of, the Notes.

We are exposed to fluctuations in the property markets.

The Indonesian real estate development industry is cyclical and is significantly affected by changes in general and local economic conditions, including employment levels, availability of financing, interest rates, consumer confidence and demand for developed products, whether residential, commercial, retail or industrial. Project development begins, and financial and other resources are committed, long before a real estate project comes to market, which could occur at a time when the real estate market is depressed. Such a depression in the Indonesian real estate markets could adversely affect our business, financial condition and results of operations, and the Issuer’s ability to pay interest on, and repay the principal of, the Notes.

Our development activities require substantial capital investments and may require us to seek significant external financing which may not be available on terms favorable to us or at all.

We pursue a strategy of pre-selling our development properties. This has reduced our need to seek significant external financing as we receive payments in advance from purchasers of our development properties. However, there can be no assurance that our pre-selling strategy will be sufficient to cover all of our anticipated financing needs. We may be required to seek external financing to fund working capital or capital expenditures to support the growth of our business which may include the public listing of, or sales of minority interests in, our subsidiaries. In the event that such a subsidiary is publicly listed, we will be required to offer a percentage of the

shares of such subsidiary to public investors in accordance with prevailing Indonesian laws and regulations. In addition, in the event a minority interest in such a subsidiary is sold, we may become subject to shareholders' agreements or other similar agreements requiring us to give certain rights to minority shareholders. Our ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in us, success of our business, provisions of tax and securities laws that may be applicable to our efforts to raise capital, any restrictions imposed by Bank Indonesia or other banking institutions on providing financing to companies operating in the property, healthcare or hospitality sectors in Indonesia and political and economic conditions in Indonesia. There can be no assurance that additional financing, either on a short-term or a long-term basis, would be available to us or, if available, that such financing would be obtained on terms favorable or satisfactory to us.

We may not be able to successfully develop our own, or acquire and integrate existing, hospitals in the future.

Our growth and success in our healthcare business unit will depend on our ability to develop new, or acquire and integrate existing, hospitals in a timely and cost efficient manner. The development of new hospitals is subject to, among other things, risks relating to the identification of appropriate sites, as well as development, construction and financing risks. The acquisition of existing hospitals is subject to, among others, financing risks and our ability to identify suitable existing facilities and negotiate attractive acquisition terms.

There can be no assurance that we will be able to identify or acquire suitable land sites for our future hospitals. Attractive land sites may be scarce and expensive. We may also face problems obtaining title to our land sites. Furthermore, once we have identified suitable land sites, we may not be able to secure such land on commercially reasonable terms or at all.

Construction of new hospitals is characterized by long gestation periods and entails significant risks, including shortages of materials or skilled labor, unforeseen engineering, environmental or geological problems, weather interference and unanticipated cost increases.

We may face difficulties identifying hospitals for acquisitions on attractive terms, and may face further difficulties arising from integrating newly acquired hospitals into existing operations. Acquiring and integrating existing hospitals is subject to a number of additional risks, including:

- difficulties in integrating the assets and operations of acquired hospitals with those of our existing hospitals;
- challenges in renovating and rebuilding existing hospitals and facilities or re-positioning existing hospitals that we have acquired to meet required operational standards;
- the loss of patients or key doctors and other medical staff following any acquisitions;
- the diversion of management's attention from our existing hospitals and operations;
- an interruption of, or a loss of momentum in, the activities of such hospitals;
- the failure to realize expected synergies and cost savings;
- difficulties in coordinating and consolidating corporate and administrative functions, including the integration of internal controls;
- unforeseen legal, regulatory, contractual, labor or other issues; and
- to the extent newly acquired hospitals are located in new markets, difficulties arising from language, cultural and geographic barriers.

We intend to finance the development of new hospitals and the acquisition of existing hospitals through cash generated from operations, the proceeds from the offering of the Notes and additional financing from banks and other third party finance providers. Our ability to arrange for external financing and the cost of such financing are

dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in us, success of our business, provisions of tax and securities laws that may be applicable to our efforts to raise capital, any restrictions imposed by Bank Indonesia or other banking institutions on providing financing to companies operating in healthcare sectors in Indonesia and political and economic conditions in Indonesia. There can be no assurance that additional financing, either on a short-term or a long-term basis, if required, would be available to us or, if available, that such financing would be obtained on terms favorable or satisfactory to us.

In addition to the specific risks identified above, we may face additional difficulties arising from operating a significantly larger and more complex organization as a result of our newly developed and acquired hospitals and may not be able to effectively manage such a larger enterprise or achieve the desired profitability from such development or acquisitions. To the extent such acquisitions or developments reflect an expansion into new areas and territories that we currently do not operate in, we may face risks arising from unfamiliar government authorities and regulations and difficulties arising from language, cultural and geographic barriers.

As a result of these and other factors described herein, no assurance can be given as to whether or when planned projects or acquisitions will be successfully completed or integrated. Any failure to complete or successfully integrate any such projects or acquisitions may materially and adversely affect our business, financial condition, results of operations and prospects.

Rapid technological advances and other challenges related to our medical equipment could adversely affect our business.

We use sophisticated and expensive medical equipment in our hospitals to provide services. Medical equipment often needs to be upgraded frequently, as innovation can rapidly make existing equipment obsolete or unable to provide services that patients require or demand. Replacement, upgrading or maintenance of equipment may involve significant costs. Doctors and other medical professionals will also need training for new equipment. If we are unable to keep up with technological advances, our doctors and patients may turn to other hospitals which have more advanced equipment and our competitive edge will be reduced, which may have a material adverse effect on our business, reputation, financial condition, results of operations and prospects.

Our healthcare business unit and financial results could be harmed if we are not able to attract and retain doctors and other healthcare professionals.

Operations at our hospitals depend on the efforts, ability and experience of doctors and medical staff at our hospitals. We compete with other healthcare providers, including providers located in the region, in recruiting and retaining qualified doctors and other healthcare professionals. While Indonesian law does not permit us to employ foreign doctors or staff who do not have a practice license (*Surat Izin Praktik*) from the Indonesian Minister of Health, Indonesian doctors and nursing staff are regularly recruited by competitors outside Indonesia. In some of our hospitals, doctor recruitment and retention is affected by a shortage of doctors in certain specialties.

We have experienced and expect to continue to experience significant wage and benefit pressures created by the current global nursing shortage. We expect the global nursing shortage to continue, and we may be required to enhance wages and benefits to recruit and retain nurses or increase the use of temporary personnel, which are more expensive.

The loss of some of our medical personnel or the inability to attract or retain sufficient numbers of qualified doctors and other healthcare professionals could have a material and adverse effect on our healthcare business unit, financial position and results of operations, and on the Issuer's ability to pay interest on, and repay the principal of, the Notes.

In addition, some doctors, including those who practice at our hospitals, face increases in malpractice insurance premiums and limitations on availability of insurance coverage. The inability of our doctors to obtain appropriate insurance coverage could cause those doctors to limit their practice. That, in turn, could result in lower admissions to our hospitals, therefore affecting our business, financial condition, results of operations and prospects, and the Issuer's ability to pay interest on, and repay the principal of, the Notes.

A portion of our revenue and income is derived from our management of two REITs and 34 malls. Our property and portfolio management business unit would be adversely affected if the performance of either of these REITs deteriorates.

We currently manage two REITs, First REIT and LMIRT, and 34 malls. We also hold investments in the units of these two REITs. Our fees from the management of each of the REITs comprise (i) management fees which comprise both base fees (which are generally based on the value of the REIT) and performance fees (which are based on the net property income of the REIT); and (ii) acquisition and divestment fees, which are based on the acquisition or sale price of any real estate purchased or sold by the REIT. In December 2010, we sold one of our hospitals, Siloam Hospitals Lippo Cikarang, to First REIT and First REIT also acquired an additional hospital, MRCCC. In November 2012, we completed the sale and lease-back of two of our hospitals, Makassar and Manado, and Hotel Aryaduta Manado to First REIT for a combined purchase consideration of approximately S\$142.9 million. We sold Siloam Hospitals Bali and Siloam Hospitals Simatupang to First REIT for a total consideration of S\$140.4 million in May 2013. A decrease in the values of the properties held by the REITs or the net property incomes of the REITs would result in a corresponding decrease in our fees. Our fees from the management of 34 malls are based on the gross revenue and net property income of the malls. Any condition which might have a material adverse effect on the REITs' and malls' operating performance and financial condition, or termination of our management services by either or both REITs and malls, could materially reduce our revenues derived from managing the REITs and malls.

Our existing contracts for the provision of management services for each REIT do not expire unless we resign or are removed as manager. We may be removed by the trustee of the relevant REIT, typically in the event of a resolution passed by a majority of the votes cast by unitholders of the REIT, present and voting or in the event we fail to perform any of our material obligations under the trust deed constituting the REIT. Our property management services are generally on a short or fixed term basis. In the event that our management or project services are terminated prior to the expiry of the management contract or we are removed as manager in accordance with the terms of the management contracts, or applicable law, or we are unable to renew contracts that have expired on terms that are commercially reasonable to us, our business, financial condition, results of operations and prospects will be adversely affected.

Additionally, we expect to grow our fee-based income through the establishment of new REITs or the expansion of the capital base of our existing REITs. We cannot assure you that we will be successful in raising new funds or that we are able to compete against other funds, REITs or REIT managers to raise funds and find new investors for new or our existing REITs, or that the level of fees that we may generate from such new funds or REITs will be comparable to those of our existing REITs.

The inability of the REITs that we manage to issue new equity or raise or refinance debt funding could adversely affect our ability to acquire or develop new properties.

Our future growth prospects and performance depend in part upon our ability to sell development properties to First REIT and LMIRT, which may require these trusts to either issue equity or raise debt. See "Business — Competitive Strengths — Track record of recycling capital". The ability of First REIT and LMIRT to issue new equity or raise or refinance debt depends on a number of factors, including general economic, political and capital market conditions and credit availability. If First REIT and LMIRT are unable to issue new equity or raise debt, they will be unable to purchase new assets, including development properties from us, which may constrain our ability to fund certain of our future development properties. Additionally, our income from fund management and the value of the investments these funds may be adversely affected.

Our land bank may be subject to Government Regulation No. 11 of 2010 and Law No. 2 of 2012.

On January 22, 2010, the Government issued Government Regulation No. 11 of 2010 regarding the Administration and Utilization of Unused Land (*Penertiban dan Pendayagunaan Tanah Terlantar*) ("GR 11/2010"). Under GR 11/2010, the Government may revoke the Right of Ownership (*Hak Milik*), Right to Cultivate (*Hak Guna Usaha*), Right to Build (*Hak Guna Bangunan*), Right to Use (*Hak Pakai*) or Right to Manage (*Hak Pengelolaan*) title, and reclaim land without any compensation over such land which has not been utilized or is not being utilized. Upon the lapse of a period of three years from the issuance of title, in accordance with the conditions or characteristics of the land and the purpose of the rights over such land or the basis of possession over the land, the local land office will initiate an identification process to determine whether there is any unused land. In the event that any part of the land is determined to be unused land, the local land office may issue three warning letters, each having a one-month grace period. Following the expiry of such grace period, the local land office will then have the right to reclaim the unused land. However, unintentional non-use of privately

owned or state-owned land, which has been registered as *Hak Milik* or *Hak Guna Bangunan*, is exempted from GR 11/2010.

On July 16, 2010, the Association of Real Estate Indonesia (*Persatuan Perusahaan Real Estate Indonesia*) (the “REI”) filed proceedings in the Supreme Court of Indonesia challenging the validity of GR 11/2010. Two months after the filing date, the REI revoked its claim on the basis that the Government has verbally guaranteed that the implementation of GR 11/2010 will not impair the operations of developers.

In addition, pursuant to Law No. 2 of 2012 regarding Land Procurement for Public Interest (“Law No. 2/2012”), any land title granted to us may be revoked by the Government for public use including, among others, for the purpose of national defense and security, power plants, telecommunication and information networks of the Government, waste treatment sites, the Government’s hospitals, offices, education infrastructure and schools. Based on this law, the Government is required to pay certain compensation for the use of land for any such public purpose. However, there can be no assurance that such compensation will be sufficient to recover the land acquisition cost or any other investments, or whether we will be able to acquire a similar plot of land or at a similar or commercially acceptable price and this could materially and adversely affect our business, financial condition and results of operations.

Given the characteristics of the Indonesian property industry, land acquired and held by property developers may not be utilized or developed for a period of three years or more. Use and development of such land depends on a number of factors including market demand for development properties. There is no assurance that GR 11/2010 and Law No. 2/2012 will not affect the land that we currently hold or will acquire in the future, or that the Government will not revoke the land title issued to us or reclaim the unused land without compensation. If the Government revokes the title issued to us or reclaims any unused land without compensation, this may have a material adverse effect on our business, financial condition, results of operations and prospects.

We engage in a significant number of transactions with affiliates which could involve our management in a conflict of interest.

Some of our transactions are conducted with affiliates. Such transactions include the sales of commercial and retail space in our property developments to our affiliates, including PT Matahari Putra Prima Tbk. and PT Matahari Department Store Tbk., and the development and sale of educational infrastructure at our Lippo Village urban development to a foundation closely associated with our affiliates. See “Related Party Transactions”. For the year ended December 31, 2013, affiliated parties contributed approximately 0.2% of revenues generated by our commercial projects. The negotiation and conduct of such transactions may involve our management in a conflict of interest, even though our policy is that all transactions with affiliates are conducted at arm’s length and under standard market terms and conditions.

Our insurance policies may be insufficient and some have expired and are being renewed.

Our properties could suffer physical damage caused by fire or natural disaster or other causes or we may suffer malpractice or public liability claims, including claims arising from the operations of our hospitals, all of which may result in losses (including loss of rent) that may not be fully compensated by insurance proceeds. In addition, certain types of risks (such as war risk) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Should an uninsured loss or a loss in excess of insured limits occur, we could be required to pay compensation and/or lose capital invested in the affected property as well as anticipated future revenue from that property. We would also remain liable for any debt or other financial obligation related to that property. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future. We do not maintain title or business interruption insurance with respect to our urban development or large scale integrated development business units. In addition, we are in the process of renewing and extending certain of our expired insurance policies with our insurance providers, and we cannot assure you that we will be able to renew the insurance policies on terms satisfactory to us.

Hospitals are subject to all of the risks common in the healthcare industry.

Generally, hospitals are subject to governmental regulation over their medical and surgical services, which could have a significant and possibly unfavorable effect on the price and availability of such services. Furthermore, hospitals face the risk of increasing competition for new products or services and the risk that technological advances will render their current medical and surgical services obsolete. The rising cost of healthcare technology may adversely impact the financial results of our healthcare business unit as well. Hospitals may also incur losses when adopting a new medical or surgical service, and revenue patterns may be erratic as a result. In

addition, hospitals may be affected by events and conditions, including, among other things, demand for services, doctors' confidence in the facility, management capabilities, competition with other hospitals, efforts by insurers to limit charges, expenses, economic conditions, exchange rate fluctuation and the cost and possible unavailability of malpractice insurance. Additionally, natural disasters such as earthquakes and flooding can have a significant impact on business continuity and accessibility.

The outbreak of the H7N9 virus, the Influenza A (H1N1) virus (“swine flu”), avian flu, the Severe Acute Respiratory Syndrome (“SARS”), or other potentially life-threatening illnesses or contamination may affect our hospitals.

The outbreak of the H7N9 virus, swine flu, avian flu, SARS, or other potentially life-threatening infectious illnesses or contamination may lead the government to impose regulations on hospitals, affecting their normal routine of operations and possibly leading to a lower number of patients who are willing to visit the hospitals.

In addition, should patients infected with such illnesses be housed in any of our hospitals, our healthcare business unit could experience a negative impact on its reputation, resulting in a lower number of patients who are willing to visit our hospitals for other kinds of medical or surgical treatment. Furthermore, any outbreak of such illnesses or contamination could, as a result of additional procedures we will need to put in place to protect against cross infection among patients, have an adverse effect on the number of patients we are able to treat, therefore resulting in a reduction in revenues from our hospitals.

Any of the foregoing matters could have a material adverse effect on our business, reputation, financial condition, results of operations and prospects.

Our hospitals may be subject to potential malpractice, negligence and other legal lawsuits.

From time to time, we have been named as a defendant in medical and legal claims and/or regulatory actions arising from the provision of healthcare services. Plaintiffs may bring actions against the attending physician as well as the hospital at which treatment was given. Due to the fact that we treat complex medical conditions at our hospitals, which do not have guaranteed positive outcomes, we are exposed to such medical malpractice litigation. We do not carry general malpractice insurance. Each of our doctors is responsible for his or her liability insurance in respect of any malpractice claim that may be brought against such doctor.

Although each doctor should be liable for any malpractice claim, we are nevertheless exposed to the risk of having to bear legal responsibility for any such claim. Further, even if our hospitals are not involved in such medical malpractice litigation, the reputation of our hospitals may be adversely affected by our association with a doctor involved in the medical malpractice litigation. The existence of such claims alone may tarnish the reputation of our hospitals and/or their doctors. We may continue to be exposed to the risk of legal claims and/or regulatory actions arising from the provision of healthcare services. If such claims succeed, our hospitals may be liable for fines or even face closure.

We are currently party to two lawsuits which have been brought by our former patients, as well as a lawsuit involving a wrongful termination claim in our healthcare business unit. One of these medical malpractice claims, which was on final appeal to the Supreme Court, sought damages of Rp211.9 billion (US\$17.4 million). The Supreme Court of Indonesia rejected the final appeal by the former patient on November 11, 2013, although the parties have not been formally notified of the details of the decision. As for the other lawsuit brought by another former patient, who sought damages of Rp10.0 billion (US\$0.8 million), we were successful in the lower courts. The plaintiff filed an appeal to the Supreme Court of Indonesia in January 2014 and the Supreme Court is currently considering the case. See “Business — Legal Proceedings.”

If medical malpractice litigation is not decided in our or a doctor's favor, our business, reputation, financial condition, results of operations and prospects may be materially and adversely affected. There can be no assurance that our internal malpractice procedures and funds will be sufficient to meet any liability that may arise under any medical malpractice litigation.

Changes in or non-adherence to government healthcare regulations could impact our healthcare business unit.

Healthcare is an area that is subject to extensive government regulation and dynamic regulatory changes. Our hospitals are subject to laws and regulations, including, but not limited to, licensing, facility inspections, reimbursement policies and control over certain expenditures. There may be periodic inspections by

governmental and other authorities to ensure continued compliance with such laws and regulations. Failure to maintain required regulatory approvals or licenses could materially and adversely affect our healthcare business unit.

In addition, there can be no assurance that there will not be changes in such laws and regulations, or new interpretations of such laws and regulations which may adversely affect our healthcare business unit.

Operations of hospitals are subject to environmental laws and regulations and environmental risks.

Our hospitals may contain, or their operations may utilize, certain materials, processes or installations which are regulated pursuant to environmental laws and regulations, or may require environmental permits from regulatory authorities. These items include, but are not limited to, medical or infectious waste, incinerators, and small amounts of friable asbestos-containing materials. These environmental laws and regulations also impose liability on us for removal or remediation of hazardous or toxic substances. As a result, we may also be liable for government fines and damages for injuries to persons, natural resources and adjacent property. Our healthcare business unit's operating expenses could be higher than anticipated due to the cost of complying with existing and future environmental and occupational health and safety laws and regulations.

We have made applications for the processing of hazardous and toxic materials (B3) in respect of several of our hospitals. Some of these applications are pending and there can be no assurance that we will be able to obtain them in a timely fashion or at all. We are also in the process of submitting (i) the report on environmental effort implementation and/or (ii) the report relating to waste dumping activity and/or (iii) the report required under the temporary storage of hazardous and toxic materials (B3) license in relation to the activities, in 2012 and first submission of 2013, in relation to several of our hospitals. As the submission of these reports may be overdue, we may be subject to administrative sanctions, which can range from written warnings to the temporary suspension of business licenses and the revocation of business licenses that we require to operate the related hospitals.

Although we will take all steps to comply with the laws and regulations in connection with such materials, processes or installations, there is no assurance that environmental liabilities will not exist in the future, or that any such environmental liabilities will not be material to our healthcare business unit. The imposition of any fines or sanctions or suspension of any of our business licenses that we require to operate any of our hospitals could have a material adverse effect on our business, reputation, financial condition, results of operations and prospects.

Challenges that affect the healthcare industry and other external factors also have an effect on our healthcare business unit.

Our healthcare business unit is impacted by the challenges currently facing the global healthcare industry as a whole. We believe that the key ongoing industry-wide challenges are providing quality patient care in a competitive environment and managing costs. In addition, our healthcare business unit and results of operations are affected by factors that affect the healthcare industry including (i) technological and pharmaceutical improvements that reduce the demand for healthcare, (ii) demographic changes and (iii) changes in the distribution process of healthcare services or other factors that increase the cost of supplies of healthcare services. In particular, patient volumes and revenues generated at our medical facilities are subject to economic and seasonal variations caused by a number of factors, including, but not limited to (i) prevailing unemployment levels, (ii) weather conditions and seasonal cycles of illness, (iii) vacation patterns and religious observance of both patients and doctors, (iv) healthcare competitors and (v) other factors relating to when patients decide to undergo elective medical procedures.

Our hotel business is subject to all of the risks common in the hospitality industry.

A number of factors, many of which are common to the hotel industry and beyond our control, could materially and adversely affect our hospitality and infrastructure business unit, including but not limited to the following:

- increased threats of terrorism, terrorist events or airline strikes, outbreak of infectious diseases, increases in supply costs, airline fares and other expenses relating to travel or other factors that may affect travel patterns and reduce the number of business and commercial travelers and tourists and other factors that may not be offset by increased room rates;
- increased competition from other hotels in our market for guests, meetings and special events such as weddings could harm occupancy levels and revenue at our hotels;

- dependence on business and commercial travel, leisure travel and tourism, all of which may fluctuate and be seasonal;
- increase in operating costs due to inflation, labor costs, workers' compensation and health-care related costs, utility costs, insurance and unanticipated costs such as acts of nature and their consequences and other factors that may not be offset by increased room rates;
- increase in maintenance or capital improvements;
- adverse effects of international market conditions, which may diminish the desire for leisure travel or the need for business travel, as well as national, regional and local economic and market conditions in which our hotels operate and where customers live;
- changes in regulations or changes in application of regulations in Indonesia, which would affect any applicable Government licenses necessary to operate our hotels; and
- adverse effects of a downturn in the hotel industry.

All of these factors could materially and adversely affect our hospitality and infrastructure business unit, financial condition and results of operations, and on the Issuer's ability to pay interest on, and repay the principal of, the Notes.

We are exposed to general risks associated with the ownership and management of property.

We have one of the largest landbanks among property developers in Indonesia. Real estate investments are generally illiquid, limiting the ability of an owner or a developer to convert property assets into cash on short notice, with the result that property assets may be required to be sold at a discount in order to ensure a quick sale. Such illiquidity also limits our ability to manage our portfolio in response to changes in economic or other conditions. Moreover, we may face difficulties in securing timely and commercially favorable financing in asset-based lending transactions secured by real estate due to the illiquidity or by restrictions in our various debt obligations, including the Notes.

Property investment is subject to risks incidental to the ownership and management of residential, commercial and retail properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in our financial statements, increased operating costs, the need to renovate, repair and re-let space periodically and to pay the associated costs, as well as wars, terrorist attacks, riots, civil commotions, natural disasters and other events beyond our control. Our activities may also be impacted by changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance. Rights related to the relevant properties may also be restricted by legislative actions, such as revisions to the laws relating to building standards or town planning laws, or the enactment of new laws related to Government appropriation, condemnation and redevelopment.

Increasing competition in the Indonesian property market may adversely affect our profitability.

Our urban development, large scale integrated development and retail malls business units, in particular, face, or may in the future face, competition from local property developers with respect to factors such as location, facilities and supporting infrastructure, services and pricing. Intensified competition between property developers may result in increased costs for land acquisition, oversupply of properties and a slowdown in the approval process for new property developments by the relevant government authorities, all of which may adversely affect our profitability. In Indonesia in the last ten years, there has been an increase in the development of retail commercial property in major cities. We face competition primarily from the largest property developers in Indonesia, including PT Ciputra Development Tbk., PT Summarecon Agung Tbk. and PT Agung Podomoro Land Tbk. Some of our competitors may have access to greater financial resources, greater economies of scale in purchasing and/or lower cost bases, which may give them a competitive advantage. There can be no assurance, however, that our strategies will be effective or that we will be able to compete successfully in the future against our existing or potential competitors or that increased competition with respect to our activities may not have a material adverse effect on our business, financial condition and results of operations, and on the Issuer's ability to pay interest on, and repay the principal of, the Notes.

We may not be successful in identifying suitable projects or properties, which may impede our long-term growth.

Our ability to identify suitable projects is fundamental to our business and involves certain risks, including identifying and acquiring appropriate parcels of land, appealing to the tastes of potential tenants and buyers of our properties and responding to their requirements and anticipating the changing property, commercial and retail trends in Indonesia. In identifying and planning new projects, we also take into account land use regulations, proximity to resources such as water and electricity and the availability of third parties such as architects, surveyors, engineers and contractors. We may not be successful in identifying suitable projects or properties that meet the demands of prospective tenants and buyers. Such failure could lead to a reduction in profits and in the number of projects we undertake which would in turn, impede our growth.

We are dependent on the quality of our title to properties in our landbank and our ability to renew or extend these titles.

We seek to obtain HGB title, which gives the holder of such title the right to build and own buildings on a plot of land (see “Regulation”), together with rights of development by way of license over the land which we acquire for our property development activities. Due to the immature nature of Indonesian property law and the lack of a uniform title system in Indonesia, there is potential for disputes over the quality of title purchased from previous landowners. In addition, we must negotiate each time we acquire land as a license-holder with the actual owner of the land, which may result in purchases of property (and thereby the obtaining of title to the relevant land) being delayed or not proceeding in the event that negotiations are unsuccessful. Such delays in acquiring properties required for our development activities could negatively affect our business, financial condition and results of operations, and the Issuer’s ability to pay interest on, and repay the principal of, the Notes.

Once HGB title has been obtained, we may make an application to extend the term. Upon fulfilling certain requirements, including the requirement to use the land for the purpose for which HGB title was originally granted, we can apply for extension or renewal (as applicable) of the HGB title two years prior to the expiration of the initial or extended term. Although currently Indonesian land law does not provide a limitation on the number of extensions and renewal cycles for HGB titles, and the typical initial term for HGB title is 30 years, with a maximum extension period of 20 years, there is no assurance that approval will be obtained for renewal or extension in the future. Non-renewal of HGB title, for any reason, could have a material adverse effect on our business, reputation, financial condition, results of operations and prospects.

We are dependent on regional governments to renew and uphold certain of our agreements.

The continuation of certain of our agreements is dependent on renewal by regional governments. For example, we operate the Aryaduta Hotel Pekanbaru pursuant to *Perjanjian Kerjasama* no. 55 dated September 17, 1993, as amended, (“BOT Agreement”) between us and the relevant local government. The BOT Agreement grants us the right to build and operate the hotel, but it does not amount to legal title to the underlying land. The term of the BOT is for 25 years with an option to renew for another ten years, but there is no assurance that the regional government will agree to renew the BOT Agreement and such non-renewal could adversely affect our operations and financial condition.

Additionally, if the regional government transfers the land over which our hotel is built to a third-party, there can be no assurance that the transferee will recognize our rights under the BOT Agreement. In such circumstances, we may be required to transfer the operation of the hotel to the transferee and this may have a material adverse effect on our business, reputation, financial condition and results of operations.

Our business is subject to extensive Government regulation.

The real estate industry in Indonesia is heavily regulated by the central and regional governments. Real estate developers must comply with a number of requirements mandated by Indonesian laws and regulations. Additionally, in order to develop and complete a real estate project, developers must obtain various approvals, permits and licenses from the relevant administrative authorities at various stages of project development. We may encounter problems in obtaining the requisite approvals or licenses or delays in fulfilling the conditions precedent to any required approvals and we may not be able to fully comply with new laws, regulations or policies that may come into effect from time to time with respect to the real estate sector. There may also be delays on the part of administrative bodies in reviewing applications and granting approvals. If we experience significant problems in obtaining, or fail to obtain, the requisite governmental approvals, the schedule of

development and sale or letting of our projects could be substantially disrupted, which in turn could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

Although we believe that our projects are in material compliance with applicable laws and regulations, regulatory authorities may nevertheless allege non-compliance and may subject us to regulatory action in the future, including penalties, seizure of land and other civil or criminal proceedings. In addition, property laws and regulations and their interpretations are still evolving in Indonesia and it is not possible to predict accurately the effect that changes in these laws and regulations, or their interpretations may have upon our business. For instance, in January 2011, the Government issued Law No. 1 of 2011 on Housing and Settlement Areas (“Law No. 1/2011”), which prohibits property developers from selling land lots within a housing area without houses constructed on them, unless at least 25% of the housing area has been completed and there is a national monetary crisis affecting the liquidity of the property developer (the “Land Sale Requirement”). Law No. 1/2011 also imposes a requirement, among others, for property developers to complete at least 20% of the development of the houses in the residential area (including the infrastructure and public utilities in the housing area) before any preliminary sale and purchase agreement of property may be entered into and before the developer may collect more than 80% of the selling price from the purchaser (the “Preliminary S&P Requirement”). There is uncertainty surrounding the interpretation of Law No. 1/2011, including whether it applies to non-residential properties and how the minimum built-up thresholds are interpreted. The potential enforcement of the Preliminary S&P Requirement and the Land Sale Requirement under Law No. 1/2011 in the future exposes us to the risk of not having complied with the relevant requirements prior to sale of land lots or entering into preliminary sale and purchase agreements. As a result, we may be subject to administrative sanctions, penalties, and/or imprisonment for non-compliance, which may materially and adversely affect our business, results of operations and reputation. Law No. 1/2011 is effective immediately on its enactment date, but further implementing regulations are required for the enforcement of the law. The State Minister of Public Housing has issued certain implementing regulations for the Law on Housing, which relate to: (i) Guidelines of Infrastructure, Facilities and Public Utilities for Housing and Settlement Areas (Minister Regulation No. 20/2011), (ii) Housing and Settlement Areas program (Minister Regulation No. 7/2013); (iii) the Procurement of Housing through Financing of Moderate House Ownership by Liquid Facility Support (Minister Regulation No. 13/2012); (iv) Guidelines of Infrastructure, Facilities and Public Utilities for Residential Buildings by the Developer (Minister Regulation No. 4/2013); and (v) Guidelines of Incentive Support for the Non-Government Housing (*Perumahan Swadaya*) (Minister Regulation No. 6/2013).

In addition, while property laws and regulations are not always enforced, regulators could decide to become more stringent and enforce them in a more rigorous manner. If laws and regulations, or their interpretations, or their enforcement, become more stringent, the costs incurred to ensure compliance could increase. There can be no assurance that future regulatory changes affecting the property industry in Indonesia will not be introduced or unexpectedly repealed which might have a significant impact upon our business, financial condition, results of operations and prospects.

Our properties or parts thereof may be acquired compulsorily by the Government.

There is no assurance that we can maintain the title of land on which our business unit developments are built. Based on the Basic Agrarian Law No. 5 of 1960, which is further regulated by Law No. 2 of 2012 concerning Land Procurement for Public Interest (“Law No. 2/2012”), any land rights can be revoked by the Government for the interest of the public as well as of the nation, the state or in the collective interest of the people for the purpose of national defense and security, power plants, telecommunication and information networks of the Government, landfills and waste treatment sites, hospitals, offices, education infrastructure and schools of the Government or regional government, and other purposes stipulated under Law No. 2/2012. If title to a parcel of land was revoked pursuant to this law, we would be provided compensation in accordance with the prevailing laws and regulations. However, there is no assurance that compensation will be commensurate to the adverse effect on our business and financial condition, or that we will be able to find additional land at commercially acceptable prices. See “Regulation — Land Ownership and Acquisition Regulation”.

Our business is dependent on our ability to obtain, maintain and renew all necessary licenses and approvals.

Our six business units are required to possess various licenses or approvals from the Government or the local government to carry out its operations, including, among others, general corporate licenses, foreign investment licenses, environmental permits business licenses, including *Izin Usaha Pusat Perbelanjaan* (IUPP) (business license for shopping centers), *Tanda Daftar Usaha Pariwisata* (TDUP) (business license for hotels) and land utilization permits. We must renew all licenses and approvals as they expire, as well as obtain new licenses and

approvals whenever required. We are currently in the process of applying for or extending necessary business licenses or permits for some business units. In addition, for some of our retail malls, we have not obtained the IUPP or other licenses required to operate these retail malls from the relevant local governments. See “Business — Material Licenses”. Failure to obtain the IUPP may expose us to sanctions such as temporary closure of the relevant operations, fines, imprisonment or other administrative sanctions.

There can be no assurance that we or our subsidiaries will be able to secure any necessary license that has not been obtained and is currently in progress or any licenses that may be required in the future, or that we will not receive sanctions arising from the failure to obtain any necessary licenses. Exposure to sanctions under applicable laws and regulation could materially affect our financial condition and results of operations. If any of our six business units fails to obtain, maintain or renew the licenses or approvals required by the central government or the local government to conduct its operations, our business, reputation, financial condition, results of operations and prospects could also be materially adversely affected.

Currency fluctuations could materially adversely affect our financial condition and results of operations.

We are exposed to fluctuations in the value of Rupiah against other foreign currencies, especially U.S. dollars. Gains or losses on foreign exchange have affected and will continue to affect our net income. For purposes of preparing our consolidated financial statements, the accounts of foreign subsidiaries are translated into Rupiah (our reporting currency) at each balance sheet date. The differences resulting from such foreign exchange translations of financial statements of subsidiaries which we consider to be an integral part of us are debited or credited as gain or losses on foreign exchange in our consolidated financial statements. For example, net losses on foreign exchange amounted to Rp6.7 billion in 2011 and net foreign exchange gain amounted to Rp108.0 billion and Rp262.9 billion (US\$21.6 million) in 2012 and 2013, respectively. The Rupiah continues to experience significant volatility which could materially and adversely affect our financial condition and results of operations. For instance, in the second half of 2013, the Rupiah had moved from Rp9,929 per U.S. dollar as of June 28, 2013 to Rp12,270 per U.S. dollar as of December 30, 2013. See “Exchange Rates and Exchange Controls” for further information on changes in the value of the Rupiah as measured against the U.S. dollar in recent periods.

The Rupiah has generally been freely convertible and transferable (except that Indonesian banks may not transfer Rupiah to persons outside of Indonesia and may not conduct certain transactions with non-residents). However, from time to time, Bank Indonesia has intervened in the currency exchange markets in furtherance of its policies, either by selling Rupiah or by using its foreign currency reserves to purchase Rupiah. We cannot assure you that the Rupiah will not be subject to depreciation and continued volatility, that the current floating exchange rate policy of Bank Indonesia will not be modified, that additional depreciation of the Rupiah against other currencies, including the U.S. dollar, will not occur, or that the Government will take additional action to stabilize, maintain or increase the value of the Rupiah, or that any of these actions, if taken, will be successful.

Modification of the current floating exchange rate policy could result in significantly higher domestic interest rates, liquidity shortages, capital or exchange controls or the withholding of additional financial assistance by multinational lenders. This could result in a reduction of economic activity, an economic recession, loan defaults or declining interest by our customers, and as a result, we may also face difficulties in funding our capital expenditure and in implementing our business strategy. Any of the foregoing consequences could have a material adverse effect on our business, reputation, financial condition, results of operations and prospects.

Loss of anchor tenants could directly and indirectly reduce our future cash flow.

Each of our retail malls has anchor tenants such as PT Matahari Putra Prima Tbk and Hypermart (each of which is owned by our affiliates — see “Related Party Transactions”). Our ability to sell any unsold or lease vacant retail units and the value of such units in these retail malls could be adversely affected by the loss of an anchor tenant in the event such anchor tenant files for bankruptcy or insolvency or experiences a downturn in its business.

Vacancy by an anchor tenant can reduce the demand for and value of other retail units in the retail mall because of the loss of the customer drawing power previously enjoyed by the departed anchor tenant. In addition, as most of our anchor retailers are related to us and each other, the risk of such loss is concentrated and could affect all of our retail malls if it occurred. In addition, PT Matahari Putra Prima Tbk sold its 90.76% stake in PT Matahari Department Store Tbk to a joint venture established with CVC Capital Partners Ltd in 2010. There can be no assurance in the future that CVC Capital Partners Ltd. will continue to operate its stores in our developments.

Any of these events could affect our business, financial condition and results of operations, and the Issuer's ability to pay interest on, and repay the principal of, the Notes.

Downturns in the retailing industry will likely have a direct impact on our revenues and cash flow.

Historically we developed our retail and commercial projects on a strata-titled basis. More recently and in the future, we intend to develop more retail and commercial centers on a leasehold basis, whereby we retain title to the developed property and lease retail and commercial space to tenants. As such, our financial performance will be linked to economic conditions in the Indonesian property market for retail space generally. The demand for Indonesian retail space has historically been, and could be in the future, adversely affected by any of the following:

- a weakness in the national, regional and local economies;
- the adverse financial condition of some large retailing companies;
- ongoing consolidation in the retail sector in Indonesia;
- the excess amount of retail space in a number of Indonesian regional markets;
- an increase in consumer purchases through catalogs or the Internet and reduction in the demand for tenants to occupy our shopping centers as a result of the Internet and e-commerce;
- the timing and costs associated with property improvements and rentals;
- any changes in taxation and zoning laws; and
- adverse government regulation.

To the extent that any of these factors occur, they are likely to impact market rents for retail space and our financial condition and results of operations, and the Issuer's ability to pay interest on, and repay the principal of, the Notes.

We could incur significant costs related to environmental matters.

We are subject to various Indonesian laws and regulations relating to the protection of the environment that may require a current or previous owner of real estate to investigate and clean-up hazardous or toxic substances at a property. Under these laws, owners and operators of real estate may be liable for the costs of removal or remediation of certain hazardous substances or other regulated materials on or in such property. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such substances or materials. The cost of investigation, remediation or removal of these substances may be substantial.

Environmental laws may also impose compliance obligations on owners and operators of real property with respect to the management of hazardous materials and other regulated substances. Failure to comply with these laws can result in penalties or other sanctions.

Existing environmental reports with respect to any of our properties may not reveal (i) all environmental liabilities, (ii) whether any prior owner or operator of our properties created any material environmental condition not known to us or (iii) whether a material environmental condition otherwise exists as to any one or more of our properties. Material environmental conditions, liabilities or compliance concerns may also arise after the review has been completed or in the future. Moreover, future laws, ordinances or regulations and future interpretations of existing laws, ordinances or regulations may impose additional material environmental liability. We may be subject to liabilities or penalties relating to environmental matters which could adversely affect our business, financial condition and results of operations, and the Issuer's ability to pay interest on, and repay the principal of, the Notes.

We are subject to third-party litigation risk which could result in significant liabilities and damage our reputation.

As a manager of REITs and as a property manager, we are exposed to the risk of litigation by investors of the REITs we manage if our management is alleged to constitute fraud, negligence, willful default, a breach of

applicable laws or regulations or a breach of the trust deed or other constitutive documents or the management and other agreements under which we provide our management services. Investors could sue us to recover amounts lost by the REITs we manage due to our alleged misconduct, up to the entire amount of the loss. Further, we may be subject to litigation arising from investor dissatisfaction with the performance of the REITs we manage. We are exposed to risks of litigation or investigation relating to transactions where potential conflicts of interest have not been properly addressed. In such actions, we may be obliged to bear legal, settlement and other costs, which may be in excess of available insurance coverage. As a property manager, we are also exposed to the risk of disputes with our tenants in relation to lease agreements and property owners in relation to management agreements. Where such disputes cannot be settled amicably between the parties, they may progress to litigation. If we are required to bear all or a portion of the costs arising out of litigation or investigations as a result of inadequate insurance proceeds or failure to obtain indemnification from the REITs we manage, this may have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO INDONESIA

The Company is incorporated in Indonesia and substantially all of its assets and operations are located in Indonesia. As a result, future political, economic, legal and social conditions in Indonesia, as well as certain actions and policies that the Government may, or may not, take or adopt could materially and adversely affect its business, financial condition, results of operations and prospects and on the Issuer's ability to pay interest on, and repay the principal of, the Notes.

Political and social instability in Indonesia may adversely affect us.

Since the collapse of President Soeharto's regime in 1998, Indonesia has experienced a process of democratic change, resulting in political and social events that have highlighted the unpredictable nature of Indonesia's changing political landscape. In 1999, Indonesia successfully conducted its first free elections for parliament and president. As a new democratic country, Indonesia continues to face various socio-political issues and has, from time to time, experienced political instability and social and civil unrest. Such instances of unrest have highlighted the unpredictable nature of Indonesia's changing political landscape. Indonesia also has many political parties, without any one party winning a clear majority to date. These events have resulted in political instability, as well as general social and civil unrest on certain occasions in recent years.

Since 2000, thousands of Indonesians have participated in demonstrations in Jakarta and other Indonesian cities both for and against former President Wahid, former President Megawati, and current President Yudhoyono as well as in response to specific issues, including fuel subsidy reductions, privatization of state assets, anti-corruption measures, decentralization and provincial autonomy and the American-led military campaigns in Afghanistan and Iraq. Although these demonstrations were generally peaceful, some turned violent. In June 2001, demonstrations and strikes affected at least 19 cities after the Government mandated a 30% increase in fuel prices. Similar demonstrations occurred in January 2003, when the Government again tried to increase fuel prices, as well as electricity rates and telephone charges. In both instances, the Government was forced to drop or substantially reduce the proposed increases. In March 2005, the Government implemented an approximately 29% increase in fuel prices. In October 2005, the Government terminated fuel subsidies on premium and regular gasoline and decreased fuel subsidies on diesel which resulted in increases in fuel prices of approximately 87.5%, 104.8% and 185.7% for premium gasoline, regular gasoline and diesel fuel, respectively. In response, several non-violent mass protests were organized in opposition to the increases in domestic fuel prices, and political tensions have resulted from the decision of the Government. In May 2008, the Government further decreased fuel subsidies to the public, which led to public demonstrations. Although these demonstrations were generally peaceful, some have turned violent. There can be no assurance that this situation or future sources of discontent will not lead to further political and social instability.

Separatist movements and clashes between religious and ethnic groups have resulted in social and civil unrest in parts of Indonesia. In the provinces of Aceh and Papua (formerly Irian Jaya), there have been clashes between supporters of those separatist movements and the Indonesian military. In Papua, continued activity by separatist rebels has led to violent incidents. In recent years, the Government has made progress in negotiations with these troubled regions with limited success, except in the province of Aceh in which an agreement between the Government and the Aceh separatists was reached in 2005 and peaceful local elections were held with some former separatists as candidates.

In 2004, Indonesians directly elected the President, Vice-President and representatives in the Indonesian Parliament for the first time. Indonesians have also begun directly electing heads and representatives of local and regional governments. It is likely that increased electoral activity will be accompanied by increased political activity in Indonesia. In April 2009, elections were held to elect the representatives in the Indonesian Parliament (including national, regional and local representatives). The Indonesian Presidential elections, held in July 2009, resulted in the re-election of President Yudhoyono. Although the April 2009 and July 2009 elections were conducted in a peaceful manner, political campaigns in Indonesia may bring a degree of political and social uncertainty to Indonesia. Furthermore, there can be no assurance that the upcoming presidential elections in Indonesia, which will be held in 2014, will not lead to an increase in political or social uncertainty and instability in Indonesia.

Political and related social developments in Indonesia have been unpredictable in the past. Social and civil disturbances could directly or indirectly, materially and adversely affect our business, financial condition, results of operations and prospects, and the Issuer's ability to pay interest on, and repay the principal of, the Notes.

Indonesia is located in an earthquake zone and is subject to significant geological risk that could lead to social unrest and economic loss.

The Indonesian archipelago is one of the most volcanically active regions in the world. Because Indonesia is located in the convergence zone of three major lithospheric plates, it is subject to significant seismic activity that can lead to destructive earthquakes and tsunamis, or tidal waves. On December 26, 2004, an underwater earthquake off the coast of the northern part of Sumatra caused a tsunami that devastated coastal communities in Indonesia, Thailand, India and Sri Lanka. In Indonesia, more than 220,000 people died or were recorded as missing in the disaster and caused billions of U.S. dollars in damages. Aftershocks from the December 2004 tsunami also claimed further casualties, leaving tens of thousands homeless and hundreds more dead. There have been further earthquakes, including those in Yogyakarta, Java, Sulawesi, Manokwari and Padang, throughout 2006 to 2009, many of them leaving people dead or homeless. More recently, on October 25, 2010, an earthquake of magnitude 7.7 on the Richter scale struck the Mentawai Islands, off the coast of West Sumatra, which then triggered a tsunami, killing over 450 people. Starting on October 26, 2010, a series of eruptions of Mount Merapi, a volcano located on Java, killed over 300 people. Volcanic ash from the eruptions caused flight disruptions in certain cities in Indonesia, including Jakarta, affecting domestic and international flights.

In addition to these geological events, heavy rains in December 2006 resulted in floods that killed more than 100 people and displaced over 400,000 people on the northwestern Sumatra island. More flooding in January and February 2007 around the capital, Jakarta, killed at least 30 people and displaced at least 340,000 from their homes. In July 2007, at least seven people were killed and at least 16,000 people were forced to flee their homes because of floods and landslides caused by torrential rains on the island of Sulawesi. In January 2009, torrential rain caused a colonial-era dam to burst outside Jakarta, sending a wall of muddy water crashing into a densely packed neighborhood and killing at least 58 people. The flood also left scores missing and submerged hundreds of homes. In October 2010, at least 158 people died and 148 people were declared missing in a flash flood in Wasior district, West Papua. More recently, in the early parts of 2013 and 2014, floods in Jakarta resulted in disruptions to businesses and extensive evacuations in the city.

While these events did not have a significant economic impact on Indonesian capital markets, the Government has had to expend significant amounts of resources on emergency aid and resettlement efforts. Most of these costs have been underwritten by foreign governments and international aid agencies. However, such aid may not continue to be forthcoming, and may not be delivered to recipients on a timely basis. If the Government is unable to timely deliver foreign aid to affected communities, political and social unrest could result. Additionally, recovery and relief efforts are likely to continue to strain the Government's finances and may affect its ability to meet its obligations on its sovereign debt. Any such failure on the part of the Government, or declaration by it of a moratorium on its sovereign debt, could trigger an event of default under numerous private-sector borrowings including ours, thereby materially and adversely affecting our business financial condition, results of operations and prospects, and on the Issuer's ability to pay interest on, and repay the principal of, the Notes.

Future geological occurrences could significantly impact the Indonesian economy. A significant earthquake or other geological disturbance in any of Indonesia's more populated cities could severely disrupt the Indonesian economy and undermine investor confidence, thereby materially and adversely affecting our business, financial condition, results of operations and prospects, and on the Issuer's ability to pay interest on, and repay the principal of, the Notes.

Terrorist attacks and terrorist activities and certain destabilizing events have led to substantial and continuing economic and social volatility in Indonesia, which may materially and adversely affect our business.

Terrorist attacks, including those on the United States on September 11, 2001, the United Kingdom on July 7, 2005 and in Jakarta on July 17, 2009, together with the military response to the September 11 attacks, and continuing military activities in Iraq and Afghanistan have resulted in substantial and continuing economic volatility and social unrest in the world. Terrorist attacks in Southeast Asia have exacerbated this volatility. In Indonesia during the last several years, there have been various bombing incidents directed towards the Government, foreign governments and public and commercial buildings frequented by foreigners, including the Jakarta Stock Exchange Building and hotels in Jakarta, which have killed and injured a significant number of people. Further developments stemming from these events or other similar events could cause further volatility. Any additional significant military or other response or any further terrorist activities could also materially and adversely affect international financial markets and the Indonesian economy.

There can be no assurance that further terrorist acts will not occur in the future. Following the military involvement of the United States and its allies in Iraq, a number of governments have issued warnings to their citizens in relation to a perceived increase in the possibility of terrorist activities in Indonesia, targeting foreign, particularly U.S., interests. Such terrorist acts could destabilize Indonesia and increase internal divisions within the Government as it considers responses to such instability and unrest, thereby adversely affecting investors' confidence in Indonesia and the Indonesian economy. Violent acts arising from and leading to instability and unrest have in the past had, and could continue to have, a material adverse effect on investment and confidence in, and the performance of, the Indonesian economy, and in turn our business. Terrorist acts may also affect travel patterns and reduce the number of business and commercial travelers and tourism in Indonesia and Southeast Asia. This may lead to a reduction in occupancy and leisure related spending at our hotels. Any of the events described above, including damage to our infrastructure or that of our suppliers and customers, could interrupt parts of our business and materially and adversely affect our financial condition, results of operations and prospects.

Any outbreak of infectious disease, or fear of an outbreak, or any other serious public health concerns in Asia (including Indonesia) or elsewhere may have an adverse effect on the economies of certain Asian countries and may adversely affect us.

The outbreak of an infectious disease in Asia (including Indonesia) or elsewhere or fear of an outbreak, together with any resulting travel restrictions or quarantines, could have a negative impact on the economy and business activity in Indonesia and thereby adversely affect our revenue. Examples are the outbreak in 2003 of SARS and outbreak in 2004 and 2005 of avian flu, in Asia. No fully effective avian flu vaccines have been developed and an effective vaccine may not be discovered in time to protect against the potential avian flu pandemic.

More recently, in April 2009, there has been an outbreak of the swine flu which originated in Mexico but has since spread globally including confirmed reports in Indonesia, Hong Kong, Japan, Malaysia, Singapore, and elsewhere in Asia. Swine flu is believed to be highly contagious and may not be easily contained.

An outbreak of avian flu, SARS, swine flu, the H7N9 virus or another contagious disease or the measures taken by the governments of affected countries, including Indonesia, against such potential outbreaks, could seriously interrupt our operations or the services or operations of our suppliers and customers, which could have a material adverse effect on our business, financial condition, results of operations and prospects. The perception that an outbreak of avian flu, SARS, swine flu, the H7N9 virus or another contagious disease may occur may also have an adverse effect on the economic conditions of countries in Asia, including Indonesia.

Regional autonomy may adversely affect our business through imposition of local restrictions, taxes and levies.

Indonesia is a large and diverse nation covering a multitude of ethnicities, languages, traditions and customs. During the administration of the former President Soeharto, the Government controlled and exercised decision-making authorities on almost all aspects of national and regional administration, including the allocation of revenues generated from extraction of national resources in the various regions. This control led to a demand for greater regional autonomy, in particular with respect to the management of local economic and financial

resources. In response to such demand, the Indonesian Parliament in 1999 passed Law No. 22 of 1999 regarding Regional Autonomy (“Law No. 22/1999”) and Law No. 25 of 1999 regarding Fiscal Balance between the Central and the Regional Governments (“Law No. 25/1999”). Law No. 22/1999 has been revoked and replaced by the provisions of regional autonomy Law No. 32 of 2004 (“Law No. 32/2004”) as amended by Law No. 8 of 2005 regarding the First Amendment of Law No. 32/2004 on Regional Autonomy and Law No. 12 of 2008 regarding the Second Amendment of Law No. 32/2004. Law No. 25/1999 has been revoked and replaced by Law No. 33 of 2004 regarding the Fiscal Balance between the Central and the Regional Governments, respectively. Under these regional autonomy laws, regional autonomy was expected to give the regional governments greater powers and responsibilities over the use of “national assets” and to create a balanced and equitable financial relationship between central and regional governments. However, under the pretext of regional autonomy, certain regional governments have put in place various restrictions, taxes and levies which may differ from restrictions, taxes and levies put in by other regional governments and/or are in addition to restrictions, taxes and levies stipulated by the Government. Our business and operations are located throughout Indonesia and may be adversely affected by conflicting or additional restrictions, taxes and levies that may be imposed by the applicable regional authorities.

Labor laws and regulations in Indonesia and labor unrest may materially adversely affect our results of operations.

Laws and regulations which facilitate the forming of labor unions, combined with weak economic conditions, have resulted and may continue to result in labor unrest and activism in Indonesia. In 2000, the Government issued Law No. 21 of 2000 regarding Labor Union (the “Labor Union Law”). The Labor Union Law permits employees to form unions without intervention from an employer, the government, a political party or any other party. On February 25, 2003, a committee of the Indonesian parliament, the House of Representatives, *Dewan Perwakilan Rakyat* (“DPR”) passed Law No. 13 of 2003 regarding Employment (the “Labor Law”) which, among other things, increased the amount of severance, service and compensation payments payable to employees upon termination of employment. The Labor Law took effect on March 25, 2003 and requires further implementation of regulations that may substantively affect labor relations in Indonesia. Under the Labor Law, employees who voluntarily resign are also entitled to payments for, among other things, (i) unclaimed annual leave, (ii) relocation expenses (if any), (iii) severance pay, and (iv) certain other expenses. The Labor Law requires companies with 50 or more employees establish bipartite forums with participation from employers and employees and the participation of more than half of the employees of a company in order for a collective labor agreement to be negotiated and creates procedures that are more permissive to the staging of strikes. Following the enactment, several labor unions urged the Indonesian Constitutional Court to declare certain provisions of the Labor Law unconstitutional and order the Government to revoke those provisions. The Indonesian Constitutional Court declared the Labor Law valid except for certain provisions, including (i) the procedures for termination of employment of an employee who commits a serious mistake, (ii) criminal sanctions against an employee who instigates or participates in an illegal labor strike whether in the form of imprisonment or monetary penalty, (iii) for labor unions in companies which have more than one labor union, the need for more than 50% employee representation before such labor unions are eligible to conduct negotiations with the employer, and (iv) the ability to have outsourcing arrangements with fixed term employment contracts that do not contain provisions that protect outsourced employees upon the replacement of the outsourcing company, in which case the Company may not be able to rely on certain provisions of the Labor Law.

Labor unrest and activism in Indonesia could disrupt our operations, our suppliers or contractors and could affect the financial condition of Indonesian companies in general, depressing the prices of Indonesian securities on the Jakarta or other stock exchanges and the value of the Rupiah relative to other currencies. Such events could materially and adversely affect our business, financial condition, results of operations and prospects, and the Issuer’s ability to pay interest on, and repay the principal of, the Notes.

In addition, the Labor Law prohibits an employer from paying an employee below the minimum wage stipulated annually by the provincial or regional/city government. The minimum wage is generally determined according to the need for a decent living standard and taking into consideration the productivity and growth of economy. However, there are no specific provisions as to how to determine the amount of a minimum wage increase. In January 2014, the provincial government of DKI Jakarta, through the Governor of DKI Jakarta Province Regulation No. 123 of 2013, increased the minimum wage of DKI Jakarta province for 2014 from Rp2,200,000 per month to Rp2,441,000 per month. Any increase in minimum wage in Indonesia could have a material adverse effect on the Company’s business, cash flows, financial condition and prospects.

Indonesian accounting standards differ from those in other jurisdictions.

We prepare our financial statements in accordance with Indonesian FAS, which differs from IFRS. As a result, our financial statements and reported earnings could be significantly different from those that would be reported under IFRS. This Offering Circular does not contain a reconciliation of our financial statements to IFRS, and there can be no assurance that such reconciliation would not reveal material differences. See “Summary of Certain Differences Between Indonesian FAS and IFRS” for a summary of certain principal accounting differences that may be applicable to us.

Regional or global economic challenges may materially and adversely affect the Indonesian economy and our business.

The Asian economic crisis, which began in 1997, had a significant adverse impact on Indonesia causing significant depreciation in the value of the Rupiah and depletion of Indonesia’s currency reserves, among other adverse changes. The economic crisis resulted in the failure of many Indonesian companies to repay their debts when due. These conditions had a material adverse effect on Indonesian business, including our business and financial condition. Indonesia entered a recessionary phase with relatively low levels of growth between 1999 to 2002, although rate of growth has increased in recent years.

The Asian economic crisis caused the Government to turn to the International Monetary Fund (“IMF”) for financial assistance and, in October 1997, the IMF agreed to provide relief contingent upon the implementation of economic reforms, such as the Government undertaking asset sales and abolishing subsidies for commodities and other consumer products. Indonesia left the IMF-supported program at the end of 2003. The World Bank has also been an important source of funding for the Government which has received assistance from the World Bank since late 1997. The World Bank’s 2001 base target for lending in Indonesia was US\$1.3 billion, but this amount was subsequently reduced due to the slow pace of institutional reforms in Indonesia as well as concern that the Government’s decentralization plan, and particularly empowerment of provincial governments to borrow, could adversely affect the Government’s ability to service its debts. In December 2003, the World Bank approved an Indonesian lending program from 2004 to 2007 ranging from US\$450 million to US\$850 million per year. As of December 31, 2012, total external indebtedness of the Government and private sector companies in Indonesia amounted to US\$252.4 billion, which was approximately 28.7% of Indonesia’s GDP for that year.

Although the policy rate set by Bank Indonesia was 7.5% in February 2014, as compared to a peak of 70.8% in late July 1998 for one-month Bank of Indonesia certificates, there can be no assurance that the recent improvement in economic condition will continue or the previous adverse economic condition in Indonesia and the rest of the Asia Pacific region will not occur in the future. In particular, a loss of investor confidence in the financial systems of emerging and other markets, or other factors, may cause increased volatility in the international and Indonesian financial markets and inhibit or reverse the growth of the global economy and the Indonesian economy. Any such increased volatility, slowdown or negative growth could materially and adversely affect our business, financial condition, results of operations and prospects, and on the Issuer’s ability to pay interest on, and repay the principal of, the Notes. In addition, the absence of funding from the IMF, World Bank or similar agencies or creditor support for debt rescheduling, the Government may not be able to secure alternative funding and may default on its payment obligations, which may result in an economic crisis. Funding restrictions may also result in the Government being unable to fund subsidies for staples such as food and fuel which, in turn, could have serious social, economic and political consequences. These may in turn have a material adverse impact on our business and the value of the Notes. The Government may, in connection with future agreements with the World Bank or other lenders, undertake additional economic or structural initiatives the effects of which are presently unknown.

Indonesia’s economy remains significantly affected by the recent global economic crisis that began in 2008. The global financial markets have experienced, and may continue to experience, significant turbulence originating from the liquidity shortfalls in the U.S. credit and sub-prime residential mortgage markets since 2008, which have caused liquidity problems resulting in bankruptcy for many institutions, and resulted in major government bailout packages for banks and other institutions. In addition, in 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these European nations to continue to service their sovereign debt obligations. These conditions impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many European nations. Certain European nations continue to experience varying degrees of financial stress, and yields on government-issued bonds in Greece, Ireland, Italy, Portugal and

Spain have risen and remain volatile. Despite assistance packages to Greece, Ireland and Portugal, the creation of a joint European Union- International Monetary Fund European Financial Stability Facility in May 2010, and other European Union actions aimed at addressing the financial challenges, uncertainty over the outcome of the European Union governments' financial support programs and worries about sovereign finances have persisted.

The global crisis has also resulted in a shortage in the availability of credit, a reduction in foreign direct investment, the failure of global financial institutions, a drop in the value of global stock markets, a slowdown in global economic growth and a drop in demand of certain commodities. The current global economic situation could further deteriorate or have a greater impact on Indonesia and our business. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations and prospects, and on the Issuer's ability to pay interest on, and repay the principal of, the Notes.

We are subject to corporate disclosure and reporting requirements that differ from those in other countries.

We are subject to corporate governance and reporting requirements in Indonesia that differ, in significant respects, from those applicable to companies in certain other countries. The amount of information made publicly available by issuers in Indonesia may be less than that made publicly available by comparable companies in certain more developed countries, and certain statistical and financial information of a type typically published by companies in certain more developed countries may not be available. As a result, investors may not have access to the same level and type of disclosure as that available in other countries, and comparisons with other companies in other countries may not be possible in all respects.

Downgrades of the credit ratings of Indonesia and Indonesian companies could materially and adversely affect us and the market price of the Notes.

In 1997, certain recognized rating agencies, including Moody's and Standard & Poor's, downgraded Indonesia's sovereign rating and the credit ratings of various credit instruments of the Government and a large number of Indonesian banks and other companies. As of the date of this Offering Circular, Indonesia's sovereign foreign currency long-term debt is rated "Baa3" by Moody's, "BB+" by Standard & Poor's and "BBB-" by Fitch, and its short-term foreign currency debt is rated "NP" by Moody's, "B" by Standard & Poor's and "F3" by Fitch with a positive outlook from Moody's, a positive outlook from Standard & Poor's and a stable outlook from Fitch. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due.

Moody's, Standard & Poor's, Fitch or any other rating agencies may downgrade the credit ratings of Indonesia or Indonesian companies. Any such downgrade could have an adverse impact on liquidity in the Indonesian financial markets, the ability of the Government and Indonesian companies, including us, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could have a material adverse effect on us.

The Singapore-Indonesia tax treaty may be applied in a manner adverse to the interests of the Company.

The Indonesian tax rules generally require a 20.0% tax to be withheld on the payment of a dividend or interest from an Indonesian taxpayer to an offshore tax resident. Under the double tax treaty between Singapore and Indonesia (the "Singapore-Indonesia Tax Treaty"), the rate of withholding tax is reduced to 10.0% on the payment of interest to a Singapore tax resident which is the beneficial owner of this payment. The reduced rate is available to a Singapore company only if the company submits an original copy of the certificate of residence to the Indonesian payor prior to the payment of the income. On November 5, 2009, the Directorate General of Taxation in Indonesia issued two relevant tax regulations (Directorate General of Tax Regulations No. PER-61/PJ/2009 as amended by Directorate General of Tax Regulation No. PER-24/PJ/2010 regarding application procedure of double taxation treaties dated April 30, 2010 and PER-62/PJ/2009 as amended by Directorate General of Tax Regulation No. PER-25/PJ/2010 regarding prevention of abuse of tax treaties dated April 30, 2010) indicating that the benefits of Indonesia's double tax treaties would not be available to a recipient of Indonesian-sourced income that was not the beneficial owner of such income. The tax regulations further elaborated that a special purpose vehicle which is a "conduit company", "paper box company", "pass through company", or any similar form of entity would not qualify as the beneficial owner of payments received by it.

Under Singapore income tax law, the Issuer and Kemang would be considered tax residents in Singapore if the control and management of their business is exercised in Singapore. As a general rule, the place where a

company's control and management is exercised and hence the tax residence of the company is the place where the directors of the company hold their meetings, makes its decisions, or the place where the actions to be taken by the entity as a whole are determined. The board of directors of both the Issuer and Kemang will endeavor to ensure that the control and management of each of the Issuer and Kemang is exercised in Singapore so that each would be considered a tax resident of Singapore. For this offering, the Issuer will contribute the net proceeds of this offering of Notes to Kemang by way of subscription of additional shares in the capital of, and/or a shareholder loan to, Kemang, which will fund our corporate purposes by granting one or more Intercompany Loans or through other funding methods to the Company and/or the Subsidiary Guarantors. Kemang would receive payments under any Intercompany Loan or through other funding methods from the Company and/or the Subsidiary Guarantors. Kemang acts as an active group financing company for which purpose it intends to employ a number of qualified staff members to run its operations. Kemang may in the future undertake a wide range of group financing activities. The Issuer is the beneficial owner of the shares in Kemang. However, it remains uncertain as to whether the Indonesian tax authorities will view Kemang as the beneficial owner of the interest under the Intercompany Loan or other funding methods. In the event that Kemang is not so classified, payments of interest under the Intercompany Loans or other funding methods may not have the benefit of the Singapore-Indonesia Tax Treaty, and the Indonesian tax authorities may challenge whether such interest payments qualify for the withholding reduction provided by the Singapore-Indonesia Tax Treaty. As a result, any such interest payment may be subject to a 20% withholding tax in accordance with the applicable Indonesian tax law. Any late payment of tax will be subject to an interest penalty of 2% per month.

In the event that the 10% withholding tax rate does not apply, or in the event that the Guarantors makes interest payments under the Guarantees, the statutory 20% withholding tax rate would apply. In such a scenario, under the terms of the Notes, the Issuer or the applicable Guarantor would, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by the Holder of such amounts as would have been received by such Holder had no such withholding or deduction been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, could impose a significant burden on the Company's cash flows and could have a material adverse effect on the Company's financial condition and results of operations, and the Issuer's ability to pay interest on, and repay the principal amount of, the Notes.

RISKS RELATING TO THE NOTES AND THE GUARANTEES

Through the purchase of the Notes, the noteholders may be exposed to a legal system subject to considerable discretion and uncertainty; it may be difficult or impossible for noteholders to pursue claims under the Notes or the Guarantees.

Indonesian legal principles relating to the rights of debtors and creditors, or their practical implementation by Indonesian courts, may differ materially from those that would apply in other jurisdictions. Neither the rights of debtors nor the rights of creditors under Indonesian law are as clearly established or recognized as under legislation or judicial precedent in other jurisdictions. In addition, under Indonesian law, debtors may have rights and defenses to actions filed by creditors that such debtors would not have in other jurisdictions.

Indonesia's legal system is a civil law system based on written statutes; judicial and administrative decisions do not constitute binding precedent and are not systematically published. Indonesia's commercial and civil laws as well as rules on judicial process were historically based on Dutch law as in effect prior to Indonesia's independence in 1945, and some have not been revised to reflect the complexities of modern financial transactions and instruments. Indonesian courts are often unfamiliar with sophisticated commercial or financial transactions, leading in practice to uncertainty in the interpretation and application of Indonesian legal principles. The application of Indonesian laws in large part depends upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy, the practical effect of which is difficult or impossible to predict. Indonesian judges, who operate in an inquisitorial legal system, have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised. As a result, the administration and enforcement of laws and regulations by Indonesian courts and Indonesian governmental agencies may be subject to considerable discretion and uncertainty. Furthermore, corruption in the court system in Indonesia has been widely reported in publicly available sources.

In addition, under the Indonesian Civil Code, although a guarantor may waive its right to require the obligee to exhaust its legal remedies against the obligor's assets prior to the obligee exercising its rights under the related guarantee, a guarantor may be able to argue successfully that the guarantor can nonetheless require the obligee to exhaust such remedies before acting against the guarantor. No assurance can be given that an Indonesian court would not side with us on this matter, despite the express waiver by us of this obligation in the Guarantees.

Furthermore, on September 2, 2013 the holders of notes represented by the Trustee issued by BLD Investments Pte. Ltd. and guaranteed by PT Bakrieland Development Tbk (“Bakrieland”), under a trust deed governed under English law, filed a postponement of debt payment petition with the Jakarta commercial court on grounds including that Bakrieland had failed to comply with its obligation to repay the principal amount of the notes when noteholders exercised their put option under the terms of the notes. In its decision dated September 23, 2013, the commercial court rejected the postponement of debt payment petition on the basis that, among other things, the trust deed relating to the notes is governed by English law, all disputes arising out of or in connection with the trust deed must be settled by English courts and, accordingly, the Jakarta commercial court does not have authority to examine and adjudicate this case.

As a result, it may be difficult for the noteholders to pursue a claim against the Issuer or us in Indonesia, which may adversely affect or eliminate entirely the noteholders’ ability to obtain and enforce a judgment against the Issuer or the Guarantors in Indonesia or increase the noteholders’ costs of pursuing, and the time required to pursue, claims against the Issuer or the Guarantors.

Indonesian companies have filed suits in Indonesian courts to invalidate transactions with offshore structures and have successfully brought legal action against lenders and other transaction participants. Moreover, such legal action has resulted in judgments against such defendants invalidating all obligations under the applicable debt instruments. Such legal action has also resulted in judgments against defendants in excess of the amounts borrowed.

In several cases in Indonesian courts, Indonesian companies which had defaulted on notes and other debt incurred through offshore financing entities have successfully sued creditors and other transaction participants obtaining, among other relief:

- a declaration that the entire debt obligation is null and void;
- disgorgement of prior payments made to noteholders on the notes;
- damages from lenders and other transaction participants in amounts exceeding the original proceeds of the debt issued; and
- injunctions prohibiting noteholders from enforcing rights under the transaction documents and trading in the notes.

In the June 2006 Decision, the Indonesian Supreme Court affirmed a lower court judgment that invalidated US\$500 million of notes issued through an offshore offering structure involving a guarantee issued by an Indonesian company with similar documentation to that contemplated in this offering of Notes and the Guarantees. The decision involved an Indonesian-listed company, Indah Kiat as plaintiff and various parties as the defendants, whereby notes were issued through a Dutch subsidiary of Indah Kiat and guaranteed by Indah Kiat. The Indonesian Supreme Court upheld the decisions of a District Court and High Court in Indonesia in favor of Indah Kiat. The Indonesian courts ruled that the defendants (including the trustee, underwriter and security agent for the issuance of the notes) committed a tort (*perbuatan melawan hukum*), and therefore, the issuance of the notes was declared null and void. The courts nullified the notes by reasoning that the contracts made in relation to the notes were signed without any legal cause, and so did not meet the provision of Article 1320 of the Indonesian Civil Code which requires a legal cause as one of the elements for a valid agreement. The Indonesian courts accepted the plaintiff’s argument that Indah Kiat acted both as a debtor and as a guarantor of the same debt even though on the facts of the case, Indah Kiat International Finance Company B.V. (Indah Kiat’s Dutch subsidiary) established for the purpose of the issuance of the notes, was the issuer of the notes and Indah Kiat was the guarantor of such notes. The Indonesian courts also ruled that the establishment of Indah Kiat International Finance Company B.V. was unlawful as it was established in order to avoid Indonesian withholding tax payments.

On August 19, 2008, the Indonesian Supreme Court granted civil review of the claim (*peninjauan kembali*) and annulled the June 2006 Decision described above. The Indonesian Supreme Court in its civil review decision stated that Indah Kiat had failed to prove that the transaction was an act of legal manipulation that caused damages to Indah Kiat. Therefore, the Indonesian Supreme Court concluded that the defendants did not commit any unlawful act. Further, the Indonesian Supreme Court maintained that it was clear that the money borrowed by Indah Kiat from its subsidiary originated from the issuance of notes, as evidenced in the recitals of the

relevant loan agreement, and thus the claim that the whole transaction was a manipulation of law had no merit. Moreover, with regard to the validity and enforceability of the security documents, the civil review stated that the security agreements would prevail as long as the underlying agreements were still valid and binding. On the tax issues, the civil review determined that the Indonesian Supreme Court had misapplied the tax law as such law did not prohibit tax saving, and thus the claim relating to tax was annulled. The civil review also stated that for certain New York law governed agreements in the transaction (such as the indenture, the loan agreement, the amended and restated loan agreement and the underwriting agreement), the claim should be brought to the appropriate court in the State of New York.

Despite the decision described above, and in March 2009, the Supreme Court took a contrary view by refusing a civil review (the “March 2009 Decision”) of a judgment by the District Court of Kuala Tungkal, in South Sumatra, which invalidated US\$500 million of notes issued by APPC and guaranteed by Lontar Papyrus, a sister corporation of the Indonesian company, Indah Kiat, which was the plaintiff in the court case related to the June 2006 Decision. Lontar Papyrus’ legal arguments in its lower court case were fundamentally the same as those in the earlier cases by Indah Kiat, namely that, under the notes structure, the plaintiff was acting as both the debtor and guarantor for the same debt and, therefore, the structure was invalid. The Indonesian Supreme Court’s refusal to grant a civil review of the lower court’s decision effectively affirmed that court’s decision to invalidate all of the transaction documents including Lontar Papyrus’ obligations under the notes and indicates that the verdict is now final. The Indonesian Supreme Court’s refusal to grant the civil review was based on reasons that the loan agreement between APPC and Lontar Papyrus and the indenture with regard to the issuance of notes required adjustment to observe the prevailing laws and regulations in Indonesia. In addition, the fact that the loan has been paid in full by Lontar Papyrus to APPC under the relevant loan agreement resulted in Lontar Papyrus having no continuing outstanding legal obligation, either as debtor under the relevant loan agreement or as guarantor under the indenture. Lontar Papyrus and Indah Kiat are subsidiaries of Asia Pulp & Paper Company Ltd., and their original court cases against their creditors were filed at approximately the same time. While the lower court decisions in certain of these cases have been ultimately annulled by the Indonesian Supreme Court, as was the case in August 2008, it appears that the Indonesian Supreme Court has taken a contradictory view on the Lontar Papyrus case.

In the September 2011 Decision, the Indonesian Supreme Court refused a civil review of a decision by the District Court of Bengkalis (whose judgment was the subject of the Indonesian Supreme Court’s June 2006 Decision and August 2008 Decision), which invalidated the notes issued by Indah Kiat BV. The facts and legal claims presented by Indah Kiat BV were substantially the same as those made by Indah Kiat in the lower court cases that were the subject of the June 2006 Decision. The September 2011 Decision specifically noted that the Indonesian Supreme Court chose to not consider its August 2008 Decision despite such substantially similar facts and legal claims.

The Indonesian Supreme Court’s refusal to grant civil reviews of the lower court decisions in the March 2009 Decision and September 2011 Decision effectively affirmed the lower courts’ decisions to invalidate the relevant notes and the issuers’ and guarantors’ obligations under such notes, and such lower court decisions are now final and not subject to further review.

The Indonesian court decisions are not binding precedents and do not constitute a source of law at any level of the judicial hierarchy as would be the case in common law jurisdictions such as the United States and the United Kingdom. This means that while lower courts are not bound by the Indonesian Supreme Court decisions, such decisions have persuasive force. Therefore, there can be no assurance that in the future a court will not issue a similar decision to the June 2006 Decision mentioned above in relation to the validity and enforceability of the Notes and the Guarantees or grant additional relief to the detriment of noteholders, if the Issuer were to contest efforts made by Noteholders to enforce these obligations.

The Trust Deed and certain other documents (other than the Indonesian deeds of corporate guarantee) entered into in connection with the issuance of the Notes have been or will also be prepared in Bahasa Indonesia as required under Indonesian Law. However, there can be no assurance that, in the event of inconsistencies between the Bahasa Indonesia and English language versions of these documents, an Indonesian court would hold that the English language versions of such documents would prevail.

Pursuant to Law No. 24/2009, agreements between Indonesian entities and other parties must be set out in Bahasa Indonesia, which is the national language of Indonesia, save that where an agreement also involves a foreign party, such agreement may also be prepared in the language of such foreign party or in the

English language. Law No. 24/2009 does not specify any consequences in the event that applicable agreements are not prepared in the Bahasa Indonesia Language, and to date, no implementing regulations have been issued. The Trust Deed and certain other documents entered into in connection with the issuance of the Notes have been or will be prepared in dual English and Bahasa Indonesia versions as permitted under Law No. 24/2009 and, pursuant to Law No. 24/2009, each version will be considered equally original. Whilst these documents will expressly state that the Bahasa Indonesia versions are for informational purposes, these can be no assurance that, in the event of inconsistencies between the Bahasa Indonesia and English language versions of these documents, an Indonesian court would hold that the English language versions of such documents would prevail. Some concepts in the English language may not have a corresponding term in Bahasa Indonesia, or may not be fully captured by the Bahasa Indonesia version. If this occurs, these can be no assurance that the terms of the Notes will be as described in the Offering Circular, or will be interpreted and enforced by the Indonesian courts as intended.

In addition, on June 20, 2013, the District Court of West Jakarta ruled in a decision No. 451/Pdt.E/2012/PN.Jkt Bar (the “June 2013 Decision”) that a loan agreement entered into between an Indonesian borrower, PT Bangun Karya Pratama Lestari, as plaintiff, and a non-Indonesian lender, Nine AM Ltd., as defendant, is null and void under Indonesian law. The governing law of such agreement was Indonesian law and the agreement was written in the English language. The court ruled that the agreement had contravened Article 31(1) of Law No. 24/2009 and declared it to be invalid. In arriving at this conclusion, the court relied on Articles 1320, 1335 and 1337 of the Indonesian Civil Code, which taken together render an agreement void if, *inter alia*, it is tainted by illegality. The court held that as the agreement had not been drafted in the Indonesian language, as required by Article 31(1), it therefore failed to satisfy the “lawful cause” requirement and was void from the outset, meaning that a valid and binding agreement had never existed. The June 2013 Decision is currently on appeal to the Jakarta High Court. Indonesian court decisions are generally not binding precedents and do not constitute a source of law at any level of the judicial hierarchy, as would typically be the case in common law jurisdictions such as the United States and the United Kingdom. However, there can be no assurance that a court will not, in the future, issue a similar decision to the June 2013 Decision in relation to the validity and enforceability of agreements which are made in the English language.

Detailed implementing regulations for Law No. 24/2009 have not been published and Law No. 24/2009 does not specify any sanction for non-compliance. We cannot predict as to how the implementation of Law No. 24/2009 will impact the validity and enforceability of the Notes and the Guarantees under Indonesian laws. This creates uncertainty as to the ability of holders of Notes to enforce the Notes and the Guarantees in Indonesia.

It may not be possible for investors to effect service of process and judgments of a foreign court will not be enforceable against us in Indonesia.

The Company, and each of the other Guarantors, is a limited liability company incorporated in Indonesia and all of the significant assets of these companies are located in Indonesia. In addition, substantially all of the commissioners and directors of these companies reside in Indonesia. As a result, it may be difficult for investors to effect service of process, including judgments, on these companies or the commissioners and directors of these companies outside Indonesia, or to enforce against these companies or the commissioners and directors of these companies judgments obtained in non-Indonesian courts.

We have been advised by our Indonesian counsel that judgments of non-Indonesian courts are not enforceable in Indonesian courts, although such judgments could be admissible as non-conclusive evidence in a proceeding on the underlying claim in an Indonesian court. There is doubt as to whether Indonesian courts will enter judgments in original actions brought in Indonesian courts predicated solely upon the civil liability of jurisdictions other than Indonesia. As a result, Noteholders would be required to pursue claims against these companies or the commissioners and directors of these companies in Indonesian courts. There can be no assurance that the claims or remedies available under Indonesian law will be the same, or as extensive, as those available in other jurisdictions.

The Issuer is a finance company whose only material asset is the share capital of Kemang.

The Trust Deed governing the Notes will prohibit the Issuer from engaging in any activities other than certain limited activities described in “Terms and Conditions of the Notes — Certain Covenants — Limitation on the Activities of the Issuer”. There is no direct contractual claim or obligation between the Issuer and the Company and/or the Subsidiary Guarantors in relation to any Intercompany Loan or through any other funding method granted by Kemang to the Company and/or the Subsidiary Guarantors.

As of the date of this Offering Circular, Kemang has no material assets other than any Intercompany Loans granted by Kemang to the Company and/or the Subsidiary Guarantors. Kemang is a Restricted Subsidiary and is subject to all of the covenants applicable to Restricted Subsidiaries. In addition it is subject to certain additional restrictions under the Trust Deed. However, unlike the Issuer, Kemang is permitted to engage in certain activities that could give rise to other obligations that may cause it to be unable to make payments to the Issuer in amounts sufficient for the Issuer to make payments due on the Notes, even if the Company and/or the Subsidiary Guarantors made the required payments to Kemang under an Intercompany Loan. Furthermore, there is no contractual requirement obligating Kemang to pay dividends to the Issuer in order for the Issuer to service payments on the Notes and there can be no assurance that Kemang will make such payments to the Issuer in the ordinary course of business. In any event, payment of dividends by Kemang may only be made out of its profits and there can be no assurance that this condition will be met to allow Kemang to make such dividend payments to the Issuer in the future. In the event that the Issuer does not receive any dividend payments and/or other payments or distributions from Kemang, the Issuer will need to enter into other agreements or loans from the Company and/or the Subsidiary Guarantors to meet its payment obligations under the Notes.

Substantial leverage and debt service obligations could adversely affect our business and prevent the Issuer and the Guarantors from fulfilling obligations under the Notes and the Guarantees.

Although the Trust Deed by which the Notes are constituted contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and any indebtedness incurred in compliance with these restrictions could be substantial. For a summary of our existing indebtedness as of the date of this offering, see “Description of Indebtedness”. The degree to which we will be leveraged in the future, on a consolidated basis, could have important consequences for the Noteholders, including, but not limited to:

- making it more difficult for the Issuer, us or the other Guarantors to satisfy respective obligations with respect to the Notes and the Guarantees;
- increasing vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of cash flow from operations to the payment of principal of, and interest on, our consolidated indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;
- limiting flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industries in which we operate;
- placing us at a competitive disadvantage compared to our competitors that are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could materially and adversely affect the Issuer’s, our or the other Guarantors’ ability to satisfy debt obligations, including the Notes and the Guarantees.

We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

The Trust Deed restricts, among other things, our and the other Guarantors’ ability to:

- incur or guarantee additional indebtedness;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Guarantors or their restricted subsidiaries;
- prepay or redeem subordinated debt or equity;

- make certain investments and capital expenditures;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Guarantors or any of their restricted subsidiaries;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated business or engage in prohibited activities; or
- consolidate or merge with other entities.

All of these limitations will be subject to significant exceptions and qualifications. See “Terms and Conditions of the Notes — Covenants and Definitions”. These covenants could limit the Guarantors’ ability to finance their future operations and capital needs and their ability to pursue business opportunities and activities that may be in our interest.

An investment in the Notes may subject you to foreign exchange risks.

The Notes are denominated and payable in U.S. Dollars. If you measure your investment returns by reference to a currency other than U.S. Dollars, an investment in the Notes entails foreign exchange-related risks, including possible significant changes in the value of the U.S. Dollars relative to the currency by reference to which you measure your investment returns, due to, among other things, economic, political and other factors over which the Company has no control. Depreciation of the U.S. Dollar against the currency by reference to which you measure your investment returns could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure your investment returns. In addition, there may be tax consequences for you as a result of any foreign exchange gains resulting from any investment in the Notes.

The Guarantors are subject to Indonesian bankruptcy and insolvency laws, which may delay or prevent payment on the Notes.

Under the Indonesian Bankruptcy Law, a creditor that foresees its debtor would not be able to continue to pay its debts when they become due and payable, or a debtor which is unable, or predicts that it would be unable, to pay its debts when they become due and payable, may file for suspension of payment of debt with the Commercial Court. In addition, a debtor who has two or more creditors and who is unable to pay any of its debt may be declared bankrupt by virtue of a Commercial Court decision. Under the Indonesian Bankruptcy Law, a suspension of debt payment proceeding takes priority over a bankruptcy proceeding and must be decided first. As such, a suspension of debt payment proceeding will effectively postpone the bankruptcy proceeding. As a result, creditors are unlikely to receive any payment during the course of the suspension of debt payment proceeding (with the exception of secured creditors subject to certain conditions) and the bankruptcy estate is likely to be insufficient to fully settle their claims.

In addition, during the suspension of debt payment proceeding, the debtor may propose a composition plan to its creditors. Such composition, if approved at a creditors’ meeting and ratified by the Commercial Court, will be binding on all unsecured creditors and on secured creditors that voted for the composition plan, and the suspension of debt payment proceeding ends. The debtor can then continue its business and service its debt in accordance with the composition plan proposed by the debtor and approved at the creditors’ meeting and ratified by the court. The secured creditors that did not attend the creditors’ meeting or vote on the plan are not bound by the plan and are entitled to enforce their security interests.

As a composition plan, if approved, is approved by majority of the creditors on a collective basis, it may not be in the best interest of any particular creditor. We cannot assure you that the Guarantors will not be involved in a suspension of debt payment proceeding or a bankruptcy proceeding in Indonesia or other jurisdiction in the future. Any such proceeding may delay payment on the Notes. If any of the Guarantors becomes a debtor in a bankruptcy proceeding or a suspension of debt payment proceeding in Indonesia, we may file for suspension of debt payment with a proposed composition plan which may not be satisfactory to you. If such composition plan is approved, it will be binding on you.

The Subsidiary Guarantees may be challenged, which could impair the enforceability of such Guarantees.

Under bankruptcy laws, fraudulent transfer laws, financial assistance, insolvency or unfair preference or similar laws in Indonesia or other jurisdictions, including where future Subsidiary Guarantors may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee: incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given; received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee; received no commercial benefit; was insolvent or rendered insolvent by reason of such incurrence; was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature. The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied.

Under the laws of Indonesia, it would also be necessary for the directors to ensure that the guarantor is solvent immediately after entry into, and performance of any obligation under, the transaction, that is: it will be able to satisfy its liabilities as they become due in the ordinary course of its business; and the realizable value of the assets of the guarantor will not be less than the sum of its total liabilities other than deferred taxes, as shown in the books of account, and its capital. The directors are required to ensure that the issued capital of the guarantor is maintained and that, after the giving of a guarantee, the guarantor would have sufficient net assets to cover the nominal value of its issued share capital.

If a court voided a Subsidiary Guarantee, subordinated such Subsidiary Guarantee to other indebtedness of such Subsidiary Guarantors, or held such Subsidiary Guarantee unenforceable for any other reason, the Noteholders would cease to have a claim against that Subsidiary Guarantor, would be subject to the prior payment of all liabilities (including trade payables) and any preferred stock of such Subsidiary Guarantor and would solely be creditors of the Company and any other Subsidiary Guarantor whose Subsidiary Guarantees were not voided or held unenforceable. There can be no assurance that, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the Noteholders.

We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise.

The ability of the Issuer to make scheduled principal or interest payments on the Notes and our ability to make payments on our indebtedness, including the Intercompany Loan and amounts under the Guarantees and our contractual obligations (see "Description of Indebtedness"), and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in this "Risk Factors" section, many of which are beyond the Issuer's and our control. If our future cash flows from operations and other capital resources are insufficient to pay our debt obligations, including the Intercompany Loan or amounts under the Guarantees, our contractual obligations, or to fund our other liquidity needs, we may be forced to sell assets or attempt to restructure or refinance our existing indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the Trust Deed and the Supplemental Trust Deed by which the Notes offered hereby are constituted may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on acceptable terms. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations — Liquidity and Capital Resources".

Payments under the Notes and the Guarantees will be structurally subordinated to liabilities and obligations of certain of our subsidiaries.

We have only a shareholder's claim on the assets of any subsidiary in our group. This shareholder's claim is junior to the claims that creditors of any such subsidiary have against it. The noteholders will only be creditors of us, the Issuer and the Subsidiary Guarantors, and not of our other subsidiaries. Only four of our subsidiaries are

providing Guarantees. In addition, the noteholders will not have the benefit of any security interest over the shares of the Subsidiary Guarantors or any of our other subsidiaries or any security interest over the assets of the Subsidiary Guarantors or any of our other subsidiaries. As a result, liabilities of any of our other subsidiaries, including any claims of trade creditors and preferred stockholders and any secured obligations of the Subsidiary Guarantors, will be effectively senior to the Notes and the Guarantees. Any of these other subsidiaries may in the future have other liabilities, including contingent liabilities, that may be significant. Although the Trust Deed contains limitations on the amount of additional debt that we and our subsidiaries may incur, the amounts of such debt could be substantial. As of December 31, 2013, our subsidiaries, excluding the Issuer and the Subsidiary Guarantors, had Rp59.7 billion (US\$4.9 million) of indebtedness outstanding. See “Terms and Conditions of the Notes — Covenants and Definitions — Limitation on Indebtedness and Preferred Stock”.

The Notes are not secured by our assets and the lenders under our credit facilities and outstanding bonds will be entitled to remedies available to secured lenders, which gives them priority over the noteholders.

The Notes will be effectively subordinated in right of payment to all of our secured indebtedness to the extent of the value of the assets securing such indebtedness. Borrowers under our credit facilities and outstanding bonds are secured by security interests in substantially all of our assets, our capital stock and in certain of the capital stock held by us (subject to certain significant exceptions). See “Description of Indebtedness”. As of December 31, 2013, we had approximately Rp59.7 billion (US\$4.9 million) of secured indebtedness and Rp7,747.8 billion (US\$635.6 million) of unsecured indebtedness outstanding. If we become insolvent or are liquidated, or if payment under the credit facilities or of any other secured indebtedness is accelerated, the secured creditors and holders of other secured indebtedness (or an agent on their behalf) will be entitled to exercise the remedies available to a secured creditor under applicable law (in addition to any remedies that may be available under documents pertaining to our credit facilities). For example, the secured creditors could foreclose and sell those of our assets in which they have been granted a security interest to the exclusion of the Noteholders, even if an event of default exists under the Notes at that time. As a result, upon the occurrence of any of these events, there may not be sufficient funds to pay amounts due on the Notes.

The Issuer may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Trust Deed.

Upon the occurrence of certain events constituting a change of control, the Issuer is required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount of the Notes. If a change of control were to occur, no assurance can be given that the Issuer would have sufficient funds available at such time to pay the purchase price of the outstanding Notes. The Intercompany Loan agreement pursuant to which the Issuer has on-lent the net proceeds of this offering to us does not contain provisions that require us to repay such loan upon the Issuer becoming required to repurchase the Notes. A change of control may result in an event of default under, or acceleration of, other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not.

The change of control provision contained in the Trust Deed may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving the Guarantors that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a “Change of Control” as defined in the Trust Deed. Except as described under “Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Repurchase of Notes Upon a Change of Control Triggering Event”, the Trust Deed does not contain provisions that require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of “Change of Control” contained in the Trust Deed includes a disposition of all or substantially all of our assets and our restricted subsidiaries taken as a whole to any person. Although there is a limited body of case law interpreting the phrase “all or substantially all”, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of our assets and those of our restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

The ratings assigned to the Notes may be lowered or withdrawn entirely in the future.

The ratings assigned to the Notes may be lowered or withdrawn entirely in the future. The Notes have been assigned a rating of “Ba3” by Moody’s, “BB-” by Fitch and “BB-” by Standard & Poor’s. The ratings address our and the Issuer’s ability and the ability of the other Guarantors to perform their respective obligations under the terms of the Notes and the Guarantees and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. No assurances can be given that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. The Issuer has no obligation to inform the Noteholders of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

An active trading market for the Notes may not develop and the market price of the Notes following the offering may be volatile.

The Notes are not registered public securities. The market for the Notes is limited and the Notes could trade at prices that might be higher or lower than the initial Issue Price depending on any factors, including prevailing interest rates, our operating results and the market for similar securities. The Joint Global Coordinators have advised us that they presently intend to make a market in the Notes as permitted by applicable laws and regulations. The Joint Global Coordinators are not, however, obliged to make a market in the Notes and any such market making may be discontinued at any time. The liquidity of any market for the Notes depends on many factors, including the number of noteholders, the interest of securities dealers in making a market in the Notes, prevailing interest rates and the markets for similar securities, general economic conditions and our financial condition, historical financial performance and future prospects. Accordingly, no assurance can be given as to the liquidity of, or trading market for, the Notes. The Company has obtained approval-in-principle for the listing of the Notes on the SGX-ST. However, there can be no guarantee that a liquid trading market for the Notes will develop, and we cannot predict whether a trading market for the Notes will develop or how liquid that market might become. Lack of a liquid, active trading market for the Notes may adversely affect the price of the Notes or may otherwise impede a noteholder’s ability to dispose of the Notes.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of such securities. There can be no assurance that the market for the Notes will not be subject to similar disruptions. Any such disruption may have an adverse effect on holders of the Notes.

The transfer of Notes is restricted which may adversely affect their liquidity and the price at which they may be sold.

The Notes and the Guarantees have not been registered under, and the Issuer is not obligated to register the Notes or the Guarantees under the Securities Act or the securities laws of any other jurisdiction and, unless so registered, the Notes and the Guarantees may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See “Subscription and Sale”. The Issuer has not agreed to or otherwise undertaken to register the Notes, and the Issuer has no intention of doing so.

Any Hedging Obligations (as defined herein) of the Issuer, us and/or any Restricted Subsidiary (as defined herein) may contain terms and conditions that result in the early termination of such Hedging Obligation.

Any Hedging Obligations of the Issuer, us and/or any Restricted Subsidiary may contain terms and conditions that result in the early termination of such Hedging Obligation upon the occurrence of certain termination events relating to the Issuer, us and/or any Restricted Subsidiary, and such terms and conditions may provide that no payments in respect of any such early termination may be due and payable to the Issuer, us and/or any Restricted Subsidiary (as relevant) in respect of such early termination.

Noteholders are exposed to risks relating to Singapore taxation.

The Notes to be issued are intended to be “qualifying debt securities” for the purposes of the Income Tax Act, Chapter 134 of Singapore, subject to the fulfillment of certain conditions more particularly described in the

section “Taxation — Singapore Taxation”. However, there is no assurance that such Notes will continue to be “qualifying debt securities” or that the tax concessions in connection therewith will apply throughout the tenure of the Notes should the relevant tax laws or MAS circulars be amended or revoked at any time.

Where the Notes qualify as qualifying debt securities and meet the further conditions imposed under the qualifying debt securities scheme, interest and certain other specified payments made under the Notes to a Noteholder who is not resident in Singapore, and (i) who does not have any permanent establishment in Singapore or (ii) who carries on any operation in Singapore through a permanent establishment in Singapore but the funds used to acquire the Notes are not obtained from such operations through a permanent establishment in Singapore, are exempt from Singapore tax.

However, in the event that the Notes cease to be “qualifying debt securities” under the relevant Singapore tax laws, Noteholders may not be able to enjoy the tax exemptions and concessions available under the qualifying debt securities scheme. See “Taxation — Singapore Taxation — Interest and Other Payments” for details.

Current Bapepam-LK regulations may restrict our ability to issue the Notes and any additional debt securities.

On November 28, 2011, Bapepam-LK Regulation IX.E.2 on Material Transactions and Change of Core Business was issued, which replaced the previous regulation issued in 2009 (the “Material Transactions Regulation”). This regulation is applicable to publicly listed companies in Indonesia and their unlisted consolidated subsidiaries. Pursuant to the Material Transactions Regulation, each borrowing and lending in one transaction or a series of related transactions for a particular purpose or activity having a transaction value of 20% to 50% of the publicly listed company’s equity, as determined by the latest audited annual financial statements, semi-annual limited reviewed financial statements or audited interim financial statements (if any), must be announced to the public and the listed company must also prepare an appraisal report. The announcement relating to the material transaction must be made to the public in at least one Indonesian language daily newspaper having national circulation no later than the end of the second business day after the date of execution of the agreement(s) related to the Material Transaction. The announcement is required to include a summary of the transaction, an explanation of the considerations and reasons for such material transaction and the effect of the transaction on the company’s financial condition, a summary of the appraisal report (including its purpose, the object, the parties involved, the assumptions, qualifications and methodology used in the appraisal report, the conclusion on the value of the transaction, and the fairness opinion on the transaction), which must not be dated more than six months prior to the date of the material transaction, the amount borrowed or lent, and a summary of the terms and conditions of the borrowing or lending. Publicly listed companies must submit evidence of an announcement as referred to above, including the independent appraisal report to OJK at the latest by the end of the second business day after the date of execution of the agreement(s) related to the Material Transaction.

As the aggregate transaction value of the offering of the Notes and the lending of the proceeds of the Notes from Kemang to us falls below 20% of our total equity set out in our audited annual financial statements for the year ended December 31, 2013, the offering of the Notes and the lending of the proceeds of the Notes from Kemang to us does not amount to a Material Transaction. However, if we decide to issue additional debt securities other than through a public offering in Indonesia, and the amount issued exceeds the 50% threshold, we would be required to obtain shareholders’ approval, as well as an appraisal report. There is no assurance that we would be able to obtain the approval of our shareholders or a favorable appraisal report in order to issue such additional debt securities. This requirement could limit our ability to finance our future operations and capital needs, or pursue business opportunities or activities that may be in our interest. Any limitation on our ability to raise funds to finance our operations could materially and adversely affect our business, financial condition, results of operations and prospects.

Terms and Conditions of the Notes

The following (subject to completion and amendment and other than the words in italics and subject to the provisions of the Global Certificate) are the terms and conditions substantially in the form in which they will be endorsed on the Notes if issued in definitive certificated form, which will be incorporated by reference into the Global Certificate representing the Notes, subject to the provisions of such Global Certificate.

The issue of the US\$150,000,000 aggregate principal amount of 7.0% senior notes due 2022 (the “Notes”) of Theta Capital Pte. Ltd. (the “Issuer”) was authorized by a resolution of the Board of Directors of the Issuer passed on April 1, 2014 and the guarantees of the Notes were authorized by resolutions of each of the Board of Directors and the Board of Commissioners of PT Lippo Karawaci Tbk (the “Company”) on March 28, 2014 and the Board of Directors, the Board of Commissioners and the shareholders of PT Sentra Dwimandiri (“PT Sentra”), PT Wisma Jatim Propertindo (“PT Wisma”), PT Megapratama Karya Persada (“PT Mega”) and PT Primakreasi Propertindo on March 28, 2014 (“PT Primakreasi” and, together with PT Sentra, PT Wisma and PT Mega, the “Subsidiary Guarantors”, which expression shall include any other Restricted Subsidiary that guarantees the payment of the Notes pursuant to the Trust Deed and the Notes; *provided* that Subsidiary Guarantors will not include any Person whose Subsidiary Guarantee has been released in accordance with the Trust Deed and the Notes). The Company and the Subsidiary Guarantors are collectively referred to as the “Guarantors”. The Notes are constituted by a trust deed (the “Trust Deed”) dated April 11, 2014 and made between the Issuer, the Company, the initial Subsidiary Guarantors and DB Trustees (Hong Kong) Limited as trustee (the “Trustee” which term shall, where the context so permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Deed) for the holders of the Notes (the “Noteholders”). The Issuer, the Company and the initial Subsidiary Guarantors have entered into a registrar and paying agency agreement (the “Agency Agreement”) dated April 11, 2014 with the Trustee, Deutsche Bank AG, Hong Kong Branch as principal paying agent (the “Principal Paying Agent”), Deutsche Bank Luxembourg S.A. as registrar (the “Registrar”), Deutsche Bank AG, Hong Kong Branch as transfer agent (the “Transfer Agent”) and the other paying agents appointed under it (each a “Paying Agent” and together with the Principal Paying Agent, the “Paying Agents”), relating to the Notes. The Paying Agents, the Registrar and the Transfer Agent are collectively referred to as the “Agents” and such expression includes any successor or additional agent appointed pursuant to the Agency Agreement with respect to the Notes. References to the “Principal Paying Agent”, “Paying Agent”, “Registrar”, “Transfer Agent” and “Agents” below are references to the principal paying agent, paying agent, registrar, transfer agent and agents for the time being. So long as the Notes are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”), and, if so required by the SGX-ST, references to “Agents” shall include the Singapore Agent (as defined in Condition 16). The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement. Copies of the Trust Deed and of the Agency Agreement are available for inspection during normal business hours on any weekday (except public holidays) by Noteholders at the specified office of the Principal Paying Agent being at the date hereof at 52nd Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The Noteholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. Capitalized terms not otherwise defined shall have the meanings given to them in Condition 4.25. Terms used in these Conditions have the meaning given to them in the Trust Deed unless the context otherwise requires.

1. STATUS AND GUARANTEES

1.1 Notes

The Notes constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Notes shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application and subject to Condition 4, at all times rank at least *pari passu* with all of its other present and future unsecured and unsubordinated obligations.

1.2 Guarantees

Each of the Company and the initial Subsidiary Guarantors has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of its

obligations under the Notes and the Trust Deed (the “Parent Guarantee” and the “Subsidiary Guarantees”, respectively, and collectively, the “Guarantees”). The initial Subsidiary Guarantors that will execute the Trust Deed on the Issue Date consist of PT Sentra, PT Wisma, PT Mega and PT Primakreasi. All of the Restricted Subsidiaries that are not Subsidiary Guarantors, including Theta Kemang Pte. Ltd. (“Kemang”), Sigma Capital Pte. Ltd., Sigma Trillium Pte. Ltd. and Lippo Karawaci Finance B.V, are collectively referred to herein as the “Non-Guarantor Subsidiaries.” In addition, any future Restricted Subsidiaries that provide a guarantee of any Indebtedness (to the extent permitted under these Conditions) shall also be required to provide a Subsidiary Guarantee in accordance with Condition 4.5.

The Parent Guarantee constitutes the direct, unsubordinated, unconditional and unsecured obligation of the Company, which will at all times rank at least equally in right of payment to all present and future unsecured and unsubordinated obligations of the Company, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Subsidiary Guarantee of each Subsidiary Guarantor constitutes the direct, unsubordinated, unconditional and unsecured obligation of such Subsidiary Guarantor, which will at all times rank at least *pari passu* in right of payment to all present and future unsecured and unsubordinated obligations of such Subsidiary Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Although the Trust Deed contains limitations on the amount of additional Indebtedness that the Company and/or Restricted Subsidiaries may incur, the amount of such additional Indebtedness, including such additional Indebtedness of Non-Guarantor Subsidiaries, could be substantial. In the event of the insolvency, bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will be required to pay the holders of its indebtedness and its trade creditors all outstanding indebtedness before it will be able to distribute any of its assets to the Company. As at December 31, 2013, the Company and its consolidated subsidiaries had approximately Rp7,807.5 billion (US\$640.5 million) of consolidated indebtedness outstanding, all of which was incurred by the Issuer under its 7.0% Senior Notes due 2019 and its 6.125% Senior Notes due 2020, other than Rp59.7 billion (US\$4.9 million) incurred by other subsidiaries under secured bank facilities. As of December 31, 2013, the Non-Guarantor Subsidiaries had total liabilities of approximately Rp59.7 billion (US\$4.9 million).

Under the Trust Deed, and any supplemental trust deed to the Trust Deed, as applicable, each of the Guarantors will jointly and severally, unconditionally and irrevocably guarantee that if the Issuer does not pay any sum payable by it under the Trust Deed or the Notes by the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise), each Guarantor will pay that sum to or to the order of the Trustee, in the manner provided in Trust Deed before close of business on that date in the city in which payment is so to be made. Each of the Guarantors will (a) agree that its obligations under its Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Trust Deed and (b) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising the Trustee’s rights under the Guarantees. Moreover, if at any time any amount paid under a Note, the Trust Deed or the Agency Agreement is rescinded or must otherwise be restored, the rights of the Noteholders under the Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Guarantees will be made in U.S. dollars.

The obligations of each Guarantor under its respective Guarantee may be limited, or possibly invalid, under applicable laws. See “Risk Factors — Risks Relating to the Notes and the Guarantees — The Guarantees may be challenged under applicable financial assistance, insolvency or fraudulent transfer laws, which could impair the enforceability of the Guarantees”.

1.3 Release of the Guarantees

The Parent Guarantee may only be released upon repayment in full of the Notes. A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- (a) upon repayment in full of the Notes;
- (b) upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Trust Deed and the Notes; or
- (c) upon the sale of a Subsidiary Guarantor in compliance with the terms of the Trust Deed and the Notes (including the covenants under Conditions 4.4 and 4.9) resulting in such Subsidiary Guarantor no longer

being a Restricted Subsidiary, so long as (i) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (ii) the proceeds from such sale or disposition are used for the purposes permitted or required by the Trust Deed and the Notes.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the Noteholders until the Issuer or the Company have delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the Trust Deed.

2. FORM AND DENOMINATION

The Notes are issued in individual fully registered form, without interest coupons or principal receipts attached, in minimum denominations of US\$200,000 each and integral multiples of US\$1,000 in excess thereof. An individual certificate will be issued to each Noteholder in respect of its registered holding or holdings of Notes. Upon issue, the Notes will be represented by a permanent global certificate (a "Global Certificate") in fully registered form which will be deposited with the custodian for and registered in the name of a nominee for a common depository for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg").

If the Notes are issued in definitive form pursuant to their terms, a definitive certificate in respect of each Note (a "Definitive Certificate") will be issued in registered form and serially numbered with an identifying number which will be recorded in the register (the "Register") which the Issuer shall procure to be kept by the Registrar.

3. TITLE AND TRANSFER

- (a) Title to the Notes passes upon registration of transfers in the Register which the Issuer will procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement and the Trust Deed. The registered holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not any payment in respect of it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it (other than a duly completed and endorsed form of transfer in respect of such Note) or its theft or loss) and no person will be liable for so treating such holder.
- (b) Subject to Condition 3(e), one or more Notes may be transferred in whole or in part in nominal amounts equal to US\$200,000 and integral multiples of US\$1,000 in excess thereof. Transfers of beneficial interests in the Global Certificate will be effected subject to and in accordance with the Agency Agreement. Notes represented by Definitive Certificates may be transferred only upon the surrender, at the specified office of the Registrar or Transfer Agent, of the Definitive Certificate representing such Note(s) to be transferred, with the form of transfer endorsed on such Definitive Certificate duly completed and executed and together with such other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Definitive Certificate, a new Definitive Certificate will be issued to the transferee in respect of the part transferred and a further new Definitive Certificate in respect of the balance of the holding not transferred will be issued to the transferor.
- (c) Each new Definitive Certificate to be issued pursuant to Condition 3(b) will be available for delivery and the Registrar shall register the transfer in question within five Business Days of receipt of such form of transfer. Delivery of new Definitive Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar, as the case may be, to whom delivery shall have been made or at the option of the holder making such delivery as aforesaid and as specified in the form of transfer or otherwise in writing, shall be mailed by pre-paid first class post at the risk of the holder entitled to the new Definitive Certificate to such address as may be so specified. For the purposes only of this Condition 3(c), "Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Transfer Agent and the Registrar.
- (d) Transfers of Notes and Definitive Certificates representing such Notes in accordance with these Conditions on registration or transfer will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent, but upon payment (or the giving of such indemnity as the Registrar or the Transfer Agent may require in respect thereof) of any tax or other governmental charges which may be imposed in relation to it.
- (e) No Noteholder may require the transfer of a Note to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest or redemption of that Note.

- (f) All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer in any manner which is reasonably required by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be sent by the Registrar to any Noteholder upon request and is available at the offices of each of the Registrar and Transfer Agent.

4. COVENANTS AND DEFINITIONS

4.1 Limitation on Indebtedness and Preferred Stock

- (a) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness) and the Company will not permit any Restricted Subsidiary to issue any Preferred Stock; provided that (i) the Company, the Issuer or a Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and (ii) any Restricted Subsidiary (other than Kemang) may Incur Permitted Subsidiary Indebtedness, in each case, if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0. Notwithstanding the foregoing, the Company will not, and will not permit any Restricted Subsidiary to, Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (b) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following:
- (i) Indebtedness under the Notes (excluding any Additional Notes), the Intercompany Loans and each Guarantee;
 - (ii) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Issue Date excluding Indebtedness permitted under Condition 4.1(b)(iii); *provided* that such Indebtedness of Restricted Subsidiaries (to the extent outstanding on the date of calculation) shall be included in the calculation of Permitted Subsidiary Indebtedness, to the extent such Indebtedness constitutes Permitted Subsidiary Indebtedness;
 - (iii) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (A) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this Condition 4.1(b)(iii) and (B) if the Issuer, the Company or any Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, in the case of the Issuer, or the Guarantee of the Company or such Subsidiary Guarantor, in the case of the Company or a Subsidiary Guarantor;
 - (iv) Indebtedness (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness repaid substantially concurrently with but in any case before the Incurrence of such Permitted Refinancing Indebtedness) Incurred under Condition 4.1(a) or Condition 4.1(b)(i), (ii) or (vi) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that (A) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Guarantee shall only be permitted under this Condition 4.1(b)(iv) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Guarantee, or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or

such Guarantee, (B) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded and (C) in no event may Indebtedness of the Issuer, the Company or any Subsidiary Guarantor be refinanced pursuant to this Condition 4.1(b)(iv) by means of any Indebtedness of any Restricted Subsidiary (other than the Issuer or any Subsidiary of the Company that issues debt obligations similar to the Notes in the future) that is not a Subsidiary Guarantor and in no event may Indebtedness of an Unrestricted Subsidiary be refinanced pursuant to this Condition 4.1(b)(iv) by means of any Indebtedness of any Restricted Subsidiary or the Company;

- (v) Indebtedness Incurred by the Company or any Restricted Subsidiary (other than Kemang) pursuant to Hedging Obligations entered into solely to protect the Company or any Restricted Subsidiary from fluctuations in interest rates, foreign currency exchange rates or commodity prices and not for speculation; *provided* that such Hedging Obligation does not increase the Indebtedness of the Company or such Restricted Subsidiary outstanding at any time other than as a result of fluctuations in interest rates, foreign currency exchange rates or commodity prices or by reason of fees, indemnities and compensation payable thereunder;
- (vi) Indebtedness Incurred by the Company or any Restricted Subsidiary (other than Kemang) pursuant to a Capitalized Lease Obligation or for the purpose of financing (A) all or any part of the purchase price of real or personal property (including the lease purchase price of land use rights), assets or equipment to be used in the Permitted Business in the ordinary course of business through the acquisition of Capital Stock of any Person that owns such real or personal property, assets or equipment which will, upon such acquisition, become a Restricted Subsidiary or (B) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights), assets or equipment to be used in the Permitted Business by the Company or such Restricted Subsidiary in the ordinary course of business; *provided*, however, that (x) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (y) such Indebtedness shall be Incurred no later than 120 days after the acquisition of such property, assets or equipment or completion of such development, construction or improvement and (z) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this Condition 4.1(b)(vi) (together with Permitted Refinancing Indebtedness thereof, but excluding any Contractor Guarantee Incurred under this Condition 4.1(b)(vi) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to US\$50.0 million (or the Dollar Equivalent thereof);
- (vii) Indebtedness Incurred by the Company or any Restricted Subsidiary (other than Kemang) constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (viii) Indebtedness Incurred by the Company or any Restricted Subsidiary (other than Kemang) constituting reimbursement obligations with respect to letters of credit or trade guarantees (including guarantees provided to public utility companies in Indonesia for the provision of utility services) issued in the ordinary course of business to the extent that such letters of credit or trade guarantees (including guarantees provided to public utility companies in Indonesia for the provision of utility services) are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (ix) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary (other than Kemang) pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary (other than Kemang), other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary (other than Kemang) for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company or a Restricted Subsidiary from the sale of such business, assets or Restricted Subsidiary;

- (x) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, however, that such Indebtedness is extinguished within five Business Days of Incurrence;
 - (xi) Indebtedness arising from guarantees by the Company or any Restricted Subsidiary (other than Kemang) to a domestic bank or other financial institution in Indonesia in respect of Qualified Receivables sold to such domestic bank or other financial institution in Indonesia in a Qualified Receivables Transaction; *provided* that the aggregate amount of Indebtedness permitted by this Condition 4.1(b)(xi) at any time outstanding does not exceed US\$50.0 million (or the Dollar Equivalent thereof);
 - (xii) Indebtedness permitted to be Incurred in connection with a Sale and Leaseback Transaction in accordance with Condition 4.8(b);
 - (xiii) Indebtedness of the Company or any Restricted Subsidiary (other than Kemang) with a maturity of one year or less used by the Company or any Restricted Subsidiary (other than Kemang) for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this Condition 4.1(b)(xiii) at any time outstanding does not exceed US\$50.0 million (or the Dollar Equivalent thereof); and
 - (xiv) Indebtedness of the Company or any Restricted Subsidiary (other than Kemang) in an aggregate principal amount at any time outstanding (together with refinancings thereof) not to exceed US\$25.0 million (or the Dollar Equivalent thereof).
- (c) For the purposes of determining any particular amount of Indebtedness under this Condition 4.1, guarantees, Liens or obligations with respect to letters of credit supporting Indebtedness otherwise included in the determination of such particular amount shall not be included. For the purposes of determining compliance with this Condition 4.1, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first sentence of Condition 4.1(a), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness except to the extent specified above.
 - (d) Notwithstanding any other provision of this Condition 4.1, the maximum amount of Indebtedness that may be Incurred pursuant to this Condition 4.1 will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rate of currencies.
 - (e) The Issuer and the Company will not Incur, and will not permit any Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Issuer, the Company or such Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable Guarantee, on substantially identical terms.

4.2 Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in Conditions 4.2(a) to (d) being collectively referred to as “Restricted Payments”):

- (a) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable solely in shares of the Company’s or any Restricted Subsidiary’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;
- (b) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary;

- (c) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any Guarantee (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or
- (d) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (A) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (B) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of Condition 4.1, provided however that this Condition 4.2(B) will not apply to any payment of Restricted Payments referred to in clause (a) of Condition 4.2 by the Company in an aggregate amount not to exceed US\$15.0 million (or the Dollar Equivalent thereof) per annum, so long as any such payment is made using the proceeds from the December 2010 rights issue of the Company's Capital Stock by the Company; or
- (C) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after July 1, 2010, shall exceed the sum (without duplication) of:
 - (i) 50.0% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100.0% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on July 1, 2010 and ending on the last day of the Company's most recently ended quarterly period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (under Condition 4.19) at the time of such Restricted Payment; plus
 - (ii) 100.0% of the aggregate Net Cash Proceeds received by the Company after July 1, 2010 as a capital contribution or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, or an employee stock ownership plan or a trust for the benefit of employees; plus
 - (iii) 100.0% of the amount by which Indebtedness of the Company (other than Subordinated Indebtedness) is reduced on the Company's balance sheet upon conversion or exchange subsequent to the Issue Date of any Indebtedness (other than Subordinated Indebtedness) of the Company convertible or exchangeable for capital stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *provided* that the foregoing amount shall not exceed the Net Cash Proceeds received by the Company or any Restricted Subsidiary from the sale of such Indebtedness (excluding sales to a subsidiary of the Company or an employee stock ownership plan or a trust for the benefit of employees); plus
 - (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Issue Date in any Person resulting from (a) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (b) the unconditional release of a guarantee provided by the Company or any Restricted Subsidiary after the Issue Date of an obligation of another Person, (c) the Net Cash Proceeds from the sale of any such Investment (except to the extent such Net Cash Proceeds are included in the calculation of Consolidated Net Income) or (d) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Issue Date in any such Person or Unrestricted Subsidiary.

The foregoing provision shall not be violated by reason of:

- (I) the payment of any dividend within 60 days after the related date of declaration if, at such date of declaration, such payment would comply with the preceding paragraph;
- (II) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (III) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a capital contribution or a substantially concurrent sale (other than to a Subsidiary of the Company, an employee stock ownership plan or a trust for the benefit of employees) of, shares of Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from Condition 4.2(C)(ii);
- (IV) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of a substantially concurrent sale (other than to a Subsidiary of the Company, an employee stock ownership plan or a trust for the benefit of employees) of, shares of Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from Condition 4.2(C)(ii);
- (V) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;
- (VI) subject to the following companies remaining listed on the Indonesia Stock Exchange, the SGX-ST or another internationally recognized stock exchange, the payment of any dividends by PT Lippo Cikarang Tbk or PT Gowa Makassar Tourism Development Tbk, where the aggregate amount of payments made pursuant to this paragraph (VI) for each of PT Lippo Cikarang Tbk or PT Gowa Makassar Tourism Development Tbk not to exceed 50.0% of its respective Consolidated Net Income in any given annual fiscal period after the Issue Date (including the annual fiscal period in which the Issue Date occurs); or
- (VII) the payment by the Company of Restricted Payments referred to in clauses (a), (b) and (c) of Condition 4.2 in an aggregate amount not to exceed, together with all other such Restricted Payments made pursuant to this clause (VII), US\$25.0 million (or the Dollar Equivalent thereof) since the Issue Date;

provided that, in the case of Condition 4.2(I), (II), (III), (IV) or (VI), no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to Condition 4.2(I) and (V) and made after July 1, 2010 shall be included in calculating whether the conditions of Condition 4.2(C) have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this Condition 4.2 will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of national standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in an amount in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Condition 4.2 were computed, together with a copy of any fairness opinion or appraisal required by the Trust Deed or these Conditions.

4.3 Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries

- (a) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
- (i) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (ii) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (iii) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (iv) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

provided that it being understood that: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis, in each case, shall not be deemed to constitute such an encumbrance or restriction.

- (b) The provisions of Condition 4.3(a) do not apply to any encumbrances or restrictions:
- (i) existing in agreements as in effect on the Issue Date, or in the Notes, the Guarantees, the Trust Deed and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (ii) existing under or by reason of applicable law (including any statute, rule, regulation or government order);
 - (iii) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced and remain applicable only to the Person or the property or assets of such Person acquired;
 - (iv) that otherwise would be prohibited by the provision described in Condition 4.3(a)(iv) if they arise, or are agreed to in the ordinary course of business, and that (A) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license or (B) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Trust Deed or these Conditions; or
 - (v) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by Conditions 4.1, 4.4 and 4.9.

4.4 Limitation on Sales and Issuances of Capital Stock of Restricted Subsidiaries

The Company will not sell, pledge or otherwise dispose, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, pledge or otherwise dispose, any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (a) to the Company, the Issuer or a Restricted Subsidiary;
- (b) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary;
- (c) the issuance or sale of Capital Stock of a Restricted Subsidiary (other than Kemang) if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under Condition 4.2 if made on the date of such issuance or sale; or
- (d) the issuance or sale of Capital Stock of a Restricted Subsidiary (other than Kemang) (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with Condition 4.9.

4.5 Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor, directly or indirectly, to provide any guarantee for any Indebtedness ("Guaranteed Indebtedness") of the Company or any other Restricted Subsidiary, unless (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental trust deed to the Trust Deed providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full.

If the Guaranteed Indebtedness (A) ranks *pari passu* in right of payment with the Notes or any Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Guarantee or (B) is subordinated in right of payment to the Notes or any Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Guarantee.

4.6 Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend or permit to exist any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, employee compensation arrangements or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 5.0% or more of any class of Capital Stock of the Company or (y) with any Affiliate of the Company or any Restricted Subsidiary (each an "Affiliate Transaction"), unless:

- (a) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm's-length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or any Restricted Subsidiary; and
- (b) the Company delivers to the Trustee:
 - (i) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors, including meeting the requirements of Condition 4.6(a); and

- (ii) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in Condition 4.6(b)(i), an opinion issued by an accounting, appraisal or investment banking firm of recognized national standing (which is an independent appraisal firm registered with the Financial Services Authority (previously known as Bapepam-LK) of Indonesia) as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view.

The foregoing limitation does not limit, and shall not apply to:

- (A) the payment of reasonable and customary regular fees to directors of the Company who are not employees of the Company;
- (B) transactions between or among the Company and any of its Wholly-Owned Restricted Subsidiaries or between or among Wholly-Owned Restricted Subsidiaries;
- (C) any Restricted Payment of the type described in Condition 4.2(a), (b) or (c) if permitted by that Condition;
- (D) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (E) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of the relevant internationally recognized stock exchange, provided they require a majority shareholder approval of any such scheme; and
- (F) any transaction entered into between the Company or any Restricted Subsidiary and any of their Affiliates on a basis no less favorable to the Company or such Restricted Subsidiary that could be obtained from an unrelated third party, taking into account the nature and purpose of the transaction, at the time of such transaction in connection with the sale or lease of units in the Company's retail shopping malls where such Affiliate is the anchor retailer of such retail shopping mall.

In addition, the requirements of Condition 4.6(b) shall not apply to (I) Investments (other than Permitted Investments) not prohibited by Condition 4.2, (II) transactions pursuant to agreements in effect on the Issue Date and described in the Offering Circular, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Issue Date and (III) any transaction between or among the Company and any Restricted Subsidiary that is not a Wholly-Owned Restricted Subsidiary; *provided* that in the case of Condition 4.6(III), (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary is a Person described in (x) or (y) of the first paragraph of Condition 4.6 (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary).

4.7 Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, Incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Issue Date or thereafter acquired, securing any Indebtedness except Permitted Liens, unless the Notes are secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligations or liabilities so secured.

4.8 Limitation on Sale and Leaseback Transactions

- (a) The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company may enter into a Sale and Leaseback Transaction if:
 - (i) the Company could have (A) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under Condition 4.1 and (B) Incurred a Lien to secure such Indebtedness pursuant to Condition 4.7, in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
 - (ii) gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

- (iii) transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, Condition 4.9.
- (b) Notwithstanding the foregoing, so long as no Default shall have occurred and be continuing, Condition 4.8(a)(i) shall not apply to any Sale and Leaseback Transaction that involves the sale to a property trust vehicle of hospitals or hotels by the Company or any Restricted Subsidiary and the lease by the property trust vehicle of such properties to the Company or such Restricted Subsidiary.

4.9 Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (a) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (b) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (c) at least 75.0% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets. For purposes of this provision, each of the following will be deemed to be cash:
 - (i) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
 - (ii) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are contemporaneously, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

- (A) permanently repay Senior Indebtedness of the Company or any Restricted Subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly permanently reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (B) make an Investment in Replacement Assets; or
- (C) only with respect to such Net Cash Proceeds from an Asset Sale of any Investment Property, make an Investment in Temporary Cash Investments, pending application of such Net Cash Proceeds as set forth in clause (A) or (B) above.

On the 361st day after an Asset Sale or such earlier date, if any, as the Company determines not to apply the Net Cash Proceeds relating to such Asset Sale as set forth in preceding paragraph (such date being referred as an "Excess Proceeds Trigger Date"), such aggregate amount of Net Cash Proceeds that has not been applied on or before the Excess Proceeds Trigger Date as permitted in the preceding paragraph ("Excess Proceeds") will be applied by the Issuer or the Company to make an Offer to Purchase to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes or any Guarantee containing provisions similar to those set forth in the Trust Deed and the Notes with respect to offers to purchase with the proceeds of sales of assets, to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Offer to Purchase will be equal to 100.0% of the principal amount of the Notes then outstanding and such other *pari passu* Indebtedness plus accrued and unpaid interest, if any, to the date of purchase, and will be payable in cash.

The Company may defer the Offer to Purchase until there are aggregate unutilized Excess Proceeds equal to or in excess of US\$10.0 million (or the Dollar Equivalent thereof) resulting from one or more Asset Sales, at which time, within ten days thereof, the entire unutilized amount of Excess Proceeds will be applied as provided in the

preceding paragraph. If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by the Trust Deed or the Notes. If the aggregate principal amount of Notes and such other *pari passu* Indebtedness tendered into such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes and such other *pari passu* Indebtedness will be purchased on a pro rata basis based on the principal amount of Notes and such other *pari passu* Indebtedness tendered.

Notwithstanding the provisions of this Condition 4.9, the Issuer and the Company will not, and will not permit Kemang to, sell or otherwise transfer Intercompany Loans.

4.10 Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than a Permitted Business; *provided*, however, that the Company or any Restricted Subsidiary (other than Kemang) may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Business as long as any Investment therein was not prohibited when made by Condition 4.2.

4.11 Use of Proceeds

The Issuer, Kemang and the Company (as applicable) will use the net proceeds received from the Notes as set forth in the Offering Circular. The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (a) in the approximate percentages and for the purposes specified under the caption "Use of Proceeds" in the Offering Circular and (b) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

4.12 Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary (other than the Issuer or Kemang) to be an Unrestricted Subsidiary; provided that (a) such designation would not cause a Default; (b) neither the Company nor any Restricted Subsidiary provides any guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; (c) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (d) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or Lien on any property of the Company or any Restricted Subsidiary; (e) such Restricted Subsidiary does not own any Capital Stock of the Company or another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated as Unrestricted Subsidiaries in accordance with this paragraph; and (f) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by Condition 4.2.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (a) such designation shall not cause a Default; (b) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by Condition 4.1; (c) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by Condition 4.7; (d) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (e) such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental trust deed to the Trust Deed by which such Restricted Subsidiary shall become a Subsidiary Guarantor.

Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

Kemang will at all times remain a Wholly-Owned Subsidiary of the Issuer and a Restricted Subsidiary of the Company.

4.13 Restriction on Transfer of Assets to PT Lippo Cikarang Tbk or PT Gowa Makassar Tourism Development Tbk

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, transfer the Capital Stock of any Restricted Subsidiary or any assets of the Company or any Restricted Subsidiary to PT Lippo Cikarang Tbk or PT Gowa Makassar Tourism Development Tbk (for the avoidance of doubt, this Condition 4.13 shall not restrict the Company or any Restricted Subsidiary from making an Investment in such companies to the extent otherwise permitted herein).

4.14 Maintenance of Insurance

The Company shall and cause each Subsidiary to maintain insurance policies covering such risks, in such amounts and with such terms as are normally carried by similar companies engaged in a similar business to the Permitted Business in the country in which such entity is located.

4.15 Listing of the Notes

The Issuer shall, and the Company shall procure the Issuer to, make such filings, registrations or qualifications and take all other necessary action and will use its best efforts to obtain such consents, approvals and authorizations, if any, and satisfy all conditions that the SGX-ST may impose on listing of the Notes and shall use its best efforts to obtain such listing by no later than April 15, 2014 (and in the case of any Additional Notes, no later than two Business Days after the issuance of such Additional Notes) and maintain such listing.

4.16 Maintain Listing of the Company

The Company shall use its best efforts to maintain the listing of all the Common Stock of the Company on the Indonesia Stock Exchange, the SGX-ST or another internationally recognized stock exchange.

4.17 Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to (a) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Business, (b) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens and (c) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (1) the business, results of operations or prospects of the Company and its Restricted Subsidiaries taken as a whole or (2) the ability of the Issuer, the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Guarantee or the Trust Deed.

4.18 Changes in Covenants when Notes are Rated Investment Grade

If, on any date following the date of the Trust Deed, the Notes are rated Investment Grade from both of the Rating Agencies and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to be rated Investment Grade from either of the Rating Agencies, the following Conditions will not apply to the Notes:

- (a) Condition 4.1 (Limitation on Indebtedness and Preferred Stock);
- (b) Condition 4.2 (Limitation on Restricted Payments);
- (c) Condition 4.3 (Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries);
- (d) Condition 4.4 (Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries);
- (e) Condition 4.6 (Limitation on Transactions with Shareholders and Affiliates);
- (f) Condition 4.9 (Limitation on Asset Sales); and
- (g) Condition 4.10 (Limitation on the Company's Business Activities).

Such covenants will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company

properly taken during the continuance of the Suspension Event, and Condition 4.2 will be interpreted as if it had been in effect since the date of the Trust Deed except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

4.19 Provision of Financial Statements and Reports

- (a) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than ten calendar days after they are filed with the Indonesia Stock Exchange or any other national stock exchange on which the Company's Common Stock is at anytime listed for trading, true and correct copies of any financial or other report in the English language (and an English translation of any financial or other report in any other language) filed with such exchange; *provided* that, if at any time the Common Stock of the Company ceases to be listed for trading on the Indonesia Stock Exchange or any other national stock exchange, the Company will file with the Trustee and furnish to the Holders (in the English language):
- (i) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally recognized firm of independent accountants; and
 - (ii) as soon as they are available, but in any event within 60 calendar days after the end of each quarterly period of the Company, copies of its financial statements (on a consolidated basis) in respect of such quarterly period (including a statement of income, balance sheet and cash flow statement).
- (b) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (1) within 90 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent quarterly periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio; and (2) as soon as possible and in any event within 14 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

4.20 Consolidation, Merger and Sale of Assets

The Issuer will not consolidate with, merge with or into, another Person (other than the Company), permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any Person (other than the Company); *provided* that, in the event the Issuer so consolidates with, merges with or into, the Company or sells, conveys, transfers, leases or otherwise disposes of all or substantially all or substantially all of its properties and assets to the Company, the Company (or if the Company is not the surviving person, such surviving person), immediately after such transaction, will (a) assume, by a supplemental trust deed to the Trust Deed, executed and delivered to the Trustee, all the obligations of the Issuer under the Trust Deed and the Notes, which shall remain in full force and effect and (b) deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that such transaction and such supplemental trust deed complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with.

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets (computed on a consolidated basis) in one transaction or a series of related transactions), unless:

- (a) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation incorporated and validly existing under the laws of the Republic of Indonesia, Singapore or the United States or any jurisdiction thereof and shall expressly assume, by a supplemental trust deed to the Trust Deed, executed and delivered to the Trustee, all the obligations of the Company under the Trust Deed, the Notes and the Parent Guarantee, as the case may be, and the Trust Deed, the Notes and the Parent Guarantee, as the case may be, shall remain in full force and effect;
- (b) immediately after giving effect to such transaction on a *pro forma* basis (and treating any Indebtedness which becomes an obligation of the Company or the Surviving Person or any Subsidiary as having been Incurred at the time of such transaction), no Default shall have occurred and be continuing;

- (c) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (d) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of Condition 4.1(a);
- (e) the Company delivers to the Trustee (i) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with Conditions 4.20(c) and (d), and (ii) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental trust deed complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with;
- (f) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this covenant shall execute and deliver a supplemental trust deed to the Trust Deed confirming that its Subsidiary Guarantee shall apply to the obligations of the Company, the Issuer, or the Surviving Person in accordance with the Notes and the Trust Deed; and
- (g) the Company shall have delivered to the Trustee an Opinion of Counsel in the jurisdiction of incorporation of the Issuer or the Company and the Surviving Person to the effect that the holders of the Notes will not recognize income gain or loss for income tax purposes of such jurisdiction as a result of such transaction and will be subject to income tax in such jurisdiction on the same amounts, in the same manner and at the same times as would have been the case if such transaction had not occurred.

No Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets (computed on a consolidated basis) in one transaction or a series of related transactions to another Person (other than the Company or another Subsidiary Guarantor), unless:

- (A) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction;
- (B) immediately after giving effect to such transaction on a *pro forma* basis (and treating any Indebtedness which becomes an obligation of such Subsidiary Guarantor or the Surviving Person or any Subsidiary as having been Incurred at the time of such transaction), no Default shall have occurred and be continuing;
- (C) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (D) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of Condition 4.1(a);
- (E) the Company delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with Conditions 4.20(C) and (D)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental trust deed complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with;

provided that this paragraph shall not apply to (i) any sale or other disposition (not being the sale or disposition of all or substantially all of its properties or assets) that complies with Condition 4.8 or Condition 4.9 or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with Condition 1.4 and (ii) a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger.

The Surviving Person will be the successor to the Company and shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Trust Deed, and the predecessor Company, except in the case of a lease, shall be released from the obligation to pay principal and interest on the Notes.

4.21 No Payments for Consents

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Noteholder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Trust Deed or the Notes unless such consideration is offered to be paid and is paid to all Noteholders that consent, waive or agree to amend such terms or provisions in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

4.22 Payment of Stamp Duties and Other Taxes

The Issuer and the Company will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies which are imposed by or on behalf of any jurisdiction in which the Issuer, the Company or any Subsidiary Guarantor is incorporated, resident or doing business for tax purposes in connection with the execution, delivery or registration of the Notes or any other document or instrument referred to in these Conditions.

4.23 Limitation on Activities of the Issuer

The Issuer will not engage in any business activity or undertake any other activity, except any activity (a) relating to the offering, sale or issuance of the Notes (including any Additional Notes), the Incurrence of Indebtedness represented by the Notes, contributing the proceeds thereof to Kemang by way of subscription of additional shares in the capital of, or as a shareholder loan to, Kemang and any other activities in connection therewith, (b) relating to the offering, sale or issuance of debt obligations similar to the Notes in the future, the incurrence of Indebtedness represented by such debt obligations, contributing the proceeds thereof to Kemang by way of subscription of additional shares in the capital of, or as a shareholder loan to, Kemang and any other activities in connection therewith, (c) undertaken with the purpose of fulfilling any obligations referred to in clauses (a) or (b) or the Trust Deed or the Agency Agreement or any future trust deed or agency agreement related to such obligations or the purpose of making and fulfilling obligations attributable to consent solicitations or tender offers for such obligations or refinancing of such obligations and any activities related thereto or (d) directly related to the establishment and/or maintenance of the Issuer's corporate existence.

The Issuer shall not (a) issue any Capital Stock other than the issuance of its ordinary shares to the Company or otherwise in a *de minimis* amount to local residents to the extent required by applicable law or (b) acquire or receive any property or assets (including, without limitation, any Equity Interests or Indebtedness of any Person), other than (x) the Capital Stock of Kemang, and (y) cash for ongoing corporate activities of the Issuer described in the preceding paragraph.

The Issuer shall at all times remain a Wholly-Owned Restricted Subsidiary of the Company.

In the event that the Issuer is the obligor on Indebtedness owed to Kemang, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Notes.

Whenever the Issuer receives a dividend or distribution on the Capital Stock of Kemang, it shall use all or substantially all of the funds received solely to satisfy its obligations (to the extent of the amount owing in respect of such obligations) under the Notes, the Trust Deed and the Agency Agreement.

For so long as any Notes are outstanding, none of the Issuer, Kemang or the Company will commence or take any action to cause a winding-up or liquidation of the Issuer or Kemang except that the Issuer may be wound up or liquidated subsequent to a consolidation, merger or transfer of assets conducted in accordance with the first paragraph of Condition 4.20.

4.24 Amendments to or Prepayments of the Intercompany Loans

The Issuer will contribute the net proceeds of the offering to Kemang by way of subscription of additional shares in the capital of, or as a shareholder loan to, Kemang. The net proceeds of the contribution to Kemang will be on-lent to the Company and/or the Subsidiary Guarantors pursuant to one or more Intercompany Loans. The Intercompany Loans will be subordinated in right of payment to the Guarantees. The Company will unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by any Subsidiary Guarantor in respect of its obligations under the Intercompany Loan between such Subsidiary Guarantor and Kemang.

Without an Extraordinary Resolution duly passed at a meeting convened with a quorum of two or more persons holding or representing over 66 2/3% in principal amount of the Notes then outstanding, the Issuer and the Company will not, and will not permit any Restricted Subsidiary to, (i) prepay or otherwise reduce or permit the prepayment or reduction of the Intercompany Loans or (ii) amend, modify or alter the instrument governing the Intercompany Loans in any manner adverse to the Holders; *provided* that, the quorum for passing an Extraordinary Resolution to approve the following matters shall be two or more persons holding or representing over 90.0% in principal amount of the Notes then outstanding:

- (1) change the Stated Maturity of the Intercompany Loans;
- (2) change the currency for payment of principal or interest on the Intercompany Loans; or
- (3) reduce the above-stated quorum necessary to modify or amend the Intercompany Loans.

Notwithstanding the foregoing, without the consent of any Holder of Notes, the Intercompany Loans may be amended solely (x) to provide for the issuance of Additional Notes, and may be prepaid or reduced to facilitate or otherwise accommodate or reflect a redemption, repurchase or exchange of outstanding Notes in accordance with the Conditions or through any tender offer or exchange offer or (y) to reduce any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any Relevant Taxing Jurisdiction (as defined in Condition 7.2); *provided* that in the case of clause (y), prior to such amendment, the Issuer or the Company will deliver to the Trustee an Opinion of Counsel or an opinion of a tax consultant of recognized international standing stating that such amendment to the Intercompany Loans will reduce such withholding or deduction.

The Issuer and the Company will not, and will not permit Kemang to, sell or otherwise transfer the Intercompany Loans or to directly or indirectly, incur, assume or permit to exist any Lien on Intercompany Loans.

4.25 Definitions

Set forth below are defined terms used in the covenants and other provisions of the Trust Deed. Reference is made to the Trust Deed for other capitalized terms used in these Conditions for which no definition is provided.

“*Acquired Indebtedness*” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary and not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary or the Asset Acquisition.

“*Adjusted Treasury Rate*” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield in maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“*Affiliate*” means, with respect to any Person, any other Person (a) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, (b) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (a) of this definition, or (c) who is a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (a) or (b). For the purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“*Applicable Premium*” means with respect to a Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of (1) the redemption price of such Note on April 11, 2018 (such redemption price being described in Condition 7.3 “Optional Redemption” exclusive of any accrued interest) plus (2) all required remaining scheduled interest payments due on such Note through April 11, 2018, (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 50 basis points, over (B) the principal amount of such Note.

“*Asset Acquisition*” means (a) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary, or (b) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

“*Asset Disposition*” means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (a) all or substantially all of the Capital Stock of any Restricted Subsidiary or (b) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

“*Asset Sale*” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction and including any sale or issuance of the Capital Stock of any Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person other than the Company or any Restricted Subsidiary of any of its property or assets (including Capital Stock), in each case that is not governed by Condition 4.20; *provided* that “*Asset Sale*” shall not include:

- (a) sales, transfers or other dispositions of inventory, (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (b) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under Condition 4.2;
- (c) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (d) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries; or
- (e) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien.

“*Attributable Indebtedness*” means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate borne by the Notes of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

“*Average Life*” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (a) the sum of the products of (i) the number of years from such date of determination to the dates of each successive scheduled principal payment or redemption or similar payment of such Indebtedness and (ii) the amount of such principal payment by (b) the sum of all such principal payments.

“*Board of Directors*” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“*Board Resolution*” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“*Business Day*” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, Hong Kong or Jakarta (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“*Capital Stock*” means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

“*Capitalized Lease*” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person. For the purpose of Condition 4.7, a Capitalized Lease will be deemed to be secured by a Lien on the property being leased.

“*Capitalized Lease Obligations*” means the capitalized amount of any rental obligations under a Capitalized Lease in accordance with GAAP, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of penalty.

“*Change of Control*” means the occurrence of one or more of the following events:

- (a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) and 14(d) of the Exchange Act);
- (b) the Company consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;
- (c) any person is the beneficial owner of more than 30.0% of the total voting power of the Voting Stock of the Company;
- (d) individuals who on the Issue Date constituted the Board of Directors (together with any new directors whose election by the Board of Directors was approved by a vote of at least 66% of the members of the Board of Directors then in office who were members of the Board of Directors on the Issue Date or whose election was previously so approved) cease for any reason to constitute a majority of the members of the Board of Directors then in office; or
- (e) the adoption of a plan relating to the liquidation or dissolution of the Company.

“*Change of Control Triggering Event*” means the occurrence of both a Change of Control and a Rating Decline.

“*Common Stock*” means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Trust Deed, and include, without limitation, all series and classes of such common stock or ordinary shares.

“*Comparable Treasury Issue*” means the United States Treasury security having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

“*Comparable Treasury Price*” means, with respect to any redemption date: (1) the average bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated “Composite 3:30 p.m. Quotations for U.S. Government Securities”; or (2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

“*Consolidated EBITDA*” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (a) Consolidated Interest Expense;
- (b) income taxes (other than income taxes attributable to extraordinary and non-recurring gains or sales of assets); and
- (c) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income,

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP. The provision for income taxes and the depreciation and amortization expense and non-cash charges of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion) that the net income or loss of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted to be paid as dividends to the Company at the date of determination and without any approvals.

“*Consolidated Fixed Charges*” means, for any period, the sum (without duplication) of (a) Consolidated Interest Expense for such period and (b) all cash and non-cash dividends accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly-Owned Restricted Subsidiary; *provided* that such dividends will be multiplied by a fraction of the numerator of which is one and the denominator of which is one minus the effective combined tax rate of the issues of such Preferred Stock for such period.

“*Consolidated Interest Expense*” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred or paid during such period by the Company and its Restricted Subsidiaries, without duplication, (a) interest expense attributable to Capitalized Lease Obligations and one third of all annual payments attributable to leases constituting part of a Sale and Leaseback Transaction, (b) amortization of debt issuance costs and original issue discount expense and non-cash interest expense in respect of any Indebtedness, (c) the interest portion of any deferred payment obligation, (d) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (e) the net costs associated with Hedging Obligations (including the amortization of fees), (f) interest accruing on Indebtedness of any other Person that is guaranteed by, or secured on the assets of, the Company or any Restricted Subsidiary proportionate to the extent that such Indebtedness is guaranteed or so secured, (g) any capitalized interest, (h) interest Incurred in connection with investments in discontinued operations and (i) cash contributions to an employee stock ownership plan or similar trust, which are used to pay interest on Indebtedness Incurred by such plan or trust; *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“*Consolidated Net Income*” means, with respect to any specified Person for any period, the aggregate net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (a) the net income of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except to the extent of the amount of dividends or similar distributions actually paid in cash to the Company or a Restricted Subsidiary during such period (subject to the limitation in clause (c) below in the case of distributions paid to a Restricted Subsidiary; *provided* that the Company’s equity in a net loss of such person shall be included, to the extent funded by the Company or a Restricted Subsidiary;
- (b) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary; *provided* that such transaction was accounted for in a manner similar to the pooling of interests;

- (c) the net income of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary; *provided* that the Company's equity in a net loss of such person shall be included;
- (d) the cumulative effect of a change in accounting principles;
- (e) any net after-tax gains realized on the sale or other disposition of (A) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (B) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or any Restricted Subsidiary);
- (f) any non-cash unrealized gains and losses due solely to fluctuations in currency values and related tax effects; and
- (g) any net after-tax extraordinary or non-recurring gains.

“*Consolidated Net Worth*” means, at any date of determination, stockholders’ equity as set forth on the most recently available quarterly or annual consolidated financial statements (available pursuant to Condition 4.19) of the Company prepared in accordance with GAAP (which the Company shall use its reasonable best efforts to compile in a timely manner), plus, to the extent not included, the par or stated value of any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, any accumulated deficit, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

“*Contractor Guarantees*” means guarantees by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“*Currency Agreement*” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“*Default*” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“*Disqualified Stock*” means any class or series of Capital Stock of any Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or otherwise is (a) required to be redeemed prior to the Stated Maturity of the Notes, (b) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (c) convertible into or exchangeable for Capital Stock referred to in clause (a) or (b) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in Condition 4.9 and Condition 7.6 and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of the Notes as are required to be repurchased pursuant to Condition 4.9 and Condition 7.6.

“*Dollar Equivalent*” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by Bank Indonesia on the date of determination.

“*Equity Interests*” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“*Equity Offering*” means any private or public underwritten offering of Common Stock of the Company after the Issue Date to any Person other than an Affiliate of the Company; *provided* that the aggregate gross cash proceeds received by the Company from such offering shall be no less than US\$25.0 million (or the Dollar Equivalent thereof)

“*Fair Market Value*” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

“*Fixed Charge Coverage Ratio*” means, on any Transaction Date, the ratio of (a) the aggregate amount of Consolidated EBITDA for the then most recent four quarterly periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available pursuant to Condition 4.19 (the “Four Quarterly Period”) to (b) the aggregate Consolidated Fixed Charges during such Four Quarterly Period. In making the foregoing calculation:

- (a) *pro forma* effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarterly Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarterly Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such Four Quarterly Period shall not include any interest income actually earned during such Four Quarterly Period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) *pro forma* effect shall be given to Asset Sales and Asset Acquisitions and Investments (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (d) *pro forma* effect shall be given to asset dispositions and asset acquisitions and investments (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Sales or Asset Acquisitions or Investments had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (c) or (d) of this paragraph requires that *pro forma* effect be given to an Asset Acquisition or Asset Sales (or asset acquisition or asset disposition), such *pro forma* calculation shall be based upon the four full quarterly periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“*GAAP*” means generally accepted accounting principles in the Republic of Indonesia as in effect from time to time. All ratios and computations contained or referred to in the Trust Deed shall be computed in conformity with GAAP applied on a consistent basis.

“*guarantee*” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for

purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term “guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning.

“*Guarantees*” means the Parent Guarantee and the Subsidiary Guarantees.

“*Hedging Obligation*” of any Person means the obligations of such Person pursuant to any Currency Agreement or Interest Rate Agreement.

“*Holder*” means the Person in whose name a Note is registered in the Note register.

“*Incur*” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (a) any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (b) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends on Preferred Stock in the form of additional shares of Preferred Stock (to the extent provided for when the Indebtedness or Preferred Stock on which such interest or dividend is paid was originally issued) shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“*Indebtedness*” means, with respect to any Person at any date of determination (without duplication):

- (a) all indebtedness of such Person for borrowed money;
- (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (c) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments (including any premium to the extent such premium has become due and payable);
- (d) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (e) all Capitalized Lease Obligations and Attributable Indebtedness;
- (f) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (i) the Fair Market Value of such asset at such date of determination and (ii) the amount of such Indebtedness;
- (g) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;
- (h) to the extent not otherwise included in this definition, Hedging Obligations; and
- (i) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; *provided* that such Indebtedness is not reflected on the balance sheet of the Company or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided* that:

- (a) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP, and
- (b) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to pre-fund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest.

“*Intercompany Loans*” means the loan or the loans in U.S. dollars between the Company or the Subsidiary Guarantors (as the case may be), as borrower, and Kemang, as lender, pursuant to intercompany loan agreements as may be entered into, for an aggregate amount equal to at least the net proceeds of the offering of the Notes, or any similar intercompany loan entered into between the Company or the Subsidiary Guarantors, as the case may be, and Kemang in connection with the sale of Additional Notes.

“*Interest Rate Agreement*” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

“*Investment*” means:

- (a) any direct or indirect advance, loan or other extension of credit to another Person;
- (b) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (c) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (d) any guarantee of any obligation of another Person.

For the purposes of the provisions of Conditions 4.2 and 4.12: (i) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company’s proportionate interest in the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not guaranteed by the Company or a Restricted Subsidiary) of such Unrestricted Subsidiary at the time of such designation, and (ii) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

The acquisition by the Company or a Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person.

“*Investment Grade*” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “—” indication, or an equivalent rating representing one of the four highest Rating Categories, by S&P or any of its successors or assigns or a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody’s or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody’s or both, as the case may be.

“*Investment Property*” means all of the investment properties of the Company and its Restricted Subsidiaries consisting of apartments, condominiums, hotels, hospitals, urban developments, offices, houses, retail shopping malls, shophouses, memorial parks and car parks existing on December 31, 2011.

“*Issue Date*” means the date on which the Notes (other than Additional Notes) are issued under the Trust Deed.

“*Lien*” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“*Moody’s*” means Moody’s Investors Service and its affiliates.

“*Net Cash Proceeds*” means: (a) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of:

- (1) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
- (2) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
- (3) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (A) is secured by a Lien on the property or assets sold or (B) is required to be paid as a result of such sale;
- (4) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP;
- (5) all distributions and other payments required to be made to minority interest holders; and
- (6) any portion of the purchase price placed in escrow (until the termination of such escrow and up to the amount of funds released from such escrow); and

(b) with respect to any capital contribution or issuance or sale of Capital Stock, the proceeds of such capital contribution, issuance or sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not the interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such contribution, issuance or sale, net of taxes paid or payable as a result thereof and net of the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Indebtedness of the Company or any Restricted Subsidiary.

“*Offer to Purchase*” means an offer to purchase the Notes by the Issuer or the Company from the Holders commenced by mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

- (a) the Condition pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (b) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (c) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (d) that, unless the Issuer or the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

- (e) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (f) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (g) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

On the Offer to Purchase Payment Date, the Issuer or the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) one Business Day prior to the Offer to Purchase Payment Date, deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Registrar all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Issuer or the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Registrar shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 each and integral multiples of US\$1,000 in excess thereof. The Issuer or the Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Issuer or the Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Issuer or the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Issuer or the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Issuer or the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“*Offering Circular*” means the offering circular dated April 4, 2014 prepared in connection with the issue of the Notes, as amended or supplemented (and for the purposes of Condition 4.11 only, in the case of any Additional Notes, the offering circular, if any, prepared in connection with such Additional Notes, as amended or supplemented).

“*Officer*” means the managing director of the Issuer, in the case of the Issuer, or one of the executive officers of the Company, in the case of the Company or, in the case of a Subsidiary Guarantor, one of the directors or executive officers of such Subsidiary Guarantor.

“*Officers’ Certificate*” means a certificate signed by two Officers.

“*Opinion of Counsel*” means a written opinion from legal counsel who is acceptable to the Trustee. The counsel, if so acceptable, may be an employee of or counsel to the Issuer, the Company or the Trustee. Each such Opinion of Counsel shall include:

- (a) a statement that the person making such certificate or opinion has read such covenant or condition;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (c) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

- (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

“*Permitted Business*” means any business conducted or proposed to be conducted (as described in the Offering Circular) by the Company and its Restricted Subsidiaries on the Issue Date and other businesses reasonably related or ancillary thereto.

“*Permitted Investment*” means:

- (a) any Investment in the Company or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to the Company or a Restricted Subsidiary;
- (b) Temporary Cash Investments;
- (c) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP and not in excess of US\$1.0 million (or the Dollar Equivalent thereof) outstanding at any time;
- (d) stock, obligations or securities received in satisfaction of judgments;
- (e) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (f) any Investment pursuant to a Hedging Obligation entered into in the ordinary course of business (and not for speculation) and designed solely to protect the Company or any Restricted Subsidiary against fluctuations in interest rates, foreign currency exchange rates or commodity prices;
- (g) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (h) any securities or other Investments received as consideration in, or retained in connection with, sales or other dispositions of property or assets, including Asset Dispositions made in compliance with the covenant described under Condition 4.9;
- (i) pledges or deposits (i) with respect to leases or utilities provided to third parties in the ordinary course of business or (ii) otherwise described in the definition of “*Permitted Liens*” or made in connection with Liens permitted under the covenant described under Condition 4.7;
- (j) any Investment pursuant to Contractor Guarantees by the Company or any Restricted Subsidiary;
- (k) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers;
- (l) any guarantees given pursuant to Condition 4.1(b)(xi);
- (m) repurchases of Notes; and
- (n) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers, compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of a Permitted Business.

“*Permitted Liens*” means:

- (a) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

- (b) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (c) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (d) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (e) Liens encumbering property or assets in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (f) any interest or title of a lessor in the property subject to any operating lease;
- (g) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided* further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (h) Liens in favor of the Company or any Restricted Subsidiary;
- (i) Liens arising from attachment or the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (j) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof or (ii) Liens in favor of any bank having a right of setoff, revocation, refund or chargeback with respect to money or instruments of the Company or any Restricted Subsidiary on deposit with or in possession of such bank;
- (k) Liens existing on the Issue Date;
- (l) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under Condition 4.1(b)(iv); *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (m) Liens (including extensions and renewals thereof) upon real or personal property acquired after the Issue Date; *provided* that (i) such Lien is created solely for the purpose of securing Indebtedness Incurred under Condition 4.1(b)(vi) and such Lien is created prior to, at the time of or within 120 days after the later of the acquisition or the completion, development, construction or improvement of the property, (ii) the principal amount of the Indebtedness secured by such Lien does not exceed 100.0% of the cost of such property, development, construction or improvement and (iii) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item;
- (n) Liens on assets securing Indebtedness which is permitted to be Incurred under Condition 4.1(b)(xiii);
- (o) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

- (p) Liens securing Indebtedness under Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any Restricted Subsidiary from fluctuations in interest rates, currencies or commodity prices and not for speculation; and
- (q) Liens securing Indebtedness which is Incurred in connection with a Sale and Leaseback Transaction in accordance with Condition 4.8(b).

provided that, with respect to Liens on the property or assets of Kemang, Permitted Liens will include only Liens described in paragraphs (a), (b) and (i) above.

“Permitted Subsidiary Indebtedness” means Indebtedness of, and all Preferred Stock issued by, the Restricted Subsidiaries (other than the Issuer and Sigma Capital Pte. Ltd.) that are not Subsidiary Guarantors, taken as a whole (but excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under Condition 4.1(b)(i), (iii), (v) and (ix)); *provided* that, on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock, as the case may be, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock does not exceed an amount equal to 7.5% of Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

“Qualified Receivables” means the right of the Company or any Restricted Subsidiary (other than Kemang) to receive scheduled instalment payments from purchasers of residential properties sold by the Company or such Restricted Subsidiary on secured loans provided by the Company or such Restricted Subsidiary in the ordinary course of business to such purchasers to fund the purchase price of such properties.

“Qualified Receivables Transaction” means a transaction or a series of transactions entered into by the Company or any Restricted Subsidiary (other than Kemang) pursuant to which the Company or such Restricted Subsidiary sells or otherwise transfers to a domestic bank or other financial institution in Indonesia Qualified Receivables; where the gross cash proceeds from such sale or transfer are at least 85.0% of the aggregate principal amount of the Qualified Receivables sold or transferred.

“Rating Agencies” means (a) S&P, (b) Moody’s and (c) if S&P or Moody’s or both shall not make a rating of the Notes publicly available, an internationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Moody’s or both, as the case may be; *provided* that in the case of Condition 4.18, Rating Agencies shall mean S&P and Moody’s or their respective successors.

“Rating Category” means (a) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (b) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); and (c) the equivalent of any such category of S&P or Moody’s used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “—” for S&P; “1,” “2” and “3” for Moody’s; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB,” as well as from “BB-” to “B+,” will constitute a decrease of one gradation).

“Rating Date” means (a) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (i) a Change of Control and (ii) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (b) in connection with actions contemplated under Condition 4.20 that date which is 90 days prior to the earlier of (i) the occurrence of any such actions as set forth therein and (ii) a public notice of the occurrence of any such actions.

“Rating Decline” means (a) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating

Agencies) of any of the events listed below, or (b) in connection with actions contemplated under Condition 4.20, the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (A) in the event the Notes are rated by both Moody's and S&P on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;
- (B) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as
- (C) Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (D) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Issuer in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day immediately preceding such redemption date.

"Replacement Assets" means properties and assets (other than current assets) that replace the properties and assets that were subject to an Asset Sale or properties and assets (other than current assets) that will be used in a Permitted Business (for the avoidance of doubt, Replacement Assets shall include Capital Stock of a company whose primary assets are properties and assets (other than current assets) that will be used in a Permitted Business, subject to where (a) the Company or a Restricted Subsidiary acquiring more than 50.0% of the total voting power of the outstanding Capital Stock of such company and such company becomes a Restricted Subsidiary or (b) such acquisition of Capital Stock is in compliance with Condition 4.2 (other than by compliance with paragraph (h) of the definition of Permitted Investment).

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Services and its affiliates.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"Senior Indebtedness" of the Company or any Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or such Restricted Subsidiary, as relevant, whether outstanding on the Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be not senior in right of payment to the Notes or, in respect of the Company, its Guarantee or, in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (a) any obligation to the Company or any Restricted Subsidiary, (b) trade payables or (c) Indebtedness Incurred in violation of the Trust Deed or these Conditions.

"Stated Maturity" means, (a) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (b) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Company or any Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes or any Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which more than 50.0% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

“*Subsidiary Guarantee*” means any guarantee of the due and punctual payment of all sums from time to time payable by the Issuer in respect of its obligations under the Notes, the Trust Deed and the Agency Agreement by any Subsidiary Guarantor.

“*Subsidiary Guarantor*” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to a supplemental trust deed to the Trust Deed; *provided* that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Trust Deed and the Notes.

“*Temporary Cash Investment*” means any of the following:

- (a) direct obligations of the United States of America and any state of the European Economic Area or any agency thereof or obligations fully and unconditionally guaranteed by the United States of America and any state of the European Economic Area or any agency thereof, in each case maturing within one year;
- (b) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is incorporated under the laws of the United States of America or any state thereof, any state of the European Economic Area and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$500.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (a) above entered into with a bank or trust company meeting the qualifications described in clause (b) above;
- (d) commercial paper, maturing within 180 days of the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) incorporated and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (e) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, Hong Kong or Singapore and rated at least “A” by S&P or Moody’s;
- (f) any mutual fund that has at least 95.0% of its assets continuously invested in investments of the types described in clauses (a) through (e) above; and
- (g) time deposit accounts, certificates of deposit, money market deposits and principal protected financial instruments maturing within 90 days of the date of acquisition thereof issued by any bank incorporated or licensed to operate under the laws of Indonesia or Singapore whose long-term debt is rated “A” or higher according to at least one nationally recognized Indonesian or Singaporean, as applicable, statistical rating organization (or another recognized financial institution) and which has capital and surplus in excess of US\$200.0 million; *provided*, however, that no more than the greater of (i) US\$10.0 million (or the Dollar Equivalent thereof) and (ii) 50.0% of the aggregate of all Temporary Cash Investments may at any date of determination be made in any one such entity.

“*Total Assets*” means, as of any date of determination, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available and have been provided to the Trustee pursuant to Condition 4.19.

“*Trade Payables*” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 90 days.

“*Transaction Date*” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“*Transaction Documents*” means the Trust Deed, the Agency Agreement, the Notes and the Guarantees.

“*Unrestricted Subsidiary*” means (a) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in Condition 4.12 and (b) any Subsidiary of an Unrestricted Subsidiary.

“*Voting Stock*” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“*Wholly-Owned*” means, with respect to any Subsidiary of any Person, the ownership of 100.0% of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly-Owned Subsidiaries of such Person.

5. INTEREST

5.1 Interest Payment Date

The Notes bear interest from and including the Issue Date or the most recent Interest Payment Date (as defined below) at the rate of 7.0% per annum. Interest is payable semi-annually in arrear on April 11 and October 11 in each year (each payment date, an “Interest Payment Date”), commencing on October 11, 2014. If any Interest Payment Date is not a Business Day, payment may be made on the next succeeding day that is a Business Day, and no interest shall accrue for the intervening period. Interest on the Notes will accrue from (and including) the most recent date to which interest has been paid or, if no interest has been paid, from the Issue Date and ending on (but excluding) the next Interest Payment Date. Each period beginning on and including the Issue Date or any Interest Payment Date and ending on but excluding the next Interest Payment Date is called an “Interest Period.”

5.2 Cessation of Interest

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven calendar days after the Principal Paying Agent or the Trustee has notified the relevant Noteholders that it has received all sums due in respect of the relevant Notes up to such seventh calendar day (except to the extent that there is any subsequent default in payment).

5.3 Calculation of Interest

The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the applicable rate of interest to the principal amount of such Note (excluding premium, if any), dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for any period other than a scheduled Interest Period, it will be calculated on the basis of a 360-day year consisting of 12 30-day months and in the case of an incomplete month, the actual number of days elapsed on the basis of a month of 30 days.

6. PAYMENTS

6.1 Principal and Interest

Payments of principal, premium, if any, and interest on the Notes will be made in U.S. dollars, against presentation or surrender (as the case may be) (or, in the case of partial payment, endorsement) of the relevant Definitive Certificates at the specified office of any Paying Agent. Payments of principal and/or interest in respect of the Notes shall be made by cheque in U.S. dollars drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York.

Payments of premium, if any, and interest in respect of Certificates may only be made at specified offices of Paying Agents outside the United States, except that they may be made at the specified office of a Paying Agent in New York City if (a) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at such offices of the full amount of the premium, if any, and interest on the Notes in U.S. dollars when due, (b) payment of the full amount of such premium, if any, and interest at all specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions, and (c) the relevant payment is permitted by applicable U.S. law. If a Definitive Certificate is presented for payment of principal at the specified office of the Paying Agent in the United States in circumstances where interest (if any is payable against presentation of the Definitive Certificate) or premium, if any, is not to be paid there, the relevant Paying Agent will annotate the Definitive Certificate with the record of the principal paid and return it to the Noteholder for the obtaining of premium, if any, and interest elsewhere.

Payments in respect of Definitive Certificates will be made by U.S. dollar cheque drawn on a bank in New York and posted on the Business Day immediately preceding the relevant due date to the holder (or to the first-named of joint holders) of the relevant Notes appearing on the Register at the close of business on the fifteenth day before the relevant due date (the "Record Date") at the risk of such holder at the address shown on the Register on the Record Date.

Upon application by the holder of any Definitive Certificate to the specified office of the Registrar not later than the Record Date for any payment in respect of such Definitive Certificate, such payment will be made by transfer to the specified account of such holder. Any such application for transfer to such an account shall be deemed to relate to all future payments in respect of the Definitive Certificates which become payable to the Noteholder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such Noteholder.

If the due date for payment in respect of any Definitive Certificate is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Issue Date, shall be payable only against surrender of the relevant Definitive Certificate.

6.2 Fiscal Laws

All payments in respect of the Notes are subject in all cases to any applicable laws and regulations, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

7. REDEMPTION, PURCHASE AND CANCELLATION

7.1 Scheduled Redemption

Unless previously redeemed or purchased and cancelled as provided in these Conditions, the Notes will be redeemed at their principal amount on April 11, 2022.

7.2 Optional Redemption for Changes in Withholding Taxes

The Notes may be redeemed, in whole but not in part, at the option of the Issuer, at any time upon giving of notice as provided in Condition 7.7 (which notice shall be irrevocable) at a redemption price equal to 100.0% of the principal amount at maturity thereof, together with accrued and unpaid interest to the date fixed by the Issuer for redemption, if the Issuer determines and certifies to the Trustee in an Officers' Certificate immediately prior to the giving of such notice that, as a result of any change in, or amendment to, the laws or treaties (including any regulations or rulings promulgated thereunder) of any jurisdiction in which the Issuer, the Company, Kemang or any of the Subsidiary Guarantors is incorporated, resident or doing business for tax purposes or from or through which any of the foregoing makes any payment on the Notes or by or within any department, political subdivision or governmental authority of or in any of the foregoing having power to tax (each, a "Relevant Taxing Jurisdiction") affecting taxation, or any change in official position regarding the application, interpretation or administration of such laws, treaties, regulations or rulings (including a holding judgment or order by a court of competent jurisdiction), which change, amendment, application, interpretation or administration is announced and becomes effective on or after the Issue Date with respect to any payment due or to become due under the Notes or the Trust Deed, the Issuer (or if any Guarantee were called, the Company or any of the Subsidiary Guarantors) is, or on the next Interest Payment Date would be, required to pay Additional

Amounts (as defined in Condition 8) on or in respect thereof and such obligation to pay Additional Amounts cannot be avoided by the taking of reasonable measures by the Issuer, the Company or any of the Subsidiary Guarantor), as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer, the Company or any of the Subsidiary Guarantors would be obliged to pay such Additional Amounts; *provided* further that where any Additional Amounts due in accordance with Condition 8 are in consequence of the laws or treaties of the Republic of Indonesia this Condition 7 shall only have effect to permit the Notes to be redeemed in the event that the rate of withholding or deduction required by such law or treaty is in excess of 20.0% (the “Minimum Withholding Level”).

Prior to the publication and giving of any notice of redemption of the Notes pursuant to Condition 7.7, the Issuer will deliver to the Trustee:

- (a) an Officers’ Certificate, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred;
- (b) an Opinion of Counsel or written advice of a qualified tax expert, such counsel or tax expert being from an internationally recognized law or accountancy firm reasonably acceptable to the Trustee, that the Issuer, the Company or any of the Subsidiary Guarantors, as the case may be, has or will become obliged to pay Additional Amounts as a result of such change, amendment, application, interpretation or administration. Such certificate and opinion or advice shall be made available for inspection by the Noteholders; and
- (c) in the case of a redemption where the Minimum Withholding Level has been exceeded, an Opinion of Counsel or written advice of a qualified tax expert of the standing set out in Condition 7.2(b) above, that the Issuer, or the Company or any of the Subsidiary Guarantors, as the case may be, has or will become obliged to pay Additional Amounts and that the Minimum Withholding Level has been exceeded.

7.3 Optional Redemption

The Issuer may redeem all or any portion of the Notes at any time on and from April 11, 2018, at once or over time, upon giving of notice as provided in Condition 7.7 (which notice shall be irrevocable). The Notes may be redeemed at the redemption prices set forth below plus accrued and unpaid interest to (but excluding) the date fixed for redemption (subject to the right of the Noteholders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date.) The following redemption prices are for Notes redeemed during the 12-month period commencing on April 11 of each of the years set forth below, and are expressed as percentages of the principal amount:

Year	Redemption Price
2018	103.5%
2019	101.75%
2020 and thereafter	100.00%

7.4 Equity Clawback

At any time prior to April 11, 2017, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 107.0% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

7.5 Make Whole Redemption

Prior to April 11, 2018, the Issuer will be entitled at its option to redeem all or any portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest to, the redemption date (subject to the right of Noteholders on the relevant record date to receive interest due on the relevant Interest Payment Date). Notice of such redemption must be mailed by first-class mail to each Noteholder’s registered address, not less than 30 nor more than 60 days prior to the redemption date.

7.6 Repurchase of Notes Upon a Change of Control Triggering Event

No later than 30 days following a Change of Control Triggering Event, the Issuer will make an Offer to Purchase all outstanding Notes (a “Change of Control Offer”) at a purchase price equal to 101.0% of the principal amount thereof plus accrued and unpaid interest, if any, to the Offer to Purchase Payment Date.

The Issuer has agreed in the Trust Deed that it will timely repay all Indebtedness or obtain consents as necessary under or terminate agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Trust Deed. Notwithstanding this agreement of the Issuer, it is important to note that if the Issuer is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Issuer’s failure to make a Change of Control Offer or purchase tendered Notes would constitute an Event of Default.

The definition of Change of Control includes a phrase relating to the sale of “all or substantially all” the assets of the Company. Although there is a limited body of case law interpreting the phrase “substantially all,” no precise definition of the phrase has been established. Accordingly, the ability of a Noteholder to require the Issuer to repurchase such Holder’s Note as a result of a sale of less than all the assets of the Company to another person or group is uncertain and will depend upon particular facts and circumstances.

Notwithstanding the above, the Issuer will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Trust Deed applicable to a Change of Control Offer made by us and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Trust Deed does not contain provisions that permit the Holders to require that the Issuer purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

7.7 Notice of Redemption

Notice of redemption will be given or published at least 30 days but not more than 60 days before the redemption date to the Noteholders. Unless the Issuer shall default in payment of the redemption price plus accrued interest to the redemption date specified in such notice, on and after the redemption date interest ceases to accrue on such Notes. Notes in denominations larger than US\$200,000 may be redeemed in part but only in whole multiples of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

7.8 No other redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 7.1 to 7.6 above.

7.9 Purchase

Notwithstanding anything else in these Conditions, the Issuer, the Company and any Subsidiary of the Company may at any time purchase Notes in the open market or otherwise and at any price and such Notes shall be surrendered to any Paying Agent for cancellation.

7.10 Cancellation

All Notes redeemed shall be cancelled and all Notes so cancelled and Notes cancelled pursuant to Condition 7.9 above may not be reissued or resold.

8. TAXATION

All payments by, or on behalf of, the Issuer, the Company or any of the Subsidiary Guarantors in respect of principal, premium, if any, and interest on the Notes or under the Guarantees shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Taxing Jurisdiction, unless such

withholding or deduction is required by law. In that event, the Issuer, the Company or any of the Subsidiary Guarantors, as the case may be, shall pay such additional amounts (“Additional Amounts”) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Amounts shall be payable for or on account of:

- (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between such Noteholder and Singapore or, in the case of payments made by the Company or any Subsidiary Guarantor, the Republic of Indonesia or such other jurisdiction in which such Subsidiary Guarantor is incorporated, as the case may be, other than merely holding such Note or by the receipt of amounts in respect of the Note, or the exercise or enforcement of rights under any Note or Guarantee; or
 - (ii) presentation of such Note (where presentation is required) more than 30 calendar days after the later of (A) the date on which the payment first became due and payable and (B) if the full amount payable has not been received in New York City by the Trustee or the Principal Paying Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders, except to the extent that such Noteholder would have been entitled to such Additional Amounts if it had presented such Note for payment on the last day of such period of 30 calendar days; or
- (b) any withholding or deduction imposed by reason of the failure of the holder, following the Issuer’s written request addressed to the holder, to comply with any certification, identification, information or other reasonable reporting requirements (to the extent that such holder is legally eligible to do so), whether required by statute, treaty, regulation or administrative practice of a Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of withholding or deduction of, taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the holder is not resident in the Relevant Taxing Jurisdiction);
- (c) any withholding or deduction imposed on a payment to an individual and required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) any withholding or deduction by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.

The payment of principal or interest in respect of any Note or the net proceeds received on the sale or exchange of any Note or the payment of any amount in respect of the Guarantees shall be deemed to include the payment of Additional Amounts provided for in these Conditions or the Trust Deed to the extent that Additional Amounts are, were or would be payable in respect thereof pursuant to these Conditions or the Trust Deed.

9. EVENTS OF DEFAULT

If any of the following events (other than an Event of Default specified in paragraphs (g) or (h) of this Condition 9) occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by the Noteholders representing at least 25.0% in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution, shall (subject to the Trustee being indemnified and/or secured to its satisfaction) give written notice to the Issuer and the Company declaring that the Notes are, and upon such declaration they shall become, immediately due and payable at their principal amount together with any accrued interest, any premium, and any Additional Amounts, without further action or formality:

- (a) Non-payment of interest: default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 calendar days;
- (b) Non-payment of principal: default in the payment of the principal or premium, if any, of any Note when the same becomes due and payable at maturity or otherwise or a failure to redeem or purchase Notes when required pursuant to the Trust Deed or the Notes;

- (c) Breach of other obligations: the Issuer, the Company or any Subsidiary Guarantor defaults in the performance or observance of any other covenants or agreements in the Trust Deed, the Notes, the Agency Agreement, any Guarantee or the Intercompany Loans and the default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is capable of remedy continues for 30 calendar days after the date on which written notice of such default is given to the Issuer, the Company and the Subsidiary Guarantors by the Trustee or given to the Issuer, the Company, the Subsidiary Guarantors and the Trustee by holders of at least 25.0% in aggregate principal amount of the Notes then outstanding hereunder;
- (d) Change of Control Triggering Event: the failure by the Issuer to (i) make an Offer to Purchase or (ii) the Issuer fails to purchase tendered Notes in the manner described in Condition 7.6;
- (e) Cross-acceleration: there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$7.5 million (or its Dollar Equivalent) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, an event of default (including a payment default) that has caused the holders thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity under any instrument or instruments under which there is or maybe secured or evidenced any Indebtedness;
- (f) Unsatisfied judgment: any final judgment or order from which no further appeal or judicial review is permissible for the payment of money shall be rendered against the Issuer, the Company or any Subsidiary Guarantor in an amount in excess of US\$7.5 million (or its Dollar Equivalent) individually or in the aggregate for all such final judgments or orders against all such Persons (treating any deductibles, self-insurance or retention as not so covered) and shall not be discharged, and there shall be any period of 30 consecutive days following entry of the final judgment or order in excess of US\$7.5 million (or its Dollar Equivalent) individually or in the aggregate during which a stay of enforcement of such final judgment or order, irrespective of reason, shall not be in effect;
- (g) Insolvency and Rescheduling: if, in relation to the Issuer, the Company or any Subsidiary Guarantor:
 - (i) it ceases or threatens to cease to carry on its business or a substantial part of its business;
 - (ii) any order shall be made by any competent court or other authority or a resolution passed for the dissolution or winding-up of the Issuer, the Company or any Subsidiary Guarantor or for the appointment of a liquidator, curator in bankruptcy, or receiver of the Issuer, the Company or any Subsidiary Guarantor or of all or substantially all of their assets;
 - (iii) it is unable to honor its obligations as they fall due;
 - (iv) it commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of its Indebtedness, or the Issuer makes an assignment for the benefit of, or enters into any general assignment with its creditors;
 - (v) the Issuer files a petition for a suspension of payments or for bankruptcy or is declared bankrupt or becomes subject to any other regulation having similar effect; or
 - (vi) the Company or any Subsidiary Guarantor files a petition for a suspension of payments or for bankruptcy or is declared bankrupt or becomes subject to any other regulation having similar effect.
- (h) Creditors' Process: any expropriation, attachment, sequestration, distress or execution (including, in relation to the Issuer conservatory attachment or executory attachment) affects all or substantially all of the assets of the Issuer, the Company or any Subsidiary Guarantor and is not discharged within 30 days.
- (i) Analogous Events: any event occurs in respect of the Issuer, the Company or any Subsidiary Guarantor, which under the laws of any relevant jurisdiction has a similar or analogous effect to any of those events mentioned in paragraphs (g) and (h) above.
- (j) Guarantee Not in Force: any Guarantee of the Notes is not (or is claimed by the Company or any Subsidiary Guarantor not to be) in full force and effect;
- (k) Moratorium or Expropriation: a moratorium is agreed or declared in respect of any Indebtedness of the Issuer, the Company or any Subsidiary Guarantor or any governmental authority shall take any action to

condemn, seize, nationalise or appropriate all or a substantial part of the assets of the Issuer, the Company or any Subsidiary Guarantor or any of the Capital Stock of the Company or shall take any action that prevents or will prevent the Issuer, the Company or any Subsidiary Guarantor from performing its payment obligations under these Conditions, the Trust Deed, the Guarantees or the Notes, or the Issuer, the Company or any Subsidiary Guarantor shall be prevented from exercising normal control over all or a substantial part of its property;

- (l) Repudiation: the Issuer, the Company or any Subsidiary Guarantor repudiates the Trust Deed, the Agency Agreement, the Guarantees or the Notes or does or causes or permits to be done any act or thing evidencing an intention to repudiate such agreement;
- (m) Currency Controls: the capital and/or currency exchange controls in place in the Republic of Indonesia or Singapore on the Issue Date shall be modified or amended in a manner that prevents or will prevent the Issuer or the Company or any Subsidiary Guarantor from performing its payment obligations under these Conditions, the Trust Deed, the Guarantees or the Notes;
- (n) Cessation of Ownership: the entire issued share capital of the Issuer ceases to be wholly-owned, directly or indirectly, by the Company, or the entire issued share capital of Kemang ceases to be wholly-owned, directly or indirectly, by the Issuer;
- (o) Unlawfulness: it is or will become unlawful for the Issuer, the Company or any Subsidiary Guarantor to perform or comply with any of its obligations under or in respect of the Notes, the Guarantees, the Trust Deed or the Agency Agreement.

If an Event of Default specified in paragraph (f) or (g) of this Condition 9 occurs, the principal of, premium on, if any, and accrued interest (and any Additional Amounts thereon) on all the Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Noteholders.

If the Trustee is unable in its sole discretion to determine whether an Event of Default or Default is capable or incapable of remedy and/or an event is materially prejudicial to the interests of the Noteholders, it may call for and rely on a resolution of the Noteholders to make such determination and the Trustee shall not be obliged to make any determination unless it has been indemnified and/or secured to its satisfaction.

The Issuer and the Company shall promptly deliver to the Trustee written notice of any Default or Event of Default upon the Issuer, the Company or any Subsidiary Guarantor, as the case may be, becoming aware of such Default or Event of Default. The Trustee shall notify the Noteholders of the receipt of any such certificate or notice.

10. PRESCRIPTION

Claims for principal shall become void unless the relevant Notes are presented for payment as required by Condition 6 within ten years of the appropriate relevant due date. Claims for interest shall become void unless the relevant Notes are presented for payment as required by Condition 6 within five years of the appropriate relevant due date.

11. REPLACEMENT OF NOTES

If any Definitive Certificate or the Global Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Transfer Agent may reasonably require. Mutilated or defaced Definitive Certificates or the Global Certificate must be surrendered before replacements will be issued.

12. ENFORCEMENT

At any time after the Notes have become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Company and/or any Subsidiary Guarantors as it may think appropriate to enforce terms of the Trust Deed and the Notes but it will not be bound to take any such

proceedings unless (a) it shall have been so requested in writing by the holders of not less than 25.0% in principal amount of the Notes then outstanding or shall have been so directed by an Extraordinary Resolution of the Noteholders and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder may proceed directly against the Issuer, the Company or any Subsidiary Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

13. MODIFICATION, WAIVER AND SUBSTITUTION

13.1 Meetings

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10.0% in principal amount of the Notes for the time being outstanding. Except where the business of such a meeting includes consideration of a Reserved Matter (as defined below), the quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing over 66% in principal amount of the Notes for the time being outstanding, or at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals:

- (a) to modify the maturity of any Notes or the dates on which interest is payable in respect of any Notes;
- (b) to reduce or cancel the principal amount of, any premium payable on redemption of, or amount of interest on or to vary the method of calculating the rate of interest on, any Notes;
- (c) to change the currency of payment of any Notes;
- (d) to modify or cancel the Guarantees; or
- (e) to amend this provision or to modify the provisions concerning the quorum required at any meeting of the Noteholders or the majority required to pass an Extraordinary Resolution

(each of (a), (b), (c), (d) and (e) above, a “Reserved Matter”),

in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 90.0%, or at any adjourned such meeting not less than 50.0%, in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution duly passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting at which such resolution was passed. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90.0% of the aggregate principal amount of Notes outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

The provisions of this Condition 13.1 are subject to the further provisions of the Trust Deed.

13.2 Modification and Waiver

The Trustee may agree, without the consent of the Noteholders, to (a) any modification (except as mentioned in Condition 13.1 above) to, or the waiver or authorization of any breach or proposed breach of, the Notes or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (b) any modification to these Conditions or the Trust Deed which, in the Trustee’s opinion, is of a formal, minor or technical nature or to correct a manifest or proven error or to comply with mandatory provisions of law. Any such modification, waiver or authorization will be binding on the Noteholders and, unless the Trustee so agrees otherwise, any such modifications will be notified by the Issuer to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

13.3 Interests of Noteholders

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorization, waiver or substitution), the Trustee shall have regard to the interests of the

Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Company or any Subsidiary Guarantor, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

13.4 Substitution

The Trust Deed contains provisions under which (a) the Company or any Subsidiary may, without the consent of the Noteholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes and (b) any Subsidiary may, without the consent of the Noteholders assume the obligations of the Company or any of the Subsidiary Guarantors as a guarantor under the Trust Deed and the Notes; *provided* that, in each case, certain conditions specified in the Trust Deed are fulfilled, including (i) in the case of a substitution of the Issuer by a company other than the Company or any of the Subsidiary Guarantors, a requirement that the Guarantees of the Notes are fully effective in relation to the obligations of the new principal debtor under the Trust Deed and the Notes and (ii) in the case of a substitution of the Company or any of the Subsidiary Guarantors as guarantor under the Trust Deed, a requirement that the Trustee is satisfied that the interests of the Noteholders will not be materially prejudiced thereby and a requirement that the Guarantee of the Notes by the new guarantor is fully effective in relation to the obligations of the new guarantor under the Trust Deed and the Notes.

No Noteholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder except to the extent provided for in Condition 8 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

14. FURTHER ISSUES

To the extent permitted by Condition 4, the Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes (“Additional Notes”) having, in all respects (or in all respects except for the Issue Date and the first payment of interest), the same terms and conditions as the Notes issued on the Issue Date so that such further issue shall be consolidated and form a single series with the Notes. Additional Notes shall have the full benefit of the Guarantees. Notes issued on the Issue Date and Additional Notes will be treated as a single series for all purposes, including, without limitation, waivers, amendments and redemptions. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed, without consent of the Noteholders.

In addition, the issuance of any Additional Notes by the Issuer will be subject to the following conditions:

- (a) all obligations with respect to the Additional Notes shall be guaranteed under the Trust Deed, the Guarantees and any other Transaction Documents to the same extent and on the same basis as the Notes outstanding on the date the Additional Notes are issued;
- (b) the proceeds of such Additional Notes are contributed by way of subscription of additional shares in the capital of, or lent to, Kemang by the Issuer;
- (c) the proceeds of the contribution to Kemang are on-lent by Kemang to the Company or the Subsidiary Guarantors pursuant to Intercompany Loans; and
- (d) the Company and the Issuer have delivered to the Trustee an Officers’ Certificate, in form and substance reasonably satisfactory to the Trustee, confirming that the issuance of the Additional Notes complies with and is permitted by the Trust Deed and/or these Conditions.

15. NOTICES

Without prejudice to any requirement of the SGX-ST, all notices to Noteholders shall be validly given if published in a leading newspaper having general circulation in Asia (which is expected to be the Asian edition of the Wall Street Journal) and so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, published in a leading newspaper having general circulation in Singapore (which is expected to be The Business Times.) Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

So long as all the Notes are represented by the Global Certificate and the same is/are deposited with a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, notices to the Noteholders shall be given by delivery to Euroclear and Clearstream, Luxembourg or such additional or substitute clearing system nominated by the Issuer or the Company, for communication by them to entitled accountholders in substitution for publication as required by the Conditions.

16. AGENTS

The Issuer reserves the right, in accordance with the Agency Agreement, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents. The Issuer will at all times maintain (a) a Principal Paying Agent and (b) a Paying Agent in Singapore upon the issue of any Notes in definitive form so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, and which shall be referred to in these Conditions as the “Singapore Agent”.

Notice of any such termination or appointment, of any changes in the specified offices of any Agent, and of any change in the identity of the Agent will be given promptly by or on behalf of the Issuer to the SGX-ST (so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require) and the Noteholders and in any event not less than 45 calendar days’ notice will be given. The Issuer will maintain a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

17. TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Company, any Subsidiary Guarantor and any entity related to the Company without accounting for any profit.

Whenever the Trustee is required or entitled by the terms of the Trust Deed or the Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Noteholders by way of an Extraordinary Resolution, and the Trustee will not be responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received.

The Trustee may rely without liability to Noteholders on any certificate prepared by the Board of Directors of the Company and accompanied by a certificate or report prepared by an internationally recognized firm of accountants pursuant to these Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the internationally recognized firm of accountants’ liability in respect thereof is limited by a monetary cap or otherwise limited or excluded and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Issuer or the Company to procure such delivery under these Conditions; and such certificate or report shall be conclusive and binding on the Issuer, the Company, the Trustee and the Noteholders.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

19. CURRENCY INDEMNITY

U.S. dollars (the “Contractual Currency”) is the sole currency of account and payment for all sums payable by the Issuer in respect of the Notes and by, the Company and the Subsidiary Guarantors in respect of the Guarantees, including damages.

Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of or an amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the

enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer, the Company or any Subsidiary Guarantor or otherwise), by the Trustee or any Noteholder in respect of any sum expressed to be due to it from the Issuer, the Company or any Subsidiary Guarantor shall only discharge the Issuer, the Company and the Subsidiary Guarantors to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient in respect of the Notes, the Trust Deed or the Agency Agreement, the Issuer, the Company or any Subsidiary Guarantor, as the case may be, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, the Company or any Subsidiary Guarantor, as the case may be, shall indemnify the recipient against the cost of making any such purchase.

These indemnities constitute separate and independent obligations from the Issuer's and the Company's and each Subsidiary Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Trustee and/or any Noteholder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, the Trust Deed or the Agency Agreement or any other judgment or order.

20. GOVERNING LAW

- (a) The Trust Deed, the Notes, the Guarantees and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Guarantees and accordingly any legal action or proceedings arising out of or in connection with the Notes or the Guarantees ("Proceedings") may be brought in such courts. Each of the Issuer, the Company and the Subsidiary Guarantors has in the Trust Deed irrevocably submitted to the exclusive jurisdiction of the English courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the Trustee and the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) Each of the Issuer, the Company and the Subsidiary Guarantors has irrevocably appointed Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom as its agent in England to receive service of process in any Proceedings in England.

Summary of Provisions Relating to the Notes While in Global Form

The Global Certificate contains provisions which apply to the Notes in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

GLOBAL CERTIFICATE

Upon the issuance of the Global Certificate, Euroclear or Clearstream, Luxembourg, as the case may be, will credit, on its internal system, the respective principal amounts of the individual beneficial interests represented by such Global Certificate to the respective accounts of persons who have accounts with it. Such accounts will be designated by the Joint Bookrunners. Ownership of beneficial interests in the Global Certificate will be shown on, and the transfer of such ownership interests will be effected only through records maintained by Euroclear and Clearstream, Luxembourg (with respect to interests of participants) and on the records of participants (with respect to interests of persons holding through participants).

Investors may hold their interest in the Global Certificate directly through Euroclear or Clearstream, Luxembourg, as the case may be, if they are participants in such systems, or indirectly through organizations that are participants in such systems. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to own, transfer or pledge beneficial interests in the Global Certificate.

Payments of principal of, and interest and premium, if any, on, Notes represented by the Global Certificate will be made to Euroclear or Clearstream, Luxembourg or the nominee for their common depository, as the case may be, as the registered owner of such Global Certificate. None of the Issuer, the Trustee, the Registrar, the Paying Agents, the Transfer Agents or any other agent of any of them will have any responsibility or liability for any aspect of the records relating to, or payments made on account of beneficial ownership interests in, the Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that Euroclear, Clearstream, Luxembourg or the nominee of their common depository, upon receipt of any payment of principal or interest in respect of the Global Certificate, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Global Certificate as shown on the records of Euroclear, Clearstream, Luxembourg or such nominees, as the case may be. The Issuer also expects that payments by participants to owners of beneficial interests in such Global Certificate held through such participants will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name", and will be the responsibility of such participants.

Euroclear and Clearstream, Luxembourg will take any action permitted to be taken by a Noteholder only at the direction of one or more participants to whose accounts in Euroclear or Clearstream, Luxembourg, as the case may be, interests in the Global Certificate are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction.

Although the Issuer and each of the Guarantors understand that Euroclear and Clearstream, Luxembourg will comply with the foregoing procedures in order to facilitate transfers in interests in the Global Certificate among participants of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of any of the Guarantors, the Trustee, the Registrar, the Paying Agents, the Transfer Agents or any other agent of any of them will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

In addition, the Global Certificate will contain the following provisions which modify the terms and conditions of the Notes as they apply to the Notes evidenced by a Global Certificate.

MEETINGS

The holder of, or a proxy for the holder of, the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each US\$1,000 in principal amount of Notes for which the Global Certificate (as defined in the Trust Deed) is issued.

TRUSTEE'S POWERS

In considering the interests of Noteholders, while the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the Trustee may have regard to any information provided to it by such clearing system(s) or its operator as to the identity of its accountholders with entitlements to the Global Certificate (or an interest in respect thereof) and may consider such interests as if such accountholders were the holder of the Global Certificate.

PURCHASE AND CANCELLATION

Cancellation of any Note required by the terms and conditions of the Notes following its redemption, purchase and cancellation will be effected by reduction in the principal amount of the Notes in the Register and endorsement by or on behalf of the relevant Agents on the Global Certificate of the reduction in the principal amount of the Global Certificate.

PAYMENTS

Payments of amounts due in respect of the Notes represented by the Global Certificate will be made without presentation or, if no further payment is to be made in respect of the Notes against presentation and surrender of the Global Certificate to or to the order of the Principal Paying Agents or such other Agents as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on the appropriate schedule to the Global Certificate, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes.

ENFORCEMENT

For all purposes, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as a holder of a particular principal amount of Notes in respect of which a Global Certificate has been issued (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of Notes represented by a Global Certificate standing to the account of any person shall be conclusive and binding for all purposes (including one or more participants to whose account the book-entry interests in the Global Certificate are credited)) shall be recognized as the holder of such principal amount of Notes.

NOTICES

Notwithstanding Condition 15 (*Notices*), so long as all the Notes are represented by the Global Certificate and the same is/are deposited with a nominee for a common depository for Euroclear and Clearstream, Luxembourg, notices to the Noteholders shall be given by delivery to Euroclear and Clearstream, Luxembourg or such additional or substitute clearing system nominated by the Issuer or the Company, for communication by them to entitled accountholders in substitution for publication as required by the Conditions.

DEFINITIVE CERTIFICATES

The Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed Definitive Certificates in substantially the form (subject to completion) set out in Schedule 1 to the Trust Deed, if (a) Euroclear and/or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holiday) or announces an intention permanently to cease business or does in fact do so, or (b) if the Notes become due and payable under Condition 9 (*Events of Default*).

Whenever the Global Certificate is to be exchanged for Definitive Certificates, such Definitive Certificates shall be issued in an aggregate principal amount equal to the principal amount of this Global Certificate within five business days of the delivery, by or on behalf of the Noteholder, Euroclear and/or Clearstream, Luxembourg to the Registrar of such information as is required to complete and deliver such Definitive Certificates (including, without limitation, the names and addresses of the persons in whose names the Definitive Certificates are to be registered and the principal amount of each such person's holding) against the surrender of this Global Certificate at the specified office of the Registrar. Such exchange shall be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Noteholder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. In this paragraph, "business day" means a day on which commercial banks are open for business (including, without limitation, dealings in foreign currencies) in the city in which the Registrar has its specified office.

On exchange in full of the Global Certificate the Registrar shall cancel it.

Use of Proceeds

The net cash proceeds from the offering and issue of the Notes as described herein, after deducting underwriting fees and commissions and other expenses associated with the issue of the Notes are expected to be approximately US\$146.3 million. The Issuer will contribute the net proceeds of this offering of Notes to Kemang by way of subscription of additional shares in the capital of, or a shareholder loan to, Kemang, which will use such net proceeds of the offering of Notes to fund our corporate purposes by granting Intercompany Loans or through other funding methods to the Company and/or the Subsidiary Guarantors. We intend to use the net proceeds as follows:

- approximately 80% for the development of new properties that generate recurring revenue, including hospitals and retail malls; and
- the remainder for working capital and general corporate purposes.

Exchange Rates and Exchange Controls

EXCHANGE RATES

Bank Indonesia is the sole issuer of Indonesian Rupiah and is responsible for maintaining the stability of the Indonesian Rupiah. Since 1970, Indonesia has implemented three exchange rate systems: (i) a fixed rate between 1970 and 1978, (ii) a managed floating exchange rate system between 1978 and 1997 and (iii) a free floating exchange rate system since August 14, 1997. Under the second system, Bank Indonesia maintained stability of the Indonesian Rupiah through a trading band policy, pursuant to which Bank Indonesia would enter the foreign currency market and buy or sell Indonesian Rupiah, as required, when trading in the Indonesian Rupiah exceeded bid and offer prices announced by Bank Indonesia on a daily basis. On August 14, 1997, Bank Indonesia terminated the trading band policy and permitted the exchange rate for the Indonesian Rupiah to float without an announced level at which it would intervene, which resulted in a substantial decrease in the value of the Indonesian Rupiah relative to the U.S. dollar. Under the current system, the exchange rate of the Rupiah is determined solely by the market, reflecting the interaction of supply and demand in the market. Bank Indonesia may take measures, however, to maintain a stable exchange rate.

The following table shows the exchange rate of Indonesian Rupiah to U.S. dollars based on the middle exchange rates at the end of each month during the periods indicated. The Indonesian Rupiah middle exchange rate is calculated based on Bank Indonesia's buying and selling rates. Neither we nor the Joint Bookrunners make any representations that the U.S. dollar amounts referred to in this Offering Circular could have been or could be converted into Indonesian Rupiah at the rate indicated or any other rate or at all.

	Exchange Rates			
	Low ⁽¹⁾	High ⁽¹⁾	Average ⁽¹⁾	Period End
2007	8,828	9,419	9,164	9,419
2008	9,051	12,151	9,757	10,950
2009	9,400	11,980	10,356	9,400
2010	8,924	9,365	9,078	8,991
2011	8,460	9,185	8,779	9,068
2012	9,000	9,670	9,419	9,670
2013	9,634	12,270	10,451	12,189
2014:				
January	12,047	12,267	12,180	12,226
February	11,620	12,251	11,935	11,634
March (through March 28, 2014)	11,272	11,647	11,427	11,404

(1) For full years, the high and low amounts are determined, and the average shown is calculated, based upon the middle exchange rate announced by Bank Indonesia on the last day of each month during the year indicated. For each month, the high and low amounts are determined, and the average shown is calculated, based on the daily middle exchange rate announced by Bank Indonesia during the month indicated.

Source: Statistik Ekonomi dan Keuangan Indonesia (Indonesian Financial Statistics) published monthly by Bank Indonesia.

The middle exchange rate on March 28, 2014, was Rp11,404 = US\$1.00.

The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate for cable transfers in Indonesian Rupiah.

EXCHANGE CONTROLS

Indonesia has limited foreign exchange controls. The Indonesian Rupiah has been, and in general is, freely convertible within or from Indonesia. However, to maintain the stability of the Rupiah and to prevent the utilization of the Rupiah for speculative purposes by non-residents, Bank Indonesia has introduced regulations to restrict the movement of Indonesian Rupiah from banks within Indonesia to offshore banks, an offshore branch of an Indonesian bank, or any investment denominated in Rupiah with foreign parties and/or Indonesian parties domiciled or permanently residing outside Indonesia (without underlying trade or investment reasons), thereby limiting offshore trading to existing sources of liquidity. In addition, Bank Indonesia has the authority to request information and data concerning the foreign exchange activities of all persons and legal entities that are domiciled, or who plan to be domiciled, in Indonesia for at least one year.

Bank Indonesia Regulation No. 14/21/PBI/2012 on Foreign Exchange Reporting requires bank institutions, non-bank financial institutions, non-financial institutions, state/regional-owned companies, private companies, business entities and individuals to submit a report to Bank Indonesia on their foreign exchange activities. The report is required to include: (i) trade activities in goods, services and other transactions between residents and non-residents of Indonesia, (ii) the position and changes in the balance of foreign financial assets and/or foreign financial liabilities, and (iii) any plan to incur foreign debt and/or implementation.

Indonesian companies are required to submit a foreign exchange report for any activities stipulated under PBI 14/21/2012, except in connection with any plan to obtain an offshore loan, to Bank Indonesia, by no later than the fifteenth day of the subsequent month. Any plan to obtain an offshore loan is required to be submitted to Bank Indonesia by no later than March 15 of the respective year when the plan is formulated by the company. In the event there is a change to the company's plan to obtain an offshore loan, an amendment to such report must be submitted to Bank Indonesia by no later than July 1 of the year of such change. Further, an Indonesian company which obtains an offshore loan is also required to file its financial data with Bank Indonesia no later than June 15 and December 15 of each year. Failure to submit the foreign exchange report (other than the offshore loan plan report) could result in the imposition of an administrative sanction in the amount of Rp10,000,000. Bank Indonesia will issue a warning letter and/or report to the authority, should the non-banking institution fail to submit a report. The aforementioned sanctions became effective as of 2014.

Indonesian Law on Currency

On June 28, 2011, the Indonesian House of Representatives (the Indonesian parliament) passed Law No. 7 of 2011 (the "Currency Law") concerning the use of Rupiah. The Currency Law requires the use of and prohibits the rejection of Rupiah in certain transactions.

Article 21 of the Currency Law requires the use of Rupiah in payment transactions, monetary settlement of obligations and other financial transactions within Indonesia. However, there are a number of exceptions to this rule, including certain transactions related to the state budget, income and grants from and to foreign countries, international trade transactions, foreign currency savings in a bank or international financing transactions.

Article 23 of the Currency Law prohibits the rejection of Rupiah offered as a means of payment, or to settle obligations and/or in other financial transactions within Indonesia unless there is uncertainty regarding the authenticity of the Rupiah bills offered. The prohibition does not apply to transactions in which the payment or settlement of obligations in a foreign currency has been agreed in writing.

There is uncertainty regarding the implementation of Articles 21 and 23 because Article 23 forbids settlement in a currency other than Rupiah, while Article 21 provides a number of exceptions to the prohibition of the rejection of Rupiah. To address public concern, on December 6, 2011, the Ministry of Finance through Directorate General of Treasury of the Republic of Indonesia issued a document to the public on the Interpretation of the Currency Law ("MOF Interpretation"). The MOF Interpretation explains that the Currency Law only applies to cash transactions (coins and banknotes) while excluding the payment involving non-physical money transactions (*uang giral*) (cheques and letter of credit) and electronic payments. The MOF Interpretation also explains that the obligation to accept Rupiah as a means of payment or as settlement for an obligation or for any other financial transaction as mentioned in Article 23 of the Currency Law can be exempted by a contractual arrangement existing or entered into either before or after the enactment of the Currency Law. However, it should be noted that the MOF's Interpretation is not a legislative product and arguably may be subject to challenge. Non-compliance with the Currency Law is a violation/misdemeanor and is punishable by up to one year of confinement or a fine of up to Rp.200 million. The implementing regulation for the Currency Law must be issued within one year of its effective date, June 28, 2011, and no implementing regulation has been issued as of the date of this Offering Circular other than the enactment of Bank Indonesia Regulation No. 14/7/PBI/2012 concerning the management of Rupiah currency.

Purchasing of Foreign Currencies against Rupiah through Banks

Bank Indonesia also introduced Bank Indonesia Regulation No. 10/28/PBI/2008 dated November 12, 2008, as implemented by the Circular Letter of Bank Indonesia No. 10/42/DPD, dated November 27, 2008 and further amended by Circular Letter of Bank Indonesia No. 15/3/DPM, dated February 28, 2013 and by Circular Letter of Bank Indonesia No. 15/33/DPM, dated August 27, 2013, which limits the conversion of the Rupiah into foreign currency to a maximum of US\$100,000 per month. Foreign exchange conversions that are equal to or less than

US\$100,000 per month need to be supported by a written declaration by Indonesian companies purchasing foreign currency. Any foreign exchange conversion that exceeds such maximum limit must be based on an underlying transaction and supported by underlying transaction documents. Further, the maximum amount of such foreign exchange conversion cannot exceed the value of the underlying transaction. Indonesian companies purchasing foreign currencies in excess of US\$100,000 will be required to submit certain supporting documents to the selling bank, including among others, a duly stamped statement confirming that the underlying agreement is valid and that the foreign currency purchased will only be used for settlement of the payment obligations under the underlying agreement. For purchases of foreign currency not exceeding US\$100,000, such company must declare in a duly stamped letter that its aggregate foreign currency purchases does not exceed US\$100,000 per month in the Indonesian banking system.

Capitalization

The table below sets forth our consolidated capitalization and indebtedness as of December 31, 2013 and as adjusted to account for this offering (see “Use of Proceeds”). This information has been extracted from our consolidated financial statements as of December 31, 2013.

You should read this table in conjunction with our consolidated financial statements, including the notes thereto, found elsewhere in this Offering Circular.

	As of December 31, 2013			
	Actual		As adjusted	
	(Rp billions and US\$ millions)			
	Rp	US\$	Rp	US\$
Bank loans ⁽¹⁾	59.7	4.9	59.7	4.9
US\$ notes due 2019 ⁽²⁾	3,031.5	248.7	3,031.5	248.7
US\$ notes due 2020 ⁽³⁾	4,716.3	386.9	4,716.3	386.9
US\$ notes due 2022 ⁽⁴⁾	—	—	1,782.7	146.3
Total indebtedness	7,807.5	640.5	9,590.2	786.8
Retained earnings	4,748.5	389.6	4,748.5	389.6
Total stockholders' equity	12,800.9	1,050.2	12,800.9	1,050.2
Total capitalization	20,608.4	1,690.7	22,391.1	1,837.0

(1) See “Description of Indebtedness” for a description of our outstanding bank loans.

(2) US\$250,000,000 7.0% Senior Notes due 2019 net of unamortized bond issuance cost amounting to Rp58.3 billion (US\$4.8 million) and premium amounting to Rp42.3 billion (US\$3.5 million).

(3) US\$403,306,000 6.125% Senior Notes due 2020 net of unamortized bond issuance cost amounting to Rp261.3 billion (US\$21.4 million) and premium amounting to Rp61.6 billion (US\$5.1 million).

(4) US\$150,000,000 7.0% Senior Notes due 2022 issued pursuant to this Offering net of unamortized bond issuance cost amounting to Rp45.7 billion (US\$3.8 million).

Except as disclosed or contemplated in this Offering Circular, there has been no material change in our capitalization since December 31, 2013.

Selected Consolidated Financial Information and Operating Data

You should read the selected consolidated financial information presented below in conjunction with our consolidated financial statements and the notes to these financial statements included in this Offering Circular.

The following tables present our selected consolidated financial information and operating data as of the dates and for each of the years and periods indicated. We have derived the selected consolidated statements of comprehensive income and cash flows and other financial data for the years ended December 31, 2011, 2012 and 2013 and our selected consolidated financial position data as of December 31, 2011, 2012 and 2013 in the tables below from our historical financial statements, which have been audited by Aryanto, Amir Jusuf, Mawar & Saptoto (a member firm of RSM International), independent auditors, who have issued an unqualified opinion with respect to their audit. The historical results presented below are not necessarily indicative of the results that may be expected for any future period. Our financial statements have been prepared and presented in accordance with Indonesian FAS, which differs in certain material respects from IFRS, see “Summary of Certain Differences between Indonesian FAS and IFRS”.

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
STATEMENT OF COMPREHENSIVE INCOME DATA				
Revenues	4,189.6	6,160.2	6,666.2	546.9
Cost of Sales	(2,293.3)	(3,339.3)	(3,619.6)	(297.0)
Gross Profit	1,896.3	2,820.9	3,046.6	249.9
Other Income	126.4	247.0	585.1	48.0
Operating Expenses	(968.3)	(1,343.9)	(1,534.2)	(125.9)
Other Expenses	(71.2)	(174.8)	(154.5)	(12.7)
Profit From Operations	983.2	1,549.2	1,943.0	159.4
Financial Income (Charges) — Net	(0.8)	1.6	(26.7)	(2.2)
Share in the Profit of Associates	2.4	26.3	8.5	(0.7)
Profit Before Tax	984.8	1,577.1	1,924.8	157.9
Tax Expenses	(170.7)	(254.2)	(332.3)	(27.3)
Profit For The Year	814.1	1,322.8	1,592.5	130.7
Other Comprehensive Income				
Gain from Translations of Financial Statements in Foreign Currency	6.3	50.6	551.9	45.3
Gain (Loss) on Changes in Fair Value of Available-for-Sale Financial Assets	(240.4)	1,109.1	(468.3)	(38.4)
Total Other Comprehensive Income (Expense) For The Year	(234.2)	1,159.7	83.7	6.9
Total Comprehensive Income for the Year	579.9	2,482.5	1,676.1	137.5
Profit for the year/period attributable to:				
Owner of the Parent Company	708.3	1,060.2	1,228.2	100.8
Non-Controlling Interest	105.8	262.6	364.3	29.9
Total	814.1	1,322.8	1,592.5	130.7
Total Comprehensive Income attributable to:				
Owner of the Parent Company	474.1	2,219.9	1,311.9	107.6
Non-Controlling Interest	105.8	262.6	364.3	29.9
Total	579.9	2,482.5	1,676.1	137.5

	As of December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
FINANCIAL POSITION DATA⁽¹⁾				
Assets				
Current Assets				
Cash and Cash Equivalent	2,174.6	3,337.4	1,855.1	152.2
Trade Accounts Receivable				
Third Parties	561.9	591.2	769.2	63.1
Related Parties	2.8	3.2	2.4	0.2
Other Current Financial Assets	2,671.8	4,603.4	6,778.5	556.1
Inventory	7,892.2	10,504.9	13,894.0	1,139.9
Prepaid Taxes	209.2	330.2	576.1	47.3
Prepaid Expenses	96.1	109.2	137.9	11.3
Total Current Assets	13,608.4	19,479.5	24,013.1	1,970.1
Non-Current Assets				
Due from Related Parties Non-Trade	10.1	11.5	9.7	0.8
Other Non-Current Financial Assets	253.2	402.6	518.8	42.6
Investment in Associates	64.0	85.8	130.4	10.7
Investment Property	528.4	301.7	306.4	25.1
Property and Equipment	1,556.1	2,222.4	2,810.9	23.1
Intangible Assets	210.3	214.6	331.8	27.2
Deferred Tax Assets	77.5	76.5	50.4	4.1
Advances	738.8	1,079.8	1,456.4	119.5
Land for Development	987.8	929.5	1,611.4	132.2
Other Non-Current Non-Financial Assets	224.6	65.4	61.0	5.0
Total Non-Current Assets	4,650.8	5,389.8	7,287.2	597.9
Total Assets	18,259.2	24,869.3	31,300.4	2,567.9
Liabilities and Equity:				
Trade Accounts Payable				
Third Parties	416.9	575.7	397.7	32.6
Related Party	—	—	—	—
Accrued Expenses	325.8	487.3	551.6	45.3
Taxes Payable	166.1	199.1	253.6	20.8
Short-Term Employment Benefits Liabilities	3.7	6.3	13.3	1.1
Short-Term Bank Loans	144.9	4.9	4.9	0.4
Current Portion of Long-Term Bank Loans	7.5	11.2	11.8	1.0
Other Current Financial Liabilities	91.2	179.5	300.2	24.6
Advances from Customers	963.3	1,850.7	3,076.0	252.4
Deferred Income	76.4	79.7	112.8	9.3
Deferred Gain on Sales and Leaseback Transactions	58.3	84.7	119.6	9.8
Total Current Liabilities	2,254.1	3,479.2	4,841.6	397.2
Non-Current Liabilities				
Long-Term Bank Loans	66.0	54.8	43.0	3.5
Due to Related Parties Non-Trade	4.4	3.2	3.8	0.3
Bonds Payable	3,534.7	5,943.5	7,747.8	635.6
Other Non-Current Financial Liabilities	31.6	85.6	51.0	4.2
Long-Term Employment Benefits Liabilities	143.2	161.3	187.6	15.4
Deferred Tax Liabilities	—	6.7	12.0	1.0
Advances from Customers	1,408.0	2,142.9	2,245.7	184.2
Deferred Income	827.0	662.9	715.8	58.7
Deferred Gain on Sale and Leaseback Transactions	581.2	859.1	1,274.5	104.6
Total Non-Current Liabilities	6,596.1	9,920.0	12,281.2	1,007.6
Total Liabilities	8,850.2	13,399.2	17,122.8	1,404.8

	As of December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
Equity				
Equity Attributable to Owner of the Parent Company				
Capital Stock				
Par Value Rp100				
Authorized Capital — 64,000,000,000 shares				
Issued and Fully Paid — 23,077,689,619 shares				
As of December 31, 2012 and 2011	2,307.8	2,307.8	2,307.8	189.3
Additional Paid-in Capital — Net	4,063.1	4,063.1	4,063.1	333.3
Difference in Transactions with Non-Controlling Interest	(177.7)	(242.9)	(185.8)	(15.2)
Differences in Equity Changes of Subsidiaries	—	—	1,105.1	90.7
Treasury Stock	(61.7)	(216.5)	(216.5)	(17.8)
Retained Earnings	2,907.5	3,790.2	4,748.5	389.6
Other Comprehensive Income	(205.3)	954.4	978.7	80.3
Total Equity Attributable to Owner of the Parent Company	8,833.7	10,656.1	12,800.9	1,050.2
Non-Controlling Interest	575.3	814.0	1,376.7	112.9
Total Equity	9,409.0	11,470.1	14,177.6	1,163.1
Total Liabilities and Equity	18,259.2	24,869.3	31,300.4	2,567.9

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
CASH FLOW DATA				
Net Cash Flows Provided by (Used in) Operating Activities.....	374.5	1,288.8	(2,078.8)	(170.5)
Net Cash Flows Used in Investing Activities.....	(2,905.3)	(1,704.4)	(580.3)	(47.6)
Net Cash Flows Provided by Financial Activities.....	1,037.7	1,536.8	1,142.0	93.7
Net Increase (Decrease) in Cash and Cash Equivalent.....	(1,493.1)	1,121.2	(1,517.2)	(124.5)
Effect of Foreign Exchanges on Cash and Cash Equivalent at the End of the Year/Period.....	7.5	41.6	34.9	2.9
Cash and Cash Equivalent at the Beginning of the Year/Period.....	3,660.1	2,174.6	3,337.4	273.8
Cash and Cash Equivalent at the End of the Year/Period	2,174.6	3,337.4	1,855.1	152.2

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
OTHER FINANCIAL DATA				
EBITDA ⁽¹⁾	1,082.5	1,686.3	1,801.0	147.8
Interest Expense ⁽²⁾	419.6	449.8	579.7	47.6
Capital Expenditures ⁽³⁾	424.4	951.7	1,311.2	107.6
EBITDA Margin (%) ⁽⁴⁾	25.8	27.4	27.0	27.0
EBITDA/Interest Expense (x)	2.6	3.7	3.1	3.1
Net Debt/EBITDA (x) ⁽⁵⁾	1.4	1.6	3.3	3.3

(1) (a) We calculate EBITDA by adding depreciation to profit from operations calculated under Indonesian FAS.

(b) EBITDA is not a standard measure under Indonesian FAS.

(c) EBITDA is a widely used financial indicator of a company's ability to service and incur debt.

(d) EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities.

(e) EBITDA does not account for taxes, interest expense or other non-operating cash and non-cash expenses.

(f) In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as revenues and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges.

- (g) We have included EBITDA because we believe EBITDA is a useful supplement to cash flow data as a measure of our historical performance and our ability to generate cash from operations to cover debt service and taxes.
- (h) EBITDA presented herein may not be comparable to similarly titled measures presented by other companies.
- (i) You should not compare EBITDA presented by us to EBITDA presented by other companies because not all companies use the same definition.
- (j) You should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Trust Deed governing the Notes. Interest expense excludes amounts capitalized. See the section entitled "Terms and Conditions of the Notes" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Trust Deed governing the Notes.
- (2) Includes capitalized interest.
- (3) Capital expenditure represents expenditure on property and equipment and investment properties.
- (4) EBITDA Margin is calculated as EBITDA divided by revenues.
- (5) Net Debt/EBITDA is calculated as total debt minus cash and cash equivalent divided by EBITDA.

	Year ended December 31,			
	2011	2012	2013	2013
OPERATING DATA				
Urban Development:				
<u>Residential</u>				
Number of houses sold	1,239	853	1,079	—
Total area sold (square meters).....	149,600	136,117	152,872	—
Average price per sqm (Rp thousands/US\$)	Rp2,631	Rp3,435	Rp4,656	US\$382.0
<u>Industrial</u>				
Total area sold (square meters).....	1,287,071	656,474	692,106	—
Average price per sqm (Rp thousands/US\$)	Rp442	Rp895	Rp1,071	US\$87.9
Retail Malls:				
Total area sold (square meters).....	319	1,803	300	—
Leased Malls:				
Range of rental rates (per month per square meters) (Rp thousands)	Rp47-169	Rp56-188	Rp57-213	US\$4.7 – US\$17.5
Occupancy rate (per month) (%)	87	85	88	—
Range of lease expiry periods (years)	3-10	3-10	3-10	—
Healthcare:				
<u>Inpatient</u>				
Number of operational beds	912	1,533	1,985	—
Bed occupancy ratio (%).....	60.0	45.0	51.0	—
Average revenue per patient day (Rp thousands/US\$)	Rp3,586	Rp4,229	Rp4,144	US\$340.0
<u>Medical Experts</u>				
Number of general practitioners	162	205	304	—
Number of specialists ⁽¹⁾	846	960	1,209	—
Number of nurses	1,440	2,130	2,767	—
<u>Outpatient</u>				
Number of one day care patients	5,096	6,051	6,796	—
Number of patient visits (in thousands).....	636	966	1,204	—
Average revenue per visit (Rp thousands/US\$)	Rp563	Rp731	Rp793	US\$65.1
Hotels				
Number of rooms	783	987	994	—
Average room occupancy rate (%)	70.2	67.1	71.6	—
Average room rate (Rp thousands).....	Rp572	Rp596	Rp622	US\$51.0
Revenue per available room (Rp thousands/US\$)	Rp401	Rp400	Rp445	US\$36.5

(1) Includes full-time, part-time and visiting specialists in 2011 and 2012, and full-time and part-time specialists in 2013.

The Issuer

GENERAL

The Issuer of the Notes, Theta Capital Pte. Ltd., was incorporated on April 30, 2012 as a Singapore private company with limited liability and its registration number is 201210707G. The registered office of the Issuer is located at 10 Collyer Quay, #27-00 Ocean Financial Centre, Singapore 049315, the Republic of Singapore. The Issuer is a wholly-owned finance subsidiary of PT Lippo Karawaci Tbk.

BUSINESS ACTIVITY

The principal object of the Issuer is set out in Paragraph 2 of its Articles of Association and is to engage in any act or activity that is not prohibited under any law for the time being in force in Singapore. As such, the Issuer is, *inter alia*, authorized to issue the Notes, to finance the business of the Company, including entering into the Subscription Agreement, the Trust Deed and the other transaction documents to which it is or will be a party. The Issuer has not engaged, since its incorporation, in any business activities other than the proposed issue of the Notes and the authorization of documents and agreements referred to in this Offering Circular to which it is or will be a party.

The issuance of the Notes was approved by the Board of Directors on behalf of the Issuer on April 1, 2014.

MANAGEMENT

The directors of the Issuer are Wong Kim Yoke and Ang Vicente Binalhay, each of whose address for the purpose of their directorships of the Issuer is 333 Orchard Road, #33-00, Singapore 238867, the Republic of Singapore.

CAPITALIZATION

The Issuer has an issued and paid-up share capital of US\$1.00 comprising 1 ordinary share. The Issuer issued US\$150,000,000 7.0% Senior Notes due 2019 on May 16, 2012 (the “Initial 2019 Notes”), which are guaranteed by us and certain of our subsidiaries, and further issued US\$100,000,000 7.0% Senior Notes due 2019 on October 22, 2012 (together with the Initial 2019 Notes, the “2019 Notes”), which formed a single series with the Initial 2019 Notes. The principal amount outstanding is not amortizing and is due in full on May 16, 2019. Interest is payable semi-annually in arrear on each of May 16 and November 16.

In addition, the Issuer issued US\$273,306,000 6.125% Senior Notes due 2020 (the “Initial 2020 Notes”) on November 14, 2012, which are guaranteed by us and certain of our subsidiaries, and further issued US\$130,000,000 6.125% Senior Notes due 2020 on January 14, 2013 (together with the Initial 2020 Notes, the “2020 Notes”), which formed a single series with the Initial 2020 Notes. The principal amount outstanding is not amortizing and is due in full on November 14, 2020. Interest is payable semi-annually in arrear on each of May 14 and November 14.

As of the date of this Offering Circular, the Issuer has no other borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unused), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities, except as otherwise described in this Offering Circular.

For further general information on the Issuer, see “General Information”, page 200.

Kemang

GENERAL

Theta Kemang Pte. Ltd., was incorporated on April 30, 2012 as a Singapore private company with limited liability and its registration number is 201210714G. The registered office of Kemang is located at 10 Collyer Quay, #27-00 Ocean Financial Centre, Singapore 049315, the Republic of Singapore. Kemang is a wholly-owned subsidiary of the Issuer.

BUSINESS ACTIVITY

The principal object of Kemang is set out in Paragraph 2 of its Articles of Association and is to engage in any act or activity that is not prohibited under any law for the time being in force in Singapore.

MANAGEMENT

The directors of Kemang are Wong Kim Yoke and Ang Vicente Binalhay, each of whose address for the purpose of their directorships of Kemang is 333 Orchard Road, #33-00, Singapore 238867, the Republic of Singapore.

CAPITALIZATION

Kemang has an issued and paid-up share capital of US\$282,585,241 comprising 1 ordinary share and 282,585,240 preference shares.

As of the date of this Offering Circular, Kemang has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unused), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities, except in connection with the issuance of the 2019 Notes in May 2012 and October 22, 2012 and the 2020 Notes in November 2012 and January 2013, and as otherwise described in this Offering Circular.

For further general information on Kemang, see “General Information”, page 200.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our selected consolidated financial and operating data and the financial statements and notes thereto included elsewhere in this Offering Circular. These financial statements have been prepared in accordance with Indonesian FAS, which differs in certain significant respects from IFRS. See "Summary of Certain Differences Between Indonesian FAS and IFRS".

Overview

We are one of the leading diversified property companies in Indonesia in terms of our market capitalization on the IDX, assets, revenue and net profit. We develop residential, commercial and retail properties, and light industrial areas throughout Indonesia, with the majority of our current developments based in and around five major cities in Indonesia, including Jakarta and Makassar. In addition, as of December 31, 2013 we operated 16 hospitals, including four that commenced operations in 2013, owned three and leased two Aryaduta-branded hotels, had three hotels under development, managed three hotel properties owned by third parties under the Aryaduta brand, provided a broad range of infrastructure services to the residents of our developments, and provided other property management and REIT management services. In 2013, our total revenues were Rp6,666.2 billion (US\$546.9 million) and our EBITDA was Rp1,801.0 billion (US\$147.8 million). In 2012, our total revenues were Rp6,160.2 billion and our EBITDA was Rp2,428.7 billion. Our market capitalization as of March 31, 2014 was Rp25,039.3 billion (US\$2,054.3 million) based on the closing price per ordinary share on the IDX of Rp1,085 as of March 28, 2014.

Our operations are organized into six business units:

- Urban Development;
- Large Scale Integrated Development;
- Retail Malls;
- Healthcare;
- Hospitality and Infrastructure; and
- Property and Portfolio Management.

Factors Affecting our Business and Results of Operations

The Company's business and results of operations are affected by the following important factors:

- Composition of our business units;
- General economic conditions in Indonesia;
- Growing middle class in Indonesia;
- Fluctuations in interest rates;
- Impact of exchange rate movements;
- Government spending;
- Government regulations;
- Construction and raw materials expenses;
- Inpatient and outpatient services and demand;
- Funding position of First REIT and LMIRT;
- Performance of the REIT units that we hold; and
- Hotel occupancy rates and room rates.

Composition of our Business Units

We believe that our significant recurring revenues component, of which a significant proportion is less affected by cyclical, mitigates some of the risks of operating in the cyclical property business in Indonesia and we intend to continue investing in these business units. In 2013, 48.1 % of our revenues were derived from development income, which consists of the development and sale of residential, commercial and retail and light industrial properties from our urban development, large scale integrated development and retail malls business units and 51.9% of our revenues were derived from recurring income, which consists of revenues from the operation of our healthcare, hospitality and infrastructure, and property and portfolio management business units. In 2012, 57.6% of our revenues were derived from development income, and 42.4% of our revenues were derived from recurring income, while in 2011, the split of our revenues between development income and recurring income was 52.1% and 47.9%, respectively.

The increase in the percentage of our total revenues represented by recurring revenue in 2013 compared to 2012 was due to higher revenue derived from our healthcare business, with four hospitals having commenced operations in 2013.

General Economic Conditions in Indonesia

Our results of operations are subject to general economic conditions in Indonesia, including property and other market pricing trends that affect sales of our properties, standards of living, levels of disposable income, levels of foreign direct investment, demographic changes, interest rates, the availability of consumer financing and increases in utility and fuel costs. Each of these factors affects the levels of our property sales and demand for our healthcare services, as increasing standards of living have allowed individuals in Indonesia to spend more money on healthcare and other related services. Additionally, our hotel business is patronized mainly by business travelers within Indonesia and business travel is directly tied with general economic conditions. See “Industry Overview”.

Growing Middle Class in Indonesia

Our businesses are generally targeted at middle and upper-middle income consumers in Indonesia. Homebuyers in the middle-income segment accounted for 49.8% of the Jakarta condominium market as of December 31, 2013. In addition, we target mostly middle and upper-middle income patients in our healthcare business and we are continuing to invest in retaining the best medical personnel and advanced technology to service this growing demographic. See “Industry Overview — Residential Market Overview”.

Fluctuations in Interest Rates

Our development income is impacted by fluctuations in interest rates. When interest rates decline, we typically experience an increase in property sales as lower interest rates make it easier for customers to qualify for and secure financing.

Impact of Exchange Rate Movements

We are exposed to fluctuations in the value of the Rupiah against other foreign currencies, especially U.S. dollars. For purposes of preparing our consolidated financial statements, the accounts of foreign subsidiaries are translated into Rupiah (our reporting currency) at each balance sheet date. Fluctuations in the Rupiah-U.S. Dollar exchange rate have resulted in our recording a net foreign exchange loss of Rp33.0 billion (US\$2.7 million) in 2013, a net foreign exchange gain of Rp108.0 billion (US\$8.9 million) in 2012 and a net foreign exchange loss of Rp6.7 billion in 2011. See “Exchange Rates and Exchange Controls”. Further appreciations or depreciations in the Rupiah against the U.S. dollar will cause us to record gains and losses on foreign exchange due to the differences from currency translations of financial statements of our foreign subsidiaries, and may affect our net income due to the impact of such exchange rates fluctuations on interest income and interest expense relating to our U.S. dollar-denominated assets and liabilities.

Government Spending

The success of our developments depends, in part, upon the quality of infrastructure surrounding our properties and their accessibility. Government plans to upgrade transport infrastructure in Jakarta, including improved access to the Jakarta CBD and surrounding areas by the development of a proposed monorail train and a more efficient system of roads, may increase sales and occupancy levels in our “Edge Cities” if completed. Government development plans to date, however, have been subject to considerable delays and there can be no assurance that the planned infrastructure projects will be completed in a timely manner or at all. Additionally, levels of Government spending and other healthcare initiatives directly impact the demand for our healthcare services.

Government Regulations

All of our business units are subject to Government regulations and require licenses and permits. In particular, healthcare is subject to extensive government regulation and new regulations could have a significant and possibly unfavorable effect on the price and availability of our healthcare services. See “Regulation”.

The availability of financing to potential purchasers of our property is also subject to Government regulations stipulating the maximum LTV and FTV ratios in Indonesia and restrictions on the ability of banks to grant residential mortgage loans.

Construction and Raw Materials Expenses

Our property development businesses are subject to fluctuations in construction expenses and raw materials expenses necessary to complete our projects. Construction on a particular property will typically begin when the amount of pre-sales can cover construction costs, but increases (or decreases) in construction costs after the project begins mean that projects will become more (or less) expensive for us to finish than we had originally planned.

Inpatient and outpatient services and demand

We derive a portion of our revenues from the operation of our hospitals, which in turn generate revenue from providing inpatient and outpatient services. Our inpatient revenue is highly dependent on the number of beds we operate, our bed occupancy ratio and the average revenue we earn per patient day and our outpatient revenue is highly dependent upon the number of outpatient visits we receive and the average revenue we earn per outpatient visit. The volume of patients we serve on an inpatient and outpatient basis is in turn driven by, among other things, the hospital image and brand reputation, the type of services offered, the economic and social conditions of local and regional communities, the degree of competition from other hospitals, the clinical reputation of our accredited doctors and their retention and attrition, the effectiveness of our marketing programs, and religious and cultural periods.

Funding position of First REIT and LMIRT

Part of our development funding plan involves the sale of stabilized properties that we have developed to First REIT and LMIRT, the two REITs that we manage. The ability of these two trusts to purchase the properties from us, and therefore provide us with funding for further development, depends on the financial position of the trusts, including their ability to raise additional capital through the issuance of equity or debt.

Performance of REIT Units that We Hold

We hold units in the two REITs that we manage which we acquired through purchases of units, participation in rights offerings and in lieu of management fees due to us. As a liquid security, we are required by Indonesian FAS to hold these units as an available-for-sale financial asset and revalue these units at each balance sheet date. Any changes in the value of these units is reflected in our statements of comprehensive income as other comprehensive income net of tax. Accordingly, our total comprehensive income may fluctuate significantly according to the performance of these REIT units.

Hotel Occupancy Rates and Room Rates

We derive a portion of our revenues from the operation of our hotels which are primarily dependent on occupancy rates, room rates and the number of rooms available at our hotels. Key factors affecting our occupancy rates include travel patterns of our hotel guests, competition from other hotels and location and the quality of our services and facilities on offer. A key factor affecting room rates is the type of booking. Wholesale room bookings and travel group bookings receive higher discounts, due to the volume of these bookings, than individual bookings, including walk-in guests and occasional small group guests.

Critical Accounting Policies

We have prepared our financial statements using accounting principles and reporting practices in accordance with Indonesian FAS. Preparation of our financial statements required our management to make estimates and judgments under the critical accounting policies described below.

Revenue and Expense Recognition

We recognize revenues from the sale of real estate using the full accrual method, where specified criteria are met. For sales of vacant land, the criteria to be met are as follows:

- the payments received from the buyer have reached 20% of the agreed selling price and the amount is non-refundable;
- the collectability of the sales price is reasonably assured;
- the receivables from the sale are not subject to future subordination against other loans which will be obtained by the buyer;
- the process of land development has been completed (*i.e.*, the seller is not obliged to develop the sold lots through construction or development of infrastructure in accordance with the sales and purchase agreement or any regulation requirements); and
- the sale consists only of vacant land, without any obligation of the seller to construct any buildings upon the land sold.

For sales of residential houses, shophouses and other similar types of buildings, including parcels of land, the criteria to be met are as follows:

- the sale is consummated;
- the collectability of the sales price is reasonably assured;
- receivables from the sale are not subject to future subordination against other loans which will be obtained by the buyer; and
- 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 a substantial continuing involvement with such property.

Sales of shopping centers and apartments are recognized based on the percentage of completion method, if all of the following criteria are met:

- the construction process is beyond the preliminary stage, meaning that the building foundation has been completed and all of the requirements to start construction have been fulfilled;
- total payments received from the buyer are at least 20% of the contract sales price and such amount is not refundable; and
- the amount of revenue and cost related to 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.

The cost of land parcels sold is determined based on the estimated acquisition cost of the land plus other estimated expenditures for its improvement and development. The cost of residential houses and shophouses sold is determined based on the 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 period.

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

Rental revenue and other services are recognized based on their respective rental periods and when the services are rendered to the customers. Rental and membership paid in advance are presented as deferred income and recognized as revenue over the period benefited.

Other expenses are recognized when incurred (accrual basis).

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 sheet dates, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange prevailing at that time. The accounts of foreign subsidiaries are 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 that are an integral part of the Company are debited or credited, as appropriate, to "Gain (Loss) On Foreign Exchanges" in our consolidated financial statements, while for subsidiaries that are not an integral part of the Company, the difference is debited or credited, as appropriate, to "Difference from Foreign Currency Translations".

Inventories and Land for Development

Real estate inventories, which mainly consist of acquisition cost of land under development, shopping centers, residential houses, shophouses, office buildings, and apartments, including buildings (houses) under construction, are carried at the lower cost or net realizable value. 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 consists of actual construction cost. Inventories in our healthcare business, such as medicines, medical equipment and food, are carried at the lower of cost or net realizable value. Cost is determined by using the average method. Inventories in our hotel business, such as food and beverages, are carried at the lower of cost or net realizable value. Cost is determined by using the first-in-first-out method. Allowance for decline in inventories value is provided for based on a review of inventory status at the end of each year. Land for future development which is owned by us 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 real estate inventories or property and equipment accounts, whichever is most appropriate.

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. We classify leases as operating leases if substantially all the risks and rewards of ownership are not transferred to the lessee. At the commencement of the lease term, a finance lease is recognized as an asset and as a 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 determinable. Otherwise, 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. A sale and leaseback transaction involves the sale and leasing back of the same asset. If a sale and leaseback transaction is a finance lease, any excess of sales proceeds over the carrying value are not immediately recognized as income in the financial statements of the seller (lessee), but are deferred and amortized over the lease period. If a sale and leaseback transaction is an operating lease, and it is clear that the transaction is established at fair value, any profit and loss is recognized immediately. If the sales price is below fair value, any profit or loss is recognized immediately, except that if the loss is compensated by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period during which the asset is expected to be used. If the sale price is above the fair value, the excess over fair value is deferred and amortized over the period during which the asset is expected to be used.

Investment Property

Investment property is comprised of property owned or held under a finance lease to earn rents 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 (the “Cost Model”). Depreciation is computed by using the straight-line method based on the estimated useful lives of the assets. Land is not depreciated and presented at acquisition cost. The cost of repairs and maintenance is charged to operations as incurred, while significant renovations and additions are capitalized.

Property and Equipment

After initial recognition accounted using the Cost Model, property and equipment are carried at cost and recognized at cost less their accumulated depreciation and any accumulated impairment losses. Land is carried at cost and not amortized. Depreciation is computed by using the straight line method. The cost of repairs and maintenance is charged to operation as incurred, while 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 property and equipment preparation. Expenditure including borrowing cost of loans 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.

Post-employment Benefits

The present value of post-employment benefits liability depends on several factors that are determined on an actuarial basis based on several assumptions, including the discount rate. Changes in these assumptions will affect the carrying amount of post-employment benefits.

We determine the appropriate discount rate at the end of the relevant reporting period and use that rate to determine the present value of future cash outflows expected to settle an estimated liability. In determining the appropriate level of interest rates, we consider the interest rate of Government bonds denominated in Rupiah that has a similar period to the corresponding period of liability.

Other key assumptions are determined by, among other considerations, the current market conditions during the period in which the post-employment benefits liability is resolved. Changes in the employee benefits assumptions will impact recognition of actuarial gains or losses at the end of the relevant reporting period.

For a discussion of other significant accounting policies, see Note 2 of our consolidated financial statements included elsewhere in this Offering Circular.

Our Results of Operations and Financial Condition

Revenues

The following table sets forth information about our revenues for the periods indicated:

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
Development Revenue				
Urban Development				
Land Lots	758.9	731.6	862.4	70.8
Residential Houses and Shophouses	384.2	709.2 ⁽²⁾	852.1	69.9
Memorial Park	103.9	166.8	134.2	11.0
Asset Enhancement ⁽¹⁾	18.8	19.3	29.7	2.4
Others	—	731.4 ⁽³⁾	5.3	0.4
Sub Total	1,265.8	2,358.2	1,883.7	154.5
Large Scale Integrated Development				
Apartments	748.0	1,014.6	1,097.6	90.0
Asset Enhancements ⁽¹⁾	25.6	31.5	25.1	2.1
Sub Total	773.7	1,046.2	1,122.8	92.1
Retail Malls				
Asset Enhancements ⁽¹⁾	137.7	117.2	193.3	15.9
Shopping Centers	9.7	26.7	8.6	0.7
Sales Returns of Shopping Centres ⁽⁴⁾	(3.6)	—	—	—
Sub Total	143.7	144.0	201.8	16.6
Total Development Revenue	2,183.2	3,548.4	3,208.3	263.2
Recurring Revenue				
Healthcare				
Inpatient Department:				
Medical Support Services and Professional Fees	276.8	400.3	557.5	45.7
Drug and Medical Supplies	262.7	402.6	584.7	48.0
Ward Fees	89.1	136.2	199.9	16.4
Administration Fees	31.4	43.2	60.9	5.0
Operating Theater	17.4	25.8	38.2	3.1
Delivery Fees	0.8	1.6	0.9	0.1
Others	43.8	67.3	98.9	8.1
Outpatient Department:				
Medical Support Services and Professional Fees	355.7	439.2	590.1	48.4
Drugs and Medical Supplies	164.8	220.6	298.5	24.5
Registration Fees	17.1	22.5	29.7	2.4
Others	—	28.8	44.3	3.6
Sub Total	1,259.6	1,788.1	2,503.6	205.4
Hospitality and Infrastructure				
Hotel and Restaurants	223.5	263.1	312.7	25.7
Town Management	97.9	126.3	155.3	12.7
Water and Sewage Treatment	76.0	92.7	113.4	9.3
Recreation and Sports	50.7	60.6	61.1	5.0
Others	31.3	31.9	14.8	1.2
Sub Total	479.4	574.5	657.5	53.9
Property and Portfolio Management⁽¹⁾				
Management Fees	267.3	249.2	296.8	24.3
Total Recurring Revenue	2,006.4	2,611.8	3,457.9	283.7
Total Net Sales, Service and Other Revenues	4,189.6	6,160.2	6,666.2	546.9

(1) Revenue from asset enhancement represents revenue from the rental of our assets.

- (2) This includes the revenue from the sale of Binjai Supermall to LMIRT in December 2012.
- (3) This includes the revenue from the sale of Pejaten Village to LMIRT in December 2012.
- (4) Sales Returns of Shopping Centres represents the amount of our previously recorded sales which have subsequently been cancelled. A cancellation of a sale occurs when the purchaser fails to meet their purchase price payment obligations and are subject to the imposition of penalties (as provided for in the relevant sale documentation).

Development and Recurring Revenues

Our total revenues can be separated into development revenues and recurring revenues. Development revenues are primarily derived from the development and sale of properties from the following business units: urban development, large scale integrated development and retail malls. Development revenues also include rental income from the lease of undeveloped properties in our landbank and unsold properties in our strata-titled malls.

Recurring revenues are derived from the revenue received from our healthcare, hospitality and infrastructure and property and portfolio management business units.

Cost of Sales

Our cost of sales include:

- expenses associated with the development and sale of land and buildings, including land acquisition costs as well as certain current expenses from project management;
- building expenses, which consist of electricity, water and gas charges, allowances for the depreciation and amortization of property and equipment; repairs and maintenance expenses; insurance expenses, cleaning expenses, taxes in relation to our land and buildings and other expenses;
- personnel expenses, which include salary and bonuses, medical expenses and transportation allowances;
- hospital departmental expenses, which consist of the expenses associated with the operation of the hospital; and
- hotel departmental expenses, which consist of the expenses associated with the operation of the hotel.

The following table sets forth the breakdown of our cost of sales and each item as a percentage of our total cost of sales and services for the periods indicated:

	Year ended December 31,						
	2011		2012		2013		
	Rp	%	Rp	%	Rp	US\$	%
	(Rp billions and US\$ millions unless otherwise stated)						
Urban Development							
Land Lots	408.2	17.8	308.2	9.2	438.8	36.0	12.1
Residential Houses and Shophouses	227.4	9.9	416.3 ⁽¹⁾	12.5	351.0	28.8	9.7
Memorial Park	19.5	0.8	29.6	0.9	22.3	1.8	0.6
Asset Enhancements	—	—	0.7	0.0	22.1	1.8	0.6
Others	—	—	390.0 ⁽²⁾	11.7	1.4	0.1	0.0
Sub Total	<u>655.1</u>	<u>28.6</u>	<u>1,144.8</u>	<u>34.3</u>	<u>835.6</u>	<u>68.6</u>	<u>23.1</u>
Large Scale Integrated Development							
Apartments	382.3	16.7	477.0	14.3	519.8	42.6	14.4
Asset Enhancements	16.6	0.7	19.8	0.6	15.4	1.3	0.4
Sub Total	<u>398.9</u>	<u>17.4</u>	<u>496.7</u>	<u>14.9</u>	<u>535.2</u>	<u>43.9</u>	<u>14.8</u>
Retail Malls							
Asset Enhancements	31.8	1.4	5.3	0.2	0.6	0.0	0.0
Shopping Centers	3.7	0.1	8.3	0.2	2.2	0.2	0.1
Sales Return of Shopping Centres	(1.3)	—	(4.9)	0.1	—	—	—
Sub Total	<u>34.2</u>	<u>1.5</u>	<u>8.7</u>	<u>0.3</u>	<u>2.8</u>	<u>0.2</u>	<u>0.1</u>

	Year ended December 31,						
	2011		2012		2013		
	Rp	%	Rp	%	Rp	US\$	%
(Rp billions and US\$ millions unless otherwise stated)							
Healthcare							
Inpatient Department:							
Professional Fees, Salaries and Employees' Benefits	271.4	11.8	396.0	11.9	510.7	41.9	14.1
Drug and Medical Supplies	194.0	8.5	281.0	8.4	371.7	30.5	10.3
Clinical Supplies	31.4	1.4	37.0	1.1	51.2	4.2	1.4
Depreciation	19.1	0.8	57.3	1.7	96.6	7.9	2.7
Food and Beverages	15.3	0.7	26.3	0.8	44.9	3.7	1.2
Repair and Maintenance	6.2	0.3	5.6	0.2	5.2	0.4	0.1
Others	18.8	0.8	30.2	0.9	64.2	5.3	1.8
Outpatient Department:							
Professional Fees, Salaries and Employees' Benefits	206.6	9.0	272.8	8.2	337.2	27.7	9.3
Drug and Medical Supplies	109.0	4.8	159.2	4.8	249.6	20.5	6.9
Clinical Supplies	21.7	0.9	27.3	0.8	23.9	2.0	0.7
Depreciation	11.0	0.5	31.1	0.9	53.4	4.4	1.5
Repair and Maintenance	4.1	0.2	3.4	0.1	3.6	0.3	0.1
Others	17.5	0.8	16.2	0.5	32.6	2.7	0.9
Sub Total	926.0	40.4	1,343.3	40.2	1,844.9	151.4	51.0
Hospitality and Infrastructure							
Hotel and Restaurants	74.5	3.2	82.3	2.5	102.3	8.4	2.8
Town Management	61.4	2.7	87.8	2.6	105.5	8.7	2.9
Water and Sewage Treatment	28.7	1.3	34.2	1.0	35.7	2.9	1.0
Recreation and Sports	16.7	0.7	18.7	0.6	19.3	1.6	0.5
Others	18.5	0.8	27.2	0.8	18.6	1.5	0.5
Sub Total	199.9	8.7	250.3	7.5	281.4	23.1	7.8
Property and Portfolio Management⁽³⁾							
Management Fees	79.2	3.5	95.4	2.9	119.7	9.8	3.3
Total Cost of Sales	2,293.3	100.0	3,339.3	100.0	3,619.6	297.0	100.0

(1) This includes costs relating to the sale of Binjai Supermall in LMIRT in December 2012.

(2) This includes costs relating to the sale of Pejaten Village in LMIRT in December 2012.

(3) Cost of sales does not necessarily track all costs associated directly with this business unit because the Company does not fully allocate costs of sales and services to its property and portfolio management business unit.

Other Income and Expenses

Our other income include the following:

- dividend income, which represents distributions from units held in LMIRT;
- increase in fair value of derivative instruments;
- penalties, which represent penalties paid to us by customers upon cancellation of sales transactions and late payments;
- gain on foreign exchange — net;
- gain on sale of property and equipment; and
- gain on sale and leaseback.

Our other expenses include the following:

- amortization expenses;
- loss on foreign exchange — net; and
- penalties, which represent penalties paid by us to customers for any delays in construction.

Operating Expenses

Our operating expenses include the following:

- selling expenses, which relate to marketing activities and which consist of expenses allocated for marketing and advertising to promote our business, salaries and employee benefits, management fees, repairs and maintenance, depreciation, transportation and accommodation, electricity and water expenses and office supplies; and
- general and administrative expenses, which consist of salaries and employee benefits, electricity and water expenses, depreciation, transportation and accommodation, professional fees, net rental expenses (which consist of lease payments to First REIT pursuant to sale and leaseback transactions, and offset by dividend income from units held in First REIT and amortization of the gains from sale and leaseback of properties to First REIT), repairs and maintenance, office supplies, training and seminar, communication, membership and subscription fees and insurance.

Tax Expenses

Tax expenses comprise current tax expenses and deferred tax expenses.

Results of Operations

The following table sets forth the breakdown of our results of operations and each item as a percentage of our revenues for the periods indicated:

	Year ended December 31,						
	2011		2012		2013		
	Rp	%	Rp	%	Rp	US\$	
	(Rp billions and US\$ millions unless otherwise stated)						
Revenues.....	4,189.6	100.0	6,160.2	100.0	6,666.2	546.9	100.0
Cost of Sales	(2,293.3)	54.7	(3,339.3)	54.2	(3,619.6)	(297.0)	54.3
Gross Profit	1,896.3	45.3	2,820.9	45.8	3,046.6	249.9	45.7
Other Income	126.4	3.0	247.0	4.0	585.1	48.0	8.8
Operating Expenses	(968.3)	23.1	(1,343.9)	21.8	(1,534.2)	(125.9)	23.0
Other Expenses	(71.2)	1.7	(174.8)	2.8	(154.5)	(12.7)	2.3
Profit From Operations	983.2	23.5	1,549.2	25.1	1,943.0	159.4	29.1
Financial Income (Charges) — Net	(0.8)	0.0	1.6	0.0	(26.7)	(2.2)	0.4
Share in the Profit of Associates	2.4	0.1	26.3	0.4	8.5	0.7	0.1
Profit Before Tax	984.8	23.5	1,577.1	25.6	1,924.8	157.9	28.9
Tax Expenses	(170.7)	4.1	(254.2)	4.1	(332.3)	(27.3)	5.0
Profit for the Year	814.1	19.4	1,322.8	21.5	1,592.5	130.7	23.9
Other Comprehensive Income							
Gain from Translations of Financial Statements in Foreign Currency.....	6.3	0.2	50.6	0.8	551.9	45.3	8.3
Gain (Loss) on Changes in Fair Value of Available-for-Sale Financial Assets.....	(240.4)	5.7	1,109.1	18.0	(468.3)	(38.4)	7.0
Total Other Comprehensive Income (Expense) for the Year	(234.2)	5.6	1,159.7	18.8	83.7	6.9	1.3
Total Comprehensive Income for the Year	(579.9)	13.8	2,482.5	40.3	1,676.1	137.5	25.1

Results of Operations for the year ended December 31, 2013 as compared to the year ended December 31, 2012

Revenues. Our revenues increased by 8.2% to Rp6,666.2 billion (US\$546.9 million) in 2013 from Rp6,160.2 billion in 2012. Of this amount, development revenues decreased to 48.1% of total revenues in 2013 from 57.6% of total revenues in 2012, with recurring revenues increasing to 51.9% of total revenues in 2013

from 42.4% of total revenues in 2012. The increase in our revenues was primarily driven by the increase of our healthcare revenue as four new hospitals commenced their operations in 2013.

- *Development Revenues.* Development revenues decreased by 9.6% to Rp3,208.3 billion (US\$263.2 million) in 2013 from Rp3,548.4 billion in 2012. The decrease in development revenues in 2013 was mainly due to the decrease in urban development revenue.
 - *Urban Development.* Urban development revenue decreased by 20.1% to Rp1,883.7 billion (US\$154.5 million) in 2013 from Rp2,358.2 billion in 2012. This decrease was due to the sale of two of our malls, namely Pejaten Village and Binjai Supermall, to LMIRT in 2012, as compared to the absence of such asset disposals in 2013. The sale and leaseback of Siloam Hospitals Simatupang and Siloam Hospitals Bali to First REIT in May 2013 were accounted for differently under the relevant accounting standards.
 - *Large Scale Integrated Development.* Large scale integrated development revenue increased by 7.3% to Rp1,122.8 billion (US\$92.1 million) in 2013 from Rp1,046.2 billion in 2012. This increase was primarily due to the recognition of revenue from sales of properties in Kemang Village and Park View Apartments.
 - *Retail Malls.* Revenue from our retail malls business unit increased by 40.2% to Rp201.8 billion (US\$16.6 million) in 2013 from Rp144.0 billion in 2012. The increase was primarily driven by the increase of rental revenue from Lippo Mall Kemang, which opened in September 2012, due to the full year recognition of such revenues in 2013 and recognition of rental revenues from Lippo Mall Kuta which opened in November 2013.
- *Recurring Revenues.* Recurring revenues increased by 32.4% to Rp3,457.9 billion (US\$283.7 million) in 2013 from Rp2,611.8 billion in 2012. In 2013, the largest portion of recurring revenues was generated by our healthcare business unit which contributed 72.4% of total recurring revenues.
 - *Healthcare.* Healthcare revenue increased by 40.0% to Rp2,503.6 billion (US\$205.4 million) in 2013 from Rp1,788.1 billion in 2012, as the number of hospitals that we operated increased to 16 as of December 31, 2013 from 12 as of December 31, 2012, increasing the number of operational beds to 1,985 in 2013 from 1,533 in 2012, while our average revenue per patient per day decreased in 2013 to Rp4,144 thousand from Rp4,229 thousand in 2012 for inpatient services, and average revenue per visit increased from Rp731 thousand in 2012 to Rp793 thousand in 2013. The decrease in average revenue per patient day was due to the full year recognition in 2013 of the revenues from one of our hospitals, Siloam General Hospital, which provides inpatient medical services for less complex medical cases at lower average fees.
 - *Hospitality and Infrastructure.* Hospitality and infrastructure revenues increased by 14.4% to Rp657.5 billion (US\$53.9 million) in 2013 from Rp574.5 billion in 2012, reflecting an increase in the number of rooms sold from 242,232 rooms in 2012 to 260,042 in 2013. The occupancy rate increased from 69.6% in 2012 to 71.6% in 2013.
 - *Property and Portfolio Management.* Property and portfolio management revenues increased by 19.1% to Rp296.8 billion (US\$24.3 million) in 2013 from Rp249.2 billion in 2012. The increase in property and portfolio management revenues was due to an increase in management fees paid to us, as a result of additional properties, namely, Siloam Hospitals Simatupang and Siloam Hospitals Denpasar, purchased by First REIT in May 2013 and Pejaten Village and Binjai Supermall purchased by LMIRT in December 2012. In addition, property and portfolio management revenues for Pejaten Village and Binjai Supermall were recognized for the full year in 2013.

Cost of Sales. Our cost of sales increased by 8.4% to Rp3,619.6 billion (US\$297.0 million) in 2013 from Rp3,339.3 billion in 2012, in line with the increase in revenue. Of this amount, costs relating to urban development, large scale integrated development and retail malls decreased to 38.0% of total cost of sales in 2013 from 49.4% of total cost of sales in 2012, while costs relating to our healthcare, hospitality and infrastructure, and property and portfolio management business units increased to 62.0% of total cost of sales in 2013 from 50.6% of total cost of sales in 2012.

- *Urban Development.* Cost of sales for our urban development business unit decreased by 27.0% to Rp835.6 billion (US\$68.6 million) in 2013 from Rp1,144.8 billion in 2012. The proportion of cost of sales

for our urban development business decreased to 23.1% of total cost of sales in 2013 from 34.3% of total cost of sales in 2012. The decrease in cost of sales was primarily due to the absence of assets disposal in 2013, compared to the sale of Pejaten Village and Binjai Supermall to LMIRT in 2012.

- *Large Scale Integrated Development.* Cost of sales for our large scale integrated development business unit increased by 7.8% to Rp535.2 billion (US\$43.9 million) in 2013 from Rp496.7 billion in 2012, in line with the increase in revenues from this business unit in 2013.
- *Retail Malls.* Cost of sales for our retail malls business unit decreased by 67.8% to Rp2.8 billion (US\$0.2 million) in 2013 from Rp8.7 billion in 2012. The decrease was primarily due to not having to recognize in 2013 the cost of sales relating to Pejaten Village and Binjai Supermall, which were sold to LMIRT in December 2012.
- *Healthcare.* Cost of sales for our healthcare business unit increased by 37.3% to Rp1,844.9 billion (US\$151.4 million) in 2013 from Rp1,343.3 billion in 2012. The proportion of cost of sales for our healthcare business unit also increased to 51.0% of total cost of sales in 2013 from 40.3% of total cost of sales in 2012. The increase in cost of sales was primarily due to an increase in the number of hospitals that we operated in 2013 and an increase in the number of medical staff and average salaries and wages of such staff.
- *Hospitality and Infrastructure.* Cost of sales for our hospitality and infrastructure business unit increased by 12.4% to Rp281.4 billion (US\$23.1 million) in 2013 from Rp250.3 billion in 2012. The increase in cost of sales was in line with the increase in revenues from this business unit in 2013.
- *Property and Portfolio Management.* Cost of sales for our property and portfolio management increased by 25.4% to Rp119.7 billion (US\$9.8 million) in 2013 from Rp95.4 billion in 2012, in line with the increase in revenues from this business unit in 2013.

Gross Profit. Our gross profit increased by 8.0% to Rp3,046.6 billion (US\$249.9 million) in 2013 from Rp2,820.9 billion in 2012, as a result of the increase in revenue in 2013, partially offset by the increase in cost of sales.

Operating Expenses. Operating expenses increased by 14.2% to Rp1,534.2 billion (US\$125.9 million) in 2013 from Rp1,343.9 billion in 2012, mainly due to the increase in general and administrative expenses to Rp1,140.8 billion (US\$93.6 million) in 2013 from Rp889.3 billion in 2012, partially offset by a decrease in selling expenses to Rp393.5 billion (US\$32.3 million) in 2013 from Rp454.7 billion in 2012.

- *Selling Expenses.* Selling expenses decreased by 13.5% to Rp393.5 billion (US\$32.3 million) in 2013 from Rp454.7 billion in 2012, mainly due to a decrease in marketing and advertising expenses to Rp200.6 billion (US\$16.5 million) in 2013 from Rp303.6 billion in 2012, which was partially offset by an increase in management fees to Rp55.6 billion (US\$4.6 million) in 2013 from Rp15.8 billion in 2012. The decrease was primarily due to the recognition of deferred marketing expenses in full in 2012, which did not occur in 2013. Such deferred marketing expenses were recognized proportionately with the recognition of revenues from Kemang Village in 2012.
- *General and Administrative Expenses.* General and administrative expenses increased by 28.3% to Rp1,140.8 billion (US\$93.6 million) in 2013 from Rp889.3 billion in 2012, mainly due to increases in salaries and employee benefits, primarily from our healthcare business unit as a result of the opening of four additional hospitals in 2013.

Other Income. Other income increased by 136.9% to Rp585.1 billion (US\$48.0 million) in 2013 from Rp247.0 billion in 2012, mainly due to increases in dividend income, the fair value of derivative instruments, penalties and gain on sale and leaseback.

- *Dividend income.* We recorded dividend income of Rp195.0 billion (US\$16.0 million) in 2013, which was an increase from Rp129.8 billion in 2012, as a result of an increase in distributions received on units held in LMIRT because of an increase in the number of units held by us and an increase in the distribution amount per unit in 2013.
- *Increase in fair value of derivative instruments.* We recorded an increase in the fair value of derivative instruments of Rp295.9 billion (US\$24.3 million) in 2013, compared to nil in 2012. This was mainly due to

an increase in the fair value of our hedging instruments, as a result of the significant weakening of the Rupiah against the U.S. dollar in 2013 and the increase in amounts outstanding under our U.S. dollar-denominated bonds in 2013 due to the issuance of additional bonds in January 2013.

- *Penalties.* Penalties were Rp20.8 billion (US\$1.7 million) compared to nil in 2012, mainly due to cancellations and late payments by customers in 2013.
- *Gain on sale and leaseback.* Gain on sale and leaseback increased to Rp17.8 billion (US\$1.5 million) in 2013 from Rp8.7 billion in 2012, primarily because of the sale and leaseback of Siloam Hospitals Bali to First REIT in May 2013. The sale and leaseback transaction in respect of Siloam Hospitals Makassar and Siloam Hospitals Manado in 2012 was accounted for differently under the relevant accounting standards, as it was a sale of shares in the subsidiaries that owned these hospitals, as compared to a sale of the hospital assets in 2013.

Other Expenses. Other expenses decreased by 11.6% to Rp154.5 billion (US\$12.7 million) in 2013 from Rp174.8 billion in 2012, primarily due to a decrease in amortization expense, which was partially offset by a net loss on foreign exchange and an increase in other expenses.

- *Amortization expense.* Amortization expenses decreased to Rp50.5 billion (US\$4.1 million) in 2013 from Rp119.5 billion in 2012, primarily due to the exchange offer that was conducted in 2012, pursuant to which a portion of our US\$395.6 million 9.0% Senior Notes due 2015 issued by Sigma Capital Pte. Ltd. (the “2015 Notes”) was exchanged for US\$273,306,000 6.125% Senior Notes due 2020, as a result of which the bonds issuance cost for the 2015 Notes were proportionately recognized in 2012 based on the amount of bonds exchanged.
- *Loss on Foreign Exchange — Net.* Loss on foreign exchange — net was Rp33.0 billion (US\$2.7 million) in 2013, compared to nil in 2012, primarily due to an increase in carrying value of our assets denominated in Singapore dollars, as the Rupiah weakened against the Singapore dollar in the period, which was partially offset by an increase in the carrying value of our U.S. dollar-denominated liabilities, as the Rupiah weakened against the U.S. dollar in the same period.
- *Others — Net.* Others — net increased to Rp71.0 billion (US\$5.8 million) in 2013 from Rp55.3 billion in 2012, primarily due to an increase in miscellaneous expenses relating to our healthcare business unit.

Profit from Operations. Profit from operations increased to Rp1,943.0 billion (US\$159.4 million) in 2013 compared to Rp1,549.2 billion in 2012 as a result of the above.

Financial Income (Charges) — Net. Financial charges — net was Rp26.7 billion (US\$2.2 million) in 2013 compared to financial income — net of Rp1.6 billion in 2012. Financial income increased to Rp93.7 billion (US\$7.7 million) in 2013 from Rp81.5 billion in 2012, primarily because of the increase in the prevailing interest rates. Financial charges increased to Rp113.5 billion (US\$9.3 million) in 2013 from Rp71.3 billion in 2012, mainly as a result of an increase in hedging costs relating to our bonds, due to the issuance of additional bonds in January 2013.

Share in the Profit of Associates. Share in the profit of associates decreased to Rp8.5 billion (US\$0.7 million) in 2013 from Rp26.3 billion in 2012, primarily because in 2012 there was a significant increase in the net earnings of PT Surya Cipta Investama, which did not occur in 2013. PT Surya Cipta Investama engages primarily in the document filing and document management business.

Profit Before Tax. Profit before tax increased by 20.0% to Rp1,924.8 billion (US\$157.9 million) in 2013 from Rp1,577.1 billion in 2012.

Tax Expenses. Tax expenses increased by 30.7% to Rp332.3 billion (US\$27.3 million) in 2013 from Rp254.2 billion in 2012, due to changes in the following items:

- *Current.* Current tax expenses increased by 20.9% to Rp306.2 billion (US\$25.1 million) in 2013 from Rp253.2 billion in 2012, which was in line with the increase in our revenues for the period.
- *Deferred.* Deferred tax expense was Rp26.1 billion (US\$2.1 million) in 2013 compared to deferred tax expense of Rp1.0 billion in 2012. The significant increase in deferred tax expenses resulted from the

inability to carry forward the losses of one of our subsidiaries for any further period, thereby requiring the deferred tax expense to be recognized in 2013.

Profit. Profit increased by 20.4% to Rp1,592.5 billion (US\$130.7 million) in 2013 from Rp1,322.8 billion in 2012.

Total Other Comprehensive Income. Total other comprehensive income decreased to Rp83.7 billion (US\$6.9 million) in 2013 from Rp1,159.7 billion in 2012, primarily as a result of the unrealized loss on changes in fair value of available-for-sale financial assets of Rp468.3 billion (US\$38.4 million) in 2013, as compared to an unrealized gain on changes in fair value of available-for-sale financial assets of Rp1,109.1 billion in 2012 and the gain from foreign currency translation of Rp551.9 billion (US\$45.3 million) in 2013 compared to Rp50.6 billion in 2012. Changes in fair value of available-for-sale financial assets relate mainly to changes in the value of our investments in First REIT and LMIRT. The unrealized loss on changes in fair value of available-for-sale financial assets and the increase in the gain from foreign currency translation was due to the weakening of the Rupiah against certain foreign currencies (including the U.S. dollar and the Singapore dollar) in 2013.

Total Comprehensive Income. As a result of the foregoing factors, our total comprehensive income decreased by 32.5% to Rp1,676.1 billion (US\$137.5 million) in 2013 from Rp2,482.5 billion in 2012.

Results of Operations for year ended December 31, 2012 as compared to the year ended December 31, 2011

Revenues. Our revenues increased by 47.0% to Rp6,160.2 billion in 2012 from Rp4,189.6 billion in 2011. Of this amount, development revenues increased to 57.6% of total revenues in 2012 from 52.1% of total revenues in 2011 and recurring revenues decreased to 42.4% of total revenues in 2012 from 47.9% of total revenues in 2011. This increase in the share of development revenues in 2012 was primarily a result of an increase in urban development revenue from Rp1,268.8 billion in 2011 to Rp2,358.2 billion in 2012, which was mainly driven by the sale of Pejaten Village and Binjai Supermall to LMIRT in December 2012.

- *Development Revenues.* Development revenues increased by 62.5% to Rp3,548.4 billion in 2012 from Rp2,183.2 billion in 2011. In 2012, the significant increase in our development revenues was mainly driven by the sale of Pejaten Village and Binjai Supermall to LMIRT.
 - *Urban Development.* Urban development revenue increased by 86.3% to Rp2,358.2 billion in 2012 from Rp1,265.8 billion in 2011. This increase was primarily due to the asset disposal to LMIRT for an aggregate consideration of Rp879 billion, which consists of Rp731 billion for Pejaten Village and Rp148 billion for Binjai Supermall.
 - *Large Scale Integrated Development.* Large scale integrated development revenue increased by 35.2% to Rp1,046.2 billion in 2012 from Rp773.7 billion in 2011. This increase was primarily due to the recognition of revenue from sales of properties in Kemang Village and the St. Moritz.
 - *Retail Malls.* Revenue from our retail malls business unit remained relatively stable at Rp144.0 billion in 2012 compared to Rp143.7 billion in 2011.
- *Recurring Revenues.* Recurring revenues increased by 30.2% to Rp2,611.8 billion in 2012 from Rp2,006.4 billion in 2011. In 2012, the largest portion of recurring revenues was generated by our healthcare business unit which contributed 68.5% of total recurring revenues.
 - *Healthcare.* Healthcare revenues increased by 42.0% to Rp1,788.1 billion in 2012 from Rp1,259.6 billion in 2011, as the number of hospitals that we operated increased to 12 in 2012 from seven in 2011, increasing the number of operational beds to 1,533 in 2012 from 912 in 2011, while for inpatient services, our average revenue per patient per day increased to Rp4,229 thousand in 2012 from Rp3,586 thousand in 2011, and average revenue per visit also increased to Rp731 thousand in 2012 from Rp563 thousand in 2011.
 - *Hospitality and Infrastructure.* Hospitality and infrastructure revenues increased by 19.8% to Rp574.5 billion in 2012 from Rp479.4 billion in 2011, reflecting an increase in the number of rooms sold to 242,232 rooms in 2012 from 224,151 in 2011. Our occupancy rates experienced a slight decrease from 70.2% in 2011 to 69.6% in 2012.
 - *Property and Portfolio Management.* Property and portfolio management revenues decreased by 6.8% to Rp249.2 billion in 2012 from Rp267.3 billion in 2011, primarily due to a larger number of

third-party employees who worked in our malls in 2011, resulting in higher management fees paid to us for managing such employees in 2011.

Cost of Sales. Our cost of sales increased by 45.6% to Rp3,339.3 billion in 2012 from Rp2,293.3 billion in 2011. Of this amount, costs of sales relating to urban development, large scale integrated development and retail malls increased to 49.4% of total cost of sales in 2012 from 47.5% of total cost of sales in 2011, while costs relating to our healthcare, hospitality and infrastructure and property and portfolio management business units decreased to 50.6% of total cost of sales in 2012 from 52.5% of total cost of sales in 2011.

- *Urban Development.* Cost of sales for our urban development business unit increased by 74.8% to Rp1,144.8 billion in 2012 from Rp655.0 billion in 2011. This increase was primarily driven by the cost of sales relating to the sale of Pejaten Village and Binjai Supermall to LMIRT in 2012.
- *Large Scale Integrated Development.* Cost of sales of our large scale integrated development business unit increased by 24.5% to Rp496.7 billion in 2012 from Rp398.9 billion in 2011, which was in line with the increase in revenue in this business unit, together with better profit margins compared to 2011, mainly due to an increase in the proportion of sales of premium properties, which had higher profit margins.
- *Retail Malls.* Cost of sales for our retail malls business unit decreased by 74.6% to Rp8.7 billion in 2012 from Rp34.2 billion in 2011. The decrease was primarily caused by the sale of our shares in 2012 in PT Panca Permata Pejaten, our subsidiary that owned Pejaten Village, to LMIRT. As a result, the results of operations of such subsidiary (including the cost of sales relating to Pejaten Village) was not consolidated with our results of operations in 2012.
- *Healthcare.* Cost of sales for our healthcare business unit increased by 45.1% to Rp1,343.3 billion in 2012 from Rp926.0 billion in 2011, in line with the increase in revenue from this business line.
- *Hospitality and Infrastructure.* Cost of sales for our hospitality and infrastructure business unit increased by 25.3% to Rp250.3 billion in 2012 from Rp199.9 billion in 2011, in line with the increase in revenue from this business line.
- *Property and Portfolio Management.* Cost of sales for our property and portfolio management increased by 20.5% to Rp95.4 billion in 2012 from Rp79.2 billion in 2011, primarily due to a significant increase in the number of employees in our property management division, in line with the expansion of our property management services business.

Gross Profit. Our gross profit increased 48.8% to Rp2,820.9 billion in 2012 from Rp1,896.3 billion in 2011, as a result of increased revenue in 2012, partially offset by increased costs of sales and services related to the expansion of our business.

Operating Expenses. Operating expenses increased by 38.8% to Rp1,343.9 billion in 2012 from Rp968.3 billion in 2011, mainly due to the increase in selling expenses and general and administrative expenses in 2012.

- *Selling Expenses.* Selling expenses increased by 108.8% to Rp454.7 billion in 2012 from Rp217.8 billion in 2011. This was primarily due to an increase in marketing and advertising expenses, as a result of an increase in the marketing activities relating to Kemang Village and St. Moritz.
- *General and Administrative Expenses.* General and administrative expenses increased by 18.5% to Rp889.3 billion in 2012 from Rp750.5 billion in 2011, mainly due to increases in salaries and employee benefits and utilities expenses, primarily from our healthcare business unit as a result of the opening of four additional hospitals. This was partially offset by a decrease in net rental expense, which was partially offset by higher dividend income from First REIT and the amortization of the gains from the sale and leaseback of Siloam Hospitals Makassar and Siloam Hospitals Manado to First REIT.

Other Income. Other income increased by 95.4% to Rp247.0 billion in 2012 from Rp126.4 billion in 2011, mainly due to increases in dividend income and gain on foreign exchange.

- *Dividend income.* Dividend income increased by 81.8% to Rp129.8 billion in 2012 from Rp71.4 billion in 2011, as a result an increase in distributions received by us on units held in LMIRT mainly because of higher distribution amount per unit in 2012.

- *Gain on foreign exchange* — Gain on foreign exchange was Rp108.0 billion in 2012. This was mainly due to an increase in the carrying value of our assets denominated in Singapore dollars as the Rupiah weakened against the Singapore dollar in the period as a result of the additional units held by us in First REIT. This was partially offset by the increase in the carrying value of our U.S. dollar denominated liabilities as a result of additional bonds issuance in 2012 and the depreciation of Rupiah against the U.S. dollar in 2012.
- *Gain from sale and leaseback.* Gain from sale and leaseback was Rp8.7 billion in 2012 compared to nil in 2011, primarily due to the sale and leaseback of Siloam Hospitals Makassar and Siloam Hospitals Manado to First REIT in 2012.

Other Expenses. Other expenses increased by 145.5% to Rp174.8 billion in 2012 from Rp71.2 billion in 2011, primarily due to an increase in amortization expenses and other expenses.

- *Amortization expense.* Amortization expenses relating to bond and intangible asset amortization costs increased to Rp119.5 billion in 2012 from Rp50.3 billion in 2011, primarily due to the exchange offer conducted in 2012 in respect of the 2015 Notes, resulting in full recognition of bond issuance costs in 2012. See “— Results of Operations for the year ended December 31, 2013 as compared to the year ended December 31, 2012”.
- *Others — net.* Others — net increased to Rp55.3 billion in 2012 from Rp14.2 billion in 2011, primarily due to the write-off of certain accounts receivables which were deemed to be uncollectible and an increase in miscellaneous expenses relating to our healthcare business unit.

Profit from Operations. Profit from operations increased by 57.6% to Rp1,549.2 billion in 2012 from Rp983.2 billion in 2011 as a result of the above.

Financial Income (Charges) — Net. Financial income — net was Rp1.6 billion in 2012 compared to financial charges — net of Rp0.8 billion in 2011. Financial income decreased to Rp81.5 billion in 2012 from Rp104.6 billion 2011, primarily due to a decrease in Rupiah time deposits. Financial charges decreased to Rp79.9 billion in 2012 from Rp105.3 billion in 2011, primarily due to a decrease in hedging costs in 2012, as a result of gains from hedging transactions relating to the 2015 Notes which partially offset the total hedging costs incurred in 2012.

Share in the Profit of Associates. Share in the profit of associates increased to Rp26.3 billion in 2012 from Rp2.4 billion in 2011, primarily due to a significant increase in the net earnings of PT Surya Cipta Investama in 2012.

Profit Before Tax. Profit before tax increased by 60.1% to Rp1,577.1 billion in 2012 from Rp985.1 billion in 2011.

Tax Expenses. Income tax expense increased by 48.9% to Rp254.2 billion in 2012 from Rp170.7 billion in 2011, due to changes in the following items:

- *Current.* Current tax expenses increased by 44.2% to Rp253.2 billion in 2012 from Rp175.6 billion in 2011, which is in line with the increase in our revenues for the period.
- *Deferred.* Deferred tax expense was Rp1.0 billion in 2012 as compared to deferred tax benefit of Rp4.8 billion in 2011.

Profit. Profit increased by 62.5% to Rp1,322.8 billion in 2012 from Rp814.1 billion in 2011.

Total Other Comprehensive Income. Total other comprehensive income was Rp1,159.7 billion in 2012 compared to total other comprehensive expense of Rp234.2 billion 2011, primarily as a result of unrealized gain on changes in fair value of available-for-sale financial assets of Rp1,109.1 billion in 2012 compared to unrealized loss on changes in fair value of available-for-sale financial assets of Rp240.4 billion in 2011, and an increase in the gain from translations of financial statements in foreign currency to Rp50.6 billion in 2012 from Rp6.3 billion in 2011. The unrealized gain on changes in fair value of available-for-sale assets was primarily a result of an increase in value of the units in both LMIRT and First REIT that are held by us.

Total Comprehensive Income. As a result of the foregoing factors, our total comprehensive income increased by 328.1% to Rp2,482.5 billion in 2012 from Rp579.9 billion in 2011.

Liquidity and Capital Resources

We broadly define liquidity as our ability to generate sufficient funds from both internal and external sources to meet our obligations and commitments. In addition, liquidity includes the ability to obtain appropriate financing and to convert into cash those assets that are no longer required to meet existing strategic, financial objectives and the ability to expand the capital base of the REITs in which we have invested.

We have historically financed our capital requirements for our development business primarily through funds generated from our operations and financing from banks and other financial institutions, while our recurring revenue businesses are generally financed out of their internally generated cash flows. Our primary capital requirements have been to finance purchases of land and construction of properties and to fund general working capital requirements. We believe that we will have sufficient capital resources from our operations, the net proceeds of this offering and other financings from banks, financial institutions and other lenders to meet our capital requirements for at least the next 12 months. Subject to restrictions in our existing indebtedness instruments, in connection with the operation of our business, we may incur further indebtedness, which may result in an increase in our interest charges.

We strive to maintain a minimum balance of cash and cash equivalent sufficient to cover operating expenses for a period of three to six months. As of December 31, 2013, we had a balance of cash and cash equivalent of approximately Rp1,855.1 billion (US\$152.2 million). We also maintain working capital lines with several banks to maintain sufficient liquidity for our operations. As of December 31, 2013, we had available credit lines of Rp430.0 billion (US\$35.2 million). For a description of our working capital facilities, see “Description of Indebtedness”.

As a guideline, we intend to pay dividends of up to 10% with respect to net profits of up to Rp300 billion and 15-30% for net profits over Rp300 billion.

Liquidity

The following table sets forth information regarding our cash flows for the years ended December 31, 2011, 2012 and 2013 and our cash and cash equivalent at the end of each period:

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
Net cash flows provided by (used in) operating activities.....	374.5	1,288.8	(2,078.8)	(170.5)
Net cash flows used in investing activities	(2,905.3)	(1,704.4)	(580.3)	(47.6)
Net cash flows provided by financing activities	1,037.7	1,536.8	1,142.0	93.7
Net increase (decrease) in cash and cash equivalent	(1,493.1)	1,121.2	(1,517.2)	(124.5)
Effect of foreign exchange on cash and cash equivalent at the end of the period	7.5	41.6	34.9	2.9
Cash and cash equivalent at the beginning of the period	3,660.1	2,174.6	3,337.4	273.8
Cash and cash equivalent at the end of the period	<u>2,174.6</u>	<u>3,337.4</u>	<u>1,855.1</u>	<u>152.2</u>

Net cash flows used in operating activities amounted to Rp2,078.8 billion (US\$170.5 million) in 2013 compared to net cash flows provided by operating activities of Rp1,288.8 billion in 2012 and Rp374.5 billion in 2011. Net cash flows used in operating activities in 2013 was primarily due to an increase in payments to suppliers, which was mainly as a result of an increase in inventory and land development and payments of construction costs relating to the retail mall and apartments at The St Moritz, and the mall at Kemang Village, as well as an increase in payments to employees. The increase in payments to employees was due to an increase in the number of medical staff in our healthcare business unit and an increase in salaries and wages, primarily due to the increased employment of expatriate professionals in our construction management division.

Net cash flows used in investing activities amounted to Rp580.3 billion (US\$47.6 million) in 2013, a decrease from net cash flows used in investing activities of Rp1,704.4 billion in 2012 and Rp2,905.3 billion in 2011. The decrease in net cash flows used in investing activities was due to the decrease in placement of investment in associates and decrease in acquisition of subsidiaries, net of cash acquired in 2013 compared to 2012. Net cash flows used in investing activities in 2012 was due to our additional investments in First REIT and the acquisition

of new subsidiaries engaging in the property and hospital businesses. Net cash flows used in investing activities in 2011 was due to additional investments in LMIRT and First REIT in connection with the rights offerings conducted by the funds during 2011, as well as the acquisition of additional shares in LMIRT Management Ltd.

Net cash flows provided by financing activities amounted to Rp1,142.0 billion (US\$93.7 million) in 2013, Rp1,536.8 billion in 2012 and Rp1,037.7 billion in 2011. In 2013, net cash flows provided by financing activities was primarily from proceeds from bonds issuance in January 2013 and from the initial public offering of PT Siloam International Hospitals Tbk. in September 2013. In 2012, net cash flows provided by financing activities was primarily from proceeds from the May 2012 bond issuance. In 2011, net cash flows provided by financing activities was primarily from proceeds from the issuance of additional capital stock by the Company through a non-preemptive rights issuance, as well as a bond issuance in February 2011.

Contractual Obligations and Commitments

The following table sets forth our contractual obligations and commitments to make future payments under our total debt and finance lease obligations as of December 31, 2013:

	Maturity Period					
	Total		Less than 1 year	1-3 years	3-5 years	After 5 years
	(Rp billions)	(US\$ millions)	(Rp billions)			
Total debt.....	7,807.5	640.5	11.8	38.0	9.9	7,748.8
Total contractual obligations	<u>7,807.5</u>	<u>640.5</u>	<u>11.8</u>	<u>38.0</u>	<u>9.9</u>	<u>7,748.8</u>

Capital Expenditure

Our capital expenditures consist of expenditures on property, plant and equipment. The following table sets forth information regarding our total capital expenditure, by business unit, for the years ended December 31, 2011, 2012 and 2013.

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
Urban Development.....	50.1	504.7	741.4	60.8
Large Scale Integrated Development.....	23.0	45.4	124.1	10.2
Retail Malls	3.5	7.1	25.7	2.1
Healthcare	335.4	394.1	385.5	31.6
Hospitality and Infrastructure	8.6	0.4	1.0	0.1
Property and Portfolio Management.....	3.8	—	33.5	2.7
Total Capital Expenditures	<u>424.4</u>	<u>951.7</u>	<u>1,311.2</u>	<u>107.6</u>

For a discussion of the expansion of our Healthcare business, see “Business — Healthcare”.

Quantitative and Qualitative Disclosures about Market Risks

Our business exposes us to a variety of financial risks, including changes to foreign exchange rates, inflation and fluctuations in interest rates. The following discussion summarizes our exposure to foreign exchange rates, inflation and interest rate movements and our policies to address these risks. The following discussion contains forward-looking statements that are subject to risks, uncertainties and assumptions about us. These statements are based upon current expectations and projections about future events. There are important factors that could cause our actual results and performance to differ materially from such forward-looking statements, including those risks discussed under “Risk Factors”.

Foreign Currency Exchange Risk

Our foreign currency exposure gives rise to market risk associated with exchange rate movements against the Rupiah, which is our functional and reporting currency. We record transactions involving foreign currencies at

the rates of exchange prevailing at the transaction date. At the balance sheet date, we adjust assets and liabilities denominated in foreign currencies to reflect the last prevailing rates at the balance sheet date, and resulting gains or losses are credited or charged to current operations.

We require U.S. dollars to service our foreign currency denominated indebtedness, which as of December 31, 2013 consisted of our U.S. dollar notes due 2019 and U.S. dollar notes due 2020. We hedge foreign currency debt with forward contracts.

We also maintain a portion of our cash and cash equivalents in U.S. dollars. We do not hedge these positions.

Inflation Risk

According to Government of Indonesia statistics, Indonesia's annual inflation rate, as measured by changes in Indonesia's consumer price index, was 3.8%, 4.3% and 8.4% in 2011, 2012 and 2013, respectively. Inflation affects our results of operations primarily by increasing costs of sales, which we generally seek to address by raising prices. However, in competitive markets like Jakarta, our ability to pass on cost increases is constrained. Significant inflation can also dampen overall demand for our products.

Interest Rate Risk

Our foreign currency indebtedness carries fixed interest rates. Our Rupiah denominated long-term loans from Indonesian banks carry floating interest rates that ranged from 11.0% to 11.5% in 2013.

Off-Balance Sheet Items

As of December 31, 2013, we had no material off-balance sheet liabilities.

Business

OVERVIEW

We are one of the leading diversified property companies in Indonesia in terms of our market capitalization on the Indonesian Stock Exchange (“IDX”), assets, revenue and net profit. We develop residential, commercial and retail properties, and light industrial areas throughout Indonesia, with the majority of our current developments based in and around five major cities in Indonesia, including Jakarta, Makassar and Manado. In addition, as of December 31, 2013, we operated 16 hospitals, including four that commenced operations in 2013. As of December 31, 2013, we also owned three and leased two Aryaduta-branded hotels, had three hotels under development, managed three hotel properties owned by third parties under the Aryaduta brand, provided a broad range of infrastructure services to the residents of our developments, and provided other property management and REIT management services. For the year ended December 31, 2013, our total revenues were Rp6,666.2 billion (US\$546.9 million) and our EBITDA was Rp1,801.0 billion (US\$147.8 million). Our market capitalization as of March 28, 2014 was Rp25,039.3 billion (US\$2,054.3 million) based on the closing price per ordinary share on the IDX of Rp1,085 as of March 28, 2014.

At December 31, 2013, 51.9% our revenues were derived from recurring income (including revenues from the operation of our healthcare, hospitality and infrastructure business units and fees earned by our property and portfolio management business unit), and 48.1% of our revenues were derived from development income (including the development and sale of residential, commercial and retail and light industrial properties).

Our first project, which commenced construction in January 1993, was the urban development “Lippo Karawaci”, in the regency of Tangerang, approximately 30 kilometers west of, and accessible by a toll road from, central Jakarta. Renamed “Lippo Village”, the development was designed as a self-contained “Edge City” beyond the boundaries of Jakarta. Lippo Village has since evolved into a modern and integrated city with extensive infrastructure facilities, offering a potable water and sewage reticulation and treatment system (which is unique in Indonesia), firefighting, security, road and drainage construction and maintenance and traffic management services, the provision of electricity, telephone and broadband internet and all aspects of home care and building management. As of December 31, 2013, Lippo Village had a population of approximately 58,000 residents and provided approximately 48,600 jobs.

Through our two significant publicly-listed subsidiaries, PT Lippo Cikarang Tbk. and GMTD, of which we own 54.4% and 54.0%, respectively, we have developed and currently operate urban developments at “Lippo Cikarang” in Bekasi and “Tanjung Bunga” in Makassar, respectively. These subsidiaries were listed on the IDX on July 24, 1997 and December 11, 2000, respectively. Lippo Cikarang was launched in October 1993 and Tanjung Bunga in June 1997.

Our operations are organized into six business units:

- *Urban Development*, which includes the development and sale of residential, commercial, light industrial properties and memorial parks, all of which are on landed properties. We are internationally recognized and have won awards for our pioneering development of “Edge Cities” in Indonesia. “Edge Cities” are designed and constructed with all necessary infrastructure to establish self-contained urban communities beyond the boundaries of larger cities. As of December 31, 2013, our three urban developments, Lippo Village, Lippo Cikarang and Tanjung Bunga, had a combined population of approximately 113,250 residents and 28,393 houses and employed more than 410,095 workers. For each of our urban developments, we identified large tracts of undeveloped land which were in close proximity to larger cities, offering significant appreciation potential at a relatively inexpensive cost. Urban development accounted for approximately 28.3% of our total revenues and had EBITDA of Rp572.2 billion (US\$46.9 million) for the year ended December 31, 2013, a decrease from Rp830.1 billion for the year ended December 31, 2012.
- *Large Scale Integrated Development*, which includes the large scale development and sale of residential properties, office space and retail, hospitality, leisure, education and healthcare facilities, typically on a high-rise basis, together in one location. We are currently developing two large scale integrated developments containing residential properties, office space and entertainment, education and healthcare facilities within the same location — Kemang Village in South Jakarta and The St. Moritz in the newly developed central business district in West Jakarta. The first phase of Kemang Village was completed in

the first quarter of 2011 with final completion of the development scheduled in 2017. The first phase of The St. Moritz has been completed, with final completion of the development scheduled in 2018. We have already developed the CITO, our first large scale integrated development in Surabaya. Large scale integrated development accounted for approximately 16.8% of our total revenues and had EBITDA of Rp479.6 billion (US\$39.3 million) for the year ended December 31, 2013, an increase from Rp294.7 billion for the year ended December 31, 2012.

- *Retail Malls*, which includes the development and ownership of malls. As of December 31, 2013, we had completed six leased malls and eight strata-titled malls with a total gross floor area of 1,017,714 square meters and had two malls in different stages of planning and construction. In 2013, we opened Lippo Mall Kuta in Bali, with a gross floor area of 33,416 square meters and net leasable area of 20,190 square meters. Since the beginning of 2013, we have commenced construction of two additional malls, one in Yogyakarta and one in West Jakarta, which are expected to be completed in third quarter of 2014 and 2015, respectively. Retail malls accounted for approximately 3.0% of our total revenues and had EBITDA of Rp130.0 billion (US\$10.7 million) for the year ended December 31, 2013, an increase from Rp62.9 billion for the year ended December 31, 2012.
- *Healthcare*, which includes the operation of hospitals and medical facilities. As of December 31, 2013, we operated 16 hospitals. Seven of these hospitals are located in Greater Jakarta and the other nine are located in Surabaya, Balikpapan, Palembang, Jambi, Manado, Makassar and Bali. Nine of the hospitals are owned by First REIT and leased to us. In 2013, we opened four new hospitals, which we also operate, in South Jakarta and Bali. Our medical facilities offer a comprehensive range of specialist medical services, including surgical procedures, as well as laboratory services, radiology and imaging facilities, general healthcare services and diagnostic and emergency services. As of December 31, 2013, our hospitals had a combined capacity of 1,985 operational beds. In September 2013, our wholly-owned subsidiary, PT Siloam International Hospitals Tbk, which operates our healthcare business unit, completed its initial public offering on the Indonesia Stock Exchange. Healthcare accounted for approximately 37.6% of our total revenues and had EBITDA of Rp278.4 billion (US\$22.9 million) for the year ended December 31, 2013, an increase from Rp197.3 billion for the year ended December 31, 2012.
- *Hospitality and Infrastructure*, which includes the ownership, lease and operation of hotel properties, restaurants and recreational facilities and other related infrastructure in multiple locations throughout Indonesia. In addition, we provide town management services such as security, water and sewage treatment, garbage collection, landscaping, roads and drainage maintenance and public transportation services to the residents of our urban developments. Our hotel operations are offered under the “Aryaduta” brand, one of Indonesia’s largest five-star hotel groups by number of rooms. We currently own three and lease two Aryaduta-branded hotels, in addition to another three hotels under development. Hospitality and infrastructure accounted for approximately 9.9% of our total revenues and had EBITDA of Rp229.3 billion (US\$18.8 million) for the year ended December 31, 2013, an increase from Rp227.6 billion for the year ended December 31, 2012.
- *Property and Portfolio Management*, which includes REIT management and property management services for malls and hotel operators. We currently manage First REIT (through our wholly owned subsidiary, Bowsprit Capital Corp. Ltd) and LMIRT and receive fee-based income for the management of these REITs. We also manage three Aryaduta-branded hotels owned by third parties. We originally managed LMIRT through a joint venture with Mapletree. In 2011, we acquired Mapletree’s 40% stake in the management company, providing us with 100% ownership in the management company of LMIRT. In addition, we act as property manager for 34 malls with over 16,000 shops, with a total gross leasable area of nearly 2.0 million square meters and net leasable area of 1.0 million square meters. Property and portfolio management accounted for approximately 4.5% of our total revenues and had EBITDA of Rp111.5 billion (US\$9.1 million) for the year ended December 31, 2013, a decrease from Rp122.7 billion for the year ended December 31, 2012.

COMPETITIVE STRENGTHS

We believe that our principal competitive strengths include:

Leadership among broad based property companies in Indonesia

We are one of the leading broad based property companies in Indonesia in terms of our market capitalization on the IDX, assets, revenue and net profit. Our operations are organized into six broad business units, with

operations located in multiple locations in Indonesia, providing us with diversity and operating presence in several rapidly developing areas, in particular Jakarta. Our efforts and contributions to the real estate sector in Indonesia have been recognized by the industry through several awards, including the Real Estate Award by Euromoney — “Best Developer in Indonesia” for 2012, 2011, 2009, 2008, 2007 and 2005. We were also awarded the “Best Developer in Indonesia” award by the South East Asia Property Awards for 2013, 2012 and 2011.

We believe that the size and diversity of our business units and our track record of success provide us with a stable platform to grow our businesses and allow us to pursue large scale, high profile development opportunities. We also believe that it enables us to benefit from economies of scale in negotiating with key material suppliers for favorable cost components and volume discounts. We believe the diversity of our products also provides us with significant channels for cross-selling across our business units. It also helps us to successfully mitigate the adverse impact of the cyclical nature of our business units on our profitability and cash flows. We have used our brand name to bolster our marketing initiatives across our business units.

Large and high-quality landbank, particularly around Jakarta

We believe that our landbank of approximately 1,569 hectares as of December 31, 2013 is among the largest held by Indonesian property companies and serves as a platform for the expansion of our existing and future development projects. We anticipate that our landbank will be sufficient for our planned development projects for the next ten years. We acquired portions of our landbank in individual parcels over a period of time, when land prices were relatively inexpensive, and continue to develop our landbank assets when market and pricing conditions are favorable, which allows us to competitively price our development projects and pursue our targeted profit margins. Our policy is to maintain a landbank sufficient for ten years of future development, subject to price, availability and quality. In addition, our operations are located within some of the most developed regions in Indonesia. Our significant presence in the property market in Greater Jakarta, one of the fastest growing regions in Indonesia, reflects our belief that this area offers high consumer demand which is currently underserved.

High proportion of stable recurring revenues

We believe that the recurring revenues generated by several of our business units, particularly healthcare, provide us with an advantage over our competitors who are not as diversified and thus subject to greater fluctuation in revenue from the cyclical nature of the property market. Our total recurring revenue for the years ended December 31, 2013, 2012 and 2011 were 51.9%, 42.4% and 47.9%, respectively, of our total revenues. The increase in recurring revenue as a percentage of total annual revenue in 2013 was primarily due to an increase in the revenue generated by our healthcare business unit in 2013. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Results of Operations for the year ended December 31, 2013 as compared to the year ended December 31, 2012”. We plan to continue with our strategy to grow recurring revenue, both on an absolute basis and as a percentage of total revenue, as we believe that the significant recurring revenue component of our total revenues assists us to mitigate the cyclical nature of our development business units and enables us to be resilient during economic downturns. In particular, we believe our healthcare business unit differentiates us from our competitors by providing a stable source of income. In the past, we have maintained our recurring revenues as a significant component of total revenues, and are planning in the future to expand our recurring income business units by developing more hospitals and retail and commercial properties on a leasehold basis, thereby strengthening our recurring income streams.

Track record of recycling capital

In December 2006, we sponsored the establishment of First REIT, the first real estate investment trust on the Singapore Stock Exchange to own Indonesian assets as well as the first healthcare real estate investment trust listed on the Singapore Stock Exchange. In 2007, we also sponsored the establishment of LMIRT, a REIT which holds retail assets in Indonesia that is also listed on the Singapore Stock Exchange. In November 2012, we completed the sale and lease-back of two of our hospitals, Siloam Hospitals Makassar and Siloam Hospitals Manado, and one of our hotels, Hotel Aryaduta Manado for a total of approximately S\$142.9 million to First REIT. In December 2012, we completed the sale of two of our malls, namely Pejaten Village and Binjai Supermall, to LMIRT for an aggregate consideration of Rp731 billion and Rp148 billion, respectively. In May 2013, we completed a sale and leaseback of Siloam Hospitals Denpasar and Siloam Hospitals Simatupang to First REIT for a total consideration of S\$140.4 million. We are the first Indonesian developer to utilize such vehicles, which allows us to unlock value from stabilized assets, recycle capital, earn management fees and deploy proceeds from selling assets to the REITs to invest in new opportunities.

Strong financial position

We actively manage our working capital requirements by pre-selling our developments, particularly in our urban development and large scale integrated development business units, which enables us to fund our construction costs without significant third-party financing. As of December 31, 2013, 98% of Phase I and Phase II of our Kemang Village development and 89% of Phase I and Phase II of our The St. Moritz development had been pre-sold. We also actively recycle capital through the selling of assets to the REITs to allow us to invest in new opportunities.

Experienced management team

We have a highly experienced management team with deep industry knowledge across our business units. The 15 members of our board of directors and senior management team have an average of approximately 25 years of experience in the property industry. Together they form a talented and experienced leadership team. We believe that our management team follows a prudent approach in order to implement a balanced growth strategy. Most of our senior management team have worked together for more than five years.

STRATEGY

Through our six diverse business units, we endeavor to meet the needs of Indonesia's growing segment of middle and upper-middle class consumers in housing, healthcare, recreation and entertainment. By drawing on our competitive strengths, we believe we have developed clear and focused strategies for our urban, commercial, retail, and light industrial developments as well as our healthcare, hospitality and infrastructure and property management activities to achieve consistent and sustainable growth and to expand our recurring revenue base through all of our business units. We also strive to optimize the value of our assets through active asset management and capital recycling. We seek to manage our balance sheet prudently by only expanding in growth markets and diversifying our business where appropriate.

Our strategy includes the following:

Grow our business units organically

We strive to grow each of our business units organically and to foster marketing synergies among these segments. We believe we are well positioned to benefit from the increasing demand of the young and growing middle-upper income population in the housing, healthcare and retail sectors and GDP growth in Indonesia.

In particular, for each of our business units, we are focused on the following strategies:

- *Urban Development* — In addition to continuing to expand our existing urban developments, we intend to focus on acquiring small land parcels in strategic locations to develop smaller, targeted residential areas and developing apartments and condominiums in urban areas targeted at the growing and increasingly wealthy middle to upper-middle class in Indonesia. Our policy has been to acquire undeveloped land in Indonesia with the potential for economic and population growth. As of December 31, 2013, approximately 77% (by area) of our landbank is located in Greater Jakarta, one of Indonesia's fastest growing regions. We also plan to develop commercial and retail developments (including office buildings) in strategic locations within Indonesia, which we believe exhibit strong retail growth potential and are underserved by existing developments. We also plan to develop high-rise strata title mixed use projects, including residential apartments, retail malls and office buildings, which we believe will improve our land utilization rate without having to acquire significant additional landbank in the near future. From time to time, we consider selling land as land prices rise to exploit favorable market conditions, such as our 2011 increased sales of industrial land at Lippo Cikarang.
- *Large Scale Integrated Developments* — We are focused on the completion of the Kemang Village and The St. Moritz developments. Further, we will seek to exploit our product diversity by incorporating a number of products from our other business units into our large scale integrated developments.
- *Retail Malls* — We intend to strengthen our retail malls segment through building more malls including approximately 12 to 18 new malls to be constructed or acquired within the next seven years. Given the strong consumption-driven growth Indonesia has recently experienced, we are looking to capitalize on the

growing retail market through our expansion, and hope to increase our market share in the retail mall space by broadening our mall portfolio nationwide. Further, we aim to improve profitability from our existing leased malls by improving our tenant mix and rental margins. We will also focus on completing projects under development and intend to sell our retail mall developments to LMIRT once the assets are stabilized.

- *Healthcare* — We plan to expand our healthcare network by opening five additional hospitals in strategic locations within Indonesia during 2014. We have a long-term plan to expand our healthcare network by up to 24 new hospitals, which are expected to be constructed or acquired over the next three to five years. The supply of hospital services in Indonesia is currently unable to meet the demand of the country's population of approximately 240 million people. We aim to further penetrate this underserved market and, through our expansion, increase the availability of quality healthcare to a significant portion of the Indonesian population. We aim to broaden our target market to include the growing middle and lower-middle classes. We intend to continue providing quality healthcare services at international standards with advanced equipment and telemedicine and strong doctor relationships. We intend to intensify our marketing efforts to promote our "Siloam Hospitals" brand name. In addition to providing greater services to the traditionally underserved Indonesian healthcare market generally, we believe the high quality services and specialty treatments in our Siloam Hospitals will attract a portion of the significant number of Indonesians who regularly seek similar specialist treatments in other countries. For example, in the third quarter of 2011 we opened MRCCC, one of Indonesia's first comprehensive cancer centers, which provides specialist services previously unavailable in Indonesia.
- *Hospitality and Infrastructure* — We intend to strengthen our branding efforts and intensify our marketing efforts and incentives to business travelers to increase occupancy rates and income from meetings, conventions and exhibitions in each of our hotel properties. We will also continue to explore new opportunities to develop hotel properties within Indonesia. We also plan to continue to develop this business unit's leading reputation for providing high quality town management services by ensuring consistency of services across all of our developments to enhance and improve the living environments of our residents.
- *Property and Portfolio Management* — We plan to continue growing our fee-based income arising from managing an enlarged portfolio of malls and hotels developed by ourselves as well as from managing the REITs.

Prudent balance sheet management

We strive to maintain an appropriate level of leverage and a strong cash position to increase our ability to respond quickly and competitively to investment or development opportunities. In addition, we have available credit facilities which may be utilized to fund growth and expansion.

Our recurring income stream can be utilized to finance our development projects, thereby reducing our reliance on external funding. In addition, our recurring revenues reduce the volatility of our overall income stream inherent in the property development business.

We intend to also recycle capital through our strategy of asset divestment. By undertaking sale and leaseback transactions involving certain of our hospital assets with First REIT and selling certain of our retail assets to LMIRT, we expect to optimize capital usage and the value of our assets. We will then be in a position to utilize sale proceeds to finance future projects. Currently, nine of the hospitals we operate are owned by First REIT and leased back to us. In November 2012, we completed the sale and lease-back of Hotel Aryaduta Manado, Siloam Hospitals Makassar and Siloam Hospitals Manado with First REIT. The term of the lease is for 15 years, with an option to renew for a further terms of 15 years. In December 2012, we completed the sale of two of our malls, namely Pejaten Village and Binjai Supermall, to LMIRT for an aggregate consideration of Rp731 billion and Rp148 billion, respectively. In May 2013, we sold Siloam Hospitals Denpasar and Siloam Hospitals Simatupang to First REIT for a total consideration of S\$140.4 million.

Continue growth in recurring revenues

We intend to continue growing our recurring revenues to reduce the volatility of our overall income stream inherent in the property development business. In particular, we plan to develop retail and commercial projects on a leasehold basis through which we will receive rental income, as well as expand our hospital and property management portfolio. Our growing recurring revenue as a percentage of total revenue as well as on an absolute basis remains a key focus and differentiating competitive advantage of the Group.

Optimize corporate and capital structure

We intend to explore options to optimize our corporate and capital structure in the future, which may include, among other things, the public listing of, or private sales of minority interests in, one or more of our subsidiaries, including those that generate recurring revenue. In September 2013, our subsidiary, PT Siloam International Hospitals Tbk, which operates our healthcare business unit, completed its initial public offering on the Indonesia Stock Exchange. We currently operate and manage six main business units, all of which are owned by us. For operating efficiency, accounting, financing and taxation purposes, we may restructure the ownership and operation of some or all these business units through our current or future subsidiary companies, and further explore the potential public listing of, or private sales of minority interests in, such subsidiaries.

BUSINESS STRUCTURE

Our operations are organized into six business units: urban development; large scale integrated development; retail malls; healthcare; hospitality and infrastructure; and property and portfolio management. The following table sets forth the operations of these business units as of December 31, 2013.

Urban Development	Large Scale Integrated Development ⁽¹⁾	Healthcare	Hospitality and Infrastructure	Retail Malls ⁽²⁾	Property and Portfolio Management
<ul style="list-style-type: none"> Lippo Village Lippo Cikarang Tanjung Bunga San Diego Hills Memorial Park 	<ul style="list-style-type: none"> CITO Kemang Village St. Moritz Park View Apartments @ Depok Nine Residences @ Kemang Utara Holland Village Lippo Thamrin 	<ul style="list-style-type: none"> 16 hospitals Five additional hospitals, three of which is expected to be operational by first half of 2014 while the other two are expected to be operational by the second half of 2014 	<ul style="list-style-type: none"> Five five-star hotels Three five-star hotels in progress Hotel operator Town management Restaurants Country club Golf course Recreational facilities 	<ul style="list-style-type: none"> Six leased malls Eight strata-titled malls Two additional retail malls one of which is expected to be opened at third quarter of 2014 with the other expected to open in 2015 	<ul style="list-style-type: none"> REIT manager of First REIT and LMIRT Retail property manager - 34 malls Three third-party five-star hotels under management

(1) In the first quarter of 2014, we launched two additional large scale integrated developments, namely, Embarcadero Park and St Moritz Makassar.

(2) Strata-titled malls are malls that are stratified and sold on an individual unit basis. We retain ownership of the unsold units and common areas. Leased malls are malls that are held en-bloc by us and held for leasing only.

In addition to our two significant subsidiaries, GMTD and PT Lippo Cikarang Tbk, for Indonesian property development licensing reasons, we operate several of our business units through a significant number of subsidiaries and affiliated companies.

PROPERTIES

The following table provides information regarding our existing properties as of December 31, 2013:

Development	Development Rights ⁽¹⁾	Acquired Land	Developed Land	Land Sold	Landbank ⁽²⁾ & Landbank ⁽²⁾ &	Inventory
					Inventory (Gross) ⁽³⁾	Inventory (Net) ⁽⁴⁾
(Hectares)						
Lippo Village	3,171	1,321	887	891	430	360
Lippo Cikarang.....	3,251	2,809	2,487	2,139	670	542
Urban residential	887	980	937	692	288	190
Light industrial	2,364	1,829	1,550	1,447	382	352
Tanjung Bunga.....	1,500	644	435	280	364	310
San Diego Hills Memorial Park	125	121	121	16	105	96
Total	<u>8,049</u>	<u>4,895</u>	<u>3,940</u>	<u>3,326</u>	<u>1,569</u>	<u>1,308</u>

(1) Development Rights is defined as the total land the Company can acquire in an area based on a Government decision letter.

(2) Landbank is defined as acquired land minus land sold.

(3) Landbank & Inventory (Gross) is defined as the total land owned by the Company, including land used for infrastructure.

(4) Landbank & Inventory (Net) is defined as the total land owned by the Company minus land used for infrastructure.

In December 2006, we sponsored the establishment of First REIT, the first real estate investment trust listed on the Singapore Stock Exchange to own Indonesian assets as well as the first healthcare real estate investment trust listed on the Singapore Stock Exchange. The principal assets we sold to First REIT in October 2006 were Siloam Hospitals Lippo Village, Siloam Hospitals Kebon Jeruk, Siloam Hospitals Surabaya and Hotel Aryaduta Lippo Village. To ensure that we are able to continue our operations at these properties, First REIT leased these assets back to us on the basis of a long-term lease of 15 years, with a renewal option for an additional similar term exercisable by us. In December 2010, we sold one of our hospitals, Siloam Hospitals Lippo Cikarang, to First REIT and First REIT also acquired an additional hospital, MRCCC. We then leased Siloam Hospital Lippo Cikarang and MRCCC from First REIT for a period of 15 years. Rental payments under such lease are fixed, subject to annual rental adjustments. In November 2012, we completed the sale and lease-back transactions for Siloam Hospitals Manado and Makassar and Hotel Aryaduta Manado with First REIT. The term of the lease is for 15 years, with an option to renew for a further terms of 15 years. In June 2012, we acquired an additional 43,000,000 units in First REIT for S\$38.3 million and, as of December 31, 2013, we owned 33.4% of the total units in the First REIT which accounts for 235,807,453 of the 706,629,453 total units. In May 2013, we sold Siloam Hospitals Bali and Siloam Hospitals Simatupang to First REIT for an aggregate amount of S\$140.4 million.

In 2007, we sponsored the establishment of the LMIRT, a REIT which holds retail assets in Indonesia that is also listed on the Singapore Stock Exchange. The LMIRT is managed by LMIRT Management Ltd. (“LMI”) our wholly-owned subsidiary. We originally managed LMIRT through a joint venture with Mapletree and, in 2011, we acquired Mapletree’s 40% stake in the management company. As of December 31, 2013, we owned 27.6% of the total units which accounts for 676,589,968 of the 2,453,307,080 total units. In December 2012, we completed the sale of two of our malls, namely Pejaten Village and Binjai Supermall, to LMIRT for an aggregate consideration of Rp731 billion and Rp148 billion, respectively.

LANDBANK

We believe that our landbank is among the largest of all Indonesian property developers. As of December 31, 2013, our total acquired land was approximately 4,895 hectares and landbank available for development was approximately 1,569 hectares. Based on our rate of land consumption during the last five years, we believe that our current landbank will be sufficient to meet our anticipated development needs for the next 10 years. Our landbank primarily consists of land in and around our Lippo Village urban development, Lippo Cikarang urban development, Tanjung Bunga urban development and San Diego Hills Memorial Park.

Our policy has been to acquire large tracts of undeveloped land in certain strategic locations in Indonesia to take advantage of economic and population growth in these areas. We believe such land generally offers good potential for appreciation in value and can be developed at a lower cost than areas that have already undergone significant development. Approximately 77% (by area) of our landbank is in Greater Jakarta, one of Indonesia’s fastest growing regions, with a population of approximately 17 million people with an additional one million people commuting into the area each day. All of our landbank is held through HGB Title. See “Regulation — Land Ownership and Acquisition Regulation” for further details regarding HGB Title.

Our policy is, to the extent possible, to maintain the overall size of our current landbank by acquiring land at a similar rate to that utilized, subject to price and suitability. By continually replenishing our landbank, we believe that we are able to support the operations of our urban development and large scale integrated development business units by ensuring that we continually hold sufficient land suitable for development.

URBAN DEVELOPMENT

Our urban development business unit focuses on the development and sale of residential, commercial and light industrial properties and memorial parks. In developing our properties, we focus on selecting strategic locations, building quality infrastructure and utilizing designs that integrate with their surroundings. We employ domestic and foreign consultants and technical advisors to help implement this approach. While our developments are generally targeted at specified income bracket consumers (for example, Lippo Village is targeted at middle to upper-middle income level consumers and Lippo Cikarang is targeted at middle income level consumers), as is mandated by Indonesian law, our residential developments include properties for different income levels.

The table below sets forth our consolidated revenues generated by our urban development business unit in the periods noted.

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
Urban Development Sales.....	1,265.8	2,358.2	1,883.7	154.5
Cost of Sales and Services	655.1	1,144.8	835.6	68.6
Gross Profit	<u>610.7</u>	<u>1,213.4</u>	<u>1,048.1</u>	<u>86.0</u>

In our urban developments, we have historically identified large tracts of undeveloped land and sought to acquire such land at low cost. Pursuant to Indonesian regulations on acquiring parcels of land, we obtain development rights from local authorities over such land and land surrounding it, which gives us rights to purchase the surrounding land, pursuant to the development rights that we hold. We then negotiate with landowners to purchase the necessary surrounding land. With the assistance of internationally recognized planners, engineers and architects, we create a master development plan for the project and construct the infrastructure necessary to attract our target consumers. Our operating model in residential areas is to develop key infrastructure before constructing properties, which we believe enables us to maximize marketing and selling opportunities.

We have pioneered the development of complete urban areas in Indonesia, which we believe appeal to Indonesian consumers in the middle to upper-middle income segment. By building five-star hotels, high quality hospital facilities, international standard educational facilities, community clubhouses and sports and recreational facilities and offering security, fire fighting and on-call maintenance services within our urban developments, we seek to meet the requirements and expectations of increasingly affluent Indonesian consumers.

Development of projects is undertaken in close coordination with our planning and marketing departments to ensure that the project's development concept and strategy are consistent with market needs and preferences. Development and construction work is carried out by independent contractors. We select our contractors on the basis of competitive bidding and our prior experience with specific contractors. Residential projects in our urban developments generally take approximately one to two years from the time construction begins until completion.

The urban environment is an important part of our development. Approximately 57,000 trees have been planted at Lippo Village since 1993 and similar projects have been undertaken at Lippo Cikarang and Tanjung Bunga. We believe that our urban environment concept is indicative of our dedication to safe and healthy living environments for our customers, and that such a commitment has significantly enhanced the competitiveness of our projects and enabled us to realize higher prices per square meter of land sold in our completed developments. Average prices of residential land sold in our Lippo Village urban development have increased by a compounded annual growth rate of 66% per year in Rupiah terms from 1993 to 2013 (47% in US\$ terms).

We are recognized internationally for our property developments, having won the Real Estate Award by Euromoney under the category "Best Developer in Indonesia" for 2005, 2007, 2008, 2009, 2011 and 2012. We were also awarded "Best Developer in Indonesia" for 2011, 2012 and 2013, "Best Condo Development (Indonesia)" by the South East Asia property awards for 2011 and 2013, and "Best Developer in South East Asia" in 2013. In 2012, we were named as one of "The Best 20 Most Admired Company in Indonesia" by Fortune (Indonesia) and "Indonesia Sustainable Business Award 2012 as Industry Champion Building and Property and Industry Champion Healthcare" and also awarded runner-up of FIABCI Award for Master Planning of Lippo Village Township. In 2013, we received the "Indonesia Sustainable Business Award 2013 as Industry Champion Healthcare".

The following table provides information as of December 31, 2013 regarding our major urban developments:

Projects	Province	Total Developed Area (Hectares)	Landbank (Hectares)	Residential Units (Completed)	Date of Launch
Lippo Village	Banten (West of Jakarta)	887	430	12,037	1993
Lippo Cikarang	East of Jakarta	2,487	670	13,576	1991
Tanjung Bunga	South Sulawesi	435	364	6,292	1997
San Diego Hills Memorial Park.....	Karawang, West Java	121	105	N/A	2007
Total		<u>3,930</u>	<u>1,569</u>	<u>31,905</u>	

Lippo Village

The Lippo Village urban development was our first significant project. It was launched in 1993 and is located approximately 30 kilometers west of, and accessible by toll road from, central Jakarta. We began pre-selling and marketing residential properties in the development in 1992. Our target residential consumers are middle to upper-middle income consumers. The development currently has a population of approximately 58,000 residents and has been developed on an area of approximately 887 hectares of land out of a total of 1,321 hectares of land we own. The development includes houses, shophouses and five apartment/condominium towers (with a total of 12,037 units) and has become a regional center for office properties, shopping, education, healthcare, entertainment and recreation facilities (including a five-star hotel, resort and 67-hectare golf course). In particular, high quality healthcare services are provided at Siloam Hospitals Lippo Village, while Pelita Harapan University and internationally accredited English language educational institutions offer preschool to tertiary level education facilities

Our hospitality and infrastructure business unit manages the infrastructure and public facilities within the Lippo Village urban development. We have constructed more than 112 kilometers of roads within the development. We own 430 hectares of land, more than 50.0% of which we have already developed infrastructure on, and have development rights in respect of 3,171 hectares.

The Lippo Village urban development includes:

Residential Housing — We offer consumers a range of residential housing options. The development consists of 12,037 residential units including townhouses, shophouses, and terraced, semi-detached and individual detached homes varying in lot size from 66 square meters to 2.5 hectares, which have been sold. The Pinangasia, Palais de Europe and Centrum Shophouses are three-story shophouses which have been constructed at several locations within the development. Shophouses are designed with the first two stories intended for commercial use and the upper-most floor intended for living. All shophouses have been built in areas intended for combined commercial and residential use 1,160 shophouses had been constructed as of December 31, 2013.

Apartments/Condominiums — We have developed three high-rise housing complexes in Lippo Village with a total of 1,120 residential apartment units. The Village Golf Condominiums consist of two towers of 18 and 20 stories, respectively, and are set on a 1.4-hectare site. As of December 31, 2013, all units in the Village Golf Condominiums had been sold with the majority occupied. The Amartapura Condominiums, built in conjunction with a joint venture partner, consist of two towers with 40 and 50 stories, respectively. The Matahari Tower Condominium consists of one tower of 40 stories with 131 units.

Other Housing — We also market and sell a small amount of larger area ready-to-build sections of land within the Lippo Village urban development. Purchasers can select their own house designs within established design parameters. Building design and construction is strictly monitored by our building control division to ensure compliance with our building code.

Facilities at Lippo Village

Educational Facilities — Lippo Village has a number of English language Indonesian schools from preschool to tertiary levels, which offer International Baccalaureate accredited educational services and some of which have been accredited by the Council of the International Schools, among others. Sekolah Pelita Harapan was the first

international school to be so accredited. We lease a small amount of land to Pelita Harapan University on which some of their buildings are located.

Hospital — The Siloam Hospitals Lippo Village was opened in 1996 and has a current capacity of 251 operational beds. The hospital has a strong reputation in Indonesia and was the first hospital in Indonesia to receive the US-based Joint Commission International (“JCI”) Accreditation. It mainly serves the health needs of Lippo Village’s residents and other medical patients from around Indonesia. We have Centers of Excellence in cardiac medicine and neuroscience at the hospital. In October 2006, we sold the hospital to First REIT and then leased it back for a period of 15 years. The hospital’s operations are managed under our Healthcare business unit. See “— Healthcare — Siloam Hospitals Lippo Village”.

Teaching Hospital — Siloam General Hospital, which is a teaching hospital located next to Siloam Hospitals Lippo Village, opened in the second quarter of 2012 as part of our initiative to meet the needs of the local community by providing services primarily to middle and lower income patients. It has a current capacity of 160 operational beds (with an expected future capacity of 300 beds).

Hotel — The Hotel Aryaduta Lippo Village, a five-star, eight-story, 191-room hotel, serves the needs of visitors to the Lippo Village urban development and also the surrounding area. In October 2006, we sold the hotel to First REIT and then leased it back for a period of 15 years. The hotel’s operations are managed under our hospitality and infrastructure business unit and is also part of our property and portfolio management business. See “— Hospitality and Infrastructure — Hotels”.

Shopping Facilities — The Supermall Karawaci, covering over 210,000 square meters, is one of the largest and most modern retail shopping malls in Indonesia. Anchor retailers of the mall include Matahari Department Store, Hypermart, Ace, Gramedia Bookstore, Debenhams, and Cinema Studio 21. We originally developed the mall in 1993 and subsequently sold the property to an unrelated party in 1998. In 2004, we reacquired a small ownership interest in the mall.

Golf Course and Clubhouse — The 67-hectare Imperial Klub Golf course, designed by Mr. Desmond Muirhead, as well as a clubhouse opened in January 1996. The Imperial Klub Golf is owned by us and managed by our hospitality and infrastructure business unit. See “— Hospitality and Infrastructure”.

Offices — There are currently four high-rise office buildings within the development which are owned and occupied by related and unrelated parties, including PT Bank CIMB Niaga Tbk., PT Matahari Putra Prima and PT Dynaplast Tbk. We developed each of the high-rise offices in response to ongoing demand for office space and subsequently have on-sold them to the named tenants above. To meet the anticipated future demand for office space in Greater Jakarta, we have set aside a significant portion of land for commercial development including office buildings.

Lippo Cikarang Residential and Light Industrial Estate (“Lippo Cikarang”)

Through our 54.4% owned subsidiary, PT Lippo Cikarang Tbk., we have developed an integrated real estate and light industrial development at Cikarang Bekasi Regency, approximately 40 kilometers east of central Jakarta. The development rights cover an area of approximately 3,251 hectares, of which 2,809 hectares have been acquired and 2,487 hectares developed. Similar to Lippo Village, in 1991 PT Lippo Cikarang Tbk. identified and acquired a large tract of undeveloped land located adjacent to several light industrial manufacturers, developed a master plan and constructed key infrastructure, before marketing residential options to consumers in 1992. Lippo Cikarang currently has a population of approximately 45,000 residents. The development has approximately 13,576 residential houses including 184 apartment units and supporting infrastructure, which includes shopping centers, schools, a hospital and a five-star hotel. The light industrial estate hosts more than approximately 1,000 light industry facilities with several well-known manufacturers such as PT Sanyo Electronics Indonesia, PT Indonesia Epson Industry, PT Danone Indonesia, PT Herlina Indah/Adem Sari, PT Inti Investasi Prima, PT Schott Igar, PT Gramedia and PT Kalbe Farma. We have constructed approximately 180 kilometers of roads within the development. Infrastructure and public facilities within the Lippo Cikarang development are managed by PT Lippo Cikarang Tbk through its subsidiary PT Great Jakarta Inti Development. PT Lippo Cikarang Tbk owns 310 hectares of land zoned for housing and 473 hectares of industrial lots at Lippo Cikarang that is available for future development.

Lippo Cikarang's target residential consumers are middle income consumers. The Lippo Cikarang development includes:

Residential Houses and Apartments — From 1992 to December 31, 2012, we sold approximately 13,576 residential homes in the development, together with the Crown Court Executives Condominium, a two tower, 12-story apartment complex, contain a total of 184 strata-titled units.

Lippo Cikarang also offers mixed-use residential and commercial properties in the form of shophouses. Approximately 892 shophouses have been constructed in several locations around the development, approximately 804 of which had been sold as of December 31, 2013.

Light industrial — Lippo Cikarang sells industrial sites and leases factory buildings to light industry manufacturers. Manufacturing activities at Lippo Cikarang are carefully regulated and monitored by third-party management companies which regularly report to us. Development of the 834-hectare industrial estate commenced in 1988, prior to the development of the residential area. More than 1,000 light industry factories have been built in the area, with total employment of approximately 350,000 people. Manufacturers that have established facilities at Lippo Cikarang to date include PT Sanyo Electronics Indonesia, PT Indonesia Epson Industry, PT Danone Indonesia, PT Herlina Indah/Adem Sari, PT Inti Investasi Prima, PT Schott Igar, PT Gramedia and PT Kalbe Farma.

Facilities at Lippo Cikarang

Educational Facilities — There are a number of schools in Lippo Cikarang, including the Pelita Harapan School, the International Islamic Boarding School, the Karya Iman School, the Anglo School and the Tunas Bangsa School.

Hospital — The Siloam Hospitals Lippo Cikarang, a general medical hospital, was opened in April 2002 and has a current operating capacity of 108 beds and is recognized as a Centre of Excellence for Occupational Medicine. In 2010, we sold the hospital to First REIT and then leased it back for a period of 15 years. The hospital's operations are managed under our Healthcare business unit. See “— Healthcare — Siloam Hospitals Lippo Cikarang”.

Hotel — The Sahid Jaya Lippo Cikarang Hotel is a five-star hotel with 112 rooms owned and operated by an unrelated third-party.

Shopping Center — The Mall Lippo Cikarang, a 49,250-square meter shopping center, was opened in February 1995. The mall was developed by PT Lippo Cikarang Tbk. and currently is owned by LMIRT. Anchor tenants include Matahari Department Store and Hypermart.

Offices — Pacific Tower is an eight story office complex on a one hectare site area and is owned and managed by Bank CIMB Niaga. To meet anticipated future demand for office space in Greater Jakarta, we have set aside a significant portion of land for commercial development including office buildings.

Tanjung Bunga Urban Development (“Tanjung Bunga”)

We have, through our 54.0% owned subsidiary GMTD, developed the Tanjung Bunga urban development in Makassar, South Sulawesi, Indonesia. Tanjung Bunga is the largest integrated community development in eastern Indonesia and currently covers a developed area of approximately 435 hectares. GMTD targets middle and upper-middle income consumers. GMTD has acquired a total of 644 hectares of land and we anticipate that the development will, over time, expand to cover an area of approximately 1,000 hectares for which we have development rights. Development commenced in 1997. Since then, GMTD has acquired a large area of undeveloped land, installed critical infrastructure, including a four and half kilometer causeway linking the development with the city of Makassar and subsequently constructed and sold residential housing.

The Tanjung Bunga development includes approximately 6,292 homes and has a population of approximately 9,878 residents. The development is unique in Makassar in that it includes both ocean front and river front properties. We are developing a Spanish-Mediterranean-style cluster of townhouses, medium-sized homes and condominiums called Espana Residences, which are anticipated to cover a four hectare site and consist of 6,136 residential units. We have 364 hectares of land at Tanjung Bunga in our landbank. The town has approximately 15.5 kilometers of sea coast frontage and 11.2 kilometers of riverside frontage.

Facilities at Tanjung Bunga include the 222-room, five-star Hotel Aryaduta Makassar operated by us and the GTC Makassar Shopping Center owned and operated by us (which is the largest retail shopping mall in eastern Indonesia). Hotel operations are managed under our Property and Portfolio Management business unit. See “— Property and Portfolio Management — Hotel Operator”.

San Diego Hills Memorial Park Development

The San Diego Hills Memorial Park, built on more than 100 hectares of land in Karawang, West Java, commenced commercial operations in January 2007. We occupy the property pursuant to a sale purchase and proxy agreement (*Perjanjian Jual Beli dan Kuasa*) made by PT Karawang Jabar Industrial Estate and PT San Diego Hills Memorial Park, a subsidiary of the Company. Single space and family burial plots are available in various denominational sections. The memorial park includes 14 hectares of facilities, including a multipurpose, multidenominational building, a chapel, a restaurant and food mart, a gift shop, and an eight hectare man-made lake. As of December 31, 2013, approximately 4,318 internments had been made and approximately 70.8% of the area available for marketing had been sold.

LARGE SCALE INTEGRATED DEVELOPMENT

Our large scale integrated development business unit focuses on the development and sale of residential properties, office space, retail, hospitality, leisure, education and healthcare facilities in one location. As of December 31, 2013, we had completed one large scale integrated development and had two other such developments under construction.

The following table provides information regarding our current large scale integrated developments:

Projects	Province	Total Developed Area (Hectares)	Landbank (Hectares)	Residential Units (Completed / Under Construction)	Year of Launch
City of Tomorrow	Surabaya	3.0	3.0	252	2005
Kemang Village	Kemang, South Jakarta	8.0	15.0	N/A	2007 ⁽¹⁾
The St. Moritz	Puri Indah, West Jakarta	8.0	11.0	N/A	2008 ⁽²⁾
Park View Apartments @					
Depok	Depok, West Java	— ⁽³⁾	— ⁽³⁾	N/A	2011
Nine Residences	Kemang Utara, South Jakarta	0.9	—	352	2013
Holland Village	Central Jakarta	4.1	—	239	2013
Lippo Thamrin	Central Jakarta	0.3	—	62	2013
Total		<u>24.3</u>	<u>29.0</u>	<u>604</u>	

(1) Overall construction estimated to be completed by 2017. As of December 31, 2013, approximately 98% of Phase I and Phase II of the development has been pre-sold.

(2) Overall construction estimated to be completed by 2018. As of December 31, 2013, approximately 89% of Phase I and Phase II of the development has been pre-sold.

(3) The Park View @ Depok is being developed on top of the existing Depok Town Square mall.

The table below sets forth our consolidated revenues generated by our large scale integrated development business unit in the periods noted.

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billions)			(US\$ millions)
Large Scale Integrated Development Sales	773.7	1,046.2	1,122.8	92.1
Cost of Sales	398.9	496.7	535.2	43.9
Gross Profit	<u>374.8</u>	<u>549.5</u>	<u>587.6</u>	<u>48.2</u>

Our development projects in this business unit include:

City of Tomorrow

Our City of Tomorrow development in Surabaya, East Java, was completed in 2009 on a 26,655-square meter site which we own. It is located at Waru roundabout, a high-traffic commercial area in Surabaya between high income residential areas in West Surabaya and the Juanda airport. The development, consisting of seven high rise towers, includes:

- a four-story strata-titled shopping center, with approximately 1,300 retail units and a total built area of approximately 111,633 square meters. Anchor retailers include Matahari Department Store, Hypermart, Timezone Australia, Pacific Bookstore and Cinema 21;
- eleven story five-star hotel with approximately 200 rooms (the Hotel Aryaduta Surabaya which we own and manage through our Hospitality and Infrastructure business unit); and
- condominiums offering approximately 200 residential units consisting of two and three bedroom units and two penthouses with a total built area of approximately 19,963 square meters designed by DP Architects Pte Ltd (the Aryaduta Residence), and six office towers offering 45,523 square meters of office space.

Total built area including the shopping center, hotel, condominium and office towers is approximately 206,438 square meters. As of December 31, 2013, approximately 79% of retail units had been sold.

Kemang Village

Our Kemang Village development is being built on an 15-hectare site in Kemang, South Jakarta. The development was launched in July 2007, and construction of the first three towers was completed as of December 31, 2013. The development includes a leased mall with a gross floor area of 130,000 square meters, a five-star JW Marriot Hotel which will be owned by us and managed jointly with JW Marriott, 11 condominium towers offering approximately 2,363 residential units including penthouses, Pelita Harapan School catering for around 1,200 students, the Kemang Village Country Club, a Siloam Hospital, and a spa. The development is strategically located in an area popular with expatriates and targets upper income consumers. The development has been designed by DP Architects Pte Ltd, and will include a total built area of approximately 640,000 square meters. School facilities in Kemang Village have been in operation since August 2010. Lippo Mall Kemang, managed by us, had its soft opening on September 26, 2012 and has a net leaseable area of 54,714 square meters. The "Bloomington Tower" apartment complex was launched in October 2012. Further towers are expected to be completed in phases before scheduled final completion of the project in 2015. As of December 31, 2013, 98% of the launched apartments units had been pre-sold. In 2013, Kemang Village received the South East Asia Property Award as Best Condo Development.

The St. Moritz

The St. Moritz development is scheduled to be built on a 11-hectare site in the new West Jakarta central business district at Puri Indah. The development is planned to include one of the largest shopping and entertainment complexes in Indonesia, a 200-suite five-star JW Marriott Hotel and Resort, one of Indonesia's tallest office towers, a Pelita Harapan School catering for around 1,000 students, a sports and country club, a hospital, a wedding chapel, a spa and an indoor Sea World amusement facility. The development is also planned to include an office tower in West Jakarta, which is expected to be completed in 2014 with a gross floor area of 20,280 square meters. As of December 31, 2013, 90% of the office tower has been pre-sold with the average selling price of Rp20.0 million/sqm. We launched the first phase of the development in August 2008 with plans for three residential condominium towers. The development has been designed by DP Architects of Singapore, and will include a total built area of approximately one million square meters. The first phase of The St. Moritz development has been completed, with final completion of the development scheduled in 2018. As of December 31, 2013, 89% of the launched apartments units had been pre-sold. In 2011, The St. Moritz received the South East Asia Property Award as Best Condo Development (Indonesia).

Park View Apartments @ Depok

The Park View Apartments @ Depok began construction in 2011 and consists of two apartment towers being constructed on top of the existing Depok Town Square mall in West Java. Tower I is designed to have a total area of 14,500 square meters with 450 units and Tower II is designed to have a total area of 14,000 square meters with 389 units with a total gross floor area of 31,500 square meters. As of December 31, 2013, 100% of the units in Tower I had been pre-sold with an average selling price of Rp8.5 million/sqm and 100% of the units in Tower II had been pre-sold with an average selling price of Rp8.9 million/sqm. The project is expected to be completed in June 2014.

Nine Residences @ Kemang Utara

Construction of Nine Residences @ Kemang Utara, South Jakarta commenced in the first quarter of 2013. The project consists of a two-tower apartment block with 352 units and is targeted for completion in 2015. As of December 31, 2013, 100% of the units in the development had been pre-sold with an average selling price of Rp17.4 million/sqm.

Holland Village

Holland Village, which is located in Central Jakarta, was launched for pre-sale in May 2013. The project consists of two tower apartment blocks with a total of 239 units and total area of 42,034 square meters. The development, when completed, is expected to also include a shopping mall, hospitals, office tower and school. As of December 31, 2013, all of the units in the development had been pre-sold at an average selling price of Rp19.0 million/sq m. Construction is expected to commence in the second quarter of 2014 and to be completed in 2016.

Lippo Thamrin

Lippo Thamrin, which is located in Central Jakarta, was launched for pre-sale in October 2013. The project consists of an office tower with 18 storeys and gross floor area of 16,476 square meters when completed. As of December 31, 2013, all of the units in the development had been pre-sold at an average selling price of Rp47.0 million/sq m. Construction is expected to commence in the second quarter of 2014 and to be completed in 2017.

St Moritz Makassar

St Moritz Makassar, which is located in Makassar, South Sulawesi, was launched for pre-sale in January 2014. The project, when completed, is expected to include a residential tower, hotel, mall, hospital, school, private members' club, lounge, movie theater, entertainment center and food and beverage outlets. The development is expected to have a total area of 27,000 square meters. As of March 2014, approximately 72% of the units in the apartment tower have been pre-sold at an average selling price of Rp19.6 million/sq m. Construction is expected to commence in the second quarter of 2014 and to be completed in the first quarter of 2018.

Embarcadero Park

Embarcadero Park, which is located in Bintaro, was launched for pre-sale in March 2014. The project, when completed, is expected to include two apartment towers, a shopping center, trade and entertainment centers, a hospital and three schools, with a total area of approximately 210,000 square meters. As of March 2014, approximately 82% of the units in the apartment towers have been pre-sold at an average selling price of Rp19.1 million/sq m. Construction is expected to commence in the fourth quarter of 2014 and to be completed in the first quarter of 2018.

HEALTHCARE

Our healthcare business unit currently operates 16 hospitals (including BIMC Kuta and BIMC Nusa Dua), with the principal line of business being the provision of healthcare services through (i) the operation of hospitals, (ii) the provision of health consultancy services and (iii) the provision of clinical and diagnostic services. We offer a comprehensive range of specialist medical services providing complex surgical procedures available in Indonesia, as well as laboratory services, radiology and imaging facilities, fertility treatment, general healthcare services and diagnostic and emergency services.

Two hospitals are located within our developments at Lippo Village and Lippo Cikarang, which offer the populations of these developments convenient access to comprehensive healthcare. The other hospitals are located in Jakarta, Surabaya, Jambi, Manado, Balikpapan, Makassar, Palembang and Bali.

Nine of the 16 hospitals we operate are owned by First REIT and leased to us. In November 2012, we completed the sale and lease-back of two of our hospitals, Makassar and Manado (together with Hotel Aryaduta Manado), to First REIT. The term of the lease is for 15 years, with an option to renew for a further term of 15 years. In May 2013, we sold Siloam Hospitals Bali and Siloam Hospitals Simatupang to First REIT for a total consideration of S\$140.4 million.

We currently have four other hospitals, which are located in Kupang, Medan, Yogyakarta and Bogor, under construction. Construction of the hospital in Medan is expected to be completed in the first half of 2014 while the other three are expected to be completed in the second half of 2014. In March 2014, First REIT agreed to

purchase Siloam Hospitals Purwakarta in West Java for approximately S\$31 million. The transaction is expected to be completed in the second quarter of 2014 and we will be operating the hospital through PT Siloam International Hospitals Tbk.

In September 2013, our wholly-owned subsidiary, PT Siloam International Hospitals Tbk, which operates our healthcare business unit, completed its initial public offering on the Indonesia Stock Exchange of approximately 14% of its total issued and outstanding shares, raising net proceeds of Rp1,404.9 billion. On March 18, 2014, we sold 82,500,000 shares in PT Siloam International Hospitals Tbk, our subsidiary which operates our healthcare business unit, for Rp10,400 per share. As a result, our shareholding in PT Siloam International Hospitals Tbk decreased from 86.0% to 78.9%. The net proceeds from the sale was Rp858 billion. We plan to use the proceeds for the development of hospitals and related property projects.

The table below sets forth the consolidated revenue generated by our healthcare business unit in the periods noted.

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billion)			(US\$ million)
Healthcare Sales	1,259.6	1,788.1	2,503.6	205.4
Cost of Sales	926.0	1,343.3	1,844.9	151.4
Gross Profit	<u>333.6</u>	<u>444.8</u>	<u>658.7</u>	<u>54.0</u>

Siloam Hospitals Lippo Village was the first Indonesian hospital to receive a JCI Accreditation and all of our hospitals have ISO Certification. In November 2010, the Indonesian Health Minister named our Siloam Hospitals Group Indonesia's only international hospital. We also won the "Indonesian Healthcare Services Provider of the Year: Best Practices" award from Frost & Sullivan in 2010, received an "Excellent" award from the Asian Hospital Management Awards in 2011 and received Indonesia Sustainable Business Awards 2013 as Industry Champion Healthcare.

We have entered into a memorandum of understanding with Singapore Health Services Pte Ltd ("SingHealth"), pursuant to which SingHealth will provide us with training of medical staff and we will make arrangements on a clinical basis to refer patients to SingHealth for certain types of specialty care. We market our healthcare products primarily to middle to upper-middle income consumers.

The following table provides information regarding our hospitals as of December 31, 2013:

	Siloam Hospitals Kebon Jeruk ⁽¹⁾	Siloam Hospitals Lippo Village ⁽¹⁾	Siloam Hospitals Lippo Cikarang ⁽²⁾	Siloam Hospitals Surabaya ⁽¹⁾	MRCCC ⁽³⁾	Siloam Hospitals Balikpapan	Siloam Hospitals Jambi	Siloam Hospital (Teaching Hospital)	Siloam Hospitals Manado ⁽⁴⁾	Siloam Hospitals Makassar ⁽⁴⁾	Siloam Sriwijaya Palembang ⁽⁴⁾	Siloam Hospitals Cinere	Siloam Hospitals Denpasar ⁽⁴⁾	Siloam Hospitals Simatupang ⁽⁴⁾	BIMC Nusa Dua	BIMC Kuta	Total
Start of operation ...	1991	1996	2002	1997	2011	2008	2004	2012	2012	2012	2012	2006	2013	2013	1998	2012	
Operational bed capacity	201	251	108	160	122	138	97	160	224	179	135	21	102	55	18	14	1,985
Medical staff:																	
General practitioners	47	40	23	15	29	13	12	23	12	11	18	2	6	0	28	25	304
Full-time specialists	30	68	19	—	27	25	15	18	10	11	17	5	20	22	2	—	289
Part-time specialists	134	121	45	114	103	54	28	—	53	55	76	—	58	48	22	9	593
Nurses	325	481	156	272	237	165	127	169	160	143	170	55	127	41	65	74	2,767
Building area (square meters) ...	19,798	27,284	11,125	9,042	50,576	14,047	3,892	13,744	12,811	14,307	16,666	4,480	28,900	18,831	1,342	9,769	
Land (square meters)	11,420	17,442	9,900	6,862	4,145	12,562	7,132	3,666	5,518	3,963	4,400	1,359	9,025	2,489	2,450	8,130	

(1) Siloam Hospitals Kebon Jeruk, Siloam Hospitals Lippo Village and Siloam Hospitals Surabaya are owned by First REIT and leased to us on a 15 year lease ending in 2021.

(2) Siloam Hospitals Lippo Cikarang is owned by First REIT and leased to us on a 15 year lease ending in 2025.

(3) MRCCC is owned by First REIT and leased to us on a 15 year lease ending in 2025.

(4) Siloam Hospitals Manado, Makassar, Denpasar and Simatupang are owned by First REIT and leased to us for a period of 15 years with an option for the parties to extend the lease for a further 15 years.

In connection with the specialist nature of our hospital facilities, we have developed “Centers of Excellence” in a number of specialist areas at our hospitals, including in the fields of cardiology, neuroscience, fertility treatment, urology, orthopedics, occupational medicine and gynaecology. We believe our Centers of Excellence are recognized in Indonesia as providing some of the most sophisticated services and care available in Indonesia. In particular, doctors practicing in competing public and private hospitals regularly recommend our services in such specialty areas. Our Centers of Excellence have also provided us the opportunity to train specialist doctors and nursing staff. We believe our reputation and training has also helped us to retain trained medical staff in our hospitals. In Indonesia, doctors are independent and not employed by hospitals and as a result our training programs are helping us retain our doctors, thereby maintaining a competitive edge over our competitors in attracting doctors. We have established an incentive program to encourage doctors to use our hospitals and recommend us to their patients. Under this program we provide continuing education programs, give doctors access to some of the best facilities and equipment available in Indonesia, assist their children in finding placement in our schools and provide discounts on some of our properties.

To ensure our medical facilities are operated to the highest standards, we also actively collaborate with international medical providers, including in Singapore and Australia and work closely with University Pelita Harapan.

Below are brief descriptions of our Centers of Excellence.

Siloam Hospitals Kebon Jeruk

Our Siloam Hospitals Kebon Jeruk offers general hospital services and is regarded as a Center of Excellence for urology and orthopedics.

Siloam Hospitals Lippo Village

Our Siloam Hospitals Lippo Village offers general hospital services and is regarded as a Center of Excellence for cardiac medicine and neuroscience center and memory clinic. The hospital offers a comprehensive range of cardiac services ranging from preventative measures to complicated surgery. Siloam Hospitals Lippo Village was the first hospital in Indonesia to be awarded a JCI Accreditation.

Siloam Hospitals Lippo Cikarang

Our Siloam Hospitals Lippo Cikarang offers general hospital services and is regarded as a Center of Excellence for Occupational Medicine.

In December 2010, First REIT acquired Siloam Hospitals Lippo Cikarang from us for S\$33.3 million with the proceeds of its rights issue.

Siloam Hospitals Surabaya

We acquired our Siloam Hospitals Surabaya in 1997, which offers general hospital services and is regarded as a Center of Excellence for fertility treatment and stroke treatment. One of the leading hospitals in Indonesia for assisted reproductive technology, it has conducted more than 5,637 artificial insemination treatments since its program began, resulting in 831, 990 and 1,024 births in 2011, 2012 and 2013, respectively.

In October 2006, we sold the Siloam Hospitals Lippo Village, Siloam Hospitals Kebon Jeruk and Siloam Hospitals Surabaya to First REIT as part of a sale and lease-back transaction. Each of the leases for these hospitals are for a period of 15 years from December 2006. See “— Property and Portfolio Management — REIT Management”.

We plan to increase public awareness of the high quality of services offered by our medical facilities and to promote our “Siloam Hospitals” brand name through strong marketing activities both in Indonesia and internationally, targeting potential consumers who may otherwise go to neighboring countries for elective surgical procedures.

We regularly sponsor international educational programs for employees of our hospitals. Recently, we have offered educational programs in infection control, sterilization, critical care, surgery, maternity and pediatric services. Periodic in-house staff training is conducted by foreign lecturers, with additional external training taking place overseas in Australia, Singapore and Thailand. We believe these efforts have facilitated our ability to attract qualified medical staff to our healthcare facilities.

Mochtar Riady Comprehensive Cancer Centre

Construction of MRCCC, located in Semanggi, South Jakarta began in the fourth quarter of 2007 and the center opened in the third quarter of 2011 with 29 floors and 122 operational beds. MRCCC is one of Indonesia’s first cancer specialist centers. The total land area of MRCCC is 4,145 sqm while the total building area is 50,576 sqm. First REIT acquired MRCCC for S\$170.5 million in December 2010, partially with the proceeds of its rights issue. We leased MRCCC from First REIT for a period of 15 years and will operate it under the Siloam Hospitals name.

Siloam Hospitals Balikpapan

In November 2010, we acquired a hospital in Balikpapan for Rp114.0 billion that reopened as Siloam Hospitals Balikpapan in the last quarter of 2011 with 138 operational beds. The hospital has a total land area of 12,562 sqm and a total building area of 14,047 sqm.

Siloam General Hospital (Teaching Hospital)

Construction of Siloam General Hospital, the teaching hospital located in Lippo Village, began in the first quarter of 2010. Construction was completed in the last quarter of 2011 and the teaching hospital commenced operations

in the second quarter of 2012 with 160 operational beds (with an expected future capacity of 300 beds). The hospital is designed to cater to the needs of lower income individuals and families while also providing training opportunities for students at a local medical school. The total land area of this hospital is 3,666 sqm while the total building area is 13,744 sqm.

Siloam Hospitals Jambi

In October 2010, we acquired a hospital in Jambi for Rp51.4 billion that reopened as Siloam Hospitals Jambi in the first quarter of 2011 with 97 beds. The hospital has a total land area of 7,132 sqm and a total building area of 3,892 sqm.

Siloam Hospitals Manado

Construction of Siloam Hospitals Manado, located in Manado, North Sulawesi, commenced in January 2011. The hospital commenced operations in June 2012 with 224 operational beds. The total land area of this hospital is 5,518 sqm and the total building area is 12,811 sqm. In November 2012, we completed the sale and lease-back of Siloam Hospitals Manado with First REIT for S\$83.6 million. The term of the lease is for 15 years, with an option to renew for a further terms of 15 years.

Siloam Hospitals Makassar

Construction of Siloam Hospitals Makassar, located in Makassar, South Sulawesi, commenced in January 2011. The hospital commenced operations in September 2012 with 179 operational beds. The total land area of this hospital is 3,963 sqm and the total building area is 14,307 sqm. In November 2012, we completed the sale and lease-back of Siloam Hospitals Makassar with First REIT for S\$59.3 million. The term of the lease is for 15 years, with an option to renew for a further term of 15 years.

Siloam Hospitals Cinere

In 2012, we acquired 80% of PT Diagram Healthcare Indonesia, which is the company that operates Siloam Hospitals Cinere. The hospital is located in Puri Cinere, Depok and occupies a seven-storey building, with a total building area of 4,480 sqm, on a land area of 1,359 sqm. The hospital is positioned as a Center of Excellence for cardiology and has 21 operational beds. We plan to convert the existing Siloam Hospitals Cinere into a 300-bed capacity general hospital together with a Center of Excellence for cardiology by 2015.

Siloam Hospitals Sriwijaya

Construction of Siloam Hospitals Sriwijaya, located in Palembang, South Sumatra, commenced in the first quarter of 2011. The 135 bed hospital commenced operations in October 2012. The total land area of this hospital is 4,400 sqm and the total building area is 16,666 sqm. The hospital and the land on which it is located is owned by a third-party and we plan to purchase the hospital at an appropriate time.

Siloam Hospitals Denpasar

Construction of Siloam Hospitals Denpasar, located in Bali, commenced in the first quarter of 2011. We have commenced part of the operations at the 102-bed hospital in December 2012 and commenced the rest of the operations in the first quarter of 2013. The total land area of this hospital is 9,025 sqm and the total building area is 28,900 sqm. We completed a sale and leaseback of the hospital to First REIT in May 2013.

Siloam Hospitals Simatupang

We commenced operations of the 55 operational beds (with an expected total capacity of 269 beds) in July 2013. The hospital is regarded as a Center of Excellence for emergency services, cardiology, oncology and neuroscience. We completed a sale and leaseback of the hospital to First REIT in May 2013.

BIMC Hospital Kuta

In 2013, we acquired 80% of BIMC Hospital Kuta, located in Kuta, Bali. The 18-bed hospital commenced operations in 1998. The total land area of this hospital is 2,450 sqm and the total building area is 1,342 sqm. BIMC Hospital Kuta offers general hospital services and is regarded as a Center of Excellence for emergency services, 24-hour medical services and medical aesthetic services.

BIMC Hospital Nusa Dua

In 2013, we acquired 80% of BIMC Hospital Nusa Dua, located in Nusa Dua, Bali. The 14-bed hospital commenced operations in 2012. The total land area of this hospital is 8,130 sqm and the total building area is 9,769 sqm. BIMC Hospital Nusa Dua offers general hospital services and is regarded as a Center of Excellence for emergency services, 24-hour medical services, medical aesthetic services, dental services and dialysis services.

HOSPITALITY AND INFRASTRUCTURE

Our hospitality and infrastructure business unit manages our owned/leased hotel operations under the Aryaduta brand and operates a number of restaurants, a golf course and other facilities. Many of these facilities target business travelers in particular. We started our hospitality business unit with the development of our hotels at Lippo Village, Pekanbaru and Medan and acquired the Hotel Aryaduta Jakarta. In developing our urban developments at Lippo Village and Tanjung Bunga and our large scale integrated developments in Kemang Village and The St. Moritz, we aimed to satisfy our customer's needs by including certain key infrastructure, such as high quality hotel facilities. We also took the opportunity to acquire the Hotel Aryaduta Jakarta to increase the public visibility of our hotels. We currently own three and lease two Aryaduta-branded hotels, and we are developing two new hotels, with completion of both due in 2015.

The table below sets forth the consolidated revenue generated by our hospitality and infrastructure business unit in the periods noted:

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billion)			(US\$ million)
Hospitality and Infrastructure Sales	479.4	574.5	657.4	53.9
Cost of Sales	199.9	250.3	281.4	23.1
Gross Profit	<u>279.5</u>	<u>324.2</u>	<u>376.0</u>	<u>30.8</u>

Hotels

Details of our hotels are as follows:

Hotel Aryaduta Jakarta

The Hotel Aryaduta Jakarta is a 301-room, five-star hotel, located in central Jakarta. It is located close to a number of foreign embassies, the central business district, shopping and entertainment. The hotel was opened in 1974 and is managed by the Company's Hospitality and Infrastructure business unit. For the year ended December 31, 2013, the occupancy rate at the hotel was 72.1%, with an average room rate per night of Rp636,355 (US\$52.2).

Hotel Aryaduta Lippo Village

Our Hotel Aryaduta Lippo Village is located within the Lippo Village urban development. The five-star, 192-room hotel offers guests easy access to central Jakarta as well as to the significant business districts located around the development. The hotel was opened in 1994 and in 2001 was integrated with Lippo Village Country Club, allowing guests access to the Imperial Klub Golf course and facilities. We believe that this is one of the few hotels in Jakarta linked to a country club. For the year ended December 31, 2013, the occupancy rate at the hotel was 80.5% with an average room rate per night of Rp722,497 (US\$59.3).

The Hotel Aryaduta Lippo Village was included in our sale and lease back transaction with First REIT in October 2006.

Hotel Aryaduta Pekanbaru

The 158-room Hotel Aryaduta Pekanbaru is the only five-star hotel in central Pekanbaru. Its location is close to the Pekanbaru local government district. The hotel was constructed for the Riau regional government and opened in 2001. The arrangement is scheduled to expire in 2026, but may be extended by mutual agreement for an additional 10 years. For the year ended December 31, 2013, the occupancy rate at the hotel was 62.6%, with an average room rate per night of Rp450,828 (US\$37.0).

Hotel Aryaduta Medan

The Hotel Aryaduta Medan is a 197-room five-star hotel located in Medan, North Sumatra that we own and operate. The hotel has been in operation since 2007. For the year ended December 31, 2013, the occupancy rate and average room rate was 57.9% and Rp541,305 (US\$44.4), respectively.

Hotel Aryaduta Manado

The Hotel Aryaduta Manado is a 146-room five-star hotel located in Manado, South Sulawesi that we acquired in April 2012 and operate. For the year ended December 31, 2013, the occupancy rate and average room rate was 57.5% and Rp479,776 (US\$39.4), respectively.

In November 2012, we completed the sale and lease-back of Hotel Aryaduta Manado with First REIT. The term of the lease is for 15 years, with an option to renew for a further term of 15 years.

We believe that we are able to maximize guest satisfaction through the integrated management, reservation and marketing system in all our hotels.

In order to maintain market share, we have adopted a flexible approach to marketing our hotels by offering competitive rates to attract guests. We provide standard five-star quality services including business centers, meeting rooms, conference facilities, swimming complexes and gymnasiums, and also offer land or helicopter transportation (at the Hotel Aryaduta Lippo Village) for our guests.

We also generate revenue from food and beverage sales through our banquet facilities, which are regularly used by guests for weddings, business meetings, conferences and events. Revenue from food and beverage sales is also generated through room service, the restaurants located in our hotels and catering events held outside our hotels.

Hotels under development

We also have three hotels under development in Surabaya, Kemang Village and the St. Moritz in West Jakarta, with completion of two of the hotels located in Surabaya and Kemang Village expected in 2015 while the other hotel in the St. Moritz is expected to be completed in 2016. Our total planned capacity for the hotels is 200, 250 and 250 rooms, respectively.

Town Management

Our town management services include the provision of a potable water and sewage treatment system (which is unique to Indonesia). We also provide fire fighting services, security management, road and drainage construction, maintenance and traffic management services, electricity, telephone and broadband internet, as well as all aspects of home care and building management.

We also operate a public transportation fleet to transport Lippo Village residents to central Jakarta, and bus services within the Lippo Village and Lippo Cikarang urban developments. We believe that much of the continued sales success at our Lippo Village, Lippo Cikarang and Tanjung Bunga urban developments is attributable not only to the modern and efficient planning and design of our urban developments and the provision of modern services and utilities to residents, but also to the involvement of a professional town management division in such urban developments.

We actively market our town management services to our customers and believe that our ability to provide such services differentiates us from our competitors.

Other Facilities

In addition to the ownership and operation of hotels, our hospitality and infrastructure business unit also operates a number of other service assets including a golf-course and a significant number of leisure and other facilities, all of which are contained within our developments.

We manage the Imperial Klub Golf course located within our Lippo Village urban development. Opened in 1995, the 6,429 meter 18-hole course was designed by internationally renowned designer Mr. Desmond Muirhead. In 2011, the course ranked as the second most popular among 18-hole golf courses in Indonesia in terms of usage according to the Indonesia Club Manager Association. Its popularity can be attributed to its good course condition, convenient location adjacent to the Jakarta-Merak toll road and its interesting and challenging design.

Our other properties include the 24-outlet Benton Junction, located within the central business district of Lippo Village, which is a food center with indoor and outdoor dining. Also within the Lippo Village development is the Permata Sports Club Lippo Village, which features swimming pools, a soccer field, volleyball and tennis courts and a children's playground. Lippo Cikarang also has a leisure facility, the 3.4 hectare Waterboom Lippo Cikarang Balinese themed water park.

RETAIL MALLS

As of December 31, 2013, we had completed six leased malls and eight strata-titled malls with a total gross floor area of 1,017,714 square meters. On September 26, 2012, we opened Lippo Mall in Kemang, South Jakarta with gross floor area of 150,932 square meters and net leasable area of 54,714 square meters. As of December 31, 2013, the occupancy rate of the mall was approximately 81%. In developing retail properties, we seek to attract strong anchor retailers through which we can attract other retailers. Historically, some of our anchor retailers have been related parties including Matahari Department Store and Hypermart. Each of our retail property projects is managed by us. In December 2012, we completed the sale of two of our malls, namely Pejaten Village and Binjai Supermall, to LMIRT for an aggregate consideration of Rp731 billion and Rp148 billion, respectively.

The table below sets forth the revenue generated by our retail malls business unit in the periods indicated:

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billions)		(US\$ million)	
Retail Malls Sales	143.7	144.0	201.8	16.6
Cost of Sales.....	34.2	8.7	2.8	0.2
Gross Profit	<u>109.5</u>	<u>135.3</u>	<u>199.0</u>	<u>16.4</u>

We currently have two malls under construction — Lippo Mall Jogja in Yogyakarta (GFA: 36,000 sqm), and one mall in The St. Moritz (GFA: 194,758 sqm), which are expected to be completed in the third quarter of 2014 and 2015, respectively.

PROPERTY AND PORTFOLIO MANAGEMENT

As of December 31, 2013, our property and portfolio management business unit provides property management services to 34 malls, including the six leased malls and eight strata-titled malls in our retail business unit, with over 16,000 shops, with a total gross leasable area of 2.3 million square meters and net leasable area of 1.0 million square meters, and three Aryaduta-branded hotels owned by third parties. This business unit also has majority stakes in the REIT managers for First REIT and LMIRT.

The table below sets forth the consolidated revenue generated by our property and portfolio management business unit in the periods indicated:

	Year ended December 31,			
	2011	2012	2013	2013
	(Rp billions)		(US\$ millions)	
Property and Portfolio Management Sales	267.3	249.2	296.8	24.3
Cost of Sales ⁽¹⁾	79.2	95.4	119.7	9.8
Gross Profit	<u>188.1</u>	<u>153.8</u>	<u>177.1</u>	<u>14.5</u>

(1) Cost of Sales does not necessarily track all costs associated directly with this business unit because the Company does not fully allocate costs of sales and services to its property and portfolio management business unit.

Currently we are in the process of renewing or extending some of the agreements with respect to our management of certain properties.

REIT Management

We provide REIT management services to First REIT through our wholly-owned subsidiary, Bowsprit Capital Corp. Ltd. In late 2007, we also established a joint venture with Mapletree Investment Pte. Ltd. of Singapore, to manage the LMIRT, a REIT with Indonesian retail assets listed on the Singapore Stock Exchange. In 2011, we

acquired all of the shares in the management company. LMIRT owns 16 malls that we manage through a 100% owned subsidiary.

Hotel Operator

We manage eight Aryaduta-branded hotels under this business unit, three of which are owned by third parties. Details of the three hotels owned by third parties are as follows:

Hotel Aryaduta Makassar

The Hotel Aryaduta Makassar is located adjacent to our Tanjung Bunga development in Makassar, on busy Losari beach and within the central business district of Makassar. The five-star hotel features 222 rooms. The hotel opened in 1997. For the year ended December 31, 2013, the occupancy rate at the hotel was 77.0%, with an average room rate per night of Rp679,077 (US\$55.5).

Hotel Aryaduta Semanggi

The hotel in Karet Semanggi Jakarta, the Hotel Aryaduta Semanggi, is a five-star, 274 room hotel that commenced operations in 1998. For the year ended December 31, 2013, the occupancy rate and average room rate were 86.6% and Rp799,140 (US\$65.6), respectively.

Hotel Aryaduta Palembang

The 172 room Hotel Aryaduta Palembang is situated in Palembang Square, Palembang, South Sumatra. The property was developed for the province of South Sumatra and opened in 2005. For the year ended December 31, 2013, occupancy rate was 78.1%, with an average room rate of Rp550,317 (US\$45.1).

SALES, MARKETING AND PRICING

Urban Development and Large Scale Integrated Developments

We employ a strategy of pre-selling our properties prior to construction. Rather than relying only on traditional real estate brokers or mass media advertising, pre-selling is conducted principally by freelance marketing teams consisting of approximately 5,000 club members who work on a commission basis.

Commissions are calculated as a percentage of sales, starting at 1.5% depending on the number of properties sold. The biggest of these clubs, with approximately 4,500 members, is the Lippoland Club. Our club members participate in training courses to enable them to effectively market our properties and products. Approximately 37.7% of revenues from urban residential, commercial, and light industrial property sales are generated by the Lippoland Club's marketing efforts.

Our internal sales and marketing department is responsible for managing our freelance marketing teams and our other sales and marketing functions. Our sales managers and marketing managers cooperate closely to determine the appropriate advertising and sales plan for each particular development. They also work together to plan and organize efficient and orderly on-site sales presentations, conduct market research, design sales and pricing strategies, collect customer data and comments and prepare feasibility studies based on market analysis.

To highlight our new developments or products, we regularly engage in promotional activities, including advertising in the Indonesian print and broadcast media and arranging promotional events. These activities have been particularly important to the success of our commercial retail property developments. For the year ended December 31, 2013, marketing expenses were 8.0% of our total revenues for these two business units.

Our property prices are initially set based on a number of criteria, including a property's location, the target market, the size of the property being sold, the amenities provided and general market conditions in effect at the time of pricing.

We offer three payment alternatives to our purchasers: cash sales, mortgages and installment plans. We typically offer a discount to our regular purchase price, with the amount of discount dependent on the type of payment selected by the purchaser. Our pricing options are designed to encourage cash sales and to permit us flexibility to

offer discounts while maintaining targeted profit margins. Cash sales provide us with a source of financing through which we can develop necessary infrastructure or buildings without having to rely on third-party financing.

- *Cash sales.* Cash sales for which payment is made in full at closing provide our purchasers with the largest discount on the purchase price, typically 30%.
- *Mortgages.* Purchasers of our properties may choose to finance their purchases through mortgages or other bank financing. We generally offer purchasers of properties who finance their purchases a discount on the purchase price of approximately 26%.
- *Installment plan.* Purchasers of residential and certain commercial and retail property may elect to pay a portion of the purchase price at the time of sale, which ranges between 5% and 20%, and pay the remaining balance in equal monthly installments for up to 36 months. We generally offer such purchasers a discount on the purchase price of approximately 16%.

The table below sets forth information with respect to the various payment alternatives for certain of our developments for the year ended December 31, 2013.

Project	Cash	Mortgage	Installment
Lippo Village			
Residential.....	44%	41%	16%
Lippo Cikarang			
Residential.....	4%	36%	60%
Light industrial.....	26%	4%	71%
Commercial.....	7%	0%	93%
Tanjung Bunga.....	7%	59%	34%
San Diego Hills Memorial Park.....	64%	—	36%
Kemang Village.....	71%	18%	12%
The St. Moritz.....	61%	34%	5%
Holland Village.....	23%	48%	29%
Lippo Thamrin Office.....	17%	71%	12%
Park View Condominium.....	92%	0%	8%
Nine Residence.....	28%	38%	34%

We expect to continue to take advantage of installment sales arrangements due to the relatively limited amount of bank financing available in Indonesia and the associated high administrative costs. Our installment payment program is available to all residential purchasers and certain purchasers of light industrial properties who make the requisite down payments. We retain title to all property purchased on an installment basis until the purchase price has been paid in full. Construction on a particular property will typically begin when the amount of pre-sales can cover construction costs. If the installment purchaser does not meet its payment obligations, we are, pursuant to our standard sale and purchase contract, entitled to cancel the sales contract and re-sell the property without undergoing foreclosure proceedings. Further, we are entitled to retain a portion of any payments made prior to default.

We have experienced an insignificant number of payment defaults on our installment contracts in recent years that have resulted in recession of the sale. We believe that this favorable default history reflects in part the number of sales made to repeat customers who have a proven track record of meeting their payment obligations. We believe that the risk of forfeiture of prior payments also creates a strong incentive for installment purchasers to avoid default under their sales contracts with us. However, there can be no assurance that this pattern will continue in the future.

Retail Malls

Our sales and marketing strategies for retail malls parallel those in our urban development and large scale integrated developments business units. Advertising in the Indonesian print and broadcast media and arranging promotional events have also played an important role in the success of our retail property developments. Purchasers may also use any of the three payment alternatives we offer to our urban development and large scale integrated developments business units.

Healthcare

Our target market includes middle and upper middle income Indonesian consumers who require high quality domestic healthcare services and middle low income Indonesia consumers. Our hospitals have been marketed under the “Siloam” hospitals brand. Advertising of our medical services is somewhat constrained in Indonesia by the strict controls imposed by the Advertisement Code of Conduct. We market to insurance companies and corporations by offering medical checks and pre-employment checks. We also seek to promote our services through general practitioners who refer patients to our hospitals.

Based on the Indonesian Hospital Code of Conduct, hospitals may promote only informative marketing; such marketing may not be comparative, must be based on facts and not be excessive. The Indonesian Advertisement Code of Conduct stipulates that hospital advertising is only allowed if the hospital is presented as a business entity that offers available services and the facility and hospital may not advertise sales promotions of any kind.

Hospitality and Infrastructure

Our hotels are marketed under the Aryaduta brand. Marketing of our hotels is primarily targeted at business travelers as substantial income is also derived from the Meetings, Incentives, Conventions and Exhibitions (MICE) related activities provided at our hotels.

We utilize many different advertising channels to market our hotels including Indonesian and international print media, direct contact with domestic and international travel agents and representation and participation at travel conferences and travel industry presentations.

COMPETITION

We are subject to different competitive pressures and competitors in each of the business units in which we operate.

Urban Development and Large Scale Integrated Development

The residential and urban development property industry is very fragmented in Indonesia, with many small regional competitors. We face competition primarily from the largest property developers, including PT Ciputra Development Tbk. and PT Summarecon Agung Tbk. We also compete with PT Alam Sutera Realty Tbk. in residential development and with PT Agung Podomoro Land Tbk. and PT Pakuwon Jati Tbk. in retail mall development. We primarily compete on the location of our developments, facilities and supporting infrastructure provided, services available and pricing. We believe that our large landbank, more than half of which we have already installed infrastructure in, innovative products, reputation, proven track-record, experience and competitive customer financing options, give us a significant competitive edge in the residential portion of our urban development and large scale integrated development business units in Indonesia.

Healthcare

Our hospitals compete with other hospitals and healthcare providers both in Indonesia and internationally. Due to the fragmented nature of the healthcare industry in Indonesia, we believe that we are the leading hospital group in Indonesia and seek to benchmark our medical services against international healthcare providers. We believe our focus on delivering the highest quality medical services in Indonesia and our continued efforts to improve our services will provide us with a competitive edge in the healthcare industry.

The number and quality of doctors and nurses on a hospital’s staff is an important factor to our hospitals’ competitive advantage. Doctors decide whether a patient is admitted to the hospital and the procedures to be performed. We believe doctors refer patients to a hospital primarily on the basis of the quality of services it renders to patients and doctors, the quality of other doctors on the medical staff, the location of the hospital and the quality of the hospital’s facilities, equipment and healthcare professionals. Admitting doctors may be on the medical staff of other hospitals in addition to those of our hospitals. We believe our unique incentive program for doctors encourages them to refer their patients to our hospitals.

Hospitality and Infrastructure

Our hotels are under intense industry competition from recognized brand hotels operating in Indonesia, including the Mandarin Oriental, Hotel Borobudur and the Sari Pan Pacific. We believe that we compete favorably with such brands.

Retail Malls

PT Ciputra Development Tbk., PT Agung Podomoro Land Tbk., PT Summarecon Agung Tbk. and PT Pakuwon Jati Tbk. are our competitors in the retail malls sector. We believe that we compare favorably with them.

Property and Portfolio Management

We do not have any competitors in the REIT/property and portfolio management services sector.

ENVIRONMENT

We focus on the installation of modern, environmentally friendly infrastructure in our townships. In Lippo Village, for example, we have created an urban forest of approximately 57,000 trees which have been individually numbered and may be computer-tracked. The Lippo Village township is also the pioneer privately managed municipality in Indonesia where residents own their own homes with potable water.

Our hospitals are subject to extensive, evolving and increasingly stringent environmental laws and regulations governing their services, processes and facilities. The various environmental laws and regulations applicable to our hospitals address, among other things, waste water discharges, the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous bio-medical materials and waste, workplace conditions and employee exposure to such substances. For example, applicable environmental and safety laws require us to segregate bio-medical wastes and to arrange for safe treatment and disposal of the same. Our urban development business unit is also required to obtain AMDAL.

Currently, we have not integrated our environmental permits into the Environmental License as required under Law No. 32/2009. In February 2012, the Government issued Government Regulation No. 27 of 2012 on Environmental License (“GR 27/2012”), as the implementing regulation of Law No. 32/2009, which stipulates that any environmental document which has been approved prior to the effective date, February 23, 2012 of GR 27/2012 shall be declared a valid document and deemed as equal to the Environmental License.

Law No. 32/2009 further stipulates that within two years after its enactment date, all businesses that have obtained business licenses but do not yet have an AMDAL document or UKL and UPL are obligated to either complete an environmental audit, if they need an AMDAL, or have an environment management document, if they need a UKL and UPL.

The Environmental Ministry oversees our compliance with environmental laws and regulations. We believe we are in compliance in all material respects with applicable environmental laws and regulations in Indonesia. See “Regulation — Environmental Regulation”.

MATERIAL LICENSES

We believe that we have obtained most of the material licenses necessary for the operation of our six business units, other than as discussed below. See “Risk Factors — Our business is dependent on our ability to obtain, maintain and renew all necessary licenses and approvals”.

Urban Development and Large Scale Integrated Development

We have obtained the material licenses in connection with our Urban Development and Large Scale Integrated Development business units including, among others, a *Surat Izin Usaha Perdagangan* (business trade license), location permits necessary to buy, clear and develop land, environmental licenses, building construction permits and relevant licenses from the Investment Coordination Board (“BKPM”) for certain of our subsidiaries with PMA/PMDN status.

Healthcare

We have obtained the material licenses necessary for the operation of our healthcare business unit, including operating licenses, *Izin Gangguan (Hinder Ordonasi* (“HO”) or nuisance permits) and environmental permits, other than the operating licenses for four of our hospitals, the nuisance permit for four of our hospitals and the waste disposal permit for eight of our hospitals, which are currently in the process of being obtained or extended.

Hospitality and Infrastructure

We have obtained the material licenses necessary for our hospitality and infrastructure business unit, including the tourism business licenses required to operate and manage our hotels from the regional government (*Tanda Daftar Usaha Pariwisata* (“TDUP”)) and from BKPM, HOs, certificates of health and safety worthiness, certificates of status as a five-star hotel, building construction permits, building utilization permits and waste disposal permits, other than tourism business license for one of our hotels the certificate of status as a five-star hotel for one of our hotels, the building utilization permit for one of our hotels and the waste disposal permit for one of our hotels, which are currently in the process of being obtained or extended.

Retail Malls

We have obtained the material licenses that are required in connection with our retail malls business unit, which include *Surat Izin Usaha Perdagangan* (trading business license), HO, *Izin Mendirikan Bangunan* (a building construction permit), *Ijin Penggunaan Bangunan* (a building utilization permit), environmental licenses, waste disposal permits and relevant licenses from BKPM for certain of our subsidiaries with PMA/PMDN status and *Izin Usaha Pusat Perbelanjaan* (business license for shopping centre), other than the business trade license for one of our malls, nuisance permit for two of our malls, environmental licenses for two of our malls, building utilization licenses for two of our malls and waste disposal permits for three of our malls and business licenses for shopping center for three of our malls, which are currently in the process of being obtained or extended.

Property and Portfolio Management

The material licenses we have obtained in connection with our Property and Portfolio Management business unit include *Surat Izin Usaha Perdagangan* (trading business license) or relevant licenses for our Company.

TRADEMARKS

We hold or have applied for all of the trademarks we believe are necessary to run our business. The Company and certain of its subsidiaries own 197 registered trademarks and has applied for the registration of 49 trademarks with the Directorate of Intellectual Property Rights in Indonesia.

LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings concerning matters arising in connection with the conduct of our business. Some lawsuits challenge our title to land purchased or to be developed by us or actions taken by us and our subsidiaries in respect of payment defaults by purchasers of our properties and claims by former employees we terminated.

In connection with our healthcare business unit, Siloam Hospitals Lippo Village and Siloam Hospitals Jambi are currently involved in legal proceedings relating to medical malpractice. The Supreme Court of Indonesia rejected the plaintiff’s appeal against Siloam Hospitals Lippo Village in its decision dated November 11, 2013, although the relevant parties have not been formally notified of the details of the decision. With regard to the case involving Siloam Hospitals Jambi, we were successful in the lower courts. The plaintiff filed an appeal to the Supreme Court of Indonesia in January 2014 and the case is currently being considered by the Supreme Court.

Such malpractice claim constitutes a general risk that may arise in connection with the operation of any healthcare business. The results of these claims and legal proceedings cannot be predicted and it is possible that the ultimate resolution of these claims and legal proceedings, individually, or in the aggregate, could have a material adverse effect on our business (both in the near and long-term), liquidity, financial position and results of operations.

Under Indonesian law, damages awarded by courts should represent only the actual damages that a person has suffered. Indonesian law and Indonesian courts are conservative in the amount of damages awarded as compared to the United States. However, this conservative judicial and legislative attitude could change in favor of awarding higher levels of damages. We do not maintain any professional or general liability insurance in connection with our healthcare business unit.

Currently, there are no material pending claims and legal proceedings that are not in the ordinary course of business. We undertake no obligation to update this disclosure for any new developments.

We are involved in legal proceedings in connection with certain of our land ownership rights in Lippo Village. We do not believe these legal proceedings will affect or threaten our ownership rights in the land on which our Lippo Village is built. Our subsidiary, GMTD, is involved in various legal proceedings in connection with certain undeveloped land located at Tanjung Bunga. Most of the cases involving GMTD are currently being reviewed by the Supreme Court. We have successfully defended most of the proceedings from the district courts up to the Supreme Court. While we do not believe that these legal proceedings involving GMTD are material as the various land parcels in dispute are not strategic in nature, the development of the sites could be delayed as a result of the proceedings.

In addition to the description above, see also note 42 to our consolidated financial statements included in this Offering Circular for further details.

EMPLOYEES, TRAINING AND LABOR

As of December 31, 2013, we directly employed 9,270 people. The following table sets forth the breakdown of our employees by business unit as of December 31, 2013:

<u>Business unit</u>	<u>Number of Employees⁽¹⁾</u>
Urban Development.....	1,379
Large Scale Integrated Development.....	133
Healthcare	6,261
Hospitality and Infrastructure	1,221
Retail Malls	169
Property Portfolio Management	107
Total	<u><u>9,270</u></u>

(1) Includes permanent and temporary employees.

Our hospitals are staffed by licensed doctors who are admitted to the medical staff of individual hospitals. Doctors generally are not employees of our hospitals.

We provide significant training programs for our employees. At the Company level, we provide programs on leadership and customer service. Within each business unit, we also offer training programs tailored to that business unit. Many of our programs are designed to give our employees an international perspective and to ensure that we minimize the effect of turnover by preparing each employee to assume greater responsibility. In our urban development and our large scale integrated development business units, we regularly engage offshore consultancy firms. We engage foreign doctors to consult at our hospitals and have established links with a number of international institutions including in Singapore and Australia. We have also provided international training in Singapore and the Philippines for employees of our hotels.

We believe our relationship with our employees is strong. As of December 31, 2013, none of our employees are unionized.

We seek to maximize workplace safety in all of our operations through the engagement of reputable contractors, to ensure the implementation of industrial health and safety standards that are in compliance with applicable laws and regulations.

INSURANCE

We believe that our properties are covered by property all risks insurance (which also covers the business interruption risk for our hospitals and hotels) provided by a reputable company and with commercially reasonable terms. We are in the process of renewing and extending certain of our insurance policies with our insurance provider. Additionally, title insurance with respect to our properties and medical liability insurance for our medical facilities are not available in Indonesia.

Description of Indebtedness

As of December 31, 2011, 2012 and 2013, we had consolidated indebtedness totaling Rp3,756.1 billion, Rp6,014.4 billion and Rp7,807.5 billion (US\$640.5 million), respectively.

The following table describes our primary consolidated indebtedness as of the dates described below. In addition to the description below, see also notes 19, 21 and 22 to our consolidated financial statements for year ended and as of December 31, 2013 attached hereto.

No.	Description of Indebtedness ⁽¹⁾	Borrower	Lender	Original Principal Amount	Maturity	Amount Outstanding (as of December 31, 2013)	
						(Rp billions and US\$ millions)	(Rp billions) (US\$ millions)
1	7.0% Senior Notes due 2019	Theta Capital Pte. Ltd.	Bondholders	US\$250.0	May 16, 2019	3,031.5	248.7
2	6.125% Senior Notes due 2020	Theta Capital Pte. Ltd.	Bondholders	US\$403.3	November 14, 2020	4,716.3	386.9
3	Credit Agreement dated February 25, 2008 and amended on August 20, 2010	PT Balikpapan Damai Husada	Bank Pembangunan Daerah Kalimantan Timur	Rp42.2	February 25, 2019	35.3	2.9
4	Credit Agreement, dated April 1, 2003 and last amended February 4, 2014	PT Golden First Atlanta	PT Bank Central Asia Tbk	Rp37.4	May 5, 2014	24.4	2.0
5	Two Credit Agreements dated October 30, 2006 and March 29, 2007, respectively, and both last amended November 27, 2013	PT Lippo Karawaci Tbk	PT Bank Negara Indonesia (Persero) Tbk	Rp270.0	June 12, 2014	Nil	Nil
6	Credit Agreement dated October 25, 2010 and amended on November 28, 2013	PT Lippo Karawaci Tbk	PT Bank ICBC Indonesia	Rp70.0	October 25, 2014	Nil	Nil
7	Credit Agreement dated October 25, 2010 and amended on December 18, 2013	PT Lippo Cikarang Tbk	PT Bank ICBC Indonesia	Rp30.0	October 25, 2014	Nil	Nil
Total Indebtedness						<u>Rp7,807.5</u>	<u>US\$640.5</u>

(1) Items 5-7 are working capital facilities, item 3 are term facilities, and item 4 is divided into a Rp5 billion working capital facility and a Rp32.4 billion term facility.

Below are brief descriptions of the indebtedness listed in the table above.

2019 Notes: 7.0% Senior Notes due 2019

On May 16, 2012, the Issuer issued US\$150,000,000 7.0% Senior Notes due 2019, which are guaranteed by us and certain of our subsidiaries. The Issuer conducted a further issuance of US\$100,000,000 7.0% Senior Notes due 2019 on October 22, 2012. These notes were consolidated to form a single series with the Initial 2019 Notes.

2020 Notes: 6.125% Senior Notes due 2020

On November 14, 2012, the Issuer issued US\$273,306,000 6.125% Senior Notes due 2020, which are guaranteed by us and certain of our subsidiaries. The Issuer conducted a further issuance of US\$130,000,000 6.125% Senior Notes due 2020 on January 14, 2013. These notes were consolidated to form a single series with the Initial 2020 Notes.

Investment Credit Facilities

Credit Agreement dated February 25, 2008 and amended on August 20, 2010

Our subsidiary, PT Balikpapan Damai Husada, is the borrower under the Credit Agreement No. 005/870/9200/KI.59/BPDKP/2008, dated February 25, 2008, as amended under the Addendum No. 028/PK-005/KJ.59/ 2010 dated August 20, 2010. Under the facility, PT Balikpapan Damai Husada may

borrow up to Rp50.0 billion from Bank Pembangunan Daerah Kalimantan Timur, though, under the terms of the facility, following the initial drawdown under the facility, the undrawn portion lapsed. As of December 31, 2013, we had Rp35.3 billion (US\$2.9 million) borrowed under the facility. The amount bears interest at 11.5% annually and matures on February 25, 2019. The terms of the credit agreement contain customary negative and affirmative covenants and grant to the lender a first priority security interest in certain of our subsidiary's and third party's properties.

Working Capital Facilities

Credit Agreement dated April 1, 2003 and last amended on February 4, 2014

Our subsidiary, PT Golden First Atlanta is the borrower under the Deed of Credit Agreement No.1 dated April 1, 2003 and last amended under the Amendment of Credit Agreement No. 00134/ADD/119/1V/13 dated April 30, 2013 and Letter No. 0258/JAM/2014 dated February 4, 2014. Under the facility, PT Golden First Atlanta may borrow up to Rp5.0 billion of local current account credit facility and Rp32.4 billion for investment credit from PT Bank Central Asia Tbk. The amount bears interest at 12.5% annually. The Rp5.0 billion loan matures on May 5, 2014 and the Rp32.4 billion loan matures on December 20, 2016. The terms of credit agreement contain customary negative and affirmative covenants and grant to the lender a first priority security interest in certain of our subsidiary's properties. Under the credit agreement, PT Golden First Atlanta is required to maintain a maximum debt to equity ratio of 5.83x. The loan is secured by several plots of land owned by PT Golden First Atlanta, including machinery, medical equipment, furniture, office equipment, trade receivables and inventory.

Two Credit Agreements dated October 30, 2006 and March 29, 2007 and amended on November 27, 2013

We are the borrower under the Deed of Credit Agreement No. 34 ("Deed No. 34") and 44 ("Deed No. 44"), dated October 30, 2006 and March 29, 2007, respectively, as last amended on November 27, 2013 under Deed No. (8)34 and Deed No. (7)44, respectively. Under the facility we may borrow up to Rp270 billion from BNI, Rp250 billion under Deed No. 34 and Rp20 billion under Deed No. 44. The loan bears interest at 10.75% annually and matures on June 12, 2014. The terms of the credit agreements contain customary negative and affirmative covenants and grant to the lender a first priority security interest in certain of our subsidiary's properties. Based on BNI letter No. LMC-1/3.3/117/R dated March 13, 2014 regarding the Approval for Issuance of Notes, we have obtained the approval from BNI for the offering of the Notes. BNI has also confirmed that we are not in default under the credit agreement with BNI. The facility is secured by several plots of land owned by the Company.

Credit Agreement dated October 25, 2010 and last amended on November 28, 2013

We are the borrower under the Deed of Credit Agreement No. 85, dated October 25, 2010, as amended under the Agreement to the Extension of Credit Agreement No. 143/ICBC-MK/PTD/X/2011 dated October 24, 2011, Agreement to the Extension of Credit Agreement No. 143/ICBC-MK/PTD/X/2011/P2 dated November 29, 2012 and Agreement to the Extension of Credit Agreement No. 143/ICBC-MK/PTD/x/2011/P3 dated November 28, 2013. Under the facility, we may borrow up to Rp70.0 billion from PT Bank ICBC Indonesia. The amount bears interest at 11.50% (floating) annually and matures on October 25, 2014. The terms of the credit agreement contain customary negative and affirmative covenants and grant to the lender a first priority security interest in certain of our subsidiary's properties. The facility is secured by several plots of land owned by PT Waska Sentana.

Credit Agreement dated October 25, 2010 and last amended on December 18, 2013

Our subsidiary, PT Lippo Cikarang Tbk, is the borrower under the Deed of Credit Agreement No. 86, dated October 25, 2010, as amended under the Agreement to the Extension of Credit Agreement No. 144/ICBC- MK/PTD1/X/2011 dated October 25, 2011, Agreement to the Extension of Credit Agreement No. 144/ICBC-MK/PTD1/X/2011/P2 dated November 30, 2012 and Agreement to the Extension of Credit Agreement No. 144/ICBC-MK/PTD1/x/2011/P3 dated December 18, 2013 ("Deed No. 86"). Under the facility, PT Lippo Cikarang Tbk may borrow up to Rp30.0 billion. The amount bears interest at a floating rate of 11.5% annually and matures on October 25, 2014 under Deed No. 86. The credit agreements contain customary negative and affirmative covenants and grants to the lender a first priority security interest in certain of our subsidiary's properties. The facility is secured by a plot of land owned by PT Waska Sentana.

Related Party Transactions

Our material related party transactions consist of intercompany advances, loans, placement in accounts, insurance, deferred income and revenue. All of our related party transactions are conducted on an arms-length basis.

Transactions with PT Matahari Putra Prima Tbk.

For the years ended December 31, 2011, 2012 and 2013, we received revenues of Rp15.4 billion, Rp15.6 billion and Rp15.6 billion (US\$1.3 million), respectively, from our affiliate, PT Matahari Putra Prima Tbk. (“Matahari”), relating to revenue from rental malls.

In 2007, our subsidiary, PT Direct Power (“DP”) entered into a lease agreement with our affiliate, Matahari. Under the lease agreement, DP rented to Matahari a total area of 9,205 sqm to be used for department store space and Matahari has paid Rp31,980/sqm per month or the aggregate amount of Rp88.3 billion for twenty five years.

In 2008, our subsidiary, PT Mandiri Cipta Gemilang (“MCG”) entered into lease agreements with our affiliate, Matahari. Under the lease agreement, MCG rented to Matahari a total area of 10,898 sqm and 24,859 sqm to be used for department store spaces and Matahari has paid Rp74,870/sqm per month and Rp54,350/sqm per month or the aggregate amount of Rp97.9 billion for ten years and Rp324.3 billion for twenty years, respectively.

Transactions with PT Ciptadana Capital

Our affiliate PT Ciptadana Capital has performed various financial advisory services for us, including acting as financial advisor in connection with the offering of the Notes, and may perform services for us in the future.

Transactions between PT Almaron Perkasa with PT First Media Tbk.

In 2009, our subsidiary, PT Almaron Perkasa (“AP”), entered into a lease agreement for a telecommunications line with our affiliate, PT First Media Tbk. (“FM”). Under the agreement, AP subscribes for a telecommunication connection through a fiber optic network from FM. Pursuant to this agreement, AP shall pay FM an installation fee amounting to Rp15.0 million and a monthly fee amounting to Rp10.0 million. The agreement is valid for 24 months as of the acceptance date and will be automatically renewed for an additional 12 months if no termination notice is delivered at the latest two months prior to its expiry date. On May 4, 2011, the agreement was novated to PT LinkNet, a subsidiary of FM.

In addition, for the year ended December 31, 2013, we had a number of other transactions with related parties. See Note 9 to our consolidated financial statements contained elsewhere in this Offering Circular.

Management

In accordance with Indonesian law, we have both a board of commissioners and a board of directors. The two boards are separate and no individual may serve as a member on both boards.

The rights and obligations of each member of the Board of Commissioners and Board of Directors are regulated by our articles of association (the “Articles”), Law No. 40 of 2007 on Limited Liability Companies, Bapepam-LK regulations and IDX regulations, and by the decisions of our shareholders in general meetings of shareholders. Under the Articles, the Board of Directors must consist of at least three members including a President Director, Vice President Director and one or more Directors. Any two Directors acting together can legally bind us. The Board of Commissioners must have at least three members: a President Commissioner, Vice President Commissioner and one or more Commissioners. All members of the Board of Commissioners, acting together, are entitled to act for and on behalf of the Board of Commissioners.

BOARD OF COMMISSIONERS

The principal function of the board of commissioners is to supervise and give advice to the board of directors. Members of the board of commissioners are appointed and removed by a general meeting of shareholders.

Currently, the board of commissioners is comprised of seven members.

As of December 31, 2013 the members of the board of commissioners were as follows:

Name	Position	Age	Position Held Since
Theo L. Sambuaga	President Commissioner	64	2004
Surjadi Soedirdja	Vice President Commissioner and Independent Commissioner	75	2004
Agum Gumelar	Independent Commissioner	68	2005
Tanri Abeng	Independent Commissioner	71	2004
Farid Harianto	Independent Commissioner	61	2004
Jonathan L. Parapak	Independent Commissioner	71	2006
Prof. Dr. Muladi, SH	Independent Commissioner	70	2013
Viven G. Sitiabudi	Commissioner	58	2008

Theo L. Sambuaga is the President Commissioner of the Company, having been appointed in May 2010 and was previously an independent commissioner since June 2004. Mr. Sambuaga is currently a member of the Indonesian parliament. He was appointed to the position of Indonesian Labor Minister in 1998 and State Minister of Housing and Urban Development between 1998 and 1999. He obtained a bachelor degree from the Faculty of Social and Political Sciences of the University of Indonesia and his masters degree from the School of International Studies of John Hopkins University in Washington, DC.

Surjadi Soedirdja is the vice president commissioner of the Company, having been appointed in June 2004. Since 2002, Mr. Soedirdja has been acting as an advisor to the board of directors of PT Krakatau Steel. He is a retired general of the Indonesian Army having been appointed to the Board of Directors in 2000. In 1998, he held the position of president commissioner of PT Krakatau Steel. He was appointed the Indonesian Interior Minister and head of the National Land Agency in 1999. In 1992, he was appointed the Governor of Jakarta, a position he held until 1997.

Agum Gumelar is an independent commissioner of the Company, having been appointed in 2005. Mr. Gumelar is a decorated Armed Forces general, with over 30 years of experience in managing large-scale organizations and complex operations. Upon his retirement from the Indonesian military in 1998, he was appointed as Minister of Transportation and Telecommunications and Coordinating Minister for Political Affairs, during which period he gained a strong reputation for developing and implementing national policies in the sectors of infrastructure, transportation and national security. In addition, Mr. Gumelar maintains a keen interest in sports and traditional art, which led him to be appointed as Chairman of KONI (*Komite Olahraga Nasional Indonesia*/Indonesian National Sports Committee). He is also a Patron of Srimulat (a traditional theater group).

Tanri Abeng is an independent commissioner of the Company, having been appointed in June 2004. Since 1971, Mr. Abeng has held several senior executive positions in various multinational companies. He was finance and marketing director of PT Union Carbide Indonesia; CEO of PT Multi Bintang Indonesia; and president

commissioner and commissioner of PT Multi Bintang Indonesia, PT British American Tobacco Indonesia, Mitratel Indonesia, PT Sepatu Bata and PT Bursa Efek Jakarta. 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. Currently he is the chairman of the Executive Center for Global Leadership, co-chairman of the Indonesia-Malaysia Business Council, a member of the Non-aligned Movement Business Council and the president commissioner of PT Telkom Indonesia Tbk. He obtained his Masters of Business Administration from the State University of New York and thereafter completed an advanced management program from the Claremont Graduate School in Los Angeles.

Farid Harianto is an independent commissioner of the Company, having been appointed in June 2004. For over 15 years, Mr. Harianto acted as an independent consultant in the fields of finance and business development. In November 2008, he was appointed as advisor to the board of governors of Indonesian Central Bank. He is currently a Commissioner of PT Unggul Indah Cahaya Tbk. He was the president director of PT Peningkatan Efek Indonesia between 1995 and 1998. He was vice chairman of the Indonesian Banking and Restructuring Agency from 1998 to 2000. He obtained his bachelor degree in electrical engineering from the Bandung Institute of Technology and in 1987 and 1989 obtained his Master degree in Applied Economics and his PhD from the Wharton School of the University of Pennsylvania, USA.

Jonathan L. Parapak is an independent commissioner of the Company, having been appointed in 2006. 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, including PT Multipolar Tbk and PT Matahari Putra Prima Tbk. He earned his Bachelor of Engineering and Master of Engineering Science degree from University of Tasmania, Australia.

Prof. Dr. Muladi, SH is a commissioner of the Company, having been appointed to this role in 2013. Prof. Dr. Muladi served as the Minister of Justice and Secretary of the State at the Development Reform Cabinet and was concurrently Minister of the State Secretariat at the Development Reform Cabinet. Before serving as minister, he was the Rector of Diponegoro University. Since 1999, he has been serving as the Chairman of the Institute for Democracy and Human Rights at The Habibie Center, Jakarta. Prof. Dr. Muladi was appointed as the Head of National Defense Institute on August 30, 2005. He graduated from the Faculty of Law, Diponegoro University in 1968 and earned his doctoral degree in Legal Studies *cum laude* from the Graduate Program in the Faculty of Law, University of Padjadjaran in Bandung, in 1984.

Viven G. Sitiabudi is a commissioner of the Company, having been appointed to this role in 2008. She has previously served as president director of the Company. She is currently the Executive Director and CEO of the Lippo Malls Indonesia Retail Trust Management Ltd. Between 1984 and 1995, Ms. Sitiabudi worked with PT Lippo Life Insurance, ultimately holding the position of president director. She was the president director of Legal and General Indonesia from 1996 to 1998 and the vice president director of Allianz Life Indonesia from 1998 to 2000. She graduated with a Bachelor of Science in Computers and Statistics from the University of New South Wales, Sydney.

BOARD OF DIRECTORS

Members of the board of directors are appointed and removed by shareholder vote at a general meeting of shareholders. The board of directors is comprised of eight directors. The board of directors is responsible for the management of our business.

As of December 31, 2013 the members of the board of directors were as follows:

Name	Position	Age	Year Appointed
Ketut Budi Wijaya.....	President Director	58	2006
Tjokro Libianto.....	Director	54	1992
Djoko Harjono.....	Director	55	2010
Roberto Fernandez Feliciano	Director	59	2011
Rahmawaty	Director	49	2013
Jenny Kuistono	Non-affiliated Director	51	2012

Ketut Budi Wijaya is the President Director of the Company, having been appointed in 2010 and has served as a director since 2006. He concurrently serves as an independent commissioner of PT Multipolar Tbk. Mr. Wijaya

started his career at PT Bridgestone Tire Indonesia. He became an auditor and joined the public accounting firm Darmawan & Co. He also worked with Lippo Bank from 1987 to 1990. Prior to joining PT Lippo Karawaci Tbk, he was director of PT Matahari Putra Prima Tbk and PT Multipolar Corporation Tbk. He graduated from Akademi Akuntansi Indonesia and Sekolah Tinggi Ekonomi Indonesia majoring in accounting.

Tjokro Libianto is a director of the Company, having been appointed in 1992. Mr. Libianto joined one of our affiliates in 1990, having previously worked as an account officer for PT Tifa Finance and PT Tifa Securities (1998 to 1990) and as finance and administration manager of DSU Jakarta from 1984 to 1988. He obtained his Bachelor degree in Accounting from Universitas Brawijaya in Malang.

Djoko Harjono is a director of the Company having been appointed in 2010. From 1994 to 2003 he worked at one of our affiliates. He then served as a director of PT Matahari Putra Prima Tbk from 2003 to 2005 and in 2005 he joined Lippo Karawaci as a project director. He began his career in the United States, where he worked as an engineer in several construction companies from 1983 to 1994. He obtained his Bachelor of Science degree from San Jose State University, USA in 1983, his Master of Science degree from San Jose State University, USA in 1985 and his Master of Business Administration degree from San Jose State University, USA in 1990.

Roberto Fernandez Feliciano is a director of the Company having been appointed in 2011. He started his career as a trainee in OESCO International in Manila, the Philippines, then as a Project Assistant in M Krugger Ltd in Copenhagen, Denmark. He held various management positions in the International Division of Manufacturers Hanover Trust Bank, NY in New York, USA for 11 years. He then joined Lippo Group and held various senior positions including as director of Lippo Pacific Finance, commissioner of Lippo General Insurance, director of Lippo E-Net, and director of First Media. He obtained his Bachelor of Science degree in Business Administration degree from Ateneo De Manila University of Manila, Philippines, and his Master of Business Administration degree from Babson College in Wellesley, Massachusetts, USA.

Rahmawaty is a director of the Company having been appointed in 2013. Ms. Rahmawaty started her career as an auditor in 1987 at Prasetio, Utomo & Co. where she worked up to 1996. She served as Director of PT Lippo Land Development Tbk from 1996 to 1999 and Commissioner of PT Lippo Cikarang Tbk and Director of PT Lippo Karawaci Tbk. from 1997 to 1999. She was appointed as Vice President Director of Lippo Bank on January 24, 2002, having previously served as Director since 1999. She graduated from the Faculty of Economics, Trisakti University in 1988.

Jenny Kuistono is a non-affiliated director of the Company having been appointed in 2012. Prior to her appointment as director, she served as the Corporate Secretary of Lippo Karawaci since 2004. She served as the President Director and Commissioner of PT Sharestar Indonesia, General Manager PT Jasa Century Permai Nusantara (JCPenny) and Director of PT Multipolar Tbk until 2004. Mrs. Kuistono was also the Director of PT Multifiling Mitra Indonesia Tbk. She graduated with a Bachelors degree in Electronic Engineering from Trisakti University, Jakarta.

SENIOR MANAGEMENT

As of December 31, 2013 the members of senior management were as follows:

Name	Office/Division	Age	Position Held Since
Mark Wong	Senior Executive	66	2008
Stephen Choo Kooi Yoon	Senior Executive	63	2012
Hong Kah Jin	Senior Executive	38	2013
MC Loh	Senior Executive	61	2007
Romeo F. Lledo	Senior Executive	58	2010
Dr. Grace Frelita Indradjaja.....	Senior Executive	56	2008
Tom Monahan	Senior Executive	58	2013
Juergen Fisher	Senior Executive	56	2007
Gwen Au Ying Ling	Senior Executive	37	2011

Mark Wong is a senior executive of the Company, joining Lippo Karawaci as Investor Relations Director in 2008. He was a Country Representative for the one of the top five Singapore banks in Indonesia in the 1970s. He was involved in the ADB study which resulted in the establishment of the Indonesian capital markets and help co-found two securities companies. He helped create the AMVI (Asosiasi Modal Ventura Indonesia) and

later facilitated its founding role in APVCA (Asia Pacific Venture Capital Alliance) in which he held board positions. Prior to joining Lippo Karawaci he was involved in merger & acquisition and financial advisory transactions at PT AseanOne. He has held board positions in the International Business Chamber and the Singapore Chamber of Commerce, which he co-founded. He graduated with a Honours Degree in Business Administration from the University of Singapore and an Advanced Bank Management for Overseas Bankers certificate from the University of Pennsylvania, USA.

Stephen Choo Kooi Yoon is a senior executive of the Company, currently serving as the Company's Executive Director for Group Strategy and Development. Mr. Choo has approximately 40 years of experience in engineering, procurement and construction across a wide range of fields, including industrial, commercial, residential property and townships, land infrastructure development, coastal and reclamation projects, ports and marine installations and oil and gas and chemical plants. He also worked on the planning and development of industrial estates and airports for governments and turnkey contracting in water treatment, power stations and oil and gas pipelines in Singapore, Malaysia, India, Pakistan, Saudi Arabia, Vietnam, Thailand, the Philippines and China. Mr. Choo is a Chartered Professional Engineer registered in the Engineering Council, UK, Malaysia and Singapore in civil, structural and geotechnical engineering.

Hong Kah Jin is a senior executive of the Company, joining Lippo Karawaci as the Company's Controller in 2013. He started his professional career in audit with PricewaterhouseCoopers Kuala Lumpur in 1997. In 2003, he moved to Ho Chi Minh City, Vietnam to manage the plant operations and finances of a flour mill with Malayan Flour Mills Bhd. From 2005 to 2007, he served as the Country Financial Controller overseeing finances and back office functions for The Ascott Group, the largest serviced apartment operator in Vietnam. In 2007, he was the Country Financial Controller for Keppel Land Ltd and was instrumental in their growth to become the largest foreign real estate company in Vietnam. He graduated with a Bachelor Degree in Commerce (Accounting & Finance) from Monash University in Melbourne, Australia and is a member of CPA Australia and Malaysia Institute of Accountants.

MC Loh is a senior executive of the Company, joining Lippo Cikarang as President Director in 2007. He began his professional career in 1981 as Senior Project Manager, then as Executive Director at Pembinaan Desakota Sdn. Bhd. in Malaysia. In 1989, he moved to the United States and became a partner in Uni Con Development and then President of Euston Development Corporation/Monfric Construction Inc. Returning to Asia in 1995, he oversaw the construction of two large coal power plants in China. As Senior Vice President of Ascendas — A JTC Company, he was involved in the complete development of large industrial parks in Vietnam and The Philippines during the Asian financial crisis. As General Manager for Tan Chong Motor Holdings Berhad, he completed the construction of a Nissan Car Assembly plant in Malaysia. He obtained a Bachelor of Science degree in Civil Engineering from the National Taiwan University in 1976.

Romeo F. Lledo has 24 years of professional experience in Commerce and Industry Management and 11 years of professional experience as a Certified Public Accountant. He began his professional career in 1977 as an auditor at SyCip, Gorres, Velayo & Co. (SGV & Co./Member of Ernst & Young) then served as General Manager and Chief Operating Officer at Nonwoven Fabric Philippines, Inc. from 1988 to 1992. He moved to Indonesia and worked for The Salim Group from 1992 to April 1999 as Chief of Internal Auditor, PT Indosiar Visual Mandiri (INDOSIAR) from 1994 to 1997 as Controller and Finance Management Advisor, PT Matahari Lintas Cakrawala (INDOVISION) from 1997 to 2001 as Chief Financial Officer and Director, and PT Datakom Asia in 2001 as Director and Chief Operating Officer. He also currently serves as a Steering Committee member and advisor at PT Sarana Tani Indonesia, President Commissioner at PT Unggul Indah Cahaya Tbk, Managing Director at PT Indonox Mitra Pratama and President Direktor at both PT Inti Everspring Indonesia and PT Mitra Kreasidharma. He became a Certified Public Accountant in the Philippines in and earned a degree from the Management Development Program (MDP) at the Asian Institute of Management, Philippines. Mr. Lledo has also received many internationally recognized accounting and management awards for his work in the Philippines.

Tom Monahan is a senior executive of the Company, currently serving as the Company's Chief Executive Officer — Hospitality & Leisure Division since 2013. Mr. Monahan has approximately 36 years experience in the hospitality industry throughout Asia Pacific, Europe and the USA. Mr. Monahan started his career with Inter-Continental Hotels and Resorts in New York in 1977. He was later posted to Hong Kong as Vice President Finance from 1990 to 1994. Mr. Monahan was Finance Director in Granada/Forte PLC, London from 1994 to 1996. He continued his career with Starwood Hotels & Resort, where he was from 1996 to 2008 in Singapore as Vice President — Financial Management, Asia Pacific; Senior Vice President — Finance, Acquisitions &

Development, Asia Pacific; Senior Vice President – Acquisitions & Development, Asia Pacific. Following this, Mr. Monahan joined Wyndham Hotel Group in Hong Kong as Executive Vice President — International Development from 2008 to 2011, responsible for the development of growth strategy and leading efforts in identifying, qualifying, negotiating and executing transactions for management and franchise agreement in Asia Pacific. Mr. Monahan also worked for Carlson Rezidor Hotel Group as its Executive Vice President — Development from 2012 to 2013. Mr. Monahan obtained his Bachelors of Science in Accounting from University at Albany, Albany, New York, USA and MBA from Pace University, New York, USA.

Dr. Grace Frelita Indradjaja, MM, is a senior executive of the Company, currently serving as Chief of Medical Operations of Siloam Hospitals Group. She has over 25 years of experience in healthcare services development in Indonesia. Dr. Frelita is the Chairman of the International Accreditation Division with the Indonesian Hospitals Association (*Persatuan Rumah Sakit Seluruh Indonesia*), the Vice Chairman of Strategic Healthcare Committee and on the committee for the Indonesian Doctors Association (*Ikatan Dokter Indonesia*). She holds a Masters degree in Management, majoring in Hospital Administration from the University of Esa Unggul, Indonesia and a Medical degree from the Catholic University of Atmajaya, Indonesia.

Juergen Fischer is a senior executive of the Company, currently serving as the Chief Operating Officer of Aryaduta Hotel having been appointed in 2007. His extensive knowledge in the hotel industry began 27 years ago at the Marbella Club in Spain and in the United Arab Emirates. He progressed through a chain of managerial positions and professional developments with five-star branded and independent hotels from small luxury to large resort and city center hotel operations in Europe, Middle East, Caribbean, China and Asia. Prior to joining Aryaduta Hotel, he held several executive role positions at Swiss Belhotel International, Nakamanda Resort & Spa (A member of Small Luxury Hotel of the World), Gloria International Hotels China, Aerowisata International Hotels Indonesia, Palm Grove Beach Resort Malaysia, Royal Garden Marriott Thailand, Dorint Hotels Germany and Universal Hotels & Resorts British West Indies. Mr. Fischer completed a Business Sector Diploma at the School of Management in Germany and an apprenticeship at Hotel Krone in Tuebingen Germany.

Gwen Au Ying Ling is a senior executive of the Company, currently working as Portfolio and Marketing Manager. She has extensive experience in retail promotions, advertising and event management for shopping malls within China, Indonesia, Singapore and Malaysia. Prior to joining Lippo Karawaci she held various senior positions including as portfolio marketing manager of DTX Nawawi Tie Leung Property Consultants Sdn Bhd, marketing & PR director of Treasury Holdings China Ltd, and general manager marketing of PT Grand Indonesia. She earned her Bachelors degree with honors in Communication Studies from the NTU School of Communication and Information, Singapore.

AUDIT COMMITTEE

Our audit committee consists of an Independent Commissioner and one independent member. Currently, our audit committee members are its chairman, Farid Harianto, an Independent Commissioner on our Board of Commissioners and two additional members, Herbudianto and Indra Simarta. Our audit committee is regulated under Bapepam-LK Regulation No. IX.I.5. It performs its function in accordance with its charter dated October 2004, which was approved by our Board of Commissioners.

The committee reviews our financial results, our compliance with the relevant regulations, the effectiveness of our internal controls and activities as well as the findings of our internal audit department. The audit committee also reviews reports of company risks, complaints and our general financial performance. The audit committee provides quarterly reports on its reviews to our Board of Commissioners.

CORPORATE SECRETARY

The Company appointed Jenny Kuistono as its Corporate Secretary in 2004 to liaise on behalf of the Company with Bapepam-LK/OJK, the Indonesia Stock Exchange and other related public institutions. See “— Board of Directors” for further details.

COMPENSATION

Payment of compensation to the commissioners and directors is determined at the annual general meeting of shareholders. During the years ended December 31, 2011, 2012 and 2013, the aggregate compensation (including bonuses) paid to the commissioners and directors of the Company and its subsidiaries was Rp31.7 billion, Rp36.0 billion and Rp46.8 billion (US\$3.8 million), respectively.

Principal Shareholders

The following table sets forth certain information with respect to our shareholders as of December 31, 2013.

<u>Shareholders</u>	<u>Number of shares</u>	<u>%</u>
Lippo Related Companies ⁽¹⁾	5,965,741,618	25.85
MLI S/A Meridian Inv Ltd	1,140,600,000	4.94
Public	15,971,348,001	69.21
Total	<u>23,077,689,619</u>	<u>100.00</u>

(1) Pacific Asia Holding Ltd, PT Star Pacific Tbk, PT Lippo General Insurance Tbk, PT Multipolar Corporation Tbk and PT Lippo Securities Tbk collectively hold 5,965,741,618 of our shares and are controlled by the same shareholder group.

Industry Overview

This section contains information concerning the Indonesian property industry, which has been prepared by Knight Frank/PT. Willson Properti Advisindo, and the Indonesian healthcare industry, which has been prepared by Frost & Sullivan. Neither we nor the Joint Lead Managers make any representation as to the accuracy or completeness of this information. This information has not been independently verified by us or the Joint Lead Managers or any of our or their respective advisors and should not be unduly relied on.

RESIDENTIAL MARKET OVERVIEW

Supply

The residential market in Jakarta can be classified into three submarkets: condominiums for sale, serviced rental apartments and purpose-built rental apartments. As of December 31, 2012 and 2013, there were a total supply of 97,622 and 113,732 condominium units in the market, respectively, representing a year-on-year increase of 16.5%. Total stock of serviced rental and purpose-built rental apartments in 2013 were 5,322 units and 3,144 units, respectively, increasing year-on-year by 2.2% and 4.2%, respectively.

During 2013, 20 new condominium projects were completed, representing a 114% increase in the number of condominium units completed compared to the previous year: Denpasar Residence (Ubud and Kintamani), Verde, Myhome @ Ciputra World 1, Tamansari Semanggi (Tower B), The H Tower, Green Palace (Tower L, M, N, P, R, S, T), Puri Park View (Tower B), Westmark, Green Bay Pluit (Bayview and Coastview), Green Pramuka (Faggio and Pino), Kebagusan City (Tower B), Royal Springhill (Marygold and Magnolia), Grand Palace Kemayoran (Katania, Genova and Dario), Aston Pluit (Tower A and B), Sunter Icon (Safir and Emerald), St. Moritz Penthouse & Residence (New Royal), 1Park Residence (Tower A), GP Plaza, Sherwood Residence (Richmond and Wellington) and Pancoran Riverside (Bariang and Chaniago).

Middle-income homebuyers who can afford to buy condominium units in the price range of Rp12 million to Rp17 million per square meter still accounted for the largest share of the condominium market at 49.8% as of December 31, 2013. Of the new condominium units supplied during 2013, 82.9% were delivered to middle and lower-middle income homebuyers.

With the development pipeline still growing at a significant rate, 42 projects totaling about 32,926 units started pre-sales in 2013, surpassing 2011 by about 11,989 units and 2012 by about 23,938 units. However, the pace of new launches slowed down significantly during the second half of 2013, as consumers delayed property purchases due to several factors, including the tightening property loan-to-value ratio (LTV) policy, rising interest rates and, most importantly, uncertainty over the presidential election and economic conditions in 2014. Newly launched condominium projects in Jakarta targeted at the middle income market included Royale Springhill Residences, Aspen @ Admiralty (Tower C), Holland One (Holland Village), Taman Anggrek Residence (Beech, Espiritu and Fragrant Towers), Lexington Residence (Tower A), Pejaten Park Residence (Tower A) and Sudirman Hill Residence. Newly launched condominium projects in Jakarta targeted at the upper middle income market included Belmont Residences (Athena Tower), Gallery West Residences, Sentosa Residence (North and South Towers), Satu 8 Residence, Capitol Park (Sapphire and Emerald Towers), Regatta (London Tower), Gold Coast (Bahama Tower), The Mansion @ Dukuh Golf Kemayoran (Gloria and Emerald Towers) and SOHO Pancoran. Newly launched condominium projects in Jakarta targeted at the upper income market included Gayanti Labella Residence (Tower A), The Windsor (Tower 2), Menteng Park (Sapphire and Emerald Towers) and One Casablanca Residence.

Approximately 82,328 new condominium units are currently expected to be completed between 2014 and 2016. Approximately 57.9% of the units that are expected to be completed in 2014 will be targeted at middle and lower-middle income homebuyers.

The new supply of rental apartments in Jakarta after the global financial crisis in 2009 has been limited. With the opening of a 153-unit H-Tower Apartment and an increase in the supply of purpose-built rental apartments in light of the renovation of the Ratu Plaza and Heavenwood Service Suites Apartments, the total cumulative supply for both serviced and purpose-built rental apartments in 2013 increased slightly year-on-year by 2.9% to 8,466 units. In addition, Kempinski Private Residence converted its 40 serviced rental units to strata-titled units. For serviced rental apartments, 64.0% of the supply in 2013 remained in the CBD area with 90.6% of such units located in Central and South Jakarta.

Demand

The cumulative sales rate of existing supply remained strong due to strong sales from the additional supply of 16,110 units entering the market in 2013, posting a small increase to 98.9% at the end of 2013, compared to the end of 2012's sales rate of 98.8%. Newly-launched projects targeted at both middle and lower middle income markets posted a sales rate of 52.0% as of December 31, 2013. As of December 31, 2013, the pre-sales rate for proposed supply between 2014 and 2016 was 76.4%. The stable growth in both sales and pre-sales rates is indicative of sustained demand in the Jakarta condominium market.

In the rental market, the overall occupancy rate decreased slightly by 1.9% to 84.2% across the serviced and purpose-built rental apartments submarkets in CBD and prime non-CBD areas in 2013. Net take-up recorded an increase of 67 units in 2013 as compared to the previous year of 217 units. A lack of short-term inquiries and expiration of long-term contract had caused the occupancy to decrease temporarily. With more foreign or multinational firms in the oil and gas, mining, manufacturing, banking and finance sectors expanding or relocating offices in Jakarta, leasing activity for serviced and purpose-built rental apartments in 2013 was driven by tenants from China, Japan, South Korea and western countries.

Price

On the back of positive buyer sentiment, lower interest rates and steady increases in sales, the average sales prices of residential units in Rupiah terms continued to surge during 2013, with a modest year-on-year increase of 33.1%, 30.3%, and 28.1% for residential units located in the CBD, prime non-CBD and secondary non-CBD areas, respectively. The average sales prices in U.S. Dollar terms increased year-on-year by 26.5% to US\$2,181 per square meter during 2013. Notably, the luxury or high-end condominium prices in Jakarta performed strongly as of December 31, 2013, increasing year-on-year on average by 37.7%. Existing high-end or luxury supply remains limited with only a handful of available luxury projects in the pipeline for the next three years.

The rental rate trend varied among rental apartment submarkets. The average gross rental in both Rupiah and U.S. Dollar terms for serviced apartments in 2013 showed a year-on-year increase of 33.4% to Rp278,283 per square meter per month and 5.8% to US\$22.8 per square meter per month, respectively. In addition, asking gross rents in both Rupiah and U.S. Dollar terms for non-serviced/purpose-built rental apartments in 2013 located in CBD and prime non-CBD areas, increased year-on-year by 24.0% to Rp168,777 and decreased year-on-year by 1.62% to US\$13.9, respectively. The decrease in U.S. Dollar terms was partly due to the depreciation of the Rupiah against the U.S. Dollar.

Outlook

Strong competition is expected to remain with developers likely to continue offering attractive project concepts such as green buildings, more reasonable pricing and flexible financing terms to generate more sales activity. With supply estimated to grow by approximately 72.4%, or 82,328 units, between 2014 and 2016, developers will be more cautious of the possibility that demand may not be able to keep up with the pace of new supply. Demand is likely to decline and price growth to moderate as buyers delay purchases and maintain a wait-and-see approach amid the macroeconomic uncertainty and 2014 election.

The LTV policy requiring a minimum 30% down payment for housing loans continues to affect the purchasing power of the middle and lower-middle classes. However, additional cash installment incentives and credits offered by developers are expected to alleviate the burden to consumers. The limited availability of land in Jakarta, particularly in the CBD and prime area, is expected to continue to result in increases in land prices and condominium development costs subject to the macro demand trend.

Despite the slow supply growth of rental apartments, the positive rental rate trend is expected to continue supported by strong underlying fundamentals and business confidence. Rental rates are expected to increase slightly in anticipation of inflation and the hike in the basic electricity tariff. Short-term lease accommodation demand is expected to help contribute to the improved performance of serviced apartments within the CBD area. Long-term leases based on assignments or relocations will likely be more stable, while short-term leases based on travel inquiries are subject to seasonal fluctuations. Stiffer competition from star-rated hotels and strata-titled condominium offerings is expected to put further pressure on occupancy rates and rental rates.

Jakarta Condominiums	For the six months ended				
	December 31, 2013	June 30, 2013	December 31, 2012	June 30, 2012	December 31, 2011
Total stock (units)	113,732	111,652	97,622	91,540	83,500
- New completion (units)	2,080	14,030	6,082	8,040	2,184
Unsold Stock (%)	1.1%	1.1%	1.2%	1.5%	1.4%
- Unsold Stock (units)	1,197	1,195	1,203	1,406	1,192
Proposed Supply 2014-2016 (units)**	82,328	62,112	66,651	48,327	47,398

Source: Knight Frank / PT. Willson Properti Advisindo

Jakarta Rental Apartments	For the six months ended				
	December 31, 2013	June 30, 2013	December 31, 2012	June 30, 2012	December 31, 2011
Total stock (units)	8,466	8,466*	8,227	8,010	7,998
- New completion (units)	—	279	217	112	—
Vacant Stock (%)	15.8%	14.0%	14.2%	12.8%	14.4%
- Vacant Stock (units)	1,337	1,184	1,165	1,028	1,152
Proposed Supply 2014-2016 (units)**	1,554	1,044	561	561	410

Source: Knight Frank / PT. Willson Properti Advisindo

* The total stock units reflect the sum of new completion units minus renovations and conversions of total existing units

** Proposed supply figures correspond to the specified points in time (In a three-year period) and may reflect updates according to construction status

RETAIL MARKET OVERVIEW

Supply

The retail market in Jakarta can be classified into two submarkets: leased mall and strata-titled mall. In 2012 and 2013, there were a total of 2,478,487 and 2,639,387 square meters of leased retail space available, respectively. The leased retail space market in Jakarta can be classified, among others, by target market and location factors. The classification is as follows: Premium Grade A (High-End — CBD), Grade A (Upper-Middle to Upper — CBD/Prime Non-CBD), Grade B (Middle to Upper-Middle-Other Non-CBD Secondary), Grade C (Low Middle to Middle — Other Non-CBD Secondary) and Grade D submarkets (Low — Other Non-CBD Secondary).

In 2013, there was a total of 2,639,387 square meters of leased retail space, of which 17% was Premium Grade A, 38% was Grade A, 35% was Grade B, 10% was Grade C and 1% was Grade D. Total supply increased by 3.9% in 2013 to 4,271,586 square meters as there were four new shopping centers that started operations in Jakarta — Pondok Indah Street Gallery, Cipinang Indah Mall, Lotte Shopping Avenue and the Baywalk.

Total stock of strata-titled retail space remained steady with no additional new supply in 2013. The CBD and Prime Non-CBD areas accounted for the largest concentration of Premium Grade A and Grade A buildings which represented 42.4% of the total existing supply. By area, South Jakarta remained the largest concentration, representing about 45.5% of the leased retail supply, while 70.1% was located in the Non-CBD area.

With rising inquiries from retailers, this has encouraged developers to tap the growing need for quality space by initiating new retail projects. Approximately 12 retail projects totaling 424,400 square meters are expected to be completed between 2014 and 2016. The pipeline will consist mainly of rental shopping malls (91.9%), a mix of rental and strata-title retail centers (5.9%) and the remaining being strata-titled retail centers (2.2%) with all shopping malls located in the Non-CBD area. West Jakarta will supply about 58.2% of the total new retail supply.

Demand

In 2013, the overall occupancy rate increased slightly by 1.6% to 89.2% as compared to the previous year. By retail type, the occupancy rates of leased mall retail space and strata-titled retail space were recorded at 91.1% and 86.1%, respectively. In terms of demand, the leased mall retail space and strata-titled retail space posted a slight year-on-year decrease of 0.3% and a slight increase of 4.7%, respectively.

Leading brands and retailers continue to aggressively pursue expansion plans to increase their presence across key retail hubs supported by the Jakarta's large population and growing middle class income. Notably, a number of major foreign branded department stores, automotive-related goods and furniture stores have announced their expansion plans in Indonesia, including Thailand-based Central Department Store, Malaysia-based Parkson Retail Group, Netherlands-based IKEA, Japanese-based Autobacs Seven and AEON as well as Singapore-based Courts Asia.

Major leasing activity in 2013 in newly completed upper-class malls included: Lacoste, Guess, Versace Jeans, Wallis, Watch 2 Zone, Samsonite, Hangaga, Massimo Dutti in Kuningan City; Galeries Lafayette in Pacific Place; Lotte Department Store, Lotte Duty Free Shop, Ranch Market, Uniqlo in Lotte Shopping Avenue, Taman Angrek and Kelapa Gading 3; Carrefour in Pluit Village; Avara Lounge, Function Room in Epicentrum Walk; Informa in Central Park; Celebrity Fitness in Kota Kasablanka; H&M in Pondok Indah 1 and Gandaria City; The Goods Department in Pondok Indah 2; Best Denki in Puri Indah; Cotton On in Central Park; Rock Star Gym, Nano Reflexy in Mall of Indonesia and Union in Pondok Indah Street Gallery among others.

Rent

Overall gross rent in Rupiah terms for prime ground floor space in Jakarta's retail centers increased slightly year-on-year by 3.4% to Rp732,673 per square meter per month during 2013. The average gross rent of Premium Grade A retail ground floor space was Rp1.33 million per square meter per month, while the average gross rent of Grades A, B and C retail ground floor space was Rp823,354, Rp449,530, Rp398,125 per square meter per month, respectively.

Outlook

The Jakarta retail sector is expected to remain positive supported by solid middle-class and large population base. However, the slowdown in economic growth and increase in inflation may affect consumers' purchasing power and spending. With the depreciation of Rupiah, retailers may delay expansion plans temporarily until the currency stabilizes. The average occupancy level is projected to be stable due to limited large new supply in the pipeline for 2014. Service charges are expected to increase by 10% to 15% in 2014 if a gradual increase in basic electricity tariff (TDL) is repeatedly imposed by 3% to 4% every quarter in 2014 and minimum wages continue to rise.

First introduced in October 2011 by the previous governor Fauzi Bowo in an effort to ease traffic congestion and improve city planning efforts, the moratorium of mall construction is projected to continue as the New Governor, Joko Widodo, is likely to extend the restriction. More new retail malls are expected to be developed outside of Jakarta, particularly in part of the new township developments. Smaller scale or supporting retail malls, widely known as shopping arcades, will still have an opportunity to grow further.

Retail Market Summary	For the six months ended				
	December 31, 2013	June 30, 2013	December 31, 2012	June 30, 2012	December 31, 2011
Total Stock (square meters).....	4,271,586	4,217,086	4,110,686	3,872,775	3,872,775
- New Completion (square meters)	54,500	106,400	237,911	—	61,580
Vacant Stock (%).....	10.8%	11.3%	12.2%	11.0%	13.0%
- Vacant Stock (square meters)	461,737	476,344	500,345	427,495	501,785
Average Base Rent (Rp. per square meter per month).....	632,488	623,915	618,389	612,705	608,762
Proposed Supply 2014-2016 (square meters)* ..	424,400	341,145	346,245	480,469	521,469

Source: Knight Frank / PT. Willson Properti Advisindo

* Proposed supply figures correspond to the specified points in time (In a three-year period) and may reflect updates according to construction status

JAKARTA CBD OFFICE MARKET OVERVIEW

Supply

The office market in Jakarta can be classified into Premium Grade A, Grade A, Grade B and Grade C submarkets. As of December 31, 2013, there was a total supply of 4,824,324 square meters of office space in the Jakarta CBD of which 19% was Premium Grade A, 64% was Grade A, 15% was Grade B and 2% was Grade C. Total supply grew marginally year-on-year by 3.5% to 4,824,324 square meters as of December 31, 2013. Three projects, DBS Tower at the Ciputra World, Prudential Center at Kota Kasablanka and Menara Prima 2, were completed during the first half of 2013 and there were no new completions during the second half of 2013.

The total proposed supply between 2014 and 2016 is expected to be 1,111,633 square meters, comprising 45.8% rental offices, 44.0% strata-titled offices and the remaining 10.3% a mix of strata-titled and leased offices. 49% of the total new supply, or approximately 540,506 square meters, are expected to enter the market in 2014.

Demand

Parallel with the slowing economic growth, Rupiah depreciation and upcoming Indonesian presidential election, the level of office absorption in the CBD declined significantly, particularly during the second half of 2013. Tenants were also mostly taking a wait-and-see approach in terms of the need for expansion. After gaining a record high level of absorption in 2011 and 2012, the CBD office market experienced a weaker performance in 2013 with cumulative net take-up only recording approximately 148,106 square meters or a significant decrease of 55% compared to 2012. The slowing net take-up was largely due to limited new supply and the slowing economic growth. Leasing transactions mainly involved companies from the insurance, oil and gas, consulting, IT and banking/finance sectors.

In 2013, Premium Grade A and Grade A buildings recorded a positive net take-up, while Grade B and Grade C buildings recorded a negative net take-up. Occupancy rate as of December 31, 2013 increased to 98.69% in Premium Grade A and decreased to 93.25% in Grade A, 97.55% in Grade B and decreased to 84.82% in Grade C sub-market as compared to 2012. Overall CBD market occupancy remained stable at 94.78%.

Rental Rates and Prices

The CBD office market remained a landlord's market for premium grade office buildings. With only 1.31% vacancy in the aggregate market, asking rental rates continued to grow in all submarkets, with the highest increases recorded by Premium Grade A and Grade A sub-market, both in Rupiah and US\$ terms. Lower increases were recorded in Grade B and Grade C sub markets. Overall, gross rental increased significantly to US\$31.64 or Rp385,652 per square meter per month, representing a 13.5% growth in U.S. Dollar terms and 43.1% growth in Rupiah terms, compared to 2012. Premium Grade A submarket recorded the highest gross rental increase at 23.4% in U.S. Dollar terms and 55.5% in Rupiah terms as Premium Grade A buildings reached nearly 100% occupancy.

With limited supply and continued strong demand, the average price of strata-titled office buildings continued to enjoy steady growth. As of December 31, 2013, the average price was Rp31.3 million (US\$2,572) per square meter, representing a 22.7% year-on-year growth in Rupiah terms.

Outlook

With the slowing economy, high level of proposed new supply and upcoming Presidential election, occupancy rates and base rental in 2014 are anticipated to show slower performance and growth. Leasing activities are expected to pick up again in the second half of 2014 with higher leasing inquiries subject to election results and business sentiment.

Office buildings with desirable locations, premium amenities and convenient access are expected to command higher rental than the overall market. In addition, service charges may escalate in anticipation of higher minimum wages and basic electricity hikes in 2014.

Jakarta CBD Office Market Summary	For the six months ended				
	December 31, 2013	June 30, 2013	December 31, 2012	June 30, 2012	December 31, 2011
Total stock (square meters)	4,824,324	4,824,324	4,662,324	4,499,314	4,371,164
- New completion (square meters)	—	162,000	163,010	128,150	—
Vacant Stock (%)	5.2%	5.1%	5.1%	5.6%	6.8%
- Vacant Stock (square meters)	251,773	248,010	237,880	252,104	297,853
Average Asking Gross Rent (US\$ per square meter per month)	31.64	32.68	27.87	23.19	22.00
Proposed Supply 2014-2016 (square meters)* ..	1,111,633	770,006	792,006	706,606	777,350

Source: Knight Frank / PT. Willson Properti Advisindo

* Proposed supply figures correspond to the specified points in time (In a three-year period) and may reflect updates according to construction status

HOTEL MARKET OVERVIEW

Supply

The hotel market in Jakarta can be classified into three submarkets: five-star, four-star and three-star. In 2013, the hotel supply increased year-on-year by 10.6% to a total of 30,002 rooms of which 33.7% were five-star, 38.8% were four-star and 27.6% were three-star. 64.9% of the total supply was located in non-CBD areas, while the remaining 35.1% was located in CBD and prime areas. There were ten new three-star and seven four-star hotels, accounting for a total of 2,873 additional rooms in 2013.

The new supply pipeline consists of 51 hotels totaling about 11,255 rooms, expected to be completed between 2014 and 2016. Of this pipeline, four-star hotels are expected to account for the largest portion at 45.9%, or 5,170 rooms, while 47.8% or 5,384 rooms, will be located within superblock projects.

Demand

Fueled by the increased business traveling in the forms of meetings, seminars, trainings and events from private companies and government institutions, the number of passenger arrivals in Indonesia in 2013 continued to show a growing trend with passenger traffic estimated by the Airports Council International at 62.1 million in 2013 or rising by 3.5% as compared to 2012 — making Soekarno-Hatta International Airport the 8th busiest airport in the world and the 4th busiest in Asia Pacific. In addition, foreign visitor arrivals via Soekarno-Hatta International Airport recorded a steady year-on-year increase of 9.1% to 2,240,490 in 2013 as compared to the previous year.

The overall market occupancy ended 2013 with a 13.1% year-on-year increase to 21,453 occupied rooms or a 71.5% occupancy rate as compared to 18,963 occupied rooms in 2012. Three-star and four-star hotels recorded a decrease in occupancy rates by 1.26% and 0.85% to 72.1% and 73.4%, respectively. Five-star hotels showed an increase in occupancy rates by 6.13% to 68.13%.

In terms of guest profile, domestic customers continued to support Jakarta hotel business, dominating approximately 78% of the total number of occupants in 2013. MICE (Meeting, Incentives, Conferences and Exhibitions) or business travelers classified as corporate groups constituted the dominant demand source, accounting approximately 65% of the total number of occupants in 2013.

Average Room Rate

Consistent with the positive performance of the overall occupancy rate in 2013, the average room rate (ARR) and revenue per available room (RevPar) in all star-rated hotels also showed increases in growth. ARR in Rupiah terms for all star-rated hotels in 2013 recorded a year-on-year increase of approximately 10.3% and a year-on-year decrease in U.S. Dollar terms of approximately 16.5% due to the depreciation of Rupiah. The five-star hotel

ARR in Rupiah terms recorded the highest increase by 14.6% to Rp1,003,682. As a result, RevPar for all star-rated hotels in Rupiah terms enjoyed an increase of 13.7% to Rp470,791. However, RevPar for all star-rated hotels in U.S. Dollar terms indicated a decrease of 9.7% to US\$38.62 due to the depreciation of Rupiah.

Outlook

Given the resilient economic growth and mainly driven by domestic travelers, the overall trend of Jakarta hotel market is expected to remain positive throughout 2014 despite the unfavorable global and domestic economic outlook. The upcoming Indonesian presidential election in 2014 is also expected to help to generate business demand and demand for meeting venues. However, occupancy rates are expected to be slightly lower, if not stable, due to ample supply entering the market in the next three years.

Notably, stronger demand for MICE facilities has prompted budget hotels to provide meeting rooms that are suitable for smaller groups. Brand conversion and renovation are expected to emerge as a trend for major hoteliers due to heightened competition from new hotels entering the market.

INDONESIAN HEALTHCARE MARKET OVERVIEW

Indonesia is the fourth most populous country in the world, with a population of approximately 247.4 million in 2013. This population growth is expected to increase demand for healthcare.

The healthcare system in Indonesia consists of both the public and private healthcare systems. The Ministry of Health is directly responsible for the public healthcare system. The funding for the public healthcare delivery services comes primarily from the Indonesian Government's annual budget. The operation of the healthcare system in Indonesia is decentralized, giving autonomy to provincial governments.

The subsidy of public healthcare services in Indonesia has put a significant strain on public resources due to the volume of patients that seek treatment. Disparity in terms of access to healthcare services among provinces has also risen. Although health insurance coverage has increased significantly in Indonesia over the last decade, almost 35% of the population still remains without any coverage and out-of-pocket spending remains high even among those with coverage. The Indonesian Government is committed to achieving Universal Health Coverage (UHC) by 2019 to cover a projected population of 263.0 million.

Key Drivers for Healthcare in Indonesia

Improvement in Healthcare Infrastructure, Delivery and Accessibility

At the primary care level, Indonesia has achieved its target to provide one health center (Puskesmas) for 30,000 persons in Indonesia by increasing the number of healthcare facilities. The ratio of Puskesmas to population has increased from 3.60 per 100,000 in 2007 to 3.86 per 100,000 in 2013. The number of health centers (Puskesmas) has increased from 8,234 in 2007 to 9,655 in 2013 at a CAGR of 2.7%, particularly fuelled by the introduction of the Indonesian Government's Healthcare Strategic Plan 2005-2009 which prioritizes the establishment and upgrade of health centers across Indonesia. The Indonesian Government estimates that there will be approximately 10,500 Puskesmas in Indonesia by 2015, approximately one for every 24,000 persons in Indonesia.

In 2010, the Indonesian Government introduced a new five-year healthcare strategic plan for 2010 to 2014 with the objectives of reducing infant mortality, further improving the healthcare and nutrition of the community, containment and reduction in mortality rates arising from chronic diseases, increasing the public sector budget on health for the low income community, expanding healthcare human capital and implementing minimum standards of healthcare services in all districts across primary, secondary and tertiary healthcare services.

Simultaneously, the emphasis on secondary and tertiary care facility development has also steadily increased the number of hospitals in Indonesia. The number of public hospitals has exceeded the number of private hospitals since 2004 due to the accelerated growth stemming from the Indonesian Government's intention to increase healthcare accessibility and affordability. From 2007 to 2010, the number of public hospitals grew by 6.8%, while the number of private hospitals grew by 7.9%. Private hospitals grew at a faster rate due to higher demand for private healthcare services, as self-payment trends increased.

In 2011, the Indonesian Government started reclassifying its hospitals. Because of the new classification, the number of private hospitals decreased from 2010 to 2011. However, the number of private hospitals has increased since 2012 and this trend is expected to continue. As of December 2013, there were 2,282 hospitals in Indonesia, of which 1,574 were public and 708 were private. Frost & Sullivan expects the number of private hospitals to continue to grow faster than the number of public hospitals over the next 5 years, as private hospitals expand beyond the Greater Jakarta region into the next tier cities.

Today, only about 65% of Indonesia's population, or approximately 155 million people, have some form of public or private health insurance. Furthermore, many people with health insurance fail to utilize the benefits provided. For example, of the 76 million people that are covered and have access to public insurance for the poor and near poor (Jamkesmas), only 40 million people have accessed the facility. The under-utilization was mainly in areas outside Java, Bali and Sumatra. Key challenges to utilization include accessibility challenges in rural areas, transportation and limited availability of health facilities (qualified personnel, drugs, equipment, and physical infrastructure). The government has recently begun initiatives to bring about uniform and equitable health services to all Indonesians, with the goal of broadening the reach of regional health centers and increasing uptake of healthcare services.

Demographic shifts

Continued increases in life expectancy and the decline in fertility rates are the major factors underlying the growing elderly demographic in Indonesia, which in turn is driving the demand for hospital-based healthcare services as well as primary care. The average life expectancy rate of the Indonesian population in 2012 was 71.62 years (69.07 years for men and 74.29 years for women). The Indonesian Government aims to cater to the aging population in terms of prevention of disease and treatment when diagnosed, as well as addressing both infant and maternal mortality. In 2013, there were approximately 18.9 million elderly aged 60 years and above accounting for 7.6% of the total Indonesian population.

At the other end of the spectrum, the Indonesian Government is looking at reducing infant mortality. The Universal Maternity Benefit (Jaminan Persalinan/Jampersal) was implemented in January 2011 for all pregnant women. It is delivered through physicians and midwife practitioners, Puskesmas, maternity clinics and hospitals. High maternal, neonatal and infant mortality rates, as well as a disparity in access in terms of geography and finances have driven the implementation of this plan, and the Indonesian Government has a target of 23 infant deaths per 1,000 live births by 2015, compared to 32 infant deaths per 1,000 live births in 2012. In maternal mortality, the Indonesian Government has a target to bring down the ratio to 102 per 100,000 maternities by 2015, compared to a ratio of 359 per 100,000 maternities in 2012, which was the highest in South East Asia.

Rise in Non-communicable Disease Incidence

Non-communicable diseases, such as cardiovascular disease, cancer and diabetes are the leading causes of mortality in Indonesia. The 2013 Basic Health Research (Riskesdas) showed that Indonesia has quite a high prevalence of non-communicable diseases. The prevalence for stroke, asthma and diabetes mellitus increased from 8.3%, 3.5% and 1.1%, respectively, in 2007 to 12.1%, 4.5% and 2.1%, respectively, in 2013. Studies have indicated that the increase in these illnesses is a result of increasing prevalence of Western dietary habits and lifestyles. This is indirectly also responsible for a growing number of other problems, such as heart attacks and circulatory disorders, amongst the population. As a result of the shift in epidemiological trends, the healthcare delivery sectors are required to establish or enhance facilities that cater for these chronic diseases.

The President of Indonesia is increasing the budget allocation on disease prevention programs to reform community services and shift focus from medication to prevention by increasing the budget for social insurance (Jamkesmas), which grew from US\$571.2 million in 2010 to US\$806.1 million in 2012. As a result of the shift in epidemiological trends, specialized facilities that cater to these chronic diseases will grow in demand. During 2012, a total of 475 specialist hospitals were established in the country, an increase of 195 hospitals since 2006. However, of these, more than half focused on pediatric and maternity services. There is still a significant need for specialty hospitals focusing on other specialties, such as cardiovascular diseases and oncology.

High Occurrence of Infectious or Communicable Diseases

Infectious or communicable diseases continue to be the most common killers among children and young adults in South East Asia. Indonesia still faces a very high risk of food or water-borne as well as vector-borne infectious diseases, such as diarrhea, hepatitis, malaria and occasional outbreaks of dengue fever.

Approximately 190,000 new cases of tuberculosis (TB) recorded every year, although diagnosis and treatment have improved, thereby improving outcomes. In 2012, there were 297 TB cases per 100,000 people, and as per WHO, Indonesia is now ranked fifth in ASEAN for the number of TB related deaths. It was previously ranked third in the number of TB deaths. The number of malaria cases dropped from 15.0 million cases per year in 2000 to 1.3 million cases in 2012, with a governmental target below 1.0 million cases by 2015. The number of malaria related deaths in 2012 was 300,000. The incidence of malaria in metropolitan Jakarta, Yogyakarta and Banten has been fully eradicated. The Indonesian Ministry of Health is looking to eradicate the disease completely by 2030.

According to the Ministry of Health, the total number of HIV and AIDS cases reported in 2013 was 29,037 and 5,608 respectively as compared to 21,591 and 6,867 cases reported in 2010. In 2012, the number of people living with HIV in Indonesia is approximately 610,000. Based on the local estimates, the cumulative number of reported HIV infections in Indonesia has risen sharply from 7,195 in 2006 to 103,739 in 2013. According to the UNAIDS World AIDS Day Report 2012, Indonesia is one of the nine countries that reported the highest increase in the number of new HIV cases (of more than 25%) over the last decade. The provinces that have the highest number of AIDS cases are DKI Jakarta, East Java, West Java, Papua and Bali. By 2014, two main targets of the Indonesian response to HIV and AIDS are to achieve coverage of 80% of key affected populations and the general population with at least 60% of those reached practicing safe behavior.

Increasing Demand for Quality Healthcare Fuelled by Growing Middle Class

The annual earning capacity of Indonesians is on the rise, shifting the population from “low-income” to “middle income.” Middle income households (defined as all households with earnings between USD 5,000 to USD 10,000 annually), increased from 23% of the total households in 2012 and expected to reach 45% in 2018. The middle class population in general tends to utilize more expensive and better quality essentials and services, including medical care. While public services cater to the poor and have a role in ensuring healthcare access for all, the middle class is expected to be one of the key growth drivers for private healthcare services. Increasing wealth, coupled with sedentary or stressful lifestyles, has led to higher prevalence of chronic diseases. A rising middle class population not only increases the affordability of healthcare, it also drives consumer preferences for improvements in the healthcare system. The growing middle class population is demanding and expects a customer-friendly healthcare environment, higher quality of healthcare services and patient-centric healthcare system. The existing gap between the urban population’s needs and the services offered by healthcare providers, provides an opportunity for more private participation in the healthcare delivery system.

Healthcare Spending — Key Trends and Developments

Figure 1: Major Healthcare Indicators in Indonesia, 2007-2013

Healthcare Indicators	2007	2008	2009	2010	2011	2012	2013E	CAGR% (2007-2013E)
Health Expenditure (US\$ bn)	13.4	14.3	15.4	20.2	23.0	24.1	25.0	11.8%
Health Expenditure as % of GDP	3.1	2.8	2.9	2.9	2.7	2.7	2.7	-2.3%
Per Capita Health Expenditure (US\$).....	58	62	65	84	94	97	100	9.5%

Source: 2007 to 2012 Healthcare Expenditure is from WHO, 2013 estimation by BMI report on Indonesia Pharmaceuticals & Healthcare Report Q4 2013, GDP from IMF, Population from UNDESA-PA.

Growing healthcare expenditure

Indonesian healthcare expenditure has continued to grow since 2007. Healthcare expenditure in the country is likely to continue its positive growth trend, particularly with the growing penetration of the universal public health insurance. The total healthcare expenditure in Indonesia has increased at a CAGR of 14.6% from USD 13.4 billion in 2007 to USD 24.1 billion in 2012. The public and private healthcare expenditure was USD 9.6 billion (40%) and USD 14.7 billion (60%) respectively in 2012. Frost & Sullivan forecasts the total expenditure to reach USD 59.1 billion by 2018 at a CAGR of 14.0% from 2012, with public and private spending contributing USD 24.0 billion and USD 35.1 billion, respectively. The increased public spending is expected to be driven by the universal public health insurance over the next 3 to 5 years. Though growing at a marginally lower CAGR, the private healthcare expenditure is expected to be ahead of the public healthcare expenditure in the years to come.

Healthcare expenditure as a percentage of GDP is estimated to be 2.7% in 2013 and is forecasted to increase to 4.4% of the GDP by 2018.

Healthcare coverage

On January 1, 2014, the Indonesian Government launched its Universal Healthcare Coverage (UHC) program, known locally as Jaminan Kesehatan Nasional (JKN). The objective of the Government is to attain 100% insurance coverage by 2019 (about 263 million people). According to the MOH, as of end of 2012, approximately 65% of the total population (about 160 million people) was insured under various public and private insurance schemes. As most of the private services were not reimbursable during the early implementation years, Jamkesmas patients moved to more highly accessible and subsidized public health centers and hospitals. However, this drastic increase of patients inevitably strained human capital and facilities at public health institutions, stimulating an increased involvement from the private sector in delivering community based healthcare.

Public health insurance program, namely Jamkesmas, Jamsostek, Askes, Jamkesda, and Taspen permit their enrollees to seek treatment in private hospitals. In this way, government funds are channeled through such insurance programs to the private sector. A guideline is provided for the private hospitals to dedicate 25% of their beds to lower-income individuals, and in return, the hospital may receive subsidies in the form of cash, funds for hospital construction, or medical equipment purchase etc.

With the recent reforms of the healthcare industry, growth within the private sector will be closely linked to the increase of public health insurance coverage, as the flow of universal public health insurance funds to the private health care sector serves as a significant benefit.

Healthcare Infrastructure — Key Trends and Developments

Figure 2: Healthcare Infrastructure in Indonesia, 2007-2013#

Infrastructure	2007	2008	2009	2010	2011	2012	2013#	CAGR% (2007-2013#)
Total Number of Hospitals	1,319	1,372	1,523	1,632	1,721	2,083	2,282	9.57%
Private Hospitals	667	673	768	838	315*	543*	708*	**
Public Hospitals	652	699	755	794	1,406*	1,540*	1,574*	**
Total Number of Beds	142,707	149,538	163,680	166,288	168,656	238,373*	278,450*	11.79%
Total Specialized Beds	20,412	20,788	22,077	22,860	20,531	25,240*	50,897*	16.45%
Total General Beds	122,295	128,750	141,603	143,428	148,125	213,133*	227,553*	10.90%
Private General Beds	45,074	47,226	52,064	52,468	58,372	35,244*	41,373*	**
Public General Beds	77,221	81,484	89,539	90,960	89,753	177,889*	186,180*	**
General Physicians	44,378	44,759	47,930	25,333 [^]	33,172 [^]	37,364 [^]	42,398 [^]	-0.76%
Specialized Practitioners	14,599	15,722	16,764	8,403 [^]	16,574 [^]	27,333 [^]	38,895 [^]	17.74%
Nurses, Midwives & Allied Health Workers	256,290	291,992	327,413	458,585 [^]	600,968 [^]	630,711 [^]	794,157 [^]	20.74%

Source: Indonesian Department of Health, Frost & Sullivan

Note: 2013 numbers are as of March 11, 2014

[^] Note: Data sourced from Bank Data SDM Kesehatan (MOH)

* Note: In 2011, Indonesia Government started the process of reclassifying its hospitals. Key changes noted are (i) private non-profit hospitals are now classified as public, and (ii) State owned hospitals (SOE category) which were under Other Ministries in the public classification has been reclassified as private. The net effect of these two changes has dramatically increased the number of public hospitals in 2011 and 2012. The reclassification was a continuous process; the process of hospital reclassification started in 2011, while that of bed reclassification started in 2012.

** CAGRs have not been mentioned because the reclassification of hospitals would skew the numbers.

Post the classification exercise in 2011, the number of public hospitals in Indonesia has gone up to 1,548 (72.1% of the total), while the number of private hospitals was 708 (27.9% of total) as of June 2013. About 77.0% of the hospitals are general (multi-specialty) hospitals, while the remaining hospitals specialize in field such as eye care, cancer care and women's and children care.

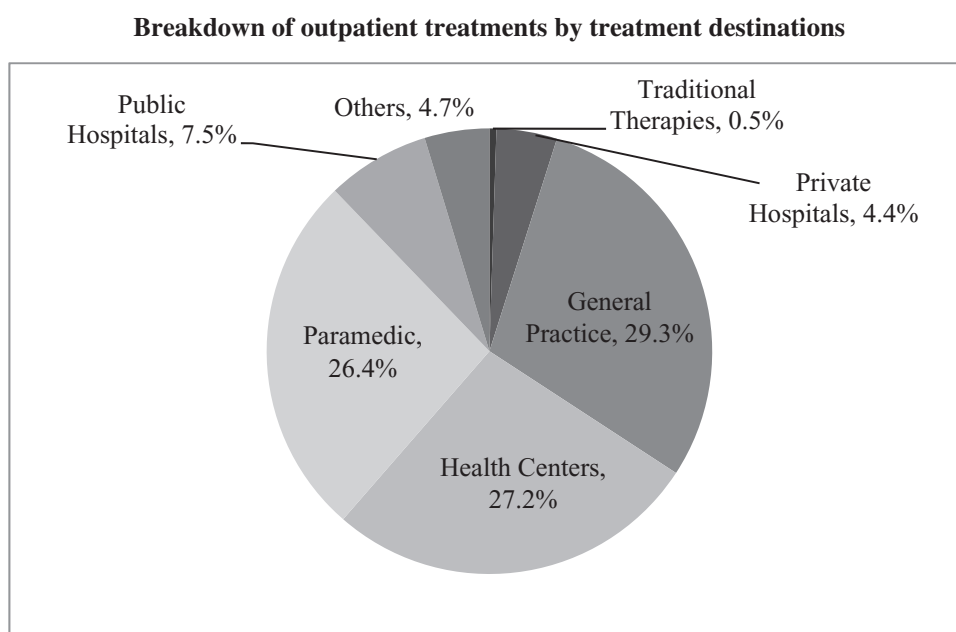
Indonesia's doctors per 1,000 population ratio of 0.31 in 2012 was significantly lower than countries such as Malaysia (1.26), Singapore (1.77) and India (0.74). When compared against the global average of 1.42 doctors

per 1,000 population, Indonesia has a shortfall of approximately 267,000 doctors, compared to the global average. At least 3,000 to 3,500 new doctors are required every year, to keep in pace with the demand created by population growth, which is catered to by the supply of new medical graduates in Indonesia (approximately 7,000 to 10,000 medical graduates from 70 medical universities in Indonesia every year). However, it is not sufficient to solve Indonesia's shortage of healthcare personnel.

Moreover, the problem is not only with the shortage of human resources, but with the uneven distribution of healthcare personnel. Most healthcare professionals prefer to practice in major cities where the potential of earning and career development is better compared to rural areas. A government policy of mandatory 6 months service in remote areas for medical graduates, combined with financial and non-financial benefits is helping Indonesia to overcome the shortage of doctors in rural areas. The policy of dual practice has increased utilization of both public facilities and private healthcare professionals (physicians, midwives and nurses).

MOH invested IDR 2.92 trillion in 2012 to develop human resource in healthcare, and it further plans to invest IDR 3.73 trillion by 2014. Access to health workers in remote areas has increased through the recruitment of nutritionists, lab assistants, and nurses.

Figure 5: Preferred treatment destinations for local outpatients, 2012



Source: Indonesian Department of Health

While conditions are improving, there still remains a gap in infrastructure based on population needs

The number of hospitals in Indonesia showed a 40% growth from 1,632 hospitals in 2010 to 2,282 hospitals in 2013. Out of the total hospitals in 2013, approximately 80% of the hospitals are public and 20% are private. Nonetheless, the number of hospital beds is still low despite the efforts from the Government to improve the healthcare infrastructure in Indonesia. The country compares poorly to other countries which are similar in size (population), and/or economic growth (GDP). Indonesia's beds per 1,000 population ratio of 0.97 is significantly lower than its regional neighbors, such as Malaysia (1.63), Singapore (2.16) and Thailand (2.01). When compared against the global average of 3.00 beds per 1,000 population. Indonesia's 278,450 hospital beds as of June 2013 resulted in a shortfall of approximately 470,000 beds, compared to the global average.

The healthcare system in Indonesia relies heavily on the private sector as the government is progressively striving towards the improvement of health outcomes

Both private and public healthcare infrastructures in Indonesia have been unable to cater to the rising demand for many years now. Indonesians, who can afford it, have been traveling to neighboring countries such as Singapore, Malaysia and Thailand to receive medical treatment. Many private healthcare services providers, notably, the Siloam Hospital Group, are trying to reverse the trend by building more international quality private hospitals

across Indonesia equipped with latest equipment and technologies. Given the reliance of health delivery on the private sector, the Indonesian Department of Health must safeguard private health service users and enhance consumer confidence by ensuring quality and accountability through regulation and licensing.

In order to embark on proactive actions to further enhance the standard of hospital care for the nation, the Indonesian Government enacted the Hospital Law in 2010. The new ruling further liberalizes public-private partnerships or domestic or foreign private investments into the hospital sector, including the increase of maximum foreign hospital ownership from 65% to 67% and allowing foreign hospital investments throughout the country, where previously it was limited to Surabaya and Medan.

Flow of public funding to private providers is at present one of the major growth opportunities that exist for the private sector

The increasing demand of health insurance from both individuals and corporations is primarily fueled by the rising wealth and purchasing power of Indonesia's middle class. Reform of the state healthcare system according to the Law 40/2004 regarding the National Social Security System has been slow over the years, making private coverage a necessity. According to the Indonesian Department of Health, only 74.5% of the allocated Jamkesmas funds were disbursed in 2010. The underutilized Jamkesmas budget allocation to public health centers has allowed the private sector to be a potential supplier of services worth approximately USD 571.2 million in 2010. This potential may be expanded further, as the Jamkesmas budget for 2013 was IDR 8.3 trillion, up from IDR 7.4 trillion in 2012. While the channeling of public funds is likely to bring financial benefits to the private sector, the public-private relationship established by the scheme is also likely to trigger improvements in the quality of medical services at an overall level.

While the Indonesian Government strives to improve its healthcare system, Jamkesmas may act as the supportive body to enforce quality assurance standards through its funding capabilities and ability to assign service contracts to hospitals. As of 2011, Jamkesmas had an extensive network covering more than 300 private hospitals. This created a competitive environment for hospitals to retain their contractual relationship with insurance providers, to avoid additional funding being allocated to competitors. Furthermore, the increasing affluent and middle class population will also play an important role in driving the demand for higher quality healthcare services provided from the private sector. In June 2010, PT Jamsostek allocated USD 110 million from its previous year's profit to employees' post-employment benefits. In 2012, Jamsostek also announced its extended service coverage for dialysis, cardiovascular surgery, cancer, and HIV/AIDS treatments effective from December 2011, which will bring more benefits to workers enrolling in its healthcare program for public and private hospital services.

According to the Joint Learning Network for Universal Health Coverage, the penetration of private health insurance in 2012 in Indonesia is estimated to be 3.6% i.e. 8.8 million people, mainly concentrated in urban areas. Also, there is an increased demand for private insurance from the middle income groups of Indonesia which means the income of these groups are also on the rise.

Competitive Outlook

Limited number of major competitors currently, but more providers expected to take advantage of opportunities in healthcare services and healthcare education in future

Healthcare services in Indonesia until recently were concentrated in the more economically developed areas such as Jakarta, Surabaya and Medan. These hospitals comprise of public hospitals such as the RS Harapan Kita, RS Cipto Mangunkusumo, RS Dr. Soetomo; private non-profit hospitals like the RS Cikini, RS Kanker Dharmais, RS St Elisabeth and private hospitals such as the Metropolitan Medical Center, RS Medistra, Siloam Hospitals Lippo Village, and RS Mitra. The uneven distribution of healthcare services across Indonesia presents attractive opportunities for healthcare service providers, and hospital operators are gradually setting up new hospitals in developing cities/provinces.

The private hospital sector in Indonesia is very fragmented with 708 hospitals in 2013. The 10 biggest hospital groups (in terms of hospital beds) control 9.5% of all hospitals and possess 20.5% of all the hospital beds in Indonesia. The multi-specialty hospital groups are Siloam Hospitals with 16 hospitals (as of December 2013), Mitra Keluarga Group with ten hospitals, Awal Bros Group with six hospitals, and Australian group Ramsay Health Care with three key hospitals. Awal Bros Group added a hospital in Pekanbaru to its portfolio in 2013, while Siloam Hospitals Group is observed to be one of the most active players in the market with a plan to establish 5 new hospitals by the end of 2014, with a goal to have a portfolio of 40 hospitals over the next 3 years.

List of Key Private Hospital Groups by Estimated Number of Beds, Indonesia, 2013

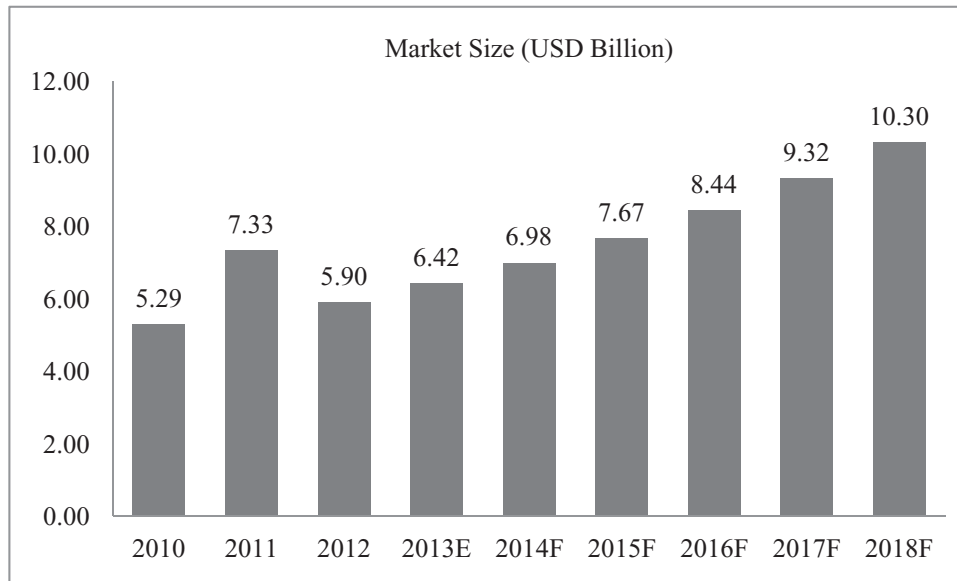
Private Hospital Group	Number of Private Hospitals	Number of JCI Accredited Hospitals	Estimated Number of Beds	Type of Hospital	Hospital Locations
Siloam Hospital Group	16	1	~4,000	Multi-specialty Hospital	Jakarta, Surabaya, Cikarang, Makassar, Manado, Kebon Jeruk, Palembang, Balikpapan, Bali, Lippo Village, Jambi
Mitra Keluarga Group	11	0	~1,500	Multi-specialty Hospital	Jakarta, Surabaya, Bekasi, Depok, Tegal, Waru, Cikarang, Cibubur, Kenjeran
Awal Bros Group	7	0	~1,000	Multi-specialty Hospital	Jakarta, Tangerang, Bakasi, Batam, Makassar, Pekanbaru, Ujung Batu
Sari Asih Group	6	0	~900	Multi-specialty Hospital	Tangerang, Serang
Hermina Hospital Group	17	0	~1,200	Obstetrics & Gynecology Hospital	Jakarta, Tangerang, Bekasi, Depok, Bogor, Bandung, Semarang, Malang, Sukabumi, Palembang, Banten
Ramsay Sime Darby Health Care	3	3	~650	Multi-specialty Hospital	Jakarta, Surabaya, Tangerang
Eka Hospital Group	2	1	~480	Multi-specialty Hospital	Tangerang, Pekanbaru
Pondok Indah Healthcare Group	2	1	50	Multi-specialty Hospital	Jakarta
Omni Hospital Group	2	0	~440	Multi-specialty Hospital	Jakarta, Tangerang
Santosa Hospital	1	1	~400	Multi-specialty Hospital	Bandung
Total of Key Private Hospital Groups	67	7	~10,620		
Total INDONESIA	708	10	~51,928		
Share of Major Groups	9.5%	70.0%	20.5%		

Source: Compiled by Frost & Sullivan from hospital websites, press releases and primary interviews

One of the challenges that new providers have to overcome is ensuring a sufficient number of trained healthcare workers, as there is a need for a trained workforce. For general practitioners, the target was to have 73,700 physicians in 2012 while the actual number was 37,524. A similar shortfall is evident in the ancillary healthcare workers, such as nurses and midwives, where the 2012 target of 497,000 nurses, while the actual number was 361,772 nurses, a shortfall of nearly 37%.

Market Size

The Indonesian private hospital market is estimated to be USD 6.42 billion in 2013, having grown from USD 5.29 billion in 2010 at a CAGR of 6.7%. Frost & Sullivan forecasts the market size to reach USD 10.30 billion by 2018 at a CAGR of 9.7%. Private Hospital Market Size, Indonesia, 2010 to 2018F



Source: Frost & Sullivan

Note: The private hospital market size is a subset of total healthcare expenditure, and it includes hospital services and outpatient department services (room charges, nursing care, pharmaceuticals, and medical devices), hospital medical services (services of general physicians, specialists, surgeons and dentists within hospitals), diagnostics and radiology, paramedical services (nurses, midwives, chiropractors, optometrists, physiotherapists, speech therapists, etc). Frost & Sullivan has used MOH data where available and has relied on secondary sources, primary interviews, and valid assumptions, in estimating the market size when MOH data is not available.

Outlook for Healthcare Services (HCS) Market in Indonesia

The Indonesian HCS market is one of the more underserved healthcare markets in Southeast Asia with limitations such the lack of availability of healthcare resources and facilities within the country. With its rising population, rapid urbanization, and growing middle class driving domestic demand, as well as the government's healthcare development plans, the Indonesian HCS market is expected to continue to grow over the next decade.

The Indonesian Government is targeting to develop hospitals to achieve a ratio of one bed per 1,000 persons in Indonesia by 2014. Growing population coupled with a low hospital to bed ratio signifies a demand-supply gap in healthcare delivery services, offering an opportunity to provide HCS providers to address this gap. As more players expand their services within Indonesia (both local players and international players investing in Indonesia), the market is likely to see a growth in the number of private HCS providers. However, the current availability of healthcare resources may not be able to satisfy the demand, as hospitals are being set up at a faster rate than resource availability.

There is an opportunity for HCS providers to tap the rising number of expatriates and affluent patients who are looking for high quality HCS in the Jakarta and Greater Jakarta regions. Additionally, the rising size of workforce migrating from interior regions to Jakarta/Greater Jakarta will provide a larger patient base in urban areas seeking better quality HCS. Urbanization, demographic changes, changing lifestyles as well as improvement in healthcare awareness and diagnosis are leading to a rise in the number of diagnosed cases of diseases like cardiovascular diseases, diabetes and cancer. The market will need more services from both public and private sectors to support the management of these chronic conditions.

There is immense potential in the next tier cities, outside the Greater Jakarta region, and many private HCS providers are setting up hospitals in such cities, thereby reaching out to new patient bases. This will fuel the growth opportunities for HCS providers who can offer innovative healthcare products and services to prevent diseases as well as save costs.

Medical Tourism

Figure 3.6: Statistics of Indonesians seeking medical treatment in Malaysia and Singapore, 2007-2011

Country	2007	2008	2009	2010	2011	CAGR (2007-2011)
Singapore						
Total Patients ('000)	187.9	162.7	184.6	211.6	212.7	3.1%
% of Total Population	0.08%	0.07%	0.08%	0.09%	0.09%	—
Malaysia						
Total Patients ('000)	245.7	259.4	293.5	355.1	398.8	12.9%
% of Total Population	0.11%	0.11%	0.13%	0.13%	0.16%	—

Sources: Singapore Tourism Board, Malaysia Tourism Board, Frost & Sullivan

Perceived lack of facilities/quality doctors driving many Indonesians to medical tourism

As Indonesia still faces various inadequacies in the healthcare sector, and as private healthcare services are limited, many Indonesians of the middle and affluent classes turn to medical tourism as an alternative to domestic care. They seek either high quality or cost effective treatment, and believe they are better served by services abroad. However, this trend indicates significant potential for top hospitals in Indonesia as they gradually approach the quality standards of peers in Singapore and Malaysia. In fact, some of the top private hospitals in Indonesia receive patients for preliminary or preparatory medical evaluations before they seek treatment from hospitals in Singapore and Malaysia. Furthermore, specialist hospitals targeted for diseases, such as cardiac care and cancer are still considerably low, at 1.2% of the total specialized hospitals, hence private hospitals that provide these services in Indonesia are well positioned as the preferred domestic destination for specialized treatments.

Through the current regulatory initiatives to enhance hospital quality controls and the recently established and upcoming hospitals in the pipeline intending to install the state-of-the-art medical facilities, such as the MRCCC Siloam Hospitals Semanggi, the healthcare standards in Indonesia are likely to improve. Furthermore, the commencement of the ASEAN-China Free Trade Area (ACFTA) in 2010 created an opportunity for private hospitals to employ foreign doctors to bridge manpower shortages and gaps in medical expertise. However, foreign doctors need to meet certain requirements set by MOH, such as obtaining a local license, mastering the local language and working only at institutions appointed by the Government (they are not allowed to run private clinics). In conjunction with these developments, the private hospitals in Indonesia are moving towards a positive direction to meet the high expectations of the affluent population.

Indonesia faces competition from Singapore and Malaysia for its affluent class patients

With the absence of binding medical insurance coverage and less confidence in the domestic medical system, affluent Indonesians often resort to treatment from Singaporean and Malaysian hospitals as they attempt to get the best services outside Indonesia.

Singapore is the second largest medical travel destination in Asia Pacific (APAC) after Thailand and is perceived as the destination for high quality medical care and is sought after by Indonesians who can afford to pay for the relatively higher expenses. Singapore has established itself as a center of referrals for complex procedures including organ transplants, cardiovascular surgeries, and hematopoietic stem cell transplantation. Frost & Sullivan estimates that, in 2012, revenue from medical travelers in Singapore was USD 1.1 billion, with Indonesian patients estimated to have contributed approximately USD 530 million, or 48.5% of the total revenue. Though Malaysia is a small contributor to APAC medical travel market, it is also gaining popularity as a medical travel destination as patients seek treatments there, such as coronary bypass, orthopedic surgeries, chemotherapies, fertility treatments and even medical check-ups. Frost & Sullivan estimates that, in 2012, revenue from medical travelers in Malaysia was USD 200 million, with Indonesian patients estimated to have contributed approximately USD 120 million, or 60.0% of the total revenue. It is observed that patients from areas such as Sumatra seek treatment in Penang or Melaka, turning these cities into the biggest medical travel destinations within Malaysia. The pricing of major medical procedures between Indonesia and those offered in the leading South East Asian medical tourism locations like Malaysia and Thailand are relatively comparable, which provides consumers with a wide range of choices. Ease of travel between these countries is also a driver of demand for medical services in these countries.

Indonesia may hold several competitive advantages over its regional competitors in the future

Medical travel in Indonesia is at its infancy stage. The Ministry of Health and Ministry of Tourism and Creative Economy signed an agreement for cooperation to develop the country's health tourism sector. Under the agreement, the Indonesia Wellness and Health Tourism (IWHT) working team has been formed to focus on the development of medical and wellness tourism in the country. Industry experts believe that Indonesia's medical travel market is growing and this trend is likely to strengthen over the next 3 to 5 years.

Indonesia, in order to be positioned alongside international medical hubs like Singapore, Malaysia and Thailand, still requires a collective scale up of standards and facility upgrades in the healthcare delivery sector. One positive outlook for the Indonesian healthcare market lies in the strong commitment from the Indonesian government in revamping its healthcare system with the improving performance of its universal healthcare insurance program, which may subsequently increase the affordability of healthcare. Indonesia has a ready population that can be trained as healthcare workers, as well as a ready population that requires these services. Through adequate human resource development policies from the government, this population can be trained to work in the healthcare workforce to serve the growing local demand.

Such an improvement is expected to retain the affluent Indonesians who now go overseas for medical treatment, as well as attract medical tourists to come into Indonesia.

JCI accreditation is viewed as a strong indicator of quality healthcare service and the local hospital community is gradually moving towards fulfilling JCI accreditation to meet patients' expectations

The US-based Joint Commission International (JCI) was founded in the late 1990s to survey hospitals outside of the United States. In 2013, the organization had more than 607 accredited hospitals, more than double from 245 accredited hospitals in 2010. JCI plays the important role of establishing international recognition of hospitals for medical patients, who commonly seek treatments abroad with the increasing trend of internationalization. Hence, the accreditation may be deemed to be the key for hospitals to tap into the global medical tourism market, which is estimated to reach a size of US\$100 billion by 2012, an increase from US\$78.5 billion in 2010. Furthermore, the collaborative support provided by the JCI accreditation team during the implementation process can also enhance the competitive edge of the partnered hospitals through strengthening and organizing patient safety, managing operational risks, reducing the cost of liability insurance coverage, and improving the capabilities of healthcare employees through continuous education.

One of the challenging aspects lies in the costliness of JCI implementation. In addition to the significant capital outlay to enhance the hospitals' facilities, such as bed facilities, medical equipment upgrades, and renovation to be committed during the initial accreditation cycle, hospitals are required to enroll in subsequent accreditation evaluations, in order to keep their JCI status. According to JCI, the average fee for a full hospital survey is US\$48,983, which may vary according to size and the range of services provided by the hospital.

Nonetheless, while the benefits derived from JCI accreditation are highly recognizable, few hospitals in developing regions like Asia or Indonesia have implemented them. Some of the underlying factors are the lack of sufficient resources, human capital or commitment to fulfill the stringent requirements of the accreditation.

Majority of hospitals that are JCI accredited are in South Korea, Singapore, India, Thailand, and China accounting for 61% of all JCI accredited hospitals in the region. In 2007, Siloam Hospital Lippo Village became the first Indonesian JCI-accredited hospital in 2007 and Siloam Hospitals is aiming to replicate this achievement for its other nine hospitals in the near term. Currently, there are 7 private hospitals that are JCI accredited, all of which are private hospitals. They are Siloam Hospitals Lippo Village in Lippo Karawaci, Santosa Hospital in Bandung, RS Premier Bintaro- PT Affinity Health Indonesia in Tangerang, RS Jatinegara in Jakarta, Eka Hospital BSD in Tangerang, RS Premier Surabaya and RS Pondok Indah in Puri Indah.

Currently, three Indonesian public hospitals (Fatmawati GH, RS Sanglah (Bali), and RS Cipto Mangunkusumo (DKI Jakarta) are JCI accredited. Other Indonesian hospitals are also pursuing JCI accreditation, which will be crucial in bridging consumer confidence in the local healthcare services industry. Simultaneously, the Indonesian government is also playing its part in a bid to retain affluent patients from seeking treatment overseas. In 2012, the Ministry of Health sanctioned a funding plan and conducted JCI training in March 2012 to transform seven state hospitals in Jakarta, Denpasar, Yogyakarta, Medan, and Makassar into world-class facilities through the attainment of JCI accreditation protocols. As a result, RS Sanglah (Bali) and RS Cipto Mangunkusumo (DKI Jakarta) were accredited in April 2013. Such development trends are consistent with the Government's vision of hosting "world class" hospitals in at least five major cities by 2014.

Corporate Organization

The following table describes our material subsidiaries and their main activities as of December 31, 2013.

Companies	Main Business Activities	Main Project	Percentage effectively owned by the Company
PT Gowa Makassar Tourism Development Tbk.....	Real Estate & Property	Urban and Tourism Development of Tanjung Bunga	54.0%
PT Lippo Cikarang Tbk.....	Real Estate	Urban Development of Lippo Cikarang	54.4%
PT Sentra Dwimandiri*.....	Holding company	General Investment	100%
PT Muliasantosa Dinamika.....	Real Estate	WTC Matahari Serpong	100%
PT Wisma Jatim Propertindo*.....	Holding company	General Investment	100%
PT Pendopo Niaga.....	Real Estate	Malang Town Square	100%
PT Jagatpertala Nusantara.....	Real Estate	Depok Town Square	100%
PT Mandiri Cipta Gemilang.....	Real Estate	St. Moritz and PX Pavillion	100%
PT Almaron Perkasa.....	Real Estate	Kemang Village	92%
PT San Diego Hills Memorial Park.....	Real Estate	San Diego Hills Memorial Park	100%
PT Villa Permata Cibodas.....	Real Estate	Villa Permata Cibodas	100%
PT Puncak Resort International.....	Real Estate	Puncak Resort International	100%
PT Surya Mitra Jaya.....	Real Estate	CITO	87.5%
PT East Jakarta Medika.....	Healthcare	Siloam Hospitals Lippo Cikarang	68.7%
PT Trias Mitra Investama.....	Real Estate	Owns land in Binjai	100%
PT Sentra Asritama Realty Development.....	Hospitality and Infrastructure	Water Management	100%
PT Siloam International Hospitals.....	Healthcare	Owns material license and Siloam operator	86.0%
PT Lippo Malls Indonesia.....	Property and Portfolio Management	Mall management	100%
PT Karya Cipta Pesona.....	Hospitality and Infrastructure	Owns license for and manages Hotel Aryaduta Medan	94.7%
PT Persada Mandiri Abadi.....	Real Estate	Owns Kemang Village land	80.0%
PT Graha Tata Cemerlang Makassar.....	Retail (Strata-titled mall), Property and Portfolio Management	GTC Makassar	100%
PT Dharma Sarana Nusa Pratama.....	Holding Company	Real Estate	52.7%
PT Unitech Prima Indah.....	Real Estate	Mall Grand Palladium Medan	94.7%
PT Primakreasi Propertindo*.....	Holding Company	General Investment	100%
PT Kemang Paragon Mall.....	Holding Company	Kemang Village	100%
PT Wahana Usaha Makmur.....	Holding Company	Kemang Village	92%
PT Megapratama Karya Persada*.....	Holding Company	General Investment	100%
Bridgewater International Ltd.....	Investment, Trading and Services	General Investment	100%
Sigma Capital Pte. Ltd.....	Investment, Trading and Services		100%
Sigma Trillium Pte. Ltd.....	Investment, Trading and Services		100%
Theta Capital Pte. Ltd.....	Investment, Trading and Services		100%
Theta Kemang Pte. Ltd.....	Investment, Trading and Services		100%

* Subsidiary Guarantors

Regulation

The ownership, acquisition, development and use of land in Indonesia is subject to regulation by the Government of Indonesia and regional and local authorities.

LAND OWNERSHIP AND ACQUISITION REGULATION

Ownership of land in Indonesia is principally regulated under the Basic Agrarian Law (Law No. 5 of 1960). The Basic Agrarian Law and its implementing regulations (including Government Regulation No. 24 of 1997 (the “GR on Land Registration”) and Government Regulation No. 40/1996 on Right to Cultivate “HGU Title”, Right to Build “HGB Title”, Right to Use “Hak Pakai”) provide various forms of land title and a registration system to protect legal ownership. The highest form of land title available in Indonesia is *right of ownership* “Hak Milik”, which is also the closest to the internationally recognized concept of “freehold” title. Hak Milik title is available only to Indonesian individuals and certain legal entities referred to in Government Regulation No. 38 of 1963. Hak Milik title is not available to companies (whether Indonesian or foreign owned) or foreign individuals. Hak Pakai is the only title that is open to be owned by foreign individuals in Indonesia.

Both Indonesian companies and foreign owned companies incorporated under Indonesian law and domiciled in Indonesia may acquire HGB Title. A holder of a HGB Title to a parcel of land has the right to use to build and to own any buildings on such parcel of land, including on land owned by another party, and to transfer and encumber all or part of such parcel. HGB Title is granted for a maximum initial term of 30 years. By application to the relevant local land office upon the expiration of this initial term, HGB Title may be extended for an additional term not exceeding 20 years. The application for an extension must be made at the National Land Office no later than two years prior to the expiration of the initial term. Following the expiration of this additional term, an application for renewal may be made by the land owner and a new HGB Title may be granted on the same land to the same owner following the satisfaction of certain requirements. The application for the new HGB Title must be made no later than two years prior to the expiration of the additional term. The land office has discretion to grant the various extensions. The National Land Office tends to grant extensions and renewals of HGB Titles when there has been no change in the zoning policies of the government, abandonment or destruction of land, egregious breaches by the owners of the land of conditions under the existing HGB Title and revocation of the HGB Title due to public interest considerations.

The Basic Agrarian Law also recognizes a form of title based in Indonesian traditional law commonly referred to as the *Hak Milik Adat* (or other name depending on the region) or Communal Right. A Communal Right title arises as a result of occupation or residence on land and payment of taxes and retributions with respect to the land, or by renouncement of right by the previous holder of land covered by the Communal Right title. The Communal Right title is an unregistered form of title but may be evidenced by certificates registered in the books of the relevant local sub-district office. Such certificates include a brief description of the land and holder of the Communal Right title and provide details with respect to the payment of taxes and retributions with respect to the land.

Under Minister for Agrarian Affairs/Head of National Land Agency Decree No. 2 of 1999, in order to acquire a parcel of land of more than 25 hectares for agricultural business or more than 10,000 square meters for non-agricultural business, a company must obtain a location permit which grants it the right to buy, clear and develop the particular parcel (“Location Permit”). The procedures for obtaining a Location Permit may vary from region to region. Licenses are normally for one to three years, depending on the total land area of the parcel, and extendable for a period of one year upon approval by the relevant authorities on the condition that 50% of the total area designated in the Location Permit being applied for has been purchased or obtained by the company. After obtaining a Location Permit, the holder must still negotiate with the individual landowners whose land is located within the area prescribed in the Location Permit. After the process of acquisition and the settlement of rights with the individual owners is completed, the holder of the Location Permit may apply for and be granted the relevant rights of land. However, a company is under no obligation to purchase the land covered by its Location Permit. Under the GR on Land Registration and the Regulation of the State Minister for Agrarian Affairs/Head of National Land Agency No. 9 of 1999, in order for a company to acquire a HGB Title to land being purchased from a holder of a Communal Right, the company must make an application to the relevant land office together with supporting documents evidencing a relinquishment of right by the holder of the Communal Right title. The company may then sell the land as developed or serviced plots.

On December 16, 2011, the House of Representatives of the Republic of Indonesia passed the Bill on Land Procurement for Public Interest, which came into force on January 14, 2012 as Law No. 2 of 2012 on Land

Procurement for Public Interest (“Land Procurement Law”). The Land Procurement Law introduces clear and expedited steps for the procurement of land for the public interest. The Land Procurement Law is expected to provide a more effective legal basis for public interest land procurement. Under the Land Procurement Law, the term “public interest” is defined as the interest of the Indonesian people, nation and community as manifested through the Government and used optimally for the welfare of all the people of Indonesia. In order to implement Land Procurement Law, Presidential Regulation No. 71 of 2012 on Implementation of Land Procurement for Public Interest was enacted and came into force on August 7, 2012 (“Land Procurement Implementation Regulation”), revoking the previous implementation law namely Presidential Regulation No. 36 of 2005, as amended by Presidential Regulation No. 65 of 2006. The Land Procurement Implementation Regulation aims to ensure the smooth execution of development activities for public interest, for which the purpose is required, and is expected to provide more effective legal basis for public interest in land procurement.

Under the Land Procurement Law, the Government and/or the regional government are given the task of ensuring the availability of land required for the public interest. The Land Procurement Law also clearly stipulates that a party who owns or otherwise controls the land procurement objects (which are defined as land, space under and above the land, buildings, plants, any object related to the land or other object which could be appraised, “Land Procurement Objects”) (the “Entitled Party”) is obliged to release its rights upon such Land Procurement Object for the purpose of public interest land procurement, following the provision of fair and reasonable compensation or a legally binding court decision. After such land is released, it becomes the property of the Government, the regional government or a state-owned enterprise, as the case may be.

The Land Procurement Law specifically stipulates the development projects for public interest as follows:

- (1) national defense and security;
- (2) public road, toll road, tunnel, railway, train station, and train operating facilities;
- (3) water embankment, reservoir, irrigation, drinking water channel, water disposal channel and sanitation and other water resource management construction;
- (4) seaport, airport, and terminals;
- (5) oil, gas, and geothermal infrastructure;
- (6) power plant, power transmission, switch yard, power network and distribution;
- (7) government telecommunication and informatics network;
- (8) waste disposal and processing place;
- (9) hospitals owned by the Government or regional government;
- (10) public safety facilities;
- (11) cemetery owned by the Government or regional government;
- (12) social facilities, public facilities and public open green space;
- (13) wild life and culture preservation area;
- (14) office area for the Government, regional government or sub-districts/villages;
- (15) structuring of urban slums area and/or land consolidation, and rented residential for low-income communities;
- (16) education facilities or schools under the Government or regional government;
- (17) sport facilities owned by Government or regional government; and
- (18) public market and public car park.

Initially, a government entity that plans to procure land for the public interest must have a public consultation with the parties related to the Land Procurement Objects, including any Entitled Party on the proposed development plan, until consensus is reached. In the event that no consensus can be reached or there occurs any objection on the proposed development plan, the Governor will establish a team to examine the reasons for the objections. Based on this, the Governor will decide whether the objections are valid. To the extent that such objections are denied, the Entitled Party may file a legal claim to the State Administrative Court, whose decision can thereafter be subject to final appeal at the Supreme Court. If by virtue of a legally binding court decision, the land has been approved to be procured for the public interest, then the Head of Regional Office of the National Land Agency, as the Chief Executive of Land Procurement appointed under Land Procurement Implementation Regulation, shall determine the compensation value to be paid to the Entitled Party based on appraisal report made by independent public appraiser. To challenge the compensation value, if required, the Entitled Party may file a legal claim to a District Court and if required, the decision of the District Court can be filed for final appeal at the Supreme Court.

BUILD, OPERATE AND TRANSFER OF LAND (“BOT”)

Use of land pursuant to a build, operate and transfer scheme is principally regulated under Government Regulation No. 6 of 2006, which is amended by Government Regulation No. 38 of 2008 relating to Management of the Property of the State/Regional Government (“GR No. 38/2008”) and Minister of Home Affairs Regulation No. 17 of 2007 relating to Guidelines for Technical Management of Regional Property (“MOHA No. 17/2007”).

One of the key features of BOT is utilization of government land by a party for a particular period of time, after which the ownership of the building and the underlying land is transferred back to the government. Typically, the BOT period of the land is granted for 25 to 30 years. However, pursuant to the above regulations, the BOT period is a maximum of 30 years. During the utilization of such buildings or facilities, the land and/or buildings remain the property of the government. Unlike land title, rights granted under a BOT scheme or arrangement do not amount to a legal title but represent only a contractual interest. Under the BOT scheme, it is common for the BOT grantor which holds the BOT land under rights to manage (*Hak Pengelolaan*) to grant the BOT grantee pursuant to the BOT agreement a right to build (*Hak Guna Bangunan*) over the rights to manage (*Hak Pengelolaan*) and operate the land and building for a particular period of time.

STRATA-TITLE

The development of multi-story strata-titled residential, retail and office buildings is regulated by Law No. 20 of 2011 on Strata Title Building which was enacted on November 10, 2011 (“Law No. 20/2011”) which replaces the previous Law No. 16 of 1985 on Strata Title Building.

Law No. 20/2011 classifies several types of Strata Title Building, namely (i) public Strata Title Building (*rumah susun umum*) provided for low income persons, (ii) special Strata Title Building (*rumah susun khusus*) provided for special needs, (iii) state Strata Title Building (*rumah susun negara*) which are owned and provided by the state for residential purposes and other support services for state officials, and (iv) commercial Strata Title Building (*rumah susun komersial*) for commercial purposes.

The Government is responsible for the development of public Strata Title Building, special Strata Title Building and state Strata Title Building. Any party developing public Strata Title Building may receive aid from the Government. The development of public Strata Title Building and special Strata Title Building may be conducted by a non-profit institution or business entity. The development of commercial Strata Title Building may be conducted by any party. Under Law No. 20/2011, the developer of commercial Strata Title Building must provide public Strata Building with a floor area of at least 20% of the total floor area of its commercial Strata Title Building. Such public Strata Title Building may be located outside the premises of the commercial Strata Title Building but is required to be located within the same regency or city where the commercial Strata Title Building is located.

A Strata Title Building may be constructed on a parcel of land where the developer has (i) right to own (*Hak Milik*) title to the land, (ii) right to build (HGB) title or a right to use over state-owned land (*Hak Pakai diatas tanah Negara*), and (iii) right to build (HGB) or a right to use over right to manage land (*Hak Pakai diatas tanah Hak Pengelolaan*). In addition, public Strata Title Building and/or special Strata Title Building can be constructed by utilizing the state or region-owned land (by way of lease or cooperation for the utilization) or utilization of donated land (*wakaf*) (by way of lease or cooperation for the utilization pursuant to *ikrar wakaf*). Only Strata Title Building that is constructed over right to use (*Hak Pakai*) land can be owned by foreign individuals.

Foreign investment for the construction of Strata Title Building is permitted under Law No. 20/2011 provided that prevailing regulations in foreign investment sector are complied with.

Pursuant to this law, the developer may market the Strata Title Building before the commencement of construction. However, prior to marketing the property, the developer is required to satisfy the following criteria: (i) the certainty of the space allotment; (ii) the certainty of the right over the land; (iii) the certainty of the status of the possession over the Strata Title Building; (iv) construction license; and (v) guarantee over the construction from the relevant surety institution. The developer may enter into a preliminary sale and purchase agreement with purchasers before a notary prior to completion of the Strata Title Building. The preliminary sale and purchase agreement can only be entered into if the ownership of the land is clear, the building construction permit has been obtained, and when the infrastructure, facilities and public utilities are available, the construction progress of the respective Strata Title Building have reached at least 20% of the total construction and the object of the agreement is clear. In the event the Strata Title Building is built over a right to build (HGB) title, or right to use over right to manage land (*Hak Pakai diatas tanah Hak Pengelolaan*), the developer shall settle the ownership title of such land prior to the sale and purchase of the Strata Building units.

Pursuant to this law, all required implementing regulations shall be issued within one year from the enactment date of this law. Until such implementing regulations are issued, the prevailing implementing regulations shall remain in effect, as long as the provisions therein do not contradict with the provisions under this law.

REGULATION ON THE DEVELOPMENT AND USE OF LAND

Following the acquisition of land and prior to construction, a developer must obtain an environmental impact analysis for the proposed project. Based on Minister of Living Environment Regulation No. 5 of 2012 dated April 12, 2012 on Type of Business Plan and/or Activity which requires an Environmental Impact Assessment (*Analisa Mengenai Dampak Lingkungan- "AMDAL"*), any business and/or activity that may cause significant environmental impacts must obtain an AMDAL, including, among others (a) any business activity within residential properties in (i) metropolitan cities occupying 25 hectares or more of land; (ii) large scale cities occupying 50 hectares or more of land; (iii) medium and small scale cities occupying 100 hectares or more of land; (iv) for transmigration settlement purposes of 2,000 square meters or more and (b) the construction of a building for multisectoral purposes which occupies 5 hectares or more of land or has a building area of 10,000 square meters or more. Thereafter, the developer (or contractor responsible for construction) must obtain a construction permit or *Izin Mendirikan Bangunan* ("IMB") from the regional government. After the IMB is received, development and construction may commence, including clearing and preparing land, and constructing infrastructure such as drainage systems, roads, landscaping, street lighting, electricity and telephone cables. If construction is conducted in various phases, an IMB must be obtained for each phase of construction.

The development of residential properties must also comply with regulatory requirements relating to the provision of social facilities benefiting the community, including schools, sports facilities, houses of worship, markets, parks and playgrounds.

On January 22, 2010, the Government of Indonesia issued Government Regulation No. 11 of 2010 ("GR 11/2010") on the Administration and Utilization of Unused Land (*Penertiban dan Pendayagunaan Tanah Terlantar*). Under GR 11/2010, the Government may revoke Hak Milik, HGU, HGB, Hak Pakai or Hak Pengelolaan title and reclaim land without compensation if the land has not been used for a period of three years from the issuance of the relevant title. However, unintentionally unused land registered as *Hak Milik* or HGB are exempted from GR 11/2010. Before any land is declared unused, the Head of Regional Land Office will prepare an indicative list of unused land, which will be examined by a committee which is set up by the Head of Regional Land Office. Such investigation will commence (i) three years after the issuance of the respective land certificates; or (ii) on the expiry date of the document of the basis of repossession over the land.

In the event that such examination results in a conclusion that the land is unused, the land office will issue three warning letters, each having a one-month period in between, and the owner of the land will be given a certain period of time to rectify the situation. Failure to rectify will lead to the Head of Regional Land Office declaring the land as unused land, terminating the land rights and the legal relations of the owner or controller with such land, and declaring that such area of land is under the direct control of the Government. As GR 11/2010 does not provide for any period of time to which it applies, GR 11/2010 is applicable to land acquired prior to its enactment.

REGULATION OF LAND AS SECURITY FOR FINANCING

Law No. 4 of 1996 on Mortgage on Land and Land Related Objects provides that a company may encumber its land titles, including HGB Title, to secure obligations to creditors. A security right (*Hak Tanggungan*) may be granted over “immovable” property, including in land and buildings, plants and other fixtures which are attached to the land, which provided preferential rights over the land and property to the relevant creditor and is similar to a common law mortgage. Under Indonesian law, a mortgage (i) gives a preferential right to its holder; (ii) attaches to the secured object, regardless of the identity of the possessor of the object; and (iii) fulfills the principles of specialty and publicity in order to bind third parties and give legal certainty to its holder and certain in its enforcement. It is created by the execution of a mortgage deed before a Land Deed Official and will only be effective upon registration of the deed at the relevant land office.

REGULATION OF MORTGAGE FINANCING

Bank Indonesia regulates mortgage financing by specifying the maximum LTV ratio for loans granted by commercial banks and the maximum FTV ratio for financing granted by sharia banks. Under BI Circular Letter No. 15/40/DKMP, dated September 24, 2013, effective on September 30, 2013, Bank Indonesia revised the maximum LTV ratio for loans from commercial banks to between 50% and 80%, and the maximum FTV ratio for financing from sharia banks to between 50% and 90%, in each case depending on the area and type of property (such as house, property (includes penthouse, condominium, apartment and flat) and shophouse (including shophouse used for office purposes)), the nature of the facility and the number of mortgage facilities held by the applicant.

For first mortgage, the LTV and FTV are limited to (i) 70% for house and property (such as penthouse, condominium, apartment and flat) loan and sharia financing based on murabahah or istishna contract with a total area of more than 70 square meters; (ii) 80% for property (such as penthouse, condominium, apartment and flat) sharia financing based on murabahah or istishna contract with a total area between 22 to 70 square meters; and (iii) 90% for property (such as penthouse, condominium, apartment and flat) sharia financing based on *Musyarakah Mutanaqisah* or *Ijarah Muntahiya Bittamlik* contract with a total area between 22 to 70 square meters.

For second mortgage, the LTV and FTV are limited to (i) 60% for house and property (such as penthouse, condominium, apartment and flat) loan and sharia financing based on murabahah or istishna contract with a total area of more than 70 square meters; (ii) 70% for house loan and sharia financing based on murabahah or istishna contract with a total area between 22 to 70 square meters, property (such as penthouse, condominium, apartment and flat) loan and sharia financing based on murabahah or istishna contract with a total area of up to 70 square meters, house and property (such as penthouse, condominium, apartment and flat) sharia financing based on *Musyarakah Mutanaqisah* or *Ijarah Muntahiya Bittamlik* contract with a total area of more than 70 square meters and shophouse loan and sharia financing based on murabahah or istishna contract; and (iii) 80% for house sharia financing based on *Musyarakah Mutanaqisah* or *Ijarah Muntahiya Bittamlik* contract with a total area between 22 to 70 square meters, and property (such as penthouse, condominium, apartment and flat) sharia financing based on *Musyarakah Mutanaqisah* or *Ijarah Muntahiya Bittamlik* contract with a total area of up to 70 square meters, and shophouse loan and sharia financing based on *Musyarakah Mutanaqisah* or *Ijarah Muntahiya Bittamlik* contract.

For third mortgage, the LTV and FTV are limited to (i) 50% for house and property (such as penthouse, condominium, apartment and flat) loan and sharia financing based on murabahah or istishna contract with a total area of more than 70 square meters; (ii) 60% for house loan and sharia financing based on murabahah or istishna contract with a total area between 22 to 70 square meters, property (such as penthouse, condominium, apartment and flat) loan and sharia financing based on murabahah or istishna contract with a total area of up to 70 square meters, house and property (such as penthouse, condominium, apartment and flat) sharia financing based on *Musyarakah Mutanaqisah* or *Ijarah Muntahiya Bittamlik* contract with a total area of more than 70 square meters, and shophouse loan and sharia financing based on murabahah or istishna contract; (iii) 70% for house sharia financing based on *Musyarakah Mutanaqisah* or *Ijarah Muntahiya Bittamlik* contract with a total area between 22 to 70 square meters, property (such as penthouse, condominium, apartment and flat) sharia financing based on *Musyarakah Mutanaqisah* or *Ijarah Muntahiya Bittamlik* contract with a total area of up to 70 square meters, and shophouse sharia financing based on *Musyarakah Mutanaqisah* or *Ijarah Muntahiya Bittamlik* contract.

In addition, under BI Circular Letter No. 15/40/DKMP, Bank Indonesia placed certain restrictions on a bank’s ability to grant residential mortgage loans, which are subject to certain exceptions. Such restrictions prohibit

banks from (i) granting a mortgage loan to finance the down payment for the purchase of a residential property, and (ii) extending a mortgage loan before the relevant property is completed and ready for handover, which does not apply, among others, to mortgages for first-time mortgage loan borrowers, or where there is a cooperation agreement between the bank and developer at least includes an undertaking from the developer to complete the development of the property.

REGULATION OF HOUSING AND SETTLEMENT AREAS

In early 2011, the Government enacted Law No. 1 of 2011 dated January 12, 2011 on Housing and Settlement Areas (“Law on Housing”). The Law on Housing is intended to implement housing and settlement area programs that: (i) provide legal certainty; (ii) support zoning and housing development oriented towards low-income communities; (iii) improve the effectiveness and efficiency of natural resources that contribute to housing development, with due regard to the preservation of the environmental (urban and rural areas); (iv) empower stakeholders in housing and settlement area development; (v) support economic, social and cultural growth; and (vi) provide housing that is healthy, secure, integrated and sustainable.

The Law on Housing provides five categories of housing: (i) commercial housing, housing that is built for business purposes; (ii) community-built housing, which is housing that is built by community initiatives; (iii) public housing, which is housing that is provided by the Government for low-income communities; (iv) special housing, which is housing that is built for a particular purpose; and (v) state housing, which is housing owned by the state, which serves as residences for Government officials and their families. In addition to the categories mentioned above, the Law on Housing provides that single-houses, cluster housing, and/or apartments may only be constructed on land with right of legal ownership, right to build (either on the state land or right to manage), or right to use on state land.

One of the objectives under this Law on Housing is the support by the Government for the procurement of proper housing for low income communities. Thus, to procure proper housing for low income communities (including any repairs and/or house leasing), the state provides facilities and/or aid in the form of, among others: housing subsidies, tax incentives, licensing procedures, insurance and guarantees, land procurement and land certification.

To market housing that is still under construction, a housing developer may utilize a preliminary sale and purchase agreement scheme, after the fulfillment of certain requirements, namely: (i) land ownership status, (ii) object of the agreement, (iii) obtaining the principal building permit, (iv) availability of infrastructure, facilities and public utilities, and (v) the construction progress having reached at least 20% of the total development area. In this regard, a housing developer is also prohibited from carrying out a hand-over and/or collecting more than 80% of the funds from the purchaser prior to the fulfillment of the aforementioned requirements. Aside from administrative sanctions, this law also sets out criminal sanctions for the violation of this provision in the form of imprisonment of up to one year or a fine of up to Rp1.0 billion. In addition, the Law on Housing prohibits property developers from selling land lots without buildings constructed on them, unless at least 25% of the housing area has been completed and there is a national monetary crisis affecting the liquidity of the property developer, or the land is being developed for low-income residents. Violation of the aforementioned requirement may subject the developer to imprisonment of up to five years and a fine of up to Rp5.0 billion.

The availability of land for housing and settlement area development constitutes the responsibility of the Government and regional government, which can be conducted by granting of land title for lands directly possessed by the state, land consolidation with owners, transfer or release over right of land with owners, utilization and transfer of land owned by the state or regional government, utilization of state land that formerly was a neglected area, and/or procurement of land for the development of the public interest in accordance with the prevailing laws and regulations.

In Indonesia, foreign citizens may only occupy apartments or houses by lease or by obtaining Right to Use (*Hak Pakai*). The period of occupancy is set out in Government Regulation No. 41 of 1996 on House or Residence Occupancy by Foreigners Domiciled in Indonesia, which allows for a 25 year occupancy period that can be extended for a period of no longer than 25 years.

Every developer must comply with the regional spatial layout plan determined by the Government as well as obtain the licensing and assurance to the feasibility of occupancy.

Further, there are two sanctions for the violation of certain provisions, which are:

- (1) administrative sanctions, in the form of, among others: written notices, temporary suspension of operations, license revocation, and building sealing; and
- (2) criminal sanctions, in the form of fines (ranging from Rp50.0 million up to Rp50.0 billion) and imprisonment (ranging from 1 to 5 years).

Pursuant to the Law on Housing, all required implementing regulations must be issued within one year from the enactment of this law. Moreover, the previously issued implementing regulations remain unaffected, as long as they do not contradict the provisions of the Law on Housing. The State Minister of Public Housing has issued certain implementing regulations for the Law on Housing, which relates to: (i) Guidelines of Infrastructure, Facilities and Public Utilities for Housing and Settlement Areas (Minister Regulation No. 20/2011); (ii) housing and settlement areas program (Minister Regulation No. 7/2013); (iii) the Procurement of Housing through Financing of Moderate House Ownership by Liquid Facility Support (Minister Regulation No. 13/2012); (iv) Guidelines of Infrastructure, Facilities and Public Utilities for Residential Build by the Developer (Minister Regulation No. 4/2013); (v) Guidelines of Incentive Support for the Non-Government Housing (Perumahan Swadaya) (Minister Regulation No. 6/2013); and (vi) Minister of Public Housing Regulation No. 10 of 2012 on the Implementation of Housing and Settlement Areas with Balance Housing (Minister Regulation No. 10/2012).

REGULATION OF HOTEL BUSINESSES

In Indonesia, the licensing for a hotel business is regulated under Law No. 10 Year 2009 dated January 16, 2009 on Tourism (“Tourism Law”), whose implementing regulation must be enacted at least two years as of January 16, 2009, however, until such implementing regulations are issued, all previous regulations, including the Government Regulation No. 67 Year 1996 dated November 8, 1996, on Tourism Implementation (“Tourism GR”), are still deemed as valid, for so long as they do not contravene against the Tourism Law.

Under the Tourism Law, a hotel business must be registered with the Government or regional government, prior to the implementation of its business activities. The registration shall be conducted in accordance with the Minister of Culture and Tourism Regulation No. PM.86/HK.501/MKP/2010 dated November 16, 2010 on Registration Procedures of Accommodation Procurement Business, pursuant to which a Tourism Business Registration Mark (*Tanda Daftar Usaha Pariwisata*) will be issued upon a complete registration. Failure to comply with this obligation can lead to administrative sanction in the form of (a) a written warning; (b) limitation of business activity; or (c) suspension of business activity. Under the Tourism GR, there are two types of hotel licensing: (i) Permanent Hotel License (valid as long as the business complies with the prevailing law, and shall be deemed as the operational license); and (ii) Temporary Business License (valid for three years, extendable for a maximum period of no more than two years with written approval, and shall be deemed a principal license), both granted by the Minister of Tourism and Creative Economy through the relevant Servicing Office in each city and/or regent of Indonesia.

Each city or regent may also impose additional requirements in order for a hotel business to be established. For instance, under the Provincial Regulation of the Capital City of Jakarta Region No. 41 Year 2009 dated April 15, 2009 on Hotel Business Implementation, a hotel building must fulfill certain basic and technical operational requirements, such as having (i) a Permanent Hotel License; (ii) a certificate for the hotel’s facilities and equipment eligibility; (iii) a certificate for the hotel’s hygiene and sanitation eligibility; (iv) the procurement of front office and its equipment; (v) the procurement of guest rooms and equipment; (vi) the procurement of dining facilities and equipment; and (vii) the procurement of parking spaces and security officers.

Pursuant to the Decree of the Minister of Culture and Tourism No. KM.3/HK.001/MKP.02 Year 2002 dated February 27, 2002 regarding Hotel Grade Classification, every hotel may obtain classification from *Perhimpunan Hotel dan Restoran Indonesia*. There are two types of hotel grades: Stars Grade and *Melati* Grade.

REGULATION OF HEALTHCARE BUSINESSES

In 2009, the Government of Indonesia enacted Law No. 44 Year 2009 dated October 28, 2009 on Hospital (“Law on Hospital”). The implementing regulation of this new law has not yet been issued. However, the Health Minister issued Health Minister Regulation No. 147/Menkes/PER/II/2010 dated February 27, 2010 regarding Hospital Licenses (“Hospital License Regulation”), which revokes Health Minister Regulation No.159b/Menkes/Per/11/1988 and its amendments regarding Hospitals, the previous Health Minister regulation on hospitals.

Under the Law on Hospital, a hospital can be established by the Government, a regional government or a private company. A hospital which is established by a private company must be created in the form of a legal entity and its business activities must be exclusively within the hospital business. The current Hospital License Regulation also categorizes hospitals into two types: (i) general hospitals, which provide healthcare services for all kinds of diseases and (ii) specialized hospitals, which provide medical services for a specific type of disease or within a single medical discipline, i.e., based on age, organ or type of disease. Pursuant to the Hospital License Regulation, a foreign investment company (“PT PMA”) can only establish specialized hospitals, and have a maximum foreign share ownership of 67%. These specialized PT PMA hospitals should have a minimum 300 bed capacity unless the foreign shareholders originate for an ASEAN country, in which case they should have a minimum 200 bed capacity.

Other requirements that need to be fulfilled in order to operate a hospital relate to health, environmental safety, spatial layout, assessment result and feasibility of hospital operation, infrastructure and human resources. The requirement on health and environmental safety shall be included in the Environmental Monitoring Efforts Report (*Upaya Pemantauan Lingkungan/UPL*), Environmental Management Efforts Report (*Upaya Pengelolaan Lingkungan/UKL*) and/or Environmental Impact Assessment (*Analisis Mengenai Dampak Lingkungan/AMDAL*).

Further, to operate a hospital business, one must obtain an establishment license (valid for a period of two years and may be extended for an additional year) and an operational license (valid for a period of five years and may be extended for so long a hospital continues to meet requirements). Hospital licenses may be revoked if (i) the term of such license has ended; (ii) such license has not fulfilled the requirements and standards; (iii) the hospital violates prevailing laws and regulations; and/or (iv) upon a court decision.

Pursuant to the Law on Hospital, a company that does not have both an establishment license and an operational license may be subject to penalties in a maximum amount of Rp5,000,000,000. Furthermore, business licenses and/or the legal entity status of the company may be revoked by the authorized institution.

The corporate organization of a hospital must consist of at least a head or director of the hospital, medical personnel, nursing, medical support, medical committee, internal auditor, general administration and finance. The head or director of the hospital must be an Indonesian citizen and may not be the hospital owner.

Under Health Minister Regulation No.340/Menkes/Per/III/2010 dated March 11, 2010, regarding Hospital Classification, every hospital in Indonesia must be classified by the Health Minister. This classification is based on services, human resources, equipment, facilities, infrastructure, administration and management. Hospitals that have not obtained the classification must comply with the regulation within two years of the enactment of the regulation.

Hospitals must have permanent workers which consist of medical personnel, medical support staff, nursing personnel (*tenaga keperawatan*), pharmacy (*kefarmasian*), hospital management staff and non-medical staff. Based on Law No. 29 Year 2004 on Medical Practice (the “Medical Practice Law”), a doctor who conducts a medical practice must hold a practice license, which is issued by the competent health authority located in the relevant regency or city where such medical practice is carried out.

Based on Health Minister Regulation No.2052/MENKES/PER/X/2011 dated October 6, 2011, regarding License Practice and Implementation of Medical Practice issued by the Ministry of Health Republic of Indonesia a doctor may practice for a maximum of three hospitals or individual practice health facilities, which can be Government-owned or private-owned.

Pursuant to the Medical Practice Law, a hospital that hires a doctor or dentist who does not have a practice license or registration letter will be subject to a maximum penalty of Rp300,000,000 or revocation of the hospital’s business license.

Advertising of medical services is somewhat constrained in Indonesia by the strict controls imposed by the Advertisement Code of Conduct. The Indonesian Advertisement Code of Conduct stipulates that hospital advertising is only allowed if the hospital is presented as a business entity that offers available services and the facility and hospital may not advertise sales promotions of any kind. Furthermore, under the Indonesian Hospital Code of Conduct, hospitals may promote only informative marketing, such marketing may not be comparative, must be based on facts and not excessive.

ENVIRONMENTAL REGULATION

Environmental protection in Indonesia is governed by various laws, regulations, and decrees, including Law No. 32 of 2009 on Environmental Protection and Management (“Law 32/2009”), which was enacted on October 3, 2009 and Government Regulation No. 27 of 2012 on Environmental Licenses (“GR 27/2012”). Law 32/2009 stipulates that all business sectors that are required to obtain an Environmental Impact Analysis (*Analisis Mengenai Dampak Lingkungan* or “AMDAL”) or an Environment Management Effort and Environment Monitoring Effort (*Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup* or “UKL & UPL”) shall obtain an Environmental License, which are issued by the State Minister of Environment, Governor, or Mayor/Regent (in accordance with their respective authorities). Such Environmental Licenses are issued based on an environmental feasibility study or a UKL & UPL recommendation. An Environmental License is prerequisite for companies wishing to obtain their operational business license and shall expire concurrently with such operational business license.

Law No. 32/2009 stipulates that within two years after its enactment date, all businesses that have obtained business licenses but do not yet have an AMDAL document or UKL and UPL are obligated to either complete an environmental audit, if they need an AMDAL, or to have environment management document, if they need a UKL and UPL. Furthermore, Law No. 32/2009 obliges businesses to integrate their current environmental permits (AMDAL or UKL/UPL documents) issued by either the minister, governor or major, into an Environmental License by the first anniversary of the enactment date. Businesses that fail to comply are subject to criminal and administrative sanctions, which may be in the form of (i) a written warning; (ii) government coercion; (iii) suspension of the environmental license; or (iv) revocation of the environmental license. Further, Law No. 32/2009 stipulates that any failure to obtain environmental licenses as well as AMDAL, UKL, or UPL may subject to fine in the range of Rp 1 billion to Rp 3 billion.

REGULATION OF MONEY LAUNDERING

On October 22, 2010, the Government enacted Law No. 8 of 2010 on the Prevention and Eradication of Money Laundering Criminal Crime (“Law No. 8/2010”). This law regulates among others, the types of transactions which are required to be reported to the Indonesian Financial Transaction Reports and Analysis Center (*Pusat Pelaporan dan Analisa Transaksi Keuangan*) (“PPATK”) and the entities responsible for reporting such transactions. Under this law, a property developer (the “Reporting Party”) is one of the entities that is responsible for submitting such reports. Under Law No. 8/2010, the Reporting Party is required to report to PPATK on any transaction entered into with its customers having a minimum amount of Rp500 million, or an equivalent value in other currencies, no later than 14 business days after the transaction is conducted (the “Reporting Obligation”). Failure to submit the report may subject the Reporting Party to administrative sanctions which will be imposed by the Supervisory and Regulatory Body (*Lembaga Pengawas dan Pengatur*) in the form of a warning letter, public announcement on the action or sanction and/or an administrative penalty. Law No. 8/2010 also provides protection to the Reporting Party and/or the witness with regard to its report and/or testimony such that the Reporting Party and/or the witness shall be free from any civil or criminal claim, unless the Reporting Party provides a false testimony while under oath. Further, Law No. 8/2010 stipulates that as long as the Supervisory and Regulatory Body has not been established, the PPATK is authorized to impose administrative sanctions.

The Reporting Obligation shall take effect two years after Law No. 8/2010 is enacted, which will be on October 22, 2012. To implement the reporting obligation, PPATK has issued Regulation of PPATK Head No. PER-12/1.02.01/PPATK/09/11 dated September 19, 2012 regarding Transaction Reporting Procedures for Providers of Goods and/or Other Services (“PPATK Regulation 12/2011”) and Regulation of PPATK Head No. PER-10/1.02.1/PPATK, dated September 19, 2011 regarding the implementation of Know Your Service Consumers Principles for Providers of Goods and/or Other Services (“PPATK Regulation 10/2011”) which particularly apply to providers of goods and/or services, among others, including developer companies. Under PPATK Regulation 10/2011, developer companies that carry out transactions with a minimum value of Rp100 million shall implement the Know Your Service Consumers principles in its business activities. Furthermore, pursuant to PPATK Regulation 12/2011, transactions with a minimum value of Rp500 million or equivalent in foreign currency shall be reported to PPATK and failure to so report shall be penalized with administrative sanction.

Transfer Restrictions

INVESTOR REPRESENTATIONS AND RESTRICTIONS ON RESALE

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in compliance with Regulation S under the Securities Act.

By its purchase of the Notes, each purchaser of the Notes will be deemed to:

1. represent that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and is purchasing the Notes in an offshore transaction in accordance with Regulation S;
2. acknowledge that the Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except as set forth below;
3. agree that it will inform each person to whom it transfers Notes of any restrictions on transfer of such Notes; and
4. acknowledge that the Issuer, the Company, the Joint Bookrunners and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Issuer, the Company and the Joint Bookrunners. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Global Clearance and Settlement

See “Definitions” in “Terms and Conditions of the Notes” for the definitions of certain capitalized terms used in this section.

Investors in the Notes may hold Notes through Euroclear or Clearstream, Luxembourg. Initial settlement and all secondary trades will settle as described below. Although the Issuer understands that Euroclear and Clearstream, Luxembourg will comply with the procedures provided below in order to facilitate transfers of Notes among participants of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be modified or discontinued at any time. None of the Issuer, the Guarantors, the Trustee, the Registrar, the Transfer Agents, the Paying Agents or any other agent of any of them will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations. With respect to clearance and settlement through Euroclear and Clearstream, Luxembourg, the Issuer understands as follows:

THE CLEARING SYSTEMS

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg interface with domestic securities markets.

Euroclear and Clearstream, Luxembourg participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Initial Settlement

The Notes will be issued initially in the form of a Global Certificate in book-entry form and will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Investors' interests in Notes held in book-entry form by Euroclear or Clearstream, Luxembourg, as the case may be, will be represented through financial institutions acting on their behalf as direct and indirect participants in Euroclear or Clearstream, Luxembourg, as the case may be. In addition, Euroclear and Clearstream, Luxembourg may hold positions in the Notes on behalf of their participants through their respective depositories.

Investors electing to hold their Notes through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional notes. Notes will be credited to the accounts of depositories and will be processed by Euroclear or Clearstream, Luxembourg in accordance with usual new issue procedures.

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any Notes where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg participants will be settled using the procedures applicable to conventional notes in same-day funds.

Taxation

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and Indonesia and administrative guidelines issued by the relevant authorities in effect as of the date of this Offering Circular. Such statements are subject to any changes in such laws or administrative guidelines, or in the interpretation of these laws or guidelines, occurring after such date, which changes could be made on a retrospective basis. These laws and guidelines are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below.

The following is a summary of the material tax consequences in Singapore and Indonesia to a holder of the Notes and does not take into account or discuss the tax laws of any countries other than Singapore and Indonesia. The statements below are not to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore that have been granted the relevant Financial Sector Incentive tax incentive(s)) may be subject to special rules or tax rates. Prospective purchasers of the Notes are advised to consult their own professional tax advisors as to the Singapore, Indonesian or other tax consequences of the acquisition, ownership of or disposal of the Notes, including the effect of any foreign, state or local tax laws to which they are subject. It is emphasized that neither the Issuer, the Joint Bookrunners nor other persons involved in the issuance of the Notes accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of the Notes.

SINGAPORE TAXATION

General

Singapore adopts a modified territorial basis of taxation under which tax is levied on all income sourced in Singapore. Foreign-sourced income is taxed only when received or deemed received in Singapore by tax residents or corporations carrying on business in Singapore. However, there are exemptions available.

The corporate tax rate in Singapore is 17.0 per cent. with effect from Year of Assessment 2010. Partial exemption of up to the first S\$300,000 of the chargeable income of a company otherwise subject to normal taxation, is available. New start-up companies that meet certain qualifying conditions enjoy tax exemption on up to S\$300,000 of the normal chargeable income for its first three consecutive years of assessment.

Resident individuals are taxed at graduated scale rates that range from 0 to 20.0 per cent. (effective from Year of Assessment 2007) and are entitled to personal reliefs. Non-resident individuals are taxed at 20.0 per cent. with relief available to certain groups of non-resident individuals.

1. Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, Chapter 134 of Singapore (the "ITA"), the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or
- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15.0 per cent. final withholding tax described below) to non-resident

persons (other than non-resident individuals) is 17.0 per cent. with effect from Year of Assessment 2010. The applicable rate for non-resident individuals is 20.0 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15.0 per cent. The rate of 15.0 per cent. may be reduced by applicable tax treaties.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities derived on or after January 1, 2004;
- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after February 17, 2006; and
- (c) prepayment fee, redemption premium and break cost from debt securities derived on or after February 15, 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

However, as the Notes are jointly-lead managed by the Joint Bookrunners, each of whom is a Financial Sector Incentive (Capital Market) Company, Financial Sector Incentive (Standard Tier) Company or Financial Sector Incentive (Bond Market) Company (as defined in the ITA), the Notes issued as debt securities before December 31, 2018 (the "Relevant Notes") would be, pursuant to the ITA and the MAS Circular FSD Cir 02/2013 entitled "Extension and Refinement of Tax Concessions for Promoting the Debt Market" issued by the MAS on June 28, 2013, qualifying debt securities ("QDS") for the purposes of the ITA, to which the following treatments shall apply (the "QDS Scheme"):

- (a) subject to certain prescribed conditions having been fulfilled (including the furnishing of a return on debt securities in respect of the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require to the MAS and such other relevant authorities as may be prescribed and the inclusion by the Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Notes using funds from that person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "Specified Income") from the Relevant Notes, paid by the Issuer and derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;
- (b) subject to certain conditions having been fulfilled (including the furnishing to the MAS and such other relevant authorities as may be prescribed of a return on debt securities for the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars that the relevant authorities may require to the MAS and such other relevant authorities as may be prescribed), the Specified Income on the Notes paid by the Issuer and received by any company or body of persons in Singapore is subject to tax at a concessionary rate of 10.0 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and
- (c) subject to:
 - (i) the Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost (ie. the Specified Income) derived from the Relevant Notes is not exempt from tax, shall include such income in a return of income made under the ITA; and

- (ii) the furnishing to the MAS and such other relevant authorities as may be prescribed of a return on debt securities for the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require,

payments of Specified Income derived from the Relevant Notes are not subject to withholding of tax by the Issuer.

However, notwithstanding the foregoing:

- (A) if during the primary launch of the Relevant Notes, the Relevant Notes are issued to less than four persons and 50 per cent. or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Notes would not qualify as QDS; and
- (B) even though the Relevant Notes are QDS, if, at any time during the tenure of the Relevant Notes, 50 per cent. or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by any related parties of the Issuer, the Specified Income derived from such Relevant Notes held by (1) any related party of the Issuer; or (2) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer, shall not be eligible for the withholding tax exemption or the concessionary rate of tax of 10 per cent. as described above.

The term “related party”, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms “break cost”, “prepayment fee” and “redemption premium” are defined in the ITA as follows:

“break cost”, in relation to debt securities and QDS, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

“prepayment fee”, in relation to debt securities and QDS, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

“redemption premium”, in relation to debt securities and QDS, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to “break cost”, “prepayment fee” and “redemption premium” in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Specified Income) is derived from the Relevant Notes by any person who is not resident in Singapore and carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires such Relevant Notes using the funds and profits of such person’s operations through a permanent establishment in Singapore. Any person whose Specified Income derived from the Relevant Notes is not exempt from tax is required under the ITA to include such income in a return of income made under the ITA.

2. Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable in Singapore as such gains are considered revenue in nature.

Holders of the Notes who are adopting Singapore FRS 39 (“FRS 39”) may for Singapore income tax purposes be required to recognize gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal. Please see the section below on “Adoption of FRS 39 Treatment for Singapore Income Tax Purposes”.

3. Adoption of FRS 39 Treatment for Singapore Income Tax Purposes

The Inland Revenue Authority of Singapore has issued a circular entitled “Income Tax Implications Arising from the Adoption of FRS 39 — Financial instruments: Recognition and Measurement” (the “FRS 39 Circular”). Legislative amendments to give effect to the FRS 39 Circular have been enacted in Section 34A of the ITA.

The FRS 39 Circular and Section 34A of the ITA generally apply, subject to certain “opt-out” provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

The FRS 39 Circular refers to the definition of the effective interest method under FRS 39 and states that the “effective interest method” is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period and the “effective interest rate” is the rate that exactly discounts estimated future cash payments of receipts through the expected life of the financial instruments. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

However, for debt securities which are on capital account, the FRS 39 Circular indicates that interest income reflected in the profit and loss account under FRS 39 will be adjusted to that based on the coupon/contractual rate.

In this regard, Section 34A of the ITA provides that where interest from debt securities is chargeable to tax under Section 10(1)(d) of the ITA (i.e. as passive income rather than as income from a trade or business), such interest will be computed based on the contractual interest rate and not the effective interest rate. In this section, “contractual interest rate” in relation to any financial instrument means the interest rate specified in the financial instrument. A gain from discounts or premiums on debt securities, being a gain chargeable to tax under Section 10(1)(d) of the ITA, shall be deemed to accrue only on the maturity or redemption of the debt securities and to be equal to the difference between the amount received on the maturity or redemption of the debt securities and the amount for which the debt securities were issued.

Holders of the Notes who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

Goods and Services Tax

A sale of the Notes by a Goods and Services Tax (“GST”) registered investor belonging in Singapore to another person belonging in Singapore is an exempt supply not subject to GST. Any GST (for example, GST on brokerage) incurred by the investor in respect of the Notes purchased or sold by him will become an additional cost to the investor.

Where the Notes are supplied by a GST-registered investor to a person belonging outside Singapore (and who is outside Singapore at the time of supply), the sale is a taxable supply subject to GST at zero rate. Consequently, any GST (for example, GST on brokerage) incurred by him in the course of or furtherance of business in respect of the Notes sold by him will, subject to the provisions of the Goods and Services Tax Act, Chapter 117A of Singapore, be claimable as an input tax credit in its GST returns.

Services such as brokerage and handling services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor’s purchase or sale of the Notes will be subject to GST at the prevailing rate (currently 7.0 per cent.). Similar services rendered contractually to an investor belonging outside Singapore are subject to GST at zero rate provided that the investor is not physically present in Singapore at the time the services are performed and the services do not directly benefit a person who belongs in Singapore.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after February 15, 2008.

INDONESIAN TAXATION

The following is a summary with respect to taxes imposed by the Government of Indonesia. The summary does not address any laws other than the tax laws of Indonesia in force and as they are applied in practice as of the date of this Offering Circular.

General

Resident taxpayers, individual or corporate, are subject to income tax in Indonesia. Subject to the provisions of any applicable agreement for the avoidance of double taxation (a “tax treaty”), non-resident taxpayers, namely corporations not domiciled or established in Indonesia, which do not have a permanent establishment in Indonesia, or individuals, which derive income sourced in Indonesia from, among other things, the sale of assets situated in Indonesia, services performed in or outside Indonesia or interest, royalties or dividends from Indonesia, are subject to a withholding tax on that income at the rate of 20.0%. If the income is effectively connected with a permanent establishment of a non-resident corporation in Indonesia, the income is subject to corporate income tax at a flat rate of 25.0% for 2010 onwards and deemed distribution tax of 20.0% of the after-tax profits, subject to applicable tax treaties.

Withholding Tax

Payments of principal under the Notes are not subject to withholding tax, but interest sourced from Indonesia is subject to withholding tax. Payments by us attributable to interest payable on the Notes to non-residents will be subject to withholding tax in Indonesia at the rate of 20.0% or the relevant reduced rate under an applicable tax treaty. The 20.0% tax rate may be reduced to 10.0% by virtue of the tax treaty between Singapore and Indonesia provided the eligibility requirements of the tax treaty are satisfied (primarily relating to residence and beneficial ownership). To date, the Indonesian Directorate General of Taxes has required a Certificate of Domicile/DGT Form 1 (also known as a Certificate of Residence) to be presented to support tax treaty eligibility.

Payments by us attributable to interest payable on the Notes to Indonesian residents and permanent establishments (other than Indonesian banks or foreign banks with a permanent establishment) will be subject to Article 23 withholding tax in Indonesia at the rate of 15.0%. The tax withheld may be credited against the underpaid corporate income tax by the Indonesian residents and permanent establishments.

On November 5, 2009, the Indonesian Directorate General of Taxes (DGT) issued Regulation No.PER- 62/PJ./ 2009 which was last amended by Regulation No.PER-25/PJ./2010 regarding *The Prevention of Tax Treaty Abuse*. Under the regulation, the following individuals or companies that are covered by a tax treaty will be regarded as not having abused the relevant tax treaty if:

- a. an individual who does not act as an agent or nominee;
- b. an organization whose name is mentioned in the tax treaty or has been agreed to by an authorized official in Indonesia and in the tax treaty partner country;
- c. a foreign taxpayer who receives or earns income through a custodian with respect to income from a transfer of shares or bonds traded on the Indonesian stock exchange, other than interests and dividends, where the foreign taxpayer is not acting as an agent or as a nominee;
- d. a company whose shares are registered on the Indonesian Stock Exchange and traded regularly;
- e. a pension fund whose establishment is in accordance with the legislative provisions in the tax treaty partner country and constituting a tax subject in the tax treaty country;
- f. a bank; or
- g. a company that meets the following qualifications:
 1. for a company receiving or earning income pursuant to a tax treaty article where there is no beneficial owner requirement, namely the establishment of company or the arrangement of structure/scheme of transaction is not merely aimed at enjoying tax treaty benefits;
 2. for a company receiving or earning income pursuant to a tax treaty article where there is a beneficial owner requirement:
 - i. the company is established in the tax treaty partner country or has a structure/scheme transaction arrangement which is not solely intended to take advantage of a tax treaty benefit; and

- ii. the company's operations are managed by the management itself who has sufficient authority to complete transactions; and
- iii. the company has employees; and
- iv. the company has activities or an active business; and
- v. the Indonesia-sourced income is subject to tax in the recipient country; and
- vi. the company does not use more than fifty percent (50%) of its total income to fulfill its obligations to other parties in the form of interest, royalty or other types of compensation.

On November 5, 2009, the Indonesian Directorate General of Taxes (DGT) issued Regulation No. PER-61/PJ./2009 which was last amended by Regulation No. PER- 24/PJ/2010 regarding *The Procedure for the Application of Agreement on Double Taxation Avoidance*. Under this regulation, the DGT provided the format for the Certificate of Domicile (DGT Form 1) required in order to apply the tax treaty rate. Page 1 of DGT Form 1 must be filled out and signed by the foreign taxpayer and must be authenticated/legalized by the Singapore Tax Authority. This form is valid for twelve (12) months from the date of legalization of the document by an authorized official. Page two of DGT Form 1 must be filled out and signed by the foreign taxpayer and does not need to be legalized by an authorized official.

Both the abovementioned regulations provide that in order to apply the tax treaty relief, the Indonesian corporate taxpayers that is obliged to deduct the withholding tax on the income paid to the non-resident taxpayers in the form of dividends, interest and royalties must ensure that it is not considered as abusing the tax treaty based on the conditions mentioned above.

To obtain the benefit of the reduced rate under the tax treaty, the recipient of the interest payable on the Notes must comply with the certification, eligibility, information and reporting requirements in force in Indonesia. Currently, such recipient would need to provide an original Certificate of Tax Domicile/DGT Form 1 (commonly known as a Certificate of Residence) pages one and two in the format specifically provided by the Indonesian Tax Authority. If the tax treaty benefits are not available then the withholding tax rate applicable will be 20.0%.

Taxes on Capital Gains

Gains from disposal of the Notes by an Indonesian tax resident is taxable in Indonesia and subject to income tax up to a maximum rate of 30.0% for individuals, at a flat rate of 25.0% for 2010 onwards for companies and permanent establishments, and an additional distribution tax for permanent establishments of 20.0% of after-tax profits, subject to applicable tax treaties.

Other Indonesian Taxes

There are no Indonesian estate, inheritance, succession, or gift taxes generally applicable to the acquisition, ownership or disposition of the Notes. There are no Indonesian stamp, issue, registration or similar taxes or duties payable by holders of the Notes as a result of their holding of the Notes.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

Subscription and Sale

Citigroup Global Markets Singapore Pte. Ltd, Deutsche Bank AG, Singapore Branch, Merrill Lynch (Singapore) Pte. Ltd. and Credit Suisse (Singapore) Limited (the “Joint Bookrunners”), pursuant to a Subscription Agreement dated April 4, 2014 (the “Subscription Agreement”) among the Issuer, the Guarantors and the Joint Bookrunners, agree subject to the satisfaction of certain conditions, to severally and not jointly subscribe and pay for, or procure subscriptions and payment for the respective principal amount of the Notes set forth opposite their names in the table below on the Issue Date at 100.0% of their principal amount less a combined management, underwriting and selling commission of 1.00% of such principal amount, and an additional incentive fee of 0.25% at the discretion of the Company of such principal amount:

<u>Joint Bookrunners</u>	<u>Principal amount of Notes</u>
Citigroup Global Markets Singapore Pte. Ltd	US\$ 45,000,000
Deutsche Bank AG, Singapore Branch	US\$ 45,000,000
Merrill Lynch (Singapore) Pte. Ltd.	US\$ 30,000,000
Credit Suisse (Singapore) Limited	US\$ 30,000,000
Total	<u><u>US\$150,000,000</u></u>

In addition, the Issuer has agreed to reimburse the Joint Bookrunners for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement provides that the Issuer and the Guarantors will indemnify the Joint Bookrunners against certain liabilities. The Subscription Agreement entitles the Joint Bookrunners to terminate it in certain circumstances prior to payment being made to the Issuer.

Each of the Issuer and the Guarantors has agreed that it will not for a period of 90 days following the launch of this offering, without the prior written consent of the Joint Bookrunners, offer, sell or contract to sell, or otherwise dispose, or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by each of the Issuer and the Guarantors, their respective affiliates or any person in privity with any of the foregoing, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by any of the Issuer or the Guarantors.

The Joint Bookrunners and their affiliates have performed and may perform in the future various financial advisory, investment banking and commercial banking services for the Issuer, the Guarantors and each of their affiliates.

PT Ciptadana Capital has acted as financial advisor to the Company in connection with the offering of the Notes.

GENERAL

None of the Issuer, the Guarantors or the Joint Bookrunners makes any representation that any action will be taken in any jurisdiction by the Joint Bookrunners, the Issuer or the Guarantors that would permit a public offering of the Notes, or possession or distribution of this Offering Circular (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. The Joint Bookrunners will comply with all applicable laws and regulations in each jurisdiction in which they acquire, offer, sell or deliver Notes or distribute this Offering Circular (in preliminary, proof or final form) or any such other material, in all cases at their own expense. The Joint Bookrunners will also ensure that no obligations are imposed on the Issuer or the Guarantors in any such jurisdiction as a result of any of the foregoing actions. Neither the Issuer nor the Guarantors will have any responsibility for, and the Joint Bookrunners will obtain any consent, approval or permission required by them for, the acquisition, offer, sale or delivery by them of Notes under the laws and regulations in force in any jurisdiction to which they are subject or in or from which they make any acquisition, offer, sale or delivery. The Joint Bookrunners are not authorized to make any representation or use any information in connection with the issue, subscription and sale of the Notes other than as contained in, or which is consistent with, the Offering Circular (in final form) or any amendment or supplement to it.

UNITED STATES

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in compliance with Regulation S under the Securities Act.

EUROPEAN ECONOMIC AREA

This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. The Offering Circular has not been approved or reviewed by any regulator which is a competent authority under the Prospectus Directive in the European Economic Area or in any other jurisdiction. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

HONG KONG

Each of the Joint Bookrunners has represented and agreed that:

1. it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; and
2. it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are, or are intended to be, disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

INDONESIA

This offering does not constitute a public offering in Indonesia under Law No. 8 of 1995 regarding Capital Market. This Offering Circular may not be distributed in Indonesia and the Notes may not be offered or sold in Indonesia or to Indonesian citizens wherever they are domiciled, or to Indonesian residents, in a manner which constitutes a public offer under the laws of Indonesia.

SINGAPORE

Each of the Joint Bookrunners has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Bookrunners has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance of an exemption under Section 274 or 275 of the SFA, the Notes shall not be sold within the period of six months from the date of the initial acquisition of the Notes, except to any of the following persons:

- (i) an institutional investor (as defined in Section 4A of the SFA);
- (ii) a relevant person (as defined in Section 275(2) of the SFA); or
- (iii) any person pursuant to an offer referred to in Section 275(1A) of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, in accordance with the conditions specified in Section 275 of the SFA;
- (ii) (in the case of a corporation) where the transfer arises from an offer referred to in Section 275(1A) of the SFA, or (in the case of a trust) where the transfer arises from an offer that is made on terms that such rights or interests are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;
- (iii) where no consideration is or will be given for the transfer; or
- (iv) where the transfer is by operation of law.

UNITED KINGDOM

This Offering Circular is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

Each of the Joint Bookrunners has represented, warranted and agreed that:

1. it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA") received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
2. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

ITALY

The offering of the Notes, the Offering Circular or any other document or material relating to the offering of the Notes, have not been and will not be submitted to the clearance procedure of the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian laws and regulations.

The offering of the Notes is being conducted in the Republic of Italy in reliance on the exemption set forth under Article 100 of the Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Securities Act**") and Article 34-ter, paragraph 1, letter e), of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Regulation on Issuers**").

Any such offers, sales or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of the Italian Securities Act) permitted to conduct such activities in the Republic of Italy in accordance with the Italian Securities Act, Legislative Decree No. 385 of September 1, 1993, as amended, and CONSOB Regulation No. 16190 of October 29, 2007 as amended, and
- (b) in compliance with any other applicable requirement or limitation which may be imposed by CONSOB, the Bank of Italy, or any other relevant Italian authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer, resale or delivery of the Notes by such investor occurs in compliance with applicable Italian laws and regulations.

SWITZERLAND

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Issuer, the Guarantors or the Notes constitutes an offering prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations, and neither this Offering Circular nor any other offering or marketing material relating to the Issuer, the Guarantors or the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes will be offered in Switzerland and this Offering Circular and any other offering or marketing material relating to the Notes will be distributed or otherwise made available in Switzerland on a private placement basis only. No application has been or will be made to list the Notes on the SIX Swiss Exchange Ltd., and, consequently, neither this Offering Circular nor any other offering or marketing material relating to the Issuer, the Guarantors or the Notes constitutes a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd. Holders are advised to contact their legal, financial or tax advisers to obtain an independent assessment of the financial and tax consequences of an investment in the Notes.

Legal Matters

Certain legal matters with respect to the Notes will be passed upon for us by Milbank, Tweed, Hadley & McCloy LLP as to matters of English law, Makes & Partners as to matters of Indonesian law and Stamford Law Corporation as to matters of Singapore law. Certain legal matters will be passed upon for the Joint Bookrunners by Shearman & Sterling (London) LLP as to matters of English law and Melli Darsa & Co. as to matters of Indonesian law.

Independent Auditors

Our consolidated financial statements as of and for the years ended December 31, 2011, 2012 and 2013 included in the Offering Circular have been audited by Aryanto, Amir Jusuf, Mawar & Saptoto (a member firm of RSM International), independent auditors, as stated in their report appearing herein.

Ratings

The Notes have been rated “Ba3” by Moody’s, “BB-” by Fitch and “BB-” by Standard & Poor’s. The credit ratings accorded the Notes are not a recommendation to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances to warrant. See “Risk Factors — Risks Relating to the Notes and the Guarantees — The rating assigned to the Notes may be lowered or withdrawn entirely in the future”.

Summary of Certain Differences between Indonesian FAS and IFRS

Summary of Certain Differences between Indonesian FAS and IFRS

Our financial statements included in this Offering Circular have been prepared in conformity with Indonesian Financial Accounting Standards (Indonesian FAS). Indonesian FAS consists of the Statement of Financial Accounting Standards (PSAK), their Interpretations (ISAK), and financial reporting rules issued by capital market authorities. Indonesian FAS differs in certain respects from International Financial Reporting Standards (IFRS). This summary should not be taken as an exhaustive list of all the differences between Indonesian FAS and IFRS. No attempt has been made to identify all disclosures, presentation or classification differences that would affect the manner in which transactions or events are presented in our financial statements (or notes thereto). Those differences that may have a material adverse effect on our financial statements are summarized below. Management has not quantified the effects of the differences discussed below. Accordingly, neither of us can assure you that our financial statements would not be materially different if prepared in accordance with IFRS.

The regulatory bodies that promulgate the Indonesian FAS are in the process of implementing a staged convergence project to minimize the differences between Indonesian FAS and IFRS. Significant advancements under this project have been made in 2011. As this Offering Circular references financial information from 2011, 2012 and 2013, set out below is a summary of the differences between Indonesian FAS and IFRS as of each reporting period referred to in this Offering Circular.

In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between Indonesian FAS and IFRS, and how those differences might affect the financial information disclosed in this Offering Circular.

Presentation of Financial Statements

As of December 31, 2011, the differences between Indonesian FAS and IFRS for the presentation of financial statements are as follows:

- Real estate industries may present their statements of financial position on an unclassified basis. Assets are presented in order of liquidity while liabilities are presented in order of maturity. The presentation using the unclassified basis has been changed upon the revocation of PSAK 44 regarding “Accounting for Real Estate Development Activity” effective on or after January 1, 2012.
- Under IFRS, an entity must present a classified statement of financial position, separating current and non-current assets and liabilities. Presentation based on liquidity is allowed only if such a presentation provides information that is reliable and more relevant (i.e., the current or non-current presentation can be omitted). Where this exception applies, assets and liabilities should be presented broadly in order of liquidity.

As of December 31, 2012 and 2013, the requirements for the presentation of financial statements under Indonesian FAS and IFRS are substantially similar.

Consolidation

As of December 31, 2011 and 2012, the consolidation principles under the Indonesian FAS and IFRS are substantially similar.

As of December 31, 2013, IFRS 10 (2011) has not been adopted by Indonesian FAS on which there is a change in the definition of control.

Business Combination

Business combination principles are substantially similar under the Indonesian FAS and IFRS as of December 31, 2011, 2012 and 2013, except for several minor amendments made to IFRS 3 which have not been adopted by Indonesian FAS which are as follows:

- There are differences in measuring non-controlling interests where IFRS 3 provides clearer requirements (on present ownership interests and entitle their holders to a proportionate share of an entity’s net assets in event of liquidation) which reduces the diversity of application.

- IFRS 3 also provides application guidance on all share-based payment transactions that are part of business combinations, including unreplaced and voluntary replaced share-based payment awards.

Revenue Recognition

From December 2011 until December 2013, the differences between Indonesian FAS and IFRS relating to revenue recognition are as follows:

- Under Indonesian FAS, revenue recognition is similar to revenue recognition under IFRS. However, certain industry-specific revenue recognition guidance may result in some measurement differences.

The real estate industry recognizes revenues from the sale of houses, shophouses and other buildings of the same type (including land) using the full accrual method, if the conditions for each type of sale are met. Revenue recognition from the sale of condominiums, apartments, office buildings, shopping centers and other buildings of a similar type, as well as time share ownership units, uses the percentage of completion method if all of the criteria are met. If a real estate sale fails to meet all of the criteria of the full accrual method or the percentage of completion method, revenue recognition is deferred and the transaction is recognized using the deposit method until all of the conditions/criteria are fulfilled.

- Under IFRS, revenue should be measured at the fair value of the consideration received or receivable. An exchange for goods or services of a similar nature and value is not regarded as a transaction that generates revenue. IFRS provides guidance for recognizing the specific categories of revenue such as sale of goods, rendering services, interest, royalties and dividends.

In the real estate industry, entities that undertake the construction of real estate may enter into agreements with buyers before construction is complete. The entity should determine whether such agreement is within the scope of Construction Contracts under IAS 11 or Revenue under IAS 18 depending on the terms of the agreement and all the surrounding facts and circumstances. When the agreement is a construction contract, the entity shall recognize revenue by reference to the stage of completion of the contract activity in accordance with IAS 11. An expected loss on the construction contract shall be recognized as an expense immediately in accordance with paragraph 36 of IAS 11. When the agreement is for the rendering of services and criteria in paragraph 20 of IAS 18 are met, the entity shall recognize revenue by reference to the stage of completion of the transaction using the percentage of completion method. When the agreement is for the sale of goods, the entity shall recognize revenue in accordance with IAS 18 which depends on transfer of control, significant risk and rewards of ownership on real estate.

Income Taxes

As of December 31, 2011, 2012 and 2013, the differences between the Indonesian FAS and IFRS for income taxes are as follows:

- Under Indonesian FAS and in accordance with tax laws and regulations, income subject to final income tax shall not be reported as taxable income and all expenses related to income subject to the final income tax are not deductible. However, such income and expenses are included in the profit and loss calculation for accounting purposes. Accordingly, no temporary difference tax asset or liability shall be recognized. When the recorded value of an asset or liability related to the final income tax differs from its taxable base, the difference shall not be recognized as deferred tax asset or liability.
- Under IFRS, there is no specific guidance on income tax for income already subjected to final income tax.

Reporting (Presentation) Currency and Functional Currency

As of December 31, 2011, the differences between the requirements of Indonesian FAS and IFRS are as follows:

- Under Indonesian FAS, an entity may determine its functional currency using the following indicators: cash flows, sales price and costs. These indicators should be considered cumulatively and no single factor should be given more consideration than any others. Normally, the measurement and reporting currency is Rupiah. Other currencies may be used as the measurement and reporting currency if they meet the functional currency criteria.

- Under IFRS, the standard provides primary indicators, secondary indicators and additional indicators. When the indicators are mixed and the functional currency is not obvious, management is permitted to use its judgment on which priority is given to the primary indicators. Functional currency is used as the measurement currency. Presentation currency may be a currency other than the functional currency.

As of December 31, 2012 and 2013, the provisions of the financial reporting standards for reporting (presentation) currency and functional currency under Indonesian FAS and IFRS are substantially similar. However, under the prevailing capital market regulations, Rupiah is the reporting currency that should be used by a listed company. Other currencies may be used as the reporting currency if they meet the functional currency criteria.

Land

As of December 31, 2011, the differences between the requirements of Indonesian FAS and IFRS are as follows:

- Under Indonesian FAS, land rights based on any type of right are recorded as land and are not depreciated, unless it can be predicted that management will not be able to extend or renew the land rights or the possibility of such extension or renewal is remote. A right to use land or other similar right that is obtained under a lease contract does not equate to a land ownership right and accordingly should be treated as a prepaid expense. Deferred legal expenses on land rights are amortized over the legal period or the useful life of the land concerned, whichever is shorter.
- Under IFRS, land normally has a definite economic life. If title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all the risks and rewards incidental to ownership, in which case the lease of land is an operating lease. For depreciable land, the depreciable amount (cost less residual value) should be allocated on a systematic basis over the asset's useful life similar to property, plant and equipment. Deferred legal expenses on land rights are amortized depending on whether the land right represents an operating lease or a finance lease.

As of December 31, 2012 and 2013, PSAK 16 is consistent with IAS 16 in all significant respects, except that PSAK 16 made reference to Interpretation to ISAK 25 on which land that is held under Right to Build (HGB) or Right to Cultivate (HGU) or Right to Use (*Hak Pakai*) is not amortized unless there is an indication that the renewal or extension of the rights is not probable or cannot be obtained. Cost to obtain those rights for the first time are capitalized as property and equipment but subsequent costs to extend or renew the rights are recognized as intangible assets and then amortized based on paragraph 11 of ISAK 25.

Fair Value Measurement

As of December 31, 2013, IFRS 13 (2011) has not been adopted by Indonesian FAS on which IFRS 13 covers fair value measurements and disclosures. This IFRS will be adopted by Indonesian FAS for financial statements covering periods beginning on or after January 1, 2015.

Disclosure of Interest in Other Entities

As of December 31, 2013, IFRS 12 (2011) has not been adopted by Indonesian FAS on which IFRS 12 brings together in one standard the disclosure requirements that apply to investments in subsidiaries, associates, joint ventures, structured entities and unconsolidated structured entities. This IFRS will be adopted by Indonesian FAS for financial statements covering periods beginning on or after January 1, 2015.

Business Combination for Entities under Common Control

There are two basic methods of accounting for business combinations: the purchase method and the pooling of interest method.

Under Indonesian FAS, a business combination for entities under common control is recorded using the pooling of interest method. Any differences between the transfer price and the book value is recorded under the account "Difference in Value from Restructuring Transactions between Entities under Common Control" and presented as a component of "Additional Paid-in Capital" of the equity section. Since January 1, 2013, this account cannot be recognized as a realized gain or loss or reclassified to retained earnings.

Under IFRS 3, entities are required to apply the purchase method to all business combinations within its scope. However, the business combination for entities under common control is not within the scope of IFRS 3. There is no other specific guidance in IFRS other than IFRS 3 that requires or prohibits entities to use either method for accounting for business combinations for entities under common control. Therefore, the management of the entity can elect to apply one of the methods to a transaction between entities under common control. Once selected, the accounting policy can be changed only when the criteria in IAS 8 are met.

General Information

- (1) The Issuer was incorporated on April 30, 2012 as a Singapore private company with limited liability under the laws of the Republic of Singapore and its registration number is 201210707G. The registered office of the Issuer is located at 10 Collyer Quay, #27-00 Ocean Financial Centre, Singapore 049315, the Republic of Singapore, and its telephone number at that address is +65 6389 3000.
- (2) Kemang was incorporated on April 30, 2012 as a Singapore private company with limited liability under the laws of the Republic of Singapore and its registration number is 201210714G. The registered office of Kemang is located at 10 Collyer Quay, #27-00 Ocean Financial Centre, Singapore 049315, the Republic of Singapore, and its telephone number at that address is +65 6389 3000.
- (3) The Company was incorporated in Jakarta, Indonesia under the laws of the Republic of Indonesia and is registered with the Company Registration Office of Tangerang. The Company's registration number is 30.06.1.68.02162 dated July 27, 2011 which is valid until July 30, 2014. The Company's registered office is situated at 2121 Bulevar Gajah Mada #01-01, Lippo Cyber Park, Lippo Karawaci Utara, Tangerang 15811, Indonesia.
- (4) Copies of the Issuer's, Kemang's and the Company's articles of association and copies of the Trust Deed and the Agency Agreement will be available for inspection by any Noteholder during usual business hours on any weekday (except Saturdays and public holidays) at the Issuer's and Company's registered office, as applicable.
- (5) The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 105437544. The International Securities Identification Number in respect of the Notes is XS1054375446.
- (6) Where necessary, we have obtained all consents from our lenders for the issue of the Notes and the giving of the Guarantees.
- (7) We have obtained all necessary consents, approvals and authorizations in the Republic of Singapore and Indonesia, as applicable, in connection with the issue and performance of the Notes and the Guarantees. The issue of the Notes by the Issuer has been authorized by a resolution of the board of directors of the Issuer dated April 1, 2014 and a resolution of the sole shareholder of the Issuer dated April 1, 2014. The entering into of Intercompany Loans by Kemang has been duly authorized by a resolution of the board of directors of Kemang dated April 1, 2014 and a resolution of the sole shareholder of Kemang dated April 1, 2014. The giving of the Guarantee given by the Company and the entering into an Intercompany Loan have been authorized by a resolution of the board of commissioners of the Company dated March 28, 2014 and a resolution of the board of directors of the Company dated March 28, 2014. The giving of the Guarantees by PT Sentra Dwimandiri, PT Wisma Jatim Propertindo, PT Megapratama Karya Persada and PT Primakreasi Propertindo have been authorized by resolutions of the board of directors, board of commissioners and the shareholders of each of these companies, each dated March 28, 2014.
- (8) Aryanto, Amir Jusuf, Mawar & Saptoto (a member firm of RSM International), an independent auditor, have audited and rendered an unqualified audit report on our consolidated financial statements for the years ended December 31, 2011, 2012 and 2013.
- (9) Submission by us to the jurisdiction of the English courts, and the appointment of an agent for service of process, are valid and binding under Indonesian law. The choice of English law as the governing law, under the laws of the Republic of Indonesia, is a valid choice of law and should be honored by the courts of the Republic of Indonesia, subject to proof thereof and considerations of public policy. A judgment of a foreign (non-Indonesian) court will not be enforceable by the courts of Indonesia, although such a judgment could be admissible as evidence in a proceeding on the underlying claim in an Indonesian court and would be given such evidentiary weight as the court may deem appropriate.
- (10) So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for Definitive Certificates. In addition, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Certificates, including details of the paying agent in Singapore.

- (11) The Trustee is entitled under the Trust Deed to rely without liability to the Noteholders on certificates prepared by the directors of the Company accompanied by a certificate or report prepared by an internationally recognized firm of accountants to the Company whether or not addressed to the Trustee, and whether or not the same are subject to any limitation on the liability of the internationally recognized firm of accountants to the Company and whether by reference to a monetary cap or otherwise limited or excluded.

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**PT LIPPO KARAWACI Tbk
AND SUBSIDIARIES**

**Consolidated Financial Statements
For the Years Ended December 31, 2013 and 2012**



**PT LIPPO KARAWACI Tbk
AND SUBSIDIARIES**

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**DIRECTORS' STATEMENT
ON
THE RESPONSIBILITY FOR PT LIPPO KARAWACI TBK
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

We the undersigned:

- | | |
|--|--|
| 1. Name | : Ketut Budi Wijaya |
| Address | : Menara Matahari Lt. 22
Jln. Bulevar Palem Raya No. 7
Lippo Karawaci, Tangerang 15811 |
| Residential Address
(as in identity card) | : Jln. Percetakan Negara II/3
Johar Baru, Jakarta Pusat. |
| Telephone | : (021)2566 9000 |
| Title | : President Director |
| | |
| 2. Name | : Tjokro Libianto |
| Address | : Menara Matahari Lt. 22
Jln. Bulevar Palem Raya No. 7
Lippo Karawaci, Tangerang 15811 |
| Residential Address
(as in identity card) | : Jln. Kembangan Utama Blok L.I. No. 10
Rt 010/Rw 009 Kembangan Utara
Kembangan, Jakarta Barat |
| 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, 20 March 2014

PT Lippo Karawaci Tbk


Ketut Budi Wijaya
President Director

Tjokro Libianto
Director

7 Boulevard Palem Raya # 22-00 Menara Matahari, Lippo Karawaci Central, Tangerang 15811, Banten - Indonesia
T. + 62 21 25 66 9000 | F. +62 21 2566 9098 / 99
www.lippokarawaci.co.id



RSM AAJ
Audit • Tax • Advisory

Aryanto, Amir Jusuf, Mawar & Saptoto

This report is originally issued in Indonesia language

Number : R/123.AGA-E/bna.2/2014

Kantor Akuntan Publik
Aryanto, Amir Jusuf, Mawar & Saptoto
RSM AAJ Associates
Plaza ASIA, 10th Floor
Jl. Jend. Sudirman Kav. 59 Jakarta 12190 - Indonesia
T +62 21 5140 1340, F +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 financial statements of PT Lippo Karawaci Tbk and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2013 and the consolidated statement of comprehensive income, statement of changes in equity, and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statement based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RSM AAJ Associates is a member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

Licence number :
Minister of Finance : 1048/KM.1/2009
Capital Market Supervisory Board
(BAPEPAM) : 405
Bank Indonesia : 063

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

This report is originally issued in Indonesia language

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respect, the consolidated financial position of PT Lippo Karawaci Tbk and its subsidiaries as of December 31, 2013, and their consolidated financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Aryanto, Amir Jusuf, Mawar & Saptoto



Benny Andria

Public Accountant License Number: AP.0181

Jakarta, March 20, 2014

**PT LIPPO KARAWACI Tbk
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2013 and 2012

(Expressed In Full Rupiah, Unless Otherwise Stated)

ASSETS	Notes	2013 Rp	2012 Rp
Current Assets			
Cash and Cash Equivalents	2.c, 2.d, 2.f, 2.x, 3, 9, 41, 43	1,855,051,780,961	3,337,357,407,919
Trade Accounts Receivable	2.x, 2.y, 4, 43		
Third Parties	2.c, 41	769,239,450,809	591,205,993,335
Related Parties	2.f, 9	2,432,208,891	3,171,020,453
Other Current Financial Assets	2.c, 2.s, 2.x, 2.y, 5, 39.d, 41, 43	6,778,482,488,250	4,603,435,991,596
Inventories	2.g, 2.l, 2.m, 6	13,894,009,358,067	10,504,909,573,401
Prepaid Taxes	2.u, 17.c	576,053,458,431	330,155,958,274
Prepaid Expenses	2.h, 7, 39.b	137,858,917,501	109,214,896,716
Total Current Assets		24,013,127,662,910	19,479,450,841,694
Non-Current Assets			
Due from Related Parties Non-Trade	2.f, 2.x, 9, 43	9,737,396,584	11,460,650,042
Other Non-Current Financial Assets	2.c, 2.x, 8, 41, 43	518,798,100,269	402,631,259,780
Investments in Associates	2.e, 2.f, 9, 10	130,431,496,396	85,783,638,690
Investment Property	2.i, 2.k, 2.m, 11	306,361,105,208	301,745,856,881
Property and Equipment	2.j, 2.m, 2.y, 12	2,810,892,282,327	2,222,377,300,854
Intangible Assets	2.n, 2.o, 13, 44	331,840,973,411	214,637,574,108
Deferred Tax Assets	2.u, 2.y, 17.b	50,363,528,322	76,454,612,653
Advances	14	1,456,429,749,828	1,079,837,163,783
Land for Development	2.g, 15	1,611,411,858,630	929,483,420,264
Other Non-Current Non-Financial Assets		60,968,276,381	65,433,414,344
Total Non-Current Assets		7,287,234,767,356	5,389,844,891,399
TOTAL ASSETS		31,300,362,430,266	24,869,295,733,093

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

**PT LIPPO KARAWACI Tbk
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)**

As of December 31, 2013 and 2012

(Expressed In Full Rupiah, Unless Otherwise Stated)

LIABILITIES AND EQUITY	Notes	2013 Rp	2012 Rp
LIABILITIES			
Current Liabilities			
Trade Accounts Payable - Third Parties	2.c, 2.x, 18, 41, 43	397,748,177,608	575,701,267,461
Accrued Expenses	2.c, 2.l, 2.s, 2.x, 16, 41, 43	551,608,473,508	487,335,826,278
Taxes Payable	2.u, 17.d	253,597,145,454	199,078,158,108
Short-Term Employment Benefits Liabilities	2.q, 2.y, 9, 43	13,318,752,901	6,326,397,455
Short-Term Bank Loans	2.x, 19, 43	4,927,167,196	4,853,583,896
Current Portion of Long-Term-Bank Loans	2.x, 21, 43	11,792,174,233	11,218,103,420
Other Current Financial Liabilities	2.x, 20, 41, 43	300,183,744,169	179,543,836,416
Advances from Customers	2.t, 24	3,076,033,864,066	1,850,726,035,076
Deferred Income	2.f, 2.t, 9, 25	112,750,964,416	79,696,900,858
Deferred Gain on Sale and Leaseback Transactions	2.k, 26, 39.b	119,603,248,421	84,727,362,523
Total Current Liabilities		4,841,563,711,972	3,479,207,471,491
Non-Current Liabilities			
Long-Term Bank Loans	2.x, 21, 43	42,960,940,232	54,753,114,466
Due to Related Parties Non-Trade	2.f, 2.x, 9, 43	3,828,292,119	3,188,994,396
Bonds Payable	2.c, 2.p, 2.x, 22, 41, 43	7,747,839,607,892	5,943,529,636,435
Other Non-Current Financial Liabilities	2.x, 43	50,996,677,731	85,634,498,079
Long-Term Employment Benefits Liabilities	2.f, 2.q, 2.y, 9, 23	187,635,603,635	161,333,982,735
Deferred Tax Liabilities	2.u, 2.y, 17.b	11,983,104,371	6,653,250,000
Advances from Customers	2.t, 24	2,245,662,396,406	2,142,860,001,643
Deferred Income	2.f, 2.t, 9, 25	715,824,259,042	662,901,019,769
Deferred Gain on Sale and Leaseback Transactions	2.k, 26, 39.b	1,274,494,531,641	859,127,373,604
Total Non-Current Liabilities		12,281,225,413,069	9,919,981,871,127
Total Liabilities		17,122,789,125,041	13,399,189,342,618
EQUITY			
Equity Attributable to Owner of the Parent Company			
Capital Stock			
Par Value - Rp100			
Authorized Capital - 64,000,000,000 shares			
Issued and Fully Paid - 23,077,689,619 shares	27	2,307,768,961,900	2,307,768,961,900
Additional Paid-in Capital - Net	2.r, 28	4,063,148,621,880	4,063,148,621,880
Difference in Transactions with Non-Controlling Interest	29.a	(185,773,768,543)	(242,888,251,427)
Difference in Equity Changes of Subsidiaries	29.b	1,105,101,368,218	--
Treasury Stock	2.x, 27	(216,524,113,794)	(216,524,113,794)
Retained Earnings		4,748,452,643,994	3,790,222,421,118
Other Comprehensive Income	31	978,701,350,944	954,389,097,088
Total Equity Attributable to Owner of the Parent Company		12,800,875,064,599	10,656,116,736,765
Non-Controlling Interests	2.n, 32	1,376,698,240,626	813,989,653,710
Total Equity		14,177,573,305,225	11,470,106,390,475
TOTAL LIABILITIES AND EQUITY		31,300,362,430,266	24,869,295,733,093

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

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

For the Years Ended December 31, 2013 and 2012
(Expressed In Full Rupiah, Unless Otherwise Stated)

	Notes	2013 Rp	2012 Rp
REVENUES	2.f, 2.t, 2.y, 9, 33	6,666,214,436,739	6,160,214,023,204
COST OF SALES	2.t, 34	(3,619,571,510,440)	(3,339,267,470,227)
GROSS PROFIT		3,046,642,926,299	2,820,946,552,977
Operating Expenses	2.t, 35	(1,534,231,202,817)	(1,343,938,696,897)
Other Income	2.t, 37	585,090,607,595	247,027,452,572
Other Expenses	2.t, 37	(154,481,982,099)	(174,842,064,945)
PROFIT FROM OPERATIONS		1,943,020,348,978	1,549,193,243,707
Financial Income (Charges) - Net	36	(26,711,729,704)	1,632,727,916
Share in the Profit of Associates	2.e, 2.f, 10	8,521,607,706	26,262,314,762
PROFIT BEFORE TAX		1,924,830,226,980	1,577,088,286,385
Tax Expenses	2.t, 2.u, 17.a	(332,339,012,284)	(254,241,267,447)
PROFIT FOR THE YEAR		1,592,491,214,696	1,322,847,018,938
OTHER COMPREHENSIVE INCOME			
Gain from Translations Financial Statements in Foreign Currency	2.c, 31	551,913,534,644	50,594,220,564
Gain (Loss) on Changes in Fair Value of Available-for-Sale Financial Assets	2.c, 2.x, 5, 31	(468,256,797,333)	1,109,106,560,589
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		83,656,737,311	1,159,700,781,153
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,676,147,952,007	2,482,547,800,091
Profit for the Year Attributable to:			
Owner of the Parent Company		1,228,230,222,876	1,060,221,934,429
Non-Controlling Interests	2.b	364,260,991,820	262,625,084,509
		1,592,491,214,696	1,322,847,018,938
Total Comprehensive Income for the Year Attributable to:			
Owner of the Parent Company		1,311,886,960,187	2,219,922,715,582
Non-Controlling Interests	2.b	364,260,991,820	262,625,084,509
		1,676,147,952,007	2,482,547,800,091
EARNINGS PER SHARE			
Basic, Profit for the Year Attributable to Ordinary Share Holders of the Parent Company	2.v, 38	53.94	46.48

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

These consolidated financial statements are originally issued in Indonesian language

**PT LIPPO KARAWACI Tbk
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
For the Years Ended December 31, 2013 and 2012
(Expressed In Full Rupiah, Unless Otherwise Stated)

Notes	Total Equity Attributable to Owner of Parent Company															
	Additional Paid-in Capital - Net					Retained Earnings			Other Comprehensive Income							
	Issued and Fully Paid-up Capital Stock	Paid-in Capital Excess of Par - Net	Transfers between Entities under Common Control - Net	Differences in Value from Restructuring	Transfers with Non-controlling Interest	Differences in Equity Transfers of Subsidiary	Treasury Stock	Appropriated	Unappropriated	Total	Transitions of Financial Statements in Foreign Currency	Changes in Fair Value of Share Based Payments	Total	Non-controlling Interest	Total	
Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	
	2,307,788,961,900	4,043,613,274,615	19,535,347,265	4,063,148,621,880	(177,677,727,750)	--	(61,731,458,789)	5,000,000,000	2,307,500,486,689	2,907,500,486,689	9,540,001,687	(214,857,685,152)	(205,311,684,065)	8,833,697,199,666	575,320,894,888	9,409,018,194,554
Equity Changes in 2012																
Share Buyback	--	--	--	--	--	--	(154,792,655,000)	--	--	--	--	--	--	(154,792,655,000)	(23,795,497,725)	(178,588,152,731)
Dividend and Reserved Fund	--	--	--	--	--	--	--	1,000,000,000	(178,500,000,000)	(177,500,000,000)	--	--	--	(177,500,000,000)	--	(177,500,000,000)
Dividend Distribution In Subsidiary	--	--	--	--	--	--	--	--	--	--	--	--	--	--	(8,268,034,677)	(8,268,034,677)
Acquisition of Subsidiaries	--	--	--	--	--	--	--	--	--	--	--	--	--	--	8,107,107,015	8,107,107,015
Total Comprehensive Income for the Year	--	--	--	--	(652,105,523,677)	--	--	1,060,221,934,429	1,060,221,934,429	1,060,221,934,429	50,594,220,584	1,108,106,550,839	1,159,700,781,153	2,154,712,191,905	292,625,084,509	2,447,337,276,414
BALANCE AS OF DECEMBER 31, 2012	2,307,788,961,900	4,043,613,274,615	19,535,347,265	4,063,148,621,880	(242,882,251,427)	--	(216,524,113,794)	6,000,000,000	3,794,222,421,118	3,790,222,421,118	80,134,221,651	884,254,875,437	954,389,097,488	10,636,116,236,765	813,989,655,710	11,470,106,930,475
Equity Changes in 2013																
Dividend and Reserved Fund	--	--	--	--	--	--	--	1,000,000,000	(271,000,000,000)	(270,000,000,000)	--	--	--	(270,000,000,000)	--	(270,000,000,000)
Disposal of Shares in Subsidiary	--	--	--	--	--	--	--	--	--	--	--	--	--	--	51,469,368,683	51,469,368,683
Dividend Distribution In Subsidiary	--	--	--	--	--	--	--	--	--	--	--	--	--	--	(42,222,932,031)	(42,222,932,031)
Acquisition of Shares of Non-controlling Interest	--	--	--	--	--	--	--	--	--	--	--	--	--	--	5,645,114,201	5,645,114,201
Difference in Foreign Currency from Transactions of Non-controlling Interest	--	--	--	--	--	--	--	--	--	--	(59,344,483,455)	--	(59,344,483,455)	--	--	(59,344,483,455)
Additional Paid-in Capital from Subsidiary Through Initial Public Offering	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1,105,101,368,218	1,326,732,488,489
Acquisition of Subsidiary	--	--	--	--	--	--	--	--	--	--	--	--	--	--	27,204,521,057	27,204,521,057
Total Comprehensive Income for the Year	--	--	--	--	--	--	--	1,226,220,222,876	1,226,220,222,876	1,226,220,222,876	55,913,534,644	(462,256,797,333)	83,656,737,211	1,311,866,960,167	364,260,891,620	1,676,127,851,787
BALANCE AS OF DECEMBER 31, 2013	2,307,788,961,900	4,043,613,274,615	19,535,347,265	4,063,148,621,880	(185,773,766,543)	1,105,101,368,218	(216,524,113,794)	7,000,000,000	4,741,452,643,994	4,748,452,643,994	552,703,272,840	425,988,078,104	978,701,350,944	12,800,875,654,599	1,376,698,240,626	14,177,573,305,225

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

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

For the Years Ended December 31, 2013 and 2012
(Expressed In Full Rupiah, Unless Otherwise Stated)

	Notes	2013 Rp	2012 Rp
CASH FLOWS FROM OPERATING ACTIVITIES			
Collections from Customers		7,810,716,658,086	7,636,269,050,885
Payments to Suppliers		(8,002,801,477,895)	(4,851,031,998,739)
Payments to Employees		(926,561,441,291)	(684,851,925,524)
Interest Received		93,717,333,882	81,486,812,047
Tax Refund		--	89,887,095,477
Tax Payments		(493,771,036,685)	(530,369,714,608)
Interest Payments		(560,124,264,854)	(452,595,838,532)
Net Cash Provided by (Used in) Operating Activities		<u>(2,078,824,228,757)</u>	<u>1,288,793,481,006</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Property and Equipment			
Disposal		814,869,309,976	467,759,850,643
Acquisition		(1,288,374,464,375)	(940,731,518,620)
Receipt of Hotel and Hospital Performance Guarantee		102,000,000,000	61,000,000,000
Acquisition of Investment Property		(22,911,940,070)	(10,981,513,930)
Receipt of Dividend		312,795,102,215	270,941,921,449
Receipt of Promissory Notes		--	31,878,000,000
Purchases of Minority Interest in Subsidiary		(2,520,000,000)	(77,210,477,500)
Acquisition of Subsidiaries, Net of Cash Transferred		321,102,682,275	--
Placement of Restricted Funds		(116,166,840,489)	(149,421,044,348)
Acquisition of Subsidiaries, Net of Cash Acquired		(160,815,519,862)	(501,676,697,309)
Disposal of Share in Subsidiary		53,100,000,000	--
Placement of Investment and Advances		(593,399,462,251)	(856,005,945,917)
Net Cash Used in Investing Activities		<u>(580,321,132,581)</u>	<u>(1,704,447,425,532)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Bond Issuance			
Received		1,347,241,187,500	2,458,404,100,000
Repayment		(1,211,305,833,210)	(218,228,248,000)
Issuance Cost		(23,419,111,967)	(212,607,080,000)
Proceeds from Capital Raising through Initial Public Offering of Subsidiary			
Received		1,404,900,000,000	--
Stock Issuance Cost		(78,466,324,884)	--
Proceeds from Short-Term Bank Loan		--	45,000,000,000
Receipts from (Payment to) Related Parties		2,362,551,181	(2,616,065,994)
Dividend Distribution to:			
Owners of the Parent Company	30	(270,000,000,000)	(177,500,000,000)
Non-Controlling Interest		(18,205,678,140)	(8,268,034,677)
Share Buyback		--	(154,792,655,006)
Bank Loans			
Receipts		73,583,300	--
Payments		(11,218,103,421)	(192,566,768,420)
Net Cash Provided by Financing Activities		<u>1,141,962,270,359</u>	<u>1,536,825,247,903</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(1,517,183,090,979)</u>	<u>1,121,171,303,377</u>
Effect of Foreign Exchange on Cash and Cash Equivalents at the End of the Year		34,877,464,021	41,625,407,203
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS		<u>3,337,357,407,919</u>	<u>2,174,560,697,339</u>
ENDING BALANCE OF CASH AND CASH EQUIVALENTS		<u><u>1,855,051,780,961</u></u>	<u><u>3,337,357,407,919</u></u>

Additional information that does not affect the activity of cash flows are presented in Note 45.

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

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012
(Expressed In Full Rupiah, Unless Otherwise Stated)

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 the Deed of Establishment No. 233, which was made in the presence of Misahardi Wilamarta, S.H., a notary in Jakarta. The deed of establishment was approved by the Minister of Justice of the Republic of Indonesia in his Decree No. C2-6974.HT.01.01.TH.91 dated November 22, 1991 and was published in the State Gazette No. 62, Supplement No. 3593 on August 4, 1992. The Company's articles of association has been amended several times, and the latest was by partial of the Deed of Annual General Meeting of Stockholders No. 34 dated July 19, 2013, made in the presence of Sriwi Bawana Nawaksari, a notary in Tangerang, in relation to the approval to change and rearrange article 12:2, 12:3 and 12:5, article 14:15, article 17:3, article 19:2 and article 21:9 of the Company's article of association. The deed was received by the Minister of Law and Human Rights of the Republic of Indonesia in his decree No.AHU-AH.01.10.32306 dated August 1, 2013.

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 and sports centers, 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 and accommodation services and operating activities in services consisting of public transportation, security services and other supporting services, except for legal and taxation services.

The Company started commercial operations in 1993. As of the reporting date, the Company's main activity is in the field of Urban Development, Large Scale Integrated Development, Retail Malls, Healthcare, Hospitality and Infrastructure, and Property and Portfolio Management. The work area of the Company and subsidiaries ("the Group"), includes Sumatera, Java, Bali, Kalimantan, Sulawesi, and several subsidiaries domiciled in Singapura, Malaysia and Seychelles.

The Company is domiciled at Jl Boulevard Palem Raya No. 7, Menara Matahari 22nd - 23rd floor, Lippo Karawaci Central, Tangerang 15811, Banten - Indonesia. The Company is a member of the Lippo Group.

1.b. The Company's Initial 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 in the Indonesian Stock Exchange 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 the Indonesian Stock Exchange on January 16, 1998.

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

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2013 and 2012

(Expressed In Full Rupiah, Unless Otherwise Stated)

In 2004, the Company offered 881,905,813 common shares at par value of Rp 500 to the stockholders through Limited Public Offering II in connection with Preemptive Rights Issuance and issued 529,143,440 Warrants Series I as a compliment to stockholders who 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 the Indonesian Stock Exchange on January 20, 2005.

On July 28, 2006, the Company exercised stock split from one to two shares. The outstanding 5,871,017,072 shares as of December 31, 2006 have been listed in the Indonesian Stock Exchange.

On December 26, 2007, the Company exercised stock split from Rp 250 to Rp 100 per share. The outstanding 17,302,151,695 shares as of December 31, 2007 have been listed in the Indonesian Stock Exchange.

In December 2010, the Company offered 4,325,537,924 common shares with a par value of Rp 100 to the stockholders through Limited Public Offering III. This offering has received an effective notice of registration statement through the letter of the Chairman of Bapepam-LK No. S-10674/BL/2010, dated November 29, 2010 and was approved by the stockholders through a resolution of the EGM on same date. On December 29, 2010 these shares were listed in the Indonesian Stock Exchange.

Based on the Deed of Extraordinary General Meeting of Stockholders (EGMS) No. 02 dated May 3, 2010 which was made in the presence of Unita Christina Winata, SH, a notary in Jakarta, which was recently updated by the Deed of EGMS Resolution No. 13 dated March 9, 2011, made in the presence of same notary, the stockholders approved the issuance of new shares within the framework of the Non Preemptive Rights Issuance (NPRI) with a maximum of 10% of paid-in capital or 2,162,768,961 shares. The NPRI can be implemented at once and / or gradually within a period of 2 (two) years as approved by the EGMS. On June 6, 2011, the addition of 1,450,000,000 shares has been issued. The new shares were listed in the Indonesian Stock Exchange on June 8, 2011.

Based on the Deed of EGMS No. 19 dated November 15, 2011 which was made in the presence of Unita Christina Winata, SH, a notary in Jakarta, the shareholders approved the repurchase (buyback) of outstanding shares. In 2011, the number of shares repurchased amounted to 96,229,500 shares, bringing the total number of ordinary shares outstanding as of the December 31, 2011 amounted to 22,981,460,119 shares. The Company has reported this buyback to Bapepam-LK in its letter No. 005/LK-COS/II/2012 dated January 13, 2012.

The repurchased of the outstanding ordinary shares made in 2012 totalling 209,875,000 shares, bringing the outstanding shares as of December 31, 2012 amounted to 22,771,585,119 shares. The Company has reported this buyback to Bapepam-LK in its letter No. 175/LK-COS/VII/2012 dated July 13, 2012.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012
(Expressed In Full Rupiah, Unless Otherwise Stated)

1.c. The Company's Structure

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

Subsidiary	Domicile	Main Business	Direct Ownership Percentage	Indirect Ownership Percentage	Year of Start of Operation	Total Assets	
						2013 Rp	2012 Rp
Lippo Karawaci Finance B. V.**	Netherlands	Investment, Trading and Services	100.00%	--	2006	--	24,139,930,280
Theta Capital Pte Ltd*** and Subsidiary *)	Singapore	Investment	100.00%	--	--	8,100,341,636,642	5,131,103,634,489
Theta Kemang Pte Ltd*** *)	Singapore	Trading	--	100.00%	--	8,099,977,832,535	5,142,769,728,169
Sigma Capital Pte Ltd*** and Subsidiary	Singapore	Investment	100.00%	--	--	5,756,864,822	1,167,460,989,035
Sigma Trillium Pte Ltd ***	Singapore	Trading	--	100.00%	--	4,871,621,023	1,676,835,835,980
Lippo Karawaci Corporation Pte Ltd**** and Subsidiaries	Singapore	Investment, Trading and Services	100.00%	--	--	327,604,173,495	214,762,805,681
LK Reit Management Pte Ltd*** and Subsidiary	Singapore	Investment, Trading and Services	--	100.00%	--	327,604,183,123	214,762,813,588
Bowsprit Capital Corporation Ltd***	Singapore	Investment, Trading and Services	--	100.00%	2006	327,604,173,495	214,762,805,681
Jesselton Investment Limited*** and Subsidiaries	Malaysia	Investment, Trading and Services	100.00%	--	--	473,463,467,740	379,770,226,563
Peninsula Investment Limited*** and Subsidiary	Malaysia	Investment, Trading and Services	--	100.00%	--	473,463,479,929	379,770,236,233
LMIRT Management Ltd ****	Singapore	Investment, Trading and Services	--	100.00%	2007	473,463,467,740	379,770,245,903
PT Primakreasi Propertindo and Subsidiaries (0.05% ownership in PT Gowa Makassar Tourism Development Tbk)	Tangerang	Real Estate	100.00%	--	--	5,033,684,100,079	3,704,404,935,146
PT Mujur Sakti Graha and Subsidiaries	Tangerang	Real Estate	--	100.00%	--	22,342,846,137	64,996,414,745
PT Surplus Multi Makmur and Subsidiary	Jakarta	Real Estate	--	90.00%	--	19,104,249,992	16,900,491,244
PT Arta Sarana	Bandung	Investment, Trading and Services	--	81.00%	--	44,236,407,943	42,047,153,885
PT PuriParagon	Tangerang	Development, Trading and Services	--	100.00%	--	583,842,942	583,842,942
PT Menara Tirta Indah	Tangerang	Development, Trading and Services	--	100.00%	--	459,602,540,578	372,279,471,334
PT Gempita Sinar Abadi	Jakarta	Development, Trading and Services	--	100.00%	--	20,172,372,441	20,124,545,500
PT Tatabangun Nusantara	Tangerang	Development, Trading and Services	--	100.00%	--	8,412,773,847	11,085,444,396
PT Multiguna Selaras Maju	Tangerang	Development, Trading and Services	--	100.00%	--	4,036,434,386	4,677,686,000
PT Lintas Lautan Cemerlang	Tangerang	Development, Trading and Services	--	100.00%	--	12,215,080,640	8,223,476,390
PT Nilam Biru Bersinar (3.81% ownership in PT Siloam International Hospitals Tbk)	Tangerang	Development, Trading and Services	--	100.00%	--	114,945,635,777	5,000,000,000
PT Safira Prima Utama (8.65% ownership in PT Siloam International Hospitals Tbk)	Tangerang	Development, Trading and Services	--	100.00%	--	125,740,248,877	10,000,000,000
PT Kalimaya Pundi Bumi (8.65% ownership in PT Siloam International Hospitals Tbk)	Tangerang	Development, Trading and Services	--	100.00%	--	125,764,474,163	10,001,281,000
PT Gloria Mulia (4.32% ownership in PT Siloam International Hospitals Tbk)	Tangerang	Development, Trading and Services	--	100.00%	--	116,253,296,282	5,001,281,000
PT Graha Solusi Mandiri and Subsidiary	Jakarta	Services	--	100.00%	--	116,253,296,282	128,464,109,878
PT Wijaya Wisesa Propertindo	Jakarta	Development and Services	--	80.00%	--	126,269,155	126,269,155
PT Kharisma Ekacipta Persada	Tangerang	Development, Trading and Services	--	100.00%	--	869,375,000	593,000,000
PT Cipta Mahakarya Gemilang	Tangerang	Development, Trading and Services	--	100.00%	--	584,400,000	600,000,000
PT Mandiri Cipta Gemilang and Subsidiaries	Jakarta	Real Estate	--	100.00%	2003	3,363,549,073,489	2,183,814,781,088
PT Titian Semesta Raya	Jakarta	Development, Trading and Services	--	100.00%	--	17,337,397,886	2,167,709,689
PT Adjarya Pratama Mandiri	Jakarta	Development, Trading and Services	--	100.00%	--	1,000,000,000	1,000,000,000
PT Esatama Lestari Jaya	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	2,498,880,492	100,000,000

These consolidated financial statements are originally issued in Indonesian language

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2013 and 2012
(Expressed In Full Rupiah, Unless Otherwise Stated)

Subsidiary	Domicile	Main Business	Direct Ownership Percentage	Indirect Ownership Percentage	Year of Start of Operation	Total Assets	
						2013 Rp	2012 Rp
PT Bahtera Perkasa Makmur	Manado	Development, Trading, Printing and Services	--	100.00%	--	143,584,829,329	100,000,000
PT Gading Makmur Jaya	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	30,017,757,025	100,000,000
PT Bimasakti Jaya Abadi and Subsidiaries	Jakarta	Development, Trading, Printing and Services	--	100.00%	2011	227,721,466,739	58,642,282,909
PT Kuta BeachParagon and Subsidiaries	Tangerang	Development, Trading and Services	--	100.00%	--	410,493,719,197	201,316,485,712
PT Graha Buana Utama and Subsidiaries	Tangerang	Development, Trading and Services	--	100.00%	--	371,219,215,792	182,325,029,412
PT Berkat Langgeng Jaya and Subsidiary	Tangerang	Development, Trading and Services	--	100.00%	--	371,186,037,792	182,288,501,412
PT Pamor Paramita Utama	Badung	Development, Trading and Services	--	100.00%	2013	360,853,919,066	171,947,073,287
PT Surya Megah Lestari and Subsidiaries	Jakarta	Development, Trading, Printing, Land Transport, Industry, Agriculture and Services	--	100.00%	--	3,997,387,808	1,000,000,000
PT Gunung Halimun Elok and Subsidiaries	Tangerang	Development, Trading and Services	--	100.00%	--	110,465,283,369	100,000,000
PT Danisa Indah Cipta and Subsidiary	Tangerang	Development, Industry, Printing and Services	--	100.00%	--	557,734,957	100,000,000
PT Fajarindo Sinar Sakti	Tangerang	Development, Industry, Printing and Services	--	100.00%	--	119,683,093	100,000,000
PT Jaya Makmur Bersama	Badung	Development, Trading and Services	--	100.00%	--	4,109,795,193	4,067,376,191
PT Gumarang Karya Sejati	Manado	Development, Trading, Printing and Services	--	100.00%	--	1,997,855,429	100,000,000
PT Grand Villa Persada (0.05% ownership in PT Gowa Makassar Tourism Development Tbk)	Tangerang	Real Estate	--	100.00%	--	40,827,168,188	570,649,250
PT Mega Proyek Peritiwi	Tangerang	Real Estate	--	100.00%	--	15,567,878,859	15,069,141,657
PT Sinar Surya Timur	Tangerang	Development, Trading and Services	--	100.00%	--	2,000,001,000	600,000,000
PT Gempita Cipta Bersama	Semarang	Development, Trading and Services	--	100.00%	--	812,669,333	593,568,750
PT Suryamas Khatulistiwa	Tangerang	Development, Trading and Services	--	100.00%	--	588,268,750	588,868,750
PT Lautan Sinar Abadi and Subsidiaries	Tangerang	Development, Trading and Services	--	100.00%	--	279,137,840	100,000,000
PT Usahatama Kreatif and Subsidiaries	Tangerang	Development, Trading and Services	--	86.50%	--	393,937,840	100,000,000
PT Kreasi Tunas Bangsa and Subsidiary *)	Tangerang	Development, Trading and Services	--	87.51%	--	393,937,840	600,000,000
PT Grahatama Asri Makmur *)	Tangerang	Development, Trading and Services	--	87.51%	--	848,937,840	600,000,000
PT Karimata Putra Alam *)	Tangerang	Development, Trading and Services	--	100.00%	--	586,500,000	600,000,000
PT Timor Eka Selaras	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	5,130,932,671	100,000,000
PT Sultana Semesta Prima	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	20,076,023,874	--

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						2013 Rp	2012 Rp
PT Wijayakusuma Sukses Maju	Padang	Development, Trading, Printing and Services	--	100.00%	--	11,209,988,075	--
PT Andalan Utama Maju	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	100,000,000	--
PT Bumi Arum Sejahtera	Medan	Development, Trading, Printing and Services	--	100.00%	--	34,958,606,230	--
PT Cipta Semesta Prima	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	100,000,000	--
PT Mentari Panen Raya	Jakarta	Development, Trading, Printing and Services	--	100.00%	--	74,505,000	--
PT Satyagraha Dinamika Unggul	Tangerang	Development, Trading, Printing and Services	--	70.00%	--	437,334,970,821	--
PT Jayadipta Utama Makmur	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	74,505,000	--
PT Bumi Sindang Jaya	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	74,505,000	--
PT Cahaya Teratai Sakti ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--
PT Damarindo Perkasa ¹⁾	Jambi	Development, Trading, Printing and Services	--	100.00%	--	2,124,520,443	--
PT Cipta Dunia Abadi ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	586,779,840	--
PT Puni Istana Megah ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	585,000,000	--
PT Sekawan Dunia Dinamika ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	585,000,000	--
PT Citra Dwi Anugrah ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	585,000,000	--
PT Pelangi Mutiara Timur ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	572,533,202	--
PT Sari Karya Muda ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	585,000,000	--
PT Sinar Biru Artha ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	585,000,000	--
PT Tunggal Mekar Abadi ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	585,000,000	--
PT Graha Dana Dinamika	Jakarta	Development, Trading, Printing and Services	--	100.00%	--	25,064,315,139	--
PT Mega Pratama Serasi	Depok	Development, Trading, Printing and Services	--	100.00%	--	32,100,000	--
PT Mulia Aditama Setia	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	32,100,000	--
PT Pradamas Graha Indah	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	74,550,000	--

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						2013 Rp	2012 Rp
PT Mentari Adi Perkasa	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	1,000,000,000	--
PT Berdikari Jaya Abadi	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	74,505,000	--
PT Lumbang Mas Trijaya and Subsidiaries ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	455,317,710,250	--
PT Karyatama Buana Cemerlang and Subsidiaries	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	395,286,397,453	--
PT Mapalus Mancacakti	Tangerang	Development, Trading, Printing and Services	--	70.00%	--	334,999,846,577	--
PT Dwi Prabu Sakti ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	100,000,000	--
PT Sumber Pundi Sejahtera ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--
PT Prabu Cipta Prima ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--
PT Multi Panen Utama	Kupang	Development, Trading, Printing and Services	--	100.00%	--	98,350,000	100,000,000
PT Pancuran Intan Makmur ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--
PT Solusi Dunia Baru ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	100,000,000	--
PT Suar Lintas Samudra ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--
PT Berkas Samiguna Sukses ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--
PT Global Lintas Multitama ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--
PT Sarana Ciptakarya Utama ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--
PT Mitra Samiguna Makmur ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--
PT Cipta Mutiara Sukses ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--
PT Suar Mutiara Semesta ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--
PT Manyala Harapan ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--
PT Suar Lintas Benua ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--
PT Mulia Cipta Wibawa ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--
PT Manunggal Bumi Sejahtera ¹⁾	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	600,000,000	--

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Subsidiary	Domicile	Main Business	Direct Ownership Percentage	Indirect Ownership Percentage	Year of Start of Operation	Total Assets	
						2013 Rp	2012 Rp
PT Sentra Dwiemandiri and Subsidiaries (1.61% Ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Real Estate	100.00%	--	--	5,207,529,100,191	4,521,966,631,808
PT Prudential Development	Jakarta	Real Estate	--	100.00%	--	566,439,123	568,556,692
PT Sentra Reallindo Development (4.62% ownership in PT Lippo Cikarang Tbk)	Jakarta	Home Improvement	--	100.00%	2001	142,641,942,235	168,493,089,133
PT Darma Sarana Nusa Pratama and Subsidiary	Tangerang	Real Estate	--	52.70%	1997	129,919,768,580	179,393,933,290
PT Tata Mandiri Daerah Villa Permata	Tangerang	Town Management	--	47.28%	2001	4,590,887,227	2,932,962,248
PT Golden Pradamas and Subsidiaries	Tangerang	Real Estate	--	100.00%	--	651,508,440,961	322,019,653,699
PT Mulia Bangun Semesta and Subsidiaries	Tangerang	Real Estate	--	100.00%	2002	605,210,333,673	340,563,015,154
PT Villa Permata Cibodas and Subsidiaries	Tangerang	Real Estate	--	100.00%	1995	171,971,702,499	150,620,906,458
PT Puncak Resort International and Subsidiaries	Cianjur	Real Estate	--	100.00%	1994	77,085,241,483	76,750,626,160
PT Sentosa Seksama	Cianjur	Real Estate	--	100.00%	1994	23,233,857,605	23,234,047,605
PT Purimegah Swarga Buana	Cianjur	Real Estate	--	100.00%	1994	8,778,198,567	8,778,388,567
PT Adigraha Rancang Sempurna	Cianjur	Real Estate	--	100.00%	1994	7,502,108,827	7,206,247,381
PT Pesangrahan Sunjermata Agung	Cianjur	Real Estate	--	100.00%	1994	1,974,379,891	1,974,569,891
PT Dona Indo Prima	Tangerang	Real Estate	--	100.00%	--	50,000,000	50,000,000
PT Sukmaprima Sejahtera	Tangerang	Real Estate	--	100.00%	--	50,000,000	50,000,000
PT Muliasentosa Dinamika (4.48% Ownership in PT Lippo Cikarang Tbk)	Tangerang	Real Estate	--	100.00%	1997	392,329,353,368	474,902,070,190
PT Sentra Asritama Realty Development and Subsidiaries	Tangerang	Installation and Water Treatment	--	100.00%	1994	138,817,114,471	124,980,295,204
PT Tata Mandiri Daerah Lippo Karawaci	Tangerang	Town Management	--	100.00%	1999	184,327,826,427	163,222,272,733
PT Surya Makmur Alam Persada	Jakarta	Real Estate	--	100.00%	--	20,296,132,390	20,284,264,984
PT Karya Bersama Jaya	Jakarta	Water Treatment Installation	--	100.00%	2010	--	19,003,931,942
PT Sentragraha Mandiri	Jakarta	Real Estate	--	100.00%	--	33,383,974,697	33,317,646,392
PT Saptapersada Jagathusa	Tangerang	Bowling	--	100.00%	1998	8,784,570,253	9,418,717,545
PT Sejahterajaya Selaras	Jakarta	Real Estate	--	100.00%	--	13,135,186,134	13,107,563,451
PT Bahtera Pratama Wirasakti	Jakarta	Real Estate	--	100.00%	--	16,320,965,360	15,733,573,862
PT Sentra Office Realty	Tangerang	Building	--	100.00%	1998	714,765,952	714,765,952
PT Dinamika Intertrans	Jakarta	Transportation	--	100.00%	1994	739,293,346	535,448,707
PT Imperial Karawaci Golf	Tangerang	Golf	--	100.00%	--	472,167,000	473,633,000
PT Agung Sepadan	Tangerang	Real Estate	--	100.00%	--	2,584,158,954	2,544,931,804
PT Prudential Townhouse Development	Jakarta	Real Estate	--	100.00%	--	178,113,372	23,457,952
PT Wahana Tatabangun Cemerlang Matahari	Tangerang	Real Estate	--	100.00%	--	11,842,708	14,424,708
PT Wahana Tatabangun Cemerlang	Tangerang	Real Estate	--	100.00%	--	11,661,966	15,293,966
PT Paragon City	Jakarta	Real Estate and Trading	--	100.00%	--	15,711,019,723	7,156,351,316
PT Padang Indah City	Padang	Trading, Development and Services	--	100.00%	--	17,343,497,562	2,000,000,000
Bridgewater International Ltd***	Seychelles	Investment and Trading	--	100.00%	2006	4,152,292,715,296	3,435,522,448,584
Pan Asian Investment Ltd*** and Subsidiary	Vanuatu	Trading	--	100.00%	--	6,790,208,086	6,790,208,086
Crownwell Investment Ltd***	Vanuatu	Trading	--	100.00%	--	16,930	16,930
Indigo Fund Investment Fund Ltd***	Cook Island	Investment	--	100.00%	--	--	9,180
Banksia Holdings Ltd***	Cook Island	Trading	--	100.00%	--	--	9,180
PT Lippo Karawaci Infrastructure & Utilities Division	Tangerang	Construction and Services	--	100.00%	--	227,469,000	228,845,000
Brightlink Capital Limited***	Malaysia	Investment, Trading and Services	--	100.00%	--	90,457,722,026	71,763,571,416
Evodia Strategic Investment Limited*** and Subsidiaries	Malaysia	Investment, Trading and Services	--	100.00%	--	481,399,995,398	7,456,055,724
Great Capital Pte Ltd** and Subsidiaries	Singapore	Investment, Trading and Services	--	100.00%	--	--	47,449,907
Key Capital Pte Ltd**	Singapore	Investment, Trading and Services	--	100.00%	--	--	23,728,907
PT Perisai Dunia Sejahtera**	Tangerang	Trading, Industry and Services	--	100.00%	--	--	600,000,000
Globalink Investments Pte Ltd** and Subsidiary	Singapore	Investment, Trading and Services	--	100.00%	--	--	47,449,907
Fortuna Capital Pte Ltd**	Singapore	Investment, Trading and Services	--	100.00%	--	--	23,728,907
PT St Moritz Management	Jakarta	Development, Trading and Services	--	100.00%	--	3,651,764,705	1,540,629,016
PT Kemang Village Management	Jakarta	Hotel	--	100.00%	--	3,651,764,705	19,265,156,516
PT TMD Depok Manajemen *)	Jakarta	Services	--	100.00%	--	10,000,000,000	--
PT Wisma Jatim Propertindo and Subsidiaries (1.21% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Services	100.00%	--	--	4,957,581,216,900	4,684,268,847,508
PT Maharama Sakti (0.05% ownership in PT Gowa Makassar Tourism Development Tbk and 0.05% ownership in PT Siloam International Hospitals Tbk)	Jakarta	Trading	--	100.00%	--	274,316,000	111,240,000
PT KemangParagon Mall and Subsidiaries (0.05% ownership in PT Gowa Makassar Tourism Development Tbk)	Tangerang	Development, Trading and Services	--	100.00%	--	2,104,029,712,761	1,628,485,997,429
PT Wahana Usaha Makmur and Subsidiaries	Jakarta	Real Estate	--	92.00%	--	2,150,098,431,752	1,622,389,802,318
PT Almaron Perkasa and Subsidiaries	Jakarta	Real Estate	--	92.00%	2005	2,520,357,222,225	2,244,733,704,769
PT Gelora Raya Semesta	Tangerang	Trading and Development	--	92.00%	2013	185,193,775,419	70,173,024,867

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						2013 Rp	2012 Rp
PT Prima Aman Sarana	Jakarta	Services	--	92.00%	--	146,940,702,091	113,391,661,791
PT Kemang Multi Sarana	Jakarta	Real Estate and Urban Development	--	92.00%	--	90,872,368,437	65,982,074,527
PT Lippoindo Abadi and Subsidiaries	Jakarta	Trading	--	100.00%	--	241,353,388,378	238,257,418,801
PT Kemuning Satatama and Subsidiaries (42.20% ownership di PT Lippo Cikarang Tbk)	Jakarta	Trading	--	100.00%	--	236,437,068,768	233,341,516,983
PT Megachandra Karyaestani	Jakarta	Trading	--	100.00%	1992*	284,463,862	284,918,077
PT Prudential Apartment Development	Jakarta	Services	--	100.00%	1993*	575,770,194	578,302,194
PT Sentra Kharisma Indah	Jakarta	Services	--	80.00%	--	2,178,993,119	2,180,455,119
PT Carakatama Dirgantara and Subsidiary	Jakarta	Trading	--	100.00%	--	70,733,736,426	71,642,502,438
PT Prudential Hotel Development	Tangerang	Trading and Services	--	100.00%	1994*	70,717,301,532	71,618,740,201
PT Ariasindo Sejati and Subsidiaries	Jakarta	Trading and Services	--	95.00%	--	201,966,025,990	210,465,190,780
PT Unitech Prima Indah and Subsidiary	Tangerang	Real Estate	--	94.68%	2004	192,496,613,706	192,878,159,877
PT Karya Cipta Pesona	Medan	Accommodation Services	--	94.68%	--	86,042,143,051	93,972,831,145
PT Metropolitan Leisure Corporation and Subsidiaries	Jakarta	Trading and Services	--	100.00%	--	39,880,425,766	82,355,966,437
PT Kurniasindo Sejahtera	Jakarta	Trading and Services	--	100.00%	--	137,400,565	1,351,279,831
PT Graha Tata Cemerlang Makasar (0.34% ownership in PT Lippo Cikarang Tbk)	Makassar	Real Estate	--	100.00%	2002	37,654,229,179	76,259,524,463
PT Guna Tata Carakalama	Makassar	Trading and Services	--	100.00%	2002	201,992,136	147,508,091
PT Lippo Land Cahaya Indonesia	Tangerang	Services	--	100.00%	2003	2,469,715,518	6,139,563,019
PT Karunia Persada Raya and Subsidiary	Tangerang	Trading	--	100.00%	--	2,463,939,742	133,336,957,340
PT Pendopo Niaga	Malang	Real Estate	--	100.00%	2004	43,278,529,038	133,336,957,340
PT Larasati Anugerah	Jakarta	Trading	--	100.00%	--	21,880,420	23,084,420
PT Bathara Brahma Sakti	Tangerang	Trading and Services	--	100.00%	1992*	4,799,886,917	2,453,496,805
PT Realty Limaribu	Tangerang	Services	--	100.00%	1998*	356,013,588	357,178,014
PT Dwisindo Jaya (0,05% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Trading	--	100.00%	--	115,402,350	78,165,768
PT Karunia Alam Damai and Subsidiary	Jakarta	Trading	--	100.00%	--	186,725,120,251	240,726,750,898
PT Jagatpental Nusantara	Depok	Real Estate	--	100.00%	2004	187,037,114,716	240,726,750,898
PT Mulia Mukti Persada Perkasa	Jakarta	Trading	--	100.00%	--	2,353,000	3,385,000
PT Kemang Village and Subsidiaries	Jakarta	Trading	--	100.00%	--	265,201,711,328	138,541,987,393
PT Menara Bhumimegah and Subsidiaries	Jakarta	Services	--	100.00%	2005	145,669,814,979	138,456,658,436
PT Jaya Usaha Prima and Subsidiaries	Jakarta	Real Estate	--	80.00%	--	84,996,480,991	72,356,029,946
PT Persada Mandiri Abadi	Jakarta	Real Estate	--	80.00%	2005	84,993,509,841	77,784,100,616
PT Adhi Utama Dinamika	Jakarta	Real Estate	--	92.00%	--	84,381,070,289	72,418,405,997
PT Menara Perkasa Megah and Subsidiaries	Surabaya	Real Estate and Urban Development	--	100.00%	2005	488,651,041,637	393,886,262,687
PT Pelangi Cahaya Intan Makmur and Subsidiaries	Surabaya	Trading	--	85.00%	--	398,825,863,392	396,523,461,581
PT Surya Mitra Jaya and Subsidiary	Sidoarjo	Trading and Services	--	85.01%	2005	398,869,116,943	399,441,490,323
PT Citra Harapan Baru	Surabaya	Accommodation	--	99.99%	--	2,000,000,000	2,000,000,000
PT Niaga Utama	Jakarta	Trading	--	100.00%	--	102,974,418	107,403,418
PT Mitra Kasih Karunia	Jakarta	Real Estate	--	100.00%	--	1,887,217,700	1,887,217,700
PT Kreasi Megatama Gemilang and Subsidiaries	Tangerang	Development, Agribusiness, Industry, Transportation, Trading and Services	--	100.00%	--	617,888,194,976	439,446,762,299
PT Lippo Malls Indonesia and Subsidiaries	Tangerang	Services	--	100.00%	2002	617,917,482,776	411,088,856,968
PT Kreasi Gemilang Perkasa	Tangerang	Development, Trading and Services	--	100.00%	--	4,353,054,147	3,571,949,585
PT Kilau Intan Murni and Subsidiary	Tangerang	Development, Trading and Services	--	100.00%	--	79,777,239,000	486,448,536,154
PT Mulia Citra Abadi	Yogyakarta	Development, Trading, Printing, Logistic Services, Industry, Agriculture and Services	--	100.00%	2012	206,257,959,135	186,406,006,422
PT Arwana Kreasi Gemilang *)	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	600,000,000
PT Gayana Sumber Cipta *)	Tangerang	Development, Trading and Services	--	100.00%	--	750,000,000	600,000,000
PT Harapan Insan Mandiri *)	Jakarta	Development, Trading and Services	--	100.00%	--	600,000,000	600,000,000
PT Semboja Indah Cipta *)	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	600,000,000
PT Putera Abadi Karya *)	Bogor	Development, Trading and Services	--	100.00%	--	600,000,000	600,000,000

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Subsidiary	Domicile	Main Business	Direct Ownership Percentage	Indirect Ownership Percentage	Year of Start of Operation	Total Assets	
						2013 Rp	2012 Rp
PT Violet Pelangi Indah ²⁾	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	600,000,000
PT Buana Mediatama ²⁾	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	600,000,000
PT Nusaindah Bukit Permai ²⁾	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	600,000,000
PT Lembayung Karya Nirwana ²⁾	Jakarta	Development, Trading and Services	--	100.00%	--	600,000,000	600,000,000
PT Inspira Ide Cemerlang ²⁾	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	600,000,000
PT Irama Karya Megah ²⁾	Surabaya	Development, Trading and Services	--	100.00%	--	250,595,377,563	600,000,000
PT Gaharu Alam Permai ²⁾	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	600,000,000
PT Saputra Karya (0.05% ownership in PT Gowa Makassar Tourism Development Tbk)	Surabaya	Real Estate and Urban Development	--	100.00%	--	77,237,650,725	71,650,289,846
PT Grand Proviata and Subsidiary	Tangerang	Real Estate	--	100.00%	--	473,756,900	473,756,900
PT Grand Prima Propertindo	Tangerang	Real Estate	65.00%	--	--	7,948,100	7,948,100
PT Pacific Sejahtera	Tangerang	Real Estate	--	100.00%	--	16,667,400	17,317,400
PT Satriamandiri Idola Utama	Jakarta	Real Estate	--	100.00%	--	54,436,407,275	36,233,768,493
PT Mahakaya Abadi	Tangerang	Real Estate	--	100.00%	--	479,273,100	479,923,100
PT Persada Mandiri Dunia Niaga and Subsidiaries (0.05% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Real Estate	--	100.00%	--	100,011,882,484	243,557,129,526
PT Ekaputra Kencana Abadi	Jakarta	Real Estate	--	100.00%	--	4,950,000,000	4,950,000,000
PT Gapura Sakti Prima and Subsidiaries	Jakarta	Real Estate	--	100.00%	--	203,854,041,638	200,575,909,084
PT Menara Megah Tunggal and Subsidiary	Jakarta	Real Estate	--	100.00%	--	203,854,041,638	194,259,065,395
PT Trias Mitra Investama	Binjai	Real Estate	--	100.00%	2005	210,001,460,937	207,246,171,955
PT Permata Agung Propertindo	Jakarta	Real Estate	--	100.00%	--	1,181,225,795	522,480,130
PT Kencana Mitra Lestari	Jakarta	Development, Transportation, Trading and Services	--	100.00%	--	577,800,000	577,800,000
PT Direct Power and Subsidiaries	Bogor	Trading, Real Estate, Industry, Printing, Agribusiness, Transportation and Services	--	100.00%	2007	126,909,119,505	121,272,049,323
PT Mitra Mulia Kreasi and Subsidiary	Jakarta	Development, Industry, Mining, Agribusiness, Transportation, Trading and Services	--	80.00%	--	45,299,541,728	45,281,364,297
PT Bellanova Country Mall	Bogor	Development, Transportation, Trading and Services	--	80.00%	2005	45,209,611,729	45,190,712,298
PT Sarana Global Multindo and Subsidiaries	Jakarta	Development, Transportation, Trading and Services	--	100.00%	--	485,684,444,002	625,778,842,266
PT Guna Sejahtera Karya and Subsidiaries	Jakarta	Development, Industry, Agribusiness, Park, Trading and Services	--	100.00%	--	465,129,613,820	625,722,386,092
PT Citra Sentosa Raya and Subsidiaries	Jakarta	Trading, Real Estate, Industry, Agribusiness, Transportation and Services	--	100.00%	--	527,058,699,489	626,105,058,716
PT Gading Nusa Utama	Jakarta	Trading, Development, Industry, Park, Agribusiness and Services	--	100.00%	--	27,270,776,577	27,270,091,977
Rosenet Limited**** and Subsidiary	British Virgin Island	Investment	--	100.00%	--	525,560,105,440	624,616,103,652
Sea Pejaten Pte. Ltd****	Singapore	Investment	--	100.00%	--	525,560,105,440	624,616,103,652
Continental Investment Limited****	Malaysia	Investment, Trading and Services	--	100.00%	--	24,193,711	19,974,968

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						2013 Rp	2012 Rp
PT Sandiego Hills Memorial Park and Subsidiary	Karawang	Trading, Development, Transportation and Services	--	100.00%	2006	351,650,829,216	347,994,959,160
PT Pengelola Memorial Park	Karawang	Development, Trading and Services	--	100.00%	2010	59,377,813,538	39,026,157,221
PT CB Commercial	Tangerang	Development, Trading and Services	--	100.00%	--	583,794,161	584,826,161
PT Kemilau Karyacipta Persada	Tangerang	Development, Trading and Services	--	100.00%	--	2,464,055,000	2,465,087,000
PT Bumi Indah Pertiwi	Tangerang	Development, Trading and Public Services	--	100.00%	--	2,216,817,102	2,216,817,102
PT Galang Karya Usaha	Tangerang	Development, Trading and Services	--	100.00%	--	100,000,000	100,000,000
PT Alona Griya Utama	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	100,000,000	--
PT Kreasi Ciptaprima Gemilang	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	100,000,000	--
PT Manikam Mutu Prima	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	100,000,000	--
PT Suporta Developa Jaya	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	99,250,000	--
PT Lippo Cikarang Tbk and Subsidiaries	Bekasi	Real Estate	--	54.37%	1989	3,854,166,345,344	2,832,000,551,101
PT Great Jakarta Inti Development and Subsidiary	Bekasi	Town Management and Real Estate	--	54.37%	1992	160,134,706,695	147,991,400,925
PT Menara Inti Development	Bekasi	Real Estate	--	54.37%	2012	17,194,774,785	17,277,325,261
PT Tunas Pundi Bumi	Bekasi	Town Management	--	54.37%	2010	49,149,564,954	58,060,919,181
PT Erabanu Realindo	Bekasi	Real Estate	--	54.37%	--	23,233,649,196	16,981,287,500
PT Dian Citimarga	Bekasi	Transportation	--	54.37%	1993	391,859,371	211,101,778
PT Kreasi Dunia Keluarga	Bekasi	Recreational Park	--	54.37%	1993	8,623,542,996	7,551,994,083
PT Chandra Mulia Adhidharma	Bekasi	Property Management	--	54.37%	2011	35,311,717,468	33,800,394,999
PT Tirtasari Nirmala	Bekasi	Water and Waste Treatment	--	54.37%	2011	51,532,656,579	24,760,428,677
PT Waska Sentana	Bekasi	Real Estate	--	54.37%	2011	314,382,012,670	52,574,213,003
PT Swadaya Teknopolis	Bekasi	Real Estate	--	54.37%	2009	250,000,000	250,000,000
PT Bekasi Mega Power	Bekasi	Power Plant	--	54.37%	2009	127,000,000	100,000,000
PT Dunia Air Indah	Bekasi	Recreation Services	--	54.37%	2009	3,432,732,840	3,432,732,840
PT Cahaya Ina Permai and Subsidiaries	Bekasi	Real Estate	--	54.37%	--	434,884,740	--
PT Zeus Karya Prima ')	Tangerang	Development, Trading, Printing, and Services	--	54.37%	--	8,468,194,385	--
PT Manunggal Utama Makmur	Tangerang	Real Estate	--	54.37%	--	15,194,704,877	--
PT Mahkota Sentosa Ekanusa	Bekasi	Real Estate	--	54.37%	--	190,846,815	--
PT Mega Kreasi Teknika	Bekasi	Building Construction	--	54.37%	--	202,653,752	100,000,000
PT Astana Artha Mas	Tangerang	Real Estate	--	54.37%	--	66,158,812,500	--
PT Mega Kreasi Nusantara Teknologi	Bekasi	Real Estate	--	54.37%	--	3,000,000,000	--
PT Pondera Prima Sarana	Tangerang	Real Estate	--	54.37%	--	125,000,000	--
PT Telaga Banyu Murni and Subsidiary	Tangerang	Real Estate	--	54.37%	--	175,000,000	--
PT Karimata Alam Damai	Tangerang	Real Estate	--	54.37%	--	20,885,600,000	--
PT Megapratama Karya Persada and Subsidiaries	Tangerang	Investment, Trading and Services	100.00%	--	--	4,205,570,228,813	1,945,420,492,482
PT Siloam International Hospitals Tbk and Subsidiaries	Tangerang	Healthcare Service	--	85.99%	2010	2,600,774,537,159	1,585,803,660,660
PT Aritasindo Permaisemesta	Jakarta	Healthcare Service	--	85.99%	--	65,883,437	321,957,363
PT Perdana Kencana Mandiri	Jakarta	Development, Trading, Industry and Services	--	85.99%	--	139,940,484	139,940,484
PT Multiselaras Anugerah	Tangerang	Development, Trading and Services	--	85.99%	--	118,439,411	118,439,411
PT Nusa Medika Perkasa	Jakarta	Healthcare Service	--	63.25%	--	898,583,214	880,961,690
PT Siloam Graha Utama and Subsidiary	Jakarta	Development, Transportation, Trading and Services	--	85.99%	--	170,926,169,055	174,600,329,936
PT East Jakarta Medika	Bekasi	Healthcare Service	--	74.62%	2002	170,919,068,042	174,600,329,936
PT Guchi Kencana Emas and Subsidiary	Jakarta	Development and Services	--	85.96%	--	103,536,422,739	110,183,689,336
PT Golden First Atlanta	Jambi	Healthcare Service	--	71.37%	2008	103,525,497,989	108,824,482,220

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						2013 Rp	2012 Rp
PT Prawira Tata Semesta and Subsidiary	Jakarta	Development and Services	--	85.99%	--	220,387,041,953	190,424,949,939
PT Balikpapan Damai Husada	Balikpapan	Healthcare Service	--	68.45%	2007	183,152,322,686	153,184,763,268
PT Siloam Emergency Services	Tangerang	Healthcare Service	--	85.99%	--	1,391,968,353	1,000,000,000
PT Medika Harapan Cemerlang Indonesia	Tangerang	Trading, Industry and Services	--	85.99%	2013	2,969,022,018	600,000,000
PT Pancawarna Semesta and Subsidiary	Tangerang	Trading, Industry and Services	--	85.99%	--	70,275,326,965	68,339,862,485
PT Diagram Healthcare Indonesia	Depok	Healthcare Service	--	68.79%	2006	39,716,721,868	44,450,915,455
PT Adamanisa Karya Sejahtera	Jakarta	Trading, Industry and Services	--	85.99%	--	1,000,000,000	1,000,000,000
PT Brenada Karya Bangsa ²⁾	Tangerang	Trading, Industry and Services	--	85.99%	--	600,000,000	600,000,000
PT Harmoni Selaras Indah ²⁾	Tangerang	Trading, Industry and Services	--	85.99%	--	600,000,000	600,000,000
PT Kusuma Primadana and Subsidiaries	Tangerang	Trading, Industry and Services	--	85.99%	--	102,376,903,302	85,235,136,940
PT Adjaya Buana Sakti and Subsidiaries	Tangerang	Trading, Industry and Services	--	68.79%	--	102,368,878,302	15,496,627,911
PT Siloam Sumsei Kemitraan and Subsidiary	Tangerang	Trading, Industry and Services	--	48.15%	--	7,997,550,337	16,000,000,000
PT RS Siloam Hospital Sumsei	Palembang	Healthcare Services	--	70.85%	2012	102,356,656,020	101,823,764,995
PT Optimum Karya Persada	Jakarta	Trading, Industry and Services	--	85.97%	--	1,000,000,000	1,000,000,000
PT Rosela Indah Cipta ²⁾	Jakarta	Trading, Industry and Services	--	85.97%	--	600,000,000	600,000,000
PT Sembada Karya Megah ²⁾	Tangerang	Trading, Industry and Services	--	85.97%	--	600,000,000	600,000,000
PT Trijaya Makmur Bersama ²⁾	Tangerang	Trading, Industry and Services	--	85.97%	--	600,000,000	600,000,000
PT Visindo Galaxi Jaya	Tangerang	Trading, Industry and Services	--	85.97%	--	5,000,000,000	5,000,000,000
PT Tunggal Pilar Perkasa and Subsidiaries ¹⁾	Tangerang	Development, Trading, Printing and Services	--	85.97%	--	406,737,757,798	--
PT Tirtasari Kencana	Serang	Development, Trading and Services	--	85.97%	--	1,000,000,000	568,796,441
PT Gramari Prima Nusa	Medan	Development, Trading, Printing and Services	--	65.97%	--	50,878,778,974	--
PT Krisolis Jaya Abadi ²⁾	Kupang	Healthcare Services	--	85.97%	--	600,000,000	600,000,000
PT Kusuma Bhakti Anugerah ²⁾	Tangerang	Trading, Industry and Services	--	85.97%	--	7,000,000,000	7,000,000,000
PT Agung Cipta Raya	Tangerang	Healthcare	--	85.97%	--	1,000,000,000	1,000,000,000
PT Bina Cipta Semesta	Padang	Healthcare Services	--	85.97%	--	1,000,000,000	1,000,000,000
PT Mega Buana Bhakti	Pangkal Pinang	Trading, Industry and Services	--	85.97%	--	6,000,000,000	6,000,000,000
PT Taruna Perkasa Megah ²⁾	Yogyakarta	Trading, Industry and Services	--	85.97%	--	600,000,000	600,000,000
PT Tataka Bumi Karya ²⁾	Bogor	Trading, Industry and Services	--	85.97%	--	600,000,000	600,000,000
PT Tataka Karya Indah ²⁾	Bandung	Trading, Industry and Services	--	85.97%	--	600,000,000	600,000,000
PT Siloam Medika Cemerlang ¹⁾	Tangerang	Trading, Industry and Services	--	89.49%	--	600,000,000	--
PT Koridor Usaha Maju and Subsidiaries	Tangerang	Development, Trading, Printing and Services	--	85.99%	--	354,600,057,124	100,000,000
PT Medika Sarana Trilansia and Subsidiary	Bali	Development, Trading, Printing and Services	--	68.79%	2008	203,638,402,814	--

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						2013 Rp	2012 Rp
PT Trisaka Raksa Waluya	Tangerang	Special Healthcare Services	--	68.79%	2008	142,522,915,190	--
PT Berlian Cahaya Indah	Tangerang	Development, Trading, Printing and Services	--	85.99%	2008	600,000,000	--
PT Mahkota Buana Selaras ¹⁾	Tangerang	Development, Trading, Printing and Services	--	85.99%	--	600,000,000	--
PT Primakarya Dunia Sentosa	Tangerang	Development, Trading and Services	--	100.00%	--	10,550,000	2,400,000,000
PT Eramulia Pratamajaya and Subsidiaries	Jakarta	Healthcare Services	99.99%	0.01%	--	1,109,729,536,202	411,276,174,086
PT Siloam Karya Sejahtera	Jakarta	Trading and Services	--	100.00%	--	389,561,096,776	411,352,416,686
PT Siloam Dinamika Perkasa	Jakarta	Development, Transportation and Services	--	100.00%	--	135,181,471,073	35,460,881,102
PT Siloam Sarana Karya	Jakarta	Healthcare Services	--	100.00%	2005	3,239,776,633	3,239,776,633
PT Siloam Tata Prima	Surabaya	Development, Transportation, Trading and Services	--	100.00%	--	3,365,841,316	4,635,197,087
PT Mahaduta Purnama	Jakarta	Development, Transportation, Trading and Services	--	100.00%	--	7,396,814,370	7,396,814,370
PT Buana Mandiri Selaras	Jakarta	Development and Services	--	100.00%	--	570,947,396,533	179,561,924,007
PT Serasi Adikarsa	Jakarta	Trading, Industry, Development and Mining	0.01%	99.99%	--	19,805,000	19,805,000
PT Kalanusa Intan Cemerlang and Subsidiary	Tangerang	Trading, Development, Printing and Services	--	100.00%	--	100,000,000	100,000,000
PT Garuda Asa Kencana	Tangerang	Development, Trading and Services	--	100.00%	--	100,000,000	100,000,000
PT Abadi Jaya Sakti and Subsidiaries	Tangerang	Investment, Trading and Services	100.00%	--	--	577,031,300	577,031,300
PT Tigamitra Ekamulia and Subsidiaries	Jakarta	General	0.01%	99.99%	1998*	520,920	984,420
PT Shimatama Graha	Jakarta	Restaurant, Bar, Catering, Etc	--	100.00%	1989	5,841,821,996	5,907,311,936
PT Aryaduta International Management and Subsidiaries	Jakarta	Hotel Management	--	100.00%	1998	13,376,094,582	11,094,632,111
PT Aryaduta Surabaya Management	Surabaya	Services	--	100.00%	--	588,906,447	589,587,563
PT Aryaduta Medan Management	Medan	Services	--	100.00%	--	588,878,000	589,385,500
PT Aryaduta Karawaci Management	Tangerang	Services	--	100.00%	--	22,947,378,366	582,248,000
PT Aryaduta Makassar Management	Makassar	Services	--	100.00%	--	593,327,000	594,116,500
PT Aryaduta Residences	Jakarta	Services	--	100.00%	--	3,156,413,733	2,702,832,803
PT Aryaduta Hotels & Resorts	Jakarta	Services	--	100.00%	--	581,740,500	582,248,000
PT Zodia Karya Indah	Tangerang	Development, Trading, Printing and Service	--	100.00%	--	100,000,000	--
PT Lippo Hotel Indonesia and Subsidiary ¹⁾	Tangerang	Services	75.00%	25.00%	--	600,000,000	--
PT Aryaduta Kuta Bali ¹⁾	Badung	Tourism	0.00%	100.00%	--	600,000,000	--
PT Lippo Horesi Indonesia ¹⁾	Tangerang	Development, Trading, and Service	75.00%	25.00%	--	600,000,000	--
PT Graha Jaya Pratama and Subsidiaries	Tangerang	Real Estate	100.00%	--	--	1,384,584,802,841	971,388,173,838
PT Tataguna Cemerlang	Jakarta	Trading, Real Estate and Development	--	100.00%	--	100,000,000	100,000,000
PT Aresta Amanda Lestari (0.31% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Trading	--	99.99%	--	1,048,135,730	743,498,251
PT Aresta Permata Utama (3.45% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Trading	--	99.99%	--	11,737,065,174	8,080,302,415
PT Fajar Usaha Semesta (4.73% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Trading	--	99.99%	--	15,697,407,503	11,077,388,689
PT Fajar Raya Cemerlang (4.58% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Trading	--	99.99%	--	15,206,784,862	10,732,191,046
PT Fajar Abadi Aditama (3.45% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Trading	--	99.99%	--	11,448,214,800	8,077,822,179
PT Nuansa Indah Lestari and Subsidiaries	Jakarta	Trading	--	100.00%	--	142,252,148,482	95,838,364,973
PT Metropolitan Permaisemesta and Subsidiaries	Jakarta	Trading	--	89.74%	--	142,233,500,582	95,343,074,073
PT Makassar Permata Sulawesi and Subsidiaries (32.5% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Trading	--	88.66%	--	138,073,158,204	108,056,074,695
PT Gowa Makassar Tourism Development Tbk and Subsidiaries	Makassar	Real Estate	4.92%	49.05%	1997	1,308,035,825,444	901,079,490,979

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						2013 Rp	2012 Rp
PT Kenanga Asri Elok and Subsidiaries	Tangerang	Development, Trading, Printing and Service	--	53.97%	--	485,307,450,648	--
PT Krisanta Esa Maju ¹⁾	Tangerang	Development, Trading, Printing and Service	--	57.29%	--	100,000,000	--
PT Tribuana Jaya Raya	Tangerang	Development, Trading, Printing and Service	--	57.29%	--	485,094,272,640	--
PT Griya Eksotika Utama	Tangerang	Development, Trading, Printing and Service	--	57.29%	--	100,000,000	--
PT Mulia Sarana Sakti	Makassar	Trading	--	89.76%	--	512,000,000	--

* Liquidated

** Transferred

*** Functional Currency is USD

**** Functional Currency is SGD

¹⁾ Established in 2013

²⁾ Established in 2012

On March 26, 2012, PT Megapratama Karya Persada (MKP), a subsidiary, acquired all ownership in PT Pancawarna Semesta (PWS) (through direct ownership of 0.01% and 99.99% indirect ownership of PT Siloam International Hospitals Tbk (SIH), a subsidiary) with acquisition cost of Rp100,000,000. At the acquisition date, PWS has not yet started operation and therefore, recorded as an asset acquisition.

On April 24, 2012, PT Primakreasi Propertindo (PKP), a subsidiary, acquired all ownership in PT Timor Eka Selaras (TES) (through direct ownership of 99.99% and 0.01% indirect ownership of PT Grand Villa Persada) with acquisition cost of Rp100,000,000. At the acquisition date, TES has not yet started operation and therefore, recorded as an asset acquisition.

Theta Capital Pte Ltd and Theta Kemang Pte Ltd were established on April 30, 2012 in Singapore.

On May 30, 2012, MKP, a subsidiary, acquired all ownership in PT Bina Cipta Semesta (BCS) (through direct ownership of 0.01% and 99.99% indirect ownership of SIH) with acquisition cost of Rp1,000,000,000. At the acquisition date, BCS has not yet started operation and therefore, recorded as an asset acquisition.

On May 30, 2012, MKP, a subsidiary, acquired all ownership in PT Kusuma Bakti Anugerah (KBA) (through direct ownership of 0.01% and 99.99% indirect ownership of SIH) with acquisition cost of Rp7,000,000,000. At the acquisition date, KBA has not yet started operation and therefore, recorded as an asset acquisition.

On May 30, 2012, MKP, a subsidiary, acquired all ownership in PT Mega Buana Bhakti (MBB) (through direct ownership of 0.01% and 99.99% indirect ownership of SIH) with acquisition cost of Rp6,000,000,000. At the acquisition date, MBB has not yet started operation and therefore, recorded as an asset acquisition.

On May 31, 2012, MKP, a subsidiary, acquired all of the ownership in PT Visindo Galaxi Jaya (VGJ) (through direct ownership of 0.01% and 99.99% indirect ownership of SIH) with acquisition cost of Rp5,000,000,000. At the acquisition date, VGJ has not yet started operation and therefore, recorded as an asset acquisition.

As of May 31, 2012, PWS acquired 80% ownership in PT Diagram Healthcare Indonesia (DHI), with a transaction value of Rp58,752,000,000. This transaction is a business combination (see Note 44), DHI has been operating commercially since 2006.

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On May 31, 2012, MKP, a subsidiary, acquired all of the ownership in PT Agung Cipta Raya (ACR) (through direct ownership of 0.1% and 99.9% indirect ownership of SIH) with acquisition cost of Rp1,000,000,000. At the acquisition date, ACR has not yet started operation and therefore, recorded as an asset acquisition.

On June 4, 2012, MKP, a subsidiary, acquired all ownership in PT Optimum Karya Persada (OKP) (through direct ownership of 0.1% and 99.9% indirect ownership of SIH) with acquisition cost of Rp1,000,000,000. At the acquisition date, OKP has not yet started operation and therefore, recorded as an asset acquisition.

On June 4, 2012, MKP, a subsidiary, acquired all ownership in PT Tirtasari Kencana (TK) (through direct ownership of 0.01% and 99.99% indirect ownership of SIH) with acquisition cost of Rp600,000,000. At the acquisition date, TK has not yet started operation and therefore, recorded as an asset acquisition.

On June 21, 2012, MKP, a subsidiary, acquired all of the ownership in PT Kusuma Primadana (KP) (through direct ownership of 0.01% and 99.99% indirect ownership of SIH) with acquisition cost of Rp100,000,000. KP has a 80% stake in PT Adijaya Buana Sakti (ABS). At the acquisition date, KP has not yet started operation and therefore, recorded as an asset acquisition.

On June 29, 2012, MKP, a subsidiary, acquired all of the ownership in PT Adamanisa Karya Sejahtera (AKS) (through direct ownership 0.1% and 99.9% indirect ownership of SIH) with acquisition cost of Rp1,000,000,000. At the acquisition date, AKS has not yet started operation and therefore, recorded as an asset acquisition.

On July 12, 2012, PKP, a subsidiary, acquired all ownership in PT Adijaya Pratama Mandiri (APM) (through direct ownership 25% and 75% indirect ownership of PT Mandiri Cipta Gemilang (MCG)) with acquisition cost of Rp1,000,000,000. At the acquisition date, APM has not yet started operation and therefore, recorded as an asset acquisition.

On July 12, 2012, PT Lippo Malls Indonesia (LMI) and PT Kreasi Megatama Gemilang (KMG), both subsidiaries, acquired respectively, 75% and 25% ownership in PT Kilau Intan Murni (KIM) with acquisition cost of Rp100,000,000. At the acquisition date, KIM has not yet started operation and therefore, recorded as an asset acquisition.

On July 19, 2012, PT Wisma Jatim Propertindo (WJP), a subsidiary, acquired all of the ownership in PT Galang Karya Usaha (GKU) (through direct ownership of 99.99% and 0.01% indirect ownership of PT Maharama Sakti (MS)) with the acquisition cost of Rp100,000,000. GKU has not yet started operation and therefore, recorded as an asset acquisition.

On August 14, 2012, PT Persada Mandiri Dunia Niaga (PMDN) and WJP, both subsidiaries, acquired respectively, 75% and 25% ownership in PT Ekaputra Kencana Abadi (EKA) with acquisition cost of Rp20,000,000,000. EKA is the owner of 29.97% and 0.08% share in PT Menara Megah Tunggal and PT Trias Mitra Investama, both subsidiaries, respectively. This transaction is a business combination (see Note 44).

On August 27, 2012, PT Eramulia Pratamajaya (ERA), a subsidiary, acquired all ownership in PT Kalanusa Intan Cemerlang (KIC) (through direct ownership of 99.99% and 0.01% indirect ownership of PT Serasi Adikarsa) with acquisition cost of Rp100,000,000. At the acquisition date, KIC has not yet started operation and therefore, recorded as an asset acquisition.

On August 28, 2012, ERA, a subsidiary, acquired all ownership in PT Garuda Asa Kencana (GAK) (through direct ownership of 40% and 60% indirect ownership of PT Kalanusa Intan Cemerlang) with acquisition cost of Rp100,000,000. At the acquisition date, GAK has not yet started operation and therefore, recorded as an asset acquisition.

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On September 11, 2012, PKP, a subsidiary, acquired all ownership PT Lautan Sinar Abadi (LSA) (through direct ownership of 99.99% and 0.01% indirect ownership of GVP) with acquisition cost of Rp100,000,000. LSA is the owner of 86.5% stake in PT Usahatama Kreatif. At the acquisition date, LSA has not yet started operation and therefore, recorded as an asset acquisition.

On September 21, 2012, the entire ownership in PT Bayutama Sukses, a subsidiary, was transferred at a cost of Rp600,000,000. Upon transfer, no gain (loss) on disposal of investments was recognized and the subsidiary transferred its major assets of Rp600,000,000.

On September 21, 2012, LMI, a subsidiary, acquired all ownership in PT Gunung Halimun Elok (GHE) (through 75% direct ownership and 25% indirect ownership of KIM) with acquisition cost of Rp100,000,000. At the acquisition date, GHE has not yet started operation and therefore, recorded as an asset acquisition. Then the ownership of LIM and KIM in GHE has been transferred to MCG and PKP amounted to 75% and 25% of ownership, respectively, on October 8, 2012.

On October 8, 2012, PKP, a subsidiary, acquired all ownership in PT Esatama Lestari Jaya (ELJ) (through 25% direct ownership and 75% indirect ownership of MCG) with acquisition cost of Rp100,000,000. At the acquisition date, ELJ has not yet started operation and therefore, recorded as an asset acquisition.

On October 9, 2012, GHE and MCG, both subsidiaries acquired 75% and 25% ownership in PT Koridor Usaha Maju (KUM) with acquisition cost of Rp75,000,000 and Rp25,000,000, respectively. At the acquisition date, KUM has not yet started operation and therefore, recorded as an asset acquisition. Then the ownership of GHE and MCG in KUM has been transferred to TPP and MBS amounted to 75% and 25% of ownership, respectively, on November 26, 2013.

On October 9, 2012, GHE and MCG, both subsidiaries acquired 75% and 25% ownership in PT Multi Panen Utama (MPU) with acquisition cost of Rp75,000,000 and Rp25,000,000, respectively. At the acquisition date, MPU has not yet started operation and therefore, recorded as an asset acquisition.

On October 15, 2012, MKP, a subsidiary, acquired all ownership in PT Danisa Indah Cipta (DIC) (through 0.01% direct ownership and 99.99% indirect ownership of SIH) with acquisition cost of Rp100,000,000. At the acquisition date, DIC has not yet started operation and therefore, recorded as an asset acquisition. Subsequently, the ownership of SIH and MKP in DIC has been transferred to MCG and PKP totaling to 75% and 25% of ownership, respectively, on November 8, 2012.

On October 17, 2012, MCG and PKP, both subsidiaries acquired 75% and 25% ownership in PT Gumarang Karya Sejati (GKS) with acquisition cost of Rp75,000,000 and Rp25,000,000, respectively. At the acquisition date, GKS has not yet started operation and therefore, recorded as an asset acquisition.

On October 25, 2012, PKP, a subsidiary, acquired all ownership in PT Bahtera Perkasa Makmur (BPM) (through 25% direct ownership and 75% indirect ownership of MCG) with acquisition cost of Rp100,000,000. At the acquisition date, BPM has not yet started operation and therefore, recorded as an asset acquisition.

On November 8, 2012, DIC and PKP, both subsidiaries acquired 70% and 30% ownership in PT Fajarindo Sinar Sakti (FSS) with acquisition cost of Rp70,000,000 and Rp30,000,000, respectively. At the acquisition date, FSS has not yet started operation and therefore, recorded as an asset acquisition.

On November 16, 2012, PKP, a subsidiary, acquired all ownership in PT Gading Makmur Jaya (GMJ) (through 0.01% direct ownership and 99.99% indirect ownership of MCG) with acquisition cost of Rp100,000,000. At the acquisition date, GMJ has not yet started operation and therefore, recorded as an asset acquisition.

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On December 20, 2012, LMI, a subsidiary, acquired all ownership in PT Mulia Citra Abadi (MCA) (through 75% direct ownership and 25% indirect ownership of KIM) with acquisition cost of Rp300,000,000,000. This transaction is a business combination (see Note 44).

On December 20, 2012, PKP, a subsidiary, acquired all ownership in PT Bimasakti Jaya Abadi (BJA) (through 25% direct ownership and 75% indirect ownership of MCG), with acquisition cost of Rp125,000,000,000. This transaction is a business combination (see Note 44).

On December 20, 2012, PKP, a subsidiary, acquired all ownership in PT Surya Megah Lestari (SML) (through 75% direct ownership and 25% indirect ownership of MCG), with acquisition cost of Rp10,000,000,000. This transaction is a business combination (see Note 44).

On December 20, 2012 the entire ownership of Sea Pejaten Pte Ltd and PT Gading Nusa Utama in PT Panca Permata Pejaten has been transferred in cash at a value of Rp731,364,917,779. Upon transfer, this subsidiary recorded Rp341,410,567,126 gain on disposal of investments and transferred cash and bank, other assets and liabilities amounting to Rp9,828,189,726, Rp242,962,165,659 and Rp44,547,239,532, respectively.

On January 28, 2013, PKP, a subsidiary, acquired all ownership in PT Graha Dana Dinamika (GDD) (through 75% direct ownership and 25% indirect ownership of GVP), with acquisition cost of Rp60,000,000. At the acquisition date, GDD has not yet started operation and therefore, recorded as an asset acquisition.

On January 28, 2013, PKP, a subsidiary, acquired all ownership in PT Mulia Aditama Setia (MAS) (through 75% direct ownership and 25% indirect ownership of GVP), with acquisition cost of Rp100,000,000. At the acquisition date, MAS has not yet started operation and therefore, recorded as an asset acquisition.

On January 28, 2013, PKP, a subsidiary, acquired all ownership in PT Mega Pratama Serasi (MPS) (through 75% direct ownership and 25% indirect ownership of GVP), with acquisition cost of Rp60,000,000. At the acquisition date, MPS has not yet started operation and therefore, recorded as an asset acquisition.

On February 15, 2013, PT Sentra Dwimandiri, PT Wisma Jatim Propertindo, PT Bathara Brahma Sakti, PT Kreasi Megatama Gemilang, PT Dwisindo Jaya, PT Saputra Karya, PT Grand Provita, PT Kemang Paragon Mall, PT Grand Villa Persada, PT Maharama Sakti and PT Primakreasi Propertindo, all subsidiaries, purchase non controlling shares of PT Gowa Makassar Tourism Development Tbk, a subsidiary, amounted to 3,35% with acquisition cost of Rp2.584.000.000. As a result, the Company recorded Difference in Transactions with Non-Controlling Interest amounted to Rp5.645.114.201.

On February 21, 2013, PT Abadi Jaya Sakti (AJS), a subsidiary, acquired all ownership in PT Zodia Karya Indah (ZKI) (through 75% direct ownership and 25% indirect ownership of PT Tigamitra Ekamulia), with acquisition cost of Rp100,000,000. At the acquisition date, ZKI has not yet started operation and therefore, recorded as an asset acquisition.

On March 6, 2013, PKP, a subsidiary, acquired all ownership in PT Pradamas Graha Indah (PGI) (through 75% direct ownership and 25% indirect ownership of GVP), with acquisition cost of Rp100,000,000. At the acquisition date, PGI has not yet started operation and therefore, recorded as an asset acquisition.

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On March 19, 2013 the entire ownership in Lippo Karawaci Finance B. V., a subsidiary, has been transferred at a value EUR 5,000 (equivalent Rp181,440,000), in cash. Upon this transfer, the Company recorded Rp1,179,564,312 gain on disposal of investment and the subsidiary transferred cash and bank, other assets and liabilities amounting to Rp1,355,465,890, Rp185,370,484 and Rp559,225,317, respectively.

On March 23, 2013, PT Lippo Cikarang Tbk, a subsidiary, acquired all ownership in PT Cahaya Ina Permai (CIP) (through 75% direct ownership and 25% indirect ownership of PT Great Jakarta Inti Development (GJID)), with acquisition cost of Rp15,000,000. At the acquisition date, CIP has not yet started operation and therefore, recorded as an asset acquisition.

On March 23, 2013, PT Lippo Cikarang Tbk (LC), a subsidiary, acquired all ownership in PT Mahkota Sentosa Ekanusa (MSE) (through 75% direct ownership and 25% indirect ownership of PT Great Jakarta Inti Development), with acquisition cost of Rp20,000,000. At the acquisition date, MSE has not yet started operation and therefore, recorded as an asset acquisition.

On March 26, 2013, all ownership in Great Capital Pte Ltd (GC), a subsidiary, has been transferred at a value of SGD 93,100,000 (equivalent to Rp722,167,700,000) of which USD 43,100,000 (equivalent to Rp 334,326,700,000) in cash and USD 50,000,000 (equivalent to Rp387,850,000,000) in units of First REIT. GC is the owner of 100% shares at Key Capital Pte Ltd and PT Perisai Dunia Sejahtera, respectively. On the transfer, the entity recorded a gain on disposal of investment amounting to Rp 22,349,514,483 and it transferred property and equipment, cash and bank, other assets and liabilities amounted to Rp700,000,000,000, Rp1,807,874,373, Rp13,850,000 and Rp705,584,877,272, respectively.

On April 12, 2013, PKP, a subsidiary, acquired all ownership in PT Sultana Semesta Prima (SSP) (through 99.99% direct ownership and 0.01% indirect ownership of GVP), with acquisition cost of Rp100,000,000. At the acquisition date, SSP has not yet started operation and therefore, recorded as an asset acquisition.

On April 15, 2013, PT Nuansa Indah Lestari, a subsidiary, acquired all ownership in PT Mulia Sarana Sakti (MSS) (through 0.01% direct ownership and 99.99% indirect ownership of PT Metropolitan Permai Semesta), with acquisition cost of Rp512,000,000. At the acquisition date, MSS has not yet started operation and therefore, recorded as an asset acquisition.

On April 18, 2013, GMTD, a subsidiary, acquired all ownership Kenanga Elok Asri (KEA) (through 99.99% direct ownership and 0.01% indirect ownership of PT Fajar Usaha Semesta (FUS)), with acquisition cost of Rp100,000,000. At the acquisition date, KEA has not yet started operation and therefore, recorded as an asset acquisition.

On April 18, 2013, WJP, a subsidiary, acquired all ownership in PT Alona Griya Utama (AGU) (through 75% direct ownership and 25% indirect ownership of MS), with acquisition cost of Rp100,000,000. At the acquisition date, AGU has not yet started operation and therefore, recorded as an asset acquisition.

On April 18, 2013, PKP, a subsidiary, acquired all ownership in PT Bumi Aurum Sejahtera (BAS) (through 99.99% direct ownership and 0.01% indirect ownership of GVP), with acquisition cost of Rp100,000,000. At the acquisition date, BAS has not yet started operation and therefore, recorded as an asset acquisition.

On April 18, 2013, WJP, a subsidiary, acquired all ownership in PT Cipta Semesta Prima (CSP) (through 75% direct ownership and 25% indirect ownership of MS), with acquisition cost of Rp100,000,000. At the acquisition date, CSP has not yet started operation and therefore, recorded as an asset acquisition.

On April 18, 2013, WJP, a subsidiary, acquired all ownership in PT Kreasi Ciptaprima Gemilang (KCG) (through 75% direct ownership and 25% indirect ownership of MS), with acquisition cost of Rp100,000,000. At the acquisition date, KCG has not yet started operation and therefore, recorded as an asset acquisition.

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On April 18, 2013, GJP, a subsidiary, acquired all ownership in PT Griya Eksotika Utama (GEU) (through 99.99% indirect ownership of PT Gowa Makassar Tourism Development Tbk (GMTD) and 0.01% indirect ownership of PT Fajar Usaha Semesta), with acquisition cost of Rp100,000,000. At the acquisition date, GEU has not yet started operation and therefore, recorded as an asset acquisition.

On April 18, 2013, WJP, a subsidiary, acquired all ownership in PT Manikam Mutu Prima (MMP) (through 75% direct ownership and 25% indirect ownership of MS), with acquisition cost of Rp100,000,000. At the acquisition date, MMP has not yet started operation and therefore, recorded as an asset acquisition.

On April 18, 2013, WJP, a subsidiary, acquired all ownership in PT Suporta Developa Jaya (SDJ) (through 75% direct ownership and 25% indirect ownership of MS), with acquisition cost of Rp100,000,000. At the acquisition date, SDJ has not yet started operation and therefore, recorded as an asset acquisition.

On April 29, 2013, PKP, a subsidiary, acquired all ownership in PT Satyagraha Dinamika Unggul (SDU) (through 75% direct ownership and 25% indirect ownership of GVP), with acquisition cost of Rp100,000,000. At the acquisition date, SDU has not yet started operation and therefore, recorded as an asset acquisition.

On May 6, 2013, PKP, a subsidiary, acquired all ownership in PT Tribuana Jaya Raya (TJR) (through 99.99% direct ownership and 0.01% indirect ownership of GVP), with acquisition cost of Rp100,000,000. At the acquisition date, TJR has not yet started operation and therefore, recorded as an asset acquisition. On June 12, 2013, ownership of PKP was transferred to PT Graha Jaya Pratama (GJP) through 25% direct ownership and 75% indirect ownership of PT Kenanga Elok Asri.

On May 21, 2013, PKP, a subsidiary, acquired all ownership in PT Jayadipta Utama Makmur (JUM) (through 99.99% direct ownership and 0.01% indirect ownership of GVP), with acquisition cost of Rp100,000,000. At the acquisition date, JUM has not yet started operation and therefore, recorded as an asset acquisition.

On May 21, 2013, PKP, a subsidiary, acquired all ownership in PT Andalan Utama Maju (AUM) (through 99.99% direct ownership and 0.01% indirect ownership of GVP), with acquisition cost of Rp100,000,000. At the acquisition date, AUM has not yet started operation and therefore, recorded as an asset acquisition.

On May 24, 2013, PKP, a subsidiary, acquired all ownership in PT Mentari Adi Perkasa (MAP) (through 99.99% direct ownership and 0.01% indirect ownership of GVP), with acquisition cost of Rp1,000,000,000. At the acquisition date, MAP has not yet started operation and therefore, recorded as an asset acquisition.

On June 5, 2013, PKP, a subsidiary, acquired all ownership in PT Wijayakusuma Sukses Maju (WSM) (through 99.99% direct ownership and 0.01% indirect ownership of GVP), with acquisition cost of Rp100,000,000. At the acquisition date, WSM has not yet started operation and therefore, recorded as an asset acquisition.

On June 10, 2013, PKP, a subsidiary, acquired all ownership in PT Bumi Sindang Jaya (BSJ) (through 75% direct ownership and 25% indirect ownership of GVP), with acquisition cost of Rp100,000,000. At the acquisition date, BSJ has not yet started operation and therefore, recorded as an asset acquisition.

On June 14, 2013, PKP, a subsidiary, acquired all ownership in PT Berdikari Jaya Abadi (BJA) (through 75% direct ownership and 25% indirect ownership of GVP), with acquisition cost of Rp100,000,000. At the acquisition date, BJA has not yet started operation and therefore, recorded as an asset acquisition.

On June 17, 2013, PKP, a subsidiary, acquired all ownership in PT Mentari Panen Raya (MPR) (through 75% direct ownership and 25% indirect ownership of GVP), with acquisition cost of Rp100,000,000. At the acquisition date, MPR has not yet started operation and therefore, recorded as an asset acquisition.

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On June 19, 2013, LC, a subsidiary, acquired all ownership in PT Zeus Karya Prima (ZKP) (through 75% indirect ownership of CIP and 25% indirect ownership of MSE), with acquisition cost of Rp100,000,000. At the acquisition date, ZKP has not yet started operation and therefore, recorded as an asset acquisition.

On July 1, 2013, CIP, a subsidiary, acquired all ownership in PT Astana Artha Mas (AAM) (through 75% direct ownership and 25% direct ownership of MSE), with acquisition cost of Rp100,000,000. At the acquisition date, AAM has not yet started operation and therefore, recorded as an asset acquisition.

On July 19, 2013, GJP, a subsidiary, acquired all ownership in PT Krisanta Esa Maju (KEM) (through 75% indirect ownership of KEA and 25% indirect ownership of GEU), with acquisition cost of Rp100,000,000. At the acquisition date, KEM has not yet started operation and therefore, recorded as an asset acquisition.

On August 22, 2013, LC, a subsidiary, acquired all ownership in PT Pondera Prima Sarana (PPS) (through 75% direct ownership and 25% indirect ownership of GJID), with acquisition cost of Rp100,000,000. At the acquisition date, PPS has not yet started operation and therefore, recorded as an asset acquisition.

On August 22, 2013, LC, a subsidiary, acquired all ownership in PT Telaga Banyu Murni (TBM) (through 75% direct ownership and 25% indirect ownership of GJID), with acquisition cost of Rp100,000,000. At the acquisition date, TBM has not yet started operation and therefore, recorded as an asset acquisition.

On August 23, 2013, LC, a subsidiary, acquired all ownership in PT Karimata Alam Damai (KAD) (through 75% indirect ownership of TBM and 25% indirect ownership of PPS), with acquisition cost of Rp100,000,000. At the acquisition date, KAD has not yet started operation and therefore, recorded as an asset acquisition.

On September 2, 2013, PT Nilam Biru Bersinar, a subsidiary, dispose share ownership in SIH, a subsidiary, amounting to 5.900.000 shares with the transfer price of Rp53.100.000.000. Upon this transactions, the Company recorded Difference in Transactions with Non-Controlling Interest amounted to Rp51.469.368.683.

On October 9, 2013, PKP, a subsidiary, acquired all ownership in PT Multi Panen Utama (MPU) (through 25% indirect ownership of MCG and 75% indirect ownership of GHE), with acquisition cost of Rp100,000,000. At the acquisition date, MPU has not yet started operation and therefore, recorded as an asset acquisition. On October 24, 2013, ownership of MPU was transferred to PKP through 75% direct ownership and 25% indirect ownership of GVP.

On October 11, 2013, PKP, a subsidiary, acquired all ownership in PT Dwi Prabu Sakti (DPS) (through 0.01% indirect ownership and 99.99% indirect ownership of PT Lumbang Mas Trijaya), with acquisition cost of Rp100,000,000. At the acquisition date, DPS has not yet started operation and therefore, recorded as an asset acquisition.

On October 23, 2013, PKP, a subsidiary, acquired all ownership in PT Pancuran Intan Makmur (PIM) (through 75% indirect ownership and 25% indirect ownership of GVP), with acquisition cost of Rp 100,000,000. At the acquisition date, PIM has not yet started operation and therefore, recorded as an asset acquisition.

On October 24, 2013, PKP, a subsidiary, acquired all ownership in PT Solusi Dunia Baru (SDB) (through 75% indirect ownership and 25% indirect ownership of GVP), with acquisition cost of Rp100,000,000. At the acquisition date, SDB has not yet started operation and therefore, recorded as an asset acquisition.

On December 6, 2013, TPP and MBS, subsidiaries, acquired 75% and 25% ownership in PT Gramari Prima Nusa (GPN), with acquisition cost of Rp750,000,000 and Rp250,000,000, respectively. At the acquisition date, GPN has not yet started operation and therefore, recorded as an asset acquisition.

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On December 13, 2013, KUM, a subsidiary, acquired all ownership in PT Medica Sarana Tralliansia (MST) with acquisition cost of Rp189.600.000.000. This transaction is a business combination (see Note 44). MST has been started its commercial operation since 2008. MST is the owner of 99.99% shares of PT Trisaka Raksa Waluya (TRW). TRW has been started its commercial operation since 2008.

On December 19, 2013, LMT and DPS, both subsidiaries, acquired all ownership in PT Karyatama Buana Cemerlang (KBC) with acquisition cost of Rp150.878.244.393. At the acquisition date, KBC has not yet started operation and therefore, recorded as an asset acquisition. KBC is the owner of 70.00% shares of PT Mapalus Mancacakti (MM). At the acquisition date, MM has not yet started operation.

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

Based on the partial decision of Extraordinary General Meeting of Stockholders No. 48 dated April 24, 2013 which was made in the presence of Sriwi Bawana Nawaksari, S.H. M.Kn., a notary in Tangerang and the Deed of Annual General Meeting of Stockholders No. 3 dated April 5, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang, the composition of the Board of Commissioners and Directors as of December 31, 2013 and 2012 are as follows:

	2013	2012
Board of Commissioners:		
President Commissioner	: Theo L. Sambuaga	Theo L. Sambuaga
Vice President		
Commissioner	: Surjadi Soedirdja*	Surjadi Soedirdja*
Independent Commissioner	: Tanri Abeng	Tanri Abeng
Independent Commissioner	: Agum Gumelar	Agum Gumelar
Independent Commissioner	: Farid Harianto	Farid Harianto
Independent Commissioner	: Jonathan Limbong Parapak	Jonathan Limbong Parapak
Independent Commissioner	: Muladi	--
Commissioner	Gouw Viven (Viven G Sitiabudi)	Gouw Viven (Viven G Sitiabudi)

* also as Independent Commissioner

The composition of the Directors as of December 31, 2013 and 2012 are as follows:

	2013	2012
Directors:		
President Director	: Ketut Budi Wijaya	Ketut Budi Wijaya
Director	: Tjokro Libianto	Tjokro Libianto
Director	: Djoko Harjono	Djoko Harjono
Director	: Roberto Fernandez Feliciano	Roberto Fernandez Feliciano
Director	: Rahmawaty	Ivan Setiawan Budiono
Director	: --	Jopy Rusli
Director	: --	Elia Yudhistira Susiloputro
Unaffiliated Director	: Jenny Kuistono	Jenny Kuistono

The Audit Committee composition as of December 31, 2013 and December 31, 2012 are as follows:

	2013	2012
Chairman	: Farid Harianto	Farid Harianto
Members	: Herbudianto	Siswanto Pramono
	: Indra Simarta	Jeffrey Turangan *

*has passed away on December 7, 2012

The Company's corporate secretary as of December 31, 2013 and 2012 is Jenny Kuistono.

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As of December 31, 2013 and 2012, the Group have 6,168 and 6,705 permanent employees, respectively (unaudited).

2. Summary of Significant Accounting Policies

2.a. Compliance with Financial Accounting Standards (SAK), Measurement and Preparation of Consolidated Financial Statements

The Group's consolidated financial statements have been prepared and presented in accordance with the Indonesian Financial Accounting Standards which include the Statements and the Interpretations issued by Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK-IAI) and Regulation of Capital Market Supervisory Agency and Financial Institution No. VIII.G.7 regarding the "Guidance of Financial Statements Presentation" as set forth in Decree No. KEP-347/BL/2012 regarding the amendment to Regulation No. VIII.G.7 and other accounting policies prevailing in the Capital Market.

The consolidated financial statements have been prepared on the going concern assumption and on the accrual basis, except for the consolidated statements of cash flows which used the cash basis. The basis of measurement in the preparation of these consolidated financial statements is the historical cost principle, except for certain accounts that were measured using other basis, as described in the respective accounting policy.

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

Functional currency of the Group is Rupiah, except for some subsidiaries as disclosed in Note 1.c. Transactions are recorded using the functional currency. The reporting currency used in the preparation of these consolidated financial statements is Rupiah.

New accounting standard or improvement on accounting standard which is relevant to the Group and mandatory for the financial period beginning January 1, 2013 are as follows:

- Adjustment of PSAK No. 60 : Financial Instruments and Disclosures
- PSAK No. 38 (Revised 2012) : Business Combination for Entities Under Common Control
- ISAK No. 21 : Construction of Real Estate Agreement
- PPSAK No. 7 : Revocation of PSAK No. 44: Accounting for Real Estate Activities paragraph 1 – 46, 49 – 55 and 62 – 64.

The application of ISAK No. 21 and PPSAK No. 7 as mentioned above was suspended until an unspecified time, in accordance with the announcement from DSAK-IAI No.0643/DSAK/IA/IX/2012 dated September 21, 2012. The Group's management has evaluated the adjustment of PSAK No. 60 and has no material impact to the consolidated financial statements. Application of PSAK No. 38, "Business Combination for Entities Under Common Control" resulted changes in accounting policies as described in Note 2.r.

Meanwhile, revocation of PSAK No. 51, "Quasi Reorganizations" with an effective date of January 1, 2013 did not result in changes to the Group's accounting policies and had no effect on the amounts reported for the current year or prior financial year.

2.b. Principles of Consolidation

The consolidated financial statements include the accounts of the Group either directly or indirectly controlled as presented in Note 1.c.

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Control also exists when the parent entity owns half or less of the voting power of an entity when there is:

- power over more than half of the voting rights by virtue of an agreement with other investors;
- power to govern the financial and operating policies of the entity under a statute or an agreement;
- power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
- power to cast the majority of votes in the meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

The existence and effect of potential voting rights that can be implemented or converted on the date of the reporting period should be considered when assessing whether an entity has the power to govern financial and operating policies of another entity.

The entities are consolidated from the date on which effective control was transferred to the Company and are no longer consolidated when the Company ceases to have effective control. Control exists when the entity has the power to govern the financial and operating policies of the entity and get benefits from the activities of the said entity.

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.

The changes in the Group's ownership interest that do not result to a loss of control are accounted for as equity transactions and attributed to the owners of the parent. All major transactions and inter-company account balances (including significant unrealized gain or loss) has been eliminated.

Non-controlling interest reflects equity in net earnings or losses and net assets of Subsidiaries which are not directly or indirectly attributable to parent company, and is presented under consolidated statement of comprehensive income and equity in the consolidated statement of financial position, separated from portion which are attributable to parent company.

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

Foreign currency is a currency other than the functional currency. Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made.

At the reporting date, monetary assets and liabilities denominated in foreign currencies were adjusted to reflect the exchange rates prevailing at the time, with the following conversion rates:

	2013 Rp	2012 Rp
1 USD	12,189	9,670
1 SGD	9,628	7,907
1 EUR	16,821	12,810
100 JPY	11,617	11,197
1 AUD	10,876	10,025

Gains and losses from foreign exchange differences arising from foreign currency transactions into Rupiah, charged to profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rate when the fair value was determined.

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The financial statements of subsidiaries which presented in currency other than Rupiah were translated into Rupiah using closing rate at reporting date for assets and liabilities accounts and the average rate during the year for income and expense accounts. All differences resulting from the translations were recognized as part of other comprehensive income.

2.d. Cash and Cash Equivalents

Cash consists of cash on hand and cash in bank that can be withdrawn at any time, no pledged as collateral and no restrictions on use.

Cash equivalents consist of time deposits with maturities of not more than or equal to three (3) months from the date of placement, are not restricted and not used as collateral to any liabilities.

2.e. Investment in Associates

An associate is an entity in which the investor (i.e., the Company or subsidiary, which acts as an investor) has a significant influence to participate in decision making on financial and operational policies of the investee, but does not control or jointly control those policies. Significant influence is presumed to exist if the investor owns 20% or more of the voting rights of the investee, either directly or indirectly.

Investment in associates are initially recognized at cost. The carrying amount is increased or decreased by the share in the profit or loss of the investee after the date of acquisition in proportion with the percentage of ownership and reduced by dividends received (equity method).

The carrying amount is also adjusted if there is a change in the investor's proportionate interest in the investee arising from the investee's other comprehensive income. Those changes are recognized in other comprehensive income of the investor.

2.f. Transaction with Related Parties

In a normal business transaction, the Group has transactions with related parties. Related party is the person or entity that is related to the Group (referred to as the "reporting entity"), which includes:

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

- (b) An entity is related to the reporting entity if any of following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity in itself such a plan, the sponsoring employers are also related to the reporting entity;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or a parent of the entity).

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2.g. Inventories and Land for Development

Real estate inventories, which mainly consist of acquisition cost of land under development, shopping center, residential houses, shophouses, office buildings, apartments and buildings (houses) under construction, are carried at the lower of cost and net realizable value (NRV). Cost is determined by using the average method. Cost of land under development includes cost of land improvement and development, 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 supplies and others) are carried at the lower of cost and NRV. Cost is determined by using the average method. Allowance for decline in inventory value is provided based on a review of inventory status at the end of year.

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling costs. Allowance for inventories using determined based on a review of the condition of the inventories at the end of the year.

Land for development which are owned by the Group is classified as "Land for Development". Upon the commencement of development and construction of infrastructure, the carrying cost of land under development will be transferred to the respective real estate inventories or property and equipment accounts, whichever is appropriate.

2.h. Prepaid Expenses

Prepaid expenses are amortized over the period benefitted using straight line method.

2.i. Investment Property

Investment property is 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. Land is not depreciated and is presented at acquisition cost. Building is depreciated using straight line method based on its estimated useful life of 20 years. The cost of repairs and maintenance is charged to the consolidated statements of comprehensive income as incurred while significant renovations and additions are capitalized.

Investment property is derecognized in, or disposed from the statement of financial position when it is permanently derecognized or retired and does not have any future economic benefit in which can be expected at its disposal. Gains or losses on derecognition or disposal of investment property is recognized in operation in the period derecognition or disposal.

Transfer to investment properties when, and only when, there is a change in use, evidenced by the end of the use by the owner, commencement of an operating lease to another party or completion of construction or development. Transfer from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development for sale.

For a transfer from investment property to property that is used alone, the Group uses the cost method at the date of change in use. If the property is used by the Company to investment property, the Group recorded such investment properties in accordance with the policy of property and equipment up to the date of change in use.

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2.j. Property and Equipment

Property and equipment in initial recognition is measured at cost.

Property and equipment after initial recognition is accounted using cost model. Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Land is not depreciated and carried at cost less with accumulated impairment in losses, if any.

Depreciation is computed by using the straight line method based on the estimated useful lives of the assets as follows:

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

The cost of repairs and maintenance is charged to operation as incurred while 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 consolidated statement of comprehensive income for the year.

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

The carrying amount of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is credited or charged to operations in the asset is derecognized.

At the end of each financial year, residual values, useful lives and methods of depreciation are reviewed, and if appropriate, adjusted prospectively.

2.k. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

Leases that transfer to the lessee substantially all of the risks and rewards incidental to ownership of the leased item are classified as finance leases. Leases which do not transfer substantially all of the risks and rewards incidental to ownership of the leased item are classified as operating leases.

The Group as lessees:

At the commencement of the lease term under finance lease, the Group recognized assets and liabilities in their statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Each determined at the inception of the lease. The

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discount rate used in calculating the present value of the minimum lease payments is the rate implicit in the lease, if this is practical to determine, if not, the lessee's incremental borrowing rate is used. Initial direct cost of the lessee are added to the amount recognized as an asset. The depreciation policy of leased asset is consistent with depreciable assets that are owned.

Under an operating lease, the Group recognizes lease payments as an expense on a straight-line basis over the lease term.

The Group as lessors:

The Group is required to recognize assets held under a finance lease in their statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. Lease payments received are treated as repayments of principal and finance lease income. The recognition of finance lease income is based on a pattern that reflecting a constant periodic rate of return on the net investments of the Group as lessor in the finance lease.

The Group is required to present assets subject to operating leases in their statement of financial position according to the nature of the asset. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as operating rental income. Contingent rents, if any, are recognized as revenue in the periods in which they are earned. Lease income from operating leases is recognized as income on a straight-line basis over the lease term.

Sale and Leaseback:

A sale and leaseback transaction involves the sale of an asset and leasing back the same asset. If a sale and leaseback transaction is a finance lease, any excess of sales proceeds over the carrying value is not immediately recognized as income in the financial statements of a seller (lessee) but is deferred and amortized over the lease period.

If a sale and leaseback transaction is an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognized immediately. If the sales price is below fair value, any profit or loss is recognized immediately except if the loss is compensated by future lease payments below market price where it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sales price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

2.l. Borrowing Cost

Borrowing costs incurred on loan and debt obtained to finance the acquisition and development of land and building construction are capitalized to the respective real estate inventories. This cost include interest expense calculated using the effective interest method and foreign exchange differences that they are regarded as an adjustment to interest cost. Capitalization ceases upon completion of all activities related to the acquisition and development of land, or upon completion of the construction and when the assets are ready for their intended use.

2.m. Impairment of Non-Financial Assets

Recoverable amount of non financial assets shall be estimated whenever events and changes of circumstances indicate that the carrying value may not be recoverable. Impairment of non-financial asset is recognized as loss for the year.

Impairment loss been recognized in prior periods is reversed, if and if only, there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the asset is increased to its recoverable amount. This increase is a reversal of an impairment loss. Total assets increased due to the reversal of an impairment loss, should not exceed the carrying amount if the asset does not experience an impairment loss in the previous period.

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2.n. Business Combination

The Company accounts for each business combination by applying the acquisition method (includes measurement of non-controlling interest).

The consideration transferred for an acquisition is measured at the aggregate of the fair values of assets given-up, liabilities assumed and equity instruments issued by the Company. Acquisition-related costs are recognized in the profit or loss as incurred.

The Group recognizes the identifiable assets acquired and liabilities taken over at their fair value on acquisition date, except for the following:

- Deferred tax assets or liabilities that are related to assets acquired and liabilities taken over in business combination are recognized and measured in accordance with PSAK No. 46 (Revised 2010), "Income Taxes".
- Liabilities (or assets, if any) related to employee benefit arrangement from the acquiree are recognized and measured in accordance with PSAK No. 24 (Revised 2010), "Employee Benefits".
- Liabilities or equity instruments related to the replacement of an acquiree's share-based payment awards are measured in accordance with PSAK No. 53 (Revised 2010), "Share-based Payment".
- Non-current assets (or disposal groups) acquired which classified as held for sale are measured in accordance with PSAK No. 58 (Revised 2009), "Non-current Assets Held for Sale and Discontinued Operations".

2.o. Intangible Assets

Goodwill

Goodwill arising in a business combination is recognized as an asset on the date that the control is acquired.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities taken over.

Goodwill is not amortized but is reviewed for impairment at least annually or more frequently when there is an indication that the goodwill may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorated on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in the subsequent period.

The negative goodwill that resulted from bargain purchases is recognized as gain in profit or loss. The gain is attributed to the acquirer.

If goodwill has been allocated to a cash-generating unit and certain operations on the cash-generating unit is stopped, the goodwill associated with discontinued operations are included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill removed is measured based on the relative value of discontinued operations and share of the cash-generating unit retained.

Cost of Software

Software costs are initially recognized at cost or amounts attributable to these assets in the first one recognized.

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

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2.p. Bond Issuance Cost

Bond issued is classified into the category of financial liabilities measured at amortized cost (see Note 2.x). Therefore, bond issuance cost is deducted directly from the 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 using the effective interest rate method.

2.q. Employee Benefits

The Group recognizes provisions for post-employment benefits in accordance with Labor Law No. 13/2003 and PSAK No. 24 (Revised 2010) "Employee Benefits". No funding is provided for this plan.

Short-term employee benefits

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

Post-employment Benefits

Post-employment benefits are 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 Group's common practices.

In calculating liabilities, the benefit must be discounted using the projected unit credit method. Past service cost recognized in profit or loss when the benefit become vested and recognized as expense with straight-line method for the average period of vested benefit. Accumulated unrecognized actuarial gain and loss that are more than 10% of the present value of defined benefit obligations are amortized using the straight line method over the remaining projected average service period of employees in the programme.

2.r. Difference in Value from Restructuring Transactions between Entities Under Common Control

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

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 the account "Difference in Value from Restructuring Transactions between Entities under Common Control" and is presented as a component of equity.

Since the adoption of PSAK No. 38, (Revised 2012) "Business Combination for Entities Under Common Control", started from January 1, 2013, this account can not be recognized as a realized gain or loss nor reclassified to retained earnings.

2.s. Derivative Financial Instruments

The Company only enters into derivative financial instrument contracts in order to hedge underlying exposures. Derivative financial instruments are recognised at their fair values. The method of recognising the resulting gains or losses is dependent on whether the derivative is designated as a hedging instrument for accounting purposes and the nature of the item being hedged. The Company designates derivatives as hedges of the foreign exchange rate risk associated with a recognised liability (cash flow hedge).

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Changes in the fair value of derivatives that are designated and qualify as cash flow hedges for accounting purposes and that are effective, are recognised in other comprehensive income. When a hedging instrument expires, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss in equity is recognised in profit or loss.

Changes in the fair value of derivatives that do not meet the criteria of hedging for accounting purposes are recorded in profit or loss.

The fair value measurements of foreign currency forward contracts have been determined by the independent valuer for contracts owned by the Company at the financial position date and calculated based on observable market foreign exchange rates.

Changes in the fair value of foreign currency forward contract designated as hedging instruments that effectively offset the variability of cash flows associated with the borrowings are recorded in other comprehensive income. The amounts are subsequently recognised in profit or loss as adjustments of the exchange rate differences of related underlying borrowing which is hedged on the same period in which the exchange rate differences affect earnings.

2.t. Revenue and Expense Recognition

The Group recognize revenues from the sale of real estate using the full accrual method. Revenues of real estate sales is fully recognized if the following conditions for each type of sale are met:

For the 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 selling price can be 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 and 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 on the part of the seller to construct a building on the land sold.

For the 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 selling price can 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 which represents a sale in substance and the seller does not have substantial continuing involvement with such property.

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

The revenue from shopping centers and apartments are recognized based on the 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;

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- 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 a percentage of actual activities accomplished to total development activities that need to be accomplished.

Cost of land lots sold is determined based on the 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 in the "Accrued Expenses" account which is presented in the consolidated statements of financial position. The difference between the estimated cost and the actual cost of construction or development is charged to "Cost of Sales" in the current year.

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

Rental revenue and other services is recognized based on their respective rental periods and when the services are rendered to the customers. Rental and membership paid in advances are presented as deferred income and recognized as revenue over the period benefit.

Expenses are recognized when incurred.

2.u. Income Tax

Final Income Tax

Final income tax expense is recognized proportionately with the accounting income recognized during the year. The difference between the final income tax paid and the final tax expense in the profit or loss for the period is recognized as prepaid tax or tax payable. If the income is already subjected to final income tax, the differences between the consolidated financial statements carrying value of existing assets and liabilities and their tax bases are not recognized as deferred tax assets or liabilities.

Non-Final Income Tax

Current income tax is calculated from taxable income, the earnings that have been adjusted to the appropriate tax rules.

Amendments to taxation liabilities are recorded when an assessment is received or, if appealed against, when the results of the appeal is determined.

Current tax assets and current tax liabilities are offset if, and only if, the entity:

- 1) has a legally enforceable right to set off the recognised amount; and
- 2) intends to settle in net basis, or realises and settles the asset and liability simultaneously.

All temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes are recognized as deferred tax using balance sheet liability method. Currently or substantially enacted tax rates are used to determine deferred income tax.

Deferred tax assets and deferred tax liabilities are offset if, and only if, the entity:

- 1) has a legally enforceable right to set off current tax asset against current tax liability; and
- 2) the deferred tax asset and the deferred tax liability relate to income taxes levied by the same tax authority on the same taxable entity.

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2.v. Earnings per Share

Basic earnings per share (EPS) is calculated by dividing profit attributable to ordinary shares holder of the parent entity by the weighted average number of common stocks in the one (1) reporting year.

Diluted EPS accounted for other securities potentially have dilutive effect to ordinary shares which are outstanding during the reporting year.

2.w. Segment Information

Operating segment is a component of an entity that engages in business activities whose operating results are regularly reviewed by the management and for which discrete financial information is available.

The Company organized its business into six (6) operating segments:

- (i) Urban development, which comprises, among others, activities in real estate, urban development, land acquisition and clearing, land development and excavation and infrastructure development.
- (ii) Large scale integrated development, which comprises, among others, activities in real estate in large scale integrated development project and its infrastructure development.
- (iii) Retail malls, which comprises among others, activities in real estate in development and management of shopping center.
- (iv) Healthcare, which comprises activities in health services.
- (v) Hospitality and infrastructure, which comprise, among others, activities in hotels, restaurants, town management and water and sewage treatment, recreation center, transportation and maintenance services.
- (vi) Property and portfolio management, which comprises, among others, activities in management services.

The above operating segments are strategic business units that offer different products and services. Products and services are managed separately because each business requires market strategies and different resources. The accounting policies for operating segments are the same as described in this summary of significant accounting policies.

2.x. Financial Instruments

Financial Assets

Financial assets are classified into four (4) categories, as follows (i) financial assets measured at fair value through profit or loss (FVTPL), (ii) loans and receivables, (iii) held-to-maturity financial assets (HTM financial assets) and (iv) available-for-sale financial assets (AFS financial assets). The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at initial recognition.

(i) Financial assets measured at FVTPL

Financial assets measured at FVTPL are financial assets which are held for trading. Financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments.

At the time of initial recognition, financial assets at fair value through profit or loss are recognized at fair value plus transaction costs and subsequently measured at fair value.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest rate method.

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(iii) HTM financial assets

HTM financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity, other than:

- a) Those that are designated as financial assets measured at FVTPL upon initial recognition;
- b) Those that are designated as AFS financial assets; and
- c) Those that meet the definition of loans and receivables.

These are initially recognized at fair value including transaction costs and are subsequently measured at amortized cost, using the effective interest rate method.

(iv) AFS financial assets

AFS financial assets are non-derivative financial assets that are intended to be held for an indefinite period of time, which might be sold in response to needs for liquidity or changes in interest rates, exchange rates or that are not classified as loans and receivables, HTM financial assets or financial assets measured at FVTPL.

AFS financial assets are initially recognized at fair value, plus transaction cost, and are measured subsequently at fair value with gains and losses being recognized in the consolidated statements of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial assets is derecognized. If AFS financial assets are determined to be impaired, the cumulative gain or loss previously recognized as other comprehensive income will be recognized as gain in the current year. Interest income is calculated using the effective interest method and foreign exchange gains or losses on monetary assets classified as AFS financial assets is recognized as gain or loss in the current year.

Impairment of Financial Assets

Financial assets, other than measured at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For listed and unlisted equity investments classified as AFS financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered to be an objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial asset, such as receivables, the impairment value of assets are assessed individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized as gain or loss in the current year.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in equity are reclassified to the consolidated statements of comprehensive income.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed as profit to the extent that the carrying amount of the investment on the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized as loss are not reversed through profit for the period. Any increase in fair value subsequent to an impairment loss is recognized directly to other comprehensive income.

Derecognition of Financial Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial Liabilities

Financial liabilities are classified into the category of (i) financial liabilities measured at FVTPL and (ii) financial liabilities measured at amortized cost.

(i) Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL are financial liabilities which are held for trading. A financial liability is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short term profit taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments.

(ii) Financial liabilities measured at amortized cost

Financial liabilities that are not classified as financial liabilities at FVTPL are categorized and measured at amortized cost using effective interest rate method.

Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

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Equity Instruments

Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The equity instruments issued by the Company are recognized at net proceeds after deducting the cost of its issuance and presented as part of equity as "Additional Paid-in Capital - Net" account.

Reacquisition of the Company's own equity instruments are recognized as treasury stock at cost and deducted from capital stock.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Effective Interest Rate Method

The effective interest method is a method used for calculating the amortized cost of a financial instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of financial assets at initial recognition.

Income is recognized on an effective interest basis for financial instruments other than financial instruments at fair value through profit or loss.

Fair Value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

PSAK No. 60, "Financial Instruments: Disclosures" requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price, while financial liabilities use ask price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as minimum as possible on estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

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2.y. Important Estimated Source of Uncertainty and Accounting Considerations

The preparation of financial statements in accordance with the Indonesian Financial Accounting Standards requires the management to make assumptions and estimates that could affect the carrying amounts of certain assets and liabilities at end of reporting year.

In the preparation of these consolidated financial statements, accounting assumptions have been made in the process of applying accounting policies that may affect the carrying amounts of assets and liabilities in financial statements. In addition, there are accounting assumptions about the sources of estimation uncertainty at end of reporting period that could materially affect the carrying amounts of assets and liabilities in the subsequent reporting year.

The management periodically reviews them to ensure that the assumptions and estimates have been made based on all relevant information available on the date in which the consolidated financial statements have been prepared. Because there is inherent uncertainty in making estimates, the value of assets and liabilities to be reported in the future might differ from those estimates.

i. Source of Uncertainty of Critical Accounting Estimates and Assumptions

At the reporting date, the management has made significant assumptions and estimates which have the most significant impact to the carrying amount recognized in the consolidated financial statements, as follows:

Allowance for Impairment of Receivable

In general, the management analyzes the adequacy of the allowance for impairment of receivable based on several data, which include analyzing historical bad debts, the concentration of each customer's accounts receivable, credit worthiness and changes in a given period of repayment. The analysis is carried out individually on a significant amount of accounts receivable, while the insignificant group of accounts receivable is carried on the collective basis. At the reporting date, the carrying amount of accounts receivable has been reflected at fair value and the carrying value may change materially in the subsequent reporting period, but the change, however, will not be attributable to the assumptions and estimates made as of this reporting date (see Note 4).

Deferred Tax Assets Estimation

Management considerations are needed to determine the amount of deferred tax recognized in the profit or loss and the amount recorded as deferred tax assets. Recognition is performed only if it is probable that the asset will be recovered in the form of economic benefits to be received in future periods, in which the temporary differences and tax losses can still be used. Management also considers the future estimated taxable income and strategic tax planning in order to evaluate its deferred tax assets in accordance with applicable tax laws and its updates. As a result, related to its inherent nature, it is likely that the calculation of deferred taxes is related to a complex pattern where assessment requires a judgment and is not expected to provide an accurate calculation (see Note 17.b).

Useful Lives of Property and Equipment Estimation

Management makes a periodic review of the useful lives of property and equipment based on several factors such as physical and technical conditions and development of medical equipment technology in the future. The results of future operations will be materially influenced by the change in estimate as caused by changes in the factors mentioned above. Changes in estimated useful life of property and equipment, if any, are prospectively treated in accordance with PSAK No. 25 (Revised 2010), "Accounting Policies, Changes in Accounting Estimates and Errors" (see Note 12).

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Post-employment Benefits

The present value of post-employment benefits liability depends on several factors that are determined by actuarial basis based on several assumptions. Assumptions used to determine the cost (income) include the discount rate. Changes in these assumptions will affect the carrying amount of post-employment benefits (see Note 23).

The Group determines the appropriate discount rate at end of reporting year by the interest rate used to determine the present value of future cash outflows expected to settle this obligation. In determining the appropriate level of interest rates, the Company considers the interest rate of government bonds denominated in Rupiah that has a similar period to the corresponding period of obligation. Other key assumption is partly determined by current market conditions, during the year in which the post-employment benefits liability is resolved. Changes in the employee benefits assumption will impact on recognition of actuarial gains or losses at the end of the year.

Fair Value of Financial Instruments

If the fair value of financial assets and liabilities recorded in the statement of financial position is not available in active market, it is determined using valuation techniques including the use of mathematical model. Input for this model derived from observable market data throughout the available data. When observable market data is not available, management judgment is required to determine the fair value. The considerations include liquidity and input models such as volatility for long-term derivative transactions and discount rates, prepayments, and default rate assumptions.

ii. Important Consideration in the Determination of Accounting Policies

The following judgment made by management in the application of the Group's accounting policies that have significant effect on the amounts presented in the financial statements:

Revenue Recognition - Percentage of Completion Method

Revenue from the sale of shopping centers and apartment units are recognized using the percentage of completion method. By this method, revenue is recognized proportionately with the cost that generates revenue. As a consequence, the sales proceeds that can not be recognized as revenue are recognized as a liability until the sale have met the criteria for revenue recognition.

To determine the percentage of completion of the development activities of shopping centers and apartment units, the management uses physical progress approach that is determined based on the survey report for each project or the part of project (e.g., for each tower of apartment). The management conducted a review of determination of the estimated percentage of completion and it realized that a negligence in determining the percentage of completion at the reporting date can result in revenue recognition errors for the subsequent reporting period, in which the material error correction will be carried out retrospectively (see Note 33).

Revenue Recognition – Professional Fees

Policy and billing system to the patient is an integral of over all charges consisted of consulting with the doctor, use of drugs and other medical procedures. Above the cost of consulting a doctor, the Hospital perform specific calculations for each doctor, make payments and tax cuts every month to the doctor, although a bill to the patient is not fully collectible. Management of the Group considered that there was no agency relationship between the hospital and its doctors, with consideration to the impact of the significant benefits and risks related to the provision of medical services by the doctors to patients. Bills for medical services are recognized as revenue when the recognition criteria are met (see Note 33).

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3. Cash and Cash Equivalents

	2013 Rp	2012 Rp
Cash on Hand		
(include 2013: USD 2,564, SGD 500, EUR 4,800, JPY 113,800, AUD 6,376 ; 2012: USD 3,250, SGD 500, EUR 4,800, JPY 113,800, AUD 6,376)	6,917,942,083	9,307,779,111
Cash in Banks		
Third Parties		
<u>Rupiah</u>		
PT Bank CIMB Niaga Tbk	172,388,811,892	129,707,798,230
PT Bank Negara Indonesia (Persero) Tbk	108,633,441,787	80,223,863,725
PT Bank Rakyat Indonesia (Persero) Tbk	56,199,268,479	12,333,502,387
PT Bank Central Asia Tbk	37,447,323,869	40,050,618,165
PT Bank Mandiri (Persero) Tbk	28,725,205,715	34,886,669,598
PT Bank Danamon Indonesia Tbk	14,143,614,618	9,848,253,087
PT Bank Permata Tbk	12,522,995,740	18,791,733,654
PT Bank Mega Tbk	10,502,477,916	11,194,542,012
PT Bank OCBC NISP Tbk	5,653,784,095	4,548,033,988
PT Bank Internasional Indonesia Tbk	4,856,944,917	3,115,268,104
PT Bank Tabungan Negara (Persero) Tbk	2,569,724,331	1,199,769,407
PT Bank Pan Indonesia Tbk	1,706,452,872	18,319,316,504
Others (each below Rp1 billion)	2,115,802,968	8,638,664,103
<u>Foreign Currency</u>		
PT Bank CIMB Niaga Tbk		
USD	43,108,251,058	27,145,353,240
SGD	83,987,325,088	295,514,138,459
OCBC Bank, Singapore - SGD	65,039,895,534	28,267,161,278
PT Bank OCBC NISP Tbk		
USD	1,866,372,021	2,353,813,380
SGD	17,328,680,824	75,788,595
EUR	104,678,765	49,213,168
PT Bank Mega Tbk		
USD	3,400,340,708	381,365,460
SGD	3,466,320,893	3,482,361,405
PT Bank ANZ Indonesia		
USD	2,086,378,332	--
AUD	1,759,399,666	--
EUR	1,433,499,312	--
PT Bank International Indonesia Tbk - USD	3,692,834,833	--
BNP Paribas, Singapore		
USD	2,729,567,119	--
SGD	620,518,246	--
PT Bank Negara Indonesia (Persero) Tbk - USD	2,403,157,786	121,198,365
PT Bank Permata Tbk - USD	1,466,219,564	2,859,419
Credit Suisse, Singapore		
USD	1,294,267,979	18,127,072,560
SGD	--	2,692,942,339
DBS Bank, Singapore		
USD	--	299,218,810
SGD	--	50,263,035,739

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	<u>2013</u> Rp	<u>2012</u> Rp
Deutchbank, Singapore		
USD	--	8,677,055,390
EUR	--	15,295,140
Others (each below Rp1 billion)	1,438,883,785	659,654,721
Related Party		
<u>Rupiah</u>		
PT Bank Nationalnobu Tbk	335,256,404,263	98,581,620,560
	<u>1,029,948,844,975</u>	<u>909,567,180,992</u>
Time Deposits		
Third Parties		
<u>Rupiah</u>		
PT Bank CIMB Niaga Tbk	390,258,911,766	518,524,424,084
PT Bank Negara Indonesia (Persero) Tbk	219,494,703,751	127,292,560,884
PT Bank Mega Tbk	47,500,000,000	188,912,845,253
PT Bank Mandiri (Persero) Tbk	8,627,025,852	120,459,344,960
PT Bank Mayapada International Tbk	6,120,774,394	5,289,606,244
PT Bank Rakyat Indonesia (Persero) Tbk	2,725,066,950	25,292,443,862
PT Bank Permata Tbk	1,237,470,512	47,832,276,000
PT Bank Danamon Indonesia Tbk	725,400,000	16,202,900,000
PT Bank Internasional Indonesia Tbk	373,235,000	8,900,000,000
PT Bank ICBC Indonesia	--	40,915,867,706
Others (each below Rp1 billion)	834,355,123	5,580,079,999
<u>Foreign Currency</u>		
PT Bank Permata Tbk - USD	61,310,396,723	--
Credit Suisse, Singapore		
USD	24,403,874,322	--
SGD	12,223,658,012	--
OCBC Bank, Singapore - SGD	29,052,856,731	23,809,601,018
PT Bank OCBC NISP Tbk - USD	12,189,000,000	467,216,209,399
PT Bank CIMB Niaga Tbk - USD	108,264,767	324,053,264,767
PT Bank ICBC Indonesia - USD	--	293,807,631,270
BNP Paribas, Singapore - USD	--	204,393,392,370
Related Party		
<u>Rupiah</u>		
PT Bank Nationalnobu Tbk	1,000,000,000	--
	<u>818,184,993,903</u>	<u>2,418,482,447,816</u>
Total	<u><u>1,855,051,780,961</u></u>	<u><u>3,337,357,407,919</u></u>

Contractual interest rates and maturity period of the time deposits are as follows:

	<u>2013</u>	<u>2012</u>
Interest Rate		
Rupiah	3.00% - 6.50%	3.00% - 6.50%
Foreign Currency	0.50% - 3.00%	0.50% - 3.00%
Maturity Period	0 - 3 months	0 - 3 months

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4. Trade Accounts Receivable

	2013 Rp	2012 Rp
Third Parties		
Urban Development:		
Land Lots	38,368,526,368	47,118,798,821
Asset Enhancements	37,201,571,842	9,636,491,706
Memorial Park	22,892,208,206	26,217,649,551
Residential Houses and Shophouses	13,049,988,562	19,077,568,342
Others	15,820,046,145	18,594,881,282
Subtotal	<u>127,332,341,123</u>	<u>120,645,389,702</u>
Large Scale Integrated Development:		
Apartments	74,172,268,058	47,602,891,467
Asset Enhancements	13,785,747,741	11,785,585,241
Subtotal	<u>87,958,015,799</u>	<u>59,388,476,708</u>
Retail Malls:		
Asset Enhancements	96,176,489,419	42,368,048,834
Shopping Centers	21,791,834,450	22,622,841,440
Subtotal	<u>117,968,323,869</u>	<u>64,990,890,274</u>
Healthcare:		
Inpatient and Outpatient	277,104,499,727	190,063,131,836
Hospitality and Infrastructure:		
Town Management and Water Treatment	117,333,032,589	102,204,239,435
Hotels and Restaurants	17,134,765,612	19,629,084,137
Recreations and Sports	91,729,932	109,368,310
Others	1,564,102,391	2,396,541,858
Subtotal	<u>136,123,630,524</u>	<u>124,339,233,740</u>
Property and Portfolio Management:		
Management Fees	72,819,087,284	78,242,646,521
Total Trade Accounts Receivable from Third Parties	<u>819,305,898,326</u>	<u>637,669,768,781</u>
Less : Allowance for Impairment in Value	<u>(50,066,447,517)</u>	<u>(46,463,775,446)</u>
Trade Accounts Receivable from Third Parties - Net	<u>769,239,450,809</u>	<u>591,205,993,335</u>
Related Parties		
Healthcare:		
Inpatient and Outpatient	2,432,208,891	3,171,020,453
Total - Net	<u><u>771,671,659,700</u></u>	<u><u>594,377,013,788</u></u>

The movements in allowances for impairment of receivables are as follows:

	2013 Rp	2012 Rp
Third Parties		
Balance of January 1,	46,463,775,446	44,731,336,807
Addition	3,860,486,607	1,732,438,639
Reversal	(257,814,536)	--
Balance of December 31,	<u><u>50,066,447,517</u></u>	<u><u>46,463,775,446</u></u>

Additional (reversal) of allowance for impairment of trade accounts receivable is based on the review of the status of debtors at the end of the year.

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

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Trade accounts receivable of PT Golden First Atlanta, a subsidiary, are pledged as collateral for the loans obtained from PT Bank Central Asia Tbk (see Note 21).

Trade accounts receivable denominated in Rupiah currency and foreign currencies. Trade accounts receivable in foreign currencies are presented in Notes 41 and 43.

5. Other Current Financial Assets

	2013	2012
	Rp	Rp
Third Parties		
Available-for-Sale Financial Assets	5,109,971,815,786	4,158,569,472,925
Call Spread Option (See Note 39.d)	1,089,358,745,423	101,878,348,847
Other Accounts Receivable	466,879,928,946	287,579,069,808
Dividend Receivable	112,271,998,095	55,409,100,016
Total	6,778,482,488,250	4,603,435,991,596

Available-for-Sale Financial Assets

	2013	2012
	Rp	Rp
At Cost		
Lippo Malls Indonesia Retail Trust (LMIRT) (2013: 676,589,968 units; 2012: 661,994,507 units)	2,794,469,203,850	2,239,947,255,131
First REIT (2013: 235,807,453 units; 2012: 190,148,936 units)	1,842,887,452,629	1,021,397,175,693
Foreign Exchange Translation	48,566,393,120	4,919,478,581
Accumulated Unrealized Gain (Loss):		
Charged to Profit or Loss	(1,949,311,917)	(1,949,311,917)
Charged to Other Comprehensive Income	425,998,078,104	894,254,875,437
Total	5,109,971,815,786	4,158,569,472,925

Available-for-Sale Financial Assets is an investment in REIT's units which are listed on the Singapore Stock Exchange. The quoted market price of REIT units as of December 31, 2013 and 2012 are SGD 1.060 and SGD 1.060, respectively, for First REIT units, and SGD 0.415 and SGD 0.490, respectively, for LMIR Trust units.

Other Accounts Receivable

	2013	2012
	Rp	Rp
PT Dasa Graha Jaya	75,345,005,905	--
PT Bayutama Sukses	70,190,133,700	70,390,133,700
PT Bina Bangun Bersama	53,572,613,715	35,594,938,918
PT Palembangparagon Mall	25,163,567,059	25,163,567,059
PT Amanda Cipta Utama	14,789,445,540	14,789,445,540
Others	234,172,456,989	147,994,278,553
Subtotal	473,233,222,908	293,932,363,770
Less: Allowance for Impairment in value	(6,353,293,962)	(6,353,293,962)
Total - Net	466,879,928,946	287,579,069,808

Receivables from PT Dasa Graha Jaya arisen from the sale of land and building of Siloam Hospitals Bali (see Note 39.b).

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Receivables from PT Bayutama Sukses arisen from the sale of land and building of Siloam Hospitals Makassar (see Note 39.b).

Receivables from PT Bina Bangun Bersama represents loan for capital expenditures.

Receivables from PT Palembangparagon Mall (PM) represents loan for capital expenditures before PM was divested.

Receivables from PT Amanda Cipta Utama, are receivables incurred from the sale of shopping center (Mall Binjai) to PT Amanda Cipta Utama, a subsidiary of LMIR Trust.

The Group's management believes that allowance for impairment is adequate to cover the possibility of uncollectible other accounts receivable.

Dividend Receivable

This account represents dividend receivable of Bridgewater International Ltd., PT Menara Tirta Indah, Bowsprit Capital Corporation Ltd. and LMIRT Management Ltd, all subsidiaries, from their investments in First REIT and LMIR Trust, respectively.

6. Inventories

	2013 Rp	2012 Rp
Urban Development:		
Land under Development	5,835,056,245,467	4,441,343,827,753
Residential Houses and Shophouses	1,830,309,020,890	1,321,841,687,126
Apartments	60,095,656,897	145,422,589,589
Others	8,110,616,280	7,793,803,941
Subtotal	<u>7,733,571,539,534</u>	<u>5,916,401,908,409</u>
Large Scale Integrated Development:		
Shopping Centers	2,066,832,820,104	1,490,437,382,066
Land under Development	1,707,783,618,492	956,703,559,877
Apartments	1,085,315,718,504	1,014,367,240,165
Subtotal	<u>4,859,932,157,100</u>	<u>3,461,508,182,108</u>
Retail Malls:		
Shopping Centers	1,018,866,295,705	866,024,872,411
Land under Development	179,719,926,627	180,405,712,678
Subtotal	<u>1,198,586,222,332</u>	<u>1,046,430,585,089</u>
Healthcare:		
Medical and Non Medical Supplies	<u>94,831,081,782</u>	<u>75,351,731,878</u>
Hospitality and Infrastructure:		
Hotels and Restaurants	5,820,005,886	4,465,066,863
Recreation and Sports	1,161,141,082	357,549,757
Others	146,716,034	434,054,980
Less: Allowances Decline in Inventories Value	(39,505,683)	(39,505,683)
Subtotal	<u>7,088,357,319</u>	<u>5,217,165,917</u>
Total - Net	<u>13,894,009,358,067</u>	<u>10,504,909,573,401</u>

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In 2013, inventory was reclassified to property and equipment amounting to Rp141,375,080,787 (see Note 12).

In 2012, property and equipment was reclassified to inventory amounting to Rp285,353,263,373 (see Note 12).

Borrowing costs have been capitalized into land under development for the years ended December 31, 2013 and 2012 amounting to Rp989,553,824,500 (interest expense bond amounted to Rp459,290,949,723) and Rp373,269,545,889 (interest expense bond amounted to Rp369,947,553,880), respectively (see Note 22).

As of December 31, 2013, land under development consisted of land covering a net area of approximately 32 hectares in Kelapa Dua and Bencong Village, 11 hectares in Jalan Lingkar Luar Barat - Puri Kembangan, 15 hectares in Mampang Prapatan District, 20 hectares in West Panunggangan Village, 26 hectares in Binong Village, 2 hectares in Kelapa Indah Village, 9 hectares in Bonang Village, 20 hectares in Sukanagalih Village, 97 hectares in Margakaya Village, Telukjambe, Karawang, 114 hectares in Cibatuh Village, 22 hectares in Serang Village, 30 hectares in Sukaresmi Village, 12 hectares in Cicau Village, 3 hectares in Kuta, Bali, 41 hectares in Jaya Mukti Village, 19 hectares in Tanjung Merdeka Village, 23 hectares in Macini Sombala Village, 13 hectares in Tamanyeleng Village, 32 hectares in Barombong Village and 14 hectares in Mariso District.

Medical supplies and consumables of PT Golden First Atlanta, a subsidiary, are pledged as collateral for the loan obtained from PT Bank Central Asia Tbk (see Note 21).

Land under development owned by PT Lippo Cikarang Tbk, a subsidiary, with a total area of 3.9 hectares are pledged as collateral for the loans obtained from PT Bank ICBC Indonesia (see Note 39.e).

The amount of inventory charged to cost of sales amounted to Rp2,073,646,015,520 and Rp3,262,098,191,629, respectively, for the years ended December 31, 2013 and 2012.

Management believes there is no indication of change in circumstances that causes a decrease in the value of inventories at December 31, 2013.

The Group's inventories have been insured against all risks, based on a certain insurance policy package to PT Lippo General Insurance Tbk, related party, with the insured amount of Rp5,701 billion and USD 13,600,000, and Rp6,186 billion as of December 31, 2013 and 2012, respectively. The Company and subsidiaries' management believe that the insured amount is adequate to cover any possible losses.

7. Prepaid Expenses

	2013 Rp	2012 Rp
Rental	108,460,748,566	92,532,188,011
Others	29,398,168,935	16,682,708,705
Total	137,858,917,501	109,214,896,716

Prepaid expenses mainly represent rental of hospital and hotel properties leased from First REIT (see Note 39.b).

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8. Other Non-Current Financial Assets

	2013 Rp	2012 Rp
Restricted Funds	460,469,077,258	344,302,236,769
Other Investments	58,329,023,011	58,329,023,011
Total	518,798,100,269	402,631,259,780

Restricted Funds

Restricted fund represents the Group's time deposits placement in relation to mortgages agreements (KPR and KPA) entered by the Group with their respective banks. These deposits earn an equal interest to the Rupiah's denominated time deposits owned by the Group (see Note 3).

Other Investments

	Domicile	2013 Rp	2012 Rp
PT Supermal Karawaci	Tangerang	57,372,704,000	57,372,704,000
PT East Jakarta Industrial Park	Jakarta	766,935,000	766,935,000
PT Spinindo Mitradaya	Jakarta	160,000,000	160,000,000
Others	--	29,384,011	29,384,011
Total		58,329,023,011	58,329,023,011

This account represents investment in shares below 20% of ownership in some companies which do not have quoted stock market prices.

9. Transactions and Balances with Related Parties

The details of the account balances with related parties are as follows:

	2013 Rp	2012 Rp	Percentage to Total Assets/ Liabilities	
			2013 %	2012 %
Cash and Cash Equivalents				
PT Bank Nationalnoba Tbk				
Bank	335,256,404,263	98,581,620,560	1.07	0.40
Time Deposits	1,000,000,000	--	0.00	--
Total Cash and Cash Equivalents	336,256,404,263	98,581,620,560	1.07	0.40
Trade Accounts Receivable				
Other (below Rp1 billion each)	2,432,208,891	3,171,020,453	0.01	0.01
Investments in Associates				
PT Surya Citra Investama	66,551,763,917	62,584,037,469	0.21	0.25
PT TTL Residences	28,031,250,000	--	0.09	--
PT Graha Teknologi Nusantara	15,295,000,000	--	0.05	--
PT Hyundai Inti Development	11,284,752,744	14,404,600,538	0.04	0.06
Other (below Rp1 billion each)	9,268,729,735	8,795,000,683	0.03	0.04
Total Investments in Associates	130,431,496,396	85,783,638,690	0.42	0.34

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	2013 Rp	2012 Rp	Percentage to Total Assets/ Liabilities	
			2013 %	2012 %
Due from Related Parties Non-Trade				
PT Bumi Lemahabang Permai	9,919,451,291	9,919,451,291	0.03	0.04
PT Duta Mas Kharisma Indah	4,891,935,451	4,891,935,451	0.02	0.02
Directors and Key Management	2,151,716,974	4,251,241,489	0.01	0.02
Other (below Rp1 billion each)	4,778,993,206	4,402,722,149	0.02	0.02
Total	21,742,096,922	23,465,350,380	0.07	0.09
Less : Allowance for Impairment in Value	(12,004,700,338)	(12,004,700,338)	(0.04)	(0.05)
Total Due from Related Parties Non-Trade - Net	9,737,396,584	11,460,650,042	0.03	0.05
Due to Related Parties Non-Trade				
PT Tirta Graha Sentana	2,215,692,479	2,215,692,479	0.01	0.02
Other (below Rp1 billion each)	1,612,599,640	973,301,917	0.01	0.01
Total Due to Related Parties Non-Trade	3,828,292,119	3,188,994,396	0.02	0.03
Deferred Income				
PT Matahari Putra Prima Tbk	561,270,815,716	576,888,263,544	3.28	4.31
Long-Term Post-Employment Benefits Liability				
Directors and Key Management	8,776,903,677	8,604,807,526	0.05	0.06
			Percentage to Total Net Sales/ Operating Expense	
	2013 Rp	2012 Rp	2013 %	2012 %
Revenues				
PT Matahari Putra Prima Tbk	15,623,549,612	15,596,091,603	0.23	0.25
Short-Term Post-Employment Benefits				
Directors, Commissioners and Key Management	46,813,837,437	36,044,707,147	3.05	2.68

Nature of transactions with related parties are as follows:

Related Parties	Relationship with the Company	Transactions
PT Matahari Putra Prima Tbk	Under Common Control	Deferred income and net sales
PT Bumi Lemahabang Permai	Under Common Control	Non-interest bearing intercompany charges, advances in connection with the cancellation of land
PT Surya Cipta Investama	Associate	Investment in shares of stock
PT Hyundai Inti Development	Associate	Investment in shares of stock
PT TTL Residences	Associate	Investment in shares of stock
PT Graha Teknologi Nusantara	Associate	Investment in shares of stock
PT Bank Nationalnoba Tbk	Under Common Control	Placement of cash and cash equivalent
PT Duta Mas Kharisma Indah	Under Common Control	Non-interest bearing intercompany charges
PT Tirta Graha Sentana	Under Common Control	Non-interest bearing intercompany charges

Receivable from PT Bumi Lemahabang Permai (BLP) represents receivable of PT Lippo Cikarang Tbk (LC), a subsidiary, which is mainly consist of non-interest bearing intercompany accounts from operational cost which are unsecured and has no fixed repayment period.

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10. Investments in Associates

	Domicile	Percentage of Ownership	2013			Carrying Value
			Acquisition Cost	Accumulated Share in Profit (Loss) of Associates	Accumulated Dividend Received	
		%				Rp
PT Surya Cipta Investama	Bekasi	49.81	32,964,983,496	33,586,780,421	--	66,551,763,917
PT Hyundai Inti Development	Bekasi	45.00	6,155,423,370	93,914,203,236	(88,784,873,862)	11,284,752,744
PT TTL Residences	Bekasi	25.00	28,031,250,000	--	--	28,031,250,000
PT Graha Teknologi Nusantara	Jakarta	20.00	15,295,000,000	--	--	15,295,000,000
Others (below Rp5 billion each)			25,143,494,000	(15,874,764,265)	--	9,268,729,735
Total			107,590,150,866	111,626,219,392	(88,784,873,862)	130,431,496,396

	Domicile	Percentage of Ownership	2012			Carrying Value
			Acquisition Cost	Accumulated Share in Profit (Loss) of Associates	Accumulated Dividend Received	
		%				Rp
PT Surya Cipta Investama	Bekasi	49.81	32,964,983,496	29,619,053,973	--	62,584,037,469
PT Hyundai Inti Development	Bekasi	45.00	6,155,423,370	89,834,051,030	(81,584,873,862)	14,404,600,538
Others (below Rp5 billion each)			25,143,494,000	(16,348,493,317)	--	8,795,000,683
Total			64,263,900,866	103,104,611,686	(81,584,873,862)	85,783,638,690

The following is a summary of financial information on associates as of December 31, 2013 and 2012:

	2013	2012
	Rp	Rp
Total Agregat of Assets	227,654,875,973	185,839,876,551
Total Agregat of Liabilities	22,672,880,959	27,307,308,499
Total Agregat of Current Year Net Sales and Revenues	87,544,591,711	91,237,087,559
Total Agregat of Profit of the Year	21,136,365,153	26,763,975,647
Total Investments	359,008,713,796	331,148,248,256

There was no fair value information available based on quoted market prices of the investment in associates above.

11. Investment Property

	2013				
	Beginning Balance	Addition	Deduction	Reclassification	Ending Balance
	Rp	Rp	Rp	Rp	Rp
Acquisition Cost					
Land	55,213,852,732	987,171,476	--	--	56,201,024,208
Building	300,367,484,281	21,924,768,594	--	--	322,292,252,875
Total Acquisition Cost	355,581,337,013	22,911,940,070	--	--	378,493,277,083
Accumulated Depreciation					
Building	53,835,480,132	18,296,691,743	--	--	72,132,171,875
Total Accumulated Depreciation	53,835,480,132	18,296,691,743	--	--	72,132,171,875
Carrying Value	301,745,856,881				306,361,105,208

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	2012				Ending Balance Rp
	Beginning Balance Rp	Addition Rp	Deduction Rp	Reclassification Rp	
Acquisition Cost					
Land	109,240,988,060	--	54,027,135,328	--	55,213,852,732
Building	490,646,909,910	10,981,513,930	201,260,939,559	--	300,367,484,281
Total Acquisition Cost	<u>599,887,897,970</u>	<u>10,981,513,930</u>	<u>255,288,074,887</u>	--	<u>355,581,337,013</u>
Accumulated Depreciation					
Building	71,487,590,028	14,828,838,505	32,480,948,401	--	53,835,480,132
Total Accumulated Depreciation	<u>71,487,590,028</u>	<u>14,828,838,505</u>	<u>32,480,948,401</u>	--	<u>53,835,480,132</u>
Carrying Value	<u>528,400,307,942</u>				<u>301,745,856,881</u>

Decrease of investment properties in 2012 due to selling of equity investment in PT Panca Permata Pejaten to LMIR Trust (see Note 1.c).

Rental revenue earned and direct operating expenses from investment property in the consolidated statements of comprehensive income are as follows:

	2013 Rp	2012 Rp
Rental Income	55,125,853,798	101,125,103,568
Direct Operating Cost Arises from the Rental Generated Investment Properties	31,616,560,654	49,873,198,986

Depreciation charges that were allocated in the consolidated statements of comprehensive income are as follows:

	2013 Rp	2012 Rp
Cost of Sales and Services	3,704,071,207	3,201,413,898
Selling Expense	14,592,620,536	11,627,424,607
Total	<u>18,296,691,743</u>	<u>14,828,838,505</u>

The investment property has been insured against fire damage and other risks to PT Lippo General Insurance Tbk, related party, with an insured amount of Rp1,490 billion and USD 25,000 as of December 31, 2013, and Rp614.8 billion and USD 2,000,000 as of December 31, 2012, respectively. The Company and subsidiaries' management is in the opinion that the insured amount is adequate to cover any possible losses.

Based on the valuation reports of Kantor Jasa Penilai Publik Rengganis Hamid dan Rekan and Kantor Jasa Penilai Publik Ihot Dollar & Raymond, independent appraisers which are not related with the Company, dated June 30, 2013 and June 11, 2013, respectively, the fair value of all inventories (Note 6), investment property, and property and equipment (Notes 11 and 12), amounted to Rp46,653,601,000,000. The appraisers are member of MAPPI and has appropriate qualifications and experience in the property valuation. The valuation is conducted using the market data approach and in accordance with the Indonesian Valuation Standard 2007 and the code of ethics of Indonesian valuation.

The approach used by the appraiser are:

1. For land appraisal, using the market value approach, and
2. For the building, using the cost approach.

Management believes that the fair value as of December 31, 2013 was not impaired as compared to 2012.

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	2012				Ending Balance Rp
	Beginning Balance Rp	Addition Rp	Deduction Rp	Reclassification Rp	
Accumulated Depreciation					
Direct Ownership					
Building, Infrastructure and Renovations	151,771,574,603	31,063,570,604	--	--	182,835,145,207
Parks and Interiors	18,299,327,948	1,336,132,055	--	--	19,635,460,003
Golf Course and Club House	123,826,915,440	9,813,252,835	--	--	133,640,168,275
Transportation Equipment and Vehicles	22,347,773,749	2,274,594,578	--	--	24,622,368,327
Furniture, Fixtures and Office Equipment	301,884,200,445	25,909,707,147	13,206,767,013	--	314,587,140,579
Tools and Medical Equipment	235,936,433,368	106,093,635,684	1,290,958,111	--	340,739,110,941
Machinery and Project Equipment	95,984,965,261	39,400,398,543	825,821,911	--	134,559,541,893
Bowling Machinery	14,304,450,908	32,571,060	--	--	14,337,021,968
Playground Areas	3,135,746,092	--	--	--	3,135,746,092
Total Accumulated Depreciation	<u>967,491,387,814</u>	<u>215,923,862,506</u>	<u>15,323,547,035</u>	<u>--</u>	<u>1,168,091,703,285</u>
Carrying Value	<u>1,556,124,819,331</u>				<u>2,222,377,300,854</u>

In 2013, the addition of property and equipment including from the acquired entity (see Notes 1.c and 44) with the acquisition cost of Rp 246,927,708,694 and accumulated depreciation of Rp29,272,544,334.

In 2013, the Group reclassified inventory to property and equipment amounting to Rp141,375,080,787 (see Note 6). The addition of the Group's property and equipment, including non-cash transactions from accrued expenses amounted to Rp36,097,496,473 and realization of advance purchase of fixed assets amounting to Rp141,582,484,925. The deduction of buildings, infrastructure and renovation include deduction due to divestment of a subsidiary (see Note 1.c) amounting to Rp700,000,000,000.

In 2012, the Group reclassified property and equipment to inventory amounting to Rp285,353,263,373 (see Note 6). The additions to property and equipment above include assets acquired by non-cash transaction by way of realization of advances amounting to Rp8,271,743,937 and the addition of property and equipment includes assets from the acquired entity (see Note 1.c) with the acquisition cost amounting to Rp335,173,270,871 and accumulated depreciation amounting to Rp21,476,460,307.

Construction in progress includes hospitals and mall buildings. As of December 31, 2013, Construction in progress has reached 5% - 95% and estimated the completion within April 2014 until October 2015. Management believes there is no other matter which will hinder the completion.

Depreciation charges that were allocated in the consolidated statements of comprehensive income are as follows:

	2013 Rp	2012 Rp
General and Administrative Expenses	114,291,899,833	102,723,861,970
Cost of Sales and Services	152,004,745,205	88,386,221,967
Selling Expenses	4,002,644,211	3,337,318,262
Total	<u>270,299,289,249</u>	<u>194,447,402,199</u>

Acquisition cost of property and equipment that have been fully depreciated and still in use as of December 31, 2013 and 2012 amounted Rp105,177,098,020 and Rp98,162,712,565, respectively.

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Details of the disposal on property and equipment of the Group for the years ended December 31, 2013 and 2012 are as follows:

	2013 Rp	2012 Rp
Acquisition Cost	286,675,568,900	131,688,491,522
Accumulated Depreciation	20,405,148,702	15,323,547,035
Carrying Value	266,270,420,198	116,364,944,487
Selling Price	814,869,309,976	467,759,850,643
Gain on Sale of Property and Equipment	548,598,889,778	351,394,906,156
Deferred Gain on Sale and Lease Back Transactions (Note 26)	475,274,403,794	342,161,558,000
Gain Credited to the Consolidated Statement of Comprehensive Income	73,324,485,984	9,233,348,156

In 2013, disposal on property and equipment of the Group mainly from sale of land and building of Siloam Hospitals Bali with carrying value amounting to Rp200,836,972,996 on March 26, 2013 and then leased back those assets (see Note 39.b) and the sale of the building by PT Almaron Perkasa, a subsidiary, to PT Tritunggal Mulia Nusantara with carrying value amounting to Rp62,502,955,497.

In 2012, disposal on property and equipment of the Group mainly from sale of land and building of Siloam Hospitals Makassar with carrying value amounting to Rp116,409,170,833 on November 30, 2012 and then leased back those assets (see Note 39.b).

Land and building, infrastructure, machinery and tools and medical equipment of PT Balikpapan Damai Husada, a subsidiary, are pledged as collateral for loan obtained from Bank Pembangunan Daerah Kalimantan Timur (see Note 21).

Land and building, vehicles, furniture, fixtures and office equipment and tools and medical equipment of PT Golden First Atlanta, a subsidiary, were pledged as collateral for loan obtained from PT Bank Central Asia Tbk (see Note 21).

There is no borrowing cost capitalized into property and equipment.

The Group property and equipment have been insured to PT Lippo General Insurance Tbk, related party, against fire damage and other risks, with insured amount of Rp2,039 billion and USD 4,000,000 as of December 31, 2013 and amounting to Rp2,357.8 billion, SGD 11,250,344 and USD 37,749,246 as of December 31, 2012, respectively. The Group's management is in the opinion that the insured amount is adequate to cover any possible losses.

The Group's management is in the opinion that there is no impairment in the carrying value of property and equipment as of December 31, 2013.

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13. Intangible Assets

	2013			
	Beginning Balance	Addition	Deduction	Ending Balance
	Rp	Rp	Rp	Rp
Acquisition Cost				
Goodwill	208,279,265,320	126,372,945,111	--	334,652,210,431
Software	19,053,913,246	1,981,937,537	--	21,035,850,783
Total Acquisition Cost	227,333,178,566	128,354,882,648	--	355,688,061,214
Accumulated Impairment and Amortization				
Impairment of Goodwill	9,099,999,902	9,560,604,416	--	18,660,604,318
Amortization of Software	3,595,604,556	1,590,878,929	--	5,186,483,485
Total Accumulated Impairment and Amortization	12,695,604,458	11,151,483,345	--	23,847,087,803
Carrying Value	214,637,574,108			331,840,973,411
	2012			
	Beginning Balance	Addition	Deduction	Ending Balance
	Rp	Rp	Rp	Rp
Acquisition Cost				
Goodwill	209,541,539,862	59,737,725,458	61,000,000,000	208,279,265,320
Software	12,046,610,389	7,007,302,857	--	19,053,913,246
Total Acquisition Cost	221,588,150,251	66,745,028,315	61,000,000,000	227,333,178,566
Accumulated Impairment and Amortization				
Impairment of Goodwill	9,099,999,902	--	--	9,099,999,902
Amortization of Software	2,211,654,497	1,383,950,059	--	3,595,604,556
Total Accumulated Impairment and Amortization	11,311,654,399	1,383,950,059	--	12,695,604,458
Carrying Value	210,276,495,852			214,637,574,108

The details of goodwill are as follows:

Acquirer Entity	Share Acquisition in	Year of Acquisition	Net Value	
			2013 Rp	2012 Rp
PT Koridor Usaha Maju	PT Medica Sarana Traliansia	2013	126,297,825,734	--
PT Lippo Malls Indonesia	PT Mulia Citra Abadi	2012	20,247,679,428	20,247,679,428
PT Persada Mandiri Dunia Niaga	PT Ekaputra Kencana Abadi	2012	15,050,000,000	15,050,000,000
PT Primakreasi Propertindo	PT Bimasakti Jaya Abadi	2012	9,509,000,000	9,509,000,000
PT Pancawarna Semesta	PT Diagram Healthcare Indonesia	2012	9,251,046,030	9,251,046,030
PT Primakreasi Propertindo	PT Surya Megah Lestari	2012	5,680,000,000	5,680,000,000
PT Prawira Tata Semesta	PT Balikpapan Damai Husada	2011	27,480,578,103	27,480,578,103
PT Siloam International Hospitals	PT Prawira Tata Semesta	2011	14,146,465,217	14,146,465,217
PT Siloam International Hospitals	PT Guchi Kencana Emas	2011	3,540,326,235	3,540,326,235
PT Medika Sarana Traliansia	PT Trisaka Raksa Waluya	2010	75,119,377	--
PT Berkat Langgeng Jaya	PT Pamor Paramita Utama	2008	9,770,787,707	9,770,787,707
PT Wahana Usaha Makmur	PT Adhi Utama Dinamika	2008	8,774,146,934	8,774,146,934
PT Primakreasi Propertindo	PT Graha Solusi Mandiri	2007	--	9,560,604,416
PT Graha Jaya Pratama	PT Nuansa Indah Lestari	2004	38,110,462,048	38,110,462,048
PT Graha Jaya Pratama	PT Fajar Usaha Semesta	2004	8,186,375,658	8,186,375,658
PT Graha Jaya Pratama	PT Fajar Raya Cemerlang	2004	7,929,625,658	7,929,625,658
PT Graha Jaya Pratama	PT Aresta Permata Utama	2004	5,971,083,992	5,971,083,992
PT Graha Jaya Pratama	PT Fajar Abadi Aditama	2004	5,971,083,992	5,971,083,992
Total - Net			315,991,606,113	199,179,265,418

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The management believes that the indentified impairment that occurred for the years ended December 31, 2013 and 2012 have been assessed adequately.

Decrease in goodwill is due to the obligation of the PT Metropolis Propertindo Utama (MPU) as seller to pay compensation to PT Siloam International Hospitals Tbk (as acquirer) since the respective Net Profit After Tax (NPAT) of PT Guchi Kencana Emas and PT Prawira Tata Semesta as set forth in the purchase agreement of both companies was not achieved, as follows:

- Based on Agreement dated November 2, 2010, between PT Siloam International Hospitals Tbk (SIH) and MPU on the acquisition of PT Prawira Tata Semesta (PTS), MPU guaranteed that Net Profit After Tax (NPAT) of PT Balikpapan Damai Husada (BDH), a subsidiary of PTS, would amount to Rp17,000,000,000 in 2011, and if the said NPAT does not materialize, which this is the case, MPU will provide compensation amounting to Rp41,000,000,000 to SIH. This compensation was fully paid on May 30, 2012 and recorded as a reduction of goodwill.
- Based on Agreement dated October 26, 2010, between SIH and MPU on the acquisition of PT Guchi Kencana Emas (GKE), MPU guaranteed that Net Profit After Tax (NPAT) of PT Golden First Atlanta (GFA), a subsidiary of GKE, would amount to Rp6,400,000,000 in 2011, and if the said NPAT does not materialize, which is the case, MPU will provide compensation amounting to Rp20,000,000,000 to SIH. This compensation was fully paid on May 30, 2012 and recorded as a reduction of goodwill.

14. Advances

	2013	2012
	Rp	Rp
Advances for Land Acquisition	622,100,496,508	342,033,328,425
Advances for Investments - PT Anugerah Bahagia Abadi	502,400,000,000	502,400,000,000
Advances for Construction	208,339,100,001	32,311,222,654
Advances for Acquisition of Property and Equipment	93,978,166,821	141,743,826,536
Others	29,611,986,498	61,348,786,168
Total	1,456,429,749,828	1,079,837,163,783

On January 7, 2013, PT Lippo Cikarang Tbk (LC), a subsidiary, made an amendment on land sales and purchase agreement which was signed on December 2012 for purchase consideration of Rp300 billion. Until December 31, 2013, LC has made payment in total of Rp170 billion.

On December 26, 2012, based on memorandum of understanding, PT Irama Karya Megah (IKM), a subsidiary, entered into a land purchase agreement located in Keputih and Gebang Putih administrative village, Surabaya with acquisition cost amounted to Rp250 billion. Until the reporting date, there is no binding for such land purchase agreement.

On December 2, 2010, based on Sale and Purchase of Shares Agreements, PT Satria Mandiri Idola Utama, a subsidiary, purchased the shares of PT Anugerah Bahagia Abadi of Rp549,686,500,000. Until December 31, 2013, the advanced payment amounted to Rp502,400,000,000.

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15. Land for Development

	2013		2012	
	Area sqm	Value Rp	Area sqm	Value Rp
The Company	1,001,010	203,350,714,722	1,001,010	203,350,714,722
Subsidiaries:				
PT Lippo Cikarang Tbk	2,485,221	473,463,425,333	2,297,717	285,398,871,143
PT Gowa Makassar Tourism Development Tbk	2,112,883	722,230,107,166	2,119,315	229,202,303,471
PT Muliasentosa Dinamika	803,413	112,455,747,318	803,413	112,455,747,318
PT Erabaru Realindo	702,371	17,758,887,500	692,082	16,961,287,500
PT Sentragraha Mandiri	239,759	33,313,592,430	239,759	33,313,592,430
PT Sejatijaya Selaras	84,162	12,856,345,276	84,162	12,817,939,795
PT Bahtera Pratama Wirasakti	83,405	15,699,415,352	83,405	15,699,340,352
PT Surya Makmur Alam Persada	71,303	20,283,623,533	71,303	20,283,623,533
Total	7,583,527	1,611,411,858,630	7,392,166	929,483,420,264

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; Sukaesmi, Cibatu, Cicau, Sukamukti, Sirnajati, Jayamukti, Pasirsari 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 have been obtained from their respective local governors.

16. Accrued Expenses

	2013 Rp	2012 Rp
Estimated Cost for Construction	244,973,292,030	273,238,175,833
Interest	86,392,589,382	55,525,085,171
Endowment Care Fund	55,091,149,367	42,696,987,047
Hedging Premium of Call Spread Option	16,699,933,846	9,016,108,427
Professional Fees	15,218,437,089	10,093,610,971
Transfer of Ownership Tax	14,966,467,163	15,233,896,173
Others (each below Rp10 billion)	118,266,604,631	81,531,962,656
Total	551,608,473,508	487,335,826,278

17. Taxation

a. Income Tax Expenses

	2013			2012		
	Company Rp	Subsidiaries Rp	Consolidated Rp	Company Rp	Subsidiaries Rp	Consolidated Rp
Current Tax Expenses						
- Final	4,058,987,507	163,973,096,288	168,032,083,795	5,892,906,623	198,459,943,625	204,352,850,248
- Non Final	--	138,215,844,158	138,215,844,158	--	48,862,037,553	48,862,037,553
Total Current Tax Expenses	4,058,987,507	302,188,940,446	306,247,927,953	5,892,906,623	247,321,981,178	253,214,887,801
Deferred Tax Expenses (Benefits)	1,918,033,283	24,173,051,049	26,091,084,331	1,486,215,913	(459,836,267)	1,026,379,646
Total Tax Expenses	5,977,020,790	326,361,991,495	332,339,012,284	7,379,122,536	246,862,144,911	254,241,267,447

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The reconciliation between profit before tax as presented in the consolidated statements of comprehensive income and the Company's estimated taxable income (tax loss) is as follows:

	2013 Rp	2012 Rp
Profit before Tax as Presented		
in the Consolidated Statements of Comprehensive Income	1,924,830,226,980	1,577,088,286,385
<i>Deduct:</i> Income of Subsidiaries	<u>(2,136,306,863,838)</u>	<u>(1,791,034,868,168)</u>
The Company's Commercial Loss - Net	(211,476,636,858)	(213,946,581,783)
<i>Deduct:</i>		
Profit before Tax from Sale of Land and Buildings		
Subject to Final Tax	298,793,542,429	142,529,121,041
Rental Income Subject to Final Tax	<u>(27,073,396,893)</u>	<u>(24,472,417,595)</u>
The Company's Commercial Profit (Loss) - Net	60,243,508,678	(95,889,878,337)
Temporary Differences		
Salaries and Employee Benefits	4,269,394,490	4,999,571,144
Depreciation of Direct Ownership of Property and Equipment	(4,638,080,876)	(3,640,988,052)
Deferred Gain on Sale and Leaseback Transactions	<u>(7,303,446,744)</u>	<u>(7,303,446,744)</u>
Subtotal	<u>(7,672,133,130)</u>	<u>(5,944,863,652)</u>
Permanent Differences		
Interest Income Subjected to Final Tax	(20,032,758,818)	(39,151,509,572)
Donation and Representation	378,882,028	271,280,933
Subtotal	<u>(19,653,876,790)</u>	<u>(38,880,228,639)</u>
Estimated Taxable Income (Tax Loss) for the Year	<u>32,917,498,758</u>	<u>(140,714,970,628)</u>
Tax Loss Carryforward		
Year 2012	(140,714,970,628)	--
Year 2011	(117,567,525,998)	(117,567,525,998)
Year 2010	(14,180,639,173)	(14,180,639,173)
Year 2009	<u>(10,011,515,492)</u>	<u>(10,011,515,492)</u>
Accumulated Tax Loss - Net of Compensation	<u>(249,557,152,533)</u>	<u>(282,474,651,291)</u>

As of issuance date of these financial statements, the Company has not reported the Annual Tax Return (SPT) in 2013 to the Tax Office. Taxable income for the year 2012 is in accordance with the SPT submitted by the Company to the tax office for the year 2012.

Calculation of estimated current tax and tax payable of subsidiaries is as follows:

	2013 Rp	2012 Rp
Taxable Income	<u>219,933,765,174</u>	<u>184,630,468,560</u>
Current Tax - Non Final	138,215,844,158	48,862,037,553
Tax Credits	<u>(71,065,232,506)</u>	<u>(5,111,852,102)</u>
Income Tax Payable Article 29		
- Current Year	67,150,611,652	43,750,185,451
Previous Year Income Tax Payable Article 29	--	--
Income Tax Payable Article 29 of Subsidiaries	<u>67,150,611,652</u>	<u>43,750,185,451</u>

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The reconciliation between the Company's tax expense and the multiplication of the consolidated profit before income tax with the prevailing tax rate is as follows:

	2013 Rp	2012 Rp
Profit before Tax as Presented in the Consolidated Statements of Comprehensive Income	1,924,830,226,980	1,577,088,286,385
<i>Deduct:</i>		
Income of Subsidiaries	(2,136,306,863,838)	(1,791,034,868,168)
Profit before Tax from Sale of Land and Buildings Subject to Final Tax	298,793,542,429	142,529,121,041
Rental Income Subject to Final Tax	(27,073,396,893)	(24,472,417,595)
The Company's Commercial Profit (Loss) - Net	60,243,508,678	(95,889,878,337)
Income Tax Expense at Effective Tax Rate 25%	15,060,877,170	23,972,469,584
Interest Income Subject to Final Tax	5,008,189,705	9,787,877,393
Donation and Representation	(94,720,507)	(67,820,233)
Fiscal Loss Before Compensation	(21,892,379,650)	(35,178,742,657)
Final Tax Expense of the Company	(4,058,987,507)	(5,892,906,623)
Total Tax Expense of the Company	<u>(5,977,020,790)</u>	<u>(7,379,122,536)</u>

b. Deferred Tax Asset and Liabilities

Details of the Group's deferred tax assets and liabilities are as follows:

	January 1, 2013 Rp	Charged (Credited) to Consolidated Statements of Comprehensive Income Rp	Additions from Business Combination Rp	December 31, 2013 Rp
The Company				
Amortization of Deferred Income from Sale and Lease Back Transactions	16,327,339,687	(1,825,861,686)	--	14,501,478,001
Estimated Long-term Employee Benefits Liabilities	8,136,790,871	1,067,348,623	--	9,204,139,494
Allowance for Impairment	2,965,626,608	--	--	2,965,626,608
Depreciation	(9,342,388,848)	(1,159,520,219)	--	(10,501,909,067)
	18,087,368,318	(1,918,033,283)	--	16,169,335,036
Subsidiaries	58,367,244,335	(24,173,051,049)	--	34,194,193,287
Deferred Tax Assets	<u>76,454,612,653</u>	<u>(26,091,084,331)</u>	<u>--</u>	<u>50,363,528,322</u>
Deferred Tax Liabilities	<u>6,653,250,000</u>	<u>--</u>	<u>5,329,854,371</u>	<u>11,983,104,371</u>
	January 1, 2012 Rp	Charged (Credited) to Consolidated Statements of Comprehensive Income Rp	Additions from Business Combination Rp	December 31, 2012 Rp
The Company				
Amortization of Deferred Income from Sale and Lease Back Transactions	18,153,201,373	(1,825,861,686)	--	16,327,339,687
Estimated Long-term Employee Benefits Liabilities	6,886,898,085	1,249,892,786	--	8,136,790,871
Allowance for Impairment	2,965,626,608	--	--	2,965,626,608
Depreciation	(8,432,141,835)	(910,247,013)	--	(9,342,388,848)
	19,573,584,231	(1,486,215,913)	--	18,087,368,318
Subsidiaries	57,907,408,068	459,836,267	--	58,367,244,335
Deferred Tax Assets	<u>77,480,992,299</u>	<u>(1,026,379,646)</u>	<u>--</u>	<u>76,454,612,653</u>
Deferred Tax Liabilities	<u>--</u>	<u>--</u>	<u>6,653,250,000</u>	<u>6,653,250,000</u>

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Management believes that the deferred tax assets can be recovered through future taxable profits in the future.

c. Prepaid Taxes

	2013	2012
	Rp	Rp
Income Taxes		
Article 4 (2)	382,267,883,122	235,817,814,312
Article 22	260,743,240	587,969,915
Article 25	8,556,225,332	6,960,555,520
Value Added Tax	184,968,606,737	86,789,618,527
Total	576,053,458,431	330,155,958,274

d. Taxes Payable

	2013	2012
	Rp	Rp
Income Taxes		
Final	112,772,880,835	86,883,944,714
Article 21	19,079,056,965	16,835,483,173
Article 26	7,891,198,542	335,505,100
Article 29	67,150,611,652	43,750,185,451
Value Added Tax	41,907,332,951	47,511,028,869
Hotel and Restaurant Tax	4,188,942,866	607,121,645
Entertainment Tax	607,121,643	3,154,889,156
Total	253,597,145,454	199,078,158,108

The Company received Underpayment of Tax Assessment Letters (SKPKB) for Income Tax Article 23 and Income Tax Article 26 amounting to Rp16.7 billion and Rp73.2 billion, respectively, for fiscal year 2007. The Company objected for all SKPKBs.

On October 25, 2010, the Company received a Decision Letters No. KEP-1037/WPJ.07/2010 and No. KEP-1039/WPJ.07/2010 from the tax office which rejected the Company's objection to SKPKBs. The Company filed a tax appeal.

Based on Decision Letter No. Put.39604/PP/M.III/12/2012 and No. Put.39604/PP/M.III/13/2012 dated August 3, 2012, the Tax Court issued several decisions on the appeals by the Company to the Directorate General of Tax as follows:

- Granted the Company's appeal for SKPKB Income Tax Article 23 for the year of 2007 amounting to Rp16,732,920,154.
- Granted the Company's appeal for SKPKB Income Tax Article 26 for the year of 2007 amounting to Rp73,154,175,323.

On October 11, 2012 and October 15, 2012, the Company has received tax refund amounting to Rp89,887,095,477.

During 2013, PT Lippo Cikarang Tbk (LC), a subsidiary, received Tax Underpayment Assessment Letter (SKPKB) for the years 2011 and 2012, amounted to Rp6,826,074,972.

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18. Trade Accounts Payable – Third Parties

	2013 Rp	2012 Rp
Supplier	129,248,889,293	355,507,178,883
Contractor	202,546,875,818	121,119,404,575
Doctor Fee	63,239,958,115	66,150,580,103
Others	2,712,454,382	32,924,103,900
Total	397,748,177,608	575,701,267,461

19. Short-Term Bank Loans

This account represents balance of local credit loan in PT Golden First Atlanta, a subsidiary, obtained from PT Bank Central Asia Tbk as of December 31, 2013 and 2012 (see Note 21).

20. Other Current Financial Liabilities

	2013 Rp	2012 Rp
Third Parties		
Unidentified Payments	147,810,774,447	89,907,922,121
Other Payable	152,372,969,722	89,635,914,295
Total	300,183,744,169	179,543,836,416

Unidentified payments represent receipt of collection not yet identifiable by the Company.

21. Long-Term Bank Loans

	2013 Rp	2012 Rp
Third Parties		
Bank Pembangunan Daerah Kalimantan Timur	35,301,525,492	40,035,765,926
PT Bank Central Asia Tbk	19,451,588,973	25,935,451,960
Total	54,753,114,465	65,971,217,886
Current Portion	11,792,174,233	11,218,103,420
Non-Current Portion	42,960,940,232	54,753,114,466

Bank Pembangunan Daerah Kalimantan Timur

Based on Deed of Credit Agreement No. 005/870/9200/KI.59/BPDKP/2008 dated February 25, 2008, PT Balikpapan Damai Husada (BDH), a subsidiary, obtained an investment credit facility (Non-PRK) at a maximum amount of Rp50,000,000,000 with an annual interest rate of 11.5%. This loan was used to increase the investment fund for financing the development of hospitals and paying its loan obtained from PT Bank Mandiri (Persero) Tbk. This loan will mature on February 25, 2019.

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This facility is secured by collaterals as follows:

- One (1) parcel of land with an area of 12,562 sqm including healthcare building and hospital with an area 8,024 sqm with HGB No. 2069 located at Jl. MT. Haryono RT. 35, Gang Bahagia, Balikpapan which is registered under the name of BDH.
- Supporting infrastructure, tools and machinery and medical equipment with the estimated value of Rp8,665,020,000.

There is no restrictive financial ratio which should be maintained by BDH.

Loan payments for the current year amounted to Rp4,734,240,434.

PT Bank Central Asia Tbk

Based on Deed of Credit Agreement No. 1 dated April 1, 2003 made in the presence of Yandes Effriady, S.H., a notary in Jambi, and the letter No. 0242/JAM/2010 dated February 3, 2010, as amended by Credit Agreement No. 54 dated July 19, 2010 in the presence of Hasan S. H., a notary in Jambi and the latest by Credit Agreement No. 0134/ADD/119/IV/13 dated April 30, 2013, PT Golden First Atlanta (GFA), a subsidiary, obtained several credit facilities as follows:

- Local Credit Facility (Current Account) at a maximum amount of Rp5,000,000,000.
- Investment Credit Facility at a maximum amount of Rp32,419,314,946.

Both facilities bear an annual interest rate of 11% and will mature on February 5, 2014 and December 20, 2016, respectively.

Both facilities are secured by collaterals as follows:

- Three (3) parcels of land with an area of 7,132 sqm and building with HGB Nos. 840, 841 and 842/Paal Merah which are registered under the name of GFA, a subsidiary.
- Medical equipment, furniture fixtures and office equipment, trade accounts receivable and inventory of medicine and consumable goods, and machinery and medical equipments.

Based on the loan agreement, GFA has to maintain maximum debt to equity ratio of 5.83 times. As of December 31, 2013 and 2012, GFA has complied with the required debt ratio.

Loan payments for the current year amounted to Rp6,483,862,987.

22. Bonds Payable

	2013	2012
	Rp	Rp
Nominal (2013: USD 653,306,000; 2012: USD 642,535,000)	7,963,146,834,000	6,213,313,450,000
Premium - Net	104,241,327,497	56,504,998,004
Bond Issuance Cost - Net	(319,548,553,605)	(326,288,811,569)
Total	7,747,839,607,892	5,943,529,636,435
Premium (net of discount)	120,884,407,499	70,049,479,998
Less: Accumulated Amortization	(16,643,080,002)	(13,544,481,994)
Unamortized Premium	104,241,327,497	56,504,998,004
Bond Issuance Costs	367,743,400,091	363,491,007,676
Less: Accumulated Amortization	(48,194,846,486)	(37,202,196,107)
Unamortized Bond Issuance Cost	319,548,553,605	326,288,811,569

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The Company initiated several fund raising by issuing bonds to support the business of the Group.

On March 9, 2006, Lippo Karawaci Finance B.V., a subsidiary, issued unsecured bonds with nominal value of USD 250,000,000 and annual fixed interest rate of 8.875% in Singapore Stock Exchange. The bonds have 5 years maturity period and became due on March 9, 2011. Payments of interest is conducted every 6 months. On May 11, 2010, part of bonds amounting to USD 183,754,000 was exchanged with bonds issued by Sigma Capital Pte. Ltd., a subsidiary. These bonds have been fully paid by the Company on March 9, 2011.

In relation to exchange offer of bonds, on May 11, 2010, Sigma Capital Pte. Ltd. (SC), a subsidiary, issued unsecured bonds with a nominal value of USD 270,608,000, and subsequently, on February 17, 2011, SC issued unsecured bond with a nominal value of USD 125,000,000, both bonds bear an annual fixed interest rate of 9% and are listed on Singapore Stock Exchange and will due on April 30, 2015. Payment of interest will be conducted every 6 months. As of December 31, 2012, accrued interest expense amounted to USD 1,417,606 (equivalent to Rp13,708,254,081).

On May 16, 2012, Theta Capital Pte. Ltd. (TC), a subsidiary, issued unsecured bonds with nominal value of USD 150,000,000 and subsequently, on October 22, 2012, TC issued unsecured bond with a nominal value of USD 100,000,000 both bonds bear an annual fixed interest rate of 7% and are listed on Singapore Stock Exchange. The bond have 7 years maturity period and will due on May 16, 2019. Payment of interest is conducted every 6 months. As of December 31, 2013 and 2012, accrued interest expense amounted to USD 2,138,889 and USD 2,259,908 (equivalent to Rp26,070,916,558 and Rp21,853,310,360), respectively.

In relation to exchange offer program of bonds, on November 14, 2012, TC, a subsidiary, issued unsecured bonds with nominal value of USD 273,306,000 in exchange with bond of SC for a nominal value of USD 253,713,000 and paid USD 22,666,000. This bonds bears an annual fixed interest rate of 6.125% and are listed on Singapore Stock Exchange and will due on November 14, 2020. Payment of interest is conducted every 6 months. As of December 31, 2013 and 2012, accrued interest expense amounted to USD 2,185,499 and USD 2,064,480 (equivalent to Rp26,639,047,677 and Rp19,963,520,730), respectively.

On January 14, 2013, TC, a subsidiary, issue unsecured bonds with a nominal value of USD 130,000,000 with a fixed interest rate of 6.125% per year and are listed on the Singapore Stock Exchange. The bonds will mature on November 14, 2020 and Payment of interest is conducted every 6 months. As of December 31, 2013 accrued interest expenses amounted to USD 1,039,549 (equivalent Rp12,671,058,007).

On April 30, 2013, SC, a subsidiary, had settled the entire balance of the unsecured bond amounting to USD 119,229,000 at a price of 104.5%.

Interest and borrowing costs capitalized into inventories amounting to Rp459,290,949,723 and Rp369,947,553,880 for the years ended December 31, 2013 and 2012 (see Note 6).

These bonds have been rated BB- by Standard & Poor's and Fitch and B1 by Moody's.

The Company has to comply with certain restrictions under bond covenants as stipulated in the Offering Circular.

The Company entered into Non-Deliverable USD Call Spread Option facility agreements with certain third parties to hedge foreign exchange fluctuation risk on these foreign currency denominated bonds (see Note 39.d).

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23. Long-Term Post-Employment Benefits Liability

Post-Employment Benefits – No Funding Defined Benefit Plan

Group appointed independent actuaries to determine and recognize post-employment liability in accordance with the existing manpower regulations. Post-employment benefits liability as of December 31, 2013 was calculated by PT Mega Jasa Aktuaria with report dated February 17, 2014. Post-employment benefits liability as of December 31, 2012 was calculated by PT Mega Jasa Aktuaria and PT Dayamandiri Dharmakonsilindo with reports, respectively, dated February 1, 2013. The management believes that the estimate of post-employment benefits is sufficient to cover such liabilities.

Post-employment benefits recognized in the consolidated statements of financial position are as follows:

	2013	2012
	Rp	Rp
Present Value of Defined Benefit Obligation	181,367,280,459	201,016,264,584
Unrecognized Actuarial Loss	(1,956,959,473)	(38,149,032,370)
Unrecognized Past Service Cost (Non-Vested)	(1,020,541,706)	(1,533,249,479)
Obligation from Acquired Subsidiary	5,156,240,000	--
Adjustment	4,089,584,355	--
Total	187,635,603,635	161,333,982,735

The details of post-employment benefits expense recognized in the consolidated statements of comprehensive income are as follows:

	2013	2012
	Rp	Rp
Current Service Cost	26,735,963,631	30,229,708,612
Interest Expense	11,645,304,320	10,034,995,031
Past Service Cost (Non-Vested)	1,815,608,188	1,616,075,060
Recognized Actuarial Loss	(4,304,607,224)	(1,371,572,550)
Adjustment of Last Year Expense	--	234,529,015
Total	35,892,268,915	40,743,735,168

Post-employment benefits expense is recorded as part of the cost of salaries and employee benefits (see Notes 34 and 35).

Reconciliation of changes in liabilities recognized in the consolidated statements of financial position is as follow:

	2013	2012
	Rp	Rp
Balance on January 1	161,333,982,735	143,171,484,230
Payment of Employees' Benefits in the Current Year	(13,552,742,005)	(9,353,997,281)
Obligation from Acquired Subsidiary	5,156,240,000	--
Company's Contribution	--	(14,030,251,954)
Adjustment	(1,194,146,010)	803,012,572
Expense During the Year	35,892,268,915	40,743,735,168
Balance on December 31,	187,635,603,635	161,333,982,735

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Reconciliation of changes in present value of defined benefits obligation is as follows:

	2013	2012
	Rp	Rp
Present Value of Defined Benefits Obligation in January 1,	201,016,264,584	148,435,574,952
Adjustment of Present Value of Previous Year	(6,927,906,313)	--
Past Service Cost (Non-Vested)	--	(13,409,610,768)
Current Service Cost	26,735,963,631	30,229,708,612
Interest Expense	11,645,303,320	10,034,995,031
Benefits Payment	(13,552,742,005)	(9,353,997,281)
Unrecognized Actuarial Gain (Loss)	(37,549,602,758)	35,079,594,038
Present Value of Defined Benefits Obligation in December 31,	181,367,280,459	201,016,264,584

Total present value of employee benefits liabilities for the current year and four years period earlier, fair value of asset and deficit of the program are as follows:

	2013	2012	2011	2010	2009
	Rp	Rp	Rp	Rp	Rp
Present Value of Defined Benefit Liabilities	181,367,280,459	201,016,264,584	148,435,574,952	119,920,794,970	112,089,553,025
Asset Program	--	--	--	--	--
Deficit of the Program	181,367,280,459	201,016,264,584	148,435,574,952	119,920,794,970	112,089,553,025

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

	2013	2012
Interest Rates	8%	8%
Salary Increase Projection Rates	8%	8%
Mortality Rates	Indonesia – II	Indonesia – II
Permanent Disability Rates	10% x TMI – II	10% x TMI – II
Resignation Rates	1% for ages 18 – 44, 0% for ages 45 – 54	1% for ages 18 – 44, 0% for ages 45 – 54

24. Advances from Customers

	2013	2012
	Rp	Rp
Third Parties		
Apartment	1,898,052,607,885	1,574,320,252,270
Residential Houses and Shophouses	2,590,061,395,457	1,422,626,683,122
Land Lots	639,133,672,287	801,004,988,760
Shopping Centers	194,448,584,843	195,634,112,567
Total	5,321,696,260,472	3,993,586,036,719
Current Portion	3,076,033,864,066	1,850,726,035,076
Non-Current Portion	2,245,662,396,406	2,142,860,001,643

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Details of the percentage of advances from customer to sales price are as follows:

	2013	2012
	Rp	Rp
100%	3,575,702,238,185	3,018,924,963,244
50% - 99%	354,101,231,886	612,732,634,474
20% - 49%	377,444,027,682	218,273,422,038
Below 20%	1,014,448,762,719	143,655,016,963
Total	5,321,696,260,472	3,993,586,036,719

25. Deferred Income

	2013	2012
	Rp	Rp
Related Party		
Rent (see Notes 9 and 39.b)	561,270,815,716	576,888,263,544
Third Parties		
Rent	242,487,812,199	148,589,134,911
Others	24,816,595,543	17,120,522,172
Subtotal	267,304,407,742	165,709,657,083
Total Deferred Income	828,575,223,458	742,597,920,627
Current Portion	112,750,964,416	79,696,900,858
Non-Current Portion	715,824,259,042	662,901,019,769

26. Deferred Gain on Sale and Leaseback Transaction

	2013	2012
	Rp	Rp
Acquisition Cost	791,727,059,928	590,890,086,932
Accumulated Depreciation	127,538,766,701	127,538,766,701
Carrying Value	664,188,293,227	463,351,320,231
Proceeds	2,445,894,179,389	1,714,252,775,595
Less: Gain Credited to the Consolidated Comprehensive Income Statement	70,196,779,840	14,666,752,836
Deferred Gain on Sale and Leaseback Transaction	1,711,509,106,322	1,236,234,702,528
Foreign Exchange Translation	112,523,813,862	28,513,578,716
Accumulated Amortization	(429,935,140,122)	(320,893,545,117)
Deferred Gain on Sale and Leaseback - Net	1,394,097,780,062	943,854,736,127
Current Portion	119,603,248,421	84,727,362,523
Non-Current Portion	1,274,494,531,641	859,127,373,604

Deferred gain on sale and leaseback transactions is amortized over 15 years of lease period using the straight line method (see Note 39.b).

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27. Capital Stock

The Company stockholders' composition as of December 31, 2013 and 2012 is as follows:

Stockholders	Total Shares	Percentage Ownership %	Issued and Fully Paid Rp
Pacific Asia Holdings Ltd	4,126,619,908	18.12	412,661,990,800
Others (less than 5% each)	18,644,965,211	81.88	1,864,496,521,100
Sub Total	22,771,585,119	100.00	2,277,158,511,900
Treasury Stocks	306,104,500		30,610,450,000
Total	23,077,689,619		2,307,768,961,900

The following is the reconciliation of the number of outstanding shares at the beginning and end of year:

	2013 (shares)	2012 (shares)
Outstanding shares on January 1	22,771,585,119	22,981,460,119
Treasury Stocks	--	(209,875,000)
Outstanding shares on December 31	22,771,585,119	22,771,585,119

The details of the acquisition of treasury stock are as follows:

Reporting Period	No. Register Letter to Bapepam - LK	Total Shares	Acquisition Cost (Rp)
2011	005/LK-COS/II/2012 Dated November 15, 2011	96,229,500	61,577,515,000
2012	175/LK-COS/VII/2012 Dated July 13, 2012	209,875,000	154,946,598,794
Total		306,104,500	216,524,113,794

28. Additional Paid in Capital - Net

	2013 Rp
Paid in Capital Excess of Par - Net	4,043,613,274,615
Difference in Value from Restructuring Transactions between Entities Under Common Control - Net	19,535,347,265
Total	4,063,148,621,880

Paid in Capital Excess of Par - Net

	Rp
Rights Issue I	
Paid in Capital Excess of Par - Net on Stock	87,283,750,000
Stock Issuance Cost	(11,844,180,664)
Subtotal	75,439,569,336
Rights Issue II	
Paid in Capital Excess of Par - Net on Stock on Stock	485,048,197,150
Stock Issuance Cost	(7,442,812,013)
Subtotal	477,605,385,137

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	<u>Rp</u>
Paid in Capital Excess of Par - Net on Stock 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	<u>91,701,282,075</u>
Rights Issue III	
Paid in Capital Excess of Par - Net on Stock on Stock	1,946,492,065,800
Stock Issuance Cost	<u>(18,495,197,733)</u>
Subtotal	<u>1,927,996,868,067</u>
Issuance of Capital Stock - Non-Preemptive Rights Issuance	
Paid in Capital Excess of Par - Net on Stock on Stock	812,000,000,000
Stock Issuance Cost	<u>(605,800,000)</u>
Subtotal	<u>811,394,200,000</u>
Total Paid in Capital Excess of Par - Net	<u>4,043,613,274,615</u>

On June 6, 2011, the Company issued new 1,450,000,000 shares through issuance of non-preemptive rights capital stock (see Note 1.b).

The excess of market value over the par value of stock issued during the business combination exercised under purchase method represents the difference between the highest share price reached during the 90 days period prior to the announcement of the business combination and par value of the Company's issued shares.

Premium on exercising Warrant Series I represents the difference between warrant execution price and par value.

Difference in Value from Restructuring Transactions between Entities Under Common Control - Net

	<u>Rp</u>
Transaction Before Business Combination	
Net Asset Value of PT Saptapersada Jagatnusa	322,884,648
Acquisition Cost	<u>(5,000,000,000)</u>
Difference in Value	<u>(4,677,115,352)</u>
Transaction from Business Combination	
Net Asset Value of Siloam	275,837,221,176
Acquisition Cost	<u>(85,173,967,500)</u>
Difference in Value	<u>190,663,253,676</u>
Realization	<u>(84,027,724,260)</u>
Net	<u>106,635,529,416</u>
Net Asset Value of Lippo Land	69,227,950,557
Acquisition Cost	<u>(265,747,071,500)</u>
Difference in Value	<u>(196,519,120,943)</u>
Net Asset Value of Aryaduta	199,314,766,000
Acquisition Cost	<u>(39,637,690,500)</u>
Difference in Value	<u>159,677,075,500</u>
Realization	<u>(45,581,021,356)</u>
Difference in Value, Net of Realization	<u>114,096,054,144</u>
Net	<u>19,535,347,265</u>

Difference in value from the restructuring transaction PT Saptapersada Jagatnusa (SPJN) was incurred during the Company's acquisition of SPJN in 2001.

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Difference in value from restructuring transactions between entities under common control from business combination amounting to Rp190,663,253,676, Rp(196,519,120,943) and Rp159,677,075,500, respectively, were 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.

29. Other Equity Transactions

a. Difference in Transactions with Non-Controlling Interest

In 2013, several subsidiaries, acquired ownership of PT Gowa Makassar Tourism Development Tbk (GMTD) of 3,400,000 shares or equivalent to 3.35% of the issued and fully paid shares of GMTD. The excess of acquisition cost over the subsidiaries' net assets amounted to Rp5,645,114,201 was recorded as difference in transactions with non-controlling interest.

On 2 September 2013, PT Nilam Biru Bersinar, entitas anak, made disposal on its investment of 5,900,000 shares in PT Siloam International Hospitals Tbk (SIH) or equivalent to 0.59% of the issued and fully capital stock in SIH. Gain on disposal of investments amounting Rp51,469,368,863 was recorded as gain on disposal of investment in subsidiary.

In 2012, LK Reit Management Pte Ltd (LK Reit), a subsidiary, acquired shares of Bowsprit Capital Corporation Ltd. from Battery Road Limited and Golden Decade International Limited, both third parties and therefore, LK Reit ownership increased from 80% to 100%. The excess of acquisition cost over the subsidiaries' net assets amounted to Rp45,889,312,357 was recorded as difference in transactions with non-controlling interest.

In 2012, PT Wisma Jatim Propertindo (WJP), a subsidiary, acquired shares of PT Gapura Sakti Prima (GSP) from Mr Abdul Wahid, a third party, and thus the ownership in GSP increased from 78.60% to 100%. The excess of acquisition cost over the subsidiaries' net assets amounted to Rp7,525,000,000 was recorded as difference in transactions with non-controlling interest.

In 2011, Peninsula Investment Limited (Peninsula), a subsidiary, acquired shares of LMIRT Management Ltd from Mappletree LM Pte. Ltd., a third party, and thus the ownership of Peninsula increased from 60% to 100%. The excess of acquisition cost over the subsidiaries' net assets amounted to Rp177,677,727,750 was recorded as difference in transactions with non-controlling interest.

The following is the calculation of the difference in transactions with non-controlling interest:

	2013 Rp	2012 Rp
Shares Acquired from Non Controlling Interest		
Acquisition Cost	(298,683,642,857)	(296,163,642,857)
Net Asset Value of Acquired	82,546,068,559	74,380,954,358
Difference from Foreign Currency Translations	(21,105,562,928)	(21,105,562,928)
Sub total	<u>(237,243,137,226)</u>	<u>(242,888,251,427)</u>
Shares Disposal to Non Controlling Interest		
Purchase Consideration	53,100,000,000	--
Net Assets Disposed	(1,630,631,317)	--
Sub total	<u>51,469,368,683</u>	<u>--</u>
Total	<u>(185,773,768,543)</u>	<u>(242,888,251,427)</u>

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b. Difference in Equity Changes of Subsidiaries

On September 2, 2013, PT Siloam International Hospitals Tbk (SIH), a subsidiary, issued shares to public through initial public offering of 156,100,000 shares in Indonesia Stock Exchange. On the issuance of such new shares, the ownership of the Group in SIH changed from 100% to 85.99%. Changes in the value of investment before and after the transaction is Rp1.105.101.368.218.

30. Cash Dividend and Reserved Fund

Based on Deed of Extraordinary General Meeting of Stockholders No. 48 dated April 24, 2013 which was made in the presence of Sriwi Bawana Nawaksari, S.H. M.Kn., a notary in Tangerang, the Company's stockholders approved the payment of dividend amounting to Rp270 billion and increased the reserved fund amounting to Rp1 billion from retained earnings of 2012.

Based on Deed of Annual General Meeting of Stockholders No. 2 dated April 5, 2012 which was made in the presence of Sriwi Bawana Nawaksari, S.H. M.Kn., a notary in Tangerang, the Company's stockholders approved the payment of dividend amounting to Rp177.5 billion and increased the reserved fund amounting to Rp1 billion from retained earnings of 2011.

31. Other Comprehensive Income

	2013	2012
	Rp	Rp
Gain from Translations Financial Statements in Foreign Currency	552,703,272,840	60,134,221,651
Gain on Changes in Fair Value of Available-for-Sale Financial Assets	425,998,078,104	894,254,875,437
Total	978,701,350,944	954,389,097,088

Gain on Changes in Fair Value of Available-for-Sale Financial Assets

	2013	2012
	Rp	Rp
<u>Investment in FREIT (see Note 5)</u>		
Bridgewater International Ltd	375,905,410,056	447,188,306,071
Bowsprit Capital Corporation Ltd	70,913,125,198	64,467,009,632
PT Menara Tirta Indah	70,252,338,760	57,694,769,690
<u>Investment in LMIRT (see Note 5)</u>		
Bridgewater International Ltd	(122,570,733,824)	249,830,662,375
LMIRT Management Ltd	31,497,937,914	75,074,127,669
Gain on Changes in Fair Value of Available-for-Sale Financial Assets	425,998,078,104	894,254,875,437

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32. Non-Controlling Interests

Details of non-controlling interests in the equity of consolidated subsidiaries as of December 31, 2013 and 2012, are as follows:

	2013	2012
	Rp	Rp
PT Lippo Cikarang Tbk	830,079,502,803	560,550,472,618
PT Siloam International Hospitals Tbk	229,028,217,020	--
PT Gowa Makassar Tourism Development Tbk	137,102,308,674	107,761,270,457
PT Darma Sarana Nusa Pratama	61,090,568,186	37,027,712,625
PT Wahana Usaha Makmur	40,565,751,716	58,955,610,503
PT Pelangi Cahaya Intan Makmur	18,908,852,885	17,840,270,249
PT Metropolitan Permaistemesta	13,938,718,173	9,443,065,688
Others (each below Rp 1 billion)	45,984,321,169	22,411,251,570
Total	1,376,698,240,626	813,989,653,710

33. Revenues

	2013	2012
	Rp	Rp
Urban Development:		
Land Lots	862,405,538,396	731,553,008,716
Residential Houses and Shophouses	852,082,661,223	709,224,710,958
Memorial Park	134,214,946,955	166,839,725,914
Asset Enhancements	29,716,061,016	19,262,594,065
Others	5,288,128,634	731,364,917,779
Sub Total	<u>1,883,707,336,224</u>	<u>2,358,244,957,432</u>
Large Scale Integrated Development:		
Apartments	1,097,647,635,950	1,014,606,874,722
Asset Enhancements	25,147,592,566	31,549,821,351
Sub Total	<u>1,122,795,228,516</u>	<u>1,046,156,696,073</u>
Retail Malls:		
Asset Enhancements	193,271,769,970	117,245,779,131
Shopping Centres	8,552,883,629	26,746,001,306
Subtotal	<u>201,824,653,599</u>	<u>143,991,780,437</u>
Healthcare:		
Inpatient Department		
Drugs and Medical Supplies	584,672,264,173	402,551,213,913
Medical Support Services and Professional Fees	557,491,595,635	400,301,613,801
Ward Fees	199,932,759,295	136,165,709,933
Hospital Facility	72,130,669,241	45,968,214,995
Administration Fees	60,925,550,284	43,219,865,135
Operating Theater	38,176,762,084	25,831,931,415
Delivery Fees	860,233,118	1,603,312,271
Others	26,743,171,507	21,304,483,008

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	2013 Rp	2012 Rp
Outpatient Department		
Medical Support Services and Professional Fees	590,120,761,629	439,214,832,259
Drugs and Medical Supplies	298,529,196,482	220,624,606,988
Registration Fees	29,682,969,743	22,481,988,088
Hospital Facility	21,596,402,810	14,837,292,741
Others	22,737,656,915	13,977,457,616
Subtotal	<u>2,503,599,992,916</u>	<u>1,788,082,522,163</u>
Hospitality and Infrastructure:		
Hotels and Restaurants	312,743,171,033	263,136,789,314
Town Management	155,323,914,084	126,271,277,241
Water and Sewage Treatment	113,446,753,049	92,689,306,206
Recreation and Sports	61,136,773,634	60,556,562,749
Others	14,839,940,795	31,854,565,872
Subtotal	<u>657,490,552,595</u>	<u>574,508,501,382</u>
Property and Portfolio Management:		
Management Fees	<u>296,796,672,889</u>	<u>249,229,565,717</u>
Total Revenues	<u>6,666,214,436,739</u>	<u>6,160,214,023,204</u>

Management fees revenue represents revenue of shopping centers from management services and as manager of REIT. Revenue from asset enhancement represents revenue from rental of the Company's assets. There are no sales above 10% of net revenues for the year ended December 31, 2013 and Sales of PT Panca Permata Pejaten amounted to Rp731.364.917.779 to Lippo Malls Indonesia Retail Trust, is 11.87% of the consolidated net sales for the year ended December 31, 2012 (see Note 1.c).

34. Cost of Sales

	2013 Rp	2012 Rp
Urban Development:		
Residential Houses and Shophouses	438,825,984,182	416,335,577,492
Land Lots	350,988,649,691	308,178,214,666
Memorial Park	22,268,690,851	29,628,783,022
Asset Enhancements	22,069,287,193	745,299,708
Others	1,469,127,809	389,954,350,653
Subtotal	<u>835,621,739,726</u>	<u>1,144,842,225,541</u>
Large Scale Integrated Development:		
Apartments	519,825,454,335	476,952,792,318
Asset Enhancements	15,404,837,946	19,770,548,506
Subtotal	<u>535,230,292,281</u>	<u>496,723,340,824</u>
Retail Malls:		
Asset Enhancements	585,721,722	5,304,044,492
Shopping Centres	2,209,281,444	8,309,022,210
Sales Return of Shopping Centres	--	(4,932,655,285)
Subtotal	<u>2,795,003,166</u>	<u>8,680,411,417</u>

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	2013 Rp	2012 Rp
Healthcare:		
Inpatient Department		
Professional Fees, Salaries and Employee Benefits	510,684,826,365	395,954,128,978
Drugs and Medical Supplies	371,705,835,179	280,972,888,278
Depreciation	96,631,001,394	57,286,209,082
Clinical Supplies	51,242,139,072	36,973,906,620
Food and Beverages	44,936,462,301	26,302,409,797
Referral Fees	26,250,164,720	12,843,250,230
Repair and Maintenance	5,156,945,349	5,648,447,777
Others	37,938,101,202	17,330,327,887
Outpatient Department		
Professional Fees, Salaries and Employee Benefits	337,183,777,951	272,787,817,492
Drugs and Medical Supplies	249,571,199,360	159,228,912,194
Depreciation	53,376,441,231	31,100,012,885
Clinical Supplies	23,940,358,038	27,254,684,779
Referral Fees	9,566,483,079	6,242,220,706
Repair and Maintenance	3,644,388,444	3,353,644,758
Others	23,073,928,027	9,989,144,433
Subtotal	<u>1,844,902,051,712</u>	<u>1,343,268,005,895</u>
Hospitality and Infrastructure:		
Town Management	105,457,745,911	82,344,171,828
Hotels and Restaurants	102,284,466,843	87,845,336,944
Water and Sewage Treatment	35,658,712,617	34,232,147,881
Recreation and Sports	19,348,013,593	18,668,051,610
Others	18,608,221,733	27,243,408,486
Subtotal	<u>281,357,160,697</u>	<u>250,333,116,749</u>
Property and Portfolio Management:		
Management Fees	119,665,262,858	95,420,369,801
Total Cost of Sales	<u>3,619,571,510,440</u>	<u>3,339,267,470,227</u>

There are no purchases above 10% of net revenues for each year.

35. Operating Expenses

	2013 Rp	2012 Rp
Selling Expenses		
Marketing and Advertising	200,565,774,870	303,562,421,382
Management Fees	55,593,945,917	15,816,612,706
Salaries and Employee Benefits	54,808,606,150	62,218,434,808
Repairs and Maintenance	25,993,339,754	30,119,962,464
Depreciation (see Notes 11 and 12)	18,595,264,747	14,964,742,869
Office Supplies	10,470,279,401	4,853,741,824
Transportation and Accommodation	7,527,769,723	5,202,114,013
Electricity and Water	5,335,713,741	4,383,113,178
Rent - Net	3,540,493,418	6,691,500,945
Others	11,024,935,738	6,855,105,749
Sub Total	<u>393,456,123,459</u>	<u>454,667,749,938</u>

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	2013	2012
	Rp	Rp
<u>General and Administrative Expenses</u>		
Salaries and Employee Benefits	505,752,458,343	363,692,290,505
Electricity and Water	123,589,146,309	88,917,717,969
Depreciation (see Note 12)	114,291,899,833	102,723,861,970
Transportation and Accommodation	71,058,784,662	47,438,565,392
Professional Fees	64,546,781,928	54,421,076,557
Rent - Net	61,721,498,936	95,083,457,885
Repairs and Maintenance	40,766,369,458	34,982,024,404
Office Supplies	38,515,470,733	23,683,519,082
Communication	17,521,304,856	12,422,123,039
Membership and Subscription Fees	17,108,665,881	9,366,831,356
Training and Seminar	16,808,104,184	8,871,591,678
Insurance	9,324,001,000	8,797,693,691
Others	59,770,593,235	38,870,193,431
Sub Total	<u>1,140,775,079,358</u>	<u>889,270,946,959</u>
Total Operating Expenses	<u>1,534,231,202,817</u>	<u>1,343,938,696,897</u>

36. Financial Income (Charges) - Net

	2013	2012
	Rp	Rp
Interest Income	93,717,333,882	81,486,812,047
Financial Charges	(113,508,653,324)	(71,267,551,415)
Interest Expense	(6,920,410,262)	(8,586,532,716)
Financial Income (Charges) - Net	<u>(26,711,729,704)</u>	<u>1,632,727,916</u>

Interest income represents interest income from bank accounts, time deposits and restricted funds (see Notes 3 and 8), while interest expense represents interest on loans (see Notes 19, 21 and 22).

37. Other Income (Expenses) - Net

	2013	2012
	Rp	Rp
Other Income		
Dividend Income	195,033,830,606	129,803,588,315
Increase in Fair Value of Derivative Instruments	295,913,516,562	--
Penalties	20,818,774,443	--
Gain on Foreign Exchange - Net	--	107,990,516,101
Gain on Sale of Property and Equipment	55,530,027,004	516,518,989
Gain on Sale and Leaseback	17,794,458,980	8,716,829,167
Total Other Income	<u>585,090,607,595</u>	<u>247,027,452,572</u>

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	<u>2013</u> Rp	<u>2012</u> Rp
Other Expenses		
Amortization Expense	50,512,803,804	119,535,372,546
Loss on Foreign Exchange - Net	33,016,385,991	--
Others - Net	70,952,792,304	55,306,692,399
Total Other Expenses	<u>154,481,982,099</u>	<u>174,842,064,945</u>

Dividend Income

Dividend income represents dividend from LMIR Trust and First REIT by Bridgewater International Ltd., Bowsprit Capital Corporation Ltd., LMIRT Management Ltd. and PT Menara Tirta Indah, all subsidiaries.

38. Basic Earnings Per Share

The calculation of basic earnings per share is as follows:

	<u>2013</u>	<u>2012</u>
Profit for the Years Attributable to Owners of the Parent Company (Rupiah)	1,228,230,222,876	1,060,221,934,429
Weighted Average Number of Common Stocks (Share)	22,771,585,119	22,812,143,338
Basic Earnings per Share (Rupiah)	53.94	46.48

39. Commitments

a. Operational and Management Agreement

- On August 20, 2004, the Company entered into an agreement with PT Untaian Rejeki Abadi (URA) whereby the Company will provide technical and marketing services to URA's business property with an area of 10,568 sqm up to May 27, 2034, which can be extended. URA shall pay a certain amount as specified in the agreement.
- On April 9, 2006, PT Lippo Malls Indonesia (LMI), a subsidiary, entered into shopping centers management agreement with their main stockholders to manage, to sell and maintain the shopping centers' facilities. LMI shall receive certain management service fee as stipulated in the agreement. Total management fee earned for the years ended December 31, 2013 and 2012 amounted to Rp65.2 billion and Rp71.3 billion, respectively.
- LMIRT Management Ltd (LMIR TM), a subsidiary, entered into an agreement with HSBC Institutional Trust Services (Singapore) Limited, as a trustee of Lippo-Malls Indonesia Retail Trust (LMIR Trust) effective from the 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 recommendations. For such services, LMIR TM shall receive certain compensation as stated in the agreement.
- Group entered into several agreements with contractors for the development of their projects. As of December 31, 2013 and 2012 total outstanding commitment amounted to Rp969 billion and Rp1,631 billion, respectively. Several of unrealized significant contracts as of December 31, 2013 are as follows:

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Subsidiaries	Contractor	Contract Value (Rp billion)	Unrealized Contract Value (Rp billion)
PT Mandiri Cipta Gemilang	PT Pembangunan Perumahan (Persero) Tbk	630	239
PT Lippo Cikarang Tbk	Trilogi Suryawisesa	597	99
PT Mandiri Cipta Gemilang	PT Hutama Karya (Persero)	459	47
PT Lippo Cikarang Tbk	PT Pembangunan Perumahan (Persero) Tbk	210	176
PT Lippo Cikarang Tbk	Lampiri - Tsw Jo	203	101
PT Mandiri Cipta Gemilang	PT Pangkal Multikarya	75	41
PT Lippo Cikarang Tbk	Karta Jaya Sentosa	58	32
		3,079	969

b. Rental Agreements

- Based on Deed of Lease Agreement No. 6 dated November 12, 2008 which was made in the presence of Julijanti Sundjaja, S.H., a notary in Tangerang, PT Mandiri Cipta Gemilang (MCG), a subsidiary, entered into a lease agreement with PT Matahari Putra Prima Tbk (MPPA) for a period of 20 years starting from the opening date of St. Moritz with a total rental income of Rp324,259,600,000.

Based on the amendment of the lease agreement on December 2010, due to the delay of the handover of the store until June 2013, MCG has to pay compensation for additional 5 year lease term and promotion allowance for the opening of the store amounting to Rp9.700.000.000. Up to December 31, 2013, the store has not opened yet.

- Based on Deeds of Sale and Purchase Agreements Nos. 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253 and 254 dated December 11, 2006, all of which were made in the presence of Unita Christina, S.H., a notary in Tangerang, Deeds of Sale and Purchase Agreements Nos. 135, 136, 137, 138, 139, 140, 141, 142 and 143 dated December 11, 2006, all of which were made in the presence of Rusdi Muljono, S.H., a notary in Surabaya; and Deed of Sale and Purchase Agreement No. 41 dated December 11, 2006, which was made in the presence of Wenda Taurusita Amidjaja, S.H., a notary in Jakarta, the Company and PT Prudential Hotel Development, a subsidiary, transferred the 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 are 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.

Sale and lease-back transaction above meets the classification of operating lease and the transaction price is above its fair value, then the difference is recognized as deferred gain (see Note 26).

Rental expense of sale and lease-back transaction for the years ended December 31, 2013 and 2012 amounted to Rp158,725,493,560 and Rp159,933,500,044, respectively.

- On December 31, 2010, based on Deed of Sale and Purchase Agreement No. 146/2010, PT East Jakarta Medika (EJM), a subsidiary, sold the land and building of Siloam Cikarang Hospital (the Property) to PT Graha Pilar Sejahtera (GPS), a wholly owned subsidiary of First REIT at the selling price of SGD 33,333,333 and leased back the Property.

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Based on the rental agreement of Allen & Gledhill Advocates & Solicitors dated November 8, 2010, EJM, which received novation from the Company on October 10, 2011, entered into a lease agreement with GPS for 15 years. Based on the agreement, EJM shall pay rental fee which consist base rent and variable rent. Base rent was determined in the first year and will be adjusted subsequently, while variable rent will be commenced in the second year based on certain percentage of gross revenue. Rental expense will be paid quarterly. Any late payment will be subject to 2% penalty plus average lending rate of 3 banks in Singapore.

As this sale and leaseback transaction met the classification of operating lease and the transaction price was above its fair value, the difference was recognized as deferred gain (see Note 26).

Rental expense of sale and lease-back transaction for the years ended December 31, 2013 and 2012 amounted to Rp26,646,286,592 and Rp22,333,390,630, respectively.

- Based on the rental agreement of Allen & Gledhill Advocates & Solicitors dated November 8, 2010, the Company entered into a lease agreement with PT Primatama Cemerlang (PC), the owner of land and building of "Mochtar Riady Comprehensive Cancer Centre" for 15 years. PC is wholly owned by First REIT. The Company shall pay certain amount as stipulated in the agreement.

Rental expense for the years ended December 31, 2013 and 2012 amounted to Rp128,667,577,185 and Rp125,816,977,103, respectively.

- On January 7, 2012, PT Siloam International Hospitals Tbk (SIH) entered into a lease agreement of building of Siloam Hospital Palembang (Siloam Sriwijaya) with PT Palembangparagon Mall (PM). This agreement is valid for 10 years since the grand opening of the hospital and include a rental free period (grace period) for 3 (three) months after the grand opening of the hospital.

Based on the agreement, Siloam Sriwijaya shall pay a rental fee amounted to Rp3 billion and increase by Rp500 million in every three years, which will be paid in advance for each period, not later than 10 (ten) day of 1 (first) month of lease period.

On October 5, 2012, PM entered into transfer of property ownership agreement with PT Karya Pratama Bisma, thus, Siloam Sriwijaya accept the novation of lease ownership. This Agreement does not change the terms of the previous lease agreement. For the years ended December 31, 2013, rent expense paid is nil.

- Based on the rental agreement of Allen & Gledhill Advocates & Solicitors dated September 21, 2012, the Company entered into a lease agreement with PT Menara Abadi Megah (MAM), the owner of land and building of "Hotel Aryaduta and Rumah Sakit Siloam Manado" for 15 years. The Company shall pay certain amount as stipulated in the agreement.

Rental expense for the years ended December 31, 2013 and 2012 amounted to Rp58,800,000,000 and Rp1,814,400,000, respectively.

- Based on the Deed of Sale and Purchase Agreement No. 091/2012, dated November 30, 2012, made in the presences of Maria Josefina Grace Kawi Tandiari S.H., a Notary in Makassar, PT Siloam Karya Sejahtera (SKS), a subsidiary, sold the land and buildings Siloam Hospitals Makassar (the property) to PT Bayutama Sukses (BS), where BS is a subsidiary owned 100% by First REIT. The selling price of the property amounted to Rp467,287,558,000 and the property is leased back.

Based on the rental agreement of Allen & Gledhill Advocates & Solicitors dated September 21, 2012, the Company entered into a lease agreement for 15 years. The Company shall pay certain amount as stipulated in the agreement.

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Sale and lease-back transaction above meets the classification of an operating lease and the transaction price is above its fair value, then the difference is recognized as deferred gain (see Note 26).

Rental expense of sale and lease-back transaction above for the years ended December 31, 2013 and 2012 amounted to Rp40,250,000,000 and Rp1,242,000,000, respectively.

- Based on Deed of Sale and Purchase Agreement Nos. 25/2013, 26/2013, 27/2013, 28/2013, 29/2013, 30/2013, and 31/2013 which are all dated May 13, 2013, made in the presence of Ambo Enre, S.H., a notary in Badung, PT Buana Mandiri Selaras (BMS), a subsidiary, sold the land and buildings of Siloam Hospitals Bali (the property) to PT Dasa Graha Jaya (DGJ), where DGJ is a subsidiary owned 100% by First REIT. The selling price of the property amounted to Rp731,641,420,610 and the property is leased back.

Based on lease agreement made by Allen & Gledhill Advocates & Solicitors dated March 26, 2013, the Company entered into a lease agreement for 15 years. The Company will pay a certain amount as stipulated in the agreement.

Sale and lease back transaction above meets the classification of operating lease and the transaction price is above its fair value, then the difference is recognized as deferred gain (see Note 26).

Rental expense of sale and lease-back transaction for the year ended December 31, 2013 amounted to Rp47,805,521,739.

- Based on lease agreement made by Allen & Gledhill Advocates & Solicitors dated March 26, 2013, The Company entered into a lease agreement with PT Perisai Dunia Sejahtera (PDS), the owner of the land and buildings of "TB Simatupang Siloam Hospitals" for 15 years. The Company will pay a certain amount as stipulated in the agreement.

Rental expense of sale and lease-back transaction above for the year ended December 31, 2013 amounted to Rp43,964,869,565.

c. Master Agreement between PT Siloam International Hospitals Tbk (SIH), a subsidiary, with PT Metropolis Propertindo Utama (MPU)

On April 30, 2013, SIH entered into a preliminary agreement with MPU which include:

- Sale and purchase of shares of Siloam Hospitals Malang, Siloam Hospitals Salemba, Siloam Hospitals Palembang, Siloam Hospitals Medan and Siloam Hospitals Surabaya Sea Master;
- Right to build properties that will be used as Siloam Hospitals Padang, Siloam Hospitals Bangka Belitung, Siloam Hospitals Semarang Sronol, Siloam Hospitals Bogor Internusa, Siloam Hospitals Jember, Siloam Hospitals Bluemall Bekasi, Siloam Hospitals Bekasi Grand Mall, Siloam Hospitals MT Haryono, Siloam Hospitals Salemba, Siloam Hospitals Lampung and Siloam Hospitals Kupang;
- The right to operate and manage Siloam Hospitals Kupang;
- Property lease agreement that will be used as Siloam Hospitals Surabaya Sea Master, Siloam Hospitals Pluit and Siloam Hospitals Cempaka Putih; and
- The agreement to offer certain property to be operated as Siloam Hospitals Purwakarta, Siloam Hospitals Ambon, Siloam Hospitals Lubuk Linggau, Siloam Hospitals Manado Kairagi, Siloam Hospitals Serang and Siloam Hospitals Pekanbaru.

d. Hedging Facility Agreements on Bonds denominated of U.S. Dollar

- On June 7, 2010, the Company entered into Non-Deliverable USD Call Spread Option facility with BNP Paribas, Singapore branch, amounting to USD 60,000,000, with spread between Rp8,250; Rp9,000 and Rp12,000 with an annual premium rate of 1.5% from notional amount. On November 1, 2012, the Company terminate (unwind) this facility.

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- On July 5 and September 2, 2010, the Company entered into Non-Deliverable USD Call Spread Option facilities with Morgan Stanley & Co amounting to USD 50,000,000 with spread between Rp8,500; Rp9,000 and Rp12,000 and USD 4,600,000 with spread between Rp8,000; Rp9,000 and Rp11,500 with an annual premium rate of 1.78% and 2%, respectively, from notional amount. On January 30, 2013, the Company terminate (unwind) this facility.
- On September 7, 2010, the Company entered into Non-Deliverable USD Call Spread Option facility with BNP Paribas, Singapore branch, amounting to USD 25,000,000 with spread between Rp8,000; Rp9,000 and Rp11,500 with an annual premium rate of 1.95% from notional amount. On November 1, 2012, the Company terminate (unwind) this facility.
- On April 5, 2011, the Company entered into Non-Deliverable USD Call Spread Option facility with Morgan Stanley & Co amounting to USD 40,000,000 with spread between Rp8,500; Rp9,200 and Rp11,500 with an annual premium rate of 1.95% from notional amount. On January 30, 2013, the Company terminate (unwind) this facility.
- On April 12, 2011, the Company entered into Non-Deliverable USD Call Spread Option facility with BNP Paribas, Singapore branch, amounting to USD 30,000,000 for spread between Rp8,000; Rp9,200 and Rp11,500 with an annual premium rate of 1.97% from notional amount. On October 29, 2012, the Company terminate (unwind) this facility.
- On May 29, 2012, the Company entered into Non-Deliverable USD Call Spread Option facility with Morgan Stanley & Co, amounting to USD 50,000,000 for spread between Rp9,500 and Rp11,500 with an annual premium rate of 1.26% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2013, the fair value of this facility amounted to USD 5,156,194.20 (equivalent Rp62,848,851,104).
- On May 29, 2012, the Company entered into Non-Deliverable USD Call Spread Option facility with Deutsche Bank, Singapore branch, amounting to USD 50,000,000 for spread between Rp9,500 and Rp11,500 with an annual premium rate of 1.26% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2013, the fair value of this facility amounted to USD 3,811,507.70 (equivalent Rp46,458,467,356).
- On June 5, 2012, the Company entered into Non-Deliverable USD Call Spread Option facility with J.P Morgan (S.E.A) Limited, Singapore branch, amounting to USD 25,000,000 for spread between Rp9,500 and Rp11,500 with an annual premium rate of 1.18% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2013, the fair value of this facility amounted to USD 2,610,369.57 (equivalent Rp31,817,794,689).
- On June 26, 2012, the Company entered into Non-Deliverable USD Call Spread Option facility with Nomura International plc, United Kingdom branch, amounting to USD 25,000,000 for spread between Rp9,500 and Rp11,500 with an annual premium rate of 1.125% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2013, the fair value of this facility amounted to USD 2,615,748.32 (equivalent Rp31,883,356,273).
- On October 29, 2012, the Company entered into Non-Deliverable USD Call Spread Option facility with BNP Paribas, Singapore branch, amounting to USD 115,000,000 for spread between Rp9,500 and Rp11,500 with an annual premium rate of 0.69% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on November 16, 2020. As of December 31, 2013, the fair value of this facility amounted to USD 13,061,070.99 (equivalent Rp159,201,394,297).

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- On October 29, 2012, the Company entered into Non-Deliverable USD Call Spread Option facility with J.P Morgan (S.E.A) Limited, Singapore branch, amounting to USD 140,000,000 for spread between Rp9,500 and Rp11,500 with an annual premium rate of 0.69% from notional amount. Premium will be paid every May 14 and November 14. This facility will due on November 14, 2020. As of December 31, 2013, the fair value of this facility amounted to USD 13,722,055.85 (equivalent Rp167,258,138,756).
- On November 8, 2012, the Company entered into Non-Deliverable USD Call Spread Option facility with Morgan Stanley & Co, United Kingdom branch, amounting to USD 21,000,000 for spread between Rp9,500 and Rp11,500 with an annual premium rate of 0.685% from notional amount. Premium will be paid every May 14 and November 14. This facility will due on November 14, 2020. As of December 31, 2013, the fair value of this facility amounted to USD 2,119,214.73 (equivalent Rp25,831,108,344).
- On January 15, 2013, the Company entered into Non-Deliverable USD Call Spread Option facility with Morgan Stanley & Co, United Kingdom branch, amounting to USD 97,000,000 for spread between Rp9,500 and Rp11,500 with an annual premium rate of 0.525% from notional amount. Premium will be paid every May 14 and November 14. This facility will due on November 14, 2020. As of December 31, 2013, the fair value of this facility amounted to USD 10,593,199.17 (equivalent Rp129,120,504,683).
- On January 25, 2013, the Company entered into Non-Deliverable USD Call Spread Option facility with Nomura International plc, United Kingdom branch, amounting to USD 50,000,000 for spread between Rp9,500 and Rp11,500 with an annual premium rate of 1.440% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2013, the fair value of this facility amounted to USD 4,553,774.65 (equivalent Rp55,505,959,209).
- On January 25, 2013, the Company entered into Non-Deliverable USD Call Spread Option facility with BNP Paribas, Singapore branch, amounting to USD 30,000,000 for spread between Rp9,500 and Rp11,500 with an annual premium rate of 1.075% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on November 16, 2020. As of December 31, 2013, the fair value of this facility amounted to USD 2,808,181.85 (equivalent Rp34,228,928,570).
- On January 28, 2013, the Company entered into Non-Deliverable USD Call Spread Option facility with J.P Morgan (S.E.A) Limited, Singapore branch, amounting to USD 25,000,000 for spread between Rp9,500 and Rp11,500 with an annual premium rate of 1.429% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2013, the fair value of this facility amounted to USD 2,342,508.02 (equivalent Rp28,552,830,256).
- On January 28, 2013, the Company entered into Non-Deliverable USD Call Spread Option facility with Deutsche Bank, Singapore branch, amounting to USD 25,000,000 for spread between Rp9,500 and Rp11,500 with an annual premium rate of 1.450% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2013, the fair value of this facility amounted to USD 1,701,361.50 (equivalent Rp20,737,895,324).
- On September 26, 2013, the Company entered into Non-Deliverable USD Call Spread Option facility with Deutsche Bank, Singapore branch, amounting to USD 50,000,000 for spread between Rp11,500 and Rp12,500 with an annual premium rate between 0.83% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2013, the fair value of this derivative instruments amounted to USD 2,363,852.40 (equivalent Rp28,812,996,904).

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- On September 26, 2013, the Company entered into Non-Deliverable USD Call Spread Option facility with BNP Paribas Singapore branch, amounting to USD 100,000,000 for spread between Rp11,500 and Rp12,500 with an annual premium rate between 0.80% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2013, the fair value of this derivative instruments amounted to USD 4,856,794.70 (equivalent Rp59,199,470,598).
- On September 26, 2013, the Company entered into Non-Deliverable USD Call Spread Option facility with Nomura International plc, British branch, amounting to USD 50,000,000 for spread between Rp11,500 and Rp12,500 with an annual premium rate between 0.83% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2013, the fair value of this derivative instruments amounted to USD 1,696,887.89 (equivalent Rp20,683,366,491).
- On September 27, 2013, the Company entered into Non-Deliverable USD Call Spread Option facility with J.P Morgan (S.E.A) Limited, Singapore branch, amounting to USD 50,000,000 for spread option between Rp11,500 and Rp12,500 with an annual premium rate between 0.83% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2013, the fair value of this derivative instruments amounted to USD 2,062,642.62 (equivalent Rp25,141,550,895).
- On October 1, 2013, the Company entered into Non-Deliverable USD Call Spread Option facility with Deutsche Bank, Singapore branch, amounting to USD 75,000,000 for spread between Rp11,500 and Rp12,500 with an annual premium rate between 0.70% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on Nopember 16, 2020. As of December 31, 2013, the fair value of this derivative instruments amounted to USD 2,655,421.74 (equivalent Rp32,366,935,589).
- On October 1, 2013, the Company entered into Non-Deliverable USD Call Spread Option facility with BNP Paribas Singapore branch, amounting to USD 63,000,000 for spread between Rp11,500 and Rp12,500 with an annual premium rate between 0.695% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on Nopember 16, 2020. As of December 31, 2013, the fair value of this derivative instruments amounted to USD 2,312,604.66 (equivalent Rp28,188,338,201).
- On October 1, 2013, the Company entered into Non-Deliverable USD Call Spread Option facility with Nomura International plc, British branch, amounting to USD 75,000,000 for spread between Rp11,500 and Rp12,500 with an annual premium rate between 0.70% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on Nopember 16, 2020. As of December 31, 2013, the fair value of this derivative instruments amounted to USD 1,450,308.57 (equivalent Rp17,677,811,160).
- On October 1, 2013, the Company entered into Non-Deliverable USD Call Spread Option facility with J.P Morgan (S.E.A) Limited, Singapore branch, amounting to USD 140,000,000 for spread option between Rp11,500 and Rp12,500 with an annual premium rate between 0.695% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on Nopember 16, 2020. As of December 31, 2013, the fair value of this derivative instruments amounted to USD 5,574,797.14 (equivalent Rp67,951,202,339).
- On October 1, 2013, the Company entered into Non-Deliverable USD Call Spread Option facility with Morgan Stanley & Co International Plc, British branch, amounting to USD 50,000,000 for spread between Rp11,500 and Rp12,500 with an annual premium rate between 0.70% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on Nopember 16, 2020. As of December 31, 2013, the fair value of this derivative instruments amounted to USD 1,303,785.74 (equivalent Rp15,891,844,385).

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e. Bank Loan Facility Agreement

- Based on Deed of Loan Agreement No. 86 dated October 20, 2010 made in the presence of Mellyani Noor Shandra, S.H., a notary in Jakarta, and has been renewed several times and the latest on December 18, 2013 through the extension of credit agreement No: 144/ICBC-MK/PTD1/X/2011/P3 . PT Lippo Cikarang Tbk, a subsidiary, obtained Fixed Loan facility on Demand from PT Bank ICBC Indonesia amounted maximum of Rp30,000,000,000 at the rate of 11.5% per year. This loan can be used for working capital purposes and will mature on October 25, 2014.

Loans secured by collateral of a piece land of 38,901 sqm, with the Land Right (HGB) No. 178/Sukaresmi registered under the name of PT Waska Sentana, a subsidiary.

- Based on Deed of Loan Agreement No. 85 dated October 25, 2012 made in the presence of Mellyani Noor Shandra, S.H., a notary in Jakarta, through the extension of credit agreement No: 143/ICBC-MK/PTD/X/2011/P3. The Company obtained Fixed Loan facility on Demand from PT Bank ICBC Indonesia amounted maximum of Rp70,000,000,000 at the rate of 11.5% per year. This loan can be used for working capital purposes and will mature on October 25, 2014.
- Based on Deed of Loan Agreement No. 34 date October 30, 2006 and No. 44 date March 29, 2007 made in the presence of H. Zamri, S.H., a notary in Jakarta, through the extension of credit agreement Nos: (7) 44 and (8) 34, date November 27, 2013, the Company obtained Working Capital Loan from PT Bank Negara Indonesia (Persero) Tbk amounted maximum of Rp20,000,000,000 and Rp250,000,000,000 at the rate of 10.75% and 10.75% per year, respectively. This loan will mature on June 12, 2014.

The loan is secured by vacant land of 21,940 sqm in Lippo Village Housing, Jl. Boulevard Jend. Sudirman, Kelapa Dua village, Curug Subdistrict, Tangerang District, Banten Province, with the following details:

- SHGB No. 3695 for land of 340 sqm dated on January 9, 1998 (certificate will mature on January 9, 2028), in the name of the Company.
- SHGB No. 2866 for land of 15,235 sqm dated on April 4, 1997 (certificate will mature on September 24, 2022), in the name of the Company.
- SHGB No. 4028 for land of 6,365 sqm dated on August 6, 1998 (certificate will mature on August 6, 2028), in the name of the Company.

40. Segment Information

	2013 (In Thousand Rupiah)							Consolidated Rp
	Urban Development	Large Scale Integrated Development	Retail Malls	Healthcare	Property and Portfolio Management	Hospitality and Infrastructure	Elimination	
	Rp	Rp	Rp	Rp	Rp	Rp		
Revenues	1,896,918,510	1,122,795,229	201,824,654	2,503,599,993	296,796,673	657,490,553	(13,211,175)	6,666,214,437
Gross Profit	1,061,296,772	587,564,936	199,029,650	658,697,941	177,131,410	376,133,392	(13,211,175)	3,046,642,926
Selling Expenses	(179,925,521)	(72,604,598)	(58,412,914)	(25,749,454)	(1,698,380)	(9,086,947)	13,211,175	(334,266,639)
General and Administrative Expenses	(351,231,316)	(40,952,349)	(12,396,741)	(557,015,511)	(98,940,891)	(139,427,756)	--	(1,199,964,564)
Interest Income	67,652,706	6,379,030	1,380,819	12,021,434	5,403,439	879,906	--	93,717,334
Interest Expenses	(79,046,283)	(14,654,324)	(161,888)	(18,945,083)	(4,525,265)	(3,096,221)	--	(120,429,064)
Other Income (Expenses) - Net	371,678,765	27,511,124	31,516,033	2,751,821	25,591,788	(28,440,906)	--	430,608,625
Share in the Profit of Associates	(16,871,528)	--	--	--	--	25,393,136	--	8,521,608
Profit Before Tax	873,553,595	493,243,819	160,954,959	71,761,148	102,962,101	222,354,604	--	1,924,830,227
Tax Benefit (Expense)								
Current	(179,575,202)	(57,397,141)	(18,407,151)	(24,241,975)	(17,546,085)	(9,080,374)	--	(306,247,928)
Deferred	(19,947,474)	--	--	2,673,314	(848,426)	(7,968,498)	--	(26,091,084)
Profit for the Year	674,030,919	435,846,678	142,547,808	50,192,487	84,567,590	205,305,732	--	1,592,491,215

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	2013 (In Thousand Rupiah)							Consolidated
	Urban Development	Large Scale Integrated Development	Retail Malls	Healthcare	Property and Portfolio Management	Hospitality and Infrastructure	Elimination	
	Rp	Rp	Rp	Rp	Rp	Rp	Rp	
Profit for the year attributable to:								
Owner of the Parent Company	332,690,777	415,499,510	140,296,128	49,870,419	84,567,656	205,305,732	--	1,228,230,223
Non-Controlling Interest	341,340,142	20,347,168	2,251,680	322,068	(66)	--	--	364,260,992
	674,030,919	435,846,678	142,547,808	50,192,487	84,567,590	205,305,732	--	1,592,491,215
Segment Assets	18,798,771,510	6,043,948,352	1,646,525,780	2,600,774,537	1,418,771,303	661,139,452	--	31,169,930,934
Investment in Associates	128,842,950	--	--	--	--	1,588,546	--	130,431,496
Total Assets	18,927,614,460	6,043,948,352	1,646,525,780	2,600,774,537	1,418,771,303	662,727,998	--	31,300,362,430
Segment Liabilities	12,568,111,643	2,988,954,758	391,031,818	961,782,758	62,382,436	150,525,712	--	17,122,789,125
Capital Expenditures	741,426,016	124,066,610	25,681,730	385,554,742	33,516,603	1,040,703	--	1,311,286,404
Depreciation	42,077,226	5,634,142	1,776,257	202,488,689	34,976,489	1,643,178	--	288,595,981
Non-Cash Expenses Other than Depreciation	22,548,599	35,227	--	35,004,609	26,080,297	2,736,341	--	86,405,073

	2012 (In Thousand Rupiah)							Consolidated
	Urban Development	Large Scale Integrated Development	Retail Malls	Healthcare	Property and Portfolio Management	Hospitality and Infrastructure	Elimination	
	Rp	Rp	Rp	Rp	Rp	Rp	Rp	
Revenues	2,358,254,614	1,046,156,696	143,991,780	1,788,082,522	249,229,566	574,508,501	(9,656)	6,160,214,023
Gross Profit	1,213,412,388	549,433,355	135,311,369	444,814,516	153,809,196	324,175,385	(9,656)	2,820,946,553
Selling Expenses	(153,493,835)	(224,972,700)	(51,362,440)	(15,969,821)	(1,479,678)	(7,398,932)	9,656	(454,667,750)
General and Administrative Expenses	(260,251,707)	(35,419,968)	(22,260,886)	(351,893,198)	(79,944,118)	(139,501,070)	--	(889,270,947)
Interest Income	72,474,141	3,842,961	431,506	3,578,943	310,821	848,440	--	81,486,812
Interest Expenses	(46,482,674)	(12,556,998)	(106,086)	(18,025,499)	(21,371)	(2,661,456)	--	(79,854,084)
Other Income (Expenses) - Net	75,128,219	(4,589,524)	(17,348,345)	14,516,641	25,433,768	(20,955,370)	--	72,185,388
Share in the Profit of Associates	4,978,020	--	--	--	--	21,284,295	--	26,262,315
Profit Before Tax	905,764,552	275,737,126	44,665,118	77,021,582	98,108,618	175,791,292	--	1,577,088,287
Tax Benefit (Expense)								
Current	(139,821,540)	(53,885,326)	(11,491,416)	(24,117,756)	(15,170,858)	(8,727,992)	--	(253,214,888)
Deferred	(2,362,669)	--	--	(944,223)	2,312,480	(31,969)	--	(1,026,380)
Profit for the Year	763,580,343	221,851,800	33,173,702	51,959,603	85,250,240	167,031,331	--	1,322,847,019
Profit for the year attributable to:								
Owner of the Parent Company	520,088,578	212,439,596	32,184,716	50,461,222	78,016,491	167,031,331	--	1,060,221,934
Non-Controlling Interest	243,491,765	9,412,204	988,986	1,498,381	7,233,749	--	--	262,625,085
	763,580,343	221,851,800	33,173,702	51,959,603	85,250,240	167,031,331	--	1,322,847,019
Segment Assets	15,426,681,096	4,746,870,463	1,340,183,586	1,586,226,018	1,033,935,865	649,615,066	--	24,783,512,094
Investment in Associates	85,780,659	--	--	--	--	2,980	--	85,783,639
Total Assets	15,512,461,755	4,746,870,463	1,340,183,586	1,586,226,018	1,033,935,865	649,618,046	--	24,869,295,733
Segment Liabilities	8,854,012,310	2,505,243,218	495,560,360	1,341,585,220	125,885,728	76,902,507	--	13,399,189,343
Capital Expenditures	504,652,574	45,413,343	7,122,278	394,108,464	--	416,374	--	951,713,033
Depreciation	30,435,036	5,636,252	1,226,007	120,307,583	1,383,197	50,288,166	--	209,276,241
Non-Cash Expenses Other than Depreciation	94,742,921	3,096,758	--	21,695,694	--	--	--	119,535,373

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41. Monetary Asset and Liabilities Denominated in Foreign Currencies

	2013					Equivalent in Rupiah
	Foreign Currencies					
	USD	JPY	SGD	EUR	AUD	
Assets						
Cash and Cash Equivalents	12,863,184	113,800	22,610,315	23,173	168,145	376,713,194,300
Trade Accounts Receivable	3,381,652	--	5,704,505	--	--	96,141,930,368
Other Current Financial Assets	49,950	--	5,813,685	--	--	56,582,999,730
Total Assets	16,294,786	113,800	34,128,505	23,173	168,145	529,438,124,398
Liabilities						
Trade Accounts Payable	--	--	3,516,878	--	--	33,860,501,384
Accrued Expenses	1,373,082	--	780,424	--	--	24,250,418,770
Bonds Payable	653,306,000	--	--	--	--	7,963,146,834,000
Total Liabilities	654,679,082	--	4,297,302	--	--	8,021,257,754,154
Net Assets (Liabilities)	(638,384,296)	113,800	29,831,203	23,173	168,145	(7,491,819,629,756)
	2012					
	Foreign Currencies					
	USD	JPY	SGD	EUR	AUD	Equivalent in Rupiah
Assets						
Cash and Cash Equivalents	5,977,148	113,800	7,306,380	9,836	6,376	438,301,058,054
Trade Accounts Receivable	3,091,364	--	8,546,257	--	--	97,468,745,402
Other Current Financial Assets	--	--	7,007,601	--	--	55,409,100,000
Other Non-Current Financial Assets	--	--	4,943,353	--	--	39,087,088,455
Total Assets	9,068,512	113,800	27,803,591	9,836	6,376	630,265,991,911
Liabilities						
Trade Accounts Payable	--	--	340,888	--	--	2,695,401,416
Accrued Expenses	5,741,994	--	1,878,791	--	--	70,380,688,375
Bonds Payable	642,535,000	--	--	--	--	6,213,313,450,000
Total Liabilities	648,276,994	--	2,219,679	--	--	6,286,389,539,791
Net Assets (Liabilities)	(639,208,482)	113,800	25,583,912	9,836	6,376	(5,656,123,547,880)

In relation with liability balances denominated in foreign currencies, the Company has entered into several contracts derivatives with other parties to manage the risk of foreign currency exchange rates (see Note 39.d).

42. Contingencies

- On March 27, 2009, dr Doro Soendoro, dr Liem Kian Hong and dr Hardi Susanto as the plaintiffs filed a lawsuit to the Company as defendant regarding the termination of plaintiff's work contract. All claims were declined through decision of District Court Jakarta Barat No. 147/Pdt.G/2009/PN.JKT.BAR dated July 23, 2009 however, the plaintiff's claim is granted through the decision of the High Court of Jakarta No.626/PDT/2009/PT.DKI date June 29, 2010.

On September 24, 2010, the plaintiffs filed an appeal against the decision to the Supreme Court (SC). Then based on the contents of the Decision Notice Relaa Supreme Court of Cassation No. 410.K/Pdt/2011.jo No.147/Pdt.G/2009/PN.Jkt.Bar date August 20, 2013, SC revoked the decision of District Court Jakarta Barat No.626/PDT/2009/PT.DKI and that Jakarta Barat District Court has no authority to prosecute and punish the plaintiff to pay the court costs of Rp500,000.

As of the report date, SIH does not obtain any further information regarding remedy of this legal lawsuit.

- On July 9, 2009, Alfonsus Budi Susanto, SE, MA, the plaintiff, filed a lawsuit to the Company as first defendant and four other defendants in connection with malpractice suffered by plaintiff. All claims were declined through decision of District Court Jakarta Utara No. 237/Pdt.G/2009/PN.Jkt.Ut dated March 11, 2010 and was upheld on May 18, 2011, through the decision of the High Court of Jakarta No. 548/PDT/2010/PT.DKI.

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On February 23, 2012, the plaintiffs filed an appeal against the decision of the High Court to the Supreme Court. Until the reporting date, this case is still in process.

- On October 1, 2012, Wahyu Indrawan, the plaintiff, filed a lawsuit No. 71/Pdt.G/2012/PN.JBI to PT Golden First Atlanta (GFA), a subsidiary, as first defendant and two other defendants in connection with malpractice suffered by plaintiff's spouse.

All claims were declined through decision of District Court Jambi No. 71/Pdt.G/2012/PN.JBI date July 23, 2013 and was upheld on December 18, 2013, through the decision of the High Court of Jambi No. 63/PDT/2013/PT.JBI.

On February 5, 2014, the plaintiff filed appeal to the Supreme Court.

- Based on the Legal Case Register Nos. 254 and 104, PT Gowa Makassar Tourism Development Tbk (GMTD), a subsidiary, is a defendant and defendant I on land area of 69,492 sqm, located in Tanjung Maccini Sombala. Until the reporting date, the case is still under appeal at the Supreme Court of the Republic of Indonesia.
- Based on the Legal Case Register Nos. 126 and 234, GMTD, a subsidiary, is a litigant on a land area of 60,000 sqm and 34,758 sqm, located in Tanjung Merdeka and Maccini Sombala, respectively. Until the reporting date, each case is still under appeal at the Supreme Court of the Republic of Indonesia.
- Based on the Legal Case Register Nos. 129 and 167, GMTD, a subsidiary, is defendant II on land area of 14,335 sqm, located in Tanjung Merdeka. Until the reporting date, each case is still under appeal at the Supreme Court of the Republic of Indonesia.
- Based on the Legal Case Register Nos. 215 and 243, GMTD, a subsidiary, is a defendant I on a land area of 519,610 sqm and 81,200 sqm, located in Tanjung Merdeka and Maccini Sombala, respectively. Up to the reporting date, each case is still under appeal at the Supreme Court of the Republic of Indonesia.
- Based on the Legal Case Register Nos. 207 and 265, GMTD, a subsidiary, is a litigant on a land area of 60,000 sqm and 68,929 sqm, located in Maccini Sombala and Mattoangin Village, respectively. Until the reporting date, each case is still under appeal at the Supreme Court of the Republic of Indonesia.
- Based on the Legal Case Register Nos. 64 and 219, GMTD, a subsidiary, is defendant and defendant II on land area of 34,000 sqm and 600 sqm, located in Tanjung Merdeka and Maccini Sombala, respectively. Until the reporting date, the case is still under appeal at the Supreme Court of the Republic of Indonesia.
- Based on the Legal Case Register Nos. 228, 312 and 339, GMTD, a subsidiary, is a defendant on a land area of 55,023 sqm located in Tanjung Merdeka. Until the reporting date, the case is in the process of court.
- Based on the Legal Case Register Nos. 163 and 318, GMTD, a subsidiary, is a defendant on land area of 59,996 sqm and 10,000 sqm, located in Maccini Sombala and Parambungan, respectively. Until the reporting date, the case is in the process of court.
- Based on the Legal Case Register No. 218, GMTD, a subsidiary, is a litigant on a land area of 21,023 sqm located in Lette Village. Until the reporting date, the case is in the process of court.

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43. Financial Instruments and Financial Risk Management

The main financial risks faced by the Group are credit risk, foreign exchange rate risk, liquidity risk and price risk. Attention of managing these risks has significantly increased in light of the considerable change and volatility in Indonesian and international markets.

(i) Credit Risk

Credit risk is the risk that the Group will incur a loss arising from their customers, clients or counterparties that fail to discharge their contractual obligations. The Group's financial instruments that potentially contain credit risk are cash and cash equivalent, trade accounts receivable, other accounts receivable and investments. The maximum total credit risks exposure is equal to the amount of the respective accounts.

The Company and Subsidiaries manage and control this credit risk by setting limits on the amount of risk they are willing to accept for respective customers and being more selective in choosing banks and financial institutions that they deal with, which includes choosing only the reputable and creditworthy banks and financial institutions.

The following table analyzes the quality of financial assets based on maturity for each financial assets:

	2013					Total
	Not Yet Due	Overdue			Total	
		0 - 90 Days	91 - 180 Days	> 181 Days		
Rp	Rp	Rp	Rp	Rp	Rp	
Financial Assets						
Fair value through profit or loss						
Derivative	1,089,358,745,423	--	--	--	--	1,089,358,745,423
Loans and Receivables						
Cash and Cash Equivalents	1,855,051,780,961	--	--	--	--	1,855,051,780,961
Trade Accounts Receivable	342,416,433,304	213,404,687,766	62,040,508,116	203,876,478,031	479,321,673,913	821,738,107,217
Other Current Financial Assets	579,151,927,041	--	--	--	--	579,151,927,041
Due from Related Parties Non-trade	9,737,396,584	--	--	--	--	9,737,396,584
Other Non-Current Financial Assets	460,469,077,258	--	--	--	--	460,469,077,258
Available-for-Sale						
Available-for-Sale Financial Assets	5,168,300,838,797	--	--	--	--	5,168,300,838,797
Total Financial Assets	9,504,486,199,368	213,404,687,766	62,040,508,116	203,876,478,031	479,321,673,913	9,983,807,873,281
	2012					
	Not Yet Due	Overdue			Total	Total
		0 - 90 Days	91 - 180 Days	> 181 Days		
	Rp	Rp	Rp	Rp	Rp	Rp
Financial Assets						
Fair value through profit or loss						
Derivative	101,878,348,847	--	--	--	--	101,878,348,847
Loans and Receivables						
Cash and Cash Equivalents	3,337,357,407,919	--	--	--	--	3,337,357,407,919
Trade Accounts Receivable	274,382,513,505	180,003,365,507	64,597,353,595	121,857,556,627	366,458,275,729	640,840,789,234
Other Current Financial Assets	342,988,169,824	--	--	--	--	342,988,169,824
Due from Related Parties Non-trade	11,460,650,042	--	--	--	--	11,460,650,042
Other Non-Current Financial Assets	344,302,236,769	--	--	--	--	344,302,236,769
Available-for-Sale						
Available-for-Sale Financial Assets	4,216,898,495,936	--	--	--	--	4,216,898,495,936
Total Financial Assets	8,629,267,822,842	180,003,365,507	64,597,353,595	121,857,556,627	366,458,275,729	8,995,726,098,571

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(ii) Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Group's financial instrument that potentially contain foreign exchange rate risk are cash and cash equivalent, investments and loans.

To manage foreign exchange rate risk, the Company has entered into several derivative agreements with certain third parties.

The following tables show total financial assets and liabilities in foreign currencies as of December 31, 2013 and 2012:

	2013					Equivalent in Rupiah
	Foreign Currencies					
	USD	JPY	SGD	EUR	AUD	
Assets						
Cash and Cash Equivalents	12,863,184	113,800	22,610,315	23,173	168,145	376,713,194,300
Trade Accounts Receivable	3,381,652	--	5,704,505	--	--	96,141,930,368
Other Current Financial Assets	89,372,282	--	542,632,857	--	--	6,313,827,892,494
Other Non-Current Financial Assets	49,950	--	5,813,685	--	--	56,582,999,730
Total Assets	105,667,068	113,800	576,761,362	23,173	168,145	6,843,266,016,892
Liabilities						
Trade Accounts Payable	--	--	3,516,878	--	--	33,860,501,384
Accrued Expenses	1,373,082	--	780,424	--	--	24,250,418,770
Bonds Payable	653,306,000	--	--	--	--	7,963,146,834,000
Total Liabilities	654,679,082	--	4,297,302	--	--	8,021,257,754,154
Net Assets (Liabilities)	(549,012,014)	113,800	572,464,060	23,173	168,145	(1,177,991,737,262)

	2012					Equivalent in Rupiah
	Foreign Currencies					
	USD	JPY	SGD	EUR	AUD	
Assets						
Cash and Cash Equivalents	5,977,148	113,800	7,306,380	9,836	6,376	438,301,058,054
Trade Accounts Receivable	3,091,364	--	8,546,257	--	--	97,468,745,402
Other Current Financial Assets	10,535,507	--	532,942,782	--	--	4,315,856,921,772
Other Non-Current Financial Assets	--	--	4,943,353	--	--	39,087,088,455
Total Assets	19,604,019	113,800	553,738,772	9,836	6,376	4,890,713,813,683
Liabilities						
Trade Accounts Payable	--	--	340,888	--	--	2,695,401,416
Accrued Expenses	5,741,994	--	1,878,791	--	--	70,380,688,375
Bonds Payable	642,535,000	--	--	--	--	6,213,313,450,000
Total Liabilities	648,276,994	--	2,219,679	--	--	6,286,389,539,791
Net Assets (Liabilities)	(628,672,975)	113,800	551,519,093	9,836	6,376	(1,395,675,726,108)

Sensitivity analysis

A hypothetical 10% decrease in the exchange rate of the Rupiah against the USD currency would increase profit before tax by Rp43,840,784,437 (2012: Rp123,799,383,686).

A hypothetical 10% decrease in the exchange rate of the Rupiah against the SGD currency would increase profit before tax by Rp31,383,402,097 (2012: Rp65,130,027,481).

The analysis above is based on assumption that Rupiah weakened or strengthened against all of the currencies in the same direction and magnitude, but it may not be necessarily true in reality. The analysis is not determine impact of the effectivity of derivative financial instruments of a hedge.

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group did not have interest rate risk mainly because it does not have a loan with a floating interest rate.

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(iv) Liquidity Risk

Liquidity risk is a risk when the cash flow position of the Group indicates that the short-term revenue is not enough to cover the short-term expenditure.

The Group manage this liquidity risk by maintaining an adequate level of cash and cash equivalent to cover Group's commitment in normal operation and regularly evaluates the projected and actual cash flow, as well as maturity date schedule of their financial assets and liabilities.

The following table analyzes the breakdown of financial liabilities based on maturity:

	2013				Total Rp
	Will Due On			Maturity not Determined Rp	
	Less Than 1 Year Rp	1 - 5 Years Rp	More than 5 Years Rp		
Measured at amortized cost					
Trade Accounts Payable - Third Parties	397,748,177,608	--	--	--	397,748,177,608
Accrued Expenses	551,608,473,508	--	--	--	551,608,473,508
Short-Term Post-Employment Benefits Liability	13,318,752,901	--	--	--	13,318,752,901
Other Current Financial Liabilities	--	--	--	300,183,744,169	300,183,744,169
Short-Term Bank Loan	4,927,167,196	--	--	--	4,927,167,196
Long-Term Bank Loan	11,792,174,233	42,960,940,232	--	--	54,753,114,465
Due to Related Parties Non-trade	--	--	--	3,828,292,119	3,828,292,119
Bonds Payable	--	--	7,747,839,607,892	--	7,747,839,607,892
Other Long-Term Financial Liabilities	--	--	--	50,996,677,731	50,996,677,731
Total	979,394,745,446	42,960,940,232	7,747,839,607,892	355,008,714,019	9,125,204,007,589

	2012				Total Rp
	Will Due On			Maturity not Determined Rp	
	Less Than 1 Year Rp	1 - 5 Years Rp	More than 5 Years Rp		
Measured at amortized cost					
Trade Accounts Payable - Third Parties	575,701,267,461	--	--	--	575,701,267,461
Accrued Expenses	487,335,826,278	--	--	--	487,335,826,278
Short-Term Post-Employment Benefits Liability	6,326,397,455	--	--	--	6,326,397,455
Other Current Financial Liabilities	--	--	--	179,543,836,416	179,543,836,416
Short-Term Bank Loan	4,853,583,896	--	--	--	4,853,583,896
Long-Term Bank Loan	11,218,103,420	54,753,114,466	--	--	65,971,217,886
Due to Related Parties Non-trade	--	--	--	3,188,994,396	3,188,994,396
Bonds Payable	--	1,141,954,363,699	4,801,575,272,736	--	5,943,529,636,435
Other Long-Term Financial Liabilities	--	--	--	85,634,498,079	85,634,498,079
Total	1,085,435,178,510	1,196,707,478,165	4,801,575,272,736	268,367,328,891	7,352,085,258,302

(v) Price Risk

Price risk is a risk of fluctuation in the value of financial instruments as a result of changes in market price. The Group are exposed to price risk because they own an investment classified as AFS financial assets.

The Group manage this risk by regularly evaluating the financial performance and market price of their investment and continuously monitor the global market developments.

Sensitivity analysis

A hypothetical 1% decrease in the AFS price in the market would cut Unrealized Gain on Changes in Fair Value of Available-for-Sale Financial Assets by Rp51,099,718,149 (2012: Rp41,585,694,729).

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2013 and 2012
 (Expressed In Full Rupiah, Unless Otherwise Stated)

Fair Value Estimation

The schedule below presents the carrying amount of the respective categories of financial assets and liabilities :

	2013		2012	
	Carrying Value Rp	Fair Value Rp	Carrying Value Rp	Fair Value Rp
Financial Assets				
Fair value through profit or loss				
Derivative	1,089,358,745,423	1,089,358,745,423	101,878,348,847	101,878,348,847
Loans and Receivable				
Cash and Cash Equivalents	1,855,051,780,961	1,855,051,780,961	3,337,357,407,919	3,337,357,407,919
Trade Accounts Receivable	771,671,659,700	771,671,659,700	594,377,013,788	594,377,013,788
Other Current Financial Assets	579,151,927,041	579,151,927,041	342,988,169,824	342,988,169,824
Due from Related Parties Non-trade	9,737,396,584	9,737,396,584	11,460,650,042	11,460,650,042
Other Non-Current Financial Assets	460,469,077,258	460,469,077,258	344,302,236,769	344,302,236,769
Available-for-Sale				
Available-for-Sale Financial Assets	5,168,300,838,797	5,168,300,838,797	4,216,898,495,936	4,216,898,495,936
Total Financial Assets	9,933,741,425,764	9,933,741,425,764	8,949,262,323,125	8,949,262,323,125
Financial Liabilities				
Measured at amortized cost				
Trade Accounts Payable - Third Parties	397,748,177,608	397,748,177,608	575,701,267,461	575,701,267,461
Accrued Expenses	551,608,473,508	551,608,473,508	487,335,826,278	487,335,826,278
Other Current Financial Liabilities	300,183,744,169	300,183,744,169	179,543,836,416	179,543,836,416
Short-Term Post-Employment Benefits Liability	13,318,752,901	13,318,752,901	6,326,397,455	6,326,397,455
Short-Term Bank Loan	4,927,167,196	4,927,167,196	4,853,583,896	4,853,583,896
Due to Related Parties Non-trade	3,828,292,119	3,828,292,119	3,188,994,396	3,188,994,396
Long-Term Bank Loan	54,753,114,465	54,753,114,465	65,971,217,886	65,971,217,886
Bonds Payable	7,747,839,607,892	7,640,820,893,622	5,943,529,636,435	6,469,503,625,028
Other Long-Term Financial Assets	50,996,677,731	46,480,631,284	85,634,498,079	81,118,451,632
Total Financial Liabilities	9,125,204,007,589	9,013,669,246,872	7,352,085,258,302	7,873,543,200,448

As of December 31, 2013 and 2012, management estimates that the carrying value of short-term financial assets and liabilities and those which maturity not determined have reflect their fair value.

The fair value of derivative instruments and other long-term liabilities are estimated using valuation techniques with unobservable input portion (Level 2). The fair value of investments available for sale and bonds payable was quoted in an active market (Level 1).

The fair value hierarchy for financial assets at year end were recorded using their fair value, are as follows:

	2013	Level 1	Level 2	Level 3
	Rp	Rp	Rp	Rp
Fair value through profit or loss - Derivative	1,089,358,745,423	--	1,089,358,745,423	--
Available-for-Sale				
Other Current Financial Assets	5,109,971,815,786	5,109,971,815,786	--	--
Other Non-Current Financial Assets	58,329,023,011	--	--	58,329,023,011
	2012	Level 1	Level 2	Level 3
	Rp	Rp	Rp	Rp
Fair value through profit or loss - Derivative	101,878,348,847	--	101,878,348,847	--
Available-for-Sale				
Other Current Financial Assets	4,158,569,472,925	4,158,569,472,925	--	--
Other Non-Current Financial Assets	58,329,023,011	--	--	58,329,023,011

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2013 and 2012
 (Expressed In Full Rupiah, Unless Otherwise Stated)

44. Business Combination

Acquisition of PT Medika Sarana Traliansia (MST)

On December 13, 2013, SIH acquired 80% shares of MST indirectly through PT Koridor Usaha Maju from the third party, in line with the strategic business expansion which support the Group's business activities.

The following table summarises the identifiable assets acquired and the liabilities taken over at the acquisition date of MST:

	<u>Rp</u>
Cash and Cash Equivalents	27,436,090,446
Trade Accounts Receivable	10,435,964,113
Other Current Financial Assets	244,157,342
Inventory	5,242,737,740
Prepaid Taxes	9,666,551,053
Prepaid Expenses	1,799,222,306
Due from Related Parties Non-trade	52,914,861,030
Property and Equipment	167,319,345,979
Other Intangible Assets	77,008,822
Deffered Tax Assets - Net	(682,034,266)
Trade Accounts Payable - Third Parties	(2,612,701,121)
Accrued Expenses	(104,609,273)
Tax Payables	(5,329,854,371)
Deffered Tax Liabilities	(8,220,363,189)
Current Portion of Long-term Debt	(137,832,101,689)
Deffered Income	(189,687,581)
Due to Related Parties Non-trade	(40,620,704,669)
Long-term Debt	(416,164,840)
Net Assets	<u>79,127,717,832</u>
Proportion Acquired	80%
Share of Fair Value of Net Assets	63,302,174,266
Goodwill	126,297,825,734
Total Purchase Consideration	<u>189,600,000,000</u>

Goodwill arising from the acquisition amounted to Rp126,297,825,734 (see Note 13) represents subsidiary business results that support and synergy with the core business of the Group.

Non-controlling interest is measured by the percentage of the non-controlling ownership of the fair value of the net assets of the MST.

The balance of non-controlling interest of this acquisition is Rp15,825,543,566.

Acquisition related expenses are not calculated in this business combination since it is not material but have been charged to the current year statement of comprehensive income.

In connection with the acquisition, the financial statements of MST from the date of acquisition have been consolidated into the financial statements of the Group.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2013 and 2012
 (Expressed In Full Rupiah, Unless Otherwise Stated)

Total revenue and profit before tax of MST since the date of acquisition which is included in the consolidated statement of comprehensive income for the year ended December 31, 2013 amounted to Rp10,345,841,011 and Rp1,776,966,356.

Revenues and profit of MST for the year ended December 31, 2013, the date as if MST had been consolidated from January 1, 2013 amounted to Rp110,929,201,050 and Rp19,093,869,714.

PT Mulia Citra Abadi (MCA)

On December 20, 2012, the Company acquired the entire shares of MCA indirectly 75% through PT Lippo Malls Indonesia (formerly PT Consulting & Management Services Division) and 25% through PT Kilau Intan Murni from the third party, in line with the strategic business expansion which support the Group's business activities.

The following table summarises the identifiable assets acquired and the liabilities taken over at the acquisition date of MCA:

	<u>Rp</u>
Cash and Cash Equivalents	9,000,000
Property and Equipment	279,686,000,000
Due to Related Parties Non-trade	(185,805,000,000)
Net Assets	<u>93,890,000,000</u>
Proportion Acquired	100%
Share of Fair Value of Net Assets	93,890,000,000
Goodwill	20,247,679,428
Total Purchase Consideration	<u>114,137,679,428</u>

Goodwill arising from the acquisition amounted to Rp20,247,679,428 (see Note 13) represents subsidiary business results that support and synergy with the core business of the Group.

The Company through subsidiaries acquired 100% ownership so there is no non-controlling interest.

Acquisition related expenses are not calculated in this business combination since it is not material but have been charged to the current year statement of comprehensive income.

In connection with the acquisition, the financial statements of MCA from the date of acquisition have been consolidated into the financial statements of the Group.

Total revenue and profit before tax of MCA since the date of acquisition which is included in the consolidated statement of comprehensive income for the year ended December 31, 2012 amounted to nil and nil.

Revenues and profit of MCA for the year ended December 31, 2012, the date as if MCA had been consolidated from January 1, 2012 amounted to nil and nil.

PT Bimasakti Jaya Abadi (BJA)

On December 20, 2012, the Company acquired the entire shares of BJA indirectly 25% through PT Primakreasi Propertindo and 75% through PT Mandiri Cipta Gemilang from the third party, in line with the strategic business expansion which support the Group's business activities.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2013 and 2012
(Expressed In Full Rupiah, Unless Otherwise Stated)

The following table summarises the identifiable assets acquired and the liabilities taken over at the acquisition date of BJA:

	<u>Rp</u>
Cash and Cash Equivalents	6,124,000,000
Other Current Financial Assets	36,000,000
Inventory	148,485,000,000
Prepaid Taxes and Expenses	6,991,000,000
Property and Equipment	131,000,000
Trade Accounts Payable - Third Parties	(127,000,000)
Other Short-Term Financial Liabilities	(911,000,000)
Taxes Payable	(4,341,000,000)
Due to Related Parties Non-trade	(18,632,000,000)
Advances from Customers	(40,896,000,000)
Net Assets	<u>96,860,000,000</u>
Proportion Acquired	100%
Share of Fair Value of Net Assets	96,860,000,000
Goodwill	9,509,000,000
Total Purchase Consideration	<u>106,369,000,000</u>

Goodwill arising from the acquisition amounted to Rp9,509,000,000 (see Note 13) represents subsidiary business results that support and synergy with the core business of the Company and its subsidiaries.

The Company through subsidiaries acquired 100% ownership so there is no non-controlling interest.

Acquisition related expenses are not calculated in this business combination since it is not material but have been charged to the current year statement of comprehensive income.

In connection with the acquisition, the financial statements from the date of acquisition have been consolidated into the financial statements of the Group.

Total revenue and profit before tax of BJA since the date of acquisition which is included in the consolidated statement of comprehensive income for the year ended December 31, 2012 amounted to nil and nil.

Revenues and profit of BJA for the year ended December 31, 2012, the date as if BJA had been consolidated from January 1, 2012 amounted to nil and nil.

PT Surya Megah Lestari (SML)

On December 20, 2012, the Company acquired the entire shares of SML indirectly 25% through PT Primakreasi Propertindo and 75% through PT Mandiri Cipta Gemilang from the third party, in line with the strategic business expansion which support the Group's business activities.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2013 and 2012
 (Expressed In Full Rupiah, Unless Otherwise Stated)

The following table summarises the identifiable assets acquired and the liabilities taken over at the acquisition date of SML:

	<u>Rp</u>
Cash and Cash Equivalents	2,000,000
Property and Equipment	4,318,000,000
Due to Related Parties Non-trade	<u>(3,000,000,000)</u>
Net Assets	<u>1,320,000,000</u>
Proportion Acquired	100%
Share of Fair Value of Net Assets	<u>1,320,000,000</u>
Goodwill	<u>5,680,000,000</u>
Total Purchase Consideration	<u>7,000,000,000</u>

Goodwill arising from the acquisition amounted to Rp5,680,000,000 (see Note 13) represents subsidiary business results that support and synergy with the core business of the Group.

The Company through subsidiaries acquired 100% ownership so there is no non-controlling interest.

Acquisition related expenses are not calculated in this business combination since it is not material but have been charged to the current year statement of comprehensive income.

In connection with the acquisition, the financial statements from the date of acquisition have been consolidated into the financial statements of the Group.

Total revenue and profit before tax of SML since the date of acquisition which is included in the consolidated statement of comprehensive income for the year ended December 31, 2012 amounted to nil and nil.

Revenues and profit of SML for the year ended December 31, 2012, the date as if SML had been consolidated from January 1, 2012 amounted to nil and nil.

PT Ekaputra Kencana Abadi (EKA)

On August 15, 2012, the Company acquired the entire shares of EKA, indirectly 75% through PT Persada Mandiri Dunia Niaga and 25% through PT Wisma Jatim Propertindo from the third party, in line with the strategic business expansion which support the Group's business activities.

The following table summarises the identifiable assets acquired and the liabilities taken over at the acquisition date of EKA:

	<u>Rp</u>
Due from Related Parties Non-trade	349,000,000
Other Non-Current Financial Assets	<u>2,016,000,000</u>
Net Assets	<u>2,365,000,000</u>
Proportion Acquired	100%
Share of Fair Value of Net Assets	<u>2,365,000,000</u>
Goodwill	<u>15,050,000,000</u>
Total Purchase Consideration	<u>17,415,000,000</u>

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2013 and 2012
 (Expressed In Full Rupiah, Unless Otherwise Stated)

Goodwill arising from the acquisition amounted to Rp15,050,000,000 (see Note 13) represents subsidiary business results that support and synergy with the core business of the Group.

The Company through subsidiaries acquired 100% ownership so there is no non-controlling interest.

Acquisition related expenses are not calculated in this business combination since it is not material but have been charged to the current year statement of comprehensive income.

In connection with the acquisition, the financial statements from the date of acquisition have been consolidated into the financial statements of the Company.

Total revenue and profit before tax of EKA since the date of acquisition which is included in the consolidated statement of comprehensive income for the year ended December 31, 2012 amounted to nil and Rp7,128,993,641.

Revenues and profit of EKA for the year ended December 31, 2012, the date as if EKA had been consolidated from January 1, 2012 amounted to nil and Rp8,431,839,194.

PT Diagram Healthcare Indonesia (DHI)

On March 31, 2012, PT Pancawarna Semesta acquired 80% shares of DHI from the third party, in line with the strategic business expansion which support the Group's business activities.

Non-controlling interest is measured by the percentage of non-controlling ownership of the fair value of net assets DHI.

The following table summarises the identifiable assets acquired and the liabilities taken over at the acquisition date of DHI:

	<u>Rp</u>
Cash and Cash Equivalents	5,951,879,958
Trade Accounts Receivable	1,718,362,121
Other Current Financial Assets	3,402,984,235
Inventory	3,016,325,388
Prepaid Expenses	6,988,810,376
Property and Equipment	1,693,511,777
Other Non-Current Financial Assets	52,582,943,963
Trade Accounts Payable - Third Parties	(1,362,329,594)
Accrued Expenses	(812,059,303)
Taxes Payable	(66,187,108)
Due to Related Parties Non-trade	(8,316,562,501)
Other Short-Term Financial Liabilities	(2,897,038,000)
Advances from Customers	(24,448,849)
Net Assets	<u>61,876,192,463</u>
Proportion Acquired	80%
Share of Fair Value of Net Assets	49,500,953,970
Goodwill	9,251,046,030
Total Purchase Consideration	<u>58,752,000,000</u>

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2013 and 2012
 (Expressed In Full Rupiah, Unless Otherwise Stated)

Goodwill arising from the acquisition amounted to Rp9,251,046,030 (see Note 13) represents subsidiary business results that support and synergy with the core business of the Group.

The balance of non-controlling interest on this acquisition is Rp14,038,550,993.

Acquisition related expenses are not calculated in this business combination since it is not material but have been charged to the current year statement of comprehensive income.

In connection with the acquisition, the financial statements from the date of acquisition have been consolidated into the financial statements of the Group.

Total revenue and loss before tax of DHI since the date of acquisition which is included in the consolidated statement of comprehensive income for the year ended December 31, 2012 amounted to Rp26,076,661,740 and Rp5,860,131,989, respectively.

Revenues and loss of DHI for the year ended December 31, 2012, the date as if DHI had been consolidated from January 1, 2012 amounted to Rp34,134,147,413 and Rp6,487,148,864.

45. Non-Cash Transactions

The following are investing and financing activities which do not affect cash flows:

- As of December 31, 2013, addition of AFS investment in Bridgewater International Ltd, a subsidiary, amounted to SGD 50,000,000 (equivalent Rp387,850,000,000) through property sales of Siloam Hospitals Simatupang to First REIT.
- As of December 31, 2013, addition of AFS investment amounted to 6,229,582 unit of First REIT (equivalent Rp67,895,054,814) in Bowsprit Capital Corporation Ltd and AFS investment amounted to 14,595,461 unit of LMIR Trust (equivalent Rp64,363,856,915) in LMIRT Management Ltd.
- As of December 31, 2013, addition of property and equipment in subsidiaries through accrued expenses amounted to Rp36,097,496,473.
- As of December 31, 2013 and 2012, addition of property and equipment in subsidiaries through realization of advances on purchase of property and equipment amounted to Rp141,582,484,925 and Rp12,808,909,716, respectively.
- As of December 31, 2013, share issuance costs of SIH, a subsidiary, which is still outstanding amounted to Rp1,899,274,884.

46. Capital Management

	2013 Rp	2012 Rp
Net Liabilities:		
Total Liabilities	17,122,789,125,041	13,399,189,342,618
Less: Cash and Cash Equivalents	(1,855,051,780,961)	(3,337,357,407,919)
Net Liabilities	15,267,737,344,080	10,061,831,934,699
Total Equity	14,177,573,305,225	11,470,106,390,475
Less: Other Components of Equity	(3,294,262,538,510)	(1,545,025,846,636)
Adjusted Equity	10,883,310,766,715	9,925,080,543,839
Net Liability Ratio to Adjusted Equity	1.40	1.01

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2013 and 2012
(Expressed In Full Rupiah, Unless Otherwise Stated)

The objective of capital management is to safeguard the Company's ability as a going concern, maximize the returns to stockholders and benefits for other stockholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company regularly reviews and manages the capital structure to ensure that the return to stockholders is optimal, by considering the capital needs in the future and the Company's capital efficiency, profitability in the current period and the future, projected operating cash flows, projected capital expenditures and projected opportunities of strategic investment.

47. Events After Reporting Date

- a. On February 4, 2014, based on letter No. 0258/JAM/2014, GFA, a subsidiary, entered into an extension of local credit facility with PT Bank Central Asia Tbk (see Note 19).
- b. On March 13, 2014, PT Kalimaya Pundi Bumi, a subsidiary, disposed 82,500,000 shares or 7.1% shares ownership in SIH at Rp10,400 per share with total proceeds of Rp858,000,000,000. After the disposal, Group ownership in SIH become 78.89%.

48. Recent Development of SAK

The following new Interpretations of financial accounting standard (ISAK) are effective on 1 January 2014 to the Group's consolidated financial statements:

- ISAK No. 27 "Transfer of Assets from Customers"
- ISAK No. 28 "Extinguishing Financial Liabilities with Equity Instruments"

In addition, in December 2013, the DSAK-IAI issued a number of new and revised statements of financial accounting standards (PSAK) that will become effective for the annual period beginning of January 2015. Early adoption of these standards is not permitted.

The new standards are:

- PSAK No. 1 (revised 2013) "Presentation of financial statements"
- PSAK No. 4 (revised 2013) "Separate financial statements"
- PSAK No. 15 (revised 2013) "Investment in associates and joint ventures"
- PSAK No. 24 (revised 2013) "Employee benefits"
- PSAK No. 65 "Consolidated financial statements"
- PSAK No. 66 "Joint arrangements"
- PSAK No. 67 "Disclosure of interests in other entities"
- PSAK No. 68 "Fair value measurement"

As at the authorisation date of this consolidated of financial statements, the Company is still evaluating the potential impact of ISAK, new and revised PSAK.

49. Responsibility and Issuance for the Consolidated Financial Statements

The management of the Company is responsible for the preparation and presentation of the consolidated financial statements. The consolidated financial statements were authorized for issuance by Directors on March 20, 2014.

**PT LIPPO KARAWACI Tbk
AND SUBSIDIARIES**

**Consolidated Financial Statements
For the Years Ended
December 31, 2012 and 2011, and
Consolidated Statements of Financial Position
As of January 1, 2011/December 31, 2010**



**PT LIPPO KARAWACI Tbk
AND SUBSIDIARIES**

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**DIRECTORS' STATEMENT
ON
THE RESPONSIBILITY FOR PT LIPPO KARAWACI TBK
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2012**

We the undersigned:

- | | |
|--|--|
| 1. Name | : Ketut Budi Wijaya |
| Address | : Menara Matahari Lt. 22
Jln. Bulevar Palem Raya No. 7
Lippo Karawaci, Tangerang 15811 |
| Residential Address
(as in identify card) | : Jln. Percetakan Negara II/3
Johar Baru, Jakarta Pusat. |
| Telephone | : (021)2566 9000 |
| Title | : President Director |
| | |
| 2. Name | : Tjokro Libianto |
| Address | : Menara Matahari Lt. 22
Jln. Bulevar Palem Raya No. 7
Lippo Karawaci, Tangerang 15811 |
| Residential Address
(as in identify card) | : Jln. Kembangan Utama Blok L.I. No. 10
Rt 010/Rw 009 Kembangan Utara
Kembangan, Jakarta Barat |
| 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, 25 March 2013
PT Lippo Karawaci Tbk

A

Ketut Budi Wijaya
President Director

Tjokro Libianto
Director

7 Boulevard Palem Raya # 22-00 Menara Matahari, Lippo Karawaci Central, Tangerang 15811, Banten - Indonesia
T. + 62 21 2566 9000 | F. +62 21 2566 9098 / 99
www.lippokarawaci.co.id



RSM AAJ
Audit - Tax - Advisory

Aryanto, Amir Jusuf, Mawar & Saptoto

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Kantor Akuntan Publik
Aryanto, Amir Jusuf, Mawar & Saptoto
RSM AAJ Associates
Plaza ASIA, 10th Floor
Jl. Jend. Sudirman Kav. 59 Jakarta 12190 - Indonesia
T +62 21 5140 1340, F +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 statements of financial position of PT Lippo Karawaci Tbk ("the Company") and subsidiaries as of December 31, 2012 and 2011, and January 1, 2011 / December 31, 2010, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2012 and 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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, 2012 and 2011, which reflected a total assets of Rp 900,597 million and Rp 487,194 million as of December 31, 2012 and 2011, respectively, and a total revenue of Rp 239,911 million and Rp 189,241 million for the years then ended, respectively. Those financial statements were audited by other independent auditor, whose reports dated March 22, 2013 and February 16, 2012, 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 such subsidiary is based solely on the reports of such 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 statements presentation. We believe that our audits and the reports of other independent auditor provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other independent auditor, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PT Lippo Karawaci Tbk and subsidiaries as of December 31, 2012 and 2011, and January 1, 2011 / December 31, 2010 and the consolidated results of their operations and their cash flows for the years ended December 31, 2012 and 2011, in conformity with the Indonesian Financial Accounting Standards.

RSM AAJ Associates is a member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

Licence number :
Minister of Finance : 1048/KM.1/2005
Capital Market Supervisory Board
(BAPEPAM) : 405
Bank Indonesia : 063

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

As described in the Note 2 to the consolidated financial statements, the Company and subsidiaries have implemented certain Financial Accounting Standards which became effective starting January 1, 2012. Furthermore, the Company has restated the consolidated statements of financial position as of December 31, 2011 in conformity with the presentation of the consolidated statements of financial position as of December 31, 2012, by classifying assets as current assets and non-current assets and classifying liabilities as current liabilities and non-current liabilities. Therefore, the consolidated statements of financial position as of January 1, 2011 / December 31, 2010 have been restated.



Benny Andria
Public Accountant License Number: AP.0181

Jakarta, March 25, 2013

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices utilized to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia. Accordingly the accompanying financial statements and the auditors' report thereon are not intended for use by those who are not informed about Indonesian accounting principles and auditing standards, and their application in practice.

These consolidated financial statements are originally issued in Indonesian language

**PT LIPPO KARAWACI Tbk
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2012 and 2011, and January 1, 2011/ December 31, 2010
(Expressed In Full Rupiah, Unless Otherwise Stated)

ASSETS	Notes	December 31, 2012	December 31, 2011 *)	January 1, 2011/ December 31, 2010 *)
		Rp	Rp	Rp
Current Assets				
Cash and Cash Equivalent	3.c, 3.d, 3.f, 3.x, 4, 10, 42, 44	3,337,357,407,919	2,174,560,697,339	3,660,087,191,120
Trade Accounts Receivable	3.x, 3.y, 5, 44			
Third Parties	3.c, 42	591,205,993,335	561,856,099,019	656,604,474,581
Related Parties	3.f, 10	3,171,020,453	2,779,461,708	5,083,171,699
Other Current Financial Assets	3.c, 3.s, 3.x, 3.y, 6, 40.b, 42, 44	4,603,435,991,596	2,671,821,100,562	547,919,244,755
Inventory	3.g, 3.l, 3.m, 7	10,504,909,573,401	7,892,170,591,837	7,068,539,007,802
Prepaid Taxes	3.u, 18.c	330,155,958,274	209,159,804,577	171,327,012,215
Prepaid Expenses	3.h, 8, 40.b	109,214,896,716	96,056,870,094	84,310,343,563
Total Current Assets		19,479,450,841,694	13,608,404,625,136	12,193,870,445,735
Non-Current Assets				
Due from Related Parties Non-Trade	3.f, 3.x, 10, 44	11,460,650,042	10,102,936,910	9,373,247,862
Other Non-Current Financial Assets	3.c, 3.x, 9, 42, 44	402,631,259,780	253,210,215,432	151,710,156,526
Investment in Associates	3.e, 10, 11	85,783,638,690	64,021,323,926	69,571,917,104
Investment Property	3.i, 3.k, 3.m, 12	301,745,856,881	528,400,307,942	517,985,863,654
Property and Equipment	3.j, 3.m, 3.y, 13	2,222,377,300,854	1,556,124,819,331	1,206,374,544,429
Intangible Assets	3.n, 3.o, 14, 45	214,637,574,108	210,276,495,852	104,623,556,841
Deferred Tax Assets	3.u, 3.y, 18.b	76,454,612,653	77,480,992,299	72,636,806,041
Advances	15	1,079,837,163,783	738,765,092,504	699,295,415,957
Land for Development	3.g, 16	929,483,420,264	987,757,345,136	953,759,187,924
Other Non-Current Non-Financial Assets		65,433,414,344	224,627,260,416	176,183,777,853
Total Non-Current Assets		5,389,844,891,399	4,650,766,789,748	3,961,514,474,191
TOTAL ASSETS		24,869,295,733,093	18,259,171,414,884	16,155,384,919,926

*) Restated (See Note 2.b)

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

**PT LIPPO KARAWACI Tbk
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)**

As of December 31, 2012 and 2011, and January 1, 2011/ December 31, 2010
(Expressed In Full Rupiah, Unless Otherwise Stated)

LIABILITIES AND EQUITY	Notes	December 31, 2012	December 31, 2011 *)	January 1, 2011/ December 31, 2010 *)
		Rp	Rp	Rp
LIABILITIES				
Current Liabilities				
Trade Accounts Payable	3.x, 44			
Third Parties	3.c, 19, 42	575,701,267,461	416,870,564,924	265,820,833,435
Related Party	3.f, 10	-	-	9,710,280,000
Accrued Expenses	3.c, 3.i, 3.s, 3.x, 17, 40.c, 42, 44	487,335,826,278	325,793,863,002	484,179,885,050
Taxes Payable	3.u, 18.d	199,078,158,108	166,090,643,179	202,293,996,406
Short-Term Employment Benefits Liabilities	3.q, 3.y, 10, 44	6,326,397,455	3,704,922,933	3,173,775,373
Short-Term Bank Loans	3.x, 20, 44	4,853,583,896	144,930,951,280	459,622,201,824
Current Portion of Long-Term-Bank Loans	3.x, 22, 44	11,218,103,420	7,489,401,044	-
Other Current Financial Liabilities	3.x, 21, 42, 44	179,543,836,416	91,230,595,132	194,955,274,696
Advances from Customers	3.t, 25	1,850,726,035,076	963,300,544,347	1,161,504,968,573
Deferred Income	3.f, 3.t, 26	79,696,900,858	76,366,842,057	72,610,740,064
Deferred Gain on Sale and Leaseback Transactions	3.k, 27, 40.b	84,727,362,523	58,313,426,875	47,298,740,074
Total Current Liabilities		3,479,207,471,491	2,254,091,754,773	2,901,170,695,495
Non-Current Liabilities				
Long-Term-Bank Loans	3.x, 22, 44	54,753,114,466	65,971,217,878	-
Due to Related Parties Non-Trade	3.f, 3.x, 10, 44	3,188,994,396	4,447,347,258	10,307,468,479
Bonds Payable	3.c, 3.p, 3.x, 23, 42, 44	5,943,529,636,435	3,534,706,824,201	2,916,240,540,290
Other Non-Current Financial Liabilities	3.x, 44	85,634,498,079	31,576,305,817	27,417,395,136
Long-Term Employment Benefits Liabilities	3.f, 3.q, 3.y, 10, 24	161,333,982,735	143,171,484,230	117,089,448,839
Deferred Tax Liabilities	3.u, 3.y, 18.b	6,653,250,000	-	-
Advances from Customers	3.t, 25	2,142,860,001,643	1,407,968,948,946	517,084,804,401
Deferred Income	3.f, 3.t, 26	662,901,019,769	826,981,143,790	793,175,710,853
Deferred Gain on Sale and Leaseback Transactions	3.k, 27, 40.b	859,127,373,604	581,238,193,537	648,338,440,123
Total Non-Current Liabilities		9,919,981,871,127	6,596,061,465,657	5,029,653,808,121
Total Liabilities		13,399,189,342,618	8,850,153,220,430	7,930,824,503,616
EQUITY				
Equity Attributable to Owner of the Parent Company				
Capital Stock				
Par Value - Rp 100				
Authorized Capital - 64,000,000,000 shares				
Issued and Fully Paid - 23,077,689,619 shares				
as of December 31, 2012 and 2011, and 21,627,689,619 shares				
as of January 1, 2011/ December 31, 2010				
	28	2,307,768,961,900	2,307,768,961,900	2,162,768,961,900
Additional Paid-in Capital - Net	3.r, 29	4,063,148,621,880	4,063,148,621,880	3,264,272,536,575
Difference in Transactions with Non-Controlling Interest	30	(242,888,251,427)	(177,677,727,750)	-
Treasury Stock	3.x, 28	(216,524,113,794)	(61,731,458,788)	-
Retained Earnings		3,790,222,421,118	2,907,500,486,689	2,299,144,554,495
Other Comprehensive Income	32	954,389,097,088	(205,311,684,065)	28,865,389,068
Total Equity Attributable to Owner of the Parent Company		10,656,116,736,765	8,833,697,199,866	7,755,051,442,038
Non-Controlling Interest	3.n, 33	813,989,653,710	575,320,994,588	469,508,974,272
Total Equity		11,470,106,390,475	9,409,018,194,454	8,224,560,416,310
TOTAL LIABILITIES AND EQUITY		24,869,295,733,093	18,259,171,414,884	16,155,384,919,926

*) Restated (See Note 2.b)

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

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

For the Years Ended December 31, 2012 and 2011
(Expressed In Full Rupiah, Unless Otherwise Stated)

	Notes	2012 Rp	2011 Rp
REVENUES	3.f, 3.t, 3.y, 10, 34	6,160,214,023,204	4,189,580,354,855
COST OF SALES	3.t, 3.y, 35	(3,339,267,470,227)	(2,293,260,256,746)
GROSS PROFIT		2,820,946,552,977	1,896,320,098,109
Other Income	3.t, 38	247,027,452,572	126,437,269,428
Operating Expenses	3.t, 36	(1,343,938,696,897)	(968,323,966,017)
Other Expenses	3.t, 38	(174,842,064,945)	(71,212,931,133)
PROFIT FROM OPERATIONS		1,549,193,243,707	983,220,470,387
Financial Income (Charges) - Net	37	1,632,727,916	(776,546,729)
Share in the Profit of Associates	3.e, 11	26,262,314,762	2,366,381,400
PROFIT BEFORE TAX		1,577,088,286,385	984,810,305,058
Tax Expenses	3.t, 3.u, 18.a	(254,241,267,447)	(170,715,956,132)
PROFIT FOR THE YEAR		1,322,847,018,938	814,094,348,926
OTHER COMPREHENSIVE INCOME			
Gain from Translations Financial Statements in Foreign Currency	3.c, 32	50,594,220,564	6,258,174,070
Gain (Loss) on Changes in Fair Value of Available-for-Sale Financial Assets	3.c, 3.x, 6, 32	1,109,106,560,589	(240,435,247,203)
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR		1,159,700,781,153	(234,177,073,133)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,482,547,800,091	579,917,275,793
Profit for the Year Attributable to:			
Owner of the Parent Company		1,060,221,934,429	708,282,328,610
Non-Controlling Interest	3.b	262,625,084,509	105,812,020,316
		1,322,847,018,938	814,094,348,926
Total Comprehensive Income for the Year Attributable to:			
Owner of the Parent Company		2,219,922,715,582	474,105,255,477
Non-Controlling Interest	3.b	262,625,084,509	105,812,020,316
		2,482,547,800,091	579,917,275,793
EARNINGS PER SHARE			
Basic, Profit for the Year Attributable to Ordinary Share Holders of the Parent Company	3.v, 39	46.48	31.56

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

These consolidated financial statements are originally issued in Indonesian language

**PT LIPPO KARAWACI Tbk
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
For the Years Ended December 31, 2012 and 2011
(Expressed In Full Rupiah, Unless Otherwise Stated)

Notes	Total Equity Attributable to Owner of Parent Company														
	Issued and Fully Paid-up Capital			Premium on Stock			Additional Capital - Net from Transactions Between Entities Under Common Control			Retained Earnings			Other Comprehensive Income (Loss)		
	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp
	2,162,768,961,900	3,244,737,189,310	19,535,347,285	3,764,272,536,575			4,000,000,000	2,250,071,459,423	2,254,001,459,423	3,281,627,017	25,583,582,051	28,865,389,068	7,709,806,346,666	469,508,974,272	8,179,417,520,938
								45,143,095,372	45,143,095,372				45,143,095,372		45,143,095,372
	2,162,768,961,900	3,244,737,189,310	19,535,347,285	3,764,272,536,575			4,000,000,000	2,295,144,554,995	2,299,144,554,995	3,281,627,017	25,583,582,051	28,865,389,068	7,755,051,442,038	469,508,974,272	8,224,560,616,310
29		(12,518,114,695)		(12,518,114,695)									(12,518,114,695)		(12,518,114,695)
28, 29	145,000,000,000	811,394,200,000		811,394,200,000									956,394,200,000		956,394,200,000
28													(61,731,458,788)		(61,731,458,788)
													(177,677,727,750)		(177,677,727,750)
31							1,000,000,000	(100,926,396,416)	(99,926,396,416)				(99,926,396,416)		(99,926,396,416)
								708,282,328,610	708,282,328,610	6,288,174,070	(240,435,247,203)	(234,177,073,133)	474,105,255,477	106,812,020,316	579,917,275,793
	2,307,768,961,900	4,045,813,274,615	19,535,347,285	4,063,446,624,880	(177,677,727,750)	(61,731,458,788)	5,000,000,000	2,992,500,486,889	2,997,500,486,889	9,540,004,1087	(214,651,685,152)	(205,311,684,065)	8,833,887,198,866	575,320,994,588	9,409,218,194,454
28													(154,792,855,006)		(154,792,855,006)
31							1,000,000,000	(175,500,000,000)	(177,500,000,000)				(177,500,000,000)		(177,500,000,000)
													(65,210,523,677)		(65,210,523,677)
													(8,268,034,677)		(8,268,034,677)
													8,107,107,015		8,107,107,015
								1,060,221,934,429	1,060,221,934,429	50,594,220,584	1,109,106,560,589	1,159,700,811,153	2,219,922,715,592	262,625,884,509	2,482,547,800,091
	2,307,768,961,900	4,045,813,274,615	19,535,347,285	4,063,446,624,880	(242,888,251,497)	(216,524,113,794)	6,000,000,000	3,784,222,421,118	3,790,222,421,118	60,134,221,651	894,254,875,437	954,389,097,088	10,656,116,736,765	819,969,653,710	11,470,106,390,475

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

**PT LIPPO KARAWACI Tbk
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**
For the Years Ended December 31, 2012 and 2011
(Expressed In Full Rupiah, Unless Otherwise Stated)

	2012	2011
	Rp	Rp
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from Customers	7,636,269,050,885	4,972,581,629,604
Payments to Suppliers	(4,851,031,998,739)	(3,402,713,135,032)
Payments to Employees	(684,851,925,524)	(408,083,017,261)
Interest Received	81,486,812,047	104,572,396,647
Tax Refund	89,887,095,477	--
Payments of Taxes	(530,369,714,608)	(471,193,813,655)
Interest Payments	(452,595,838,532)	(420,636,600,197)
Net Cash Provided by Operating Activities	<u>1,288,793,481,006</u>	<u>374,527,460,106</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and Equipment		
Disposal	467,759,850,643	1,590,421,400
Acquisition	(940,731,518,620)	(388,401,541,608)
Receipt of Hospital Performance Guarantee	61,000,000,000	--
Acquisition of Investment Property	(10,981,513,930)	(36,054,500,286)
Receipt of Dividend	270,941,921,449	35,370,007,588
Receipt of Promissory Notes	31,878,000,000	4,495,500,000
Purchase of Minority Stock in Subsidiary	(77,210,477,500)	(221,067,000,000)
Acquisition of Subsidiary, Net of Cash Acquired	(501,676,697,309)	--
Placement of Restricted Funds	(149,421,044,348)	(101,528,556,906)
Placement of Investments	(856,005,945,917)	(2,199,746,371,810)
Net Cash Used in Investing Activities	<u>(1,704,447,425,532)</u>	<u>(2,905,342,041,622)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Bond Issuance		
Received	2,458,404,100,000	615,770,597,134
Repayment	(218,228,248,000)	--
Issuance Cost	(212,607,080,000)	(46,800,365,128)
Proceeds from Short-Term Bank Loan	45,000,000,000	140,000,000,000
Net Proceeds from Capital Stocks Issuance - Non-Preemptive Rights Issuance	--	956,394,200,000
Payments to Related Parties - Net	(2,616,065,994)	(6,339,182,135)
Dividend Payment by Subsidiary to the Non-Controlling Interest	(8,268,034,677)	--
Share Buyback	(154,792,655,006)	(61,731,458,788)
Dividend Payment	(177,500,000,000)	(99,926,396,416)
Repayment of Loans	(192,566,768,420)	(459,622,201,824)
Net Cash Provided by Financing Activities	<u>1,536,825,247,903</u>	<u>1,037,745,192,843</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	1,121,171,303,377	(1,493,069,388,673)
Effect of Foreign Exchange on Cash and Cash Equivalent at the End of the Year	41,625,407,203	7,542,894,892
BEGINNING BALANCE OF CASH AND CASH EQUIVALENT	2,174,560,697,339	3,660,087,191,120
ENDING BALANCE OF CASH AND CASH EQUIVALENT	<u>3,337,357,407,919</u>	<u>2,174,560,697,339</u>

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

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

(Expressed In Full Rupiah, Unless Otherwise Stated)

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 the Deed of Establishment No. 233, which was made in the presence of Misahardi Wilamarta, S.H., a notary in Jakarta. The deed of establishment was approved by the Minister of Justice of the Republic of Indonesia in his Decree No. C2-6974.HT.01.01.TH.91 dated November 22, 1991 and was published in the State Gazette No. 62, Supplement No. 3593 on August 4, 1992. The Company's articles of association has been amended several times, and the latest was by the Deed of Extraordinary General Meeting of Stockholders No. 19 dated May 31, 2011, made in the presence of Unita Christina Winata, S.H., a notary in Tangerang, in relation to the increase of the Company's issued and fully paid-in capital and the changes in the Company's scope of activities. The deed was received by the Minister of Law and Human Rights of the Republic of Indonesia in his decree No.AHU-AH.01.10-16825 dated June 1, 2011.

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 and sports centers, 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 and accommodation services and operating activities in services consisting of public transportation, security services and other supporting services, except for legal and taxation services.

The Company started commercial operations in 1993. As of the reporting date, the Company's main activity is in the field of Urban Development, Large Scale Integrated Development, Retail Malls, Healthcare, Hospitality and Infrastructure, and Property and Portfolio Management. The work area of the Company and its subsidiaries, includes Sumatra, Java, Bali, Kalimantan and Sulawesi.

The Company is domiciled at 7 Boulevard Palem Raya # 22-23, Menara Matahari, Lippo Karawaci Central, Tangerang 15811, Banten - Indonesia. The Company is a member of the Lippo Group.

1.b. The Company's Initial 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 in the Indonesian Stock Exchange 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 the Indonesian Stock Exchange on January 16, 1998.

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

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2012 and 2011

(Expressed In Full Rupiah, Unless Otherwise Stated)

In 2004, the Company offered 881,905,813 common shares at par value of Rp 500 to the stockholders through Limited Public Offering II in connection with Preemptive Rights Issuance and issued 529,143,440 Warrants Series I as a compliment to stockholders who 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 the Indonesian Stock Exchange on January 20, 2005.

On July 28, 2006, the Company exercised stock split from one to two shares. The outstanding 5,871,017,072 shares as of December 31, 2006 have been listed in the Indonesian Stock Exchange.

On December 26, 2007, the Company exercised stock split from Rp 250 to Rp 100 per share. The outstanding 17,302,151,695 shares as of December 31, 2007 have been listed in the Indonesian Stock Exchange.

In December 2010, the Company offered 4,325,537,924 common shares with a par value of Rp 100 to the stockholders through Limited Public Offering III. This offering has received an effective notice of registration statement through the letter of the Chairman of Bapepam-LK No. S-10674/BL/2010, dated November 29, 2010 and was approved by the stockholders through a resolution of the EGM on same date. On December 29, 2010 these shares were listed in the Indonesian Stock Exchange.

Based on the Deed of Extraordinary General Meeting of Stockholders (EGMS) No. 02 dated May 3, 2011 which was made in the presence of Unita Christina Winata, SH, a notary in Jakarta, which was recently updated by the Deed of EGMS Resolution No. 13 dated March 9, 2011, made in the presence of same notary, the stockholders approved the issuance of new shares within the framework of the Non Preemptive Rights Issuance (NPRI) with a maximum of 10% of paid-in capital or 2,162,768,961 shares. The NPRI can be implemented at once and / or gradually within a period of 2 (two) years as approved by the EGMS. On June 6, 2011, the addition of 1,450,000,000 shares has been issued. The new shares were listed in the Indonesian Stock Exchange on June 8, 2011.

Based on the Deed of EGMS No. 19 dated November 15, 2011 which was made in the presence of Unita Christina Winata, SH, a notary in Jakarta, the shareholders approved the repurchase (buyback) of outstanding shares. In 2011, the number of shares repurchased amounted to 96,229,500 shares, bringing the total number of ordinary shares outstanding as of the December 31, 2011 amounted to 22,981,460,119 shares. The Company has reported this buyback to Bapepam-LK in its letter No. 005/LK-COS/II/2012 dated January 13, 2012.

The repurchased of the outstanding ordinary shares made in 2012 totalling 209,875,000 shares, bringing the outstanding shares as of December 31, 2012 amounted to 22,771,585,119 shares. The Company has reported this buyback to Bapepam-LK in its letter No. 175/LK-COS/VII/2012 dated July 13, 2012.

PT LIPPO KARAWACI Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2012 and 2011
 (Expressed In Full Rupiah, Unless Otherwise Stated)

1.c. The Company's Structure

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

Subsidiary	Domicile	Main Business	Direct Ownership Percentage	Indirect Ownership Percentage	Year of Start of Operation	Total Assets	
						2012 Rp	2011 Rp
Lippo Karawaci Finance B. V.***	Netherlands	Investment, Trading and Services	100.00%	--	2006	24,139,930,280	22,312,456,969
Theta Capital Pte. Ltd*** and Subsidiary	Singapore	Investment	100.00%	--	--	5,131,103,634,489	--
Theta Kemang Pte Ltd***	Singapore	Trading	--	100.00%	--	5,142,769,728,169	--
Sigma Capital Pte Ltd*** and Subsidiary	Singapore	Investment	100.00%	--	--	1,167,460,989,035	3,611,115,954,828
Sigma Trillium Pte Ltd ***	Singapore	Trading	--	100.00%	--	1,676,835,835,980	3,905,137,473,276
Lippo Karawaci Corporation Pte Ltd**** and Subsidiary	Singapore	Investment, Trading and Services	100.00%	--	--	214,762,805,681	107,362,372,788
LK Reit Management Pte Ltd*** and Subsidiary	Singapore	Investment, Trading and Services	--	100.00%	--	214,762,813,588	107,362,379,762
Bowsprit Capital Corporation Ltd***	Singapore	Investment, Trading and Services	--	80.00%	2006	214,762,805,681	107,362,372,788
Jesselton Investment Limited*** and Subsidiary	Malaysia	Investment, Trading and Services	100.00%	--	--	379,770,226,563	174,500,536,785
Peninsula Investment Limited*** and Subsidiary	Malaysia	Investment, Trading and Services	--	100.00%	--	379,770,236,233	174,500,545,853
LMIRT Management Ltd. (formerly Lippo Mappletree Indonesia RTM Ltd)****	Singapore	Investment, Trading and Services	--	100.00%	2007	379,770,245,903	174,500,554,921
PT Primakreasi Propertindo and Subsidiary	Tangerang	Real Estate	100.00%	--	--	3,704,404,935,146	1,573,627,445,922
PT Mujur Sakti Graha and Subsidiary	Tangerang	Real Estate	--	99.83%	--	64,996,414,745	65,101,800,434
PT Surplus Multi Makmur and Subsidiary	Jakarta	Real Estate	--	90.00%	--	16,900,491,244	16,254,144,933
PT Arta Sarana	Bandung	Investment, Trading and Services	--	81.00%	--	42,047,153,885	41,398,663,274
PT PuriParagon	Tangerang	Development, Trading and Services	--	99.83%	--	583,842,942	585,757,942
PT Menara Tirta Indah (formerly PT PluitParagon Mall)	Tangerang	Development, Trading and Services	--	99.83%	--	89,320,414,276	571,710,942
PT Gempita Sinar Abadi (formerly PT BaliParagon Mall)	Tangerang	Development, Trading and Services	--	99.83%	--	20,124,545,500	20,122,967,000
PT Kuta BeachParagon and Subsidiary	Tangerang	Development, Trading and Services	--	99.83%	--	201,316,485,712	147,583,996,652
PT Graha Buana Utama and Subsidiary	Tangerang	Development, Trading and Services	--	99.83%	--	182,325,029,412	128,591,708,352
PT Berkat Langgeng Jaya and Subsidiary	Tangerang	Development, Trading and Services	--	99.83%	--	182,288,501,412	128,553,127,852
PT Pamor Paramita Utama	Jakarta	Development, Trading and Services	--	80.02%	--	171,947,073,287	118,168,649,427
PT Titian Semesta Raya (formerly PT PejatenParagon Mall)	Tangerang	Development, Trading and Services	--	99.83%	--	2,167,709,689	501,603,012
PT Tatabangun Nusantara (formerly PT CibuburParagon Mall)	Tangerang	Development, Trading and Services	--	99.83%	--	11,085,444,396	6,739,826,051
PT Tirtasari Kencana (formerly PT MedanParagon Mall)	Tangerang	Development, Trading and Services	--	99.83%	--	568,796,441	571,678,441
PT Multiguna Selaras Maju (formerly PT BogorParagon Mall)	Tangerang	Development, Trading and Services	--	99.83%	--	4,677,686,000	3,853,963,634
PT Lintas Lautan Cemerlang (formerly PT ThamrinParagon Mall)	Tangerang	Development, Trading and Services	--	99.83%	--	8,223,476,390	11,358,825,326
PT Nilam Biru Bersinar (formerly PT SurabayaParagon Mall)	Tangerang	Development, Trading and Services	--	99.83%	--	5,000,000,000	5,000,528,000
PT Safira Prima Utama (formerly PT SemarangParagon Mall)	Tangerang	Development, Trading and Services	--	99.83%	--	10,000,000,000	10,000,525,000
PT Kalimaya Pundi Bumi (formerly PT LampungParagon Mall)	Tangerang	Development, Trading and Services	--	99.83%	--	10,001,281,000	10,002,313,000
PT Gloria Mulia (formerly PT PontianakParagon Mall)	Tangerang	Development, Trading and Services	--	99.83%	--	5,001,281,000	5,002,313,000

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Subsidiary	Domicile	Main Business	Direct Ownership Percentage	Indirect Ownership Percentage	Year of Start of Operation	Total Assets	
						2012 Rp	2011 Rp
PT Graha Solusi Mandiri and Subsidiary	Jakarta	Services	--	99.83%	--	128,464,109,878	124,561,433,312
PT Wijaya Wisesa Propertindo	Jakarta	Development and Services	--	99.83%	--	126,269,155	8,168,101,297
PT Kharisma Ekacipta Persada	Tangerang	Development, Trading and Services	--	99.83%	--	593,000,000	593,000,000
PT Cipta Mahakarya Gemilang	Tangerang	Development, Trading and Services	--	99.83%	--	600,000,000	600,000,000
PT Mandiri Cipta Gemilang	Jakarta	Real Estate	--	99.83%	2003	2,183,814,781,088	1,244,132,370,575
PT Adjaya Pratama Mandiri	Jakarta	Development, Trading and Services	--	99.83%	--	1,000,000,000	--
PT Esatama Lestari Jaya	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	100,000,000	--
PT Gumarang Karya Sejati	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	100,000,000	--
PT Bahtera Perkasa Makmur	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	100,000,000	--
PT Gading Makmur Jaya	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	100,000,000	--
PT Bimasakti Jaya Mandiri	Tangerang	Development, Trading, Printing and Services	--	100.00%	2011	58,642,282,909	--
PT Surya Megah Lestari	Tangerang	Development, Trading, Printing, Land Transport, Industry, Agriculture and Services	--	100.00%	--	1,000,000,000	--
PT Jaya Makmur Bersama	Jakarta	Development, Trading and Services	--	100.00%	--	4,067,376,191	3,985,109,782
PT Grand Villa Persada	Tangerang	Real Estate	--	99.83%	--	570,649,250	574,276,250
PT Mega Proyek Pertiwi	Tangerang	Real Estate	--	99.83%	--	15,069,141,657	35,569,756,353
PT Sinar Surya Timur	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	600,000,000
PT Karyabersama Jaya	Tangerang	Development, Trading and Services	--	100.00%	--	19,003,931,942	600,000,000
PT Bayutama Sukses**	Tangerang	Development, Trading and Services	--	100.00%	--	--	600,000,000
PT Manunggal Utama Makmur	Tangerang	Development, Trading and Services	--	100.00%	--	597,750,000	600,000,000
PT Gempita Cipta Bersama	Tangerang	Development, Trading and Services	--	100.00%	--	593,568,750	600,000,000
PT Suryamas Khatulistiwa	Tangerang	Development, Trading and Services	--	100.00%	--	588,868,750	600,000,000
PT Lautan Sinar Abadi and Subsidiary	Tangerang	Development, Trading and Services	--	100.00%	--	100,000,000	--
PT Kreasi Tunas Bangsa and Subsidiary	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	--
PT Grahatama Asri Makmur	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	--
PT Usahatama Kreatif	Tangerang	Development, Trading and Services	--	86.50%	--	100,000,000	--
PT Karimata Putra Alam	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	--
PT Sentra Dwimandiri and Subsidiary	Jakarta	Real Estate	100.00%	--	--	4,521,966,631,808	3,189,412,809,316
PT Prudential Development	Jakarta	Real Estate	--	100.00%	--	568,556,692	572,206,692
PT Muliasentosa Dinamika (4.48% ownership in PT Lippo Cikarang Tbk)	Tangerang	Real Estate	--	100.00%	1997	474,902,070,190	317,624,311,342
PT Sentra Reallindo Development (4.62% ownership in PT Lippo Cikarang Tbk)	Tangerang	Home Improvement	--	100.00%	2001	168,493,089,133	107,060,698,248

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Subsidiary	Domicile	Main Business	Direct Ownership Percentage	Indirect Ownership Percentage	Year of Start of Operation	Total Assets	
						2012 Rp	2011 Rp
PT Darma Sarana Nusa Pratama and Subsidiary	Tangerang	Real Estate	--	52.70%	1997	179,393,933,290	117,568,635,640
PT Tata Mandiri Daerah Villa Permata	Tangerang	Town Management	--	42.16%	2001	2,932,962,248	23,967,560
PT Golden Pradamas and Subsidiary	Tangerang	Real Estate	--	100.00%	--	322,019,653,699	261,032,873,518
PT Mulia Bangun Semesta and Subsidiary	Jakarta	Real Estate	--	99.98%	2002	340,563,015,154	271,269,481,266
PT Villa Permata Cibodas	Tangerang	Real Estate	--	99.98%	1995	150,620,906,458	158,250,689,885
PT Puncak Resort International and Subsidiary	Cianjur	Real Estate	--	100.00%	1994	76,750,626,160	76,499,537,511
PT Sentosa Seksama	Cianjur	Real Estate	--	100.00%	1994	23,234,047,605	23,234,088,939
PT Purimegah Swarga Buana	Cianjur	Real Estate	--	100.00%	1994	8,778,388,567	8,778,429,901
PT Adigraha Rancang Sempurna	Cianjur	Real Estate	--	100.00%	1994	7,206,247,381	7,206,288,381
PT Pesanggrahan Suripermata Agung	Cianjur	Real Estate	--	100.00%	1994	1,974,569,891	1,974,610,891
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 Asrilama Realty Development	Tangerang	Installation and Water Treatment	--	100.00%	1994	124,980,295,200	92,369,889,767
PT Sentragraha Mandiri	Tangerang	Real Estate	--	100.00%	--	33,317,646,392	33,319,028,392
PT Tata Mandiri Daerah Lippo Karawaci	Tangerang	Town Management	--	100.00%	1999	163,222,272,733	136,880,341,147
PT Saptapersada Jagatnusa	Tangerang	Bowling	--	100.00%	1998	9,418,717,545	9,815,683,386
PT Sejatijaya Selaras	Jakarta	Real Estate	--	100.00%	--	13,107,563,451	16,919,391,826
PT Surya Makmur Alam Persada	Jakarta	Real Estate	--	100.00%	--	20,284,264,984	20,286,239,984
PT Bahtera Pratama Wirasakti	Jakarta	Real Estate	--	100.00%	--	15,733,573,862	15,738,278,512
PT Sentra Office Realty	Tangerang	Building	--	100.00%	1998	714,765,952	714,765,952
PT Dinamika Intertrans	Tangerang	Transportation	--	100.00%	1994	535,448,707	307,038,901
PT Imperial Karawaci Golf	Tangerang	Golf	--	100.00%	--	473,633,000	475,441,000
PT Agung Sepadan	Tangerang	Real Estate	--	100.00%	--	2,544,931,804	2,545,963,804
PT Prudential Townhouse Development	Jakarta	Real Estate	--	100.00%	--	23,457,952	37,146,663
PT Wahana Tatabangunan Cemerlang Matahari	Jakarta	Real Estate	--	100.00%	--	14,424,708	16,972,808
PT Wahana Tatabangunan Cemerlang	Jakarta	Real Estate	--	100.00%	--	15,293,966	17,592,066
PT Paragon City	Tangerang	Real Estate and Trading	--	100.00%	--	7,156,351,316	7,159,209,926
PT Bangun Karya Semesta	Jakarta	Development and Services	--	100.00%	--	2,500,000,000	2,500,000,000
PT Padang Indah City	Tangerang	Trading, Development and Services	--	100.00%	--	2,000,000,000	2,000,000,000
Bridgewater International Ltd***	Seychelles	Investment and Trading	--	100.00%	2006	3,435,522,448,584	2,208,458,541,705
PT Lippo Karawaci Infrastructure & Utility Division	Tangerang	Construction and Services	--	100.00%	--	228,845,000	232,477,000
Brightlink Capital Limited***	Malaysia	Investment, Trading and Services	--	100.00%	--	71,763,571,416	67,341,313,692
Evodia Strategic Investment Limited*** and Subsidiary	Malaysia	Investment, Trading and Services	--	100.00%	--	94,896,035	83,698,615
Great Capital Pte Ltd*** and Subsidiary	Singapore	Investment, Trading and Services	--	100.00%	--	47,449,907	41,850,974
Key Capital Pte Ltd***	Singapore	Investment, Trading and Services	--	100.00%	--	23,728,907	20,928,974
Globalink Investments Pte Ltd*** and Subsidiary	Singapore	Investment, Trading and Services	--	100.00%	--	47,449,907	41,850,974
Fortuna Capital Pte Ltd***	Singapore	Investment, Trading and Services	--	100.00%	--	23,728,907	20,928,974
Sagacity Investments Pte Ltd and Subsidiary**	Singapore	Investment, Trading and Services	--	100.00%	--	--	6,974
Maxi Magna Investments Pte Ltd**	Singapore	Investment, Trading and Services	--	100.00%	--	--	6,974
PT Amanda Cipta Utama**	Tangerang	Development, Trading and Services	--	100.00%	--	--	600,000,000
PT St Moritz Management	Jakarta	Development, Trading and Services	--	100.00%	--	1,540,629,016	600,000,000
PT Kemang Village Management (formerly PT Pesona Indah Lestari)	Jakarta	Hotel	--	80.00%	--	19,265,156,516	11,345,068,695
PT Wiama Jatim Properiindo and Subsidiary	Jakarta	Services	100.00%	--	--	4,684,268,847,508	3,443,723,178,489
PT Maharama Sakti	Jakarta	Trading	--	100.00%	--	111,240,000	111,240,000
PT KemangParagon Mall and Subsidiary	Tangerang	Development, Trading and Services	--	100.00%	--	1,628,485,997,429	1,245,773,231,077
PT Wahana Usaha Makmur and Subsidiary	Jakarta	Real Estate	--	92.00%	--	1,622,389,802,318	1,291,190,997,714
PT Almaron Perkasa	Jakarta	Real Estate	--	92.00%	2005	2,244,733,704,769	1,341,481,352,448
PT Gelora Raya Semesta	Tangerang	Trading and Development	--	92.00%	--	70,173,024,867	600,000,000

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Subsidiary	Domicile	Main Business	Direct Ownership Percentage	Indirect Ownership Percentage	Year of Start of Operation	Total Assets	
						2012 Rp	2011 Rp
PT Prima Aman Sarana	Jakarta	Services	--	92.00%	--	113,391,661,791	52,435,913,545
PT Kemang Multi Sarana	Jakarta	Real Estate and Urban Development	--	92.00%	--	66,982,074,527	35,461,406,724
PT Adhi Utama Dinamika	Jakarta	Real Estate	--	92.00%	--	72,418,405,997	62,109,230,226
PT Lipposindo Abadi and Subsidiary	Jakarta	Trading	--	100.00%	--	238,257,418,801	238,260,853,618
PT Kemuning Satiatama and Subsidiary (42,20% ownership in PT Lippo Cikarang Tbk)	Jakarta	Trading	--	100.00%	--	233,341,516,983	233,343,919,800
PT Megachandra Karyaalestar	Jakarta	Trading	--	100.00%	1992*	284,918,077	285,428,894
PT Prudential Apartment Development	Jakarta	Services	--	100.00%	1993*	578,302,194	579,334,194
PT Sentra Kharisma Indah	Jakarta	Services	--	80.00%	--	2,180,455,119	2,181,315,119
PT Carakatama Dirgantara and Subsidiary	Jakarta	Trading	--	100.00%	--	71,642,502,438	72,542,637,657
PT Prudential Hotel Development	Tangerang	Trading and Services	--	100.00%	1994*	71,618,740,201	72,524,394,153
PT Ariasindo Sejati and Subsidiary	Jakarta	Trading and Services	--	95.00%	--	210,465,190,780	135,893,261,673
PT Unitech Prima Indah and Subsidiary	Jakarta	Real Estate	--	94.68%	2004	192,878,159,877	231,265,606,945
PT Karya Cipta Pesona	Medan	Accommodation Services	--	100.00%	--	93,972,831,145	110,073,526,984
PT Metropolitan Leisure Corporation and Subsidiary	Jakarta	Trading and Services	--	100.00%	--	82,355,966,437	90,050,629,438
PT Kurniasindo Sejahtera	Jakarta	Trading and Services	--	100.00%	--	1,351,279,831	1,353,671,776
PT Graha Tata Cemerlang Makassar (0,34% ownership in PT Lippo Cikarang Tbk)	Makassar	Real Estate	--	100.00%	2002	76,259,524,463	78,314,592,848
PT Guna Tata Carakatama	Makassar	Trading and Services	--	100.00%	2002	147,508,091	141,603,003
PT Lippo Land Cahaya Indonesia	Jakarta	Services	--	100.00%	2003	6,139,563,019	11,738,107,155
PT Karunia Persada Raya (formerly PT Lipposindo) and Subsidiary	Jakarta	Trading	--	100.00%	--	133,336,957,340	114,447,348,358
PT Pendopo Niaga	Jakarta	Real Estate	--	100.00%	--	133,336,957,340	131,953,043,530
PT Larasati Anugerah	Jakarta	Trading	--	100.00%	--	23,084,420	23,858,420
PT Bathara Brahma Sakti	Tangerang	Trading and Services	--	100.00%	1992*	2,453,496,805	2,456,105,746
PT Realty Limaribu	Jakarta	Services	--	100.00%	1998*	357,178,014	358,615,010
PT Dwisindo Jaya	Jakarta	Trading	--	100.00%	--	78,165,788	79,099,268
PT Karunia Alam Damai (formerly PT Lippo Vacation) and Subsidiary	Jakarta	Trading	--	100.00%	--	240,726,750,898	212,396,510,075
PT Jagatpertala Nusantara	Jakarta	Real Estate	--	100.00%	2004	240,726,750,898	212,396,510,075
PT Mulia Multi Persada Perkasa	Jakarta	Trading	--	100.00%	--	3,385,000	4,417,000
PT Kamang Village and Subsidiary	Jakarta	Trading	--	100.00%	--	138,541,987,393	288,948,127,613
PT Menara Bhumimegah and Subsidiary	Jakarta	Services	--	100.00%	2005	138,456,658,436	288,858,660,388
PT Jaya Usaha Prima and Subsidiary	Jakarta	Real Estate	--	80.00%	--	72,356,029,946	168,221,382,316
PT Persada Mandiri Abadi	Jakarta	Real Estate	--	80.00%	2005	77,784,100,616	168,257,098,666
PT Menara Perkasa Megah and Subsidiary	Jakarta	Real Estate and Urban Development	--	100.00%	2005	393,886,262,687	412,101,648,495
PT Pelangi Cahaya Intan Makmur and Subsidiary	Sidoarjo	Trading	--	85.00%	--	396,523,461,581	414,828,489,629
PT Surya Mitra Jaya and Subsidiary	Sidoarjo	Trading and Services	--	85.01%	2005	399,441,490,323	415,337,276,737
PT Citra Harapan Baru	Surabaya	Accommodation Services	--	99.99%	--	2,000,000,000	2,000,000,000
PT Niaga Utama	Jakarta	Trading	--	100.00%	--	107,403,418	108,235,418
PT Mitra Kasih Karunia	Jakarta	Real Estate	--	100.00%	--	1,887,217,700	1,887,217,700
PT Kreasi Megatama Gemilang and Subsidiary	Tangerang	Development, Agribusiness, Industry, Transportation, Trading and Services	--	100.00%	--	3,571,949,585	28,718,113,114
PT Lippo Malls Indonesia (formerly PT Consulting & Management Service Division) and Subsidiary	Tangerang	Services	--	100.00%	--	411,088,856,968	29,359,776,914
PT Kreasi Gemilang Perkasa (formerly PT BatamParagon Mall)	Tangerang	Development, Trading and Services	--	99.83%	--	3,571,949,585	2,039,667,180
PT Kilau Intan Murni and Subsidiary	Tangerang	Development, Trading and Services	--	100.00%	--	300,042,529,732	--
PT Mulia Citra Abadi	Jakarta	Development, Trading, Printing, Logistic Services, Industry, Agriculture and Services	--	100.00%	2012	186,406,006,422	--
PT Arwana Kreasi Gemilang	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	--
PT Gayana Sumber Cipta	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	--
PT Harapan Insan Mandiri	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	--
PT Semboja Indah Cipta	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	--
PT Putera Abadi Karya	Tangerang	Development, Trading and	--	100.00%	--	600,000,000	--

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						2012 Rp	2011 Rp
PT Violet Pelangi Indah	Tangerang	Services Development, Trading and Services	--	100.00%	--	600,000,000	--
PT Buana Mediatama	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	--
PT Nusaindah Bukit Permai	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	--
PT Lembayung Karya Nirwana	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	--
PT Inspira Ide Cemerlang	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	--
PT Irama Karya Megah	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	--
PT Gaharu Alam Permai	Tangerang	Development, Trading and Services	--	100.00%	--	600,000,000	--
PT Gunung Halimun Elok	Tangerang	Development, Trading and Services	--	100.00%	--	100,000,000	--
PT Koridor Usaha Maju	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	100,000,000	--
PT Multi Panen Utama	Tangerang	Development, Trading, Printing and Services	--	100.00%	--	100,000,000	--
PT Saputra Karya	Jakarta	Real Estate and Urban Development	--	100.00%	--	71,650,289,846	65,469,347,752
PT Grand Provita and Subsidiary	Tangerang	Real Estate	--	100.00%	--	473,756,900	479,456,900
PT Grand Prima Propertindo	Tangerang	Real Estate	65.00%	--	--	7,948,100	10,798,100
PT Pacific Sejahtera	Tangerang	Real Estate	--	100.00%	--	17,317,400	17,317,400
PT Satriamandiri Idola Utama	Jakarta	Real Estate	--	100.00%	--	36,233,768,493	4,843,952,900
PT Mahakaya Abadi	Jakarta	Real Estate	--	100.00%	--	479,923,100	480,573,100
PT Persada Mandiri Dunia Niaga and Subsidiary	Jakarta	Real Estate	--	100.00%	--	88,314,702,476	135,893,261,673
PT Ekaputra Kencana Abadi	Jakarta	Real Estate	--	100.00%	--	4,950,000,000	--
PT Gapura Sakti Prima and Subsidiary	Jakarta	Real Estate	--	100.00%	--	200,575,909,084	133,938,964,378
PT Menara Megah Tunggal and Subsidiary	Jakarta	Real Estate	--	100.00%	--	194,259,065,395	133,438,964,378
PT Trias Mitra Investama	Jakarta	Real Estate	--	100.00%	--	207,246,171,955	132,938,964,378
PT Permata Agung Propertindo	Jakarta	Real Estate	--	100.00%	--	522,480,130	522,746,791
PT Kencana Mitra Lestari	Jakarta	Development, Transportation, Trading and Services	--	100.00%	--	577,800,000	577,800,000
PT Direct Power and Subsidiary	Jakarta	Real Estate, Industry, Printing, Agribusiness, Transportation and Services	--	100.00%	--	121,272,049,323	114,447,348,358
PT Mitra Mulia Kreasi and Subsidiary	Jakarta	Development, Industry, Mining, Agribusiness, Transportation, Trading and Services	--	80.00%	--	45,281,364,297	47,178,680,129
PT Bellanova Country Mall	Bogor	Development, Transportation, Trading and Services	--	80.00%	--	45,190,712,298	47,083,096,129
PT Sarana Global Multindo and Subsidiary	Jakarta	Development, Transportation, Trading and Services	--	100.00%	--	625,778,842,266	260,565,605,117
PT Guna Sejahtera Karya and Subsidiary	Jakarta	Development, Industry, Agribusiness, Park, Trading and Services	--	100.00%	--	625,722,386,092	260,507,319,013
PT Citra Sentosa Raya and Subsidiary	Jakarta	Trading, Real Estate, Industry, Agribusiness, Transportation and Services	--	100.00%	--	626,105,058,716	260,887,854,635

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Subsidiary	Domicile	Main Business	Direct Ownership Percentage	Indirect Ownership Percentage	Year of Start of Operation	Total Assets	
						2012 Rp	2011 Rp
PT Gading Nusa Utama	Jakarta	Trading, Development, Industry, Park, Agribusiness and Services	--	99.60%	--	27,270,091,977	4,918,659,900
Rosenet Limited**** and Subsidiary	British Virgin Island	Investment	--	100.00%	--	261,187,089,692	259,399,872,209
Sea Pejaten Pte. Ltd**** and Subsidiary	Singapore	Investment	--	100.00%	--	261,187,089,692	259,399,872,209
PT Panca Permata Pejaten**	Jakarta	Trading, Development and Real Estate	--	100.00%	2008	--	259,380,515,745
Continental Investment Ltd****	Malaysia	Investment, Trading and Services	--	100.00%	--	19,974,968	18,891,636
PT Sandiego Hills Memorial Park and Subsidiary	Tangerang	Trading, Development, Transportation and Services	--	100.00%	2006	347,994,959,160	319,685,841,622
PT Pengelola Memorial Park (formerly RiauParagon Mall)	Tangerang	Development, Trading and Services	--	100.00%	2010	39,026,157,221	587,339,941
PT CB Commercial	Tangerang	Development, Trading and Services	--	100.00%	--	584,826,161	585,857,600
PT Kemilau Karyacipta Persada	Tangerang	Development, Trading and Services	--	100.00%	--	2,465,087,000	2,466,119,000
PT Bumi Indah Pertiwi	Tangerang	Development, Trading and Public Services	--	100.00%	--	2,216,817,102	2,216,817,102
PT Galang Karya Usaha	Tangerang	Development, Trading and Services	--	100.00%	--	100,000,000	--
PT Lippo Cikarang Tbk and Subsidiary	Bekasi	Real Estate	--	54.37%	1989	2,832,000,551,100	2,041,958,524,822
PT Great Jakarta Inti Development	Bekasi	Town Management and Real Estate	--	54.37%	1992	144,997,470,807	139,941,155,922
PT Menara Inti Development	Bekasi	Real Estate	--	54.37%	2012	17,277,325,261	--
PT Tunas Pundi Baru	Bekasi	Town Management	--	54.37%	2010	58,062,039,632	35,503,371,765
PT Erabarur Realindo	Bekasi	Real Estate	--	54.37%	--	16,981,287,500	16,980,287,500
PT Dian Citimarga	Bekasi	Transportation	--	54.37%	1993	211,101,778	57,350,064
PT Kreasi Dunia Keluarga	Bekasi	Recreational Park	--	54.37%	1993	5,992,313,790	4,747,280,213
PT Chandra Mulia Adhitharma	Bekasi	Management of Property	--	54.37%	2011	33,800,394,999	39,513,001,987
PT Tirtasari Nirmala	Bekasi	Water and Waste Treatment	--	54.37%	2011	24,759,842,750	14,534,975,118
PT Waska Sentana	Bekasi	Real Estate	--	54.37%	2011	50,358,326,791	500,000,000
PT Swadaya Tenopolis	Bekasi	Real Estate	--	54.37%	2009	250,000,000	250,000,000
PT Bekasi Mega Power	Bekasi	Power Plant	--	54.37%	2009	100,000,000	100,000,000
PT Dunia Air Indah	Bekasi	Recreation Services	--	54.37%	2009	3,432,732,840	3,432,732,840
Pan Asian Investment Ltd*** and Subsidiary	Vanuatu	Trading	--	100.00%	--	6,790,208,086	6,790,208,086
Crownwell Investment Ltd***	Vanuatu	Trading	--	100.00%	--	16,930	18,138
Indigo Fund Investment Fund Ltd***	Cook Island	Investment	--	100.00%	--	9,180	9,068
Banksia Holdings Ltd***	Cook Island	Trading	--	100.00%	--	9,180	9,068
PT Megapratama Karya Persada and Subsidiary	Tangerang	Investment, Trading and Services	100.00%	--	--	1,945,420,492,482	1,115,864,133,350
PT Siloam International Hospitals and Subsidiary	Jakarta	Healthcare	--	100.00%	--	1,585,803,660,660	1,116,409,743,520
PT Antasindo Permaisemesta	Jakarta	Healthcare	--	100.00%	--	321,957,363	313,475,859
PT Perdana Kencana Mandiri	Jakarta	Development, Trading, Industry and Services	--	100.00%	--	139,940,484	139,940,484
PT Multiselaras Anugerah	Tangerang	Development, Trading and Services	--	100.00%	--	118,439,411	118,439,411
PT Nusa Medika Perkasa	Bekasi	Healthcare	--	71.00%	--	880,961,690	849,214,066
PT Siloam Graha Utama and Subsidiary	Jakarta	Development, Transportation, Trading and Services	--	100.00%	--	174,600,329,936	175,313,104,094
PT East Jakarta Medika	Bekasi	Healthcare	--	85.50%	2002	174,600,329,936	175,313,104,094
PT Guchi Kencana Emas	Jakarta	Development, and Services	--	100.00%	--	110,183,689,336	104,451,101,043
PT Golden First Atlanta	Jakarta	Healthcare	--	83.00%	2008	108,824,482,220	103,351,555,306
PT Pravira Tata Semesta	Jakarta	Development, and Services	--	100.00%	--	190,424,949,939	151,221,127,479
PT Balikpapan Damai Husada	Balikpapan	Healthcare	--	79.61%	2007	153,184,763,268	113,981,340,136
PT Siloam Emergency Services	Tangerang	Healthcare	--	100.00%	--	1,000,000,000	1,000,000,000
PT Utama Sentosa Abadi	Jakarta	Trading, Development and Services	--	100.00%	--	400,000,000	400,000,000

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Subsidiary	Domicile	Main Business	Direct Ownership Percentage	Indirect Ownership Percentage	Year of Start of Operation	Total Assets	
						2012 Rp	2011 Rp
PT Medika Harapan Cemerlang Indonesia	Tangerang	Trading, Industry and Services	--	100.00%	--	600,000,000	600,000,000
PT Pensai Dunia Sejahtera	Tangerang	Trading, Industry and Services	--	100.00%	--	600,000,000	600,000,000
PT Primakarya Dunia Sentosa	Tangerang	Trading, Industry and Services	--	100.00%	--	2,410,550,000	2,400,000,000
PT Pancawarna Semesta	Tangerang	Trading, Industry and Services	--	100.00%	--	68,339,862,485	--
PT Diagram Healthcare Indonesia	Jakarta	Healthcare	--	80.00%	2006	44,450,915,455	--
PT Adamanisa Karya Sejahtera	Jakarta	Trading, Industry and Services	--	100.00%	--	1,000,000,000	--
PT Agung Cipta Raya	Tangerang	Trading, Industry and Services	--	100.00%	--	1,000,000,000	--
PT Bina Cipta Semesta	Jakarta	Trading, Industry and Services	--	100.00%	--	1,000,000,000	--
PT Brenada Karya Bangsa	Tangerang	Trading, Industry and Services	--	100.00%	--	600,000,000	--
PT Harmoni Selaras Indah	Tangerang	Trading, Industry and Services	--	100.00%	--	600,000,000	--
PT Krisolis Jaya Abadi	Tangerang	Trading, Industry and Services	--	100.00%	--	600,000,000	--
PT Kusuma Bhakti Anugerah	Tangerang	Trading, Industry and Services	--	100.00%	--	7,000,000,000	--
PT Kusuma Primadana	Tangerang	Trading, Industry and Services	--	100.00%	--	85,235,136,940	--
PT Adijaya Buana Sakti	Tangerang	Trading, Industry and Services	--	80.00%	--	15,496,627,911	--
PT Siloam Sumsel Kemitraan	Tangerang	Trading, Industry and Services	--	100.00%	--	16,000,000,000	8,000,000,000
PT RS Siloam Hospital Sumsel (formerly PT Karyatama Indah Sentosa)	Tangerang	Trading, Development, Printing and Services	--	100.00%	--	101,823,764,995	600,000,000
PT Mega Buana Bhakti	Tangerang	Trading, Industry and Services	--	100.00%	--	6,000,000,000	--
PT Optimum Karya Persada	Jakarta	Trading, Industry and Services	--	100.00%	--	1,000,000,000	--
PT Rosela Indah Cipta	Jakarta	Trading, Industry and Services	--	100.00%	--	600,000,000	--
PT Sembada Karya Megah	Jakarta	Trading, Industry and Services	--	100.00%	--	600,000,000	--
PT Tanuna Perkasa Megah	Jakarta	Trading, Industry and Services	--	100.00%	--	600,000,000	--
PT Tataka Bumi Karya	Tangerang	Trading, Industry and Services	--	100.00%	--	600,000,000	--
PT Tataka Karya Indah	Tangerang	Trading, Industry and Services	--	100.00%	--	600,000,000	--
PT Trijaya Makmur Bersama	Tangerang	Trading, Industry and Services	--	100.00%	--	600,000,000	--
PT Visindo Galaxi Jaya	Tangerang	Trading, Industry and Services	--	100.00%	--	5,000,000,000	--
PT Danisa Indah Cipta	Tangerang	Trading, Industry, Printing and Services	--	100.00%	--	100,000,000	--
PT Fajarindo Sinar Sakti	Tangerang	Trading, Industry, Printing and Services	--	100.00%	--	100,000,000	--
PT Eramulia Pratamajaya and Subsidiary	Jakarta	Healthcare	99.99%	0.01%	--	361,262,088,745	268,376,731,130
PT Siloam Karya Sejahtera	Jakarta	Trading and Services	--	100.00%	--	106,351,287,064	62,287,906,142

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Subsidiary	Domicile	Main Business	Direct Ownership Percentage	Indirect Ownership Percentage	Year of Start of Operation	Total Assets	
						2012 Rp	2011 Rp
PT Siloam Dinamika Perkasa	Jakarta	Trading, Development, Transportation and Services	--	100.00%	--	35,204,745,782	55,213,997,644
PT Siloam Sarana Karya	Jakarta	Healthcare	--	100.00%	2005	3,239,776,633	3,189,898,140
PT Siloam Tata Prima	Surabaya	Development, Transportation, Trading and Services	--	100.00%	--	4,635,197,087	26,575,516,545
PT Mahaduta Purnama	Jakarta	Development, Transportation, Trading and Services	--	100.00%	--	7,396,814,370	7,396,814,370
PT Buana Mandiri Selaras	Jakarta	Development and Services	--	100.00%	--	179,408,758,287	88,657,298,288
PT Serasi Adikarsa	Jakarta	Healthcare	0.01%	99.99%	--	19,805,000	19,805,000
PT Kalanusa Intan Cemerlang and Subsidiary	Tangerang	Trading, Development, Printing and Services	--	100.00%	--	100,000,000	--
PT Garuda Asa Kencana	Tangerang	Development, Trading and Services	--	100.00%	--	100,000,000	--
PT Abadi Jaya Sakti and Subsidiary	Tangerang	Investment, Trading and Services	100.00%	--	--	577,031,300	579,931,300
PT Tigamitra Ekamulia and Subsidiary	Jakarta	General	0.01%	99.99%	1998*	984,420	2,051,420
PT Shimatama Graha	Jakarta	Restaurant, Bar, Catering, Etc	--	100.00%	1989	5,907,311,936	2,249,806,899
PT Aryaduta International Management and Subsidiary	Jakarta	Hotel Management	--	100.00%	1998	11,094,632,111	15,464,850,352
PT Aryaduta Surabaya Management	Surabaya	Services	--	100.00%	--	589,587,563	590,029,245
PT Aryaduta Medan Management	Medan	Services	--	100.00%	--	589,385,500	589,859,500
PT Aryaduta Karawaci Management	Tangerang	Services	--	100.00%	--	582,248,000	589,973,562
PT Aryaduta Makassar Management	Makassar	Services	--	100.00%	--	594,116,500	594,590,500
PT Aryaduta Residences	Jakarta	Services	--	100.00%	--	2,702,832,803	2,244,228,877
PT Aryaduta Hotels & Resorts	Jakarta	Services	--	100.00%	--	582,248,000	583,472,000
PT Graha Jaya Pratama and Subsidiary	Tangerang	Real Estate	100.00%	--	--	971,388,173,838	571,510,521,441
PT Talaguna Cemerlang	Jakarta	Trading, Real Estate and Development	--	100.00%	--	100,000,000	100,000,000
PT Aresta Amanda Lestari (0,31% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Trading	--	99.99%	--	743,498,251	559,220,103
PT Aresta Permata Utama (3,45% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Trading	--	99.99%	--	8,080,302,415	6,043,179,631
PT Fajar Usaha Semesta (4,73% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Trading	--	99.99%	--	11,077,388,689	8,283,682,209
PT Fajar Raya Cemerlang (4,58% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Trading	--	99.99%	--	10,732,191,046	8,025,821,704
PT Fajar Abadi Aditama (3,45% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	Trading	--	99.99%	--	8,077,822,179	6,041,037,578
PT Nuansa Indah Lestari and Subsidiary	Jakarta	Trading	--	100.00%	--	95,838,364,973	73,879,520,428
PT Metropolitan Permaisemesta and Subsidiary	Jakarta	Trading	--	89.74%	--	95,343,074,073	73,708,288,528
PT Makassar Permata Sulawesi and (32,5% ownership in PT Gowa Makassar Tourism Development Tbk)	Makassar	Trading	--	88.66%	--	108,056,074,695	73,723,382,150
PT Gowa Makasar Tourism Development Tbk	Makassar	Real Estate	4.92%	45.33%	1997	901,079,490,979	487,193,845,496

* Liquidated

** Transferred

*** The Functional Currency is USD

*** * The Functional Currency is SGD

PT Bangun Karya Semesta was established under deed No. 1 dated March 3, 2011 made in the presence of Imam Wahyudi, S.H., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-22454.AH.01.01.Tahun 2011 dated May 4, 2011.

On March 11, 2011, PT Megapratama Karya Persada (MKP) acquired the entire ownership in PT Kencana Guchi Gold (GKE) (through direct ownership of 0.2% and 98.8% indirect ownership of PT Siloam International Hospitals (SIH)), for a total consideration of Rp 27,506,252,496. GKE has 83% ownership in PT Golden First Atlanta. The transaction is a business combination (see Note 45).

On March 11, 2011, PT Megapratama Karya Persada (MKP) acquired the entire ownership in PT Prawira Tata Semesta (PTS) (through direct ownership of 0.2% and 98.8% indirect ownership of SIH), for a total consideration of Rp 45,699,000,000. PTS has a 79.61% stake in PT Balikpapan Damai Husada. The transaction is a business combination (see Note 45).

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PT Siloam Emergency Services was established under deed No. 18 dated March 25, 2011 made in the presence of Unita Christina Winata, S.H., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-19053.AH.01.01.Tahun 2011 dated April 15, 2011.

On March 31, 2011, the entire ownership in PT PalembangParagon Mall, a subsidiary, was transferred at a value of Rp 300,000,000. Upon transfer, the entity recorded loss on disposal amounting to Rp 287,122,942 and this subsidiary transferred its major assets amounting to Rp 587,672,942, cash and bank, other assets and liabilities amounted to Rp 2,240,000, Rp 585,432,942 and Rp 550,000, respectively.

On March 31, 2011, the entire ownership in PT Sentra Star Dinamika, a subsidiary, was transferred at a value of Rp 12,500,000,000. Upon transfer, the entity recorded loss on disposal amounting to Rp 1,200,000 and this subsidiary transferred its major assets amounting to Rp 18,700,000, cash and bank, other assets and liabilities amounted to Rp 5,000,000, Rp 13,700,000 and Rp 14,500,000, respectively.

PT Karyatama Indah Sentosa was established under deed No. 2 dated April 1, 2011 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-23018.AH.01.01.Tahun 2011 dated May 6, 2011.

PT Sinar Surya Timur was established under deed No. 10 dated April 22, 2011 made in the presence of Linda Hapsari Yuwono, S.H., a notary in Jakarta. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-33972.AH.01.01.Tahun 2011 dated July 7, 2011.

PT Padang Indah City was established under deed No. 3 dated June 10, 2011 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-30298.AH.01.01.Tahun 2011 dated June 16, 2011.

On June 16, 2011, Peninsula Investments Limited, the subsidiary purchased 40% ownership in Lippo Malls Indonesia RTM Ltd. for a total consideration of SGD 31,900,000 or the equivalent to Rp 221,067,000,000, which increased the ownership of the subsidiary to 100%.

PT Perisai Dunia Sejahtera was established under deed No. 6 dated July 21, 2011 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-38099.AH.01.01.Tahun 2011 dated July 28, 2011.

PT Primakarya Dunia Sentosa was established under deed No. 8 dated July 27, 2011 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-38968.AH.01.01.Tahun 2011 dated August 2, 2011.

PT Karyabersama Jaya was established under deed No. 3 dated August 5, 2011 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-40998.AH.01.01.Tahun 2011 dated August 12, 2011.

PT Bayutama Sukses was established under deed No. 4 dated August 5, 2011 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-40887.AH.01.01.Tahun 2011 dated August 12, 2011.

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PT Manunggal Utama Makmur was established under deed No. 5 dated August 5, 2011 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-41064.AH.01.01.Tahun 2011 dated August 12, 2011.

PT Siloam Sumsel Kemitraan was established under deed No. 7 dated August 5, 2011 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-41373.AH.01.01.Tahun 2011 dated August 15, 2011.

PT Medika Harapan Cemerlang Indonesia was established under deed No. 1 dated September 5, 2011 which was made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-51717.AH.01.01.Tahun 2011 dated October 24, 2011.

On September 12, 2011, SIH acquired all interest in PT Utama Sentosa Abadi (USA) (through direct ownership of 0.25% and 99.75% indirect ownership of PT Siloam Emergency Services) with acquisition cost of Rp 400,000,000. At the acquisition date, the USA has not yet started operation and therefore, recorded as an asset acquisition.

PT Amanda Cipta Utama was established under deed No. 27 dated October 14, 2011 made in the presence of Unita Christina Winata, S.H., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-62509.AH.01.01.Tahun 2011 dated December 19, 2011.

PT Gelora Raya Semesta was established under deed No. 20 dated October 17, 2011 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-51939.AH.01.01.Tahun 2011 dated August 15, 2011.

PT Gempita Cipta Bersama was established under deed No. 1 dated November 2, 2011 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-60465.AH.01.01.Tahun 2011 dated December 8, 2011.

PT St Moritz Management was established under deed No. 11 dated November 8, 2011 made in the presence of Unik Setyawati S.H., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-61805.AH.01.01.Tahun 2011 dated December 14, 2011.

PT Suryamas Khatulistiwa was established under deed No. 31 dated November 17, 2011 made in the presence of Unik Setyawati S.H., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-01920.AH.01.01.Tahun 2012 dated January 12, 2012.

On March 26, 2012, MKP, a subsidiary, acquired all ownership in PT Pancawarna Semesta (PWS) (through direct ownership of 0.01% and 99.99% indirect ownership of SIH) with acquisition cost of Rp 100,000,000. At the acquisition date, PWS has not yet started operation and therefore, recorded as an asset acquisition.

As of March 31, 2012, PWS acquired 80% ownership in PT Diagram Healthcare Indonesia (DHI), with a transaction value of Rp 58,752,000,000. This transaction is a business combination (see Note 45).

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PT Kusuma Bhakti Anugerah was established under deed No. 28 dated April 24, 2012 made in the presence of Emilia Retno Trahutami Sushanti, SH., MKn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-26321.AH.01.01.Tahun 2012 dated May 15, 2012.

Theta Capital Pte Ltd and Theta Kemang Pte Ltd were established on April 30, 2012 in Singapore.

On May 30, 2012, MKP, a subsidiary, acquired all ownership in PT Bina Cipta Semesta (BCS) (through direct ownership of 0.01% and 99.99% indirect ownership of SIH) with acquisition cost of Rp 1,000,000,000. At the acquisition date, BCS has not yet started operation and therefore, recorded as an asset acquisition.

On May 31, 2012, MKP, a subsidiary, acquired all ownership in PT Mega Buana Bhakti (MBB) (through direct ownership of 0.01% and 99.99% indirect ownership of SIH) with acquisition cost of Rp 7,000,000,000. At the acquisition date, MBB has not yet started operation and therefore, recorded as an asset acquisition.

On May 31, 2012, MKP, a subsidiary, acquired all of the ownership in Jaya PT Visindo Galaxi Jaya (VGJ) (through direct ownership of 0.01% and 99.99% indirect ownership of SIH) with acquisition cost of Rp 5,000,000,000. At the acquisition date, VGJ has not yet started operation and therefore, recorded as an asset acquisition.

On May 31, 2012, MKP, a subsidiary, acquired all of the ownership in PT Agung Cipta Raya (ACR) (through direct ownership of 0.1% and 99.9% indirect ownership of SIH) with acquisition cost of Rp 1,000,000,000. At the acquisition date, ACR has not yet started operation and therefore, recorded as an asset acquisition.

On May 31, 2012, MKP, a subsidiary, acquired all of the ownership in PT Adamanisa Karya Sejahtera (AKS) (through direct ownership 0.1% and 99.9% indirect ownership of SIH) with acquisition cost of Rp 1,000,000,000. At the acquisition date, AKS has not yet started operation and therefore, recorded as an asset acquisition.

PT Krisolis Jaya Mandiri was established under deed No. 1 dated June 1, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-32835.AH.01.01. Tahun 2012 dated June 15, 2012.

PT Taruna Perkasa Megah was established under deed No. 2 dated June 1, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-32836.AH.01.01.Tahun 2012 dated June 15, 2012.

PT Trijaya Makmur Bersama was established under deed No. 3 dated June 1, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-32448.AH.01.01.Tahun 2012 dated June 14, 2012.

On June 4, 2012, MKP, a subsidiary, acquired all ownership in PT Optimum Karya Persada (OKP) (through direct ownership of 0.1% and 99.9% indirect ownership of SIH) with acquisition cost of Rp 1,000,000,000. At the acquisition date, OKP has not yet started operation and therefore, recorded as an asset acquisition.

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PT Brenada Karya Bangsa was established under deed No. 9 dated June 4, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-32744.AH.01.01.Tahun 2012 dated June 15, 2012.

PT Sembada Karya Megah was established under deed No. 8 dated June 4, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-32890.AH.01.01.Tahun 2012 dated June 15, 2012.

PT Tataka Bumi Karya was established under deed No. 10 dated June 4, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-32745.AH.01.01. Tahun 2012 dated June 15, 2012.

PT Tataka Karya Indah was established under deed No. 11 dated June 4, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-32573.AH.01.01. Tahun 2012 dated June 14, 2012.

PT Rosela Indah Cipta was established under deed No. 12 dated June 4, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-32746.AH.01.01. Tahun 2012 dated June 15, 2012.

PT Harmoni Selaras Indah was established under deed No. 13 dated June 4, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-32893.AH.01.01.Tahun 2012 dated June 15, 2012.

On June 21, 2012, MKP, a subsidiary, acquired all of the ownership in PT Kusuma Primadana (KP) (through direct ownership of 0.01% and 99.9% indirect ownership of SIH) with acquisition cost of Rp 100,000,000. KP has a 80% stake in PT Adijaya Buana Sakti (ABS). At the acquisition date, KP has not yet started operation and therefore, recorded as an asset acquisition.

On July 12, 2012, MKP, a subsidiary, acquired all ownership in PT Adijaya Pratama Mandiri (APM) (through 80% indirect ownership of KP and 20% indirect ownership of PT Bumi Andalas Permai) with acquisition cost of Rp 1,000,000,000. At the acquisition date, APM has not yet started operation and therefore, recorded as an asset acquisition.

On July 12, 2012, PT Lippo Malls Indonesia and PT Kreasi Megatama Gemilang, both subsidiaries, acquired respectively, 75% and 25% ownership in PT Kilau Intan Murni (KIM) with acquisition cost of Rp 100,000,000. At the acquisition date, KIM has not yet started operation and therefore, recorded as an asset acquisition.

PT Arwana Kreasi Gemilang was established under deed No. 16 dated July 12, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-42186.AH.01.01.Tahun 2012 dated August 3, 2012.

On July 19, 2012, PT Wisma Jatim Propertindo (WJP), a subsidiary, acquired all of the ownership in PT Galang Karya Usaha (GKU) (through direct ownership of 99.99% and 0.01% indirect ownership of PT Maharama Sakti) with the acquisition cost of Rp 100,000,000. GKU has not yet started operation and therefore, recorded as an asset acquisition.

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PT Gayana Sumber Cipta was established under deed No. 38 dated July 30, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-42189.AH.01.01.Tahun 2012 dated August 3, 2012.

PT Harapan Insan Mandiri was established under deed No. 39 dated July 30, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-42188.AH.01.01.Tahun 2012 dated August 3, 2012.

PT Semboja Indah Cipta was established under deed No. 40 dated July 30, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-42364.AH.01.01.Tahun 2012 dated August 3, 2012.

PT Putera Abadi Karya was established under deed No. 41 dated July 30, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-42228.AH.01.01.Tahun 2012 dated August 3, 2012.

PT Violet Pelangi Indah was established under deed No. 42 dated July 30, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-43789.AH.01.01.Tahun 2012 dated August 3, 2012.

PT Buana Mediatama was established under deed No. 43 dated July 30, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-42187.AH.01.01.Tahun 2012 dated August 3, 2012.

PT Irama Karya Megah was established under deed No. 44 dated July 30, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-42704.AH.01.01.Tahun 2012 dated August 7, 2012.

PT Gaharu Alam Permai was established under deed No. 45 dated July 30, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-43319.AH.01.01.Tahun 2012 dated August 9, 2012.

PT Lembayung Karya Nirwana was established under deed No. 46 dated July 30, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-43216.AH.01.01.Tahun 2012 dated August 8, 2012.

PT Nusaindah Bukit Permai was established under deed No. 47 dated July 30, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-42391.AH.01.01.Tahun 2012 dated August 3, 2012.

PT Inspira Ide Cemerlang was established under deed No. 48 dated July 30, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-44917.AH.01.01.Tahun 2012 dated August 16, 2012.

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PT Kreasi Tunas Bangsa was established under deed No. 50 dated July 30, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-43220.AH.01.01.Tahun 2012 dated August 8, 2012.

PT Grahatama Asri Makmur was established under deed No. 12 dated August 10, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-47459.AH.01.01.Tahun 2012 dated September 6, 2012.

On August 15, 2012, PT Persada Mandiri Dunia Niaga and PT Wisma Jatim Propertindo, both subsidiaries, acquired respectively, 75% and 25% ownership in PT Ekaputra Kencana Abadi (EKA) with acquisition cost of Rp 20,000,000,000. EKA is the owner of 29.97% and 0.08% share in PT Menara Megah Tunggal and PT Trias Mitra Investama, both subsidiaries, respectively. This transaction is a business combination (see Note 45).

On August 27, 2012, PT Eramulia Pratamajaya (ERA), a subsidiary, acquired the entire ownership in PT Kalanusa Intan Cemerlang (KIC) (through direct ownership of 99.99% and 0.01% indirect ownership of PT Serasi Adikarsa) with acquisition cost of Rp 100,000,000. At the acquisition date, KIC has not yet started operation and therefore, recorded as an asset acquisition.

On August 28, 2012, ERA, subsidiaries, acquired the entire ownership in PT Garuda Asa Kencana (GAK) (through direct ownership of 40% and 40% indirect ownership of PT Kalanusa Intan Cemerlang) with acquisition cost of Rp 100,000,000. At the date of acquisition, GAK has not yet started operation and therefore, recorded as an asset acquisition.

PT Karimata Putra Alam was established under deed No. 27 dated Aug 28, 2012 made in the presence of Sriwi Bawana Nawaksari, S.H., M.Kn., a notary in Tangerang. The deed of establishment was approved by Minister of Law and Human Rights Republic of Indonesia with Decree No. AHU-48813.AH.01.01. Tahun 2012 dated September 14, 2012.

On September 11, 2012, PKP, a subsidiary, acquired all ownership PT Lautan Sinar Abadi (LSA) (through direct ownership of 99.99% and 0.01% indirect ownership of PT Grand Villa Persada) with acquisition cost of Rp 100,000,000. LSA is the owner of 86.5% stake in PT Usahatama Creative. At the acquisition date, LSA has not yet started operation and therefore, recorded as an asset acquisition.

On September 21, 2012, the entire ownership in PT Bayutama Sukses, a subsidiary, was transferred at a cost of Rp 600,000,000. Upon transfer, no gain (loss) on disposal of investments was recognized and the subsidiary transferred its major assets of Rp 600,000,000.

On September 21, 2012, PT Lippo Malls Indonesia (LMI), a subsidiary, acquired the entire stake in PT Gunung Halimun Elok (GHE) (through 75% direct ownership and 25% indirect ownership of PT Kilau Intan Murni (KIM)) with acquisition cost of Rp 100,000,000. At the acquisition date, GHE has not yet started operation and therefore, recorded as an asset acquisition.

On October 8, 2012, PKP, a subsidiary, acquired all ownership in PT Esatama Lestari Jaya (ELJ) (through 25% direct ownership and 75% indirect ownership of MCG) with the acquisition amounted to Rp 100,000,000, each. At the acquisition date, ELJ has not yet started operation and therefore, recorded as an asset acquisition.

On October 9, 2012, GHE and the MCG, both subsidiaries acquired respectively, 75% and 25% ownership in PT Koridor Usaha Maju (KUM) with acquisition cost of Rp 75,000,000 and Rp 25,000,000, respectively. At the acquisition date, KUM has not yet started operation and therefore, recorded as an asset acquisition.

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On October 9, 2012, PT GHE and the MCG, both subsidiaries acquired respectively, 75% and 25% ownership in PT Multi Panen Utama (MPU) with acquisition cost of Rp 75,000,000 and Rp 25,000,000, respectively. At the acquisition date, MPU has not yet started operation and therefore, recorded as an asset acquisition.

On October 17, 2012, MCG and PKP, both subsidiaries acquired respectively, 75% and 25% ownership in PT Gumarang Karya Sejati (GKS) with acquisition cost of Rp 75,000,000 and Rp 25,000,000, respectively. At the acquisition date, GKS has not yet started operation and therefore, recorded as an asset acquisition.

On October 25, 2012, PKP, a subsidiary, acquired the entire ownership in PT Bahtera Perkasa Makmur (BPM) (through 25% direct ownership and 75% indirect ownership of MCG) with acquisition cost of Rp 100,000,000. At the acquisition date, the BPM has not yet started operation and therefore, recorded as an asset acquisition.

On October 25, 2012, MKP, a subsidiary, acquired all ownership in PT Danisa Indah Cipta (DIC) (through 0.01% direct ownership and 99.99% indirect ownership of SIH) with acquisition cost of Rp 100,000,000 and Rp 1,000, respectively. At the acquisition date, DIC has not yet operated and recorded as an asset acquisition.

On November 8, 2012, DIC and PKP, both subsidiaries acquired respectively, 70% and 30% ownership in PT Fajarindo Sinar Sakti (FSS) with acquisition cost of Rp 70,000,000 and Rp 30,000,000, respectively. At the acquisition date, FSS has not yet started operation and therefore, recorded as an asset acquisition.

On November 16, 2012, PKP, a subsidiary, acquired the entire ownership in PT Gading Makmur Jaya (GMJ) (through 0.01% direct ownership and 99.99% indirect ownership of MCG) with acquisition cost of Rp 100,000,000. At the acquisition date, GMJ has not yet started operation and therefore, recorded as an asset acquisition.

On December 20, 2012, PT Lippo Malls Indonesia (d/h PT Consulting & Management Services Division) acquired the entire ownership in PT Mulia Citra Abadi (through 25% direct ownership and 75% indirect ownership of PT Kilau Intan Murni) with acquisition cost of Rp 300,000,000,000. This transaction is a business combination (see Note 45).

On December 20, 2012, PT Primakreasi Propertindo acquired all ownership in PT Bimasakti Jaya Abadi (through 25% direct ownership and 75% indirect ownership of MCG), with acquisition cost of Rp 125,000,000. This transaction is a business combination (see Note 45).

On December 20, 2012, PT Primakreasi Propertindo acquired all ownership in PT Surya Megah Lestari (through 25% direct ownership and 75% indirect ownership of MCG), with acquisition cost of Rp 10,000,000,000. This transaction is a business combination (see Note 45).

On December 20, 2012 the entire ownership of Sea Pejaten Pte Ltd and PT Gading Nusa Utama in PT Panca Permata Pejaten has been transferred at a value Rp 731,364,917,779. Upon transfer, this subsidiary recorded Rp 341,410,567,126 gain on disposal of investments and transferred cash and bank, other assets and liabilities amounting to Rp 9,828,189,726, Rp 242,962,165,659 and Rp 44,547,239,532, respectively.

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

Based on the Deed of Annual General Meeting of Stockholders No. 3 dated April 5, 2012 which was made in the presence of Sriwi Bawana Nawaksari, S.H. M.Kn., a notary in Tangerang, and based on the Deed of Annual General Meeting of Stockholders No. 11 dated March 9, 2011 made in the presence of Unita Christina Winata S.H., a notary in Tangerang, the composition of the Board of Commissioners and Directors as of December 31, 2012 and 2011 are as follows:

Board of Commissioners:

President Commissioner : Theo L. Sambuaga
 Vice President Commissioner : Surjadi Soedirdja*
 Independent Commissioner : Tanri Abeng
 Independent Commissioner : Agum Gumelar
 Independent Commissioner : Farid Harianto
 Independent Commissioner : Jonathan Limbong Parapak
 Commissioner : Gouw Viven (Viven G. Sitiabudi)

* also as Independent Commissioner

The composition of the Directors as December 31, 2012 and 2011 are as follows:

Directors:	2012	2011
President Director	: Ketut Budi Wijaya	Ketut Budi Wijaya
Director	: Tjokro Libianto	Tjokro Libianto
Director	: Jopy Rusli	Jopy Rusli
Director	: Elia Yudhistira Susiloputro	Elia Yudhistira Susiloputro
Director	: Djoko Harjono	Djoko Harjono
Director	: Roberto Fernandez Feliciano	Roberto Fernandez Feliciano
Director	: Ivan Setiawan Budiono	Ivan Setiawan Budiono
Unaffiliated Director	: Jenny Kuistono	--

The audit committee composition as of December 31, 2012 and 2011 are as follows:

	2012	2011
Chairman	: Farid Harianto	Jonathan Limbong Parapak
Member	: Siswanto Pramono	Isnandar Rachmat Ali
Member	: Jeffrey Turangan*	Lie Kwang Tak

* Has passed away on December 7, 2012.

The Company's corporate secretary as of December 31, 2012 and 2011 is Jenny Kuistono.

As of December 31, 2012 and 2011, the Company and subsidiaries have 6,705 and 5,000 permanent employees, respectively (unaudited).

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2. New Financial Accounting Standards

Indonesian Financial Accounting Standards (SAK) are Statements and Interpretations issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK-IAI) and the regulation of capital market regulator, that is the Indonesia Financial Services Authority (OJK) (or formerly called Bapepam-LK), for the entity under its supervision. The following are new SAK effective in the current year:

2.a. New Ruling of Bapepam-LK

The Chairman of Bapepam-LK has issued Decree No. KEP-347/BL/2012 dated June 25, 2012, regarding Financial Statements Presentation and Disclosure of the Issuers and or Public Companies as set forth in the Regulation No. VIII.G.7 effective for financial statements on or after December 31, 2012. By this decree, the previous decrees of the Chairman of Bapepam-LK Nos. KEP 554/BL/2010 and KEP 06/PM/2000 and Circulars of Chairman of Bapepam-LK No. SE 03/BL/2011, SE-02/PM/2002 and SE-02/BL/2008 are revoked and no longer applicable since December 31, 2012.

Following the implementation of this regulation, the Company has made adjustments to accounts in the consolidated financial statements, accounts grouping in the consolidated financial statements of the same main components as well as adjustments to the disclosures and presentation of the consolidated financial statements.

2.b. Statements and Interpretations Issued by DSAK-IAI

The following are the Statement (PSAK), Interpretation (ISAK) and Statement of Revocation (PPSAK) that have been issued by DSAK-IAI applied to the financial statements which begins on or after January 1, 2012:

- PSAK No. 10 (Revised 2010) : The Effects of Changes in Foreign Exchange Rates
- PSAK No. 13 (Revised 2011) : Investment Property
- PSAK No. 16 (Revised 2011) : Property, Plant and Equipment
- PSAK No. 18 (Revised 2010) : Accounting and Reporting by Retirement Benefit Plans
- PSAK No. 24 (Revised 2010) : Employee Benefits
- PSAK No. 26 (Revised 2011) : Borrowing Costs
- PSAK No. 28 (Revised 2012) : Accounting for Losses on Insurance Contract, revision effective since December 11, 2012
- PSAK No. 30 (Revised 2011) : Leases
- PSAK No. 33 (Revised 2010) : Stripping Activities and Environmental Management in General Mining
- PSAK No. 34 (Revised 2010) : Construction Contracts
- PSAK No. 36 (Revised 2012) : Accounting for Life Insurance, revision effective since December 11, 2012
- PSAK No. 45 (Revised 2010) : Financial Reporting for Non-Profit Entity
- PSAK No. 46 (Revised 2010) : Income Taxes
- PSAK No. 50 (Revised 2010) : Financial Instruments: Presentation
- PSAK No. 53 (Revised 2010) : Share-based Payment
- PSAK No. 55 (Revised 2011) : Financial Instruments: Recognition and Measurement
- PSAK No. 56 (Revised 2010) : Earnings per Share
- PSAK No. 60 : Financial Instruments: Disclosures
- PSAK No. 61 : Accounting for Government Grants and Disclosure of Government Assistance
- PSAK No. 62 : Insurance Contract
- PSAK No. 63 : Financial Reporting in Hyperinflationary Economies
- PSAK No. 64 : Exploration and Evaluation Activities in the Mining and Mineral Resources

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- ISAK No. 13 : Hedges of Net Investment in a Foreign Operation
- ISAK No. 15 : PSAK No. 24 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- ISAK No. 16 : Service Concession Arrangements
- ISAK No. 18 : Government Assistance - No Specific Relation to Operating Activities
- ISAK No. 19 : Applying the Restatement Approach under PSAK No. 63: Financial Reporting in Hyperinflationary Economies
- ISAK No. 20 : Income Taxes-Change in the Tax Status of an Entity or its Stockholders
- ISAK No. 22 : Service Concession Arrangements: Disclosure
- ISAK No. 23 : Operating Leases – Incentives
- ISAK No. 24 : Evaluating the Substance of Transactions in the Legal Form of a Lease
- ISAK No. 25 : Land Rights
- ISAK No. 26 : Reassessment of Embedded Derivatives
- PPSAK No. 7 : Revocation of PSAK No. 44: Accounting for Real Estate Development Activity paragraph 47-48 and 56-61
- PPSAK No. 8 : Revocation of PSAK No. 27: Accounting for Cooperatives
- PPSAK No. 9 : Revocation ISAK No. 5: Interpretation of Paragraph 14 on PSAK No. 50 (1998) regarding the Reporting of Fair Value Changes in Equity Investment – Available-for-Sale
- PPSAK No. 11 : Revocation of PSAK No. 39: Accounting for Joint Ventures

The changes of the above new standards which are relevant or have effect to the consolidated financial statements are as follows:

PSAK No. 13 (Revised 2011): “Investment Property”

The revised standard introduces a new requirement to account for properties under construction or development as investment properties. Previously, properties under construction were accounted for as property and equipment until construction or development was completed (except for those properties recognized as inventory), regardless of the intentions for future use as either own-use property or investment property.

Property under construction that is intended to be used as investment property after construction is completed should now be accounted for as investment property. The investment property under construction should be accounted for consistently with the entity’s existing accounting for other investment properties, which uses either the fair value model or the cost model. There is a requirement to re-measure property under construction at fair value each period if the fair value model is applied.

Where fair value of investment property under construction could not be reliably measured, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value can be reliably measured.

PSAK No. 24 (Revised 2010): “Employee Benefits”

Several notable revisions relevant to the Company are as follows:

1. Recognition of actuarial gains and losses
The revised standard introduces a new alternative method to recognize actuarial gains and losses, that is to recognize all actuarial gains and losses through other comprehensive income.

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2. Disclosures items

The revised standard introduces a number of disclosure requirements including disclosure of: the amounts for the current annual period and the previous four annual periods of present value of the defined benefit obligation and fair value of plan assets.

PSAK No. 60: "Financial Instruments: Disclosures"

This standard requires more extensive disclosure of the entity's financial risk management compared to PSAK No. 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures". The requirements consist of the following:

- The significance of financial instruments for an entity's financial position and performance. These disclosures are in line with PSAK No. 50 (Revised 2010).
- Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

PPSAK No. 7, "Revocation of PSAK No. 44: Accounting for Real Estate Development Activity paragraphs 47- 48 and 56-61"

This statements changes the presentation of the Consolidated Statement of Financial Position by classifying assets and liabilities into current and non-current to comply with PSAK No. 1 (Revised 2009) "Presentation of Financial Statements".

In relation to the implementation of the said PPSAK and to be in line with PSAK No. 1 (Revised 2009) regarding "Presentation of Financial Statements" the consolidated statements of financial position as of December 31, 2011 and January 1, 2011 / December 31, 2010 have been restated for comparative purposes.

3. Summary of Significant Accounting Policies

3.a. Compliance with Financial Accounting Standards (SAK), Measurement and Preparation of Consolidated Financial Statements

The Company's consolidated financial statements have been prepared and presented in accordance with the Indonesian Financial Accounting Standards which include the Statements and the Interpretations issued by DSAK-IAI and Regulation of Bapepam-LK No. VIII.G.7 regarding the "Guidance of Financial Statements Presentation" as set forth in Decree No. KEP-347/BL/2012 regarding the amendment to Regulation No. VIII.G.7 and other accounting policies prevailing in the Capital Market.

The consolidated financial statements have been prepared on the going concern assumption and on the accrual basis, except for the consolidated statements of cash flows which used the cash basis. The basis of measurement in the preparation of these consolidated financial statements is the historical cost principle, except for certain accounts that were measured using other basis, as described in the respective accounting policy.

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

Functional currency of the Company and its subsidiaries is Rupiah, unless some subsidiaries as disclosed in Note 1.c. Transactions are recorded using the functional currency. The reporting currency used in the preparation of these consolidated financial statements is Rupiah.

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3.b. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (including special purpose entity) either directly or indirectly controlled as presented in Note 1.c.

Control also exists when the parent entity owns half or less of the voting power of an entity when there is:

- a. power over more than half of the voting rights by virtue of an agreement with other investors;
- b. power to govern the financial and operating policies of the entity under a statute or an agreement;
- c. power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
- d. power to cast the majority of votes in the meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

The existence and effect of potential voting rights that can be implemented or converted on the date of the reporting period should be considered when assessing whether an entity has the power to govern financial and operating policies of another entity.

The entities are consolidated from the date on which effective control was transferred to the Company and are no longer consolidated when the Company ceases to have effective control. Control exists when the entity has the power to govern the financial and operating policies of the entity and get benefits from the activities of the said entity.

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.

The changes in the Company's ownership interest in a subsidiary that do not result to a loss of control are accounted for as equity transactions and attributed to the owners of the parent.

All major transactions and inter-company account balances (including significant unrealized gain or loss) has been eliminated.

Non-controlling interest reflects equity in net earnings or losses and net assets of Subsidiaries which are not directly or indirectly attributable to parent company, and is presented under consolidated statement of comprehensive income and equity in the consolidated statement of financial position, separated from portion which are attributable to parent company.

3.c. Foreign Currency Transactions and Translation of Consolidated Financial Statements

Foreign currency is a currency other than the functional currency. Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made.

At the reporting date, monetary assets and liabilities denominated in foreign currencies were adjusted to reflect the exchange rates prevailing at the time, with the following conversion rates:

	December 31, 2012	December 31, 2011
	Rp	Rp
1 USD	9,670	9,068
1 SGD	7,907	6,974
1 EUR	12,810	11,379
100 JPY	11,197	11,680
1 AUD	10,025	9,203

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Gains and losses from foreign exchange differences arising from foreign currency transactions into Rupiah, charged to profit and loss.

Whereas the non-monetary assets and liabilities denominated in foreign currencies were measured using the exchange rate on transaction date and monetary assets and liabilities denominated in foreign currencies were measured at fair value using the exchange rate on the date of fair value measurement.

The financial statements of subsidiaries which presented in currency other than Rupiah were translated into Rupiah using closing rate at reporting date for assets and liabilities accounts and the average rate during the period for income and expense accounts. All differences resulting from the translations were recognized as part of other comprehensive income.

3.d. Cash Equivalent

Cash equivalent consist of time deposits with maturities of not more than or equal to three (3) months from the date of placement, are not restricted and not used as collateral to any liabilities.

3.e. Investment in Associates

An associate is an entity in which the investor (i.e., the Company or subsidiary, which acts as an investor) has a significant influence to participate in decision making on financial and operational policies of the investee, but does not control or jointly control those policies. Significant influence is presumed to exist if the investor owns 20% or more of the voting rights of the investee, either directly or indirectly.

Investment in associates are initially recognized at cost. The carrying amount is increased or decreased by the share in the profit or loss of the investee after the date of acquisition in proportion with the percentage of ownership and reduced by dividends received (equity method).

The carrying amount is also adjusted if there is a change in the investor's proportionate interest in the investee arising from the investee's other comprehensive income. Those changes are recognized in other comprehensive income of the investor.

3.f. Transaction with Related Parties

In a normal business transaction, the Company has transactions with related parties. Related party is the person or entity that is related to the Company (referred to as the "reporting entity"), which includes:

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to the reporting entity if any of following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity in itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or a parent of the entity).

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3.g. Inventories and Land for Development

Real estate inventories, which mainly consist of acquisition cost of land under development, shopping center, residential houses, shophouses, office buildings, apartments and buildings (houses) under construction, are carried at the lower of cost and net realizable value (NRV). Cost is determined by using the average method. Cost of land under development includes cost of land improvement and development, 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 supplies and others) are carried at the lower of cost and NRV. Cost is determined by using the average method. Allowance for decline in inventory value is provided based on a review of inventory status at the end of year.

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling costs. Allowance for inventories using determined based on a review of the condition of the inventories at the end of the year.

Land for 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 under development will be transferred to the respective real estate inventories or property and equipment accounts, whichever is appropriate.

3.h. Prepaid Expenses

Prepaid expenses are amortized over the period benefitted using straight line method.

3.i. Investment Property

Investment property is 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. Land is not depreciated and is presented at acquisition cost. Building is depreciated using straight line method based on its estimated useful life of 20 years. The cost of repairs and maintenance is charged to the consolidated statements of comprehensive income as incurred while significant renovations and additions are capitalized.

Investment property is derecognized in, or disposed from the statement of financial position when it is permanently derecognized or retired and does not have any future economic benefit in which can be expected at its disposal. Gains or losses on derecognition or disposal of investment property is recognized in operation in the year derecognition or disposal.

Transfer to investment properties when, and only when, there is a change in use, evidenced by the end of the use by the owner, commencement of an operating lease to another party or completion of construction or development. Transfer from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development for sale.

For a transfer from investment property to property that is used alone, the Company uses the cost method at the date of change in use. If the property is used by the Company to investment property, the Company recorded such property in accordance with the policy of property and equipment up to the date of change in use.

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3.j. Property and Equipment

Property and equipment in initial recognition is measured at cost.

Property and equipment after initial recognition is accounted using cost mode. Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Land is carried at cost and is not depreciated.

Depreciation is computed by using the straight line method based on the estimated useful lives of the assets as follows:

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

The cost of repairs and maintenance is charged to operation as incurred while 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 consolidated statement of comprehensive income for the year.

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

The carrying amount of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is credited or charged to operations in the asset is derecognized.

At the end of each financial year, residual values, useful lives and methods of depreciation are reviewed, and if appropriate, adjusted prospectively.

3.k. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

Leases that transfer to the lessee substantially all of the risks and rewards incidental to ownership of the leased item are classified as finance leases. Leases which do not transfer substantially all of the risks and rewards incidental to ownership of the leased item are classified as operating leases.

The Company as lessees:

At the commencement of the lease term under finance lease, the Company recognized assets and liabilities in their statement of financial position at amounts equal to the fair value of the leased property 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 rate

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implicit in the lease, if this is practical to determine, if not, the lessee's incremental borrowing rate is used. Initial direct cost of the lessee are added to the amount recognized as an asset. The depreciation policy of leased asset is consistent with depreciable assets that are owned.

Under an operating lease, the Company recognizes lease payments as an expense on a straight-line basis over the lease term.

The Company as lessors:

The Company is required to recognize assets held under a finance lease in their statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. Lease payments received are treated as repayments of principal and finance lease income. The recognition of finance lease income is based on a pattern reflecting a constant periodic rate of return on the Company's net investments in the finance lease.

The Company is required to present assets subject to operating leases in their statement of financial position according to the nature of the asset. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as operating rental income. Contingent rents, if any, are recognized as revenue in the periods in which they are earned. Lease income from operating leases is recognized as income on a straight-line basis over the lease term.

Sale and Leaseback:

A sale and leaseback transaction involves the sale of an asset and leasing back the same asset. If a sale and leaseback transaction is a finance lease, any excess of sales proceeds over the carrying value is not immediately recognized as income in the financial statements of a seller (lessee) but is deferred and amortized over the lease period.

If a sale and leaseback transaction is an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognized immediately. If the sales price is below fair value, any profit or loss is recognized immediately except if the loss is compensated by future lease payments below market price where it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sales price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

3.l. 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 the respective real estate inventories. Capitalization ceases upon completion of all activities related to the acquisition and development of land, or upon completion of the construction and when the assets are ready for their intended use.

3.m. Impairment of Non-Financial Assets

Recoverable of assets value shall be estimated whenever events and changes of circumstances indicate that the carrying value may not be recoverable. Impairment of non-financial asset is recognized as loss for the year.

Impairment loss been recognized in prior periods is reversed if and only if there is a change in the estimates used to determine the assets recoverable amount since the last impairment loss is recognized. Recoverable amount can be recognized only by reversing an impairment loss has been recognized.

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3.n. Business Combination

The Company accounts for each business combination by applying the acquisition method (includes measurement of non-controlling interest).

The consideration transferred for an acquisition is measured at the aggregate of the fair values of assets given-up, liabilities assumed and equity instruments issued by the Company. Acquisition-related costs are recognized in the profit or loss as incurred.

The Group recognizes the identifiable assets acquired and liabilities taken over at their fair value on acquisition date, except for the following:

- Deferred tax assets or liabilities that are related to assets acquired and liabilities taken over in business combination are recognized and measured in accordance with PSAK No. 46 (Revised 2010), "Income Taxes".
- Liabilities (or assets, if any) related to employee benefit arrangement from the acquiree are recognized and measured in accordance with PSAK No. 24 (Revised 2010), "Employee Benefits".
- Liabilities or equity instruments related to the replacement of an acquiree's share-based payment awards are measured in accordance with PSAK No. 53 (Revised 2010), "Share-based Payment".
- Non-current assets (or disposal groups) acquired which classified as held for sale are measured in accordance with PSAK No. 58 (Revised 2009), "Non-current Assets Held for Sale and Discontinued Operations".

3.o. Intangible Assets

Goodwill

Goodwill arising in a business combination is recognized as an asset on the date that the control is acquired.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities taken over.

Goodwill is not amortized but is reviewed for impairment at least annually or more frequently when there is an indication that the goodwill may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorated on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in the subsequent period.

The negative goodwill that resulted from bargain purchases is recognized as gain in profit or loss. The gain is attributed to the acquirer.

If goodwill has been allocated to a cash-generating unit and certain operations on the cash-generating unit is stopped, the goodwill associated with discontinued operations are included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill removed is measured based on the relative value of discontinued operations and share of the cash-generating unit retained.

Cost of Software

Software costs are initially recognized at cost or amounts attributable to these assets in the first one recognized.

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

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3.p. Bond Issuance Cost

Bond issued is classified into the category of financial liabilities measured at amortized cost (see Note 3.x). Therefore, bond issuance cost is deducted directly from the 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 using the effective interest rate method.

3.q. Employee Benefit

The Company recognizes provisions for post-employment benefits in accordance with Labor Law No. 13/2003 and PSAK No. 24 (Revised 2010) "Employee Benefits". No funding is provided for this plan.

Short-term employee benefits

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

Post-employment Benefits

Post-employment benefits are 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 liabilities, the benefit must be discounted using the projected unit credit method. Past service cost recognized in profit or loss when the benefit become vested and recognized as expense with straight-line method for the average period of vested benefit. Accumulated unrecognized actuarial gain and loss that are more than 10% of the present value of defined benefit liabilities are amortized using the straight line method over the remaining projected average service period of employees in the programme.

3.r. Difference in Value from Restructuring Transactions between Entities Under Common Control

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

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 the account "Difference in Value from Restructuring Transactions between Entities under Common Control" and is presented as a component of equity.

3.s. Derivative Financial Instruments

In implementing risk management to the volatility of foreign currency, the Company has entered into several derivative agreements with third parties.

Derivative Instruments are recognized based on its fair value and classified as financial asset and/or financial liabilities. Changes in the fair value are recognized as gain or loss in the current year.

3.t. 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 is fully recognized if the following conditions for each type of sale are met:

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For the 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 selling price can be 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 and 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 on the part of the seller to construct a building on the land sold.

For the 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 selling price can 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 which represents a sale in substance and the seller does not have substantial continuing involvement with such property.

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

The revenue from shopping centers and apartments are recognized based on the 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 a percentage of actual activities accomplished to total development activities that need to be accomplished. Cost of land lots sold is determined based on the 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 in the "Accrued Expenses" account which is presented in the consolidated statements of financial position. The difference between the estimated cost and the actual cost of construction or development is charged to "Cost of Sales" in the current year.

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

Rental revenue and other services is recognized based on their respective rental periods and when the services are rendered to the customers. Rental and membership paid in advances are presented as deferred income and recognized as revenue over the period benefit.

Expenses are recognized when incurred.

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3.u. Income Tax

Final Income Tax

Final income tax expense is recognized proportionately with the accounting income recognized during the year. The difference between the final income tax paid and the final tax expense in the profit or loss for the year is recognized as prepaid tax or tax payable. If the income is already subjected to final income tax, the differences between the consolidated financial statements carrying value of existing assets and liabilities and their tax bases are not recognized as deferred tax assets or liabilities.

Non-Final Income Tax

Current income tax is calculated from taxable income, the earnings that have been adjusted to the appropriate tax rules.

Amendments to taxation liabilities are recorded when an assessment is received or, if appealed against, when the results of the appeal is determined.

Current tax assets dan current tax liabilities are offset if, and only if, the entity:

- 1) has a legally enforceable right to set off the recognised amount; and
- 2) intends to settle in net basis, or realises and settles the asset and liability simultaneously.

All temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes are recognized as deferred tax using balance sheet liability method. Currently or substantially enacted tax rates are used to determine deferred income tax.

Deferred tax assets dan deferred tax liabilities are offset if, and only if, the entity:

- 1) has a legally enforceable right to set off current tax asset against current tax liability; and
- 2) the deferred tax asset and the deferred tax liability relate to income taxes levied by the same tax authority on the same taxable entity.

3.v. Earnings per Share

Basic earnings per share (EPS) is calculated by dividing profit attributable to ordinary shares holder of the parent entity by the weighted average number of common stocks in the one (1) reporting period.

Diluted EPS accounted for other securities potentially have dilutive effect to ordinary shares which are outstanding during the reporting period.

3.w. Segment Information

Segment information of the Company and subsidiaries are presented based on operating segment.

Operating segment is a component of an entity that engages in business activities whose operating results are regularly reviewed by the management and for which discrete financial information is available.

The Company organized its business into six (6) operating segments:

- (i) Urban development, which comprises, among others, activities in real estate, urban development, land acquisition and clearing, land development and excavation and infrastructure development.
- (ii) Large scale integrated development, which comprises, among others, activities in real estate in large scale integrated development project and its infrastructure development.
- (iii) Retail malls, which comprises among others, activities in real estate in development and management of shopping center.
- (iv) Healthcare, which comprises activities in health services.
- (v) Hospitality and infrastructure, which comprise, among others, activities in hotels, restaurants, town management and water and sewage treatment, recreation center, transportation and maintenance services.
- (vi) Property and portfolio management, which comprises, among others, activities in management services.

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The above operating segments are strategic business units that offer different products and services. Products and services are managed separately because each business requires market strategies and different resources. The accounting policies for operating segments are the same as described in this summary of significant accounting policies.

3.x. Financial Instruments

Financial Assets

Financial assets are classified into four (4) categories, as follows (i) financial assets measured at fair value through profit or loss (FVTPL), (ii) loans and receivables, (iii) held-to-maturity financial assets (HTM financial assets) and (iv) available-for-sale financial assets (AFS financial assets). The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at initial recognition.

(i) Financial assets measured at FVTPL

Financial assets measured at FVTPL are financial assets which are held for trading. Financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments.

At the time of initial recognition, financial assets at fair value through profit or loss are recognized at fair value plus transaction costs and subsequently measured at fair value.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest rate method.

(iii) HTM financial assets

HTM financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity, other than:

- a. Those that are designated as financial assets measured at FVTPL upon initial recognition;
- b. Those that are designated as AFS financial assets; and
- c. Those that meet the definition of loans and receivables.

These are initially recognized at fair value including transaction costs and are subsequently measured at amortized cost, using the effective interest rate method.

(iv) AFS financial assets

AFS financial assets are non-derivative financial assets that are intended to be held for an indefinite period of time, which might be sold in response to needs for liquidity or changes in interest rates, exchange rates or that are not classified as loans and receivables, HTM financial assets or financial assets measured at FVTPL.

AFS financial assets are initially recognized at fair value, plus transaction cost, and are measured subsequently at fair value with gains and losses being recognized in the consolidated statements of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial assets is derecognized. If AFS financial assets are determined to be impaired, the cumulative gain or loss previously recognized as other comprehensive income will be recognized as gain in the current year. Interest income is calculated using the effective interest method and foreign exchange gains or losses on monetary assets classified as AFS financial assets is recognized as gain or loss in the current year.

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Impairment of Financial Assets

Financial assets, other than measured at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For listed and unlisted equity investments classified as AFS financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered to be an objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial asset, such as receivables, the impairment value of assets are assessed individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized as gain or loss in the current year.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in equity are reclassified to the consolidated statements of comprehensive income.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed as profit to the extent that the carrying amount of the investment on the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized as loss are not reversed through profit for the year. Any increase in fair value subsequent to an impairment loss is recognized directly to other comprehensive income.

Derecognition of Financial Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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Financial Liabilities

Financial liabilities are classified into the category of (i) financial liabilities measured at FVTPL and (ii) financial liabilities measured at amortized cost.

(i) Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL are financial liabilities which are held for trading. A financial liability is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short term profit taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments.

(ii) Financial liabilities measured at amortized cost

Financial liabilities that are not classified as financial liabilities at FVTPL are categorized and measured at amortized cost using effective interest rate method.

Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

Equity Instruments

Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The equity instruments issued by the Company are recognized at net proceeds after deducting the cost of its issuance.

Reacquisition of the Company's own equity instruments are recognized as treasury stock at cost and deducted from capital stock.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Fair Value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

PSAK No. 60, "Financial Instruments: Disclosures" requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price, while financial liabilities use ask price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as minimum as possible on estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3.y. Assumptions and Sources of Estimation Uncertainty

The preparation of financial statements in accordance with the Indonesian Financial Accounting Standards requires the management to make assumptions and estimates that could affect the carrying amounts of certain assets and liabilities at end of reporting period.

In the preparation of these consolidated financial statements, accounting assumptions have been made in the process of applying accounting policies that may affect the carrying amounts of assets and liabilities in financial statements. In addition, there are accounting assumptions about the sources of estimation uncertainty at end of reporting period that could materially affect the carrying amounts of assets and liabilities in the subsequent reporting period.

The management periodically reviews them to ensure that the assumptions and estimates have been made based on all relevant information available on the date in which the consolidated financial statements have been prepared. Because there is inherent uncertainty in making estimates, the value of assets and liabilities to be reported in the future might differ from those estimates.

At the reporting date, the management has made significant assumptions and estimates which have the most significant impact to the carrying amount recognized in the consolidated financial statements, as follows:

Allowance for Doubtful Accounts

In general, the management analyzes the adequacy of the allowance for doubtful accounts based on several data, which include analyzing historical bad debts, the concentration of each customer's accounts receivable, credit worthiness and changes in a given period of repayment. The analysis is carried out individually on a significant amount of accounts receivable, while the insignificant group of accounts receivable is carried on the collective basis. At the reporting date, the carrying amount of accounts receivable has been reflected at fair value and the carrying value may change materially in the subsequent reporting period, but the change, however, will not be attributable to the assumptions and estimates made as of this reporting date.

Deferred Tax Assets Estimation

Management considerations are needed to determine the amount of deferred tax recognized in the profit or loss and the amount recorded as deferred tax assets. Recognition is performed only if it is probable that the asset will be recovered in the form of economic benefits to be received in future periods, in which the temporary differences and tax losses can still be used. Management also considers the future estimated taxable income and strategic tax planning in order to evaluate its deferred tax assets in accordance with applicable tax laws and its updates. As a result, related to its inherent nature, it is likely that the calculation of deferred taxes is related to a complex pattern where assessment requires a judgment and is not expected to provide an accurate calculation.

Useful Lives of Property and Equipment Estimation

The Company makes a periodic review of the useful lives of property and equipment based on several factors such as physical and technical conditions and development of medical equipment technology in the future. The results of future operations will be materially influenced by the change in estimate as caused by changes in the factors mentioned above. Changes in estimated useful life of property and equipment, if any, are prospectively treated in accordance with PSAK No. 25 (Revised 2010), "Accounting Policies, Changes in Accounting Estimates and Errors".

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Post-employment Benefits

The present value of post-employment benefits liability depends on several factors that are determined by actuarial basis based on several assumptions. Assumptions used to determine the cost (income) include the discount rate. Changes in these assumptions will affect the carrying amount of post-employment benefits.

The Company determines the appropriate discount rate at the end of the reporting period by the interest rate used to determine the present value of future cash outflows expected to settle an estimated liability. In determining the appropriate level of interest rates, the Company considers the interest rate of government bonds denominated in Rupiah that has a similar period to the corresponding period of liability.

Other key assumption is partly determined by current market conditions, during the period in which the post-employment benefits liability is resolved. Changes in the employee benefits assumption will impact on recognition of actuarial gains or losses at the end of the reporting period.

Revenue Recognition - Percentage of Completion Method

Revenue from the sale of shopping centers and apartment units are recognized using the percentage of completion method. By this method, revenue is recognized proportionately with the amount of load that generates revenue. As a consequence, the sales proceeds that can not be recognized as revenue are recognized as a liability until the sale have met the criteria for revenue recognition.

To determine the percentage of completion of the development activities of shopping centers and apartment units, the management uses physical progress approach that is determined based on the survey report for each project or the part of project (e.g., for each tower of apartment). The management conducted a review of the determination of the estimated percentage of completion and it realized that a negligence in determining the percentage of completion at the reporting date can result in revenue recognition errors for the subsequent reporting period, in which the material error correction will be carried out retrospectively.

Fair Value of Financial Instruments

If the fair value of financial assets and liabilities recorded in the statement of financial position is not available in active market, it is determined using valuation techniques including the use of mathematical model. Input for this model derived from observable market data throughout the available data. When observable market data is not available, management judgment is required to determine the fair value. The considerations include liquidity and input models such as volatility for long-term derivative transactions and discount rates, prepayments, and default rate assumptions.

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4. Cash and Cash Equivalent

	2012 Rp	2011 Rp
Cash on Hand		
(including 2012: USD 3,250, SGD 500, EUR 4,800, JPY 113,800, AUD 6,376; 2011: USD 8,000, SGD 632, EUR 4,805, JPY 113,800, AUD 6,376)	9,307,779,111	5,001,649,939
Bank		
Third Parties		
<u>Rupiah</u>		
PT Bank CIMB Niaga Tbk	129,707,798,230	47,605,432,497
PT Bank Negara Indonesia (Persero) Tbk	80,223,863,725	41,338,333,344
PT Bank Central Asia Tbk	40,050,618,165	20,571,533,773
PT Bank Mandiri (Persero) Tbk	34,886,669,598	17,891,440,435
PT Bank Permata Tbk	18,791,733,654	9,724,401,592
PT Bank Pan Indonesia Tbk	18,319,316,504	14,872,730,013
PT Bank Rakyat Indonesia (Persero) Tbk	12,333,502,387	8,130,484,892
PT Bank Mega Tbk	11,194,542,012	7,556,527,894
PT Bank Danamon Indonesia Tbk	9,848,253,087	12,819,849,124
PT Bank OCBC NISP Tbk	4,548,033,988	2,845,986,453
PT Bank Internasional Indonesia Tbk	3,115,268,104	2,566,745,760
PT Bank Tabungan Negara (Persero) Tbk	1,199,769,407	3,015,178,358
PT Bank Artha Jasa	406,968,408	3,242,979,052
Others (each below Rp 1 billion)	8,231,695,695	1,956,922,188
<u>Foreign Currencies</u>		
PT Bank CIMB Niaga Tbk		
USD	27,145,353,240	6,616,185,092
SGD	295,514,138,459	112,982,830,919
DBS Bank, Singapore		
USD	299,218,810	280,591,124
SGD	50,263,035,739	1,165,210,059
OCBC Bank, Singapore - SGD	28,267,161,278	20,433,510,633
Credit Suisse, Singapore		
USD	18,127,072,560	1,028,991,300
SGD	2,692,942,339	2,146,629,600
Deutchbank, Singapore		
USD	8,677,055,390	24,293,172
EUR	15,295,140	141,483,577
PT Bank Mega Tbk		
USD	381,365,460	282,858,124
SGD	3,482,361,405	4,039,679,040
PT Bank OCBC NISP Tbk		
USD	2,353,813,380	1,527,531,804
SGD	75,788,595	69,203,002
EUR	49,213,168	73,020,589
Others (each below Rp 1 billion)	783,712,505	492,112,644
Related Party		
<u>Rupiah</u>		
PT Bank Nationalnobu	98,581,620,560	26,229,260,153
	<u>909,567,180,992</u>	<u>371,671,936,207</u>

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	2012 Rp	2011 Rp
Time Deposits		
Third Parties		
<u>Rupiah</u>		
PT Bank CIMB Niaga Tbk	518,524,424,084	1,032,601,026,587
PT Bank Mega Tbk	188,912,845,253	67,600,000,000
PT Bank Negara Indonesia (Persero) Tbk	127,292,560,884	344,799,694,493
PT Bank Mandiri (Persero) Tbk	120,459,344,960	17,739,853,072
PT Bank Permata Tbk	47,832,276,000	14,656,126,000
PT Bank ICBC Indonesia	40,915,867,706	--
PT Bank Rakyat Indonesia (Persero) Tbk	25,292,443,862	2,915,654,720
PT Bank Danamon Indonesia Tbk	16,202,900,000	--
PT Bank Internasional Indonesia Tbk	8,900,000,000	--
PT Bank Mayapada International Tbk	5,289,606,244	4,803,657,456
PT Bank Central Asia Tbk	--	1,016,752,500
Others (each below Rp 1 billion)	5,580,079,999	520,700,000
<u>Foreign Currencies</u>		
PT Bank OCBC NISP Tbk - USD	467,216,209,399	18,136,000,000
PT Bank CIMB Niaga Tbk - USD	324,053,264,767	181,468,264,767
PT Bank ICBC Indonesia - USD	293,807,631,270	90,680,000,000
BNP Paribas, Singapore - USD	204,393,392,370	--
OCBC Bank, Singapore - SGD	23,809,601,018	20,949,381,598
	<u>2,418,482,447,816</u>	<u>1,797,887,111,193</u>
Total Cash and Cash Equivalent	<u>3,337,357,407,919</u>	<u>2,174,560,697,339</u>

Interest rates and maturity period of the time deposits are as follows:

	2012	2011
Interest Rates		
Rupiah	3.00% - 6.50%	4.00% - 7.75%
Foreign Currencies	0.50% - 3.00%	2.50% - 3.00%
Maturity Period	0 - 3 Months	0 - 3 Months

5. Trade Accounts Receivable

	2012 Rp	2011 Rp
Third Parties		
Urban Development:		
Land Lots	47,118,798,821	85,200,032,683
Memorial Park	26,217,649,551	24,912,639,872
Residential Houses and Shophouses	19,077,568,342	10,691,599,536
Asset Enhancements	9,636,491,706	7,237,479,346
Subtotal	<u>102,050,508,420</u>	<u>128,041,751,437</u>
Large Scale Integrated Development:		
Apartments	47,602,891,467	66,428,182,633
Asset Enhancements	11,785,585,241	6,064,792,643
Subtotal	<u>59,388,476,708</u>	<u>72,492,975,276</u>

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	2012	2011
	Rp	Rp
Retail Malls:		
Asset Enhancements	42,368,048,834	23,005,756,720
Shopping Centers	22,622,841,440	106,377,164,473
Subtotal	<u>64,990,890,274</u>	<u>129,382,921,193</u>
Healthcare:		
Inpatient and Outpatient	<u>208,658,013,118</u>	<u>125,560,907,484</u>
Hospitality and Infrastructure:		
Town Management and Water Treatment	102,204,239,435	81,590,444,252
Hotels and Restaurants	19,629,084,137	22,374,490,783
Recreations and Sports	109,368,310	120,317,651
Others	2,396,541,858	10,416,338,478
Subtotal	<u>124,339,233,740</u>	<u>114,501,591,164</u>
Property and Portfolio Management:		
Management Fee	<u>78,242,646,521</u>	<u>36,607,289,272</u>
Total Trade Accounts Receivable from Third Parties	637,669,768,781	606,587,435,826
Less : Allowance for Impairment in Value	<u>(46,463,775,446)</u>	<u>(44,731,336,807)</u>
Trade Accounts Receivable from Third Parties - Net	<u>591,205,993,335</u>	<u>561,856,099,019</u>
Related Parties		
Healthcare:		
Inpatient and Outpatient	<u>3,171,020,453</u>	<u>2,779,461,708</u>
Total Trade Accounts Receivable - Net	<u>594,377,013,788</u>	<u>564,635,560,727</u>

The movements in allowance for impairment are as follows:

	2012	2011
	Rp	Rp
Third Parties		
Beginning Balance	44,731,336,807	44,734,119,179
Addition (Reversal)	<u>1,732,438,639</u>	<u>(2,782,372)</u>
Ending Balance	<u>46,463,775,446</u>	<u>44,731,336,807</u>

Additional (reversal) of allowance for impairment of accounts receivable is based on the review of the status of debtors at the end of the year.

Trade accounts receivable of PT Golden First Atlanta Corporation and PT Lippo Cikarang Tbk, subsidiaries, are pledged as collateral for the loans obtained from PT Bank Central Asia Tbk and PT Bank ICBC (see Notes 20 and 22).

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

Trade accounts receivable denominated in Rupiah currency and foreign currencies. Trade accounts receivable in foreign currencies are presented in Notes 42 and 44.

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6. Other Current Financial Assets

	2012	2011
	Rp	Rp
Third Parties		
Available-for-Sale Financial Assets	4,158,569,472,925	2,312,900,505,000
Other Accounts Receivable	287,579,069,808	193,692,261,551
Call Spread Option (See Note 40.c)	101,878,348,847	27,231,624,872
Dividend	55,409,100,016	106,258,709,139
Promissory Notes (2011: USD 3,500,000)	--	31,738,000,000
Total Other Current Financial Assets	4,603,435,991,596	2,671,821,100,562

Available-for-Sale Financial Assets

	2012	2011
	Rp	Rp
Acquisition Cost		
Lippo Malls Indonesia Retail Trust (LMIRT) (2012: 661,994,507 units; 2011: 641,866,183 units)	2,239,947,255,131	1,930,847,872,352
First REIT (2012: 190,148,936 units; 2011: 140,780,294 units)	1,021,397,175,693	593,433,528,789
Foreign Exchange Translation	4,919,478,581	5,420,100,928
Accumulated Unrealized Gain (Loss):		
Charged to Consolidated Statements of Comprehensive Income	(1,949,311,917)	(1,949,311,917)
Charged to Other Comprehensive Income	894,254,875,437	(214,851,685,152)
Total Available-for-Sale Financial Assets	4,158,569,472,925	2,312,900,505,000

Available-for-Sale Financial Assets is an investment in REIT's units which are listed on the Singapore Stock Exchange (SGX). The quoted market price of REIT units as of December 31, 2012 and 2011 are SGD 1.06 and SGD 0.76, respectively, for First REIT units and SGD 0.49 and SGD 0.35, respectively, for LMIR Trust units.

Other Accounts Receivable

	2012	2011
	Rp	Rp
PT Bayutama Sukses	70,390,133,700	--
PT Bina Bangun Bersama	35,594,938,918	--
PT Palembangparagon Mall	25,163,567,059	25,163,567,059
PT Amanda Cipta Utama	14,789,445,540	--
Tenant Association for Apartments, Condominium and Shopping Centers	2,122,579,847	15,295,556,730
PT Graha Pilar Sejahtera	--	22,976,633,104
PT Simpruk Arteri Realty	--	15,358,489,712
Others	145,871,698,706	121,251,308,908
Subtotal	293,932,363,770	200,045,555,513
Less: Allowance for Impairment	(6,353,293,962)	(6,353,293,962)
Total Other Accounts Receivable - Net	287,579,069,808	193,692,261,551

Receivables from PT Bayutama Sukses arisen from the sale of land and building of Siloam Hospitals Makassar (see Note 40.b).

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Receivables from PT Bina Bangun Bersama represents loan for capital expenditures.

Receivables from PT Amanda Cipta Utama, are receivables incurred from the sale of shopping center (Mall Binjai) to PT Amanda Cipta Utama, a subsidiary of Lippo Malls Indonesia Retail Trust (LMIRT).

The Company and subsidiaries' management believes that allowance for impairment is adequate to cover the possibility of uncollectible other accounts receivable.

Dividend Receivable

This account represents dividend receivable of Bridgewater International Ltd., Bowsprit Capital Corporation Ltd. and LMIRT Management Ltd, all subsidiaries, from their investments in REIT.

Promissary Notes

Promissory notes represent non-interest bearing promissory notes received from PT Makassar Hotel Network for sale of Aryaduta Hotel Makassar in 2008. The notes were issued by PT Makassar Capital (MC) with a total amount of USD 6,000,000. On March 3, 2012 MC had settled all of these promissory notes.

7. Inventory

	2012	2011
	Rp	Rp
Urban Development:		
Land under Development	4,441,343,827,753	3,827,524,803,604
Residential Houses and Shophouses	1,321,841,687,126	751,455,916,266
Apartments	145,422,589,589	89,550,197,029
Others	7,793,803,941	6,032,140,133
Subtotal	<u>5,916,401,908,409</u>	<u>4,674,563,057,032</u>
Large Scale Integrated Development:		
Apartments	1,014,367,240,165	830,134,588,109
Land under Development	956,703,559,877	844,071,788,492
Shopping Centers	1,490,437,382,066	440,173,966,821
Subtotal	<u>3,461,508,182,108</u>	<u>2,114,380,343,422</u>
Retail Malls:		
Shopping Centers	866,024,872,411	847,326,543,760
Land under Development	180,405,712,678	207,196,599,373
Subtotal	<u>1,046,430,585,089</u>	<u>1,054,523,143,133</u>
Healthcare:		
Medical and Non Medical Supplies	<u>75,351,731,878</u>	<u>44,083,509,282</u>
Hospitality and Infrastructure:		
Hotels and Restaurants	4,465,066,863	3,736,784,881
Recreation and Sports	357,549,757	447,730,985
Others	434,054,980	475,528,785
Less: Allowance for Decline in Inventory Value	(39,505,683)	(39,505,683)
Subtotal	<u>5,217,165,917</u>	<u>4,620,538,968</u>
Total Inventory - Net	<u>10,504,909,573,401</u>	<u>7,892,170,591,837</u>

In 2012, property and equipment amounting to Rp 285,353,263,373 was reclassified to inventory (see Note 13).

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In 2011, inventory amounting to Rp 4,522,904,605 was reclassified to investment property (see Notes 12) and property and equipment was reclassified to inventory amounting to Rp 36,336,951,904 (see Note 13).

Interests and other borrowing costs from bonds (see Note 23), loans obtained from PT Bank ICBC Indonesia and PT Bank Negara Indonesia (Persero) Tbk (see Notes 20) have been capitalized into land under development for the years ended December 31, 2012 and 2011 amounting to Rp 373,269,545,889 and Rp 314,005,561,818, respectively.

As of December 31, 2012, land under development consisted of land covering a net area of approximately 33 hectares in Kelapa Dua and Bencong Village, 11 hectares in Jalan Lingkar Luar Barat - Puri Kembangan, 15 hectares in Mampang Prapatan District, 20 hectares in West Panunggangan Village, 28 hectares in Binong Village, 2 hectares in Kelapa Indah Village, 10 hectares in Bonang Village, 20 hectares in Sukanagalih Village, 98 hectares in Margakaya Village, Telukjambe, Karawang, 122 hectares in Cibatu Village, 40 hectares in Serang Village, 32 hectares in Sukaresmi Village, 54 hectares in Cicau Village, 3 hectares in Kuta, Bali, 49 hectares in Jaya Mukti Village, 28 hectares in Tanjung Merdeka Village, 23 hectares in Macini Sombala Village, 14 hectares in Tamanyeleng Village, 32 hectares in Barombong Village and 14 hectares in Mariso District.

Medical supplies and consumables of PT Golden First Atlanta, subsidiary, are pledged as collateral for the loan obtained from PT Bank Central Asia Tbk (see Notes 20 and 22).

Land under development owned by PT Lippo Cikarang Tbk, a subsidiary, with a total area of 22.1 hectares and 12.7 hectares are pledged as collateral for the loans obtained from PT Bank ICBC Indonesia and PT Bank Negara Indonesia (Persero) Tbk (see Note 20).

The amount of inventory charged to cost of sales amounted to Rp 3,262,098,191,629 and Rp 1.342.729.486.702, respectively as of December 31, 2012 and 2011.

The Company and subsidiaries' management is in the opinion that there is no impairment in the carrying value of inventories as of December 31, 2012 and 2011.

The Company's and subsidiaries' inventories have been insured against all risks, based on a certain insurance policy package to PT Lippo General Insurance Tbk, related party and PT Asuransi Bintang Tbk, third party with the insured amount of Rp 6,186 billion as of December 31, 2012 and 2011, respectively. The Company and subsidiaries' management believe that the insured amount is adequate to cover any possible losses.

8. Prepaid Expenses

	2012	2011
	Rp	Rp
Rental	92,532,188,011	68,852,386,075
Others	16,682,708,705	27,204,484,019
Total Prepaid Expenses	109,214,896,716	96,056,870,094

Prepaid expenses mainly represent rental of hospital and hotel properties leased from First REIT (see Note 40.b).

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9. Other Non-Current Financial Assets

	2012 Rp	2011 Rp
Restricted Funds	344,302,236,769	194,881,192,421
Other Investments	58,329,023,011	58,329,023,011
Total Other Non-Current Financial Assets	402,631,259,780	253,210,215,432

Restricted Funds

Restricted fund represents the Company's and subsidiaries' time deposits placement in relation to mortgages agreements (KPR and KPA) entered by the Company and subsidiaries with their respective banks. These deposits earn an equal interest to the Rupiah's denominated time deposits owned by the Company and subsidiaries (see Note 4).

Other Investments

	Domicile	2012 Rp	2011 Rp
PT Supermal Karawaci	Tangerang	57,372,704,000	57,372,704,000
PT East Jakarta Industrial Park	Jakarta	766,935,000	766,935,000
PT Spinindo Mitradaya	Jakarta	160,000,000	160,000,000
Others	--	29,384,011	29,384,011
Total Other Investments		58,329,023,011	58,329,023,011

This account represents investment in shares of the stake below 20% in some companies which do not have quoted market prices.

10. Transactions and Balances with Related Parties

The details of the account balances with related parties are as follows:

	2012 Rp	2011 Rp	Percentage to Total Assets/Liabilities	
			2012 %	2011 %
Cash and Cash Equivalent				
Bank				
PT Bank Nationalnobu	98,581,620,560	26,229,260,153	0.40	0.14
Investments in Associates				
PT Surya Citra Investama	62,584,037,469	36,320,138,263	0.25	0.20
PT Hyundai Inti Development	14,404,600,538	12,555,431,753	0.06	0.07
PT Menara Inti Development	--	6,350,753,227	--	0.03
PT Medika Sehat Lestari	4,999,994,000	4,999,994,000	0.02	0.03
PT Tritunggal Sentra Utama	2,368,153,241	2,368,153,241	0.01	0.01
PT Lippo Indorent	1,026,853,442	1,026,853,442	0.00	0.01
Others (below Rp 1 billion each)	400,000,000	400,000,000	0.00	0.00
Total Investments in Associates	85,783,638,690	64,021,323,926	0.34	0.35

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11. Investments in Associates

	Domicile	Percentage of Ownership	2012			Carrying Value
			Acquisition Cost	Accumulated Share in Profit (Loss) of Associates	Accumulated Dividend Received	
PT Surya Cipta Investama	Bekasi	49.81	32,964,983,496	29,619,053,973	--	62,584,037,469
PT Hyundai Inti Development	Bekasi	45.00	6,155,423,370	89,834,051,030	(81,584,873,862)	14,404,600,538
Others (each below Rp 5 billion)			25,143,494,000	(16,348,493,317)	--	8,795,000,683
Total			64,263,900,866	103,104,611,686	(81,584,873,862)	85,783,638,690

	Domicile	Percentage of Ownership	2011			Carrying Value
			Acquisition Cost	Accumulated Share in Profit (Loss) of Associates	Accumulated Dividend Received	
PT Surya Cipta Investama	Bekasi	49.81	32,964,983,496	3,355,154,767	--	36,320,138,263
PT Hyundai Inti Development	Bekasi	45.00	6,155,423,370	83,484,882,245	(77,084,873,862)	12,555,431,753
PT Menara Inti Development	Bekasi	40.00	100,000,000	7,762,753,227	(1,512,000,000)	6,350,753,227
Others (each below Rp 5 billion)			25,143,494,000	(16,348,493,317)	--	8,795,000,683
Total			64,363,900,866	78,254,296,922	(78,596,873,862)	64,021,323,926

The following is a summary of financial information on associates as of December 31, 2012 and 2011:

	2012	2011
	Rp	Rp
Total Agregat of Assets	185,839,876,551	219,828,013,404
Total Agregat of Liabilities	27,307,308,499	50,374,329,158
Total Agregat of Net Sales and Revenues	91,237,087,559	74,900,291,166
Total Agregat of Income for the Year	26,763,975,647	16,625,151,937

There was no fair value information available based on quoted market prices of the investment in associates.

12. Investment Property

	2012				Balance as of December 31
	Balance as of January 1	Addition	Deduction	Reclassification	
	Rp	Rp	Rp	Rp	Rp
Acquisition Cost					
Land	109,240,988,060	--	54,027,135,328	--	55,213,852,732
Building	490,646,909,910	10,981,513,930	201,260,939,559	--	300,367,484,281
Total Acquisition Cost	599,887,897,970	10,981,513,930	255,288,074,887	--	355,581,337,013
Accumulated Depreciation					
Building	71,487,590,028	14,828,838,505	32,480,948,401	--	53,835,480,132
Total Accumulated Depreciation	71,487,590,028	14,828,838,505	32,480,948,401	--	53,835,480,132
Carrying Value	528,400,307,942				301,745,856,881

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	2011				Balance as of December 31 Rp
	Balance as of January 1 Rp	Addition Rp	Deduction Rp	Reclassification Rp	
Acquisition Cost					
Land	104,497,432,432	--	--	4,743,555,628	109,240,988,060
Building	459,734,537,752	11,103,158,806	--	19,809,213,352	490,646,909,910
Total Acquisition Cost	<u>564,231,970,184</u>	<u>11,103,158,806</u>	--	<u>24,552,768,980</u>	<u>599,887,897,970</u>
Accumulated Depreciation					
Building	46,246,106,530	24,528,746,750	--	712,736,748	71,487,590,028
Total Accumulated Depreciation	<u>46,246,106,530</u>	<u>24,528,746,750</u>	--	<u>712,736,748</u>	<u>71,487,590,028</u>
Carrying Value	<u><u>517,985,863,654</u></u>				<u><u>528,400,307,942</u></u>

Decrease of investment properties in 2012 due to selling of equity investment in PT Panca Permata Pejaten to LMIR Trust (see Note 1.c).

In 2011, the Company reclassified inventories and property and equipment to investment property amounting to Rp 4,522,904,605 (see Note 7) and Rp 19,317,127,627 (see Note 13), respectively. Those inventories and property and equipment were reclassified to investment property with the intension of generating rental revenue.

Rental revenue earned and direct operating expenses from investment property in the consolidated statements of comprehensive income for the years ended December 31, 2012 and 2011 are as follows:

	2012 Rp	2011 Rp
Rental Income	101,125,103,568	97,745,846,141
Direct Operating Cost Arises from Rental Generated Investment Properties	49,873,198,986	42,149,435,880

Depreciation charges that were allocated in the consolidated statements of comprehensive income are as follows:

	2012 Rp	2011 Rp
Cost of Sales and Services	3,201,413,898	13,546,521,712
Selling Expense	11,627,424,607	10,982,225,038
Total	<u><u>14,828,838,505</u></u>	<u><u>24,528,746,750</u></u>

The Company's investment property has been insured against fire damage and other risks to PT Lippo General Insurance Tbk, related party, with an insured amount of Rp 614.8 billion and USD 2,000,000 as of December 31, 2012 and Rp 341.7 billion 2011, respectively. The Company and subsidiaries' management is in the opinion that the insured amount is adequate to cover any possible losses.

Based on the valuation report of Kantor Jasa Penilai Publik Willson and Rekan (Knight Frank) dated June 15, 2012, an independent appraiser, the fair value of all inventories (Note 7), investment property, and property and equipment (Notes 12 and 13) as of December 31, 2011, except for the assets resulting from acquisition, amounted to Rp 36,384,700,139,268. The appraiser is a member of MAPPI and has appropriate qualifications and experience in the property valuation. The valuation is conducted using the market data approach and in accordance with the Indonesian Valuation Standard 2007 and the code of ethics of Indonesian valuation.

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The approach used by the appraiser are:

1. For land appraisal, using the market value approach, and
2. For the building, using the cost approach.

Management believes that the fair value as of December 31, 2012 was not impaired as compared to 2011.

The Company's and subsidiaries' management is in the opinion that there is no impairment in the carrying value of investment property as of December 31, 2012.

13. Property and Equipment

	2012				Balance as of December 31 Rp
	Balance as of January 1 Rp	Addition Rp	Deduction Rp	Reclassification Rp	
Acquisition Cost					
Direct Ownership					
Land	303,476,462,831	32,009,194,572	--	--	335,485,657,403
Building, Infrastructure and Renovations	639,722,467,352	13,394,850,797	116,409,170,833	175,090,472,621	711,798,619,937
Parks and Interiors	20,850,624,055	6,016,278,833	--	--	26,866,902,888
Golf Course and Club House	169,084,438,910	2,209,452,680	--	--	171,293,891,590
Transportation Equipment and Vehicles	30,384,351,083	6,434,524,398	--	--	36,818,875,481
Furniture, Fixtures and Office Equipment	423,032,955,603	17,023,960,979	13,300,397,426	--	426,756,519,156
Tools and Medical Equipment	524,877,127,570	381,899,939,504	1,210,274,586	--	905,566,792,488
Machinery and Project Equipment	155,551,054,736	60,511,312,302	1,050,630,216	--	215,011,736,822
Bowling Machinery	14,397,991,861	--	--	--	14,397,991,861
Playground Areas	3,135,746,092	2,602,957,199	--	--	5,738,703,291
	<u>2,284,513,220,093</u>	<u>522,102,471,264</u>	<u>131,970,473,061</u>	<u>175,090,472,621</u>	<u>2,849,735,690,917</u>
Construction in Progress	<u>239,102,987,052</u>	<u>762,074,062,164</u>	--	<u>(460,443,735,994)</u>	<u>540,733,313,222</u>
Total Acquisition Cost	<u>2,523,616,207,145</u>	<u>1,284,176,533,428</u>	<u>131,970,473,061</u>	<u>(285,353,263,373)</u>	<u>3,390,469,004,139</u>
Accumulated Depreciation					
Direct Ownership					
Building, Infrastructure and Renovations	151,771,574,603	31,063,570,604	--	--	182,835,145,207
Parks and Interiors	18,299,327,948	1,336,132,055	--	--	19,635,460,003
Golf Course and Club House	123,826,915,440	9,813,252,835	--	--	133,640,168,275
Transportation Equipment and Vehicles	22,347,773,749	2,274,594,578	--	--	24,622,368,327
Furniture, Fixtures and Office Equipment	301,884,200,445	25,909,707,147	13,206,767,013	--	314,587,140,579
Tools and Medical Equipment	235,936,433,368	106,093,635,684	1,290,958,111	--	340,739,110,941
Machinery and Project Equipment	95,984,965,261	39,400,398,543	825,821,911	--	134,559,541,893
Bowling Machinery	14,304,450,908	32,571,060	--	--	14,337,021,968
Playground Areas	3,135,746,092	--	--	--	3,135,746,092
Total Accumulated Depreciation	<u>967,491,387,814</u>	<u>215,923,862,506</u>	<u>15,323,547,035</u>	--	<u>1,168,091,703,285</u>
Carrying Value	<u>1,556,124,819,331</u>				<u>2,222,377,300,854</u>

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	2011				Balance as of December 31 Rp
	Balance as of January 1 Rp	Addition Rp	Deduction Rp	Reclassification Rp	
Acquisition Cost					
Direct Ownership					
Land	289,359,411,869	10,737,049,747	--	3,380,001,215	303,476,462,831
Building, Infrastructure and Renovations	501,468,320,680	140,980,025,880	1,058,513,765	(1,667,365,443)	639,722,467,352
Parks and Interiors	20,870,163,890	593,251,265	612,791,100	--	20,850,624,055
Golf Course and Club House	168,182,844,789	901,594,121	--	--	169,084,438,910
Transportation Equipment and Vehicles	27,472,340,628	2,996,973,818	276,793,363	191,830,000	30,384,351,083
Furniture, Fixtures and Office Equipment	328,807,744,262	93,647,385,400	737,754,223	1,315,580,164	423,032,955,603
Tools and Medical Equipment	403,939,873,178	125,506,503,658	1,186,440,733	(3,382,808,533)	524,877,127,570
Machinery and Project Equipment	152,774,839,260	3,322,707,901	804,907,503	258,415,078	155,551,054,736
Bowling Machinery	14,385,991,861	--	--	12,000,000	14,397,991,861
Playground Areas	3,135,746,092	--	--	--	3,135,746,092
	1,910,397,276,509	378,685,491,790	4,677,200,687	107,652,481	2,284,513,220,093
Assets under Finance Lease	191,830,000	--	--	(191,830,000)	--
Construction in Progress	104,213,945,447	196,860,589,197	--	(61,971,547,592)	239,102,987,052
Total Acquisition Cost	2,014,803,051,956	575,546,080,987	4,677,200,687	(62,055,725,111)	2,523,616,207,145
Accumulated Depreciation					
Direct Ownership					
Building, Infrastructure and Renovations	111,055,091,073	44,296,839,960	966,882,337	(2,613,474,093)	151,771,574,603
Parks and Interiors	17,043,115,891	1,458,349,744	202,137,687	--	18,299,327,948
Golf Course and Club House	115,303,326,467	8,523,588,973	--	--	123,826,915,440
Transportation Equipment and Vehicles	19,264,052,975	3,154,651,635	263,218,363	192,287,502	22,347,773,749
Furniture, Fixtures and Office Equipment	252,332,706,809	50,605,601,624	345,984,256	(708,123,732)	301,884,200,445
Tools and Medical Equipment	191,782,402,984	48,607,717,894	1,186,440,733	(3,267,246,777)	235,936,433,368
Machinery and Project Equipment	84,048,201,964	11,882,284,291	131,549,271	186,028,277	95,984,965,261
Bowling Machinery	14,272,033,272	31,704,392	--	713,244	14,304,450,908
Playground Areas	3,135,746,092	--	--	--	3,135,746,092
	808,236,677,527	168,560,738,513	3,096,212,647	(6,209,815,579)	967,491,387,814
Assets under Finance Lease	191,830,000	--	--	(191,830,000)	--
Total Accumulated Depreciation	808,428,507,527	168,560,738,513	3,096,212,647	(6,401,645,579)	967,491,387,814
Carrying Value	1,206,374,544,429				1,556,124,819,331

In 2012, the Company reclassified property and equipment to inventory amounting to Rp 285,353,263,373 (see Note 7).

In 2011, the Company reclassified property and equipment to investment property amounting to Rp 19,317,127,627 (see Note 12) and to inventories amounting to Rp 36,336,951,904 (see Note 7).

In 2012, the additions to property and equipment above include assets acquired by non-cash transaction by way of realization of advances amounting to Rp 8,271,743,937.

In 2012, the addition of property and equipment includes assets from the acquired Company (see Note 1.c) with the acquisition cost amounting to Rp 335,173,270,871 and accumulated depreciation amounting to Rp 21,476,460,307.

In 2011, the addition of property and equipment includes assets from the acquired Company (see Note 1.c) with the acquisition cost amounting to Rp 162,193,197,898 and accumulated depreciation amounting to Rp 38,581,535,938.

Construction in progress includes hospitals and mall buildings. As of December 31, 2012, Construction in progress has reached 9% - 91% and estimated the completion within April 2013 until September 2013. Management believes there is no other matter which will hinder the completion.

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Depreciation charges that were allocated in the consolidated statements of comprehensive income are as follows:

	2012	2011
	Rp	Rp
General and Administrative Expenses	102,723,861,970	96,605,170,349
Cost of Sales and Services	88,386,221,967	30,073,620,935
Selling Expenses	3,337,318,262	3,300,411,291
Total	194,447,402,199	129,979,202,575

Details of the disposal on property and equipment of the Company and subsidiaries as of December 31, 2012 and 2011 are as follows:

	2012	2011
	Rp	Rp
Acquisition Cost	131,970,473,061	4,677,200,687
Accumulated Depreciation	15,323,547,035	3,096,212,647
Carrying Value	116,646,926,026	1,580,988,040
Carrying Value from subsidiaries sold	(281,981,539)	--
Carrying Value - Net	116,364,944,487	1,580,988,040
Selling Price	467,759,850,643	1,590,421,400
Gain on Sale of Property and Equipment	351,394,906,156	9,433,360
Deferred Gain on Sale and Lease Back Transactions (Note 27)	342,161,558,000	--
Gain Credited to the Consolidated Statement of Comprehensive Income	9,233,348,156	9,433,360

Disposal on property and equipment of the Company and its subsidiaries mainly from the sale of land and building of Siloam Hospitals Makassar with carrying value of Rp 116,409,170,833 on November 30, 2012 and then leased back those assets (see Note 40.b).

Land and building, infrastructure, machinery and tools and medical equipment of PT Balikpapan Damai Husada, a subsidiary, are pledged as collateral for loan obtained from Bank Pembangunan Daerah Kalimantan Timur (see Note 22).

Land and building, vehicles, furniture, fixtures and office equipment and tools and medical equipment of PT Golden First Atlanta, a subsidiary, were pledged as collateral for loan obtained from PT Bank Central Asia Tbk (see Notes 20 and 22).

There is no borrowing cost capitalized into property and equipment.

All of the Company's and subsidiaries' property and equipment have been insured to PT Lippo General Insurance Tbk, related party, PT Asuransi Bintang Tbk and PT Maskapai Asuransi Sonwelis, third parties, against fire damage and other risks, with insured amount of Rp 2,357.8 billion, SGD 11,250,344 and USD 37,749,246 as of December 31, 2012 and amounting to Rp 2,309 billion, SGD 41,411,117 and USD 20,349,623, as of December 31, 2011. The Company and subsidiaries' management is in the opinion that the insured amount is adequate to cover any possible losses.

The Company's and subsidiaries' management is in the opinion that there is no impairment in the carrying value of property and equipment as of December 31, 2012.

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14. Intangible Assets

	2012			
	Balance as of	Addition	Deduction	Balance as of
	January 1			December 31
	Rp	Rp	Rp	Rp
Acquisition Cost				
Goodwill	209,541,539,862	59,737,725,458	61,000,000,000	208,279,265,320
Software	12,046,610,389	7,007,302,857	--	19,053,913,246
Total Acquisition Cost	221,588,150,251	66,745,028,315	61,000,000,000	227,333,178,566
Accumulated Amortization (Impairment)				
Impairment of Goodwill	9,099,999,902	--	--	9,099,999,902
Amortization of Software	2,211,654,497	1,383,950,059	--	3,595,604,556
Total Accumulated Amortization (Impairment)	11,311,654,399	1,383,950,059	--	12,695,604,458
Carrying Value	210,276,495,852			214,637,574,108
	2011			
	Balance as of	Addition	Deduction	Balance as of
	January 1			December 31
	Rp	Rp	Rp	Rp
Acquisition Cost				
Goodwill	103,374,170,307	106,167,369,555	--	209,541,539,862
Software	2,534,088,887	9,512,521,502	--	12,046,610,389
Total Acquisition Cost	105,908,259,194	115,679,891,057	--	221,588,150,251
Accumulated Amortization (Impairment)				
Impairment of Goodwill	--	9,099,999,902	--	9,099,999,902
Amortization of Software	1,284,702,353	926,952,144	--	2,211,654,497
Total Accumulated Amortization (Impairment)	1,284,702,353	10,026,952,046	--	11,311,654,399
Carrying Value	104,623,556,841			210,276,495,852

The details of goodwill are as follows:

Acquirer Entity	Share Acquisition in	Year of Acquisition	Net Value	
			2012 Rp	2011 Rp
PT Lippo Malls Indonesia	PT Mulia Citra Abadi	2012	20,247,679,428	--
PT Persada Mandiri Dunia Niaga	PT Ekaputra Kencana Abadi	2012	15,050,000,000	--
PT Primakreasi Propertindo	PT Bimasakti Jaya Abadi	2012	9,509,000,000	--
PT Pancawarna Semesta	PT Diagram Healthcare Indonesia	2012	9,251,046,030	--
PT Primakreasi Propertindo	PT Surya Megah Lestari	2012	5,680,000,000	--
PT Prawira Tata Semesta	PT Balikpapan Damai Husada	2011	27,480,578,103	27,480,578,103
PT Siloam International Hospitals	PT Prawira Tata Semesta	2011	14,146,465,217	55,146,465,217
PT Siloam International Hospitals	PT Guchi Kencana Emas	2011	3,540,326,235	23,540,326,235
PT Berkat Langgeng Jaya	PT Pamor Paramita Utama	2008	9,770,787,707	9,770,787,707
PT Wahana Usaha Makmur	PT Adhi Utama Dinamika	2008	8,774,146,934	8,774,146,934
PT Primakreasi Propertindo	PT Graha Solusi Mandiri	2007	9,560,604,416	9,560,604,416
PT Graha Jaya Pratama	PT Nuansa Indah Lestari	2004	38,110,462,048	38,110,462,048
PT Graha Jaya Pratama	PT Fajar Usaha Semesta	2004	8,186,375,658	8,186,375,658
PT Graha Jaya Pratama	PT Fajar Raya Cemerlang	2004	7,929,625,658	7,929,625,658
PT Graha Jaya Pratama	PT Aresta Permata Utama	2004	5,971,083,992	5,971,083,992
PT Graha Jaya Pratama	PT Fajar Abadi Aditama	2004	5,971,083,992	5,971,083,992
Goodwill - Net			199,179,265,418	200,441,539,960

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The management believes that the impairment that occurred for the years ended December 31, 2012 and 2011 have been assessed adequately.

Decrease in goodwill is due to the obligation of the PT Metropolis Propertindo Utama (MPU) to pay compensation to the Company since the respective Net Profit After Tax (NPAT) of PT Guchi Kencana Emas and PT Prawira Tata Semesta as set forth in the purchase agreement of both companies was not achieved.

Based on Agreement dated November 2, 2010, between PT Siloam International Hospitals (SIH) and MPU on the acquisition of PT Prawira Tata Semesta (PTS), MPU guaranteed that Net Profit After Tax (NPAT) of PT Balikpapan Damai Husada (BDH), a subsidiary of PTS, would amount to Rp 17,000,000,000 in 2011, and if the said NPAT does not materialize, which this is the case, MPU will provide compensation amounting to Rp 41,000,000,000 to SIH. This compensation was fully paid on May 30, 2012 and recorded as a reduction of goodwill.

Based on Agreement dated October 26, 2010, between PT Siloam International Hospitals (SIH), a subsidiary, and MPU on the acquisition of PT Guchi Kencana Emas (GKE), MPU guaranteed that Net Profit After Tax (NPAT) of PT Golden First Atlanta (GFA), a subsidiary of GKE, would amount to Rp 6,400,000,000 in 2011, and if the said NPAT does not materialize, which is the case, MPU will provide compensation amounting to Rp 20,000,000,000 to SIH. This compensation was fully paid on May 30, 2012 and recorded as a reduction of goodwill.

15. Advances

	2012	2011
	Rp	Rp
Advances for Investments:		
PT Anugerah Bahagia Abadi	502,400,000,000	312,400,000,000
PT Menara Abadi Megah	--	25,000,000,000
Subtotal	<u>502,400,000,000</u>	<u>337,400,000,000</u>
Advances for Land Acquisition	342,033,328,425	98,195,801,641
Advances for Acquisition of Property and Equipment	141,743,826,536	11,205,812,335
Advances for Construction	32,311,222,654	201,018,870,661
Others	61,348,786,168	90,944,607,867
Total Advances	<u>1,079,837,163,783</u>	<u>738,765,092,504</u>

On December 2, 2010, based on Sale and Purchase of Shares Agreements, PT Satria Mandiri Idola Utama, subsidiary, purchased the shares of PT Anugerah Bahagia Abadi of Rp 549,686,500,000. Up to December 31, 2012, the advanced payment amounted to Rp 502,400,000,000.

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16. Land for Development

	2012		2011	
	Area sqm	Value Rp	Area sqm	Value Rp
The Company	1,001,010	203,350,714,722	1,001,010	203,350,714,722
Subsidiaries:				
PT Lippo Cikarang Tbk	2,297,717	285,398,871,143	3,452,178	399,314,565,060
PT Gowa Makassar Tourism Development Tbk	2,119,315	229,202,303,471	2,095,956	169,496,202,116
PT Muliasantosa Dinamika	803,413	112,455,747,318	803,413	112,455,747,318
PT Erabaru Realindo	692,082	16,961,287,500	692,082	16,961,287,500
PT Sentragraha Mandiri	239,759	33,313,592,430	239,759	33,313,592,430
PT Sejatijaya Selaras	84,162	12,817,939,795	110,617	16,882,272,105
PT Bahtera Pratama Wirasakti	83,405	15,699,340,352	83,405	15,699,340,352
PT Surya Makmur Alam Persada	71,303	20,283,623,533	71,303	20,283,623,533
Total Land for Development	7,392,166	929,483,420,264	8,549,723	987,757,345,136

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 have been obtained from their respective local governors.

Interest expense and other borrowing cost of loan obtained from PT Bank Agroniaga Tbk have been capitalized into land for development amounting to Rp 291,877,317 for the year ended December 31, 2011.

Land for development of PT Erabaru Realindo, a subsidiary, with an area of 65.6 hectares is pledged by PT Lippo Cikarang Tbk, a subsidiary, as collateral for loan obtained from PT Bank Negara Indonesia Tbk (Persero) (see Note 20).

17. Accrued Expenses

	2012 Rp	2011 Rp
Estimated Cost for Construction	273,238,175,833	144,149,248,228
Interest	55,525,085,171	54,997,293,683
Endowment Care Fund	42,696,987,047	30,696,987,047
Transfer of Ownership Tax	15,233,896,173	17,124,030,804
Professional Fees	10,093,610,971	8,392,303,687
Electricity, Water and Telephone	9,227,267,696	6,932,657,118
Hedging Premium	9,016,108,427	9,961,650,962
Others	72,304,694,960	53,539,691,473
Total Accrued Expenses	487,335,826,278	325,793,863,002

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18. Taxation

a. Income Tax Benefit (Expense)

	<u>2012</u> Rp	<u>2011</u> Rp
Current	(253,214,887,801)	(175,560,142,390)
Deferred	(1,026,379,646)	4,844,186,258
Total Tax Expense	<u>(254,241,267,447)</u>	<u>(170,715,956,132)</u>

The reconciliation between profit before tax expense as presented in the consolidated statements of comprehensive income, and the Company's estimated tax loss is as follows:

	<u>2012</u> Rp	<u>2011</u> Rp
Profit before Tax as Presented in the Consolidated Statements of Comprehensive Income	1,577,088,286,385	984,810,305,058
<i>Deduct:</i> Income of Subsidiaries	<u>(1,791,034,868,168)</u>	<u>(1,109,843,392,790)</u>
The Company's Commercial Loss - Net <i>Deduct:</i>	(213,946,581,783)	(125,033,087,732)
Profit before Tax from Sale of Land and Buildings Subject to Final Tax	142,529,121,041	114,771,859,464
Rental Income Subject to Final Tax	<u>(24,472,417,595)</u>	<u>(24,302,253,584)</u>
The Company's Commercial Loss Net of Final Tax	<u>(95,889,878,337)</u>	<u>(34,563,481,852)</u>
Temporary Differences		
Salaries and Employee Benefits	4,999,571,144	5,479,479,315
Depreciation of Direct Ownership of Property and Equipment	(3,640,988,052)	(4,007,616,777)
Deferred Gain on Sale and Leaseback Transactions	<u>(7,303,446,744)</u>	<u>(7,303,446,744)</u>
Subtotal	<u>(5,944,863,652)</u>	<u>(5,831,584,206)</u>
Permanent Differences		
Interest Income Subjected to Final Tax	(39,151,509,572)	(78,277,549,816)
Donation and Representation	271,280,933	1,105,089,876
Subtotal	<u>(38,880,228,639)</u>	<u>(77,172,459,940)</u>
Estimated Tax Loss	<u>(140,714,970,628)</u>	<u>(117,567,525,998)</u>

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Calculation of estimated current tax and tax payable is as follows:

	<u>2012</u> <u>Rp</u>	<u>2011</u> <u>Rp</u>
The Company		
Estimated Tax Loss	<u>(140,714,970,628)</u>	<u>(117,567,525,998)</u>
Tax Expense of Land and Buildings Subject to Final Tax	<u>5,892,906,623</u>	<u>6,831,012,974</u>
Subsidiaries		
Tax Expense of Land and Buildings Subject to Final Tax	<u>198,459,943,625</u>	<u>103,302,821,778</u>
Taxable Income - Non Final	<u>184,630,468,560</u>	<u>403,864,491,014</u>
Current Tax	<u>48,862,037,553</u>	<u>65,426,307,638</u>
Tax Credit	<u>(5,111,852,102)</u>	<u>(35,057,745,862)</u>
Income Tax Payable Article 29 Consolidated		
- Current Year	<u>43,750,185,451</u>	<u>30,368,561,776</u>
Previous Income Tax Payable Article 29 Consolidated	<u>--</u>	<u>7,754,008,153</u>
Income Tax Payable Article 29 Consolidated	<u>43,750,185,451</u>	<u>38,122,569,929</u>

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

	<u>2012</u> <u>Rp</u>	<u>2011</u> <u>Rp</u>
Profut before Tax as Presented in tha Consolidated Statements of Comprehensive Income	1,577,088,286,385	984,810,305,058
<i>Deduct:</i>		
Income of Subsidiaries	(1,791,034,868,168)	(1,109,843,392,790)
Profit before Tax from Sale of Land and Buildings Subject to Final Tax	142,529,121,041	114,771,859,464
Rental Income Subject to Final Tax	<u>(24,472,417,595)</u>	<u>(24,302,253,584)</u>
The Company's Commercial Loss - Net	<u>(95,889,878,337)</u>	<u>(34,563,481,852)</u>
Income Tax Expense at Effective Tax Rate 25%	(23,972,469,584)	(8,640,870,463)
Interest Income Subject to Final Tax	9,787,877,393	19,569,387,454
Donation and Representation	(67,820,233)	(276,272,468)
Tax Loss	<u>(35,178,742,657)</u>	<u>(29,391,881,500)</u>
Tax Expense of the Company	(1,486,215,913)	(1,457,896,051)
Final Tax Expense of the Company	<u>(5,892,906,623)</u>	<u>(6,831,012,974)</u>
Total Tax Expense of the Company	<u>(7,379,122,536)</u>	<u>(8,288,909,025)</u>
Tax Expense of the Subsidiaries		
Deferred Tax of the Subsidiaries	459,836,267	6,302,082,309
Current Tax of the Subsidiaries	(48,862,037,553)	(65,426,307,638)
Final Tax Expense of the Subsidiaries	<u>(198,459,943,625)</u>	<u>(103,302,821,778)</u>
Total Tax Expense of the Subsidiaries	<u>(246,862,144,911)</u>	<u>(162,427,047,107)</u>
Total Tax Expense	<u>(254,241,267,447)</u>	<u>(170,715,956,132)</u>

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Calculation of Taxable Income (Tax Loss) for the year ended December 31, 2011 as mentioned above are in accordance with the Annual Tax Return (SPT) of 2011 that the Company has reported to the tax office. Calculation of taxable income (tax loss) for the year ended December 31, 2012 as stated above will be the basis for filing SPT in 2012.

b. Deferred Tax Asset – Net

Details of the Company's and subsidiaries' deferred tax assets and liabilities are as follows:

	January 1, 2012	Credited (Charged) to Consolidated Statements of Comprehensive Income	Additions from Business Combination	December 31, 2012
	Rp	Rp	Rp	Rp
The Company				
Amortization of Deferred Income from Sale and Lease Back Transactions	18,153,201,373	(1,825,861,686)	--	16,327,339,687
Estimated Liabilities on Employee Benefits	6,886,898,085	1,249,892,786	--	8,136,790,871
Allowance for Impairment in Value	2,965,626,608	--	--	2,965,626,608
Depreciation	(8,432,141,835)	(910,247,013)	--	(9,342,388,848)
	19,573,584,231	(1,486,215,913)	--	18,087,368,318
Subsidiaries	57,907,408,068	459,836,267	--	58,367,244,335
Deferred Tax Assets	77,480,992,299	(1,026,379,646)	--	76,454,612,653
Deferred Tax Liabilities	--	--	6,653,250,000	6,653,250,000

	January 1, 2011	Credited (Charged) to Consolidated Statements of Comprehensive Income	December 31, 2011
	Rp	Rp	Rp
The Company			
Amortization of Deferred Income from Sale and Lease Back Transactions	19,979,063,059	(1,825,861,686)	18,153,201,373
Estimated Liabilities on Employee Benefits	5,517,028,256	1,369,869,829	6,886,898,085
Allowance for Impairment in Value	2,965,626,608	--	2,965,626,608
Depreciation	(7,430,237,641)	(1,001,904,194)	(8,432,141,835)
	21,031,480,282	(1,457,896,051)	19,573,584,231
Subsidiaries	51,605,325,759	6,302,082,309	57,907,408,068
Deferred Tax Assets	72,636,806,041	4,844,186,258	77,480,992,299

c. Prepaid Taxes

	2012 Rp	2011 Rp
Income Taxes		
Article 4 (2)	235,817,814,312	146,301,323,166
Article 22	587,969,915	519,796,955
Article 25/29	6,960,555,520	11,143,081,130
Value Added Tax	86,789,618,527	51,195,603,326
Total Prepaid Taxes	330,155,958,274	209,159,804,577

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d. Taxes Payable

	2012	2011
	Rp	Rp
Income Tax		
Final	86,883,944,714	60,676,319,990
Article 21	16,835,483,173	19,481,044,493
Article 25/29	43,750,185,451	38,122,569,929
Article 26	335,505,100	270,805,571
Value Added Tax	47,511,028,869	43,959,233,572
Hotel and Restaurant Tax	607,121,645	2,666,859,492
Entertainment Tax	3,154,889,156	913,810,132
Total Taxes Payable	199,078,158,108	166,090,643,179

The Company received Underpayment of Tax Assessment Letters (SKPKB) for Income Tax Article 23 and Income Tax Article 26 amounting to Rp 16.7 billion and Rp 73.2 billion, respectively, for fiscal year 2007. The Company objected for all SKPKBs.

On October 25, 2010, the Company received a Decision Letters No. KEP-1037/WPJ.07/2010 and No. KEP-1039/WPJ.07/2010 from the tax office which rejected the Company's objection to SKPKBs. The Company filed a tax appeal.

Based on Decision Letter No. Put.39604/PP/M.III/12/2012 and No. Put.39604/PP/M.III/13/2012 dated August 3, 2012, the Tax Court issued several decisions on the appeals by the Company to the Directorate General of Tax as follows:

- Granted the Company's appeal for SKPKB Income Tax Article 23 for the year of 2007 amounting to Rp 16,732,920,154.
- Granted the Company's appeal for SKPKB Income Tax Article 26 for the year of 2007 amounting to Rp 73,154,175,323.

On October 11, 2012 and October 15, 2012, the Company has received tax refund amounting to Rp 89,887,095,477.

19. Trade Accounts Payable

	2012	2011
	Rp	Rp
Third Parties		
Supplier	421,657,758,986	300,400,818,032
Contractor	121,119,404,575	105,662,948,004
Others	32,924,103,900	10,806,798,888
Total Trade Accounts Payable - Third Parties	575,701,267,461	416,870,564,924

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20. Short-Term Bank Loans

	2012 Rp	2011 Rp
Third Parties		
PT Bank Central Asia Tbk (lihat Catatan 22)	4,853,583,896	4,930,951,280
PT Bank ICBC	--	90,000,000,000
PT Bank Negara Indonesia (Persero) Tbk	--	50,000,000,000
Total Short-Term Bank Loan	4,853,583,896	144,930,951,280

PT Bank ICBC

The Company

Based on Deed of Credit Agreement No. 85 dated October 20, 2010 made in the presence of Mellyani Noor Shandra, S.H., a notary in Jakarta, which was amended several times with the latest renewal by the Credit Agreement No. 143/ICBC-MK/PTD/X/2011/P2 dated November 29, 2012, the Company obtained an on Demand Fixed Loan credit facility at a maximum amount of Rp 70,000,000,000 with annual interest rate of 11%. The loan was used for working capital and will mature on October 25, 2013. As of April 2012, the Company has fully paid this loan.

This facility is secured by collaterals as follows:

- One (1) parcel of land with an area of 94,500 sqm, as a part of HGB No. 56/Sukaresmi which is registered under the name of PT Waska Sentana.
- One (1) parcel of land with an area of 2,500 sqm with HGB No. 2012/Sukaresmi which is registered under the name of PT Waska Sentana.

Interests and other borrowing costs capitalized into inventories for the years ended December 31, 2012 and 2011 amounted to nil and Rp 988,425,575, respectively (see Note 7).

PT Lippo Cikarang Tbk (LC), a subsidiary

Based on Deeds of Credit Agreement No. 86, dated October 20, 2010, made in the presence of Mellyani Noor Shandra, S.H., a notary in Jakarta, which was amended several times with the latest renewal by Credit Agreements Nos. 144/ICBC-MK/PTD1/X/2011/P2 and 145/ICBC-MK/PTD/2011 (no longer extended) dated November 30, 2012, LC obtained an on Demand Fixed Loan credit facility at a maximum amount of Rp 30,000,000,000 with annual interest rate of 11%. The loan was used for working capital and will mature on October 25, 2013. As of April 2012, LC, a subsidiary, has fully paid this loan.

This facility is secured by collaterals as follows:

- One (1) parcel of land with an area of 38,901 sqm with HGB No. 178/Sukaresmi which is registered under the name of PT Waska Sentana.
- One (1) parcel of land with an area of 85,180 sqm, as a part of HGB No. 56/Sukaresmi which is registered under the name of PT Waska Sentana.

PT Bank Negara Indonesia (Persero) Tbk

The Company

- Based on Deed of Credit Agreement No. 34 dated October 30, 2006, which was made in the presence of H. Zamri, S.H., a notary in Jakarta and which was renewed by Deed of Credit Agreement No. 46 dated March 29, 2007 of the same notary, the Company obtained a Working Capital Credit facility at a maximum amount of Rp 250,000,000,000 which bears an annual interest rate of 11%. This loan was used to finance property and other businesses, except for land acquisitions. This loan matured on October 29, 2007. Furthermore, based on Deed of Credit Agreement No. 44 dated March 29, 2007 made in the presence of H. Zamri, S.H., a notary in Jakarta, the Company obtained additional Working Capital Credit facility at a maximum of Rp 20,000,000,000 resulting to a total Working Capital Credit facility of Rp 270,000,000,000.

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This loan bears an annual interest rate of 11% and matured on October 29, 2007. The facility has been extended several times to the latest extension through changes in the Credit Agreements Nos. (7) 34 and (6) 44 dated December 19, 2012 and will mature on June 12, 2013. This loan bears an annual interest rate of 10%.

- Based on Deed of Credit Agreement No. 45 dated March 29, 2007 which was made in the presence of H. Zamri, S.H., a notary in Jakarta, the Company obtained a term loan credit facility at a maximum of Rp 270,000,000,000. This loan bears an annual interest rate of 12%. The loan was used to finance the Company's projects in urban development, large scale integrated development, retail malls, healthcare and hospitality and infrastructure, except for land acquisition and matured on March 29, 2011.

These loans have been fully paid by the Company on March 10, 2011. As of December 31, 2012, the Company did not renew this loan facility.

Interests and other borrowing costs capitalized into inventories for the years ended December 31, 2012 and 2011 amounted to Rp 3,321,992,009 and Rp 10,477,825,011, respectively (see Note 7).

PT Lippo Cikarang Tbk (LC), a subsidiary

- Based on Deed of Credit Agreement No. 32 dated March 29, 2011 which was made in the presence of Wenda Taurusita Amidjaja, S.H., a notary in Jakarta, then changed by the Approval PK No. (1) 32 dated May 25, 2013, LC obtained a working capital credit facility at a maximum amount of Rp 50,000,000,000 with an annual interest rate of 11%. This loan was used to finance the property and other business, except for land acquisition. Based on credit extension agreement No. (1) 32 dated May 25, 2012, this loan has been extended to March 28, 2013. This loan had been fully paid on April 20, 2012.
- Based on Deed of Credit Agreement No. 33 dated March 29, 2011 which was made in the presence of Wenda Taurusita Amidjaja, S.H., a notary in Jakarta, LC obtained a working capital credit facility at a maximum amount of Rp 432,782,000,000 with an annual interest rate of 11%. This loan was used to refinance the Company's loan and will mature on March 28, 2016. As of December 31, 2012, LC has not used and extended this facility.

Both facilities are secured by collaterals as follows:

- Ten (10) parcels of land with an area of 655,945 sqm, consist of HGB Nos. 37, 38, 39, 40, 2002, 2003, 2004, 2005, 2006, and 5981 which are registered under the name of PT Erabaru Realindo, a subsidiary.
- One (1) parcel of land with an area of 127,404 sqm, consist of HGB No. 8302 which is registered under the name of LC.
- Property trade accounts receivable (excluding accounts receivable from land sold) amounted to Rp 62.5 billion.

21. Other Current Financial Liabilities

	2012 Rp	2011 Rp
Third Parties		
Unidentified Payments	89,907,922,121	42,265,726,817
Other Payable	89,635,914,295	48,964,868,315
Total Other Current Financial Liabilities	179,543,836,416	91,230,595,132

Unidentified payments represent receipt of collection not yet identifiable by the Company.

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22. Long-Term Bank Loans

	2012 Rp	2011 Rp
Third Parties		
Bank Pembangunan Daerah Kalimantan Timur	40,035,765,926	44,258,018,807
PT Bank Central Asia Tbk	25,935,451,960	29,202,600,115
	<u>65,971,217,886</u>	<u>73,460,618,922</u>
Current Portion	<u>11,218,103,420</u>	<u>7,489,401,044</u>
Non-Current Portion	<u>54,753,114,466</u>	<u>65,971,217,878</u>

Bank Pembangunan Daerah Kalimantan Timur

Based on Deed of Credit Agreement No. 005/870/9200/KI.59/BPDKP/2008 dated February 25, 2008, PT Balikpapan Damai Husada (BDH), a subsidiary, obtained an investment credit facility (Non-PRK) at a maximum amount of Rp 50,000,000,000 with an annual interest rate of 11.5%. This loan was used to increase the investment fund for financing the development of hospitals and paying its loan obtained from PT Bank Mandiri Tbk. This loan will mature on February 25, 2019.

This facility is secured by collaterals as follows:

- One (1) parcel of land with an area of 12,562 sqm including healthcare building and hospital with an area 8,024 sqm with HGB No. 2069 located at Jl. MT. Haryono RT. 35, Balikpapan which is registered under the name of PT Putra Adi Perkasa.
- Supporting infrastructure, tools and machinery and medical equipment with the estimated value of Rp 8,665,020,000.

There is no restrictive financial ratio which should be maintained by BDH.

PT Bank Central Asia Tbk

Based on Deed of Credit Agreement No. 1 dated April 1, 2003 made in the presence of Yandes Effriady, S.H., a notary in Jambi, and the letter No. 0242/JAM/2010 dated February 3, 2010, as amended by Credit Agreement No. 54 dated July 19, 2010 in the presence of Hasan S. H., a notary in Jambi and the latest by Credit Agreement No. 0036/ADD/119/II/12 dated February 2, 2012, PT Golden First Atlanta (GFA), a subsidiary, obtained several credit facilities as follows:

- Local Credit Facility (Current Account) at a maximum amount of Rp 5,000,000,000.
- Investment Credit Facility at a maximum amount of Rp 32,419,314,946.

Both facilities bear an annual interest rate of 11% and will mature on February 5, 2013 and December 20, 2016, respectively.

Both facilities are secured by collaterals as follows:

- Three (3) parcels of land with an area of 7,132 sqm and building with HGB Nos. 840, 841 and 842/Paal Merah which are registered under the name of GFA, a subsidiary.
- Medical equipment, furniture fixtures and office equipment, trade accounts receivable and inventory of medicine and consumable goods, and machinery and medical equipments.

Based on the loan agreement, GFA has to maintain maximum debt to equity ratio of 3.2 times.

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23. Bonds Payable

	2012 Rp	2011 Rp
Nominal (2012: USD 642,535,000; 2011: USD 395,608,000)	6,213,313,450,000	3,587,373,344,000
Premium	56,504,998,004	71,920,687,353
Bond Issuance Cost - Net	(326,288,811,569)	(124,587,207,152)
Total	5,943,529,636,435	3,534,706,824,201
Premium (net of discount)	70,049,479,998	90,680,000,000
Less: Accumulated Amortization	(13,544,481,994)	(18,759,312,647)
Unamortized Premium	56,504,998,004	71,920,687,353
Bond Issuance Costs	363,491,007,676	171,074,648,567
Less: Accumulated Amortization	(37,202,196,107)	(46,487,441,415)
Unamortized Bond Issuance Cost	326,288,811,569	124,587,207,152

The Company initiated several fund raising by issuing bonds to support the business of the Company and subsidiaries.

On March 9, 2006, Lippo Karawaci Finance B.V., a subsidiary, issued unsecured bonds with nominal value of USD 250,000,000 and annual fixed interest rate of 8.875% in Singapore Stock Exchange. The bonds have 5 years maturity period and became due on March 9, 2011. Payments of interest is conducted every 6 months. On May 11, 2010, part of bonds amounting to USD 183,754,000 was exchanged with bonds issued by Sigma Capital Pte. Ltd., a subsidiary. These bonds have been fully paid by the Company on March 9, 2011.

In relation to exchange offer of bonds, on May 11, 2010, Sigma Capital Pte. Ltd. (SC), a subsidiary, issued unsecured bonds with a nominal value of USD 270,608,000, and subsequently, on February 17, 2011, SC issued unsecured bond with a nominal value of USD 125,000,000, both bonds bear an annual fixed interest rate of 9% and are listed on Singapore Stock Exchange and will be due on April 30, 2015. Payment of interest will be conducted every 6 months. As of December 31, 2012 and 2011, accrued interest expense amounted to USD 1,417,606 and USD 5,934,120 (equivalent to Rp 13,708,254,081 and Rp 53,810,600,160), respectively.

On May 16, 2012, Theta Capital Pte. Ltd. (TC), a subsidiary, issued unsecured bonds with nominal value of USD 150,000,000 and subsequently, on October 22, 2012, TC issued unsecured bond with a nominal value of USD 100,000,000 both bonds bear an annual fixed interest rate of 7% and are listed on Singapore Stock Exchange. The bond have 7 years maturity period and will due on May 16, 2019. Payment of interest is conducted every 6 months. As of December 31, 2012 and 2011, accrued interest expense amounted to USD 1,355,945 and USD 903,963 (equivalent to Rp 13,111,988,150 and Rp 8,741,322,210), respectively.

In relation to exchange offer program of bonds, on November 14, 2012, Theta Capital Pte. Ltd., a subsidiary, issued unsecured bonds with nominal value of USD 273,306,000 in exchange with bond of Sigma Capital Pte. Ltd. for a nominal value of USD 253,713,000 and paid USD 22,666,000. This bonds bears an annual fixed interest rate of 6.125% and are listed on Singapore Stock Exchange and will due on November 14, 2020. Payment of interest is conducted every 6 months. As of December 31, 2012, accrued interest expense amounted to USD 2,064,480 (equivalent to Rp 19,963,520,730).

Interest expense and other borrowing cost capitalized into inventories for the years ended December 31, 2012 and 2011 amounted to Rp 369,947,553,880 and Rp 302,214,145,933, respectively (see Note 7).

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These bonds have been rated BB- by Standard & Poor's and Fitch and B1 by Moody's.

The Company has to comply with certain restrictions under bond covenants as stipulated in the Offering Circular.

The Company entered into Non-Deliverable USD Call Spread Option facility agreements with certain third parties to hedge foreign exchange fluctuation risk on these foreign currency denominated bonds (see Note 40.c).

24. Long-Term Post-Employment Benefits Liability

Post-Employment Benefit – No Funding Defined Benefit Plan

The Company and subsidiaries appointed independent actuaries to determine and recognize post-employment liability in accordance with the existing manpower regulations. Post-employment benefits liability as of December 31, 2012 was calculated by PT Mega Jasa Aktuaria and PT Dayamandiri Dharmakonsilindo with reports, respectively dated February 1, 2013. Post-employment benefits liability as of December 31, 2011 was calculated by PT Jasa Aktuaria Japa and PT Dayamandiri Dharmakonsilindo with reports dated February 8, 2012 and February 15, 2012, respectively. The management believes that the estimate of post-employment benefits is sufficient to cover such liabilities.

Post-employment benefits recognized in the consolidated statements of financial position are as follows:

	2012	2011
	Rp	Rp
Present Value of Defined Benefit Obligation	201,016,264,584	148,435,574,952
Unrecognized Actuarial Loss	(38,149,032,370)	5,008,177,669
Total	161,333,982,735	143,171,484,230

The details of post-employment benefits expense recognized in the consolidated statements of comprehensive income are as follows:

	2012	2011
	Rp	Rp
Current Service Cost	30,229,708,612	20,532,897,648
Interest Expense	10,034,995,031	11,972,907,861
Past Service Cost (Non-Vested)	1,616,075,060	1,357,469,711
Recognized Actuarial Loss	(1,371,572,550)	(2,004,398,525)
Adjustment	234,529,015	339,831,753
Total	40,743,735,168	32,198,708,448

Post-employment benefits expense is recorded as part of the cost of salaries and employee benefits (see Note 36).

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Reconciliation of changes in liabilities recognized in the consolidated statements of financial position is as follow:

	<u>2012</u> Rp	<u>2011</u> Rp
Balance on January 1	143,171,484,230	117,089,448,839
Payment of Employees' Benefits in the Current Year	(9,353,997,281)	(5,248,736,637)
Adjustment	803,012,572	(867,936,420)
Company's Contribution	(14,030,251,954)	--
Expense During the Year	<u>40,743,735,168</u>	<u>32,198,708,448</u>
Balance as of December 31	<u>161,333,982,735</u>	<u>143,171,484,230</u>

Reconciliation of changes in present value of defined benefit obligation is as follows:

	<u>2012</u> Rp	<u>2011</u> Rp
Present Value of Defined Benefit Obligation in January 1	148,435,574,952	119,920,794,970
Past Service Cost (Non-Vested)	(13,409,610,768)	(684,137,924)
Current Service Cost	30,229,708,612	20,532,897,648
Interest Expense	10,034,995,031	11,972,907,861
Benefits Payment	(9,353,997,281)	(5,248,736,637)
Unrecognized Actuarial Loss	<u>35,079,594,038</u>	<u>1,941,849,034</u>
Present Value of Defined Benefit Obligation as of December 31	<u>201,016,264,584</u>	<u>148,435,574,952</u>

Total of present value of employee benefits liabilities, fair value of asset and deficit program for the year ended December 31, 2012 and previous four annual periods are as follows:

	<u>2012</u> Rp	<u>2011</u> Rp	<u>2010</u> Rp	<u>2009</u> Rp	<u>2008</u> Rp
Present Value of Defined Benefit Liabilities	201,016,264,584	148,435,574,952	119,920,794,970	112,089,553,025	74,940,862,614
Asset Program	--	--	--	--	--
Total Deficit	<u>201,016,264,584</u>	<u>148,435,574,952</u>	<u>119,920,794,970</u>	<u>112,089,553,025</u>	<u>74,940,862,614</u>

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

	<u>2012</u>	<u>2011</u>
Interest Rates	8%	8%
Salary Increase Projection Rates	8%	8%
Mortality Rates	Indonesia – II	Indonesia – II
Permanent Disability Rates	10% x TMI – II	10% x TMI – II
Resignation Rates	1% for age 18 – 44, 0% for age 45 – 54	1% for age 18 – 44, 0% for age 45 – 54

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25. Advances from Customers

	2012	2011
	Rp	Rp
Third Parties		
Apartment	1,574,320,252,270	950,373,788,045
Residential Houses and Shophouses	1,422,626,683,122	673,799,694,280
Land Lots	801,004,988,760	385,751,428,993
Shopping Centers	195,634,112,567	361,344,581,975
	<u>3,993,586,036,719</u>	<u>2,371,269,493,293</u>
Less : Current Portion	1,850,726,035,076	963,300,544,347
Non-Current Portion	<u>2,142,860,001,643</u>	<u>1,407,968,948,946</u>

Details of the percentage of advances from customer to sales price are as follows:

	2012	2011
	Rp	Rp
100%	3,018,924,963,244	1,291,877,781,227
50% - 99%	612,732,634,474	680,112,029,036
20% - 49%	218,273,422,038	254,791,397,835
Under 20%	143,655,016,963	144,488,285,195
Total	<u>3,993,586,036,719</u>	<u>2,371,269,493,293</u>

26. Deferred Income

	2012	2011
	Rp	Rp
Related Party		
Rent (see Notes 10 dan 40.b)	576,888,263,544	791,891,898,867
Third Parties		
Rent	148,589,134,911	100,815,403,612
Others	17,120,522,172	10,640,683,368
Subtotal	<u>165,709,657,083</u>	<u>111,456,086,980</u>
Total Deferred Income	742,597,920,627	903,347,985,847
Less : Current Portion	79,696,900,858	76,366,842,057
Non-Current Portion	<u>662,901,019,769</u>	<u>826,981,143,790</u>

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27. Deferred Gain on Sale and Leaseback Transaction

	2012 Rp	2011 Rp
Acquisition Cost	590,890,086,932	474,480,916,099
Accumulated Depreciation	127,538,766,701	127,538,766,701
Carrying Value	463,351,320,231	346,942,149,398
Proceeds	1,714,252,775,595	1,246,965,217,595
Less: Gain Credited to the Consolidated Comprehensive Income Statement	14,666,752,836	5,949,923,669
Deferred Gain on Sale and Leaseback Transaction	1,236,234,702,528	894,073,144,528
Foreign Exchange Translation	28,513,578,716	(2,980,432,096)
Accumulated Amortization	(320,893,545,117)	(251,541,092,020)
Deferred Gain on Sale and Leaseback - Net	943,854,736,127	639,551,620,412
Current Portion	84,727,362,523	58,313,426,875
Non-Current Portion	859,127,373,604	581,238,193,537

Deferred gain on sale and leaseback transactions is amortized over 15 years of lease period using the straight line method (see Note 40.b).

28. Capital Stock

The Company stockholders' composition as of December 31, 2012 and 2011 is as follows:

Stockholders	2012		
	Total Shares	Percentage Ownership %	Issued and Fully Paid Rp
Pacific Asia Holdings Ltd	4,126,619,908	18.12	412,661,990,800
Others (less than 5% each)	18,644,965,211	81.88	1,864,496,521,100
Sub Total	22,771,585,119	100.00	2,277,158,511,900
Treasury Stocks	306,104,500		30,610,450,000
Total	23,077,689,619		2,307,768,961,900

Stockholders	2011		
	Total Shares	Percentage Ownership %	Issued and Fully Paid Rp
Pacific Asia Holdings Ltd	4,126,619,908	17.96	412,661,990,800
Ivan Setiawan Budiono (Director)	937,500	0.00	93,750,000
Others (less than 5% each)	18,853,902,711	82.04	1,885,390,271,100
Sub Total	22,981,460,119	100.00	2,298,146,011,900
Treasury Stocks	96,229,500		9,622,950,000
Total	23,077,689,619		2,307,768,961,900

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On 31, 2012 and 2011, the acquisition cost of treasury stocks amounted to Rp 154,792,655,006 and Rp 61,731,458,788, respectively.

The following is the reconciliation of the number of outstanding shares at the beginning and end of period:

	<u>2012</u> <u>(shares)</u>	<u>2011</u> <u>(shares)</u>
Outstanding shares on January 1	22,981,460,119	21,627,689,619
Non-Preemptive Rights Issuance of Capital Stock	--	1,450,000,000
Treasury Stocks	<u>(209,875,000)</u>	<u>(96,229,500)</u>
Outstanding shares	<u>22,771,585,119</u>	<u>22,981,460,119</u>

On June 6, 2011, the Company issued new 1,450,000,000 shares through issuance of non-preemptive rights capital stock (see Note 1.b).

From November 17, 2011 to December 21, 2011, the Company has repurchased (buyback) 96,229,500 shares at the prices ranged between Rp 620 – Rp 660 per share for the total consideration of Rp 61,731,458,788 and has reported to Bapepam-LK in its letter No. 005/LK-COS//2012 dated January 13, 2012.

The buyback of the outstanding shares was approved by the Deed of Extraordinary General Meeting of Stockholders dated November 15, 2011, as covered by deed No. 19 made in the presence of Unita Christina Winata, S.H., a notary in Jakarta.

From January 1, 2012 to June 30, 2012, the Company has repurchased (buyback) 209,875,000 shares at the prices ranged between Rp 670 – Rp 840 per share for the total consideration of Rp 154,844,896,875 and has reported to Bapepam-LK in its letter No. 175/LK-COS/VII/2012 dated July 13, 2012.

29. Additional Paid in Capital - Net

	<u>Rp</u>
Premium - Net	4,043,613,274,615
Difference in Value from Restructuring Transactions between Entities Under Common Control - Net	<u>19,535,347,265</u>
Total	<u>4,063,148,621,880</u>
Premium-Net	<u>Rp</u>
Rights Issue I	
Premium on Stock	87,283,750,000
Stock Issuance Cost	<u>(11,844,180,664)</u>
Subtotal	<u>75,439,569,336</u>
Rights Issue II	
Premium on Stock	485,048,197,150
Stock Issuance Cost	<u>(7,442,812,013)</u>
Subtotal	<u>477,605,385,137</u>
Premium on Exercising Warrant Series I	<u>659,475,970,000</u>
Excess of Market Value Over Par Value of Stock Issued in Business Combination Exercised under Purchase Method	<u>91,701,282,075</u>

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	<u>Rp</u>
Rights Issue III	
Premium on Stock	1,946,492,065,800
Stock Issuance Cost	<u>(18,495,197,733)</u>
Subtotal	<u>1,927,996,868,067</u>
Issuance of Capital Stock - Non-Preemptive Rights Issuance	
Premium on Stock	812,000,000,000
Stock Issuance Cost	<u>(605,800,000)</u>
Subtotal	<u>811,394,200,000</u>
Net	<u>4,043,613,274,615</u>

On June 6, 2011, the Company issued new 1,450,000,000 shares through issuance of non-preemptive rights capital stock (see Note 1.b).

The excess of market value over the par value of stock issued during the 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.

Premium on exercising Warrant Series I represents the difference between warrant execution price and par value.

Difference in Value from Restructuring Transactions between Entities Under Common Control – Net

	<u>Rp</u>
Transaction Before Business Combination	
Net Asset Value of PT Saptapersada Jagatnusa	322,884,648
Acquisition Cost	<u>(5,000,000,000)</u>
Difference in Value	<u>(4,677,115,352)</u>
Transaction from Business Combination	
Net Asset Value of Siloam	275,837,221,176
Acquisition Cost	<u>(85,173,967,500)</u>
Difference in Value	<u>190,663,253,676</u>
Realization	<u>(84,027,724,260)</u>
Net	<u>106,635,529,416</u>
Net Asset Value of Lippo Land	69,227,950,557
Acquisition Cost	<u>(265,747,071,500)</u>
Difference in Value	<u>(196,519,120,943)</u>
Net Asset Value of Aryaduta	199,314,766,000
Acquisition Cost	<u>(39,637,690,500)</u>
Difference in Value	<u>159,677,075,500</u>
Realization	<u>(45,581,021,356)</u>
Difference in Value, Net of Realization	<u>114,096,054,144</u>
Net	<u>19,535,347,265</u>

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

Difference in value from restructuring transactions between entities under common control from business combination amounting to Rp 190,663,253,676, (Rp 196,519,120,943) and Rp 159,677,075,500, respectively, were 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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30. Difference in Transactions with Non-Controlling Interest

In 2012, LK Reit Management Pte Ltd (LK Reit), a subsidiary, acquired shares of Bowsprit Capital Corporation Ltd. from Battery Road Limited and Golden Decade International Limited, both third parties and therefore, LK Reit ownership increased from 80% to 100%. The excess of acquisition cost over the subsidiaries' net assets amounted to Rp 45,889,312,357 was recorded as changes in non-controlling interest transaction.

In 2012, PT Wisma Jatim Propertindo (WJP), a subsidiary, acquired shares of PT Gapura Sakti Prima (GSP) from Mr Abdul Wahid, a third party, and thus the ownership in GSP increased from 78.60% to 100%. The excess of acquisition cost over the subsidiaries' net assets amounted to Rp 7,525,000,000 was recorded as changes in non-controlling interest transaction.

In 2011, Peninsula Investment Limited (Peninsula), a subsidiary, acquired shares of LMIRT Management Ltd (formerly Lippo Mappletree Indonesia RTM Ltd.) from Mappletree LM Pte. Ltd., a third party, and thus the ownership of Peninsula to LMIR TM increased from 60% to 100%. The excess of acquisition cost over the subsidiaries' net assets amounted to Rp 177,677,727,750 was recorded as changes in non-controlling interest transaction.

The following is the calculation of the difference in transactions with non-controlling interest transactions:

	2012	2011
	Rp	Rp
Acquisition Cost	296,163,642,857	221,067,000,000
Net Asset Value of Acquired	(74,380,954,358)	(52,872,732,796)
Difference from Foreign Currency Translations	21,105,562,928	9,483,460,546
Total	242,888,251,427	177,677,727,750

31. Cash Dividend and Reserved Fund

Based on Deed of Annual General Meeting of Stockholders No. 13 dated February 23, 2011 which was made in the presence of Unita Christina Winata, S.H., a notary in Tangerang, the Company's stockholders approved the payment of dividend amounting to Rp 150 billion (including the interim dividend of Rp 50 billion which was paid on December 1, 2010) and increase the reserved fund amounting to Rp 1 billion from retained earnings of 2010.

Based on Deed of Annual General Meeting of Stockholders No. 2 dated April 5, 2012 which was made in the presence of Sriwi Bawana Nawaksari, S.H. M.Kn., a notary in Tangerang, the Company's stockholders approved the payment of dividend amounting to Rp 177,5 billion and increased the reserved fund amounting to Rp 1 billion from retained earnings of 2011.

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32. Other Comprehensive Income

	2012 Rp	2011 Rp
Gain (Loss) on Changes in Fair Value of Available-for-Sale Financial Assets	894,254,875,437	(214,851,685,152)
Gain from Translations Financial Statements in Foreign Currency	60,134,221,651	9,540,001,087
Total	954,389,097,088	(205,311,684,065)

Gain (Loss) on Changes in Fair Value of Available-for-Sale Financial Assets

	2012 Rp	2011 Rp
<u>Investment in FREIT (see Note 6)</u>		
Bridgewater International Ltd	447,188,306,071	134,661,302,830
Bowsprit Capital Corporation Ltd	64,467,009,632	14,603,724,841
PT Menara Tirta Indah	57,694,769,690	--
<u>Investment in LMIRT (see Note 6)</u>		
Bridgewater International Ltd	249,830,662,375	(356,700,624,896)
LMIRT Management Ltd	75,074,127,669	(7,416,087,927)
Gain (Loss) on Changes in Fair Value of Available-for-Sale Financial Assets	894,254,875,437	(214,851,685,152)

33. Non-Controlling Interest

Details of non-controlling interests in the equity and share of results of consolidated subsidiaries are as follows:

	2012 Rp	2011 Rp
PT Lippo Cikarang Tbk	560,550,472,618	374,826,375,862
PT Gowa Makasar Tourism Development Tbk	116,392,851,679	86,286,814,849
PT Darma Sarana Nusa Pratama	58,955,610,504	47,930,022,698
PT Wahana Usaha Makmur	37,027,712,625	28,076,917,830
PT Pelangi Cahaya Intan Makmur	17,840,270,249	18,357,599,313
PT Siloam International Hospitals	11,461,117,213	(4,082,869,358)
PT Surplus Multi Makmur	4,161,673,443	4,143,720,415
PT Mitra Mulia Kreasi	5,445,102,970	4,706,350,134
Bowsprit Capital Corporation Ltd	--	12,102,898,486
Others (each below Rp 1 Billion)	2,154,842,410	2,973,164,359
Total Non-Controlling Interest	813,989,653,710	575,320,994,588

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34. Revenues

	2012 Rp	2011 Rp
Urban Development:		
Land Lots	731,553,008,716	758,859,902,132
Residential Houses and Shophouses	709,224,710,958	384,178,560,728
Memorial Park	166,839,725,914	103,928,360,240
Asset Enhancements	19,262,594,065	18,796,654,312
Others (see Note 1.c)	731,364,917,779	--
Sub Total	<u>2,358,244,957,432</u>	<u>1,265,763,477,412</u>
Large Scale Integrated Development:		
Apartments	1,014,606,874,722	748,043,853,748
Asset Enhancements	31,549,821,351	25,649,741,753
Sub Total	<u>1,046,156,696,073</u>	<u>773,693,595,501</u>
Retail Malls:		
Asset Enhancements	117,245,779,131	137,654,850,502
Shopping Centres	26,746,001,306	9,695,644,615
Sales Returns of Shopping Centres	--	(3,625,131,517)
Subtotal	<u>143,991,780,437</u>	<u>143,725,363,600</u>
Healthcare:		
Inpatient Department		
Medical Support Services and Professional Fees	400,301,613,801	276,775,088,485
Drugs and Medical Supplies	402,551,213,913	262,741,869,423
Ward Fees	136,165,709,933	89,143,074,456
Administration Fees	43,219,865,135	31,435,091,796
Operating Theater	25,831,931,415	17,370,159,619
Delivery Fees	1,603,312,271	767,567,175
Others	67,272,698,003	43,813,368,997
Outpatient Department		
Medical Support Services and Professional Fees	439,214,832,259	355,709,360,918
Drugs and Medical Supplies	220,624,606,988	164,789,503,962
Registration Fees	22,481,988,088	17,078,776,365
Others	28,814,750,357	--
Subtotal	<u>1,788,082,522,163</u>	<u>1,259,623,861,196</u>
Hospitality and Infrastructure:		
Hotels and Restaurants	263,136,789,314	223,538,206,818
Town Management	126,271,277,241	97,895,233,519
Water and Sewage Treatment	92,689,306,206	76,013,325,038
Recreation and Sports	60,556,562,749	50,660,578,454
Others	31,854,565,872	31,321,423,330
Subtotal	<u>574,508,501,382</u>	<u>479,428,767,159</u>
Property and Portfolio Management:		
Management Fees	249,229,565,717	267,345,289,987
Total Revenues	<u>6,160,214,023,204</u>	<u>4,189,580,354,855</u>

Management fees revenue represents revenue of shopping centers from management services and as manager of REIT. Revenue from asset enhancement represents revenue from rental of the Company's assets. Disposal of PT Panca Permata Pejaten amounting to Rp 731,364,917,779 to Lippo Malls Indonesia Retail Trust, is constituted of 11.87% of consolidated net sales for the year ended December 31, 2012 (see Note 1.c). For the year ended December 31, 2011, there are no sales to customer with sales amount above 10% of net revenues.

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35. Cost of Sales

	2012 Rp	2011 Rp
Urban Development:		
Land Lots	308,178,214,666	408,239,877,115
Residential Houses and Shophouses	416,335,577,492	227,350,078,339
Memorial Park	29,628,783,022	19,449,378,060
Asset Enhancements	745,299,708	--
Others (see Note 1.c)	389,954,350,653	--
Subtotal	<u>1,144,842,225,541</u>	<u>655,039,333,514</u>
Large Scale Integrated Development:		
Apartments	476,952,792,318	382,302,155,777
Asset Enhancements	19,770,548,506	16,641,013,565
Subtotal	<u>496,723,340,824</u>	<u>398,943,169,342</u>
Retail Malls:		
Asset Enhancements	5,304,044,492	31,761,431,458
Shopping Centres	8,309,022,210	3,730,951,278
Sales Return of Shopping Centres	(4,932,655,285)	(1,278,230,283)
Subtotal	<u>8,680,411,417</u>	<u>34,214,152,453</u>
Healthcare:		
Inpatient Department		
Salaries and Employee Benefits	395,954,128,978	271,364,961,219
Drugs and Medical Supplies	280,972,888,278	193,961,350,779
Clinical Supplies	36,973,906,620	31,404,051,066
Depreciation	26,302,409,797	19,059,836,713
Food and Beverages	57,286,209,082	15,282,048,083
Repair and Maintenance	5,648,447,777	6,185,466,623
Others	30,173,578,117	18,751,972,487
Outpatient Department		
Salaries and Employee Benefits	272,787,817,492	206,596,612,919
Drugs and Medical Supplies	159,228,912,194	108,984,091,930
Clinical Supplies	27,254,684,779	21,742,739,695
Depreciation	31,100,012,885	11,013,784,222
Repair and Maintenance	3,353,644,758	4,131,612,060
Others	16,231,365,138	17,526,665,399
Subtotal	<u>1,343,268,005,895</u>	<u>926,005,193,195</u>
Hospitality and Infrastructure:		
Hotels and Restaurants	82,344,171,828	74,458,586,010
Town Management	87,845,336,944	61,414,617,011
Water and Sewage Treatment	34,232,147,881	28,717,493,130
Recreation and Sports	18,668,051,610	16,722,600,100
Others	27,243,408,486	18,549,752,767
Subtotal	<u>250,333,116,749</u>	<u>199,863,049,018</u>
Property and Portfolio Management:		
Management Fees	95,420,369,801	79,195,359,224
Total Cost of Sales	<u>3,339,267,470,227</u>	<u>2,293,260,256,746</u>

There are no purchases above 10% of net revenues for both periods.

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36. Operating Expenses

	2012	2011
	Rp	Rp
<u>Selling Expenses</u>		
Marketing and Advertising	303,562,421,382	96,821,917,601
Salaries and Employee Benefits	62,218,434,808	42,859,023,452
Repairs and Maintenance	30,119,962,464	25,043,153,036
Management Fees	15,816,612,706	16,000,807,534
Depreciation (see Notes 12 and 13)	14,964,742,869	14,282,636,329
Rent	6,691,500,945	5,263,950,592
Transportation and Accommodation	5,202,114,013	4,961,200,963
Office Supplies	4,853,741,824	6,167,832,062
Electricity and Water	4,383,113,178	3,664,291,286
Communication	1,824,319,010	1,724,760,598
Others	5,030,786,739	991,900,881
Sub Total	<u>454,667,749,938</u>	<u>217,781,474,334</u>
<u>General and Administrative Expenses</u>		
Salaries and Employee Benefits	363,692,290,505	275,958,556,932
Depreciation (see Note 13)	102,723,861,970	96,605,170,349
Rent	95,083,457,885	121,512,686,891
Water and Electricity	88,917,717,969	64,031,371,634
Professional Fees	54,421,076,557	44,149,216,869
Transportation and Accommodation	47,438,565,392	32,619,081,670
Repairs and Maintenance	34,982,024,404	26,054,244,135
Office Supplies	23,683,519,082	19,895,502,395
Communication	12,422,123,039	10,442,495,616
Membership and Subscription Fees	9,366,831,356	4,879,128,214
Training and Seminar	8,871,591,678	8,163,273,426
Insurance	8,797,693,691	5,129,524,250
Others	38,870,193,431	41,102,239,302
Sub Total	<u>889,270,946,959</u>	<u>750,542,491,683</u>
Total Operating Expenses	<u>1,343,938,696,897</u>	<u>968,323,966,017</u>

37. Financial Income (Expense) - Net

	2012	2011
	Rp	Rp
Interest Income	81,486,812,047	104,572,396,647
Interest Expense	(79,854,084,131)	(105,348,943,376)
Total Financial Income (Expense) - Net	<u>1,632,727,916</u>	<u>(776,546,729)</u>

Interest income represents interest income from bank accounts, time deposits and restricted funds (see Notes 4 and 9), while interest expense represents interest on loans (see Notes 20, 22 and 23).

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38. Other Income (Expenses) - Net

	2012 Rp	2011 Rp
Other Income		
Dividend Income	129,803,588,315	71,398,263,601
Gain on Foreign Exchange	107,990,516,101	--
Gain on Sale of Property and Equipment	516,518,989	9,433,360
Gain from Sale and Leaseback	8,716,829,167	--
Others	--	55,029,572,467
Total Other Income	247,027,452,572	126,437,269,428
Other Expenses		
Loss on Foreign Exchange	--	6,727,591,726
Amortization Expense	119,535,372,546	50,258,372,845
Others	55,306,692,399	14,226,966,562
Total Other Expenses	174,842,064,945	71,212,931,133

Dividend Income

Dividend income represents dividend from LMIR Trust and First REIT by Bridgewater International Ltd., Bowsprit Capital Corporation Ltd., LMIRT Management Ltd. (formerly Lippo Mappletree Indonesia RTM Ltd.) and PT Menara Tirta Indah, all subsidiaries.

Amortization Expense

Amortization Expense represents amortization of bonds issuance cost in Sigma Capital Pte Ltd and Theta Capital Pte Ltd, both subsidiaries.

39. Basic Earnings Per Share

The calculation of basic earnings per share is as follows:

	2012	2011
Profit for the Year Attributable to Owners of the Parent Company (Rupiah)	1,060,221,934,429	708,282,328,610
Weighted Average Number of Common Stocks (Share)	22,812,143,338	22,445,796,783
Basic Earnings per Share (Rupiah)	46.48	31.56

40. Commitments

a. Operational and Management Agreement

- 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 while the Riau Government agreed to provide Right to Use No. 466 with a land area of 21,360 sqm at Jl. Diponegoro, Simpang Empat, Pekanbaru. The Government receive a royalty fee and a share in the hotel's profits as 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

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agreement with the Regional Government dated July 7, 1997, the Regional Government of Riau granted a land right 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 amounted to Rp 166,666,500 as of December 31, 2012 and 2011.

- On August 20, 2004, the Company entered into an agreement with PT Untaian Rejeki Abadi (URA) whereby the Company will provide technical and marketing services to URA's business property with an area of 10,568 sqm up to May 27, 2034, which can be extended. URA shall pay a certain amount as specified in the agreement.
- On April 9, 2006, PT Lippo Malls Indonesia (formerly PT Consulting & Management Service Division (LMI), a subsidiary, entered into shopping centers management agreement with their main stockholders to manage, to sell and maintain the shopping centers' facilities. LMI shall receive certain management service fee as stipulated in the agreement. Total management fee earned for the years ended December 31, 2012 and 2011 amounted to Rp 71.3 billion and Rp 28.4 billion, respectively.
- Lippo-Malls Indonesia Retail Trust Management Ltd. (LMIR TM), a subsidiary, entered into an agreement with HSBC Institutional Trust Services (Singapore) Limited, as a trustee of Lippo-Malls Indonesia Retail Trust (LMIR Trust) effective from the 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 recommendations. For such services, LMIR TM shall receive certain compensation as stated in the agreement.
- The Company and subsidiaries entered into several agreements with contractors for the development of their projects. As of December 31, 2012 and 2011 total outstanding commitment amounted to Rp 1,631 billion and Rp 1,703 billion, respectively. Several of unrealized significant contracts as of as of December 31, 2012 are as follows:

Subsidiaries	Contractor	Contract Value (Rp billion)	Unrealized Contract Value (Rp billion)
PT Mandiri Cipta Gemilang	Trilogi Suryawisesa	1,028	319
PT Lippo Cikarang Tbk	PT Utama Karya (Persero)	423	232
PT Mandiri Cipta Gemilang	Lampiri - Tsw Jo	135	58
PT Lippo Cikarang Tbk	PT Djasa Ubersakti	92	56
PT Almaron Perkasa	Surya Bangun Persada Indah	45	19
PT Mulia Sentosa Dinamika	PT Pembangunan Perumahan (Persero) Tbk	183	19
PT Lippo Cikarang Tbk	PT Pangkal Multi Karya	46	16
PT Lippo Cikarang Tbk	PT Indonesia Pondasi Raya	58	13
PT Mandiri Cipta Gemilang	PT Prima Rezeki Pertiwi	21	12
PT GMTD Tbk	PT Pangkal Multi Karya	36	11
PT GMTD Tbk	Harmoni Jaya Sejahtera	18	7
PT Mandiri Cipta Gemilang	PT Cahaya Teknindo Majumandiri	29	7
PT Lippo Cikarang Tbk	PT Pelitamaju Multiswakarsa	33	6
PT GMTD Tbk	PT Cahaya Teknindo Majumandiri	38	5
PT Mandiri Cipta Gemilang	Yesaya Ekasarana	27	5
PT Almaron Perkasa	PT Pembangunan Perumahan (Persero) Tbk	115	5
PT Mandiri Cipta Gemilang	PT Pelitamaju Multiswakarsa	34	5
PT Mandiri Cipta Gemilang	Karya Inti Prima Mandiri	17	4

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b. Rental Agreements

- Based on Deed of Lease Agreement No. 6 dated November 12, 2008 which was made in the presence of Julijanti Sundjaja, S.H., a notary in Tangerang, PT Mandiri Cipta Gemilang (MCG), subsidiary, entered into a lease agreement with PT Matahari Putra Prima Tbk (MPPA) for a period of 20 years starting from the opening date of St. Moritz with a total rental income of Rp 324,259,600,000.

Based on the amendment of the lease agreement on December 2010, due to the delay of the handover of the store until June 2013, the MPPA will receive compensation for the additional lease period of 5 years and promotion allowance for the opening of the store amounting to Rp 9,700,000,000. Up to December 31, 2012, the store has not opened yet.

- 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 leases a plot of land with an area of 3,848.57 sqm to PT Shell Indonesia (SI) (formerly PT Kridapetra Graha). The lease period is for 10 years commenced from the lease agreement date. The total value of lease amounted to Rp 16,560,000,000.
- Based on Deeds of Sale and Purchase Agreements Nos. 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253 and 254 dated December 11, 2006, all of which were made in the presence of Unita Christina, S.H., a notary in Tangerang, Deeds of Sale and Purchase Agreements Nos. 135, 136, 137, 138, 139, 140, 141, 142 and 143 dated December 11, 2006, all of which were made in the presence of Rusdi Muljono, S.H., a notary in Surabaya; and Deed of Sale and Purchase Agreement No. 41 dated December 11, 2006, which was made in the presence of Wenda Taurusita Amidjaja, S.H., a notary in Jakarta, the Company and PT Prudential Hotel Development, a subsidiary, transferred the 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 are 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.

Sale and lease-back transaction above meets the classification of operating lease and the transaction price is above its fair value, then the difference is recognized as deferred gain (see Note 27).

Rental expense for the years ended December 31, 2012 and 2011 amounted to Rp 159,933,500,044 and Rp 155,419,803,749, respectively.

- On December 31, 2010, based on Deed of Sale and Purchase Agreement No 146/2010, PT East Jakarta Medika (EJM), subsidiary, sold the land and building of Siloam Cikarang Hospital (the Property) to PT Graha Pilar Sejahtera (GPS), a wholly owned subsidiary of First Real Estate Investment Trust (First REIT) at the selling price of SGD 33,333,333 and leasedback the Property.

Based on the rental agreement of Allen & Gledhill Advocates & Solicitors dated November 8, 2010, the Company entered into a lease agreement with GPS for 15 years. The Company shall pay certain amount as stipulated in the agreement.

Sale and lease-back transaction above meets the classification of operating lease and the transaction price is above its fair value, then the difference is recognized as deferred gain (see Note 27).

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For the years ended December 31, 2012 and 2011, rental expense for sale and lease-back transaction amounted to Rp 22,333,390,630 and Rp 24,868,800,000, respectively.

- Based on the rental agreement of Allen & Gledhill Advocates & Solicitors dated November 8, 2010, the Company entered into a lease agreement with PT Primatama Cemerlang (PC), the owner of land and building of "Mochtar Riady Comprehensive Cancer Centre" for 15 years. PC is wholly owned by First REIT. The Company shall pay certain amount as stipulated in the agreement.

For the years ended December 31, 2012 and 2011, rental expense amounting to Rp 125,816,977,103 and Rp 123,339,474,500, respectively.

- Based on the rental agreement of Allen & Gledhill Advocates & Solicitors dated September 21, 2012, the Company entered into a lease agreement with PT Menara Abadi Megah (MAM), the owner of land and building of "Hotel Aryaduta dan Rumah Sakit Siloam Manado" for 15 years. The Company shall pay certain amount as stipulated in the agreement.

For the year ended December 31, 2012, rental expense amounting to Rp 1,814,400,000.

- Based on the Deed of Sale and Purchase No. 091/2012, dated November 30, 2012, made before Maria Josefina Grace Kawi Tandiari S. H., a Notary in Makassar, PT Siloam Karya Sejahtera (SKS), a subsidiary, sold the land and buildings Siloam Hospitals Makassar (property) to PT Bayutama Sukses (BS), where BS is a subsidiary owned 100% by First Real Estate Investment Trust (First REIT). The selling price of the property amounted to Rp 467,287,558,000 and the property is leased back.

Based on the rental agreement of Allen & Gledhill Advocates & Solicitors dated September 21, 2012, the Company entered into a lease agreement for 15 years. The Company shall pay certain amount as stipulated in the agreement.

The sale and lease-back meets the classification of an operating lease and the transaction price in the fair value so that profits are recognized as deferred income (see Note 27).

For the year ended December 31, 2012, rental expense for sale and lease-back transaction amounted to Rp 1,242,400,000.

c. Hedging Facility Agreements

- On June 7, 2010, the Company entered into Non-Deliverable USD Call Spread Option facilities with J.P. Morgan (S.E.A.) Limited, Singapore branch, amounting to USD 60,000,000, with spread between Rp 8,500; Rp 9,000 and Rp 12,000 with an annual premium rate of 1.5% from notional amount. On November 1, 2012, the Company terminate (unwind) this facility.
- On July 5 and September 2, 2010, the Company entered into Non-Deliverable USD Call Spread Option facilities with Morgan Stanley & Co amounting to USD 50,000,000 with spread between Rp 8,500; Rp 9,000 and Rp 12,000 and USD 4,600,000 with spread between Rp 8,000; Rp 9,000 and Rp 11,500 with an annual premium rate of 1.78% and 2%, respectively, from notional amount. Premium will be paid every April 30 and October 31.

These facilities will due on April 30, 2015. As of December 31, 2012, the fair value of these facilities amounted to USD 4,055,827.44 (equivalent to Rp 39,219,851,345) and USD 2,095,477.63 (equivalent to Rp 20,263,268,682), respectively.

- On September 7, 2010, 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 8,000; Rp 9,000 and Rp 11,500 with an annual premium rate of 1.95% from notional amount. On November 1, 2012, the Company terminate (unwind) this facility.

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- On April 5, 2011, the Company entered into Non-Deliverable USD Call Spread Option facility with Morgan Stanley & Co amounting to USD 40,000,000 for spread between Rp 8,500; Rp 9,200 and Rp 11,500 with an annual premium rate of 1.95% from notional amount. Premium will be paid every April 30 and October 31. This facility will due on April 30, 2015. As of December 31, 2012, the fair value of this facility amounted to USD 301,406.36 (equivalent to Rp 2.914.599.501).
- On April 12, 2011, the Company entered into Non-Deliverable USD Call Spread Option facility with BNP Paribas, Singapore branch, amounting to USD 30,000,000 for spread between Rp 8,000; Rp 9,200 and Rp 11,500 with an annual premium rate of 1.97% from notional amount. The Company terminate (unwind) this facility.
- On May 29, 2012, the Company entered into Non-Deliverable USD Call Spread Option facility with Morgan Stanley & Co, amounting to USD 50,000,000 for spread between Rp 9,500 and Rp 11,500 with an annual premium rate of 1.26% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2012, the fair value of this facility amounted to USD -133,633.81 (equivalent to Rp -1,292,238,943).
- On May 29, 2012, the Company entered into Non-Deliverable USD Call Spread Option facility with Deutsche Bank, Singapore branch, amounting to USD 50,000,000 for spread between Rp 9,500 and Rp 11,500 with an annual premium rate of 1.26% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2012, the fair value of this facility amounted to USD -193,538.19 (equivalent to Rp -1,871,514,300).
- On June 5, 2012, the Company entered into Non-Deliverable USD Call Spread Option facility with J.P Morgan (S.E.A) Limited, Singapore branch, amounting to USD 25,000,000 for spread between Rp 9,500 and Rp 11,500 with an annual premium rate of 1.18% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2012, the fair value of this facility amounted to USD 128,611.70 (equivalent to Rp 1.243.675.167).
- On June 26, 2012, the Company entered into Non-Deliverable USD Call Spread Option facility with Nomura International plc, United Kingdom branch, amounting to USD 25,000,000 for spread between Rp 9,500 and Rp 11,500 with an annual premium rate of 1.125% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on May 16, 2019. As of December 31, 2012, the fair value of this facility amounted to USD -163,842.00 (equivalent to Rp -1,584,352,140).
- On October 29, 2012, the Company entered into Non-Deliverable USD Call Spread Option facility with BNP Paribas, Singapore branch, amounting to USD 115,000,000 for spread between Rp 9,500 and Rp 11,500 with an annual premium rate of 0.69% from notional amount. Premium will be paid every May 16 and November 16. This facility will due on November 16, 2020. As of December 31, 2012, the fair value of this facility amounted to USD 1,034,924.80 (equivalent to Rp 10.007.722.816).
- On October 29, 2012, the Company entered into Non-Deliverable USD Call Spread Option facility with J.P Morgan (S.E.A) Limited, Singapore branch, amounting to USD 140,000,000 for spread between Rp 9,500 and Rp 11,500 with an annual premium rate of 0.69% from notional amount. Premium will be paid every May 14 and November 14. This facility will due on November 14, 2020. As of December 31, 2012, the fair value of this facility amounted to USD 2,979,111.00 (equivalent to Rp 28,808,003,370).
- On November 8, 2012, the Company entered into Non-Deliverable USD Call Spread Option facility with Morgan Stanley & Co, England branch, amounting to USD 21,000,000 for spread between Rp 9,500 and Rp 11,500 with an annual premium rate of 0.685% from notional amount. Premium will

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be paid every May 14 and November 14. This facility will due on November 14, 2020. As of December 31, 2012, the fair value of this facility amounted to USD 431,161.67 (equivalent to Rp 4,169,333,350).

41. Segment Information

	2012 (In Thousand Rupiah)							Consolidated Rp
	Urban Development	Large Scale Integrated Development	Retail Malls	Healthcare	Hospitality and Infrastructure	Property and Portfolio Management	Elimination	
	Rp	Rp	Rp	Rp	Rp	Rp	Rp	
Revenues	2,358,254,614	1,046,156,696	143,991,780	1,788,082,522	574,508,501	249,229,566	(9,656)	6,160,214,023
Gross Profit	1,213,412,388	549,433,355	135,311,369	444,814,516	324,175,385	153,809,196	(9,656)	2,820,946,553
Selling Expenses	(157,868,089)	(224,972,700)	(51,362,440)	(11,595,567)	(7,398,932)	(1,479,678)	9,656	(454,667,750)
General and Administrative Expenses	(370,008,040)	(35,419,968)	(22,260,886)	(242,136,865)	(139,501,070)	(79,944,118)	--	(889,270,947)
Interest Income	66,158,845	3,842,961	431,506	9,894,239	848,440	310,821	--	81,486,812
Interest Expenses	(25,746,568)	(12,556,998)	(106,086)	(38,761,605)	(2,661,456)	(21,371)	--	(79,854,084)
Other Income (Expenses) - Net	127,017,584	(4,589,524)	(17,348,345)	(37,372,725)	(20,955,370)	25,433,768	--	72,185,388
Share in the Profit of Associates	4,978,020	--	--	--	21,284,295	--	--	26,262,315
Profit Before Tax	857,944,140	275,737,126	44,665,118	124,841,993	175,791,292	98,108,618	--	1,577,088,287
Tax Expense								
Current	(139,821,540)	(53,885,326)	(11,491,416)	(24,117,756)	(8,727,992)	(15,170,858)	--	(253,214,888)
Deferred	(2,362,669)	--	--	(944,223)	(31,968)	2,312,480	--	(1,026,380)
Profit for The Year	715,759,931	221,851,800	33,173,702	99,780,014	167,031,332	85,250,240	--	1,322,847,019
Profit for the period attributable to:								
Owner of the Parent Company	470,769,785	212,439,596	32,184,716	99,780,015	167,031,331	78,016,491	--	1,060,221,934
Non-Controlling Interest	244,990,146	9,412,204	988,986	--	--	7,233,749	--	262,625,085
	715,759,931	221,851,800	33,173,702	99,780,015	167,031,331	85,250,240	--	1,322,847,019
Segment Assets	14,600,985,970	4,746,870,463	1,340,183,586	2,411,921,144	649,615,066	1,033,935,865	--	24,783,512,094
Investment in Associates	78,387,514	--	--	7,393,145	2,980	--	--	85,783,639
Total Assets	14,679,373,484	4,746,870,463	1,340,183,586	2,419,314,289	649,618,046	1,033,935,865	--	24,869,295,733
Segment Liabilities	9,267,247,138	2,505,243,218	495,560,360	928,350,392	76,902,507	125,885,728	--	13,399,189,343
Capital Expenditures	463,553,963	45,413,343	7,122,278	435,207,075	416,374	--	--	951,713,033
Depreciation	23,071,431	5,636,252	1,226,007	127,671,188	50,288,166	1,383,197	--	209,276,241
Non-Cash Expenses Other than Depreciation	116,438,615	3,096,758	--	--	--	--	--	119,535,373

	2011 (In Thousand Rupiah)							Consolidated Rp
	Urban Development	Large Scale Integrated Development	Retail Malls	Healthcare	Hospitality and Infrastructure	Property and Portfolio Management	Elimination	
	Rp	Rp	Rp	Rp	Rp	Rp	Rp	
Revenues	1,265,763,477	773,693,596	143,725,364	1,259,623,861	479,428,767	291,078,616	(23,733,326)	4,189,580,355
Gross Profit	610,724,144	374,750,426	109,511,211	333,618,668	279,565,718	211,883,257	(23,733,326)	1,896,320,098
Selling Expenses	(107,007,684)	(54,655,464)	(49,299,338)	(2,325,722)	(4,406,990)	(23,819,602)	23,733,326	(217,781,474)
General and Administrative Expenses	(324,345,544)	(19,752,367)	(14,332,204)	(193,549,816)	(130,926,541)	(67,636,019)	--	(750,542,491)
Interest Income (Expenses) - Net	23,322,584	(8,623,335)	(532,938)	(13,283,419)	(1,993,188)	333,749	--	(776,547)
Other Income (Expenses) - Net	84,534,612	(16,048,058)	7,579,632	(28,963,313)	(4,195,450)	12,316,915	--	55,224,338
Share in the Profit (Loss) of Associates	10,958,642	(4,428,458)	(9,889,391)	--	5,725,588	--	--	2,366,381
Profit Before Tax Expense	298,186,754	271,242,744	43,036,972	95,496,398	143,769,137	133,078,300	--	984,810,305
Tax Expense								
Current	(92,346,973)	(37,892,429)	(12,398,732)	(23,146,312)	(1,629,975)	(8,145,721)	--	(175,560,142)
Deferred	3,849,494	--	--	3,285,615	(1,349,149)	(941,774)	--	4,844,186
Profit for The Year	209,689,275	233,350,315	30,638,240	75,635,701	140,790,013	123,990,805	--	814,094,349
Profit for the period attributable to:								
Owner of the Parent Company	83,650,283	225,420,494	30,060,880	75,635,701	140,790,013	152,724,958	--	708,282,329
Non-Controlling Interest	126,038,992	7,929,821	577,360	--	--	(28,734,153)	--	105,812,020
	209,689,275	233,350,315	30,638,240	75,635,701	140,790,013	123,990,805	--	814,094,349

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	2011 (In Thousand Rupiah)							Consolidated Rp
	Urban Development	Large Scale Integrated Development	Retail Malls	Healthcare	Hospitality and Infrastructure	Property and Portfolio Management	Elimination	
	Rp	Rp	Rp	Rp	Rp	Rp	Rp	
Segment Assets	11,327,247,623	2,697,284,999	1,601,810,149	1,505,252,374	586,019,586	487,993,199	(10,457,839)	18,195,150,091
Investment in Associates	56,625,199	--	--	7,393,145	2,980	--	--	64,021,324
Total Assets	11,383,872,822	2,697,284,999	1,601,810,149	1,512,645,519	586,022,566	487,993,199	(10,457,839)	18,259,171,415
Segment Liabilities	6,046,333,311	1,964,270,176	206,593,526	498,148,782	111,070,888	34,194,376	(10,457,839)	8,850,153,220
Capital Expenditures	50,140,643	23,027,956	3,476,458	335,438,980	8,541,509	3,830,496	--	424,456,042
Depreciation	24,119,408	4,996,313	13,582,665	62,547,736	47,970,810	1,291,017	--	154,507,949
Non-Cash Expenses Other than Depreciation	49,047,045	3,511	1,036,443	179,142	--	--	--	50,258,373

42. Monetary Asset and Liabilities Denominated in Foreign Currencies

	2012					Equivalent in Rupiah
	Foreign Currencies					
	USD	JPY	SGD	EUR	AUD	
Assets						
Cash and Cash Equivalent	5,977,148	113,800	7,306,380	9,836	6,376	438,301,058,054
Trade Accounts Receivable	3,091,364	--	8,546,257	--	--	97,468,745,402
Other Current Financial Assets	--	--	7,007,601	--	--	55,409,100,000
Total Assets	9,068,512	113,800	22,860,238	9,836	6,376	591,178,903,456
Liabilities						
Trade Accounts Payable	--	--	340,888	--	--	2,695,401,416
Accrued Expenses	5,741,994	--	1,878,791	--	--	70,380,688,375
Bonds Payable	642,535,000	--	--	--	--	6,213,313,450,000
Total Liabilities	648,276,994	--	1,878,791	--	--	6,283,694,138,375
Net Assets (Liabilities)	(639,208,482)	113,800	20,981,447	9,836	6,376	(5,692,515,234,919)
	2011					
	Foreign Currencies					
	USD	JPY	SGD	EUR	AUD	Equivalent in Rupiah
Assets						
Cash and Cash Equivalent	33,140,523	113,800	23,212,211	23,078	6,376	462,743,104,675
Trade Accounts Receivable	4,986,298	--	1,205,939	--	--	53,625,966,833
Other Current Financial Assets	3,500,000	--	13,568,302	--	--	126,363,339,579
Total Assets	41,626,821	113,800	37,986,452	23,078	6,376	642,732,411,087
Liabilities						
Trade Accounts Payable	--	--	1,380,884	--	--	10,806,798,888
Accrued Expenses	5,736,055	--	1,196,966	--	--	67,145,149,581
Bonds Payable	395,608,000	--	--	--	--	3,587,373,344,000
Total Liabilities	401,344,055	--	2,577,850	--	--	3,665,325,292,469
Net Assets (Liabilities)	(359,717,234)	113,800	35,408,602	23,078	6,376	(3,022,592,881,382)

In relation with liability balances denominated in foreign currencies, the Company has entered into several contracts derivatives with other parties to manage the risk of foreign currency exchange rates (see Note 40.c).

43. Contingencies

- Based on the Legal Case Register No. 79/PDTG/2005/PN.TNG dated April 12, 2005, Silvia Sunardi sued the Company (ex Lippo Land). Based on the case, it was stated that the compensation was demanded due to the allegation that kiosks at Depok Town Square was sold to the abovementioned party at the point where the land status was still under dispute (court case). In 2005, the legal case Register was rejected by Tangerang District Court's. Upon the judgments to the aforementioned case, the plaintiffs are pursuing remedy either by cessation through Supreme Court of the Republic of Indonesia or by appeal through Banten High Court. According to the Company's legal counsel, the event will not influence nor threat the ownership status of the land on which Depok Town Square is built.

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- On March 27, 2009, dr Doro Soendoro, dr Liem Kian Hong and dr Hardi Susanto as the plaintiffs filed a lawsuit to the Company as defendant regarding the termination of plaintiff's work contract. All claims were declined through decision of District Court Jakarta Barat No. 147/Pdt.G/2009/PN.JKT.BAR dated July 23, 2009 and was upheld on June 29, 2010, through the decision of the High Court of Jakarta No. 626/PDT/2009/PT.DKI.

On September 24, 2010, the plaintiffs filed an appeal against the decision to the Supreme Court. Up to reporting date, this case is still in process.

- On July 9, 2009, Alfonsus Budi Susanto, SE, MA, the plaintiff, filed a lawsuit to the Company as first defendant and four other defendants in connection with malpractice suffered by plaintiff. All claims were declined through decision of District Court Jakarta Utara No. 237/Pdt.G/2009/PN.Jkt.Ut dated March 11, 2010 and was upheld on May 18, 2011, through the decision of the High Court of Jakarta No. 548/PDT/2010/PT.DKI.

On February 23, 2012, the plaintiffs filed an appeal against the decision to the Supreme Court. Up to reporting date, this case is still in process.

- On October 1, 2012, Wahyu Indrawan, the plaintiff, filed a lawsuit No 71/Pdt.G/2012/PN.JBI to SIH, a subsidiary, as first defendant and two other defendants in connection with malpractice suffered by plaintiff's spouse. Up to the reporting date, the case is in the process of court.
- Based on the Legal Case Register Nos. 126 and 219, PT Gowa Makassar Tourism Development Tbk (GMTD), a subsidiary, is a Defendant on a land area of 67.613 sqm located in Tanjung Merdeka. Up to the reporting date, the case is in the process of appeal and judicial review in the Supreme Court of the Republic of Indonesia.
- Based on the Legal Case Register Nos. 234 and 104, GMTD, a subsidiary, is a Appellant on a land area of 44.258 sqm located in Maccini Sombala. Up to the reporting date, the case is in the process of appeal and judicial review in the Supreme Court of the Republic of Indonesia.
- Based on the Legal Case Register Nos. 129 and 167, GMTD, a subsidiary, is a Second Defendant on a land area of 14.335 sqm located in Tanjung Merdeka. Up to the reporting date, the case is in the process of appeal and judicial review in the Supreme Court of the Republic of Indonesia.
- Based on the Legal Case Register Nos. 215 and 243, GMTD, a subsidiary, is a First Defendant on a land area of 510,610 sqm located in Tanjung Merdeka and area of 81.200 sqm located in Maccini Sombala. Up to the reporting date, the case is in the process of court.
- Based on the Legal Case Register Nos. 51, 64 and 245, GMTD, a subsidiary, is a Appellant on a land area on a land area of 50.134 sqm located in Tanjung Merdeka. Up to the reporting date, the case is in the process of court.
- Based on the Legal Case Register No. 219, GMTD, a subsidiary, is a Second Defendant on a land area of 600 sqm located in Maccini Sombala. Up to the reporting date, the case is in the process of court.

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44. Financial Instruments and Financial Risks Management

The main financial risks faced by the Company and Subsidiaries are credit risk, foreign exchange rate risk, interest rate risk, liquidity risk and price risk. Attention of managing these risks has significantly increased in light of the considerable change and volatility in Indonesian and international markets.

(i) Credit Risk

Credit risk is the risk that the Company and subsidiaries will incur a loss arising from their customers, clients or counterparties that fail to discharge their contractual obligations. The Company and Subsidiaries' financial instruments that potentially contain credit risk are cash and cash equivalent, trade accounts receivable, other accounts receivable and investments. The maximum total credit risks exposure is equal to the amount of the respective accounts.

The Company and Subsidiaries manage and control this credit risk by setting limits on the amount of risk they are willing to accept for respective customers and being more selective in choosing banks and financial institutions that they deal with, which includes choosing only the reputable and creditworthy banks and financial institutions.

The following table analyzes the financial assets based on maturity:

	2012					Total
	Not Yet Due	Overdue			Total	
		0 - 90 Days	91 - 180 Days	> 181 Days		
Rp	Rp	Rp	Rp	Rp	Rp	
Financial Assets						
Fair value through profit or loss Derivative	101,878,348,847	--	--	--	--	101,878,348,847
Loans and Receivables						
Cash and Cash Equivalent	3,337,357,407,919	--	--	--	--	3,337,357,407,919
Trade Accounts Receivable	274,382,513,505	180,003,365,507	64,597,353,595	75,393,781,181	319,994,500,283	594,377,013,788
Other Current Financial Assets	342,988,169,824	--	--	--	--	342,988,169,824
Due from Related Parties Non-trade	11,460,650,042	--	--	--	--	11,460,650,042
Other Non-Current Financial Assets	344,302,236,769	--	--	--	--	344,302,236,769
Available-for-Sale						
Available-for-Sale Financial Assets	4,216,898,495,936	--	--	--	--	4,216,898,495,936
Total Financial Assets	8,629,267,822,842	180,003,365,507	64,597,353,595	75,393,781,181	319,994,500,283	8,949,262,323,125
	2011					
	Not Yet Due	Overdue			Total	Total
		0 - 90 Days	91 - 180 Days	> 181 Days		
	Rp	Rp	Rp	Rp	Rp	Rp
Financial Assets						
Fair value through profit or loss Derivative	27,231,624,872	--	--	--	--	27,231,624,872
Loans and Receivables						
Cash and Cash Equivalent	2,174,560,697,339	--	--	--	--	2,174,560,697,339
Trade Accounts Receivable	349,140,095,941	115,913,362,070	23,243,636,096	76,338,466,620	215,495,464,786	564,635,560,727
Other Current Financial Assets	331,688,970,690	--	--	--	--	331,688,970,690
Due from Related Parties Non-trade	10,102,936,910	--	--	--	--	10,102,936,910
Other Non-Current Financial Assets	194,881,192,421	--	--	--	--	194,881,192,421
Available-for-Sale						
Available-for-Sale Financial Assets	2,371,229,528,011	--	--	--	--	2,371,229,528,011
Total Financial Assets	5,458,835,046,184	115,913,362,070	23,243,636,096	76,338,466,620	215,495,464,786	5,674,330,510,970

(ii) Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company and subsidiaries' financial instrument that potentially contain foreign exchange rate risk are cash and cash equivalent, investments and loans.

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To manage foreign exchange rate risk, the Company has entered into several derivative agreements with certain third parties.

The following tables show total financial assets and liabilities in foreign currencies as of December 31, 2012 and 2011:

	2012					Equivalent in Rupiah
	Foreign Currencies					
	USD	JPY	SGD	EUR	AUD	
Assets						
Cash and Cash Equivalent	5,977,148	113,800	7,306,380	9,836	6,376	438,301,058,054
Trade Accounts Receivable	3,091,364	--	8,546,257	--	--	97,468,745,402
Other Current Financial Assets	10,535,507	--	532,942,782	--	--	4,315,856,921,772
Total Assets	19,604,019	113,800	548,795,419	9,836	6,376	4,851,626,725,228
Liabilities						
Trade Accounts Payable	--	--	340,888	--	--	2,695,401,416
Accrued Expenses	5,741,994	--	1,878,791	--	--	70,380,688,375
Bonds Payable	642,535,000	--	--	--	--	6,213,313,450,000
Total Liabilities	648,276,994	--	2,219,679	--	--	6,286,389,539,791
Net Assets (Liabilities)	(628,672,975)	113,800	546,575,740	9,836	6,376	(1,434,762,814,563)
	2011					Equivalent in Rupiah
	Foreign Currencies					
	USD	JPY	SGD	EUR	AUD	
Assets						
Cash and Cash Equivalent	33,140,523	113,800	23,212,211	23,078	6,376	462,743,104,675
Trade Accounts Receivable	4,986,298	--	1,205,939	--	--	53,625,966,833
Other Current Financial Assets	14,831,148	--	609,266,551	--	--	4,386,636,638,034
Total Assets	52,957,969	113,800	633,684,701	23,078	6,376	4,903,005,709,542
Liabilities						
Trade Accounts Payable	--	--	1,380,884	--	--	10,806,798,888
Accrued Expenses	5,736,055	--	1,196,966	--	--	67,145,149,581
Bonds Payable	395,608,000	--	--	--	--	3,587,373,344,000
Total Liabilities	401,344,055	--	2,577,850	--	--	3,665,325,292,469
Net Assets (Liabilities)	(348,386,086)	113,800	631,106,850	23,078	6,376	1,237,680,417,073

Sensitivity analysis

A hypothetical 10% decrease in the exchange rate of the Rupiah against the USD currency would decrease profit before tax by Rp 123,799,383,686 (2011: Rp 140,971,299,473).

A hypothetical 10% decrease in the exchange rate of the Rupiah against the SGD currency would increase profit before tax by Rp 90.317.155.838 (2011: Rp 25.200.446.464).

The analysis above is based on assumption that Rupiah weakened or strengthened against all of the currencies in the same direction and magnitude, but it may not be necessarily true in reality.

(iii) Interest Rate Risk

Interest rate risk is the risk that fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company and Subsidiaries are exposed to interest rate risk because they have loans with floating interest rates.

The Company and Subsidiaries manage this interest rate risk through an appropriate combination of loans in fixed and floating interest rate and monitoring interest rate movement effect to minimize negative effect to the Company. As of December 31, 2012, more than 95% of the Company's loans are with fixed interest rate.

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Sensitivity analysis

A hypothetical 1% increase in the interest rate of the debt would cut profit before tax by Rp 708,248,018 (2011: Rp 598,457,670).

The analysis above is based on assumption that interest rate increased or decreased against all of the bank loans in the same direction and magnitude, but it may not be necessarily true in reality.

(iv) Liquidity Risk

Liquidity risk is a risk when the cash flow position of the Company indicates that the short-term revenue is not enough to cover the short-term expenditure.

The Company and Subsidiaries manage this liquidity risk by maintaining an adequate level of cash and cash equivalent to cover Company's commitment in normal operation and regularly evaluates the projected and actual cash flow, as well as maturity date schedule of their financial assets and liabilities.

The following table analyzes the breakdown of financial liabilities based on maturity:

	2012				Total Rp
	Less Than 1 Year Rp	Will Due On		Maturity not Determined Rp	
		1 - 5 Years Rp	More than 5 Years Rp		
Measured at amortized cost					
Trade Accounts Payable - Third Parties	575,701,267,461	--	--	--	575,701,267,461
Accrued Expenses	487,335,826,278	--	--	--	487,335,826,278
Short-Term Post-Employment Benefits Liability	6,326,397,455	--	--	--	6,326,397,455
Other Current Financial Liabilities	--	--	--	179,543,836,416	179,543,836,416
Short-Term Bank Loan	4,853,583,896	--	--	--	4,853,583,896
Long-Term Bank Loan	11,218,103,420	54,753,114,466	--	--	65,971,217,886
Due to Related Parties Non-trade	--	--	--	3,188,994,396	3,188,994,396
Bonds Payable	--	1,141,954,363,699	4,801,575,272,736	--	5,943,529,636,435
Other Long-Term Financial Liabilities	--	--	--	85,634,498,079	85,634,498,079
Total	1,085,435,178,510	1,196,707,478,165	4,801,575,272,736	268,367,328,891	7,352,085,258,302
	2011				
	Less Than 1 Year Rp	Will Due On		Maturity not Determined Rp	Total Rp
		1 - 5 Years Rp	More than 5 Years Rp		
Measured at amortized cost					
Trade Accounts Payable - Third Parties	324,527,408,772	92,343,156,152	--	--	416,870,564,924
Accrued Expenses	325,793,863,002	--	--	--	325,793,863,002
Short-Term Post-Employment Benefits Liability	3,704,922,933	--	--	--	3,704,922,933
Other Current Financial Liabilities	--	--	--	91,230,595,132	91,230,595,132
Short-Term Bank Loan	144,930,951,280	--	--	--	144,930,951,280
Long-Term Bank Loan	7,489,401,044	65,971,217,878	--	--	73,460,618,922
Due to Related Parties Non-trade	--	--	--	4,447,347,258	4,447,347,258
Bonds Payable	--	3,534,706,824,201	--	--	3,534,706,824,201
Other Long-Term Financial Liabilities	--	--	--	31,576,305,817	31,576,305,817
Total	806,446,547,031	3,693,021,198,231	--	127,254,248,207	4,626,721,993,469

(v) Price Risk

Price risk is a risk of fluctuation in the value of financial instruments as a result of changes in market price. The Company and Subsidiaries are exposed to price risk because they own an investment classified as AFS financial assets.

The Company and Subsidiaries manage this risk by regularly evaluating the financial performance and market price of their investment and continuously monitor the global market developments.

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Sensitivity analysis

A hypothetical 1% decrease in the AFS price in the market would cut Unrealized Gain (Loss) on Changes in Fair Value of Available-for-Sale Financial Assets (Equity section) by Rp 41,585,694,729 (2011: Rp 32,341,335,091).

Fair Value Estimation

The schedule below presents the carrying amount of the respective categories of financial assets and liabilities as of December 31, 2012 and 2011:

	2012		2011	
	Carrying Value Rp	Fair Value Rp	Carrying Value Rp	Fair Value Rp
Financial Assets				
Fair value through profit or loss	101,878,348,847	101,878,348,847	27,231,624,872	27,231,624,872
Loans and Receivable				
Cash and Cash Equivalent	3,337,357,407,919	3,337,357,407,919	2,174,560,697,339	2,174,560,697,339
Trade Accounts Receivable	594,377,013,788	594,377,013,788	564,635,560,727	564,635,560,727
Other Current Financial Assets	342,988,169,824	342,988,169,824	331,688,970,690	331,688,970,690
Due from Related Parties Non-trade	11,460,650,042	11,460,650,042	10,102,936,910	10,102,936,910
Other Non-Current Financial Assets	344,302,236,769	344,302,236,769	194,881,192,421	194,881,192,421
Available-for-Sale				
Available-for-Sale Financial Assets	4,216,898,495,936	4,216,898,495,936	2,371,229,528,011	2,371,229,528,011
Total Financial Assets	8,949,262,323,125	8,949,262,323,125	5,674,330,510,970	5,674,330,510,970
Financial Liabilities				
Measured at amortized cost				
Trade Accounts Payable - Third Parties	575,701,267,461	575,701,267,461	416,870,564,924	416,870,564,924
Accrued Expenses	487,335,826,278	487,335,826,278	325,793,863,002	325,793,863,002
Other Current Financial Liabilities	179,543,836,416	179,543,836,416	91,230,595,132	91,230,595,132
Short-Term Post-Employment Benefits Liability	6,326,397,455	6,326,397,455	3,704,922,933	3,704,922,933
Short-Term Bank Loan	4,853,583,896	4,853,583,896	144,930,951,280	144,930,951,280
Due to Related Parties Non-trade	3,188,994,396	3,188,994,396	4,447,347,258	4,447,347,258
Long-Term Bank Loan	65,971,217,886	65,971,217,886	73,460,618,922	73,460,618,922
Bonds Payable	5,943,529,636,435	6,469,503,625,028	3,534,706,824,201	3,544,787,343,298
Other Long-Term Financial Assets	85,634,498,079	81,118,451,632	31,576,305,817	30,857,359,675
Total Financial Liabilities	7,352,085,258,302	7,873,543,200,448	4,626,721,993,469	4,636,083,566,424

As of December 31, 2012 and 2011, management estimates that the carrying value of short-term financial assets and liabilities and those which maturity not determined have reflect their fair value.

The fair value of derivative instruments and other long-term liabilities are estimated using valuation techniques with unobservable input portion (level 2). The fair value of investments available for sale and bonds payable was quoted in an active market (level 1). The following are fair value hierarchy for financial assets at year end were recorded using their fair value.

	December 31, 2012 Rp	Level 1 Rp	Level 2 Rp	Level 3 Rp
Financial Assets Measured at fair value				
through profit or loss				
Derivative	101,878,348,847	--	101,878,348,847	--
Available-for-Sale				
Other Current Financial Assets	4,158,569,472,925	4,158,569,472,925	--	--
Other Non-Current Financial Assets	58,329,023,011	--	--	58,329,023,011

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	December 31, 2011 Rp	Level 1 Rp	Level 2 Rp	Level 3 Rp
Financial Assets Measured at fair value through profit or loss				
Derivative	27,231,624,872	--	27,231,624,872	--
Available-for-Sale				
Other Current Financial Assets	2,312,900,505,000	2,312,900,505,000	--	--
Other Non-Current Financial Assets	58,329,023,011	--	--	58,329,023,011

45. Business Combination

PT Mulia Citra Abadi (MCA)

On December 20, 2012, the Company acquired the entire shares of MCA indirectly 75% through PT Lippo Malls Indonesia (formerly PT Consulting & Management Services Division) and 25% through PT Kilau Intan Murni from the third party, in line with the strategic business expansion which support the Company's business activities.

The following table summarises the identifiable assets acquired and the liabilities taken over at the acquisition date of MCA:

	Rp
Cash and Cash Equivalent	9,000,000
Property and Equipment	279,686,000,000
Due to Related Parties Non-trade	(185,805,000,000)
Total Net Assets	93,890,000,000

Goodwill arising from the acquisition amounted to Rp 20,247,679,428 (see Note 14) represents subsidiary business results that support and synergy with the core business of the Company and its subsidiaries.

The Company through subsidiaries acquired 100% ownership so there is no non-controlling interest.

Acquisition related expenses are not calculated in this business combination since it is not material but have been charged to the current year statement of comprehensive income.

In connection with the acquisition, the financial statements of MCA from the date of acquisition have been consolidated into the financial statements of the Company.

Total revenue and profit before tax of MCA since the date of acquisition which is included in the consolidated statement of comprehensive income for the year ended December 31, 2012 amounted to nil and nil.

Revenues and profit of MCA for the year ended December 31, 2012, the date as if MCA had been consolidated from January 1, 2012 amounted to nil and nil.

PT Bimasakti Jaya Abadi (BJA)

On December 20, 2012, the Company acquired the entire shares of BJA indirectly 25% through PT Primakreasi Propertindo and 75% through PT Mandiri Cipta Gemilang from the third party, in line with the strategic business expansion which support the Company's business activities.

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The following table summarises the identifiable assets acquired and the liabilities taken over at the acquisition date of BJA:

	2012
	Rp
Cash and Cash Equivalent	6,124,000,000
Other Current Financial Assets	36,000,000
Inventory	148,485,000,000
Prepaid Taxes and Expenses	6,991,000,000
Property and Equipment	131,000,000
Trade Accounts Payable - Third Parties	(127,000,000)
Other Short-Term Financial Liabilities	(911,000,000)
Taxes Payable	(4,341,000,000)
Due to Related Parties Non-trade	(18,632,000,000)
Advances from Customers	(40,896,000,000)
Total Net Assets	96,860,000,000

Goodwill arising from the acquisition amounted to Rp 9,509,000,000 (see Note 14) represents subsidiary business results that support and synergy with the core business of the Company and its subsidiaries.

The Company through subsidiaries acquired 100% ownership so there is no non-controlling interest.

Acquisition related expenses are not calculated in this business combination since it is not material but have been charged to the current year statement of comprehensive income.

In connection with the acquisition, the financial statements from the date of acquisition have been consolidated into the financial statements of the Company.

Total revenue and profit before tax of BJA since the date of acquisition which is included in the consolidated statement of comprehensive income for the year ended December 31, 2012 amounted to nil and nil.

Revenues and profit of BJA for the year ended December 31, 2012, the date as if BJA had been consolidated from January 1, 2012 amounted to nil and nil.

PT Surya Megah Lestari (SML)

On December 20, 2012, the Company acquired the entire shares of SML indirectly 25% through PT Primakreasi Propertindo and 75% through PT Mandiri Cipta Gemilang from the third party, in line with the strategic business expansion which support the Company's business activities.

The following table summarises the identifiable assets acquired and the liabilities taken over at the acquisition date of SML:

	Rp
Cash and Cash Equivalent	2,000,000
Property and Equipment	4,318,000,000
Due to Related Parties Non-trade	(3,000,000,000)
Total Net Assets	1,320,000,000

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Goodwill arising from the acquisition amounted to Rp 5,680,000,000 (see Note 14) represents subsidiary business results that support and synergy with the core business of the Company and its subsidiaries.

The Company through subsidiaries acquired 100% ownership so there is no non-controlling interest.

Acquisition related expenses are not calculated in this business combination since it is not material but have been charged to the current year statement of comprehensive income.

In connection with the acquisition, the financial statements from the date of acquisition have been consolidated into the financial statements of the Company.

Total revenue and profit before tax of SML since the date of acquisition which is included in the consolidated statement of comprehensive income for the year ended December 31, 2012 amounted to nil and nil.

Revenues and profit of SML for the year ended December 31, 2012, the date as if SML had been consolidated from January 1, 2012 amounted to nil and nil.

PT Ekaputra Kencana Abadi (EKA)

On August 15, 2012, the Company acquired the entire shares of EKA, indirectly 75% through PT Persada Mandiri Dunia Niaga and 25% through PT Wisma Jatim Propertindo from the third party, in line with the strategic business expansion which support the Company's business activities.

The following table summarises the identifiable assets acquired and the liabilities taken over at the acquisition date of EKA:

	<u>Rp</u>
Due from Related Parties Non-trade	349,000,000
Other Non-Current Financial Assets	<u>2,016,000,000</u>
Total Net Assets	<u><u>2,365,000,000</u></u>

Goodwill arising from the acquisition amounted to Rp 15,050,000,000 (see Note 14) represents subsidiary business results that support and synergy with the core business of the Company and its subsidiaries.

The Company through subsidiaries acquired 100% ownership so there is no non-controlling interest.

Acquisition related expenses are not calculated in this business combination since it is not material but have been charged to the current year statement of comprehensive income.

In connection with the acquisition, the financial statements from the date of acquisition have been consolidated into the financial statements of the Company.

Total revenue and profit before tax of EKA since the date of acquisition which is included in the consolidated statement of comprehensive income for the year ended December 31, 2012 amounted to nil and Rp 7,128,993,641.

Revenues and profit of EKA for the year ended December 31, 2012, the date as if EKA had been consolidated from January 1, 2012 amounted to nil and Rp 8,431,839,194.

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PT Diagram Healthcare Indonesia (DHI)

On March 31, 2012, PT Pancawarna Semesta acquired 80% shares of DHI from the third party, in line with the strategic business expansion which support the Company's business activities.

Non-controlling interest is measured by the percentage of non-controlling ownership of the fair value of net assets DHI.

The following table summarises the identifiable assets acquired and the liabilities taken over at the acquisition date of DHI:

	<u>Rp</u>
Cash and Cash Equivalent	8,498,000,000
Trade Accounts Receivable	2,088,000,000
Other Current Financial Assets	3,557,000,000
Inventory	5,211,000,000
Prepaid Expenses	8,352,000,000
Property and Equipment	54,334,000,000
Other Non-Current Financial Assets	4,979,000,000
Trade Accounts Payable - Third Parties	(1,854,000,000)
Accrued Expenses	(234,000,000)
Taxes Payable	(140,000,000)
Due to Related Parties Non-trade	(27,792,000,000)
Other Short-Term Financial Liabilities	(15,000,000)
Advances from Customers	(28,000,000)
Total Net Assets	<u><u>56,956,000,000</u></u>

Goodwill arising from the acquisition amounted to Rp 9,251,046,030 (see Note 14) represents subsidiary business results that support and synergy with the core business of the Company and its subsidiaries.

The balance of non-controlling interest on this acquisition is Rp 11,391,200,000.

Acquisition related expenses are not calculated in this business combination since it is not material but have been charged to the current year statement of comprehensive income.

In connection with the acquisition, the financial statements from the date of acquisition have been consolidated into the financial statements of the Company.

Total revenue and profit before tax of DHI since the date of acquisition which is included in the consolidated statement of comprehensive income for the year ended December 31, 2012 amounted to Rp 26,076,661,740 and Rp 5,860,131,989, respectively.

Revenues and profit of DHI for the year ended December 31, 2012, the date as if DHI had been consolidated from January 1, 2012 amounted to Rp 34,134,147,413 and (Rp 6,487,148,864).

PT Guchi Kencana Emas (GKE)

On March 11, 2011, PT Megapratama Karya Persada acquired the entire shares of GKE directly 0.02% and indirectly 99.98% through PT Siloam International Hospitals from the third party, in line with the strategic business expansion which support the Company's business activities.

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The following table summarises the identifiable assets acquired and the liabilities taken over at the acquisition date of GKE:

	<u>Rp</u>
Cash and Cash Equivalent	464,367,390
Trade Accounts Receivable	2,587,043,864
Other Current Financial Assets	1,400,050,969
Inventory	813,777,307
Prepaid Expenses	201,480,332
Due from Related Parties Non-trade	17,917,219,085
Other Non-Current Financial Assets	123,328,500
Property and Equipment	77,078,672,091
Trade Accounts Payable - Third Parties	(1,869,959,327)
Accrued Expenses	(1,377,969,131)
Due to Related Parties Non-trade	(33,553,021,116)
Bank Loan	(35,444,504,311)
Other Non-Current Financial Assets	(20,395,809,792)
Other Long-Term Non-Financial Assets	(238,913,973)
Total Net Assets	<u><u>7,705,761,888</u></u>

Goodwill arising from the acquisition amounted to Rp 23,540,326,235 (see Note 14) represents subsidiary business results that support and synergy with the core business of the Company and its subsidiaries.

The Company through subsidiaries acquired 100% ownership so there is no non-controlling interest.

Acquisition related expenses are not calculated in this business combination since it is not material but have been charged to the current year statement of comprehensive income.

In connection with the acquisition, the financial statements of GKE from the date of acquisition have been consolidated into the financial statements of the Company.

On the acquisition of GKE, former owner, guaranteed certain conditions to be achieved by GKE. If these conditions can not be fulfilled, then a refund will be made by the former owner to SIH, subsidiary (see Note 14).

On May 30, 2012, SIH obtain a refund of Rp 20 billion.

PT Prawira Tata Semesta (PTS)

On March 11, 2011, PT Megapratama Karya Persada acquired the entire shares of PTS directly 0.02% and indirectly 99.98% through PT Siloam International Hospitals from the third party, in line with the strategic business expansion which support the Company's business activities.

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The following table summarises the identifiable assets acquired and the liabilities taken over at the acquisition date of PTS:

	<u>Rp</u>
Cash and Cash Equivalent	2,450,122,146
Trade Accounts Receivable	4,195,833,122
Other Current Financial Assets	32,303,710,700
Inventory	1,242,461,120
Due from Related Parties Non-trade	10,650,000,000
Property and Equipment	43,432,600,786
Intangible Assets	27,640,947,894
Other Non-Current Financial Assets	66,913,900
Trade Accounts Payable - Third Parties	(1,265,031,469)
Accrued Expenses	(1,731,573,364)
Bank Loan	(48,656,100,504)
Taxes payable	(38,923,795)
Due to Related Parties Non-trade	(79,828,160,000)
Long-Term Post-Employment Benefits Liability	(203,724,591)
Total Net Assets	<u><u>(9,740,924,055)</u></u>

Goodwill arising from the acquisition amounted to Rp 55,146,465,217 (see Note 14) represents subsidiary business results that support and synergy with the core business of the Company and its subsidiaries.

The Company through subsidiaries acquired 100% ownership so there is no non-controlling interest.

Acquisition related expenses are not calculated in this business combination since it is not material but have been charged to the current year statement of comprehensive income.

In connection with the acquisition, the financial statements of PTS from the date of acquisition have been consolidated into the financial statements of the Company.

On the acquisition of PTS, former owner, guaranteed certain conditions to be achieved by PTS. If these conditions can not be fulfilled, then a refund will be made by the former owner to SIH, subsidiaries (see Note 14).

On May 30, 2012, SIH obtain a refund of Rp 41 billion.

Management believes that all business combination transactions undertaken by the Company and Subsidiaries, are in accordance with ruling of Bapepam-LK.

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46. Capital Management

	2012 Rp	2011 Rp
Net Liabilities:		
Total Liabilities	13,399,189,342,618	8,850,153,220,430
Less: Cash and Cash Equivalent	<u>(3,337,357,407,919)</u>	<u>(2,174,560,697,339)</u>
Net Liabilities	<u>10,061,831,934,699</u>	<u>6,675,592,523,091</u>
Total Equity	11,470,106,390,475	9,409,018,194,454
Less: Other Components of Equity	<u>(1,545,025,846,636)</u>	<u>(211,866,930,038)</u>
Adjusted Equity	<u>9,925,080,543,839</u>	<u>9,197,151,264,416</u>
Net Liability Ratio to Adjusted Equity	<u><u>1.01</u></u>	<u><u>0.73</u></u>

The objective of capital management is to safeguard the Company's ability as a going concern, maximize the returns to stockholders and benefits for other stockholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company regularly reviews and manages the capital structure to ensure that the return to stockholders is optimal, by considering the capital needs in the future and the Company's capital efficiency, profitability in the current period and the future, projected operating cash flows, projected capital expenditures and projected opportunities of strategic investment.

47. Events After Reporting Date

- On January 14, 2013, Theta Capital Pte. Ltd., a subsidiary, issued unsecured bonds with a nominal value of USD 130 million with a fixed interest rate of 6.125% per annum and is listed on the Singapore Stock Exchange. The bonds will mature on November 14, 2020 and payments of interest is conducted every 6 months.
- On March 5, 2013, Sigma Capital Pte Ltd, a subsidiary, announced plans for redemption of the remaining bonds (unsecured bonds) with a nominal value of USD 119,229,000 at a price of 104.5%, which will be executed on April 30, 2013.

48. Latest Development in Financial Accounting Standards

The following are the PSAK, ISAK and PPSAK that have been issued by DSAK-IAI, but not yet effective, to be implemented for the period of financial statements which begins on or after January 1, 2013:

- PSAK No. 38 (Revised 2011): "Business Combination for Entities Under Common Control"
- ISAK No. 21 *): "Real Estate Construction Contracts"
- PPSAK No. 7 *): "Revocation of PSAK No. 44: Accounting for Real Estate Development Activity paragraphs 1-46, 49-55 and 62-64"
- PPSAK No. 10: "Revocation of PSAK No. 51: Accounting for Quasi-Reorganization"

**)Postponed until a date determined later, according to the announcement letter of DSAK-IAI No. 0643/DSAK/IAI/IX/2012 dated September 21, 2012.*

The Company's management has not yet determined the adoption effects of the abovementioned PSAK, ISAK and PPSAKs to the consolidated financial statements.

These consolidated financial statements are originally issued in Indonesian language

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49. Responsibility and Issuance of the Consolidated Financial Statements

The management of the Company is responsible for the preparation and presentation of the consolidated financial statements. The consolidated financial statements were authorized for issuance by Directors on March 25, 2013.

REGISTERED OFFICE OF THE ISSUER

Theta Capital Pte. Ltd.
10 Collyer Quay
#27-00 Ocean Financial Centre
Singapore 049315

REGISTERED OFFICE OF THE COMPANY

PT Lippo Karawaci Tbk
2121 Bulevar Gajah Mada #01—01
Lippo Cyber Park
Lippo Karawaci Utara
Tangerang 15811
Indonesia

TRUSTEE

DB Trustees (Hong Kong) Limited
52nd Floor
International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

REGISTRAR

Deutsche Bank Luxembourg S.A
2 Boulevard
Konrad Adenauer
L-1115
Luxembourg

PRINCIPAL PAYING AND TRANSFER AGENT

Deutsche Bank AG, Hong Kong Branch
52nd Floor
International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

LEGAL ADVISORS TO THE ISSUER AND THE COMPANY

<i>as to English law</i>	<i>as to Indonesian law</i>	<i>as to Singapore law</i>	<i>as to Singapore tax</i>
Milbank, Tweed, Hadley & McCloy LLP 12 Marina Boulevard #36-03 Marina Bay Financial Centre Tower 3 Singapore 018982	Makes & Partners Menara Batavia. 7th Floor Jl. KH. Mas Mansyur Kav. 126 Jakarta 10220 Indonesia	Stamford Law Corporation 10 Collyer Quay #27-00 Ocean Financial Centre Singapore 049315	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989

LEGAL ADVISORS TO THE JOINT BOOKRUNNERS

<i>as to English law</i>	<i>as to Indonesian law</i>
Shearman & Sterling (London) LLP Broadgate West 9 Appold Street London EC2A 2AP United Kingdom	Melli Darsa & Co. Menara Standard Chartered 19th Floor Jl. Prof. Dr. Satrio No. 164 Jakarta 12930 Indonesia

LEGAL ADVISORS TO THE TRUSTEE

as to English law

Mayer Brown JSM
16th – 19th Floors, Prince's Building
10 Chater Road
Central, Hong Kong

AUDITORS

Aryanto, Amir Jusuf, Mawar & Saptoto
Jl. Jend. Sudirman Kav. 59
Plaza ABDA, Floor 10th
Jakarta 12190
Indonesia 422515