PT Summarecon Agung Tbk
and its Subsidiaries

Consolidated financial statements
as of December 31, 2017 and for the year then ended
with independent auditors' report

These consolidated financial statements are originally issued in the Indonesian language.

PT SUMMARECON AGUNG Tbk AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017 AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

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LAMPIRAN :1
Peraturan Nomor : VIII.G.11
Formulir Nomor : VIII.G.11-1

STATEMENT OF DIRECTORS' RESPONSIBILITY
ON THE FINANCIAL STATEMENTS OF
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017
PT SUMMARECON AGUNG Tbk

We, the undersigned :

1. Name	:	Adrianto P. Adhi
Office Address	:	Plaza Summarecon, Jl. Perintis Kemerdekaan No.42, Jakarta Timur 13210
Resident Address	:	BSD Blok K 3/2 Sektor XII Kel. Rawabuntu, Kec. Serpong, Tangerang Selatan
Telephone Number	:	021-4892107
Designation	:	President Director
2. Name	:	Yong King Ching
Office Address	:	Plaza Summarecon, Jl. Perintis Kemerdekaan No.42, Jakarta Timur 13210
Resident Address	:	Jl Boulevard Blok KGC, APT Summerville, Jakarta Utara
Telephone Number	:	021-4892107
Designation	:	Director

Hereby state that :

1. We are Responsible for the preparation and presentation of the financial statements of the Company;
2. The Financial statements have been prepared in accordance with generally accepted accounting principles in Indonesia;
3. a. The information in the financial statements have been fully accurately disclosed;
   b. The Financial statement do not contain information or material facts that are not true and do not omit information and material facts;
4. We are responsible for the internal control system of the company;

Subscribed and solemnly declared by the above named

Jakarta, 26 March 2018

METERAI TEMPEL ADE96EF956516434 6000 ENAM RIBU RUPIAH

PT SUMMARECON AGUNG Tbk

Adrianto P. Adhi
President Director

Yong King Ching
Director

Building a better working world

Purwantono, Sungkoro & Surja

Indonesia Stock Exchange Building
Tower 2, 7th Floor
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This report is originally issued in the Indonesian language.

Independent Auditors' Report

Report No. RPC-6024/PSS/2018

The Shareholders and the Boards of Commissioners and Directors
PT Summarecon Agung Tbk

We have audited the accompanying consolidated financial statements of PT Summarecon Agung Tbk and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of such 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 such consolidated financial statements 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 such consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

This report is originally issued in the Indonesian language.

Independent Auditors' Report (continued)

Report No. RPC-6024/PSS/2018 (continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PT Summarecon Agung Tbk and its subsidiaries as of December 31, 2017, and their consolidated financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Purwantono, Sungkoro & Surja

Tjoa Tjek Nien, CPA
Public Accountant Registration No. AP.1175

March 26, 2018

PT SUMMARECON AGUNG Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2017
(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

	Notes	December 31, 2017	December 31, 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2d,2r,2u,4, 33,34	1,482,320,678	2,039,256,076
Trade receivables	2l,2u,5, 14,34		
Related parties	2f,32	190,580,858	28,391,713
Third parties		454,834,664	510,695,474
Other receivables	2u,6,32,34	15,415,576	9,223,228
Inventories	2g,2m,2n 7,14	6,498,456,658	5,531,046,712
Prepaid taxes	2t,19a	188,250,224	202,800,881
Prepaid expenses	2h,8	37,050,412	34,529,606
Advance payments	10	291,213,626	308,182,774
Other current financial assets	2u,13,34	145,869	106,644
Total current assets		**9,158,268,565**	**8,664,233,108**
NON-CURRENT ASSETS			
Trade receivables	2l,2u,5 14,34		
Related parties	2f,32	6,179,838	10,794,659
Third parties		33,573,746	28,720,906
Other receivables	2u,6,34	347,067	347,067
Due from related parties	32,34	38,229,670	63,680,482
Undeveloped land	2i,9,14,15	6,296,152,673	6,157,514,444
Advance payments	10	646,016,096	512,064,525
Fixed assets	2j,2m,2n, 11,14	421,578,607	451,343,312
Investment properties	2k,2l,2m,2n, 12,14,15	4,461,322,679	4,486,693,698
Deferred tax assets	2t,19f	10,886,447	10,218,110
Other non-current financial assets	2d,2e,2u, 13,14,34	419,231,273	263,720,828
Other non-current assets		170,925,330	160,988,518
Total non-current assets		**12,504,443,426**	**12,146,086,549**
TOTAL ASSETS		**21,662,711,991**	**20,810,319,657**

PT SUMMARECON AGUNG Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2017
(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

	Notes	December 31, 2017	December 31, 2016
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term bank loans	2r,2u,14, 33,34	905,840,236	1,040,798,732
Trade payables to third parties	2r,2u,16, 33,34	80,937,455	57,614,375
Other payables	2r,2u,17, 33,34	216,155,598	231,571,989
Due to related parties	2f,2u,32,34	125,909,333	79,512,731
Accrued expenses	2r,2u 18,33,34	1,195,747,002	1,515,289,485
Taxes payable	2t,19b	67,008,652	45,773,975
Liability for short-term employee benefits	2q,2u,20,34	29,264,062	19,125,408
Downpayments received and security deposits	2l,2u,21,34		
Related parties	2f,32	4,290,631	206,336
Third parties		1,815,337,793	553,150,011
Unearned revenues	2l,2p,22	346,587,025	312,817,434
Current maturities of long-term debts:	2u,14,34		
Loans from banks and financial institutions	2r,33	591,349,578	361,511,052
Bonds payable and sukuk ijarah	2u,2y,15,34	897,400,302	-
Total current liabilities		**6,275,827,667**	**4,217,371,528**
NON-CURRENT LIABILITIES			
Long-term debts - net of current maturities:	2u,14,34		
Loans from banks and financial institutions	2r,33	3,203,295,476	3,542,370,341
Bonds payable and sukuk ijarah	2u,2y,15,34	2,385,823,569	2,481,961,543
Other payables	2u,17,33,34	8,518,365	4,076,542
Liability for long-term employee benefits	2q,20	136,954,671	113,614,609
Downpayments received and security deposits	2l,2u,21,34		
Related parties	2f,32	9,136,083	10,362,320
Third parties		1,201,780,878	2,199,026,889
Unearned revenues	2l,2p,22	71,316,508	60,846,896
Other non-current financial liabilities	2u,34	12,842,450	12,842,452
Deferred tax liabilities	2t,19f	3,474,261	2,291,052
Total non-current liabilities		**7,033,142,261**	**8,427,392,644**
TOTAL LIABILITIES		**13,308,969,928**	**12,644,764,172**

PT SUMMARECON AGUNG Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2017
(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

	Notes	December 31, 2017	December 31, 2016
EQUITY			
Equity attributable to the owners of the Parent Entity Capital stock			
Authorized - 25,000,000,000 shares at par value of Rp100 (full amount) per share			
Issued and fully paid - 14,426,781,680 shares	1b,24	1,442,678,168	1,442,678,168
Additional paid-in capital	1b,2o,2x,25	22,996,315	22,996,315
Differences in value of equity transactions with non-controlling interests	1f,2c	1,557,398	1,557,398
Retained earnings			
Appropriated - general reserve	26	99,357,313	93,398,521
Unappropriated		4,943,312,285	4,682,327,842
Total equity attributable to the owners of the Parent Entity		6,509,901,479	6,242,958,244
Non-controlling interests	2c,23	1,843,840,584	1,922,597,241
TOTAL EQUITY		**8,353,742,063**	**8,165,555,485**
TOTAL LIABILITIES AND EQUITY		**21,662,711,991**	**20,810,319,657**

PT SUMMARECON AGUNG Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended December 31, 2017
(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

		Year ended December 31,	
	Notes	**2017**	**2016**
NET REVENUES	2f,2p,28,32	5,640,751,809	5,397,948,907
COST OF SALES AND DIRECT COSTS	2p,29	(3,073,588,401)	(2,797,188,458)
GROSS PROFIT		**2,567,163,408**	**2,600,760,449**
Selling expenses	2p,30	(338,796,409)	(348,970,044)
General and administrative expenses	2p,30	(889,842,457)	(842,852,278)
Other operating income		4,548,154	4,429,154
Other operating expenses		(2,296,804)	(3,431,817)
INCOME FROM OPERATIONS		**1,340,775,892**	**1,409,935,464**
Finance income		90,613,870	101,097,479
Finance costs	31	(632,441,670)	(633,527,946)
PROFIT BEFORE FINAL TAX AND INCOME TAX EXPENSE		**798,948,092**	**877,504,997**
FINAL TAX EXPENSE	2t,19d,19g	**(259,088,589)**	**(261,365,173)**
PROFIT BEFORE INCOME TAX EXPENSE		**539,859,503**	**616,139,824**
INCOME TAX EXPENSE - Net	2t,19d	**(7,421,890)**	**(11,088,966)**
PROFIT FOR THE YEAR		**532,437,613**	**605,050,858**
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified to profit or loss in subsequent periods:			
Actuarial loss on employee benefits liability	2q,20	(23,048,511)	(9,171,644)
Deferred income tax		62,839	-
NET COMPREHENSIVE INCOME FOR THE YEAR		**509,451,941**	**595,879,214**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Parent Entity		362,062,815	311,665,815
Non-controlling Interests	2c,23	170,374,798	293,385,043
TOTAL		**532,437,613**	**605,050,858**

PT SUMMARECON AGUNG Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (continued)
For the Year Ended December 31, 2017
(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

		Year ended December 31,	
	Notes	**2017**	**2016**
NET COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Parent Entity		339,077,143	302,494,171
Non-controlling interests	2c,23	170,374,798	293,385,043
TOTAL		**509,451,941**	**595,879,214**
EARNINGS PER SHARE (full amount)	2v,24,39	**25.10**	**21.60**

PT SUMMARECON AGUNG Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2017
(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

		Equity attributable to the owners of the Parent Entity							
					Retained earnings				
	Notes	**Issued and fully paid capital stock**	**Additional paid-in capital**	**Differences in value of equity transactions with non-controlling interests**	**Appropriated - reserve fund**	**Unappropriated**	**Total**	**Non-controlling interests**	**Total equity**
Balance as of December 31, 2015		**1,442,678,168**	**22,996,315**	**1,773,189**	**82,534,109**	**4,462,831,991**	**6,012,813,772**	**1,516,936,142**	**7,529,749,914**
Appropriation for general reserve	26	-	-	-	10.864.412	(10,864,412)	-	-	-
Cash dividend	27	-	-	-	-	(72,133,908)	(72,133,908)	-	(72,133,908)
Net comprehensive income for the year		-	-	-	-	302,494,171	302,494,171	293,385,043	595,879,214
Capital contribution paid by non-controlling Interest	23	-	-	-	-	-	-	132,760,265	132,760,265
Acquisition of non-controlling interest in subsidiaries	1f	-	-	(215,791)	-	-	(215,791)	(20,484,209)	(20,700,000)
Balance as of December 31, 2016		**1,442,678,168**	**22,996,315**	**1,557,398**	**93,398,521**	**4,682,327,842**	**6,242,958,244**	**1,922,597,241**	**8,165,555,485**

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

PT SUMMARECON AGUNG Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the Year Ended December 31, 2017
(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

		Equity attributable to the owners of the Parent Entity							
					Retained earnings				
	Notes	Issued and fully paid capital stock	Additional paid-in capital	Differences in value of equity transactions with non-controlling interests	Appropriated - reserve fund	Unappropriated	Total	Non-controlling interests	Total equity
Balance as of December 31, 2016		**1,442,678,168**	**22,996,315**	**1,557,398**	**93,398,521**	**4,682,327,842**	**6,242,958,244**	**1,922,597,241**	**8,165,555,485**
Appropriation for general reserve	26	-	-	-	5,958,792	(5,958,792)	-	-	-
Cash dividend	27	-	-	-	-	(72,133,908)	(72,133,908)	-	(72,133,908)
Net comprehensive income for the year		-	-	-	-	339,077,143	339,077,143	170,374,798	509,451,941
Payments to non-controlling interests in subsidiaries	23	-	-	-	-	-	-	(335,348,255)	(335,348,255)
Capital contributions paid by non-controlling interests in subsidiaries	23	-	-	-	-	-	-	86,216,800	86,216,800
Balance as of December 31, 2017		**1,442,678,168**	**22,996,315**	**1,557,398**	**99,357,313**	**4,943,312,285**	**6,509,901,479**	**1,843,840,584**	**8,353,742,063**

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

PT SUMMARECON AGUNG Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017
(Expressed in thousands of Indonesian Rupiah)

	Notes	Year ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		5,724,198,720	5,159,749,322
Receipts of interest income		90,926,720	98,806,398
Cash payments to:			
Suppliers and for other operating expenses		(4,806,312,757)	(3,855,390,456)
Employees		(571,749,049)	(495,122,874)
Payments of:			
Interest expense		(573,998,836)	(576,404,598)
Final tax		(223,085,414)	(288,938,512)
Income taxes		(10,330,050)	(7,989,890)
Net cash provided by (used in) operating activities		**(370,350,666)**	**34,709,390**
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) due from related parties	32	25,450,812	(10,292,563)
Proceeds from sale of fixed assets and investment properties	11	2,050,641	2,066,616
Proceeds from sale of ownership in subsidiaries to third party	1g	1,000,000	-
Acquisitions of undeveloped land		(271,014,572)	(399,556,671)
Acquisitions of fixed assets and investment properties	11,12	(200,360,347)	(391,365,862)
Net cash used in investing activities		**(442,873,466)**	**(799,148,480)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		2,726,269,018	2,241,368,922
Proceeds from bonds and sukuk ijarah issuance berkelanjutan II tahap II – net of bonds issuance cost amounting to Rp5,008,600	15	795,235,000	-
Capital contribution from non-controlling interests in subsidiaries		83,960,000	132,760,265
Increase in due to related parties		46,396,602	76,747,134
Payments of loans from banks and financial institutions		(2,987,656,346)	(1,018,000,579)
Payments to non-controlling interests	23	(335,348,255)	-
Cash dividends paid by the Company		(72,127,968)	(72,005,559)
Drawdown of (placement for) restricted time deposits		(439,317)	1,477,640
Proceeds from other payables		-	26,274,606
Payments of other payables		-	(67,773,343)
Payments for acquisition of non-controlling interests		-	(20,700,000)
Net cash provided by financing activities		**256,288,734**	**1,300,149,086**

PT SUMMARECON AGUNG Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the Year Ended December 31, 2017
(Expressed in thousands of Indonesian Rupiah)

		Year ended December 31,	
	Notes	**2017**	**2016**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(556,935,398)**	**535,709,996**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	2,039,256,076	1,503,546,080
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**1,482,320,678**	**2,039,256,076**

Supplementary information on non-cash activities is presented in Note 40.

1. GENERAL

a. The Company's Establishment

PT Summarecon Agung Tbk (the "Company") was established within the framework of the Domestic Capital Investment Law based on notarial deed No. 308 dated November 26, 1975 of Ridwan Suselo, S.H. The Company's articles of association was approved by the Ministry of Justice in its Decision Letter No. YA 5/344/6 dated July 12, 1977 and was published in the State Gazette Republic of Indonesia No. 79, dated October 4, 1977, Supplement No. 597. The articles of association has been amended several times, the latest amendment of which was notarized under deed No. 29 dated June 10, 2015 of Fathiah Helmi S.H., concerning the changes of the Company's articles of association in compliance with Indonesian Financial Service Authority No. 32/POJK.04/2014 and approving the 5 (five) year tenure of Directors and Commisioners. The amendment was acknowledged and recorded by the Ministry of Law and Human Rights of the Republic of Indonesia ("MLHR") in its Decision Letter No.AHU-AH.01.03-0948173 dated July 3, 2015.

According to Article 3 of the Company's articles of association, its scope of activities comprises real estate development including the related supporting facilities, service and trading. Currently, the Company carries business in the sale or rental of real estate, shopping centers, and office facilities along with related facilities and infrastructures.

The Company is domiciled in East Jakarta, and its head office is located at Plaza Summarecon, Jl. Perintis Kemerdekaan No. 42, Jakarta.

The Company started its commercial operations in 1976.

PT Semarop Agung is the ultimate parent entity of the Company and its subsidiaries (hereafter collectively referred to as the "Group").

b. The Company's Public Offerings

The Chairman of the Capital Market and Financial Institutions Supervisory Agency ("BAPEPAM-LK"), through its letter No. SI-085/SHM/MK.10/1990 dated March 1, 1990, effective at that date, declared the offering of 6,667,000 shares of the Company with a par value of Rp1,000 (full amount) per share to the public at an offering price of Rp6,800 (full amount) per share. The Company listed its shares on the Jakarta Stock Exchange on August 14, 1996.

Based on the minutes of the Stockholders' Extraordinary General Meeting ("EGM") which were notarized under deed No. 1 dated July 1, 1996 of Sutjipto, S.H., the stockholders approved the reduction in the par value of the Company's shares from Rp1,000 (full amount) to Rp500 (full amount) per share. The amendment was acknowledged and recorded by the Ministry of Justice in its Decision Letter No. C2.9225.HT.01.04.TH.96 dated September 27, 1996.

Based on the minutes of the EGM which were notarized under deed No. 100 dated June 21, 2002 of Sutjipto, S.H., the stockholders approved the reduction in the par value of the Company's shares from Rp500 (full amount) to Rp100 (full amount) per share. The amendment was acknowledged and recorded by the MLHR in its Decision Letter No. C-12844 HT.01.04.TH.2002 dated July 12, 2002.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

1. GENERAL (continued)

b. The Company's Public Offerings (continued)

In 2005, the Company issued additional 93,676,000 shares with a par value of Rp100 (full amount) per share which were issued for and fully paid by Valence Asset Limited, British Virgin Islands, at an offering price of Rp775 (full amount) per share. The Company listed these additional shares on the Jakarta Stock Exchange on November 17, 2005. This increase in the issued and fully paid capital stock was made under BAPEPAM-LK Regulation No. IX.D.4., Attachment to the Chairman of BAPEPAM-LK Decision No. Kep-44/PM/1998 dated August 14, 1998 regarding the additional shares issuance without Pre-Emptive Rights.

In 2006, the Company distributed 786,881,920 bonus shares with a par value of Rp100 (full amount) per share.

On August 28, 2007, the Company's Registration Statement to offer its First Limited Public Offering of Rights to the Stockholders with the Issuance of Pre-emptive Rights totaling 459,014,453 new shares and a maximum of 229,507,226 Series I Warrants was declared effective. The Company listed these new shares on the Indonesia Stock Exchange.

In June 2008, the Company distributed 3,217,893,796 bonus shares with a par value of Rp100 (full amount) per share.

In June 2010 and December 2009, a total of 436,340,202 and 1,013,046 Series I Warrants, respectively, were exercised.

In 2012, the Company issued 340,250,000 new shares with a nominal value of Rp100 (full amount) per share through the issuance of capital stock without pre-emptive rights phase I with minimum exercise price of Rp1,550 (full amount) per share, thereby increasing the Company's issued and fully paid capital stock from 6,873,140,840 shares to 7,213,390,840 shares.

Based on the minutes of the EGM held on June 5, 2013 which were covered by notarial deed No. 21 of Fathiah Helmi, S.H., the stockholders approved the distribution of bonus shares through the capitalization of additional paid-in capital amounting to Rp721,339,084, whereby each outstanding share received 1 bonus share. As a result, the issued and fully paid capital stock increased from Rp721,339,084 to Rp1,442,678,168. The distribution of the bonus shares was conducted on July 15, 2013.

c. Board of Commissioners, Directors, Audit Committee and Employees

The composition of the Company's Boards of Commissioners and Directors as of December 31, 2017 and 2016 was as follows:

Board of Commissioners		Board of Directors	
President Commissioner	: Soetjipto Nagaria	President Director	: Adrianto Pitoyo Adhi
Commissioner	: Harto Djojo Nagaria	Director	: Lexy Arie Tumiwa
Independent Commissioner	: H. Edi Darnadi	Director	: Liliawati Rahardjo
Independent Commissioner	: Esther Melyani Homan	Director	: Soegianto Nagaria
		Director	: Herman Nagaria
		Director	: Yong King Ching
		Director	: Sharif Benyamin
		Independent Director	: Ge Lilies Yamin

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

1. GENERAL (continued)

c. Board of Commissioners, Directors, Audit Committee and Employees (continued)

The composition of the Company's Audit Committee as of December 31, 2017 was as follows:

Chairman : Esther Melyani Homan
Member : Leo Andi Mancianno
Member : Neneng Martini

The composition of the Company's Audit Committee as of December 31, 2016 was as follows:

Chairman : H. Edi Darnadi
Member : Leo Andi Mancianno
Member : Neneng Martini

The formation of the Company's Audit Committee is in accordance with the OJK Regulations No.55/POJK.04/2015 And Bapepam and LK No. IX. 15.

The total amount of gross compensation for the key management of the Company was as follows:

	Year ended December 31,	
	2017	**2016**
Commissioners:		
Short-term employee benefits	16,417,417	13,631,735
Post-employment benefits	-	-
Sub-total	**16,417,417**	**13,631,735**
Directors:		
Short-term employee benefits	33,286,229	27,676,293
Post-employment benefits	558,977	558,977
Sub-total	**33,845,206**	28,235,270
Total	**50,262,623**	**41,867,005**

The Group had 2,407 and 2,371 permanent employees (unaudited) as of December 31, 2017 and 2016, respectively.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Structure of the Company's subsidiaries

The Company had direct and indirect ownership in the following subsidiaries:

Name of Subsidiaries	Domicile	Principal Activity	Start of Commercial Operations	Percentage of Ownership (%)	
				December 31, 2017	December 31, 2016
Direct Subsidiaries					
PT Bahagia Makmursejati (BHMS)	Jakarta	a	2003	99.99	99.99
PT Serpong Cipta Kreasi (SPCK)	Tangerang	a	2004	100.00	100.00
PT Anugerah Damai Abadi (AGDA)	Tangerang	b	2007	100.00	100.00
PT Gading Orchard (GDOR)	Jakarta	a	2008	100.00	100.00
PT Summarecon Property Development (SMPD)	Jakarta	a	2012	100.00	100.00
PT Summarecon Investment Property (SMIP)	Jakarta	c	2012	100.00	100.00
PT Multi Abadi Prima (MTAP)	Jakarta	d	2013	100.00	100.00
PT Bhakti Karya Sejahtera (BTKS)	Jakarta	e	2013	100.00	100.00
PT Citra Damai Agung (CTDA)	Jakarta	a	2014	100.00	100.00
PT Bhakti Karya Bangsa (BTKB)	Tangerang	e	2016	80.00	80.00
PT Sagraha Mitraloka Elok (SGME)	Jakarta	j	2017	100.00	100.00
PT Java Investama Properti (JVIP)	Jakarta	c	-	100.00	100.00
PT Setia Mitra Intifajar (SMIF)	Jakarta	k	-	100.00	-
Indirect Subsidiaries through SMPD					
PT Eskage Tatanan Kota (EKTK)	Jakarta	f	2009	100.00	100.00
PT Bekasi Tatanan Kota (BKTK)	Bekasi	f	2012	100.00	100.00
PT Mahkota Permata Perdana (MKPP)	Bandung	a	2015	100.00	100.00
PT Maju Lestari Properti (MJLP)	Jakarta	a	-	100.00	100.00
PT Inovasi Jaya Properti (IVJP)	Jakarta	a	-	100.00	100.00
PT Mahkota Intan Cemerlang (MKIC)	Jakarta	a	-	100.00	100.00
PT Banyumas Eka Mandiri (BYEM)	Jakarta	a	-	100.00	100.00
PT Aruna Cahaya Abadi (ARCA)	Jakarta	a	-	100.00	100.00
PT Selaras Maju Mandiri (SLMM)	Jakarta	a	-	100.00	100.00

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Structure of the Company's subsidiaries (continued)

The Company had direct and indirect ownership in the following subsidiaries: (continued)

Name of Subsidiaries	Domicile	Principal Activity	Start of Commercial Operations	Percentage of Ownership (%) December 31, 2017	Percentage of Ownership (%) December 31, 2016
Indirect Subsidiaries through SMPD (continued)					
PT Orient City (ORCT)	Jakarta	a	-	100.00	100.00
PT Bumi Perintis Asri (BMPA)	Tangerang	a	-	100.00	100.00
PT Duta Sumara Abadi (DTSA)	Jakarta	a	-	51.00	51.00
PT Sinar Mahakam Indah (SNMI)	Samarinda	a	-	85.44	83.77
PT Sinar Semesta Indah (SNSI)	Tangerang	a	-	100.00	100.00
PT Wahyu Kurnia Sejahtera (WYKS)	Jakarta	a	-	100.00	100.00
PT Kahuripan Jaya Mandiri (KHJM)	Jakarta	a	-	51.00	51.00
PT Gunung Suwarna Abadi (GNSA)	Jakarta	a	-	51.00	51.00
PT Taruna Maju Berkarya (TRMB)	Jakarta	a	-	100.00	100.00
PT Gunung Srimala Permai (GNSP)	Jakarta	a	-	51.00	51.00
PT Sunda Besar Properti (SDBP)	Bandung	a	-	100.00	100.00
PT Maju Singa Parahyangan (MJSP)	Bandung	a	-	100.00	100.00
PT Surya Mentari Diptamas (SYMD)	Jakarta	a	-	51.00	51.00
PT Surya Menata Elokjaya (SYME)	Jakarta	a	-	100.00	100.00
PT Kencana Jayaproperti Agung (KCJA)	Jakarta	a	-	51.00	51.00
PT Kencana Jayaproperti Mulia (KCJM)	Jakarta	a	-	51.00	51.00
PT Sinergi Mutiara Cemerlang (SGMC)	Makassar	a	-	51.00	51.00
PT Sukmabumi Mahakam Jaya (SBMJ)	Jakarta	a	-	100.00	100.00
PT Bintang Mentari Indah (BNIMI)	Maros	a	-	100.00	100.00
PT Bandung Tatanan Kota (BDTK)	Bandung	f	-	100.00	-
Indirect Subsidiaries through SMIP					
PT Lestari Mahadibya (LTMD)	Tangerang	c	2006	100.00	100.00

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Structure of the Company's subsidiaries (continued)

The Company had direct and indirect ownership in the following subsidiaries: (continued)

Name of Subsidiaries	Domicile	Principal Activity	Start of Commercial Operations	Percentage of Ownership (%)	
				December 31, 2017	December 31, 2016
Indirect Subsidiaries through SMIP (continued)					
PT Summerville Property Management (SVPM)	Jakarta	h	2007	100.00	100.00
PT Summarecon Hotelindo (SMHO)	Jakarta	g	2010	100.00	100.00
PT Makmur Orient Jaya (MKOJ)	Bekasi	c	2013	100.00	100.00
PT Kharisma Intan Properti (KRIP)	Tangerang	c	2013	100.00	100.00
PT Dunia Makmur Properti (DNMP)	Jakarta	c	2015	100.00	100.00
PT Summarecon Bali Indah (SMBI)	Jakarta	c	2016	100.00	100.00
PT Permata Jimbaran Agung (PMJA)	Badung	c	2016	59.40	58.65
PT Pradana Jaya Berniaga (PDJB)	Badung	b	2016	100.00	100.00
PT Hotelindo Permata Jimbaran (HOPJ)	Badung	g	2017	59.40	58.65
PT Seruni Persada Indah (SRPI)	Jakarta	c	-	100.00	100.00
PT Bali Indah Development (BLID)	Badung	c	-	100.00	100.00
PT Bali Indah Property (BLIP)	Badung	c	-	100.00	100.00
PT Bukit Jimbaran Indah (BKJI)	Badung	c	-	100.00	100.00
PT Bukit Permai Properti (BKPP)	Badung	a	-	100.00	100.00
PT Nirwana Jaya Semesta (NWJS)	Jakarta	g	-	100.00	100.00
PT Sadhana Bumi Jayamas (SDBJ)	Jakarta	c	-	100.00	100.00
PT Sumber Pembangunan Cemerlang (SBPC)	Jakarta	c	-	-	100.00
PT Unota Persada Jaya (UNPS)	Jakarta	c	-	100.00	100.00
PT Java Orient Properti (JVOP)	Yogyakarta	g	-	90.00	90.00
PT Mahakarya Buana Damai (MKBD)	Bandung	c	-	100.00	100.00
PT Hotelindo Saribuana Damai (HSBD)	Bandung	g	-	100.00	100.00

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Structure of the Company's subsidiaries (continued)

The Company had direct and indirect ownership in the following subsidiaries (continued):

Name of Subsidiaries	Domicile	Principal Activity	Start of Commercial Operations	Percentage of Ownership (%)	
				December 31, 2017	December 31, 2016
Indirect Subsidiaries through SMIP (continued)					
PT Hotelindo Java Properti (HIJP)	Yogyakarta	g	-	100.00	100.00
PT Hotelindo Cahaya Gemilang (HICG)	Jakarta	g	-	100.00	100.00
PT Maha Karya Reksawarga (MKRW)	Karawang	c	-	100.00	-
Indirect Subsidiaries through SPCK					
PT Serpong Tatanan Kota (STTK)	Tangerang	f	2010	100.00	100.00
PT Bhakti Karya Vita (BTKV)	Tangerang	i	2011	60.00	60.00
PT Jaya Bangun Abadi (JYBA)	Tangerang	a	-	100.00	100.00
PT Permata Cahaya Cemerlang (PMCC)	Tangerang	a	-	100.00	100.00
PT Surya Intan Properti (SYIP)	Tangerang	a	-	100.00	100.00
PT Mahkota Berlian Indah (MKBI)	Tangerang	a	-	100.00	100.00
PT Mahkota Permata Indah (MKPI)	Tangerang	a	-	100.00	100.00
Indirect Subsidiaries through SMIF					
PT Jejaring Ultra Prima (JJUP)	Jakarta	k	-	100.00	-

Notes on the principal activities of subsidiaries as of December 31, 2017
a Property development
b Retail, food and beverages
c Investment property
d Gas station
e Education
f Town management
g Hotel
h Property management
i Hospital
j Trading
k Infrastructure development

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Structure of the Company's subsidiaries (continued)

The Company had direct and indirect ownership in the following subsidiaries (continued):

Name of Subsidiaries	Domicile	Principal Activity	Start of Commercial Operations	Total Assets Before Elimination December 31, 2017	Total Assets Before Elimination December 31, 2016
Direct Subsidiaries					
PT Bahagia Makmursejati (BHMS)	Jakarta	a	2003	18,474,258	18,189,267
PT Serpong Cipta Kreasi (SPCK)	Tangerang	a	2004	5,970,150,441	5,960,808,642
PT Anugerah Damai Abadi (AGDA)	Tangerang	b	2007	5,858,994	6,650,766
PT Gading Orchard (GDOR)	Jakarta	a	2008	43,417,854	47,224,825
PT Summarecon Property Development (SMPD)	Jakarta	a	2012	6,828,879,964	5,547,460,807
PT Summarecon Investment Property (SMIP)	Jakarta	c	2012	4,327,159,676	4,335,387,516
PT Multi Abadi Prima (MTAP)	Jakarta	d	2013	12,081,197	26,378,370
PT Bhakti Karya Sejahtera (BTKS)	Jakarta	e	2013	84,914,855	88,020,097
PT Citra Damai Agung (CTDA)	Jakarta	a	2014	39,910,974	39,400,479
PT Bhakti Karya Bangsa (BTKB)	Tangerang	e	2016	16,128,050	7,303,636
PT Sagraha Mitraloka Elok (SGME)	Jakarta	j	2017	5,766,777	478,484
PT Java Investama Properti (JVIP)	Jakarta	c	-	15,095,391	15,101,611
PT Setia Mitra Intifajar (SMIF)	Jakarta	k	-	2,542,910	-
Indirect Subsidiaries through SMPD					
PT Eskage Tatanan Kota (EKTK)	Jakarta	f	2009	5,295,926	6,584,078
PT Bekasi Tatanan Kota (BKTK)	Bekasi	f	2012	15,318,773	11,417,766
PT Mahkota Permata Perdana (MKPP)	Bandung	a	2015	2,810,697,400	2,226,319,004
PT Maju Lestari Properti (MJLP)	Jakarta	a	-	37,261,640	36,957,460
PT Inovasi Jaya Properti (IVJP)	Jakarta	a	-	1,099,010,427	1,032,653,348
PT Mahkota Intan Cemerlang (MKIC)	Jakarta	a	-	411,427,568	410,910,470
PT Banyumas Eka Mandiri (BYEM)	Jakarta	a	-	281,299,160	280,028,472
PT Aruna Cahaya Abadi (ARCA)	Jakarta	a	-	71,969,076	71,117,621

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Structure of the Company's subsidiaries (continued)

The Company had direct and indirect ownership in the following subsidiaries (continued):

Name of Subsidiaries	Domicile	Principal Activity	Start of Commercial Operations	Total Assets Before Elimination December 31, 2017	Total Assets Before Elimination December 31, 2016
Indirect Subsidiaries through SMPD (continued)					
PT Selaras Maju Mandiri (SLMM)	Jakarta	a	-	1,119,448,920	856,340,671
PT Orient City (ORCT)	Jakarta	a	-	2,160,936	2,782,553
PT Bumi Perintis Asri (BMPA)	Tangerang	a	-	62,435,975	62,511,730
PT Duta Sumara Abadi (DTSA)	Jakarta	a	-	339,392,004	312,180,872
PT Sinar Mahakam Indah (SNMI)	Samarinda	a	-	41,087,377	37,418,975
PT Sinar Semesta Indah (SNSI)	Tangerang	a	-	748,299	750,010
PT Wahyu Kurnia Sejahtera (WYKS)	Jakarta	a	-	183,867,116	182,546,182
PT Kahuripan Jaya Mandiri (KHJM)	Jakarta	a	-	50,411,672	49,662,328
PT Gunung Suwarna Abadi (GNSA)	Jakarta	a	-	184,282,151	174,734,839
PT Taruna Maju Berkarya (TRMB)	Jakarta	a	-	3,807,454	3,101,203
PT Gunung Srimala Permai (GNSP)	Jakarta	a	-	176,831,839	152,291,572
PT Sunda Besar Properti (SDBP)	Bandung	a	-	1,152,302	1,119,812
PT Maju Singa Parahyangan (MJSP)	Bandung	a	-	1,152,309	1,119,744
PT Surya Mentari Diptamas (SYMD)	Jakarta	a	-	2,885,914	2,778,293
PT Surya Menata Elokjaya (SYME)	Jakarta	a	-	3,075,757	2,934,730
PT Kencana Jayaproperti Agung (KCJA)	Jakarta	a	-	293,316,696	229,599,238
PT Kencana Jayaproperti Mulia (KCJM)	Jakarta	a	-	188,655,562	188,563,549
PT Sinergi Mutiara Cemerlang (SGMC)	Makassar	a	-	578,301,005	488,375,570
PT Sukmabumi Mahakam Jaya (SBMJ)	Jakarta	a	-	995,812	990,465
PT Bintang Mentari Indah (BNMI)	Maros	a	-	386,175,872	213,232,474
PT Bandung Tatanan Kota (BDTK)	Bandung	f	-	2,498,829	-

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Structure of the Company's subsidiaries (continued)

The Company had direct and indirect ownership in the following subsidiaries (continued):

Name of Subsidiaries	Domicile	Principal Activity	Start of Commercial Operations	Total Assets Before Elimination	
				December 31, 2017	December 31, 2016
Indirect Subsidiaries through SMIP					
PT Lestari Mahadibya (LTMD)	Tangerang	c	2006	1,097,777,885	1,137,721,162
PT Summerville Property Management (SVPM)	Jakarta	h	2007	3,770,002	4,651,019
PT Summarecon Hotelindo (SMHO)	Jakarta	g	2010	127,533,876	132,343,615
PT Makmur Orient Jaya (MKOJ)	Bekasi	c	2013	864,335,137	891,299,577
PT Kharisma Intan Properti (KRIP)	Tangerang	c	2013	204,342,708	205,116,390
PT Dunia Makmur Properti (DNMP)	Jakarta	c	2015	115,094,490	117,943,045
PT Summarecon Bali Indah (SMBI)	Jakarta	c	2016	1,361,294,326	1,344,744,240
PT Permata Jimbaran Agung (PMJA)	Badung	c	2016	868,815,246	851,864,155
PT Pradana Jaya Berniaga (PDJB)	Badung	b	2016	4,048,875	6,253,238
PT Hotelindo Permata Jimbaran (HOPJ)	Badung	g	2017	344,170,951	332,267,222
PT Seruni Persada Indah (SRPI)	Jakarta	c	-	1,101,406	1,066,036
PT Bali Indah Development (BLID)	Badung	c	-	168,883,813	179,839,539
PT Bali Indah Property (BLIP)	Badung	c	-	3,762,623	3,769,608
PT Bukit Jimbaran Indah (BKJI)	Badung	c	-	633,183	613,522
PT Bukit Permai Properti (BKPP)	Badung	a	-	484,956,625	484,276,216
PT Nirwana Jaya Semesta (NWJS)	Jakarta	g	-	13,309,056	13,008,479
PT Sadhana Bumi Jayamas (SDBJ)	Jakarta	c	-	81,491,083	81,503,517
PT Sumber Pembangunan Cemerlang (SBPC)	Jakarta	c	-	-	1,048,159
PT Unota Persada Jaya (UNPS)	Jakarta	c	-	145,067,257	146,036,435
PT Java Orient Properti (JVOP)	Yogyakarta	g	-	151,112,332	150,900,844
PT Mahakarya Buana Damai (MKBD)	Bandung	c	-	156,091,482	106,251,658
PT Hotelindo Saribuana Damai (HSBD)	Bandung	g	-	240,406	250,000
PT Hotelindo Jaya Properti (HIJP)	Yogyakarta	g	-	235,564	250,000

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Structure of the Company's subsidiaries (continued)

The Company had direct and indirect ownership in the following subsidiaries (continued):

Name of Subsidiaries	Domicile	Principal Activity	Start of Commercial Operations	Total Assets Before Elimination	
				December 31, 2017	December 31, 2016
Indirect Subsidiaries through SMIP (Continued)					
PT Hotelindo Cahaya Gemilang (HICG)	Jakarta	g	-	239,511	250,000
PT Maha Karya Reksawarga (MKRW)	Karawang	c	-	4,339,914	-
Indirect Subsidiaries through SPCK					
PT Serpong Tatanan Kota (STTK)	Tangerang	f	2010	54,331,311	49,775,911
PT Bhakti Karya Vita (BTKV)	Tangerang	i	2011	59,416,846	65,509,098
PT Jaya Bangun Abadi (JYBA)	Tangerang	a	-	90,584,414	90,480,232
PT Permata Cahaya Cemerlang (PMCC)	Tangerang	a	-	331,254,270	335,300,627
PT Surya Intan Properti (SYIP)	Tangerang	a	-	152,226,380	156,309,112
PT Mahkota Berlian Indah (MKBI)	Tangerang	a	-	89,931,840	95,239,265
PT Mahkota Permata Indah (MKPI)	Tangerang	a	-	83,268,058	83,713,611
Indirect Subsidiaries through SMIF					
PT Jejaring Ultra Prima (JJUP)	Jakarta	k	-	2,499,203	-

Notes on the principal activities of subsidiaries as of December 31, 2017 and 2016
a Property development
b Retail, food and beverages
c Investment property
d Gas station
e Education
f Town management
g Hotel
h Property management
i Hospital
j Trading
k Infrastructure Development

In 2017, the Company established a new direct subsidiary, which is SMIF, and new indirect subsidiaries through SMPD, which is BDTK, through SMIP, which is MKRW, and through SMIF, which is JJUP.

As of December 31, 2017, JVIP, SMIF, MJLP, IVJP, MKIC, BYEM, ARCA, SLMM, ORCT, BMPA, DTSA, SNMI, SNSI, WYKS, KHJM, GNSA, TRMB, GNSP, SDBP, MJSP, SYMD, SYME, KCJA, KCJM, SGMC, SBMJ, BNMI, BDTK, SRPI, BLID, BLIP, BKJI, BKPP, NWJS, SDBJ, SBPC, UNPS, JVOP, MKBD, HSBD, HIJP, HICG, MKRW, JYBA, PMCC, SYIP, MKBI, MKPI and JJUP have not started their commercial operations.

1. GENERAL (continued)

e. The establishment of new subsidiaries

PT Setia Mitra Intifajar (SMIF)

In 2017, SMIF was established with an authorized capital stock of Rp10,000,000, Rp2,500,000 which was issued and fully paid by shareholders. The Company has acquired 2,499,999 shares with par value of Rp1,000 (full amount) per share for 99.9996% of ownership in SMIF. Whereas the remaining 1 share or Rp1,000 (full amount) was acquired by BHMS for 0,0004% of ownership in SMIF. The establishment of SMIF was notarized under deed No. 71 dated May 22, 2017 of Dewi Himijati Tandika, S.H., which was acknowledged and recorded by the MLHR in its Decision Letter No. AHU-0025842.AH.01.01. Year 2017 dated June 7, 2017 and was published in the State Gazette of the Republic of Indonesia No. 61, dated August 1, 2017.

PT Bandung Tatanan Kota (BDTK)

In December 2017, BDTK was established with an authorized capital stock of Rp10,000,000, Rp2,500,000 which was issued and fully paid by shareholders. SMPD has acquired 2,499,999 shares with par value of Rp1,000 (full amount) per share for 99.9996% of ownership in BDTK. Whereas the remaining 1 share or Rp1,000 (full amount) was acquired by BHMS for 0.0004% of ownership.

The establishment of BDTK was notarized under deed No. 66 dated July 13, 2017 of Dewi Himijati Tandika, S.H., which was acknowledged and recorded by the MLHR in its Decision Letter No. AHU-0030390.AH.01.01. Year 2017 dated July 18, 2017. As of the completion date of the consolidated financial statements, the publication in the State Gazette of the Republic of Indonesia is still in the process.

On November 9, 2017, SMPD sold all of its 2,499,999 shares in BDTK with par value Rp1,000 (full amount) representing 99.99% ownership to MKPP. The sale was notarized under deed No. 31, 32, 33 of Dewi Himijati Tandika, S.H., which was acknowledged and recorded by the MLHR in its Decision Letter No. AHU-AH.03-0189726 dated November 10, 2017.

PT Maha Karya Reksawarga (MKRW)

In 2017, MKRW was established with an authorized capital stock of Rp10,000,000, Rp2,500,000 which was issued and fully paid by shareholders. SMIP has acquired 2,499,999 shares with par value of Rp1,000 (full amount) per share for 99.9996% of ownership. Whereas the remaining 1 share or Rp1,000 (full amount) was acquired by SVPM for 0.0004% ownership. The establishment of MKRW was notarized under deed No. 72 dated May 22, 2017 of Dewi Himijati Tandika, S.H., which was acknowledged and recorded by the MLHR in its Decision Letter No. AHU-AH.01.03-0017886 dated June 6, 2017 and was published in the State Gazette of the Republic of Indonesia No. 61, dated August 1, 2017.

PT Jejaring Ultra Prima (JJUP)

In 2017, JJUP was established with an authorized capital stock of Rp10,000,000, Rp2,500,000 which was issued and fully paid by shareholders. SMIF has acquired 2,499,999 shares with par value of Rp1,000 (full amount) per share for 99.9996% of ownership. Whereas the remaining 1 share or Rp1,000 (full amount) was acquired by BHMS for 0.0004% ownership. The establishment of JJUP was notarized under deed No. 65 dated July 13, 2017 of Dewi Himijati Tandika, S.H., which was acknowledged and recorded by the MLHR in its Decision Letter No. AHU-0030385.AH.01.01 dated July 18, 2017. As of the completion date of the consolidated financial statements, the publication in the State Gazette of the Republic of Indonesia is still in the process.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

1. GENERAL (continued)

f. Equity transactions in Subsidiaries without loss of control

PT Sinar Mahakam Indah (SNMI)

In October 2017, SNMI increased its issued and fully paid capital stock from Rp31,919,500,000 (full amount) to Rp35,566,500,000 (full amount) with par value of Rp1,000 (full amount) per share. MKIC subscribed for all of the increase of 3,647,000 shares for Rp3,647,000,000. The subsrciption increased the percentage of MKIC's onwnership in SNMI from 83.77% to 85.47%. The increase in issued and fully paid capital stock was notarized under deed No. 73 dated December 19, 2017 of Dewi Himijati Tandika, S.H. which was acknowledged and recorded by the MLHR in its Decision Letter No. AHU-AH.01.03.0021461. Dated January 17, 2018.

PT Permata Jimbaran Agung (PMJA)

On October 7, 2016, PMJA increased its issued and fully paid capital stock from Rp207,918,529 to Rp284,918,529 with par value of Rp1,000 (full amount) per share, which was issued and paid-in proportionally according to the respective percentages of ownership owned by each shareholders, except for SMBI and I Made Sudarta.

SMBI subscribed for the increase of 33,604,133 shares or amounting to Rp33,604,133, thus increasing its ownership in PMJA from 42% to 42.44%. I Made Sudarta subscribed for the increase of 314,367 shares or amounting to Rp314,367, thus decreasing its ownership from 2.05% to 1.61% in PMJA.

BLID subscribed for the increase of 12,820,500 shares or amounting to Rp12,820,500, representing 16.65% ownership. Soetjipto Nagaria subscribed for the increase of 22,699,600 shares or amounting to Rp22,699,600, representing 29.48% ownership. Thomas Lundi Halim subscribed for the increase of 6,868,400 shares or amounting to Rp6,868,400, representing 8.92% ownership. Edwin Ekaputra Halim subscribed for the increase of 693,000 shares or amounting to Rp693,000, representing 0.90% ownership. The increase in issued and fully paid capital stock was notarized under deed No. 18 dated October 7, 2016 of Dewi Himijati Tandika, S.H., which was acknowledged and recorded by the MLHR in its Decision Letter No. AHU-AH.01.03-0088675. Year 2016 dated October 12, 2016.

In December 2017, PMJA increased its issued and fully paid capital stock from Rp284,918,529 to Rp352,181,529 with par value of Rp1,000 (full amount) per share. The composition of shareholders after the increase in capital stock are as follows:

Shareholders	Initial capital stock ownership	Initial percentage ownership	Increase in capital stock	Capital stock ownership after increase in capital stock	Percentage ownerships after increase in capital
SMBI	120,929,915	42.44	29,630,000	150,559,915	42.75
BLID	47,438,935	16.65	11,199,000	58,637,935	16.65
Soetjipto Nagaria	83,993,983	29.48	19,829,000	103,822,983	29.48
Thomas Lundi Halim	25,414,733	8.92	6,000,000	31,414,733	8.92
I Made Sudarta	4,576,696	1.61	-	4,576,696	1.30
Edwin Ekaputra Halim	2,564,267	0.90	605,000	3,169,267	0.90
Total	284,918,529	100.00	67,263,000	352,181,529	100.00

The increase in issued and fully paid capital stock was notarized under deed No. 75 dated December 19, 2017 of Dewi Himijati Tandika, S.H. which was acknowledged and recorded by the MLHR in its Decision Letter No. AHU-AH.01.03-0021423 dated January 17, 2018.

1. GENERAL (continued)

f. Equity transactions in Subsidiaries without loss of control (continued)

PT Hotelindo Permata Jimbaran (HOPJ)

In December 2016, HOPJ increased its authorized capital stock from Rp10,000,000 to Rp150,000,000 and increased its issued and fully paid capital stock from Rp2,500,000 to Rp55,319,000 with par value of Rp1,000 (full amount) per share. PMJA subscribed for all of the increase of 52,819,000 shares or amounting to Rp52,819,000. These matters were notarized under deed No. 46 dated December 13, 2016 of Dewi Himijati Tandika, S.H., which was acknowledged and recorded by the MLHR in its Decision Letter No. AHU-AH.01.03-0010326. Year 2017 dated January 12, 2017.

In December 2017, HOPJ increased its issued and fully paid capital stock from Rp55,319,000 to Rp70,588,000 with par value of Rp1,000 (full amount) per share. PMJA subscribed for all of the increase of 15,269,000 shares for Rp15,269,000. The increase in issued and fully paid capital stock was notarized under deed No. 64 dated December 18, 2017 of Dewi Himijati Tandika, S.H. which was acknowledged and recorded by the MLHR in its Decision Letter No. AHU-AH.01.03.0015311 dated January 15, 2018.

g. Acquisition of Entities and sale of a Subsidiary

PT Java Orient Properti (JVOP)

On March 4, 2016, the shareholders of JVOP (SMIP, DJK and AMT) entered into a share purchase agreement, whereby SMIP acquired 4,968,000 and 15,732,000 shares from DJK and AMT, respectively, with par value of Rp1,000 (full amount) per share as the acquisition price. The difference between the selling price and the net book value amounting to Rp215,791 was recorded as “Differences in value of equity transactions with Non-controlling interests”, presented under the equity section in the consolidated statement of financial position. These matters were notarized under deeds No. 6 dated March 4, 2016 of P.Sutrisno A. Tampubolon, which was acknowledged and recorded by the MLHR in its Decision Letter No. AHU-AH.01.03-0028853. Year 2016 dated March 4, 2016.

Furthermore, on the same date, JVOP increased its authorized capital stock from Rp150,000,000 to Rp250,000,000 and increased its issued and fully paid capital stock from Rp90,000,000 to Rp152,000,000 with par value of Rp1,000 (full amount) per share. SMIP subscribed for the increase of 55,800,000 shares or amounting to Rp55,800,000, representing 90% ownership. The remaining shares were subscribed by DJK and AMT, for 1,537,600 shares or amounting to Rp1,537,600, which represents 2.48% ownership, and 4,662,400 shares or amounting to Rp4,662,400, which represents 7.52% ownership, respectively. These matters were notarized under deed No. 9 dated March 4, 2016 of P.Sutrisno A. Tampubolon, which was acknowledged and recorded by the MLHR in its Decision Letter No. AHU-AH.01.03-0032651. Year 2016 dated March 18, 2016.

PT Sumber Pembangunan Cemerlang (SBPC)

On February 13, 2017, The Company and SVPM sold all of their ownership in SBPC totaling to 1,000,000 shares with selling price Rp1,000,000. Whereby the 500,000 shares were sold to PT Kreasi Semesta Persada (KSP) and the remaining shares were sold to PT Sari Niaga Retailindo (SNR), all third parties, each representing 50% of ownership. The resulting difference between selling price and net book value amounting to Rp48,159 was recorded as part of other operational expenses in the consolidated statement of profit or loss and other comprehensive income. The sale was notarized under deed No. 61 dated February 13, 2017 of Dewi Himijati Tandika S.H., which was acknowledged and recorded by the MLHR in its Decision Letter No. AHU-AH.01.03-0081955 dated February 23, 2017.

1. GENERAL (continued)

h. Approval and authorization for the issuance of the consolidated financial statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Indonesian Financial Accounting Standards, which were completed and authorized for issuance by the Board of Directors of the Company on March 26, 2018, as previously reviewed and recommended for authorization of issuance by the Audit Committee of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared and presented in accordance with the Indonesian Financial Accounting Standards ("SAK"), which consist of the Statements of Financial Accounting Standards ("PSAK") and Interpretations to Financial Accounting Standards ("ISAK") issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants and the Regulations Financial Statement Presentation and Disclosure for Issuer or Public Company issued by the Financial Service Authority ("OJK", formerly BAPEPAM-LK).

The consolidated financial statements have been prepared on the accrual basis using the historical cost concept of accounting, except for certain accounts which are measured on the basis described in the related accounting policies for those accounts.

The consolidated statement of cash flows presents cash flows classified into operating, investing and financing activities. The cash flows from operating activities are presented using the direct method.

The reporting currency used in the preparation of the consolidated financial statements is the Indonesian rupiah (Rp), which is also the functional currency of the Group.

b. Accounting standards issued but not yet effective

The following are several accounting standards issued by the DSAK that are considered relevant to the financial reporting of the Group but not yet effective until January 1 2018:

- PSAK 15 (2017 Improvement): Investments in Associates and Joint Ventures, effective January 1, 2018 with earlier application is permitted. This improvement Clarifies that at initial recognition an entity may elect to measure its investee at fair value on the basis of an investment-by-investment
- PSAK 67 (2017 Improvement): Disclosure of I nterests in Other Entities, effective January 1, 2018 with earlier application is permitted. This improvement Clarifies the disclosure requirements in PSAK 67, in addition to those described in paragraphs PP10-PP16, also applied to any interest in the entity that is classified in accordance with PSAK 58.
- PSAK 71: Financial Instruments, adopted from IFRS 9, effective January 1, 2020 with earlier application is permitted. This PSAK provides for classification and measurement of financial instruments based on the characteristics of contractual cash flows and business model of the entity; expected credit loss impairment model that resulting information more timely, relevant and understandable to users of financial statements; accounting for hedging that reflect the entity's risk management better by introduce a more general requirements based on management's judgment.
- PSAK 72: Revenue from Contracts with Customers, adopted from IFRS 15, effective January 1, 2020 with earlier application is permitted. This PSAK is a single standards that a joint project between the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), provides revenue recognition from contracts with customers, and the entity is expected to have analizing before recognazing the revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Accounting standards issued but not yet effective (continued)

- PSAK No. 73: Leases, adopted from IFRS 16, effective January 1, 2020 with earlier application is permitted, but not before an entity applies PSAK 72: Revenue from Contracts with Customers. This PSAK establish the principles of recognition, measurement, presentation, and disclosure of the lease by introducing a single accounting model, with the requirement to recognize the right-of-use assets and liability of the lease; there are 2 optional exclusions in the recognition of the lease assets and liabilities: (i) short-term lease and (ii) lease with low-value underlying assets.

- Amendments to PSAK No. 2: Statement of Cash Flows on the Disclosures Initiative, effective January 1, 2018 with earlier application is permitted. This amendments requires entities to provide disclosures that enable the financial statements users to evaluate the changes in liabilities arising from financing activities, including changes from cash flow and non-cash.

- Amendments to PSAK No. 13 – Investment Property : Transfer of Investment Property, effective January 1, 2018 with earlier application is permitted. This amendments reflects the principle that asset usage changes include an assessment of whether the property meets, or ceases to meet, the definition of investment property.

- Amendments to PSAK No. 15 – Investments in Joint Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures, effective January 1, 2020 with earlier application is permitted. This amendments provides that the entity also applies PSAK No. 71 on the financial instruments to associates or joint ventures where the equity method is not applied. This includes long-term interests that substantively form the entity's net investment in an associates or joint ventures.

- Amendments to PSAK No. 46: Income Taxes on the Recognition of Deferred Tax Assets for Unrealized Losses, effective January 1, 2018 with earlier application is permitted. This amendments clarifies that to determine whether the taxable income will be available so that the deductible temporary differences can be utilized; estimates of the most likely future taxable income can include recovery of certain assets of the entity exceeds its carrying amount.

- Amendments to PSAK No. 53 – Share-based Payment: Classification and Measurement of Share-based Payment Transaction, effective January 1, 2018 with earlier application is permitted. This amendments aims to clarify the accounting treatment related to the classification and measurement of stock-based payment transactions.

- Amendments to PSAK No. 62: Insurance Contract on Applying PSAK No. 71 Financial Instruments with PSAK 62 Insurance Contract, effective January 1, 2020. This amendments allows those who meet certain criteria to apply a temporary exclusion of PSAK No. 71 (deferral approach) or choose to implement overlay approach for financial assets designated.

- Amendments to PSAK No. 71 – Financial Instruments: Prepayment Features with Negative Compensation, effective January 1, 2020 with earlier application is permitted. This amendments provides that a financial asset with prepayment features that may result in negative compensation qualifies as a contractual cash flow derived solely from the principal and interest of the principal amount owed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Accounting standards issued but not yet effective (continued)

- ISAK No. 33 – Foreign currency Transaction and Advance Consideration, effective January 1, 2019 with earlier application is permitted. This amendments clarify the use of the transaction date to determine the exchange rate used in the initial recognition of the related asset, expense or income at the time the entity has received or paid advance consideration in the foreign currency.

The Group is presently evaluating and has not yet determined the effects of these accounting standards on its financial statements.

c. Principles of consolidation

The consolidated financial statements include the subsidiary accounts owned by the Company with the equity ownership of more than 50%, either directly or indirectly through another subsidiary as disclosed in Notes 1d, 1e and 1f.

All material intercompany accounts and transactions (including unrealized gains or losses) have been eliminated. A Subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date such control ceases.

Specifically, the Group controls an investee if and only if the Group has:
(a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
(b) Exposure, or rights, to variable returns from its involvement with the investee; and
(c) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) The contractual arrangement with the other vote holders of the investee
(b) Rights arising from other contractual arrangements
(c) The Group’s voting rights and potential voting rights.

Non-controlling interests (“NCI”) represent the portion of the profit or loss and net assets of the Subsidiaries not attributable, directly or indirectly, to the Parent Entity, which are presented in the consolidated statement of profit or loss and other comprehensive income and under the equity section of the consolidated statement of financial position, respectively, separately from the corresponding portion attributable to owners of the parent entity.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Principles of consolidation (continued)

Losses of a non-wholly owned Subsidiary are attributed to the NCI even if the losses create an NCI deficit balance. In case of loss of control over a Subsidiary, the Company:

- derecognizes the assets (including goodwill) and liabilities of the Subsidiary;
- derecognizes the carrying amount of any NCI;
- derecognizes the cumulative translation differences recorded in equity, if any;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the Non-controlling interests ("NCI"), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

d. Cash equivalents

Time deposits with maturities of three months or less at the time of placement, which are not restricted as to withdrawal or are not pledged as collateral for loans, are classified as "Cash Equivalents". Cash in banks and time deposits which pledged are presented as part of "Other Non-current Financial Assets".

e. Restricted funds

Restricted funds represent funds obtained from the bank through the Company's House Financing Credit facility ("KPR") sales method which are restricted for use by the Group until gradual stages of completion of construction are completed depending on agreement with related banks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Transactions with related parties

A related party is a person or entity that is related to the Group.

a. An individual or family member is related to the Group if it:
   (i) has control or joint control over the Group;
   (ii) has significant influence over the Group; or
   (iii) is a member of the key management personnel of the Group or of the parent entity of the Company.

b. A party is considered to be related to the Group if:
   (a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control within the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or, (iii) has joint control over the Group;
   (b) the party is an associate of the Group;
   (c) the party is a joint venture in which the Group is a venturer;
   (d) the party is a member of the key management personnel of the Group;
   (e) the party is a close member of the family of any individual referred to in (a) or (d);
   (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or,
   (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

The transactions with related parties are made based on terms agreed by the parties. Such terms may not be the same as those for transactions with unrelated parties.

The details of the accounts and the significant transactions entered into with related parties are presented in Note 32.

g. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted average method.

Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as inventories.

The cost of land under development consists of cost of undeveloped land, direct and indirect development costs related to real estate development activities and borrowing costs. Land under development is transferred to landplots available for sale when the land development is completed. Total project cost is allocated proportionately to the saleable landplots based on their respective areas.

The cost of apartment under construction consists of the cost of developed land, construction costs, borrowing costs and other costs related to the development of the apartment. Costs capitalized to apartment under construction are allocated to each apartment unit using the saleable area method.

The cost of land development, including land which is used for roads and infrastructure or other unsaleable area, is allocated using saleable area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Inventories (continued)

The cost of buildings and apartments under construction is transferred to houses, shops and apartments (strata title) available for sale when the construction is substantially completed.

For residential property project, its cost is classified as part of inventories upon the commencement of development and construction of infrastructure. For commercial property project, upon the completion of development and construction of infrastructure, its cost remains as part of inventories or is reclassified to the related investment properties account, whichever is more appropriate.

Assessment of the estimation cost is reviewed at the end of each reporting period until the project is substantially completed, if there is a change, the Company will revise the cost.

Other inventories consist of food, beverages and others which are related to operational activities of the Group's hotel, club house and hospital are stated at the lower of cost or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs to complete and the estimated costs to sell. The decline in value of inventories is determined to writedown the carrying amount of inventories to their net realizable value and the decline is recognized as a loss in the consolidated statements of profit or loss and other comprehensive income.

h. Prepaid expenses

Prepaid expenses are amortized over the periods benefited using the straight-line method.

i. Undeveloped land

Undeveloped land is stated at cost or net realizable value, whichever is lower.

The cost of undeveloped land consisting of pre-acquisition and acquisition cost of land, is transferred to land under development upon commencement of land development.

j. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any, except for land which is not depreciated.

Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are met. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in profit and loss as they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings and infrastructures	2 - 40
Machinery and heavy equipment	10
Vehicles	5 - 10
Furniture and office equipment	2 - 5

Land is stated at cost and is not depreciated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Fixed assets (continued)

Specific costs associated with the extension or renewal of land titles are deferred and amortized over the legal term of the landrights or economic life of the land, whichever period is shorter.

Construction in progress is stated at cost and is accounted as part of fixed assets. The accumulated costs are reclassified to the appropriate fixed assets or investment properties account when the construction is completed and the constructed asset is ready for its intended use.

An item of fixed assets 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 year the asset is derecognized.

The fixed assets' residual values, useful lives and methods of depreciation are reviewed and adjusted prospectively, if appropriate, at each financial year end.

k. Investment properties

Investment properties are stated at cost, which includes transaction cost, less accumulated depreciation and impairment loss, if any, except for land which is not depreciated. Such cost also includes the cost of replacing part of the investment properties if the recognition criteria are met, and excludes the daily expenses on their usage.

Investment properties consist of land, building and infrastructures, machinery and heavy equipment and hotel facilities held by the Group 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the investment properties as follows:

	Years
Buildings and infrastructures	3 - 40
Machinery and heavy equipment	10
Hotel facilities	2 - 5

Based on the Company's management assessment and evaluation, began on January 1, 2015, the Company changes its useful lives of the building from 20 years to 40 years.

Transfers to investment properties should be made when, and only when, there is a change in use, evidenced by the end of owner-occupation, commencement of an operating lease to another party or end of construction or development. Transfers from investment properties should be made when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

The changes in the useful lives estimation is done after considering the effect of the repairs and maintenance performed by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Investment properties (continued)

An investment property should be derecognized on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gain or loss arising from the retirement or disposal of investment property is credited or charged to operations in the year the asset is derecognized.

For a transfer from investment properties to owner-occupied property, the Company uses the cost method at the date of change in use. If an owner-occupied property becomes an investment property, the Company records the investment property in accordance with the fixed assets policies up to the date of change in use.

l. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at 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. A lease that transfers substantially to the lessee all the risks and rewards incidental to ownership of the leased asset is classified as a finance lease.
Consequently, a lease is classified as an operating lease, if the lease does not transfer substantially all the risks and rewards incidental to ownership.

<u>The Group as lessee</u>

At the commencement of the lease term, a lessee recognizes finance lease as an asset and a liability in its consolidated statements of financial position at an amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred. Finance charges are reflected in the consolidated statements of profit or loss and other comprehensive income.

Leased asset held by the lessee under a finance lease is depreciated consistently using the same method used with that for depreciable assets that are directly owned, or is fully depreciated over the shorter of the lease term and its useful life, if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term.

Leases which do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the lease term.

<u>The Group as lessor</u>

The Group recognizes an asset held under a finance lease in its consolidated statement of financial position and presents it as a receivable at an amount equal to the net investment in the lease. Lease receivable is treated as repayment of principal and finance income. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group’s net investment in the finance lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Leases (continued)

Group as lessor (continued)

The Group presents an asset subject to operating leases in its consolidated 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 over the lease term on the same basis as 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 method over the lease term.

m. Capitalization of borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the related asset. Other borrowing costs are recognized as expenses in the period in which they are incurred. Borrowing costs may include interest, finance charges in respect of finance leases and foreign exchange differences arising from foreign currency borrowings to the extent that they are regarded as adjustment to interest costs.

Capitalization of borrowing costs commences when the activities to prepare the qualifying asset for its intended use have started and the expenditures for the qualifying asset and the borrowing costs have been incurred.

Capitalization of borrowing costs ceases when all the activities necessary to prepare the qualifying asset for its intended use are substantially completed.

The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site property acquired specifically for development, but only where activities necessary to prepare the asset for development are in progress.

n. Impairment of non-financial asset value

The Group assesses at each reporting date whether there is an indication that assets may be impaired. If any such indication exists, or when annual impairment testing for assets (i.e., an intangible asset with an indefinite useful life, or an intangible asset not yet available for use) is required, the Group makes an estimate of the recoverable amounts of the respective assets.

An asset's recoverable amount is the higher of the asset's or its CGU's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the asset. These calculations are corroborated by valuation multiples or other available fair value indicators.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Impairment of non-financial asset value (continued)

Impairment losses of continuing operations, if any, are recognized in the consolidated statement of profit or loss and other comprehensive income under expense categories that are consistent with the functions of the impaired assets.

A previously recognized impairment loss for an asset is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Reversal of an impairment loss is recognized in the consolidated statements of profit or loss and other comprehensive income. After such a reversal, the depreciation charge on the said asset is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

o. Stock issuance costs

Costs incurred in connection with the issuance of capital stock are presented as a deduction to additional paid-in-capital.

p. Revenue and expense recognition

Revenues from real estate sales are recognized as follows:

(i) Revenues from sales of houses, shops and other similar property and related land are recognized under the full accrual method if all of the following conditions are met:

1. A sale is consummated.
2. The selling price is collectible.
3. The seller's receivable is not subject to future subordination to other loans which will be obtained by the buyer.
4. The seller has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property.

(ii) Revenues from sales of landplots that do not require the seller to construct the building are recognized under the full accrual method if all of the following conditions are met:

1. Total payments by the buyer are at least 20% of the agreed selling price and the amount is not refundable.
2. The selling price is collectible.
3. The receivable is not subordinated to other loans that will be obtained by the buyer.
4. The land development process is complete so that the seller has no further obligations related to the landplots sold.
5. Only the landplots are sold. without any requirement for the seller's involvement in the construction of the building on the landplots.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Revenue and expense recognition (continued)

(iii) Revenues from sales of apartments, the construction of which has not been completed, are recognized using the percentage-of-completion method if all of the following conditions are met:

1. The construction process has already commenced, i.e., the building foundation has been completed and all of the requirements to commence construction have been fulfilled.
2. Total payments by the buyer are at least 20% of the agreed selling price and the amount is not refundable.
3. The amount of revenue and the cost of the property can be reliably estimated.

If any of the above conditions is not met, the payments received from the buyer are recorded as deposits received until all of the criteria are met.

The method used to determine the percentage of completion is the proportion of actual costs incurred to the estimated total development cost of the real estate project.

Rental payments received in advance from tenants of shopping centers are recorded as "Unearned revenues". Such unearned income is recognized as income over the terms of the lease contracts. Deposits received from customers are presented as part of "Downpayments received and security deposits".

Rental and membership fees in sports club are recognized as income over the period of rental or membership. Rental and membership fees received in advance are presented as "Unearned Revenues". Revenues from restaurant operations are recognized when the goods are delivered or when the services have been rendered.

Revenue from hotel room occupancy is recognized on the basis of the period of occupancy. Revenue from other hotel services is recognized when the services are rendered or the goods are delivered to the customer.

Revenues from medical services are recognized at the point of sale or upon delivery of services to the patients.

The elements of costs which are capitalized to real estate development projects include the pre-acquisition cost of land, cost of land acquisition and other costs attributable to the development activity of real estate. The costs are allocated to real estate development projects using either the saleable area method or the sales value method.

Costs which are not clearly related to a real estate project, such as general and administrative expenses, are recognized as an expense as they are incurred.

If a certain project is estimated to generate a loss, a provision must be recognized for the amount of the loss.

The revision of estimated costs or revenues, if any, which are generally attributed to real estate development activities must be allocated to ongoing and future projects. Revisions resulting from current period and prior period adjustments are recognized in the current period profit and loss, while revisions related to future periods are allocated to the remaining period of development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Employee benefits

Short-term employee benefits

The Group recognizes short-term employee benefits liability (if any) when services are rendered and the compensation for such services are to be paid within twelve months after such services are rendered.

Post-employment benefits

The Group recognized an unfunded employee benefits liability in accordance with Labor Law No. 13/2003 dated March 25, 2003 (the “Law”) and PSAK No. 24 (2013), “Employee Benefits”. Under the Law, the Group is required to pay separation, appreciation and compensation benefits to its employees if the conditions specified in the Law are met.

The Group also has a defined contribution plan covering substantially all of its eligible employees. The benefits under the Law have been calculated by comparing the benefits that will be received by an employee at normal pension age from the Pension Plan with the benefits as stipulated under the Law, after deducting the accumulated employee contribution and the related investment results. If the employer-funded portion of the Pension Plan benefit is less than the benefit as required by the Law, the Group will provide for such shortfall.

Pension costs under the Group’s defined benefit pension plans are determined by periodic actuarial calculation using the projected-unit-credit method and applying the assumptions on discount rate, expected return on plan assets and annual rate of increase in compensation.

All re-measurements, comprising of actuarial gains and losses, and the return of plan assets (excluding net interest) are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit and surplus. Re-measurements are not reclassified to profit or loss in subsequent periods.

All past service costs are recognized at the earlier of when the amendment/curtailment occurs and when the related restructuring or termination costs are recognized. As a result, unvested past service costs can no longer be deferred and recognized over the future vesting period.

r. Foreign currency transactions and balances

The Company’s consolidated financial statements are presented in Rupiah, which is also the Parent Company’s functional currency. Each subsidiary determine its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transaction in foreign currencies are initialy recorded by the Group at their respective functional currency rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the average of the selling and buying rates of exchange prevailing at the last banking transaction date of the period, as published by Bank Indonesia and any resulting gains or losses are credited or changed to operations of the current period.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Foreign currency transactions and balances (continued)

As of December 31, 2017 and 2016, the rates of exchange used were as follows:

	December 31, 2017 (Full amounts)	December 31, 2016 (Full amounts)
1 European euro (Euro)	16,174	14,162
1 United States dollar (US$)	13,548	13,436
1 Singapore dollar (Sin$)	10,134	9,299

Transactions in other foreign currencies are considered not significant.

s. Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

All of the provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligations, the provisions are reversed.

t. Income tax

The Group has adopted PSAK 46 (Revised 2014), “Income Tax”.

Final Tax
Tax regulation in Indonesia determined that certain taxable income is subjected to final tax. Final tax applied to the gross value of transactions is applied even when the parties carrying the transaction recognizing losses.

By applying the revised PSAK, the Group has decided to present all of the final tax arising from sales of landplots, houses and shops as separate line item.

The difference between the carrying amount of a revalued asset and its tax base is a temporary difference and gives rise to a deferred tax liability or asset, except for certain asset such as land, which realization is taxed with final tax on gross value of transaction.

According to Law No. 12 year 1994, the value of the transfer is the highest value among the values under the Deed of Assignment and the Tax Object Sales Value of related land and/or buildings.

Based on Government Regulation (PP) No. 5 dated March 23, 2002, income from shopping center rental is subjected to a final tax of 10%, except for income on rental contracts signed prior to such regulation which is subject to 6%. On November 4, 2008, the President of the Republic of Indonesia and the Minister of Law and Human Rights signed Government Regulation No. 71/2008 (PP No. 71/2008) on “the third changes on PP No. 48/1994 regarding payment of income tax on income from transfer rights on land and/or building”. This regulation provides that, effective January 1, 2009, the income of a taxpayer from transactions of transferring rights on land and/or building, is subjected to final tax of 5% from the sales or transfer, which has been replaced by Government Regulation (PP) No. 34/2016 dated August 8, 2016, effective since September 8, 2016, income from the transfer of land or buildings are subjected to final tax amounting to 2.5% of the value of the sale or transfer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Income tax (continued)

Current Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authority.

Current tax expense is determined based on the taxable profit for the year computed using the prevailing tax rates.

Underpayment/overpayment of income tax are presented as part of “Tax Expense - Current” in the consolidated statements of profit or loss and other comprehensive income. The Group also presented interest/penalty, if any, as part of “Tax Expense - Current”.

Amendments to tax obligations are recorded when a tax assessment letter is received or, if appealed against, when the result of the appeal is determined.

Deferred Tax

Deferred tax assets and liabilities are recognized using the liability method for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases at each reporting date. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences and accumulated fiscal losses to the extent that it is probable that taxable profit will be available in future years against which the deductible temporary differences and accumulated fiscal losses can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. At the end of each reporting period, the Group reassesses unrecognized deferred tax assets. The Group recognizes a previously unrecognized deferred tax assets to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the reporting date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates are charged to current period operations, except to the extent that they relate to items previously charged or credited to equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The tax effects for the year are allocated to current operations, except for the tax effects of transactions which are charged or credited to equity. Management periodically evaluates positions taken by the Company in with respect to situations in which applicable tax regulations are subject interpretation and establishes provisions where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments

i. Financial assets

Initial Recognition

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the assets.

Subsequent Measurement

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of profit or loss and other comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

As of December 31, 2017 and 2016, the Group has cash and cash equivalents, trade and other receivables, due from related parties and other current and non-current financial assets in this category.

The Group has determined that its financial assets are categorized as loans and receivables.

- Available-For-Sale (AFS) financial assets

  AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as fair value through profit or loss, loans and receivables and held-to-maturity investments. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in equity until the investment is derecognized. At that time, the cumulative gain or loss previously recognized in equity is reclassified to profit or loss.

The Company has investments in shares of stock that have readily determinable fair value and on which the Company's ownership interest is less than 20%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

i. Financial assets (continued)

Derecognition of financial asset

A financial asset, or where applicable, a part of a financial asset or part of a group of similar financial assets, is derecognized when:

(i) the contractual rights to receive cash flows from the financial asset have expired; or
(ii) the Group has transferred its rights to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the financial asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Group has transferred its rights to receive cash flows from a financial asset or has entered into a “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (i) the consideration received, including any new assets obtained less any new liabilities assumed, and (ii) any cumulative gain or loss which had been recognized in equity, should be recognized in the consolidated statements of profit or loss and other comprehensive income.

On derecognition of a financial asset other than in its entirety (e.g., when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in the consolidated statements of profit or loss and other comprehensive income. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Impairment of financial assets

At each reporting date, the Group assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (incurred ‘loss events’) and those loss events have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

i. Financial assets (continued)

The Group considers whether there is objective evidence of impairment individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets that have similar credit risk characteristics and the group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or that continues to be recognized, are not included in a collective assessment of impairment.

The impairment loss of a financial asset which is assessed individually is measured as the difference between the carrying value of the financial asset and the present value of estimated future cash flows discounted using the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance for impairment account and the impairment loss is recognized in the consolidated statements of profit or loss and other comprehensive income.

Future cash flows of a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- Financial assets carried at amortized cost

  Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group.

  If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

  The recovery should not lead to the carrying amount of the financial asset exceeding its amortized cost that would have been determined had no impairment loss been recognized for the asset at the reversal date. The amount of reversal is recognized in the consolidated statements of profit or loss and other comprehensive income. If a future write-off is later recovered, the recovery is also recognized in the consolidated statements of profit or loss and other comprehensive income.

  If there is objective evidence that an impairment has occurred over equity instruments that do not have quoted market price and are not carried at fair value because fair value cannot be measured reliably, then the amount of any impairment loss is measured as the difference between the carrying value of the financial assets and the present value of estimated future cash flows discounted at the prevailing rate of return on the market for a similar financial asset. Impairment losses are not recoverable in the following years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

ii. Financial liabilities

Initial Recognition

Financial liabilities are classified as financial liabilities at fair value through profit or loss. financial liabilities at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value which, in the case of financial liabilities at amortized cost, is inclusive of directly attributable transaction costs.

As of December 31, 2017 and 2016, the Group has determined that short-term bank loans, trade payables to third parties, other payables, due to related parties, accrued expenses, liability for short-term employee benefits, downpayments received and security deposits - customer deposits, long-term debts, bonds payable and sukuk ijarah and other non-current financial liabilities are categorized as financial liabilities at amortized cost.

Subsequent Measurement

Financial liabilities at amortized cost

After initial recognition, financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Derecognition of financial liabilities

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of profit or loss and other comprehensive income.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash flows (including all fees and points received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) throughout the expected life of the financial asset, or a shorter period, where appropriate, to the net carrying amount at initial recognition of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

ii. Financial liabilities (continued)

Fair value hierarchy

The Group measures financial instruments, such as derivatives, at fair value at each consolidated statements of financial position date. Also, fair values of financial instruments measured at amortized cost are disclosed in the related note.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly.
- Level 3: Fair values measured based on valuation techniques for which inputs which have a significant effect on the recorded fair values are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

iv. Amortized cost of financial instruments

Amortized cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

v. Earnings per share

Earnings per share amount is calculated by dividing the profit for the year attributable to the owners of the Parent Entity by the weighted average number of shares outstanding during the year.

w. Operating segments

A segment is a distinguishable component of the Group that is engaged either in providing certain products and services (business segment) or in providing products and services within a particular economic environment (geographical segment), which is subjected to risks and rewards that are different from those in other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. They are determined before intra-group balances and intra-group transactions are eliminated. The amount of each segment item reported is the measure reported to the chief operating decision-maker for the purposes of making decisions about allocating resources to the segment and assessing its performance.

x. Business combination of entities under common control

Transfer of business within entities under common control does not result in a change of the economic substance of ownership of the business being transferred and does not result in gain or loss to the Group or to the individual entity within the Group. Since the transfer of business of entities under common control does not result in a change of the economic substance, the business being exchanged is recorded at book value as a business combination using the pooling of-interests method.

Under the pooling-of-interests method, the components of the financial statements for the period during which the restructuring occurred and for other periods presented, for comparison purposes, are presented in such a manner as if the restructuring had already happened from the beginning of the periods during which the entities were under common control. The difference between the carrying amounts of the business combination transaction and the consideration transferred is recognized as part of the account “Additional Paid-in Capital”.

y. Sukuk ijarah payable

Sukuk ijarah is recognized when the Group becomes a party involved with the issuance of sukuk ijarah which is presented as a liability. At initial recognition, sukuk ijarah is stated at nominal amount, adjusted for premium or discount and sukuk ijarah issuance costs. After initial recognition, if the amount recorded is different with the nominal amount, the difference is amortized using the straight-line method over the term of the sukuk ijarah.

Sukuk ijarah issuance costs are directly deducted from the issue proceeds in the consolidated statement of financial position as a transaction cost and are amortized using the straight-line method over the term of the sukuk ijarah.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z. Events after the financial reporting period

Post year-end events that provide additional information about the Group's position at reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the consolidated financial statements:

· *Revenue recognition*

When a contract for the sale of a property upon completion of construction is judged to be a construction contract (see revenue recognition policy for sales of property under development) (Note 2p), revenue is recognized using the percentage-of-completion method as construction progress. The percentage of completion is made by reference to the stage of completion of the project or contract, determined based on the proportion of the contract costs incurred to date to the total estimated costs of the project or contract.

· *Classification of financial assets and financial liabilities*

The Group determines the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK 55. Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Group's accounting policies disclosed in Note 2u.

· *Classification of property*

The Group determines whether an acquired property is classified as investment property or inventory:

- Investment property consists of land and buildings (principally offices, commercial warehouse and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

- Inventory consists of property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

3. MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

· *Valuation of property*

The fair value of land and buildings disclosed under the "Fixed assets" and "Investment properties" accounts are determined by independent real estate valuation experts using recognized valuation techniques. These techniques comprise the cost approach and market and revenue valuation methods. In some cases, the fair value is determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets. Total fair value as of December 31, 2017 is disclosed in Notes 11 and 12 to the consolidated financial statements.

· *Operating lease contracts - the Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the leased property and, therefore, it accounts for the leases as operating leases.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

· *Determination of fair value of financial assets and financial liabilities*

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair value. The judgment includes consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

· *Estimating useful lives of fixed assets and investment properties*

The Group estimates the useful lives of its fixed assets and investment properties based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior. The estimation of the useful lives of fixed assets and investment properties is based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives are reviewed at least each financial year end and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the assets.

It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above.

The amounts and timing of recorded expenses for any year are affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the Group's fixed assets and investment properties increases the recorded cost of sales and direct costs and operating expenses and decreases total assets.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

3. MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and Assumptions (continued)

· *Estimation of pension cost and other employee benefits*

The cost of defined benefit plan and the present value of the pension obligation are determined using the projected-unit-credit method. Actuarial valuation includes making various assumptions which consist of, among other things, discount rates, expected rates of return on plan assets, rates of compensation increases and mortality rates. Actual results that differ from the Group's assumptions are recognized as other comprehensive income. Due to the complexity of the valuation and its underlying assumptions and long-term nature, a defined benefit obligation is highly sensitive to changes in assumptions.

While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in its assumptions may materially affect the costs of and obligations for pension and other long-term employee benefits. All assumptions are reviewed at each reporting period.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

· *Uncertain tax exposure*

In certain circumstances. the Group may not be able to determine the exact amount of its current or future tax liabilities due to ongoing investigations by, or negotiations with, the taxation authority. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. In determining the amount to be recognized in respect of an uncertain tax liability, the Group applies similar considerations as it would use in determining the amount of a provision to be recognized in accordance with PSAK No. 57, "Provisions, Contingent Liabilities and Contingent Assets". The Group makes an analysis of all tax positions related to income taxes to determine if a tax liability for unrecognized tax benefit should be recognized.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	December 31,	
	2017	2016
Cash on hand		
Rupiah	5,979,587	6,692,011
Foreign currencies	399,526	631,681
Total cash on hand	6,379,113	7,323,692

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents consist of the following: (continued)

	December 31,	
	2017	**2016**
Cash in banks		
Rupiah		
PT Bank Central Asia Tbk	486,735,961	264,631,943
PT Bank Permata Tbk	303,723,920	526,162,475
PT Bank Muamalat Indonesia	84,197,680	-
PT Bank Mandiri (Persero) Tbk	78,109,266	98,922,557
PT Bank OCBC NISP Tbk	34,199,129	23,553,225
PT Bank CIMB Niaga Tbk	24,268,712	22,795,560
Others (each below Rp20,000,000)	25,809,256	20,768,177
United States dollar		
PT Bank Permata Tbk (US$4,537,647 in 2017 and US$4,753,430 in 2016)	61,476,044	63,867,083
Others (each below Rp10,000,000)	11,219,170	6,164,938
Other currencies		
Others (each below Rp10,000,000)	2,926,658	2,692,300
Total cash in banks	1,112,665,796	1,029,558,258
Time deposits		
Rupiah		
PT Bank Permata Tbk	157,806,285	548,901,122
PT Bank Central Asia Tbk	109,306,821	339,377,537
PT Bank Mandiri (Persero) Tbk	35,000,000	10,000,000
PT Bank Pan Indonesia Tbk	28,500,000	12,500,000
PT Bank Mayora Tbk	20,000,000	20,000,000
PT Bank UOB Indonesia Tbk	-	35,000,000
Others (each below Rp10,000,000)	2,661,415	30,854,258
United States dollar		
PT Bank Central Asia Tbk (US$300,000)	4,064,400	-
PT Bank Permata Tbk (each below Rp4,000,000)	5,936,848	5,741,209
Total time deposits	363,275,769	1,002,374,126
Total cash and cash equivalents	**1,482,320,678**	**2,039,256,076**

Ranges of annual interest rates of time deposits are as follows:

	Year ended December 31,	
	2017	**2016**
Rupiah	4.25% - 8.50%	4.25% - 9.50%
United States dollar	0.35% - 0.85%	0.35% - 0.75%

As of December 31, 2017, cash on hand is covered by insurance against theft and other risks with PT Asuransi Allianz Utama Indonesia and PT Asuransi ACE, all third parties, with total coverage of Rp48,968,500 (2016: Rp42,028,500). The Group's management is of the opinion that the coverage is adequate to cover possible losses arising from such risks.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS (continued)

Interest income from time deposits is presented in the consolidated statements of profit or loss and other comprehensive income as part of "finance income".

All cash in banks and time deposits are placed in third-party banks. As of December 31, 2017 and 2016, no cash and cash equivalents pledged as collateral for loans.

5. TRADE RECEIVABLES

The details of trade receivables are as follows:

	December 31,	
	2017	**2016**
Related parties		
Sale of houses, shops and landplots	190,050,477	36,680,361
Rental of retail and commercial investment properties	4,847,113	2,049,311
Sale of apartments	1,814,380	456,700
Hotel services	48,726	-
Sub-total	**196,760,696**	**39,186,372**
Third parties		
Sale of houses, shops and landplots	203,134,845	263,163,590
Sale of apartment	173,823,406	195,346,569
Rental of retail and commercial investment properties	38,882,295	27,312,728
Sale of land	33,573,746	28,720,906
Hotel services	8,073,697	3,395,251
Rental of residential and office investment properties	3,373,381	914,264
Monthly membership fees in sports club	1,057,600	721,836
Others	26,489,440	19,841,236
Sub-total	**488,408,410**	**539,416,380**
Total trade receivables	**685,169,106**	**578,602,752**
Less of current maturities	(645,415,522)	(539,087,187)
Long-term portion	**39,753,584**	**39,515,565**

All of the Group's trade receivables are denominated in Rupiah.

As of December 31, 2017, there is no trade receivables from specific subsidiaries collateralized in relation to BCA's long term loan (2016: Rp28,351,960) (Note 14).

Based on a review of the status of the individual trade receivables at the end of the year, the Group's management believes that all of the trade receivables are current and fully collectible, therefore no allowance for impairment of trade receivables is necessary.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

5. TRADE RECEIVABLES (continued)

In relation to operating leases of the Group, the following is the aggregate amount of future minimum lease payments for each period under non-cancellable operating leases (unaudited):

	December 31,	
	2017	**2016**
< 1 year	516,307,325	482,360,439
1-5 years	886,715,822	668,646,306
> 5 years	-	5,761,779
Total operating lease receivables	**1,403,023,147**	**1,156,768,524**

In 2017, total contingent rent, which was recognized as revenue, amounted to Rp82,071,529 (2016: Rp66,111,634).

The general terms and conditions of lessor agreements are as follows:
- Rental periods range from 1 to 10 years,
- Lessee is required to pay 5-20% non-refundable rental downpayment at the beginning of the rental period, while the remaining rental fees are payable in installments over the lease term as agreed upon by both parties,
- Lessee is required to pay service charge at certain rate per square meter (m^2),
- Lessee is required to pay rental security deposit, service charge, telephone, and others to lessor.

6. OTHER RECEIVABLES

As of December 31, 2017 and 2016, other receivables represent receivables from third parties related to Company's operational activities.

Based on the review of the status of the individual receivables at the end of the year, management believes that all other receivables are fully collectible and therefore no allowance for impairment of other receivables is necessary.

7. INVENTORIES

Inventories consist of:

	December 31,	
	2017	**2016**
Inventories available for sale		
Landplots	133,513,828	141,145,880
Houses	86,797,700	110,352,874
Shops	71,580,534	19,140,173
Total inventories available for sale	291,892,062	270,638,927

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

7. INVENTORIES (continued)

Inventories consist of: (continued)

	December 31,	
	2017	**2016**
Inventories under construction		
Buildings	3,026,527,648	2,366,607,014
Apartments	1,618,829,371	1,550,284,600
Landplots	1,509,283,567	1,285,765,558
Total inventories under construction	6,154,640,586	5,202,657,172
Others	51,924,010	57,750,613
Total inventories	**6,498,456,658**	**5,531,046,712**

The movements in the buildings and apartments inventories under construction account are as follows:

	Year ended December 31,	
	2017	**2016**
Beginning balance	3,916,891,614	3,545,317,375
Production costs	2,533,499,839	2,185,855,876
Transfers to buildings and apartments inventories available for sale	(1,805,034,434)	(1,814,281,637)
Ending balance	**4,645,357,019**	**3,916,891,614**

The movements in the inventories available for sale account are as follows:

	Year ended December 31,	
	2017	**2016**
Beginning balance:		
Houses	110,352,874	43,612,358
Shops	19,140,173	27,719,539
Transfers from buildings and apartments inventories under construction	1,805,034,434	1,814,281,637
Cost of sales (Note 29):		
Apartments	(1,262,153,408)	(997,201,998)
Houses	(423,973,972)	(734,795,564)
Shops	(90,021,867)	(24,122,925)
Ending balance	**158,378,234**	**129,493,047**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

7. INVENTORIES (continued)

Real estate development inventories which are already covered by signed sales/purchase agreements but have not yet been recognized as sales are as follows:

	December 31,	
	2017	**2016**
Inventories available for sale		
Houses	85,912,416	106,802,725
Landplots	76,150,297	56,639,220
Shops	9,165,587	16,620,765
Total inventories available for sale	171,228,300	180,062,710
Inventories under construction		
Buildings	3,002,986,466	2,749,491,692
Landplots	1,129,797,187	91,822,682
Total	**4,304,011,953**	**3,021,377,084**

The downpayments received related to the above-mentioned inventories as of December 31, 2017 amounting to Rp2,877,363,879 (2016: Rp2,615,327,807) are presented as Downpayments Received in the consolidated statement of financial position and as part of "Downpayments Received from Sale" in Note 21.

As of December 31, 2017, inventories amounting to Rp625,365,800 (2016: Rp716,948,280) were used as collateral for bank loans payable to BCA (Note 14). As of December 31, 2017, borrowing costs which were capitalized to inventories amounted to Rp176,863,119 (2016: Rp72,511,452). Capitaization rate of borrowing costs ranged from 9.00% to 10.50%.

As of December 31, 2017, houses, shops and apartments inventories are covered by insurance against fire and other risks with PT Asuransi AXA Indonesia, PT Zurich Insurance Indonesia, PT Asuransi Allianz Utama Indonesia and PT Asuransi Central Asia, all third parties, with total coverage of Rp2,279,289,109 and US$30,970,030 (2016: Rp3,330,702,390 and US$34,289,440). The Group's management is of the opinion that the above coverage is adequate to cover possible losses arising from such risks.

As of December 31, 2017, revenue from property development presented as part of net revenues in the consolidated statement of profit or loss and other comprehensive income amounted to Rp3,603,212,537 (2016: Rp3,560,829,800) (Note 28).

Based on the review of the physical conditions and net realizable value of inventories at the reporting date, the Group's management believes that inventories are realizable at the above amounts and no provision for losses is necessary.

8. PREPAID EXPENSES

This account consists of prepayments to third parties for:

	December 31,	
	2017	**2016**
Advertising	17,198,625	15,200,067
Insurance	6,860,745	4,571,012
Transaction cost related to credit facility that not fully drawdown	6,421,180	5,346,302
Others	6,569,862	9,412,225
Total prepaid expenses	**37,050,412**	**34,529,606**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

9. UNDEVELOPED LAND

The details of undeveloped land are as follows:

	December 31, 2017		December 31, 2016	
Location	**Area (m^2)**	**Amount**	**Area (m^2)**	**Amount**
Summarecon Serpong	3,065,268	1,094,148,696	2,976,420	1,016,305,263
Summarecon Bekasi	3,915,378	1,013,645,875	3,887,067	928,175,467
Summarecon Bandung	3,294,420	1,617,374,289	3,339,658	1,600,057,450
Summarecon Karawang	229,976	277,465,135	323,721	386,212,986
Makassar	3,652,485	778,395,950	3,347,364	741,673,806
Bogor	4,250,662	787,039,412	4,149,496	762,575,489
Others	2,218,403	728,083,316	2,093,341	722,513,983
Total undeveloped land	**20,626,592**	**6,296,152,673**	**20,117,067**	**6,157,514,444**

The status of ownership of undeveloped land is as follows:

	December 31,	
	2017	**2016**
Status	**Area (m^2)**	**Area (m^2)**
Land certificates already issued	10,438,042	10,623,739
Released rights ("*pelepasan hak*")	10,188,550	9,112,564
In the process of releasing rights ("*pelepasan hak*")	-	380,764
Total	**20,626,592**	**20,117,067**

Management believes that there will be no issue in obtaining the land certificates and the extension of the land rights since all the land were legally acquired and supported by sufficient evidence of ownership.

As of December 31, 2017 and 2016, some undeveloped land properties are pledged as collateral for loans from banks (Note 14) with details of the carrying value of the assets as follows:

	December 31, 2017		December 31, 2016	
Location	**Area (m^2)**	**Amount**	**Area (m^2)**	**Amount**
Summarecon Serpong				
- PT Bank Central Asia Tbk	167,403	14,760,035	158,678	14,760,035
- PT Bank Mandiri (Persero) Tbk	284,144	26,710,673	284,144	26,710,673
Makassar				
- PT Bank Central Asia Tbk	447,080	250,000,000	-	-
Total	**898,627**	**291,470,708**	**442,822**	**41,470,708**

As of December 31, 2017 and 2016, undeveloped land with total area 219,300 m^2 with carrying value of Rp20,623,766 are used as collateral for "Obligasi Berkelanjutan I Tahap III" (Note 15).

No borrowing costs have been capitalized to undeveloped land in 2017 and 2016.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

10. ADVANCE PAYMENTS

This account consists of payments for:

	December 31, 2017	December 31, 2016
Current advance payments for:		
Purchase of construction materials	160,388,647	184,422,034
Sales commission	85,925,629	80,396,033
Others	44,899,350	43,364,707
Total current advance payments	291,213,626	308,182,774
Non-current advance payments for:		
Purchase of:		
Land	619,874,707	486,388,304
Fixed assets and investment properties	18,974,567	17,455,529
Others	7,166,822	8,220,692
Total non-current advance payments	646,016,096	512,064,525
Total advance payments	**937,229,722**	**820,247,299**

11. FIXED ASSETS

The details of fixed assets are as follows:

	Balance as of December 31, 2016	Year ended December 31, 2017 Additions	Deductions**	Reclassifications	Balance as of December 31, 2017
Cost					
Direct ownership					
Land	20,698,962	-	-	-	20,698,962
Buildings and infrastructures	308,992,180	10,786,135	1,753,777	(4,697,716)	313,326,822
Machinery and heavy equipment	73,057,463	9,078,699	-	7,570,951	89,707,113
Vehicles	107,936,828	17,432,850	10,085,105	-	115,284,573
Furniture and office equipment	435,566,280	35,209,004	3,149,722	(3,090,706)	464,534,856
Sub-total	946,251,713	72,506,688	14,988,604	(217,471)	1,003,552,326
Construction in progress	9,576,102	7,708,404	-	(6,610,943)	10,673,563
Total cost	955,827,815	80,215,092	14,988,604	(6,828,414)	1,014,225,889
Accumulated depreciation					
Direct ownership					
Buildings and infrastructures	126,468,382	14,864,911	587,236	(1,801,194)	138,944,863
Machinery and heavy equipment	25,178,696	9,367,336	-	(2,411,880)	32,134,152
Vehicles	76,933,224	14,160,157	9,416,401	-	81,676,980
Furniture and office equipment	275,904,201	65,690,813	1,430,993	(272,734)	339,891,287
Total accumulated depreciation	504,484,503	104,083,217	11,434,630	(4,485,808)	592,647,282
Net book value	**451,343,312**				**421,578,607**

** consist of sales, disposals, and disposals and deduction of contract amounts to suppliers

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

11. FIXED ASSETS (continued)

The details of fixed assets are as follows: (continued)

	Balance as of December 31, 2015	Year ended December 31, 2016 Additions	Deductions*	Reclassifications	Balance as of December 31, 2016
Cost					
Direct ownership					
Land	20,698,962	-	-	-	20,698,962
Buildings and infrastructures	267,862,183	9,256,841	67,191	31,940,347	308,992,180
Machinery and heavy equipment	37,195,524	23,232,623	128,700	12,758,016	73,057,463
Vehicles	104,193,166	6,003,249	2,633,894	374,307	107,936,828
Furniture and office equipment	369,217,202	27,037,789	1,620,176	40,931,465	435,566,280
Sub-total	799,167,037	65,530,502	4,449,961	86,004,135	946,251,713
Under finance lease - Vehicles	350,398	-	-	(350,398)	-
Construction in progress	30,295,324	11,780,715	117,500	(32,382,437)	9,576,102
Total cost	829,812,759	77,311,217	4,567,461	53,271,300	955,827,815
Accumulated depreciation					
Direct ownership					
Buildings and infrastructures	111,871,961	14,281,573	8,209	323,057	126,468,382
Machinery and heavy equipment	20,399,242	4,779,454	-	-	25,178,696
Vehicles	64,659,957	14,261,904	2,140,961	152,324	76,933,224
Furniture and office equipment	212,257,223	62,290,064	604,129	1,961,043	275,904,201
Sub-total	409,188,383	95,612,995	2,753,299	2,436,424	504,484,503
Under finance lease - Vehicles	152,324	-	-	(152,324)	-
Total accumulated depreciation	409,340,707	95,612,995	2,753,299	2,284,100	504,484,503
Net book value	**420,472,052**				**451,343,312**

* consist of sales and disposals

Depreciation was charged to the following:

	Year ended December 31, 2017	2016
General and administrative expenses (Note 30)	94,661,803	85,755,606
Cost of sales and direct costs	9,421,414	9,857,389
Total depreciation	**104,083,217**	**95,612,995**

The details of sales of fixed assets are as follows:

	Year ended December 31, 2017	2016
Cost	13,908,602	3,455,228
Accumulated depreciation	(11,434,630)	(2,072,617)
Net book value	2,473,972	1,382,611
Selling price	2,050,641	2,002,980
Gain (loss) on sales of fixed assets - net	**(423,331)**	**620,369**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

11. FIXED ASSETS (continued)

The details of construction in progress are as follows:

	December 31, 2017		December 31, 2016	
Project	**Amount**	**Percentage of completion (%)**	**Amount**	**Percentage of completion (%)**
Ruko Kantor Proyek and *Kantor Summarecon Bandung*	6,859,085	31.34	-	-
Main Monument	-	-	2,716,632	44.00
Multipurpose Building	-	-	1,764,132	75.00
Others	3,814,478		5,095,338	-
Total construction in progress	**10,673,563**		**9,576,102**	

The percentages of completion of the construction in progress are based on the actual expenditures incurred compared to the total budgeted project cost.

Below are the estimated completion date for the construction in progress as of December 31, 2017:

	Estimated Completion Dates
Ruko Kantor Proyek and *Kantor Summarecon Bandung*	May 2018

Deductions of fixed assets in 2017 including deduction of contract amounts to suppliers on Furniture and office equipment amounted to Rp1,080,002.

In 2016, the Group disposed some of investment properties with net book value of Rp431,751.

In 2017, borrowing costs have been capitalized to fixed assets amounted to Rp0 (2016: Rp18,334,548).

In 2017, reclassifications of fixed assets with net book value of Rp10,018,147 (2016: Rp97,706) to investment properties were due to the change in management's intention on the use of the related assets (Note 12).

In 2017, reclassifications to fixed assets with net book value of Rp0 (2016: Rp49,121,751) from investment properties (Note 12) were due to the change in management's intention on the use of the related assets.

In 2017, reclassifications of fixed assets to inventories amounted to Rp2,471,757 (2016: Rp0).

In 2017, reclassifications from inventories to fixed assets with net book value of Rp13,787,428 (2016: Rp0) were due to the change in management's intention on the use of the related assets (Note 7).

In 2017, reclassifications from construction in progress to fixed assets amounted to Rp6,610,943 (2016: Rp32,382,437).

In 2017, reclassifications from fixed assets to advance with net book value amounted to Rp3,640,130 (2016: Rp0).

In 2017, reclassifications of fixed assets to undevelop land (Note 9) with net book value of Rp0 (2016: Rp43,055) were due to the change in management's intention on the use of the related assets.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

11. FIXED ASSETS (continued)

In 2017, fixed assets, except land, with net book value of Rp26,170,610 (2016: Rp174,018,647) are covered by insurance against fire, flood and other risks (all-risks) under blanket policies with several companies, including PT Asuransi Allianz Utama Indonesia, PT AIG Insurance Indonesia, PT Asuransi Central Asia, PT Chubb General Insurance Indonesia, PT KSK Insurance Indonesia and PT Asuransi Asuransi Sinarmas and PT Asuransi Bintang, all third parties, with sum insured amounting to US$22,591,261 and Rp228,628,339 (2016: US$25,972,559 and Rp199,172,398).

As of December 31, 2017, fixed assets with net book value of Rp224,678,777 (2016: Rp237,491,412), are used as collateral for the loans from banks and financial institutions (Note 14).

The fair value of the fixed assets as of December 31, 2017 amounting to Rp1,074,568,000 (2016: Rp798,490,000) was determined by independent appraisers KJPP Hendra, Widjaja, Robinson and Partners in its report dated June 30, 2017 (2016: was determined by appraisers KJPP Hendra Gunawan and Partners in its report dated May 23, 2014).

Based on the Group's assessments, there were no events or changes in circumstances which indicated an impairment in the value of fixed assets as of December 31, 2017.

12. INVESTMENT PROPERTIES

The details of investment properties are as follows:

		Year ended December 31, 2017			
	Balance December 31, 2016	**Additions**	**Deductions****	**Reclassifications**	**Balance December 31, 2017**
Cost					
Land	886,540,037	30,720,320	-	-	917,260,357
Building and infrastructures	3,687,517,126	67,400,896	2,300	20,016,265	3,774,931,987
Machinery and heavy equipment	684,451,554	18,360,918	2,899,028	4,623,878	704,537,322
Hotel facilities	227,774,245	29,245,694	-	17,681,674	274,701,613
Sub-total	5,486,282,962	145,727,828	2,901,328	42,321,817	5,671,431,279
Construction in progress	52,917,061	53,167,710	186,172	(28,476,768)	77,421,831
Total cost	5,539,200,023	198,895,538	3,087,500	13,845,049	5,748,853,110
Accumulated depreciation					
Building and infrastructures	662,724,831	110,693,486	2,300	1,620,981	775,036,998
Machinery and heavy equipment	313,801,699	64,888,469	29,681	2,411,880	381,072,367
Hotel facilities	75,979,795	55,441,271	-	-	131,421,066
Total accumulated depreciation	1,052,506,325	231,023,226	31,981	4,032,861	1,287,530,431
Net book value	**4,486,693,698**				**4,461,322,679**

** consist of sales, disposals, and disposals and deduction of contract amounts to suppliers

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

12. INVESTMENT PROPERTIES (continued)

The details of investment properties are as follows: (continued)

		Year ended December 31, 2016			
	Balance December 31, 2015	**Additions**	**Deductions***	**Reclassifications**	**Balance December 31, 2016**
Cost					
Land	863,395,551	23,019,486	-	125,000	886,540,037
Building and infrastructures	3,330,952,646	54,316,727	1,561,334	303,809,087	3,687,517,126
Machinery and heavy equipment	540,119,435	9,941,702	159,260	134,549,677	684,451,554
Hotel facilities	111,362,678	102,553	-	116,309,014	227,774,245
Furniture and office equipment	11,262,696	-	-	(11,262,696)	-
Sub-total	4,857,093,006	87,380,468	1,720,594	543,530,082	5,486,282,962
Construction in progress	336,649,545	307,099,252	-	(590,831,736)	52,917,061
Total cost	5,193,742,551	394,479,720	1,720,594	(47,301,654)	5,539,200,023
Accumulated depreciation					
Building and infrastructures	559,917,123	101,688,028	-	1,119,680	662,724,831
Machinery and heavy equipment	261,229,054	52,731,905	159,260	-	313,801,699
Hotel facilities	57,161,032	18,814,515	-	4,248	75,979,795
Furniture and office equipment	3,683,536	-	-	(3,683,536)	-
Total accumulated depreciation	881,990,745	173,234,448	159,260	(2,559,608)	1,052,506,325
Net book value	**4,311,751,806**				**4,486,693,698**

* consist of sales and disposals

Depreciation was charged to the following:

	Year ended December 31,	
	2017	**2016**
Cost of sales and direct costs	228,276,813	171,542,814
General and administrative expenses (Note 30)	2,746,413	1,691,634
Total depreciation	**231,023,226**	**173,234,448**

In 2017, the Group disposed some of investment properties with net book value of Rp31,981 and its depreciation Rp31,981.

The deductions in 2017 included the deduction of contract value for machineries and equipment and construction in progress to each suppliers amounting to Rp2,869,348 and Rp186,171.

In 2017, the Group sold investment properties with net book value of Rp0, resulting to profit from sale of investment properties of Rp63,636.

In 2017, reclassifications of construction in progress to investment properties amounted to Rp28,476,768 (2016: Rp590,145,300).

In 2017, reclassifications to investment properties with net book value of Rp10,018,147 (2016: Rp97,706) from fixed assets were due to the change in management's intention on the use of the related assets (Note 11).

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

12. INVESTMENT PROPERTIES (continued)

In 2017, reclassifications of investment properties with net book value of Rp0 (2016: Rp7,433,820) from inventories - houses were due to the change in management's intention on the use of the related assets (Note 7).

In 2017, reclassifications of investment properties with net book value of Rp205,959 (2016: Rp574,788) to other inventories and shops were due to the change in management's intention on the use of the related assets (Note 9).

In 2017, reclassifications of investment properties with net book value of Rp0 (2016: Rp570,823) to undevelop land were due to the change in management's intention on the use of the related assets (Note 7).

In 2017, reclassifications of investment properties with net book value of Rp0 (2016: Rp49,121,751) to fixed assets were due to the change in management's intention on the use of the related assets (Note 11).

The details of construction in progress as of December 31, 2017 and 2016 are as follows:

	December 31, 2017		December 31, 2016	
Project	Amount	Percentage of completion (%)	Amount	Percentage of completion (%)
Summarecon Mall Bandung	48,691,185	0.00	-	-
Scientia Business Park	5,160,944	0.00	-	-
Sekolah Al-Azhar Summarecon Serpong	4,181,703	30.08		
Movenpick Resort & Spa, Jimbaran, Bali	-	-	22,148,135	92.00
Wedding Hall - HHSB	-	-	6,216,861	63.00
Others	19,387.999	-	24,552,065	-
Total construction in progress	**77,421,831**		**52,917,061**	

Below are the estimated completion dates of the projects under construction in progress as of December 31, 2017:

	Estimated Completion Dates
Summarecon Mall Bandung	March, 2020
Scientia Business Park	December, 2020
Sekolah Al-Azhar Summarecon Serpong	July, 2018

The percentages of completion of the construction in progress are based on the actual expenditures incurred compared to the total budgeted project cost.

In 2017, borrowing cost capitalized to investment properties amounted to Rp0 (2016: Rp18,098,384).

As of December 31, 2017, investment properties, except land, with net book value of Rp2,558,516,454 (2016: Rp3,246,282,700) are covered by insurance against fire, flood and other risks (all risks) under blanket policies with several companies, including PT Asuransi Allianz Utama Indonesia, PT Asuransi AXA Indonesia, PT Zurich Insurance Indonesia, PT AsuranCentral Asia, PT Mitra, Iswara & Rorimpandey, PT Asuransi Indrapura, PT ACE Jaya Proteksi, PT Asuransi Rama Satria Bawa, PT Asuransi Asoka Mas, PT Asuransi Ekspor Indonesia and PT Asuransi Astra Buana, all third parties, with sum insured amounting to US$551,482,261 and Rp292,929,956 (2016: US$498,982,358 and Rp745,811,956).

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

12. INVESTMENT PROPERTIES (continued)

As of December 31, 2017, the Group also covered its investment properties by insurance against terrorism and sabotage for US$383,974,508 and Rp933,330,000 (2016: US$280,368,997 and Rp796,100,000). In addition, the Group also obtained insurance against business interruption amounting to US$42,812,000 and Rp1,363,903,000 (2016: US$35,100,000 and Rp1,264,850,000). In 2017, the Group's management is of the opinion that the above coverages are adequate to cover possible losses arising from such risks.

As of December 31, 2017, investment properties with net book value of Rp2,857,107,629 (2016: Rp2,478,685,130) are pledged as collateral for the loans from banks and financial institutions, bonds payable and sukuk ijarah (Notes 14 and 15).

The fair value of the investment properties as of December 31, 2017 amounted to Rp14,344,870,000 (2016: Rp16,569,221,125) which was determined by independent appraisers KJPP Hendra, Widjaja, Robinson and Partners in its report dated June 30, 2017 (2016: was determined by independent aprraisers KJPP Hendra Gunawan and Partners in its report dated May 23, 2014).

Rental income from investment properties recognized in the consolidated statement of comprehensive income for the year ended December 31, 2017 amounted to Rp1,400,289,017 (2016: Rp1,348,029,334) (Note 28).

Based on the Group's assessments, there were no events or changes in circumstances which indicated an impairment in the value of investment properties as of December 31, 2017.

13. OTHER FINANCIAL ASSETS

This account consists of:

	December 31,	
	2017	**2016**
Other current financial asset:		
Security deposit	145,869	106,644
Other non-current financial assets:		
Restricted time deposits		
PT Bank OCBC NISP Tbk	79,277,143	52,729,870
PT Bank Permata Tbk	67,085,050	15,925,300
PT Bank Mandiri (Persero) Tbk	34,542,601	42,614,228
PT Bank CIMB Niaga Tbk	32,663,984	10,248,533
PT Bank Internasional Indonesia Tbk	17,069,368	20,361,940
PT Bank Danamon Indonesia Tbk	9,660,433	7,985,366
PT Bank Central Asia Tbk	9,628,348	9,421,015
PT China Construction Bank	6,140,868	-
PT Bank Rakyat Indonesia (Persero) Tbk	627,528	927,528
PT Bank UOB Indonesia Tbk	-	1,109,820
PT Bank Pan Indonesia Tbk	-	674,000

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

13. OTHER FINANCIAL ASSETS (continued)

	December 31,	
	2017	**2016**
Other non-current financial assets: (continued)		
Restricted cash in banks		
PT Bank Central Asia Tbk	140,850,921	92,993,514
PT Bank UOB Indonesia Tbk	13,533,446	6,500,594
PT Bank Permata Tbk	6,123,227	417,305
PT Bank International Indonesia Tbk	259,342	-
PT Bank Mandiri (Persero) Tbk	-	30,135
Investments - available for sale	212,500	212,500
Security deposits	1,556,514	1,569,180
Total other non-current financial assets	419,231,273	263,720,828
Total other financial assets	**419,377,142**	**263,827,472**

As of December 31, 2017 and 2016, the restricted time deposits in PT Bank OCBC NISP Tbk (OCBC), PT Bank Permata Tbk (Permata), PT Bank Mandiri (Persero) Tbk (Mandiri), PT Bank CIMB Niaga Tbk (CIMB), PT Bank Internasional Indonesia Tbk (BII), PT Bank Danamon Indonesia Tbk (Danamon), PT Bank Central Asia Tbk (BCA), PT China Construction Bank (CCB), PT Bank Rakyat Indonesia (Persero) Tbk (BRI), PT Bank UOB Indonesia Tbk (UOB), and PT Bank Pan Indonesia Tbk (Panin) are used as collateral for the corporate guarantees provided by the Company, SMPD, MKPP and SPCK to those banks on the housing loans obtained by the customers of the Company and KSO Summarecon Serpong.

The restricted time deposit in BCA and Mandiri are used as collateral for loans obtained and interest payment made by the Company, LTMD, MKOJ, and SMHO from these two banks (Note 14).

For the year ended December 31, 2017, the restricted time deposits earned interest at annual interest rates ranging from 4.25% to 7.75% (2016: 5.27% - 5.92%).

OCBC, Permata, CIMB, BII, Mandiri, Danamon, BCA, CCB, BRI, UOB, and Panin agreed to grant housing and apartment loans to the customers of the Company, SMPD, MKPP and KSO Summarecon Serpong. The Company and SPCK (on behalf of KSO Summarecon Serpong) provided corporate guarantees on their customers' loans from these banks until the Company and KSO Summarecon Serpong have submitted the buyers' land and building certificates to these banks.

The restricted cash in banks - BCA and Mandiri represents escrow accounts, which are used as collateral for the loans obtained from these two banks (Note 14). The restricted cash in banks – UOB, Permata and BII represents escrow accounts, which are used as collateral relating to housing and apartment loans to the customers of the Company.

All restricted cash in banks and time deposits are placed in third-party banks.

Investments - available for sale consist of the following investments of the Company in other entities with ownership interests below 20% :

		Carrying value as of December 31,	
Entities	**Percentage of ownership (%)**	**2017**	**2016**
PT Graha REI Property	2.89	100,000	100,000
PT Daksawira Perdana	6.25	62,500	62,500
PT Jakartabaru Cosmopolitan	1.00	50,000	50,000
Total investments in other entities		**212,500**	**212,500**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

14. SHORT-TERM BANK LOANS AND LONG-TERM DEBTS

a. The short-term bank loans are due to the following third parties:

	December 31, 2017	December 31, 2016
Rupiah		
PT Bank Sumitomo Mitsui Indonesia	200,000,000	250,000,000
PT Bank Mandiri (Persero) Tbk	190,000,000	200,000,000
PT Bank Resona Perdania	161,576,000	185,576,000
PT Bank Mayora Tbk	150,000,000	100,000,000
PT Bank Central Asia Tbk	133,620,236	80,838,667
PT Bank OCBC NISP Tbk	30,000,000	180,000,000
PT Bank Bumi Arta Tbk	-	4,076,065
United States dollar		
PT Bank Resona Perdania (US$3,000,000 in 2017 and 2016)	40,644,000	40,308,000
Total	**905,840,236**	**1,040,798,732**

b. The long-term loans from banks and financial institutions are due to the following third parties :

	December 31, 2017	December 31, 2016
Rupiah		
PT Bank Central Asia Tbk	2,407,431,123	2,201,290,576
PT Bank Mandiri (Persero) Tbk	1,242,500,000	1,570,363,000
PT Bank Bumi Arta Tbk	28,685,953	33,257,435
PT BCA Finance	12,916,397	5,966,424
United States dollar		
PT Bank Central Asia Tbk (US$8,135,805 in 2017 and US$7,644,307 in 2016)	110,223,886	102,708,909
Total loans	3,801,757,359	3,913,586,344
Less of unamortized debt commission fees	(7,112,305)	(9,704,951)
Net	3,794,645,054	3,903,881,393
Less of current maturities	(591,349,578)	(361,511,052)
Long-term portion	**3,203,295,476**	**3,542,370,341**

As of December 31, 2017 and 2016, the details of future installments of the long-term loans from banks and financial institutions are as follows:

Year Due	December 31, 2017	December 31, 2016
2017	-	363,963,642
2018	594,412,194	607,368,050
2019	883,549,977	872,950,691
2020	1,204,342,286	1,188,295,496
2021	795,957,642	635,801,986
2022	230,069,889	172,937,248
2023	93,425,371	72,269,231
Total installments	**3,801,757,359**	**3,913,586,344**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

14. SHORT-TERM BANK LOANS AND LONG-TERM DEBTS (continued)

Below are details of the information related to the credit facilities and loan balances owned by the Group:

a. Short - term bank loan:

Parties	Total facilities (in 000)	Loan periods	Installment Payment for the periods	Interest payment	Annual interest rate	Collateral	Purpose	Current year principal payment	Balance as of December, 31
Company and PT Bank Sumitomo Mitsui Indonesia Revolving credit facility	Rp250,000,000	Until August 2018	August 2018	Monthly	2017: 8.45% (2016: 8.40%)	-	Working capital	2017 : Rp1,000,000,000 (2016 : Rp.0)	2017 : Rp200,000,000 (2016 : Rp250,000,000)
Company and PT Bank Mandiri (Persero) Tbk working capital loan facility	Rp200,000,000	Until June 2018	June 2018	Monthly	2017: 9.85% (2016: 9.85%)	MKOJ's investment properties and Hotel Harris Bekasi Building (Note 12)	Working capital	2017 : Rp150,000,000 (2016 : Rp200,000,000)	2017: Rp190,000,000 (2016: Rp200,000,000)
SPCK and PT Bank Resona Perdania working capital loan facility	Rp30,000,000	Until August 2018	August 2018	Monthly	2017: 8.12% - 8.86% 2016: 8.66%- 10.51%)	Letter of undertaking	Working capital	2017: Rp24,000,000 (2016: Rp0)	2017: Rp5.000.000 (2016: Rp29.000.000)
Company and PT Bank Resona Perdania Credit facility Revolving	US$3,000,000 and Rp162,000,000	Until December 2018	December 2018	Monthly	2017: 4.246% - 7.792% (2016: 4.246% - 7.792%)	Investment properties (Note 12)	Working capital	2017: Rp0 (2016 : Rp0)	2017: US$3,000,000 or equivalent to Rp40,644,000 and Rp156,576,000 (2016: US$3,000,000 or equivalent to Rp40,308,000 and Rp156,576,000)
Company and PT Bank Mayora Tbk Credit term facility	Rp150,000,000	Until October 2018	October 2018	Monthly	2017: 9.50% (2016: 10.50%)	-	Working capital	2017 : Rp400,000,000 (2016: Rp50,000,000)	2017: Rp150,000,000 (2016: Rp100,000,000)
Company and PT Bank Central Asia Tbk Credit facility Bank overdraft	Rp80,000,000	Until October 2018	October 2018	Monthly	2017: 9.25% - 9.75% (2016: 9.25% - 9.75%)	Investment properties, temporary account and restricted time deposit (Notes 12 and 13)	Working capital	2017: Rp814,897 (2016: Rp38,889,093)	2017: Rp53,876,692 (2016: Rp54,691,588)
SGMC and PT Bank Central Asia Tbk Credit facility Bank overdraft	Rp50,000,000	Until August 2018	August 2018	Monthly	2017: 9.25%	Inventories and Undeveloped land (Notes 7 and 9)	Working capital	2017: Rp0 (2016: Rp0)	2017: Rp18,414,080 (2016: Rp0)
SPCK and PT Bank Central Asia Tbk Credit facility Bank overdraft	Rp80,000,000	Until March 2018 (note 41)	March 2018	Monthly	2017: 9.25% (2016: 9.25%)	Inventories and Undeveloped land (Notes 7 and 9)	Working capital	2017: Rp26,147,079 (2016: Rp53,725,124)	2017: Rp6,329,464 (2016: Rp26,147,079)
Time Loan Revolving Facillity	Rp100,000,000	Until March 2018 (note 41)	March 2018	Monthly	2017: 9.00% - 9.25%(2016: 10.25%)	Inventories and Undeveloped land (Notes 7 and 9)	Working capital	2017 : Rp0 (2016: Rp0)	2017: Rp55,000,000 (2016: Rp0)

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

14. SHORT-TERM BANK LOANS AND LONG-TERM DEBTS (continued)

Below are details of the information related to the credit facilities and loan balances owned by the Group: (continued)

a. Short - term bank loan: (continued)

Parties	Total facilities (in 000)	Loan periods	Installment Payment for the periods	Interest payment	Annual interest rate	Collateral	Purpose	Current year principal payment	Balance as of December, 31
Company and PT Bank OCBC NISP Tbk Demand Loan credit facility	Rp300,000,000	Until May 2018	May 2018	Monthly	2017: 9.75% (2016: 10.90%)	Land and company's building (Notes 11 and 12)	Working capital	2017: Rp533,000,000 (2016: 241,000,000)	2017: Rp30,000,000 (2016: Rp180,000,000)
Foreign currency transaction facility	US$5,000,000	Until May 2018	May 2018	Monthly	2017: 10.25% - 10.50% (2016: 10.25%- 10.50%)	Land and company's building (Notes 11 and 12)	Working capital	2017: Rp0 (2016 : Rp0)	2017: Rp0 (2016: Rp0)
BTKV and PT Bank Bumi Arta Tbk Credit facility Bank overdraft	Rp10,000,000	Until May 2018	May 2018	Monthly	2017: 11.75% (2016: 11.75%)	BTKV's fixed asset and 5,000 shares of BTKV (Note 11)	Working capital	2017 : Rp4,076,065 (2016: Rp5,386,249)	2017: Rp0 (2016: Rp4,076,065)
Company and PT Bank Muamalat Indonesia Tbk Credit facility Loan term facility	Rp250,000,000	Until May 2018	May 2018	Monthly	2017: 9.75%	-	Working capital	2017: Rp130,000,000 (2016: Rp0)	2017: Rp0 (2016: Rp0)

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

14.SHORT-TERM BANK LOANS AND LONG-TERM DEBTS (continued)

Below are details of the information related to the credit facilities and loan balances owned by the Group: (continued)

b.1. Long - term bank loan:

Parties	Total facilities (in 000)	Loan periods	Installment Payment for the periods	Interest payment	Annual interest rate	Collateral	Purpose	Current year principal payment	Balance as of December, 31
Company and PT Bank Central Asia Tbk Investment credit facility	Rp550,000,000	February 2016 - February 2022	Quarterly installment (second quarter 2018 – first quarter 2022)	Quarterly	2017: 9.25% - 10.25% (2016: 10.25%)	Land and The Kensington's Apartment building (Note 7)	Construction of The Kensington Royal Suite Apartement	2017: Rp0 (2016 : Rp0)	2017: Rp550,000,000 (2016: Rp355,648,000)
Company and subsidiaries and PT Bank Central Asia Tbk Investment credit facility	Rp650,000,000 Company: Rp75,000,000, MKOJ: Rp165,000,000, DNMP: Rp70,000,000, SMHO: Rp65,000,000, LTMD: Rp225,000,000, KRIP: Rp50,000,000	May 2014 - September 2021	Installment every quarter (fourth quarter 2016 – third quarter 2021	Quarterly	2017: 10% - 10.50% (2016: 9.25% - 9.75%)	Investment properties Company: and restricted time deposit (Notes 12 and 13)	Construction of Hotel Pop! Kelapa Gading MKO : Construction of Harris Hotel Bekasi, DNMP; Construction of Plaza Summarecon Bekasi, SMHO: Purchase equipment Hotel Pop! Kelapa Gading and Harris Hotel Bekasi, LTMD: Construction of Summarecon Digital Center, KRIP: Construction of Scientia Business Park	2017: Rp129,999,999 (2016: Rp21,250,000)	2017: Rp498,750,000 (2016: Rp628,750,000)
SPCK and PT Bank Central Asia Tbk Investment credit facility I	Rp100,000,000	Juni 2014 - September 2021	Quarterly installment - (forth quarter 2016 third quarter 2021)	Quarterly	2017 : 9.00% - 9.25% (2016: 10.25%)	Inventories and undeveloped land (Notes 7 and 9)	Construction of The Spring Club	2017: Rp20,000,000 (2016: Rp5,000,000)	2017 : Rp75,000,000 (2016: Rp95,000,000)
Investment credit facility II	Rp200,000,000	June 2015 - June 2021	Quarterly installment - (fourth quarter 2017 second quarter 2021)	Quarterly	2017: 9.00% - 9.25% (2016: 9.25%)	Undeveloped land JYBA, JBC and SPCK (Note 9)	General purpose financing capital expenditure and development cost	2017: Rp25,000,000 (2016: Rp0)	2017: Rp175,000,000 (2016: Rp183,100,000)
Investment credit facility III	Rp400,000,000	March 2016 - March 2022	Quarterly installment (fourth quarter 2018 – first quarter 2022)	Quarterly	2017: 9.00%- 9.25% (2016: 10.25%)	Inventories and undeveloped land (Notes 7 and 9)	Construction house, apartement and infrastructure of Summarecon Serpong	2017: Rp0 (2016: Rp0)	2017: Rp400,000,000 (2016: 305,850,000)
Investment credit facility IV	Rp425,000,000	November 2017 - November 2024	Quarterly installment	Quarterly	2017: 9%	Inventories and undeveloped land (Notes 7 and 9)	Capital and project development cost apartement, house and infrastructure in Summarecon Serpong area	2017 : Rp0 (2016: Rp0)	2017 : Rp0 (2016: Rp0)
LTMD and PT Bank Central Asia Tbk Investment credit facility II	Rp350,000,000	April 2011 - March 2021	Quarterly installment (second quarter 2013 - first quarter 2021)	Quarterly	2017:9% - 9.25% (2016: 9.25% - 9.75%)	Investment properties and temporary account (Notes 12 and 13)	Construction of Summarecon Mal Serpong Stages II	2017: Rp50,750,000 (2016: Rp34,125,000)	2017: Rp203,000,000 (2016: Rp253,750,000)

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

14. SHORT-TERM BANK LOANS AND LONG-TERM DEBTS (continued)

Below are details of the information related to the credit facilities and loan balances owned by the Group: (continued)

b.1. Long - term bank loan: (continued)

Parties	Total facilities (in 000)	Loan periods	Installment Payment for the periods	Interest payment	Annual interest rate	Collateral	Purpose	Current year principal payment	Balance as of December, 31
PMJA, HOPJ and PT Bank Central Asia Tbk Investment credit facility	Rp300,000,000 PMJA: Rp220,000,000 HOPJ: Rp307,000,000	December 2013 - September 2023	Quarterly installment (third quarter 2017 – first quarter 2023)	Quarterly	2017: 9.00% - 10.50% (2016: 9.25% - 9.75%)	Fixed asset, investment properties and PMJA's and HOPJ's shares (Notes 11 and 12)	Construction of Movenpick Resort & Spa	2017: Rp5,571,241 (2016:Rp0)	2017: Rp505,681,123 (2016: Rp379,192,576)
Investment credit facility	US$30,000,000 PMJA: US$5,000,000 HOPJ: US$4,800,000	December 2013 - September 2023	Quarterly installment (third quarter 2017 – first quater 2023)	Quarterly	2017: 5.5% (2016: 5.5%)	Fixed asset, investment properties and PMJA's and HOPJ's shares (Notes 11 and 12)	Construction of Movenpick Resort & Spa	2017: US$101,459 or equal to Rp1,338,174	2017: US$8,135,805 or equivalent to Rp110,223,886 (2016: US$7,644,307 or equivalent to Rp102,708,909)
SGMC and PT Bank Central Asia Tbk Investment credit facility	Rp200,000,000	6 years	Quarterly	Quarterly	2017: 9.25%	Inventories and undeveloped land (Notes 7 and 9)	Capital and Project development cost apartement, house and infrastructure in Summarecon Mutiara Makassar area	2017: Rp0 (2016: Rp0)	2017: Rp0 (2016: Rp0)
MKPP and PT Bank Central Asia Tbk Investment credit facility Bank overdraft	Rp100,000,000	June 2017 - June 2018	Quarterly installment (second quarter 2013 – first quarter 2021)	Quarterly	2017: 9%	Inventories and undeveloped land (Notes 7 and 9)	Working capital	2017: Rp0 (2016: Rp0)	2017: Rp0 (2016: Rp0)
Investment credit facility	Rp500,000,000	April 2016 - April 2024	Quarterly	Monthly	2017: 9.25%	Inventories and undeveloped land (Notes 7 and 9)	Construction project residential and infrastructure in Summarecon Bandung area	2017: Rp0 (2016: Rp0)	2017: Rp0 (2016: Rp0)

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

14. SHORT-TERM BANK LOANS AND LONG-TERM DEBTS (continued)

Below are details of the information related to the credit facilities and loan balances owned by the Group: (continued)

b.1. Long - term bank loan: (continued)

Parties	Total facilities (in 000)	Loan periods	Installment Payment for the periods	Interest payment	Annual interest rate	Collateral	Purpose	Current year principal payment	Balance as of December, 31
The company and PT Bank Mandiri (Persero) Tbk Specific transaction credit facility (PTK II)	Rp600,000,000	March 2013 - March 2020	Quarter start from December 2015 - March 2020	Monthly	2017: 9.50% - 9.85% (2016: 9.50% - 10.25%)	JYBA's undeveloped land and LTMD's investment properties (Notes 9 and 12)	General Purpose	2017 : Rp50,000,000 (2016 : Rp47,500,000)	2017: Rp492,500,000 (2016: Rp542,500,000)
Specific transaction credit facility (PTK III)	Rp750,000,000	April 2015 - April 2021	Quarter start from April 2018 - April 2021	Monthly	2017: 9.85% - 10.50% (2016: 9.85% - 10.50%)	Investment properties MKOJ (Note 12)	Financing capital expenditures/working capital in Summarecon Bekasi area	2017 : Rp0 (2016 : Rp0)	2017: Rp750,000,000 (2016: Rp601,863,000)
MKOJ and PT Bank Mandiri (Persero) Tbk Investment credit facility	Rp530,000,000	November 2012 - 30 June 2020	June 2014 - June 2020	Monthly	2017: 9.25% (2016: 10.00%)	MKOJ's Investment properties (Note 12), temporary account (Note 13) and security deposits from MKOJ's shareholders.	Construction of Summarecon Mal Bekasi	2017: Rp426,000,000 (2016 : Rp54,000,000)	2017: Rp0 (2016: Rp426,000,000)
BTKV and PT Bank Bumi Arta Tbk Investment credit facility	Rp42,000,000	June 2012 - June 2022	-	Monthly	2017: 11.75% (2016: 11.75%)	Fixed Assets BTKV (Note 11) and 5,000 shares of BTKV	Working capital	2017: Rp4,571,481 (2016: Rp4,049,500)	2017: Rp28,685,953 (2016: Rp33,257,435)

14. SHORT-TERM BANK LOANS AND LONG-TERM DEBTS (continued)

Below are details of the information related to the credit facilities and loan balances owed by the Group: (continued)

b.1. Long - term bank loan: (continued)

Under the loan agreements, the Group (debtors) must comply with several covenants, as follows:

a. Maintain certain financial ratios:
    1. EBITDA to interest expense;
    2. Debt to equity ratio;
    3. Current ratio;
    4. Debt service coverage; and
    5. Maintain positive equity and profit.

b. Debtors must obtain written approval from the Creditor prior to performing the following activities:
    1. Provide loans, act as guarantor/pledgor in any form and with any name and/or pledge the Company's assets to other parties, including but not limited to affiliates, both direct or indirectly related, and to third parties in the amount greater than 20% of the Company's total equity for each transaction, except in the ordinary course of business;
    2. Pay dividends;
    3. Sell or dispose their major assets used in their business, except under normal business transactions;
    4. Enter into merger, consolidation, acquisition, liquidation;
    5. Amend its articles of association, except increase their capital stock.

As of December 31, 2017 and 2016, each of the Group are in compliance with all of the debt covenants related to the above short-term bank loans and long-term debts.

b.2. Loan to financing institution :

PT BCA Finance

The loans from PT BCA Finance represent drawdowns from various consumer financing credit facilities obtained by the Group, which were used to finance the acquisitions of vehicles. The loans are payable in monthly installments at different dates, the latest up to August 27, 2020, and are collateralized by the vehicles purchased (Note 11). The outstanding loans as of December 31, 2017 amounted to Rp12,916,397 (2016: Rp5,966,424).

In 2017, the Group has made principal payments totaling Rp6,387,410 (2016: Rp7,692,415).

In 2017, the loans bore interest at annual rates ranging from 6.99% to 17.25% (2016: ranging from 4.49% to 15.62%).

There are no covenants imposed by PT BCA Finance in relation to these loans.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

15. BONDS PAYABLE AND SUKUK IJARAH

The details of bonds issued are as follows:

	December 31,	
	2017	**2016**
Face Value		
Obligasi Berkelanjutan I Tahap I	450,000,000	450,000,000
Obligasi Berkelanjutan I Tahap II	800,000,000	800,000,000
Obligasi Berkelanjutan I Tahap III	150,000,000	150,000,000
Obligasi Berkelanjutan II Tahap I	500,000,000	500,000,000
Obligasi Berkelanjutan II Tahap II	800,000,000	-
Sukuk Ijarah Berkelanjutan I Tahap I	150,000,000	150,000,000
Sukuk Ijarah Berkelanjutan I Tahap II	300,000,000	300,000,000
Sukuk Ijarah Berkelanjutan I Tahap III	150,000,000	150,000,000
Total face value	3,300,000,000	2,500,000,000
Less deferred issuance costs (net of current amortization of Rp6,270,929 in 2017 and Rp5,588,609 in 2016)	(16,776,129)	(18,038,457)
Net	3,283,223,871	2,481,961,543
Less current maturities	(897,400,302)	-
Long-term portion	**2,385,823,569**	**2,481,961,543**

The details of the above deferred issuance costs and the related accumulated amortization are as follows:

	Year ended December 31,	
	2017	**2016**
Obligasi Berkelanjutan I Tahap I	7,336,106	7,336,106
Obligasi Berkelanjutan I Tahap II	6,160,646	6,160,646
Obligasi Berkelanjutan I Tahap III	1,124,325	1,124,325
Obligasi Berkelanjutan II Tahap I	8,919,096	8,919,096
Obligasi Berkelanjutan II Tahap II	5,008,601	-
Sukuk Ijarah Berkelanjutan I Tahap I	2,504,429	2,504,429
Sukuk Ijarah Berkelanjutan I Tahap II	2,325,993	2,325,993
Sukuk Ijarah Berkelanjutan I Tahap III	1,124,325	1,124,325
Total	34,503,521	29,494,920
Less accumulated amortization of deferred issuance costs (inclusive of current amortization of Rp6,270,929 in 2017 and Rp5,588,609 in 2016)	(17,727,392)	(11,456,463)
Net	**16,776,129**	**18,038,457**

15. BONDS PAYABLE AND SUKUK IJARAH (continued)

“Obligasi Berkelanjutan I Tahap I” (“OB I Tahap I”)

On December 11, 2013, the Company issued OB I Tahap I with nominal value of Rp450,000,000 with fixed annual interest of 10.85%. Interest will be paid quarterly, which started on March 11, 2014 and will continue up to December 11, 2018. The OB I Tahap I will mature on December 11, 2018.

The OB I Tahap I has been listed in the Indonesia Stock Exchange since December 11, 2013.

The OB I Tahap I is secured by the Company’s investment properties (Note 12).

PT Pemeringkat Efek Indonesia (Pefindo), a securities rating agency in Indonesia, gave a rating of $_{id}$A+ (single A plus) for the OB I Tahap I in 2017.

“Obligasi Berkelanjutan I Tahap II” (“OB I Tahap II”)

On October 10, 2014, the Company issued OB I Tahap II with nominal value of Rp800,000,000 with fixed annual interest of 11.50%. Interest will be paid quarterly, which started on January 10, 2015 and continue up to October 10, 2019. The OB I Tahap II will mature on October 10, 2019.

The OB I Tahap II has been listed in the Indonesia Stock Exchange since October 10, 2014.

The OB I Tahap II is secured by the Company’s investment properties (Note 12).

PT Pemeringkat Efek Indonesia (Pefindo), a securities rating agency in Indonesia, gave a rating of $_{id}$A+ (single A plus) for the OB I Tahap II in 2017.

Obligasi Berkelanjutan I Tahap III (“OB I Tahap III”)

On April 22, 2015, the Company issued OB I Tahap III with nominal value of Rp150,000,000 with fixed annual interest of 10.50%. Interest will be paid quarterly, which started on July 22, 2015 and will continue up to April 22, 2018. The OB I Tahap III will mature on April 22, 2018.

The OB I Tahap III has been listed in the Indonesia Stock Exchange since April 22, 2015.

The OB I Tahap III is secured by the Company’s undeveloped land (Note 9).

PT Pemerintah Efek Indonesia (Pefindo), a securities rating agency in Indonesia, gave a rating of $_{id}$A+ (single A plus) for the OB I Tahap III in 2017.

Obligasi Berkelanjutan II Tahap I (“OB II Tahap I”)

On December 16, 2015, the Company issued OB II Tahap I with nominal value of Rp500,000,000 with fixed annual interest rate of 11.25%. Interest will be paid quarterly, which started on March 16, 2016 and continue up to December 16, 2020. The OB II Tahap I will mature on December 16, 2020.

The OB II Tahap I has been listed in the Indonesia Stock Exchange since December 17, 2015.

The OB II Tahap I is secured by the Company’s investment properties (Note 12).

PT Pemeringkat Efek Indonesia (Pefindo), a securities rating agency in Indonesia, gave a rating of $_{id}$A+ (single A plus) for the OB II Tahap I in 2017.

15. BONDS PAYABLE AND SUKUK IJARAH (continued)

Obligasi Berkelanjutan II Tahap II ("OB II Tahap II")

On November 28, 2017, the Company issued OB II Tahap II with nominal value of Rp800,000,000 with fixed annual interest rate of 8.80%. Interest will be paid quarterly, which started on November 28, 2017 and will continue up to November 28, 2020. The OB II Tahap II will mature on November 28, 2020.

The OB II Tahap II has been listed in the Indonesia Stock Exchange since November 28, 2017.

The OB II Tahap II is secured by the Company's investment properties (Note 12).

PT Pemeringkat Efek Indonesia (Pefindo), a securities rating agency in Indonesia, gave a rating of $_{id}$A+ (single A plus) for the OB II Tahap II in 2017.

Sukuk Ijarah Berkelanjutan I Tahap I ("SIB I Tahap I")

On December 11, 2013, the Company issued SIB I Tahap I with nominal value of Rp150,000,000, with obligation to pay benefits installment of ijarah amounting to Rp16,275,000 annually for 5 years. Payment of the benefits installment of ijarah is made quarterly in arrears. The SIB I Tahap I will mature on December 11, 2018.

The SIB I Tahap I has been listed in the Indonesia Stock Exchange since December 11, 2013.

The SIB I Tahap I is guaranteed by the Company's investment property (Note 12).

PT Pemeringkat Efek Indonesia (Pefindo), a securities rating agency in Indonesia, gave a rating of $_{id}$A+(sy) (single A plus syariah) for the SIB I Tahap I in 2017.

Sukuk Ijarah Berkelanjutan I Tahap II ("SIB I Tahap II")

On October 10, 2014, the Company issued SIB I Tahap II with a nominal value of Rp300,000,000, with obligation to pay benefits installment of ijarah amounting to Rp34,500,000 annually, payable over 5 years which started on October 10, 2014 and will continue up to October 10, 2019. Payments of the benefits installment of ijarah are made quarterly in arrears. The SIB I Tahap II will mature on October 10, 2019.

The SIB I Tahap II has been listed on the Indonesia Stock Exchange since October 10, 2014.

The SIB I Tahap II is guaranteed by the Company's investment properties (Note 12).

PT Pemeringkat Efek Indonesia (Pefindo), a securities rating agency in Indonesia, gave a rating of $_{id}$A+(sy) (single A plus syariah) for the SIB I Tahap II in 2017.

15. BONDS PAYABLE AND SUKUK IJARAH (continued)

Sukuk Ijarah Berkelanjutan I Tahap III ("SIB I Tahap III")

On April 22, 2015, the Company issued SIB I Tahap III with a nominal value of Rp150,000,000 with obligation to the benefit installment of ijarah amounting to Rp15,750,000 annually, payable over 3 years which started on July 22, 2015 and will continue up to April 22, 2018. Payments of the benefits installment of ijarah are made quarterly in arrears. The SIB I Tahap III will mature on April 22, 2018.

The SIB I Tahap III has been listed on the Indonesia Stock Exchange since April 22, 2015.

The SIB I Tahap III is guaranteed by the Company's investment properties (Note 12).

PT Pemeringkat Efek Indonesia (Pefindo), a securities rating agency in Indonesia, gave a rating of $_{id}$A+ (sy) (single A plus syariah) for the SIB I Tahap III in 2017.

Based on the minutes of meetings of the bondholders and sukuk ijarah holders ("holders"), the holders agreed that :

- 70% of the funds generated from the issuance of OB I Tahap I and SIB I Tahap I will be used for the property development of the Group and about 30% will be used for working capital;
- 90% of funds generated from the issuance of the OB I Tahap II and SIB I Tahap II will be used for business expansion in property across areas and about 10% will be used for working capital;
- 100% of funds generated from the issuance of the OB I Tahap III and SIB I Tahap III will be used for business expansion in property across areas;
- 70% of the funds generated from the issuance of OB II Tahap I will be used for property development of the Group and about 30% will be used for working capital; and
- 100% of funds generated from the issuance of the OB II Tahap II will be used for settle all or part of obligasi and/or sukuk, and/or company's bank loan and/or subsidiaries.

Based on *Perjanjian Perwaliamanatan Obligasi* (*OB Tahap I, II & III, SIB Tahap I, II & III*) between the Company and PT Bank CIMB Niaga Tbk as a trustee and *Obligasi (OB II Tahap I & II)* between the Company and PT Bank Permata Tbk as a trustee, the Company is required to comply with the following covenants:

a. Maintain certain financial ratios:
   (1) Interest-bearing debt to equity ratio of not more than 3:1;
   (2) EBITDA to interest expense ratio of not less than 1:1; except from PT Bank Permata Tbk not less than 1,5:1; and
   (3) Collateral value, which should be appraised every year by an appraiser registered with BAPEPAM-LK, to the bonds payable of not less than 1:1.

   As of the Company complied with of the above financial ratios.

b. The Company is not allowed to conduct the following activities without the prior consent of the trustee:
   (i) Pay or make or distribute payments to others in the current year as long as the Company default to make payments of its obligation to the bondholders;
   (ii) Provide loans to other parties;
   (iii) Enter into merger, consolidation, acquisition, liquidation;
   (iv) Change the Company's major activities; and
   (v) Decrease their respective authorized capital stock, issued and fully paid capital stock.

As of December 31, 2017 and 2016, the Company has complied with the covenants stated in the agreements on the bonds and sukuk ijarah.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

16. TRADE PAYABLES TO THIRD PARTIES

Trade payables to third parties consist of purchases of goods and services from the following:

	December 31,	
	2017	**2016**
Suppliers	73,793,476	50,720,497
Office construction contractors	3,495,459	2,839,573
House construction contractors	1,357,326	1,539,165
Infrastructure construction contractors	1,150,464	1,073,525
Apartments construction contractors	523,089	680,056
Others	617,641	761,559
Total trade payables to third parties	**80,937,455**	**57,614,375**

The details of trade payables to third parties based on their original currencies (Note 33) are as follows:

	December 31,	
	2017	**2016**
Rupiah	74,644,496	45,815,268
United States dollar (US$438,264 in 2017 and US$860,258 in 2016)	5,937,602	11,558,432
Singapore dollar (Sin$25,882 in 2017 and Sin$25,882 in 2016)	262,280	240,675
European euro (Euro5,550)	89,761	-
Thailand baht (THB8,000)	3,316	-
Total trade payables to third parties	**80,937,455**	**57,614,375**

There are no Company's assets collateralized in relation to trade payables to third parties as of December 31, 2017 and 2016.

17. OTHER PAYABLES

Other payables are liabilities to third parties and related parties and consist of:

	December 31,	
	2017	**2016**
Third parties		
Deposits payable	106,350,096	77,871,237
Purchase of fixed asset and investment property	22,329,550	76.332.181
Contractors	18,846,224	28,122,832
Deferred lease income	11,579,789	5,639,376
Others (each below Rp10,000,000)	65,568,304	47,682,905
Total other payables	**224,673,963**	**235,648,531**
Less current maturities	(216,155,598)	(231,571,989)
Long-term portion	**8,518,365**	**4,076,542**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

18. ACCRUED EXPENSES

This account consists of accruals for:

	December 31,	
	2017	**2016**
Development of infrastructures, social and public facilities	941,228,602	1,354,282,652
Interest expense	91,619,337	54,175,121
Promotion	50,644,127	9,860,879
Repairs and maintenance	40,977,875	29,167,880
Electricity, water and telephone	21,151,393	20,651,801
Others (each below Rp10,000,000)	50,125,668	47,151,152
Total accrued expenses	**1,195,747,002**	**1,515,289,485**

In 2017 and 2016, accruals of infrastructures, social and public facilities were provided for new projects of the Group which are involved in property development. The accruals were computed based on cost per square meter (sqm) to be spent on the area to be developed as infrastructures, social and public facilities.

19. TAXATION

a. Prepaid taxes consists of:

	December 31,	
	2017	**2016**
Income tax – Article 21	400,564	500,000
Final income tax	135,817,466	158,718,804
Value added tax	34,083,908	29,882,443
Claim for tax refund (Note 19e)	17,948,286	13,699,634
Total prepaid taxes	**188,250,224**	**202,800,881**

b. Taxes payable consists of:

	December 31,	
	2017	**2016**
Income tax		
Income tax		
Article 21	4,511,371	3,076,789
Article 22	446,203	-
Article 23	6,816,463	3,288,996
Article 25	14,432	10,504
Article 26	197,751	826,171
Article 29 (Note 19e)	2,138,944	1,083,261
Final income tax	45,572,603	32,470,766
Development tax	7,310,885	5,017,488
Total taxes payable	**67,008,652**	**45,773,975**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

19. TAXATION

c. A reconciliation between profit before income tax, as shown in the consolidated statement of profit or loss and other comprehensive income, and estimated taxable income of the Company is as follows:

	Year ended December 31,	
	2017	**2016**
Profit before income tax per consolidated statement of profit or loss and other comprehensive income	539,859,503	616,139,824
Profit before income tax of subsidiaries	(694,586,034)	(789,560,908)
Reversal of consolidation eliminations	520,373,039	478,539,566
Taxable income before income subjected to final tax	365,646,508	305,118,482
Income subject to final tax	(351,431,780)	(291,720,232)
Profit before income tax	14,214,728	13,398,250
Permanent differences – Interest income already subjected to final tax	(42,522)	(36,385)
Temporary differences – Depreciation	681,018	569,674
Estimated taxable income of the Company	**14,853,224**	**13,931,539**

As of the date of completion of the consolidated financial statements, the Company has not submitted its 2017 corporate income tax return to the Tax Office. The Company's management declares that its 2017 corporate income tax will be reported based on the computation above.

The amount of estimated taxable income for the year ended December 31, 2016 conforms with the amount reported in the Company's 2016 annual income tax return submitted to the Tax Office.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

19. TAXATION (continued)

d. Income tax expense - net consists of:

	Year ended December 31,	
	2017	**2016**
Current income tax expense		
The Company		
Non-final	(3,713,306)	(3,482,885)
Subsidiaries		
Non-final	(3,445,458)	(753,544)
Total current income tax expense	(7,158,764)	(4,236,429)
Deferred income tax expense		
The Company		
Depreciation	(170,254)	(142,418)
Write-off of employee benefit	-	(1,002,666)
Sub-total	(170,254)	(1,145,084)
Subsidiaries		
Tax loss	(193,035)	(6,151,594)
Depreciation	(297,930)	(60,097)
Provision for of employee benefits	398,093	504,238
Sub-total	(92,872)	(5,707,453)
Deferred income tax expense - net	(263,126)	(6,852,537)
Income tax expense - net	**(7,421,890)**	**(11,088,966)**
Final tax expense (Note 19g)	**(259,088,589)**	**(261,365,173)**
Deferred tax income		
Subsidiaries		
Provision for of employee benefits recognized in other comprehensive income	**(251,355)**	**-**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

19. TAXATION (continued)

e. The computation of the Group's income tax payable and the breakdown of the estimated claims for income tax refund are as follows:

	December 31,	
	2017	**2016**
Current income tax expense		
The Company	3,713,306	3,482,885
Subsidiaries	3,445,458	753,544
Total current income tax expense	7,158,764	4,236,429
Prepayments of income tax		
The Company		
Article 22	4	476
Article 23	1,468	8,516
Article 25	3,379,722	3,004,871
Total prepayments of income tax	3,381,194	3,013,863
Subsidiaries		
Article 23	-	448
Article 25	1,638,626	138,857
Total prepayments of income tax	1,638,626	139,305
Estimated income tax payable		
The Company	332,112	469,022
Subsidiaries	1,806,832	614,239
Total estimated income tax payable (Note 19b)	**2,138,944**	**1,083,261**
Estimated claims for income tax refund:		
Current year - Subsidiaries	11,842,806	6,105,480
Previous year - Subsidiaries	6,105,480	7,594,154
Total estimated claims for income tax refund (presented as part of prepaid taxes) (Note 19a)	**17,948,286**	**13,699,634**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

19. TAXATION (continued)

f. Deferred tax assets (liabilities) consists of:

		Deferred tax income recognized in		
	December 31, 2016	Profit (loss)	Others comprehensive income	December 31, 2017
The Company				
Deferred tax liability				
Employee benefits Liabilities	1,002,666	(1,002,666)	-	-
Write off of employee benefits liabilities	(1,002,666)	1,002,666	-	-
Difference in value of total fixed assets between commercial and fiscal	(2,291,052)	(170,254)	-	(2,461,306)
Total deferred tax liability - the Company	(2,291,052)	(170,254)	-	(2,461,306)
Subsidiaries				
Deferred tax asset	10,218,110	605,498	62,839	10,886,447
Deferred tax liability	-	(1,012,955)	-	(1,012,955)
Net	10,218,110	(407,457)	62,839	9,873,492
Consist of:				
Deferred tax asset	10,218,110	605,498	62,839	10,886,447
Deferred tax liability	(2,291,052)	(1,183,209)	-	(3,474,261)
Net	**7,927,058**	**(577,711)**	**62,839**	**7,412,186**

		Deferred tax income recognized in		
	December 31, 2015	Profit (loss)	Others comprehensive income	December 31, 2016
The Company				
Deferred tax liablity				
Employee benefit liabilities	1,002,666	-	-	1,002,666
Write off of employee benefits liabilities	-	(1,002,666)	-	(1,002,666)
Difference in value of total fixed assets between commercial and fiscal	(2,148,634)	(142,418)	-	(2,291,052)
Total deferred tax liability – the Company	(1,145,968)	(1,145,084)	-	(2,291,052)
Subsidiaries				
Deferred tax asset	15,929,958	(5,711,848)	-	10,218,110
Deferred tax liability	(4,395)	4,395	-	-
Net	15,925,563	(5,707,453)	-	10,218,110
Consist of:				
Deferred tax asset	15,929,958	(5,711,848)	-	10,218,110
Deferred tax liability	(1,150,363)	(1,140,689)	-	(2,291,052)
Net	**14,779,595**	**(6,852,537)**	**-**	**7,927,058**

The management of the Group believes that the above deferred tax assets are fully recoverable through future taxable income.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

19. TAXATION (continued)

g. The computation of final tax is as follows:

	Year ended December 31,	
	2017	**2016**
Revenue subjected to final tax at applicable tax rates		
The Company	1,619,401,378	1,572,334,775
Subsidiaries	4,810,156,498	3,431,161,532
Total	**6,429,557,876**	**5,003,496,307**
Current income tax expense		
The Company	(93,787,183)	(98,555,017)
Subsidiaries	(165,301,406)	(162,810,156)
Current income tax expense – final (Note 19d)	**(259,088,589)**	**(261,365,173)**

Based on Government Regulation (PP) No. 5 dated March 23, 2002, income from shopping center rental is subjected to a final tax of 10%, except for income on rental contracts signed prior to such regulation which is subjected to 6%. On November 4, 2008, the President of the Republic of Indonesia and the Minister of Law and Human Rights signed Government Regulation No. 71/2008 (PP No. 71/2008) on "the third changes on PP No. 48/1994 regarding to payment of income tax on income from transfer rights on land and/or building". This regulation provides that, effective on January 1, 2009, the income of a taxpayer from transactions of transferring rights on land and/or building, is subjected to final tax of 5% from the sales or transfer, which has been replaced by Government Regulation (PP) No. 34/2016 dated August 8, 2016, effective since September 8, 2016, income from the transfer of land and buildings are subjected to final tax amounting to 2.5% of the value of the sale or transfer.

h. Others

On June 7, 2016, the Company received the result of the rejection of reduction or elimination of administrative sanction on VAT billed letter for the tax period May - October 2010 dated May 19, 2015 amounting to Rp14,791,529.

In 2016, some subsidiaries participated in Tax Amnesty Program, whereas all of such entities already received a "Surat Keterangan Pengampunan Pajak" from the Ministry of Finance. Consequently, all of the claims for tax refund and accumulated tax loss carry-forward are written off.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

20. EMPLOYEE BENEFITS LIABILITIES

The Company and its subsidiaries provide benefits to their qualified employees based on the provisions of Labor Law No. 13/2003 dated March 25, 2003. The benefits are funded, except for PT Summarecon Hotelindo and PT Hotelindo Permata Jimbaran.

The Company registered its permanent employees to retirement funds which is organized by Dana Pensiun Lembaga Keuangan Central Asia Raya.

The amounts recognized as employee benefits liability in the consolidated statement of financial position and as employee benefits expense in the consolidated statement of profit or loss and other comprehensive income were determined by PT Dian Artha Tama, an independent actuary, in its reports dated as follows:

	Year Ended December 31,	
	2017	**2016**
PT Lestari Mahadibya (LTMD)	February 5, 2018	January 23, 2017
PT Makmur Orient Jaya (MKOJ)	February 5, 2018	January 23, 2017
PT Mahkota Permata Perdana (MKPP)	February 5, 2018	January 23, 2017
Company	February 5, 2018	January 23, 2017
PT Bhakti Karya Vita (BTKV)	February 5, 2018	February 13, 2017
PT Serpong Cipta Kreasi (SPCK)	February 5, 2018	February 16, 2017
PT Summarecon Hotelindo (SMHO)	February 5, 2018	February 28, 2017
PT Hotelindo Permata Jimbaran (HOPJ)	February 5, 2018	-

The significant assumptions used are as follows:

Discount rates per annum	: 7.1% in 2017 and 8.4% in 2016
Annual salary increase	: 8% in 2017 and 2016
Mortality table	: TMIII – (2011)
Retirement age	: 55 years

a. Short-term employee benefits liabilities:

	December 31,	
	2017	**2016**
Salaries and other allowances	15,718,339	7,878,524
Post-employment benefits - current maturities (Note 20b)	13,545,723	11,246,884
Total short-term employee benefits liabilities	**29,264,062**	**19,125,408**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

20. EMPLOYEE BENEFITS LIABILITIES (continued)

b. Long-term employee benefits liabilities:

	December 31,	
	2017	2016
Post-employment benefits - long-term maturities	**150,500,394**	**124,861,493**

Movements in the long-term employee benefits liabilities are as follows:

	December 31,	
	2017	2016
Balance at beginning of year	124,861,493	119,190,420
Provision during the year	33,312,115	30,309,689
Payments during the year:		
Contribution	(18,510,515)	(27,166,530)
Benefits	(12,211,210)	(6,643,730)
Other comprehensive income	23,048,511	9,171,644
Total long-term employee benefits liabilities	150,500,394	124,861,493
Less current year maturities (Note 20a)	(13,545,723)	(11,246,884)
Long-term maturities of employee benefits liabilities	**136,954,671**	**113,614,609**

c. Employee benefits expense:

	Year ended December 31,	
	2017	2016
Current service cost	22,524,903	17,771,225
Past service cost	298,846	1,692,136
Interest cost	14,078,462	13,243,687
Return on asset plan	(3,590,096)	(2,397,359)
Total employee benefits expense	**33,312,115**	**30,309,689**

d. Long-term employee benefits liabilities:

	December 31,	
	2017	2016
Present value of defined benefits obligation	208,730,586	167,600,735
Fair value of plan assets	(58,230,192)	(42,739,242)
Balance at the end of year	**150,500,394**	**124,861,493**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

20. EMPLOYEE BENEFITS LIABILITIES (continued)

e. The movements in other comprehensive income:

	Year ended December 31,	
	2017	**2016**
Balance at beginning of year	49,104,122	39,932,478
Actuarial gain (loss) on employee benefits liability	16,438,850	(3,997,608)
Actuarial loss on plan asset	6,609,661	13,169,252
Balance at the end of year	**72,152,633**	**49,104,122**

f. The movements in the present value of the defined benefits obligation are as follows:

	Year ended December 31,	
	2017	**2016**
Balance at beginning of year	167.600.735	145,535,025
Current service cost	22.524.903	17,771,225
Interest cost	14.078.462	13,243,687
Past service cost	298.846	1,692,136
Actuarial (gain) loss on benefits obligation:		
Demography	(1.124.294)	-
Experience adjustment	14.819.928	(13,409,149)
Changes in financial assumptions	2,743,216	9,411,541
Employee benefits paid	(12,211,210)	(6,643,730)
Balance at the end of year	**208,730,586**	**167,600,735**

g. The movements of fair value of plan asset as follows:

	Year ended December 31,	
	2017	**2016**
Balance at beginning of year	42,739,242	26,344,585
Return on plan asset	3,590,096	2,397,359
Contribution	18,510,515	27,166,530
Actuarial loss on plan asset	(6,609,661)	(13,169,232)
Balance at the end of year	**58,230,192**	**42,739,242**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

20. EMPLOYEE BENEFITS LIABILITIES (continued)

h. A change of one percent in the discount rate would change the present value of the defined benefits obligation and current service cost to become the figures described/indicated below.

	December 31, 2017
Increase of 1%	
Present value of the defined benefits obligation	192,641,982
Current service cost	22,116,188
Decrease of 1%	
Present value of the defined benefits obligation	230,938,481
Current service cost	27,130,131

i. A change of one percent in the salary increase rate would change the present value of the defined benefit obligation and current service cost to become the figures described/indicated below.

	December 31, 2017
Increase of 1%	
Present value of the defined benefits obligation	231,218,681
Current service cost	27,079,539
Decrease of 1%	
Present value of the defined benefits obligation	192,735,133
Current service cost	22,130,701

The sensitivity analysis have been determined based on a method that extrapolates the impact on define benefits obligations (DBO) as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The above result of sensitivity analysis determines the individual impact on each complete program at the end of the year.

In fact, every program depends on some other external things that resulting on movement of DBO in one direction or opposite direction.

There are no changes in the method and assumptions used in preparing the sensitivity analysis from the previous period.

j. The maturity profile of defined benefits obligation as of December 31, 2017 is as follows:

	December 31, 2017
Less than 1 year	13,545,723
1 - 5 years	61,212,395
More than 5 years	2,132,913,263
Total	**2,207,671,381**

The average duration of the defined benefits plan obligation at the end of reporting period is 10 years for the Group. The Group management believes that employee benefits liabilities have been quite appropriate with the requirements by Labor Law.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

21. DOWNPAYMENTS RECEIVED AND SECURITY DEPOSITS

This account consists of:

	December 31,	
	2017	**2016**
a. Downpayments received from sales (Note 7):		
Related parties (Note 32)		
Shops	5,625,613	1,138,200
Apartments	835,584	2,597,010
Houses	126,019	-
Third parties		
Houses	2,075,992,177	1,495,629,747
Shops	453,149,543	156,803,531
Apartments	261,794,256	933,706,691
Office	39,370,171	-
Landplots	32,885,921	17,648,500
Others	7,584,595	7,804,128
Total downpayments received	2,877,363,879	2,615,327,807
b. Customer deposits:		
Related parties (Note 32)		
Rent	6,641,643	6,641,643
Telephone	91,000	96,000
Sinking fund	22,455	11,403
Others	84,400	84,400
Third parties		
Rent	110,125,079	110,245,480
Sinking fund	6,968,031	6,619,970
Membership	3,600,063	3,127,916
Telephone	2,357,278	2,430,819
Others	23,291,557	18,160,118
Total customer deposits	153,181,506	147,417,749
Total	3,030,545,385	2,762,745,556
Less current maturities	(1,819,628,424)	(553,356,347)
Long-term portion	**1,210,916,961**	**2,209,389,209**

The details of downpayments received from customers based on the percentage to the contract sales price are as follows:

	December 31,	
	2017	**2016**
100%	1,534,694,968	982.672.315
50% - 99%	720,388,055	1.141.267.405
20% - 49%	401,544,364	370.633.744
< 20%	220,736,492	120.754.343
Total	**2,877,363,879**	**2,615,327,807**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

22. UNEARNED REVENUES

This account consists of unearned rental revenues as follows:

	December 31,	
	2017	**2016**
Third parties		
Mall and retail	361,491,450	327,087,431
Commercial and others	53,208,921	42,707,277
Residential	2,146,842	2,766,657
Office	1,056,320	1,102,965
Total unearned revenues	417,903,533	373,664,330
Less current maturities	(346,587,025)	(312,817,434)
Long-term portion	**71,316,508**	**60,846,896**

23. NON-CONTROLLING INTERESTS

The details of non-controlling interests in the consolidated Subsidiaries are as follows:

	December 31,	
	2017	**2016**
SPCK and subsidiaries	959,334,004	1,054,235,129
SMPD and subsidiaries	814,276,631	769,598,075
SMIP and subsidiaries	67,065,102	97,308,255
BTKB	3,164,844	1,455,779
BHMS	3	3
Total equity attributable to non-controlling interests	**1,843,840,584**	**1,922,597,241**

As of December 31, 2017, there were deposits for stock subscription amounting Rp57,526,000, Rp26,434,000 and Rp2,256,800 from non-controlling interests of SMPD and subsidiaries, and SMIP and subsidiaries and BTKB, respectively.

Total comprehensive loss attributable to non-controlling interests for the year ended December 31, 2017 amounted to Rp170,374,798 (2016: Rp293,385,043).

In December 31, 2016, there were deposits for stock subscription amounting to Rp94,484,898 and Rp36,775,367 each from the Non-controlling interests on SMPD and subsidiaries and SMIP and subsidiaries, respectively and there was paid capital stock from the non-controlling interests on BTKB Rp1,500,000. For the year ended of December 31, 2017, there was a payment to non-controlling interests related to revenue sharing on SPCK amounting to Rp335,348,255.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

23. NON-CONTROLLING INTERESTS (continued)

Subsidiaries with Significant Non-controlling interest

SPCK, through its subsidiary BTKV, owns 40% of KNP and SMPD, through its subsidiaries GNSP, KCJA, GNSA, DTSA and SGMC, owns at 16.23% - 49.00% of KNP. Whereas SMIP, through its subsidiaries PMJA and JVOP, owns at 10.00% - 41.35% of KNP.

The financial information of subsidiaries which have significant non-controlling interests ("NCI") are as follows:

	December 31,	
	2017	**2016**
Accumulated balance of NCI		
SPCK and Subsidiaries	959,334,044	1,054,235,129
SMPD and Subsidiaries	814,276,631	769,598,075
SMIP and Subsidiaries	67,065,102	97,308,255

The details of subsidiaries' financial information with significant NCI are as follows:

SPCK and Subsidiaries

	December 31,	
	2017	**2016**
Consolidated profit or loss and other comprehensive income		
Net revenues	2,575,561,184	2,757,683,196
Cost of goods sell and direct cost	(1,393,517,185)	(1,377,317,681)
Selling expenses	(158,465,121)	(129,895,969)
General and administration expenses	(187,924,530)	(185,698,702)
Other operating income	1,464,085	1,464,597
Other operating expenses	(2,138,348)	(3,098,603)
Finance income	49,488,172	49,131,197
Finance costs	(16,331,557)	(26,186,901)
Profit before final tax and income tax expense	868,136,700	1,086,081,134
Final tax expense	(103,391,231)	(110,671,635)
Income tax expense	(3,011,636)	(3,042,470)
Sub-total	761,733,833	972,367,029
Other comprehensive loss	(3,337,991)	(2,023,614)
Net comprehensive income for the year	**758,395,842**	**970,343,415**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

23. NON-CONTROLLING INTERESTS (continued)

The details of subsidiaries' financial information with significant NCI are as follows: (continued)

SPCK and Subsidiaries (continued)

	December 31, 2017	December 31, 2016
Consolidated financial position		
Current assets	3,778,539,852	3,888,772,668
Non-current assets	2,191,610,588	2,072,035,974
Current liabilities	(1,275,440,266)	(919,188,280)
Non-current liabilities	(1,094,283,151)	(1,714,240,927)
Total equity	**3,600,427,023**	**3,327,379,435**

	December 31, 2017	December 31, 2016
Consolidated cash flow		
Operating	283,730,799	276,913,453
Investing	(115,845,807)	(69,851,523)
Financing	(428,211,451)	129,984,966
Net increase (decrease) in cash and cash equivalents	**(260,326,459)**	**337,046,896**

SMPD and Subsidiaries

	December 31, 2017	December 31, 2016
Consolidated profit or loss and other comprehensive income		
Net revenues	268,981,457	98,081,821
Cost of goods sell and direct cost	(102,600,860)	(46,331,541)
Selling expenses	(34,925,122)	(40,318,646)
General and administration expenses	(88,145,298)	(82,078,394)
Other operating income	495,038	94,876
Other operating expenses	(10,210)	(57,532)
Finance income	23,351,884	29,894,064
Finance costs	(9,626,194)	(3,625,429)
Income (loss) before final tax and income tax expense	57,520,695	(44,340,781)
Final tax expense	(5,939,327)	(975,507)
Income tax expense	(2,959,552)	(257,684)
Sub-total	48,621,816	(45,573,972)
Other comprehensive income (loss)	(1,499,443)	819,811
Net comprehensive income (loss) for the year	**47,122,373**	**(44,754,161)**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

23. NON-CONTROLLING INTERESTS (continued)

The details of subsidiaries' financial information with significant NCI are as follows: (continued)

SMPD and Subsidiaries (continued)

	December 31, 2017	December 31, 2016
Consolidated financial position		
Current assets	1,930,393,086	1,102,002,045
Non-current assets	4,898,486,878	4,445,458,762
Current liabilities	(1,298,819,779)	(123,703,951)
Non-current liabilities	(575,903,174)	(726,704,294)
Total equity	**4,954,157,011**	**4,697,052,562**

	December 31, 2017	December 31, 2016
Consolidated cash flow		
Operating	(255,238,943)	286,781,371
Investing	(412,090,001)	(363,743,176)
Financing	386,917,053	341,369,867
Net increase (decrease) in cash and cash equivalents	**(280,411,891)**	**264,408,062**

SMIP and Subsidiaries

	December 31, 2017	December 31, 2016
Consolidated profit or loss and other comprehensive income		
Net revenues	970,913,158	784,553,893
Cost of goods sell and direct cost	(634,665,111)	(502,970,960)
Selling expenses	(60,150,385)	(55,900,172)
General and administration expenses	(174,205,853)	(154,500,740)
Other operating income	228,701	571,351
Other operating expenses	(142,919)	(84,388)
Finance income	6,183,515	7,254,033
Finance costs	(173,550,779)	(163,002,672
Loss before final tax and income tax expense	(65,389,673)	(84,079,655)
Final tax expense	(54,804,441)	(50,938,687)
Income tax expense	2,918,764	(2,686,711)
Sub-total	(117,275,350)	(137,705,053)
Other comprehensive loss	(1,895,652)	(2,400,425)
Total comprehensive loss for the year	**(119,171,002)**	**(140,105,478)**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

23. NON-CONTROLLING INTERESTS (continued)

The details of subsidiaries' financial information with significant NCI are as follows: (continued)

SMIP and Subsidiaries (continued)

	December 31, 2017	December 31, 2016
Consolidated financial position		
Current assets	328,061,438	394,995,752
Non-current assets	3,999,098,238	3,940,391,764
Current liabilities	(576,775,803)	(608,759,001)
Non-current liabilities	(1,155,061,635)	(1,571,930,276)
Total equity	**2,595,322,238**	**2,154,698,239**

	December 31, 2017	December 31, 2016
Consolidated cash flow		
Operating	64,768,628	134,557,440
Investing	(253,220,986)	(458,260,253)
Financing	100,444,317	369,657,864
Net increase (decrease) in cash and cash equivalents	**(88,008,041)**	**45,955,051**

24. SHARE CAPITAL

The details of the Company's share ownership as of December 31, 2017 are as follows:

Shareholders	Number of shares issued and fully paid	Percentage of ownership (%)	Amount
Commissioner			
Liliawati Rahardjo	66,003,600	0.46	6,600,360
Harto Djojo Nagaria	22,050,000	0.15	2,205,000
Ownership of 5% or more			
PT Semarop Agung	4,836,415,914	33.52	483,641,592
PT Sinarmegah Jayasentosa	951,576,224	6.60	95,157,622
BNYMSANV RE AMS RE Stichting D APG ST RE E ES Pool - 2039846201	810,000,000	5.61	81,000,000
Others (each below 5% ownership)	7,740,735,942	53.66	774,073,594
Total	**14,426,781,680**	**100.00**	**1,442,678,168**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

24. SHARE CAPITAL (continued)

The details of the Company's share ownership as of December 31, 2016 are as follows:

Shareholders	Number of shares issued and fully paid	Percentage of ownership (%)	Amount
Commissioner			
Harto Djojo Nagaria	20,000,000	0.14	2,000,000
Ownership of 5% or more			
PT Semarop Agung	3,668,788,504	25.43	366,878,850
PT Sinarmegah Jayasentosa	951,576,224	6.60	95,157,622
BNYMSANV RE AMS RE Stichting D APG ST RE E ES Pool - 2039846201	810,000,000	5.61	81,000,000
Others (each below 5% ownership)	8,976,416,952	62.22	897,641,696
Total	**14,426,781,680**	**100.00**	**1,442,678,168**

Information on the composition of the shareholders and the Company's ownership is based on reports from PT Sirca Datapro Perdana, Registrar of Companies, on December 31, 2017 and 2016.

25. ADDITIONAL PAID-IN CAPITAL

As of December 31, 2017 and 2016, the balance of this account arose from the following:

	December 31, 2017	December 31, 2016
Share premium	721,671,346	721,671,346
Other paid-in capital	17,103,214	17,103,214
Differences in value of transactions of entities under common control	5,560,839	5,560,839
Bonus shares	(721,339,084)	(721,339,084)
Total	**22,996,315**	**22,996,315**

Share premium represents the excess of the amounts received and/or the carrying value of shares and converted warrants over the par value of the shares issued after offsetting all stock/warrant issuance costs.

Other paid-in capital represents the excess of the carrying value of shares distributed as dividends over the par value of the shares issued.

Differences in value of transactions of entities under common control represent the differences between the acquisition cost and the book value of a subsidiary which was acquired indirectly by other subsidiaries and Soetjipto Nagaria (controlling party) using the pooling-of-interests method in 2012.

In accordance with Article No. 70 of the Indonesian Corporation Law No. 40 of 2007, the Company must allocate a certain portion of its annual net income for the establishment of a reserve at an amount equal to 20% of its issued capital stock.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

26. APPROPRIATED RETAINED EARNINGS - GENERAL RESERVE

Based on the minutes of stockholders' annual general meetings held on June 15, 2017 and June 23, 2016, the Company stockholders approved the appropriation of general reserve amounting to Rp5,958,792 and Rp10,864,412, respectively.

As of December 31, 2017 the balances of the general reserve are less than 20% of the issued and fully paid capital stock. The additional reserve will be made after obtaining the approval from the stockholders in their next annual meeting.

27. CASH DIVIDENDS

In the stockholders' annual general meetings held on June 15, 2017 and June 23, 2016, the Company's stockholders approved the distribution of cash dividend amounting to Rp5 (full amount) per share or equivalent to Rp72,133,908 and Rp5 (full amount) per share or equivalent to Rp72,133,908, respectively.

As of December 31, 2017, the dividend payable balance amounted to Rp1,924,407 (2016 : Rp1,918,467), which is presented as part of "Other Payables" under current liabilities in the consolidated statement of financial position (Note 17).

28. NET REVENUES

The details of net revenues are as follows:

	Year ended December 31,	
	2017	**2016**
Property development (Note 7):		
Related parties (Note 32)		
Landplots	228,682,078	44,081,459
Apartment	8,082,775	4,008,336
Third parties		
Apartments	1,941,271,855	1,591,220,926
Houses	812,763,392	1,558,598,463
Landplots	378,237,398	273,866,409
Shops	234,175,039	89,054,207
Sub-total	3,603,212,537	3,560,829,800
Investment properties (Note 12):		
Related parties (Note 32)		
Mall and retail	42,792,319	42,106,259
Commercial and others	1,232,947	523,019
Office	738,778	1,024,847
Third parties		
Mall and retail	1,287,350,223	1,238,208,659
Commercial and others	33,556,114	31,711,750
Office	26,047,365	25,368,177
Residential	8,571,271	9,086,623
Sub-total	1,400,289,017	1,348,029,334

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

28. NET REVENUES (continued)

The details of net revenues are as follows: (continued)

	Year ended December 31,	
	2017	**2016**
Others:		
Related parties (Note 32)		
Estate and property management	101,876	92,994
Others	895,047	465,826
Third parties		
Hotel	283,000,008	175,690,559
Estate and property management	145,068,648	126,542,427
Healthcare	107,874,731	99,627,470
Leisure	71,130,349	68,642,074
Others	29,179,596	18,028,423
Sub-total	637,250,255	489,089,773
Net revenues	**5,640,751,809**	**5,397,948,907**

The percentage of revenues from sales to related parties to net revenues accounted for 5,01% in 2017 (2016: 1.71%). In 2017 and 2016, no revenues exceeding 10% of annual net revenues were earned from any single customer.

29. COST OF SALES AND DIRECT COSTS

The details of cost of sales and direct costs are as follows:

	Year ended December 31,	
	2017	**2016**
Property development		
Apartments (Note 7)	1,262,153,408	997,201,998
Houses (Note 7)	423,973,972	734,795,564
Landplots	146,585,460	37,640,728
Shops (Note 7)	90,021,867	24,122,925
Sub-total	1,922,734,707	1,793,761,215
Investment properties		
Mall and retail	639,486,138	635,364,201
Office	19,375,178	18,172,879
Commercial and others	19,006,852	18,159,454
Residential	4,122,328	4,459,010
Sub-total	681,990,496	676,155,544

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

29. COST OF SALES AND DIRECT COSTS (continued)

The details of cost of sales and direct costs are as follows: (continued)

	Year ended December 31,	
	2017	**2016**
Others		
Hotel	211,208,611	103,060,492
Estate and property management	120,742,451	100,902,637
Healthcare	67,174,632	63,445,724
Leisure	45,653,539	44,802,709
Others	24,083,965	15,060,137
Sub-total	468,863,198	327,271,699
Total cost of sales and direct costs	**3,073,588,401**	**2,797,188,458**

In 2017 and 2016, no purchases exceeding 10% of net revenues were made from any single supplier.

30. OPERATING EXPENSES

The details of operating expenses are as follows:

	Year ended December 31,	
	2017	**2016**
Selling expenses		
Promotion and advertising	183,095,811	196,665,721
Sales commissions	119,401,850	122,430,695
Salaries and employee benefits	12,991,706	10,945,694
Others (each below Rp10,000,000)	23,307,042	18,927,934
Total selling expenses	338,796,409	348,970,044
General and administrative expenses		
Salaries and employee benefits	549,017,946	526,709,220
Depreciation (Notes 11 and 12)	97,408,216	87,447,240
Development tax	30,009,615	10,913,738
Entertainment, representation and donations	22,758,549	15,477,195
Electricity, water and telephone	21,630,901	20,343,878
Professional fees	19,579,570	26,220,481
Travelling and transportation	18,476,362	17,459,885
Corporate events	17,343,810	20,828,717
Security	13,860,108	15,019,076
Repairs and maintenance	13,801,097	12,349,409
Office building supplies/equipment	13,054,122	10,783,875
Royalty and incentives	11,787,824	10,168,217
Others (each below Rp10,000,000)	61,114,337	69,131,347
Total general and administrative expenses	889,842,457	842,852,278
Total operating expenses	**1,228,638,866**	**1,191,822,322**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

31. FINANCE COSTS

	Year ended December 31,	
	2017	**2016**
Interest expense:		
Loans from banks	311,145,481	319,685,140
Bonds payable	290,397,064	283,719,520
Other payables	9,023,676	2,563,289
Loans from financial institutions	876,831	687,048
Amortization of bonds issuance costs	6,270,929	5,588,608
Amortization of difference in fair value of security deposits	1,599,837	9,149,710
Others	13,127,852	12,134,631
Total finance costs	**632,441,670**	**633,527,946**

32. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Group, in its regular conduct of business, has engaged in transactions with related parties. The balances of the accounts and transactions are as follows:

	December 31,		Percentage to total consolidated assets/liabilities (%)	
	2017	**2016**	**2017**	**2016**
Trade receivables (Note 5)				
Trade receivables – current				
Other related parties				
PT Maju Lestari Kreasi	153,189,387	-	0.7072	-
PT Cahaya Fajar Properti	24,081,252	-	0.1111	-
PT Sulisman Graha	6,600,000	25,789,440	0.0305	0.1239
PT Maktosa Jaya Indah	96,965	-	0,0005	-
PT Centrapacific Nusajaya	49,882	29,218	0,0002	0.0001
Entity under common control				
PT Star Maju Sentosa	4,847,113	2,049,311	0.0224	0.0098
Key management personnel				
Harto Djojo Nagaria	1,667,533	118,055	0.0077	0.0006
Soegianto Nagaria	48,726	-	0.0002	-
Lexy Arie Tumiwa	-	405,689	-	0.0019
Total trade receivables – current	190,580,858	28,391,713	0.8798	0.1363
Trade receivables – non-current				
Other related parties				
PT Sulisman Graha	6,179,838	10,794,659	0.0285	0.0519
Total trade receivables	**196,760,696**	**39,186,372**	**0.9083**	**0.1882**
Due from related parties - non-current:				
Joint venture				
PT Jakartabaru Cosmopolitan	38,159,546	63,119,824	0.1762	0.3033
Entity under common control				
PT Star Maju Sentosa	70,124	560,658	0.0003	0.0027
Total due from related parties – non-current	**38,229,670**	**63,680,482**	**0.1765**	**0.3060**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

32. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

The Group, in its regular conduct of business, has engaged in transactions with related parties. The balances of the accounts and transactions are as follows: (continued)

	December 31,		Percentage to total consolidated assets/liabilities (%)	
	2017	**2016**	**2017**	**2016**
Downpayments received and security deposits (Note 21)				
Downpayments received and security deposits - current				
Entity under common control				
PT Star Maju Sentosa	164,492	164,492	0.0012	0.0013
Key management personnel				
Harto Djojo Nagaria	3,448,201	1,000	0.0259	0.0000
Ge Lilies Yamin	203,003	31,505	0.0015	0.0002
Herman Nagaria	176,088	1,105	0.0013	0.0000
Liliawati Rahardjo	171,371	-	0.0013	
Soegianto Nagaria	116,089	1,995	0.0009	0.0000
Adrianto P. Adhi	2,477	1,045	0.0000	0.0000
Lexy Arie Tumiwa	2,241	1,045	0.0000	0.0000
Other related parties				
PT Maktosa Jaya Indah	4,138	3,100	0.0000	0.0000
Theresia Mareta	2,531	1,049	0.0000	0.0000
Total downpayments received and security deposits – current	**4,290,631**	**206,336**	**0.0321**	**0.0015**
Downpayments received and security deposits - non-current				
Entity under common control				
PT Star Maju Sentosa	6,652,551	6,657,551	0.0500	0.0527
Key management personnel				
Herman Nagaria	1,865,700	137,873	0.0140	0.0011
Lexy Arie Tumiwa	491,813	-	0.0037	-
Harto Djojo Nagaria	-	1,894,160	-	0.0150
Ge Lilies Yamin	-	959,988	-	0.0076
Liliawati Rahardjo	-	516,050	-	0.0041
Other related parties				
PT Centrapacific Nusajaya	-	66,817	-	0.0005
PT Maktosa Jaya Indah	126,019	129,881	0.0009	0.0010
Total downpayments received and security deposits – non-current	9,136,083	10,362,320	0.0686	0.0820
Total downpayments received and security deposits	**13,426,714**	**10,568,656**	**0.1007**	**0.0835**
Due to related parties				
Due to related parties - current:				
Other related parties:				
PT Sulisman Graha	94,512,732	79,512,731	0.7101	0.6288
PT Permata Cahaya Indah	30,000,000	-	0.2254	-
Key management personnel				
Soetjipto Nagaria	1,396,601	-	0.0105	-
Total due to related parties	**125,909,333**	**79,512,731**	**0.9460**	**0.6288**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

32. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

The Group, in its regular conduct of business, has engaged in transactions with related parties. The balances of the accounts and transactions are as follows (continued):

	Year ended December 31,		Percentage to consolidated net revenues (%)	
	2017	**2016**	**2017**	**2016**
Net revenues (Note 28)				
Entity under common control				
PT Star Maju Sentosa	43,531,097	43,131,106	0,7717	0,7990
Key management personnel				
Harto Djojo Nagaria	5,132,051	1,142,347	0.0910	0.0212
Liliawati Rahardjo	1,086,118	833,252	0.0193	0.0154
Ge Lilies Yamin	794,196	648,605	0.0141	0.0120
Herman Nagaria	446,360	460,563	0.0079	0.0085
Lexy Arie Tumiwa	48,096	177,068	0.0008	0.0033
Soegianto Nagaria	18,253	392,602	0.0003	0.0073
Adrianto P, Adhi	12,239	10,441	0.0002	0.0002
Other related parties				
PT Maju Lestari Kreasi	196,396,650	-	3.4817	-
PT Cahaya Fajar Properti	32,285,428	-	0.5724	-
Yayasan Syiar Bangsa	1,232,947	523,019	0.0219	0.0097
Yayasan Inti Prima Bangsa	895,047	465,826	0.0159	0.0086
PT Centrapacific Nusajaya	233,929	243,697	0.0041	0.0045
PT Maktosa Jaya Indah	400,078	179,615	0.0071	0.0033
Theresia Mareta	13,331	13,140	0.0002	0.0002
PT Sulisman Graha	-	44,081,459	-	0.8166
Total net revenues	**282,525,820**	**92,302,740**	**5.0086**	**1.7098**

The amounts due from and due to related parties resulting from non-trade transactions are non-interest bearing and have no fixed repayment dates and will be settled in cash. There are no security deposits given or received for each due to and due from related parties.

On December 31, 2017, the Group management believes that all due from related parties are collectible, therefore no allowance and impairment needed.

The nature of related party relationships and transactions with the related parties is as follows:

Related parties	Relationship	Transactions
PT Maju Lestari Kreasi	Other	Sale of landplots
PT Cahaya Fajar Properti	Other	Sale of landplots
PT Sulisman Graha	Under common control	Non-trades payable
PT Maktosa Jaya Indah	Stockholder	Sale of apartment and estate management revenue
PT Centrapacific Nusajaya	Other	Sale of apartment
PT Star Maju Sentosa	Under common control	Space rental and management deposit
Harto Djojo Nagaria	Commissioner	Sale of apartment and deposit of estate management
Soegianto Nagaria	Director	Sale of apartement, deposit and estate management revenue
PT Jakartabaru Cosmopolitan	Joint venture	Payable on profit sharing

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

32. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

The nature of related party relationships and of the transactions with the related parties is as follows (continued):

Related parties	Relationship	Transactions
Ge Lilies Yamin	Independent Director	Sale of apartment and deposit of estate management
Herman Nagaria	Director	Sale of apartment and deposit of estate management
Liliawati Rahardjo	Director	Sale of apartment
Adrianto P. Adhi	Director	Deposit of estate management
Theresia Mareta	Close family member of Director	Estate management revenue
Lexy Arie Tumiwa	Director	Sale of shophouses, houses, landplots, apartment, and deposit of estate management
PT Permata Cahaya Indah	Under common control	Non-trades payable
Soetjipto Nagaria	Main Commissioner	Non-trades payable

33. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of December 31, 2017 and 2016, the Group has monetary assets and liabilities denominated in foreign currencies. The rupiah equivalents of foreign currency-denominated assets and liabilities as of December 31, 2017 and 2016 and as of the date of completion of the consolidated financial statements are as follows:

		Foreign Currency		Rupiah Equivalent		
		2017	2016	December 31, 2017	December 31, 2016	March 26, 2018 Audit Report Date
Assets						
Cash and cash equivalents						
U.S. dollar	US$	6,117,695	5,665,596	82,882,525	76,122,945	84,277,359
Eurpoean euro	Euro	183,294	193,635	2,964,525	2,742,172	3,123,371
Australian dollar	AUD	11,883	11,883	125,452	115,554	126,434
Great Britain pounds	GBP	-	3,540	-	58,437	-
Singapore dollar	Sin$	1,505	1,505	15,249	13,993	15,797
Malaysian Ringgit	RM	3,898	3,898	13,001	11,678	13,744
Japan yen	JPY	972	97,211	11,687	11,219	12,762
Thailand baht	THB	20,560	20,560	8,521	7,713	9,090
China yuan	CNY	-	2,385	-	4,619	-
Hong Kong dollar	HKD	571	2,294	990	3,975	1,008
Korea won	KRW	2,993	87,039	38	970	38
Denmark kroner	DKK	290	290	630	552	663
New Zealand dollar	NZD	3	23	26	213	27
United Arab Emirates Dirham	AED	-	885	-	3.170	-
Total assets in foreign currencies		6,343,664	6,090,744	86,022,644	79,097,210	87,580,293

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

33. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES (continued)

As of December 31, 2017 and 2016, the Group has monetary assets and liabilities denominated in foreign currencies. The rupiah equivalents of foreign currency-denominated assets and liabilities as of December 31, 2017 and 2016 and as of the date of completion of the consolidated financial statements are as follows: (continued)

		Foreign Currency		Rupiah Equivalent		
		2017	2016	December 31, 2017	December 31, 2016	March 26, 2018 Audit Report Date
Liabilities						
Short-term bank loan (Note 14a)						
U.S. dollar	US$	3,000,000	3,000,000	40,644,000	40,308,000	41,328,000
Long-term bank loan (Catatan 14b)						
U.S. dollar	US$	8,135,805	7,644,307	110,223,886	102,708,909	112,078,850
Trade payables to third parties (Note 16)						
U.S. dollar	US$	438,264	860,258	5,937,602	11,558,432	6,037,526
Singapore dollar	Sin$	25,882	25,882	262,280	240,675	271,714
European euro	Euro	5,550	-	89,761	-	94,570
Thailand Bath	THB	8,000	-	3,316	-	3,537
Accrued expenses						
U.S dollar	US$	587,865	32,029	7,964,383	430,346	8,098,416
Total liabilities in foreign currencies		12,201,366	11,562,476	165,125,228	155,246,362	167,912,613
Liabilities in foreign currencies - net		**(5,857,702)**	**(5,471,732)**	**(79,102,584)**	**(76,149,152)**	**(80,332,320)**

34. FINANCIAL INSTRUMENTS

The following table sets out the carrying values and estimated fair values of the Group's financial instruments which recorded in the consolidated financial statements:

	December 31, 2017		December 31, 2016	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
Loans and receivables				
Cash and cash equivalents	1,482,320,678	1,482,320,678	2,039,256,076	2,039,256,076
Trade receivables	685,169,106	685,169,106	578,602,752	578,602,752
Other receivables	15,762,643	15,762,643	9,570,295	9,570,295
Other current financial assets	145,869	145,869	106,644	106,644
Due from related parties	38,229,670	38,229,670	63,680,482	63,680,482
Other non-current financial assets	419,231,273	419,231,273	263,720,828	263,720,828
Total	**2,640,859,239**	**2,640,859,239**	**2,954,937,077**	**2,954,937,077**
Financial Liabilities				
Financial liabilities at amortized costs				
Short-term bank loans	905,840,236	905,840,236	1,040,798,732	1,040,798,732
Trade payables to third parties	80,937,455	80,937,455	57,614,375	57,614,375
Other payables	224,673,963	224,673,963	235,648,531	235,648,531
Due to related parties	125,909,333	125,909,333	79,512,731	79,512,731
Accrued expenses	1,195,747,002	1.195,747,002	1,515,289,485	1,515,289,485
Short-term employee benefits liabilities	15,718,339	15,718,339	7,878,524	7,878,524
Downpayments received and security deposits – customer deposits	153,181,506	153,181,506	147,417,749	147,417,749
Long-term debts	3,794,645,054	3,794,645,054	3,903,881,393	3,903,881,393
Bonds payable and sukuk ijarah	3,283,223,871	3,283,223,871	2,481,961,543	2,481,961,543
Other non-current financial liabilities	12,842,450	12,842,450	12,842,452	12,842,452
Total	**9,792,719,209**	**9,792,719,209**	**9,482,845,515**	**9,482,845,515**

34. FINANCIAL INSTRUMENTS (continued)

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The Group uses the following hierarchy for determining the fair value of financial instruments:

- Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly.
- Level 3: Fair value measured based on valuation techniques for which inputs which have a significant effect on the recorded fair value are not based on observable market data.

There is no financial instrument measured by hierarchy level 1, 2, and 3

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

a. Cash and cash equivalents, trade receivables, other receivables, other current financial assets, short-term bank loans, trade payables to third parties, other payables, accrued expenses, due to related parties, downpayments received and security deposits - customer deposits, current maturities of long-term debts, and liability for short-term employee benefits approximate their carrying amounts due to their short-term nature.

b. Other receivables, due from related parties, long term debts - net of current maturities, due to related parties, downpayments received and security deposits - customer deposits, and other non-current financial assets and liabilities. The fair value of these financial instruments cannot be measured reliably since they have no fixed repayment dates; therefore, they are measured at cost.

c. The fair values of deposits received – customer deposits and other non – current financial assets are determined by discounting future cash flows using applicable rates from observable current market transaction for instruments with the same terms, credit risk and remaining maturities.

d. Long – term loans from banks and financial institution, bonds payable and sukuk ijarah are measured at amortized cost.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities consist of short-term bank loans, trade payables to third parties, other payables, accrued expenses, due to related parties, downpayments received and security deposits - customer deposits, long-term debts, bonds payable and sukuk ijarah, liability for short-term employee benefits and other non-current financial liabilities. The main purpose of the financial liabilities is to raise working capital for the Group's operations and investment activities. The Group has various financial assets, such as cash and cash equivalents, trade receivables, other receivables, due from related parties and other current and non-current financial assets which arise directly from its operations.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The main risks arising from the Group's financial instruments are market risk (including foreign currency risk and commodity price risk), interest rate risk, credit risk and liquidity risk. The management reviews and approves policies for managing each of these risks, which are described in more detail as follows:

a. Foreign currency risk

The Group does not significantly use foreign currencies because nearly all of its transactions, assets and liabilities are denominated in rupiah.

The Group's reporting currency is the rupiah. It faces foreign exchange risk in cases of imported purchases of equipment and building equipment, but these are not material, so the effect of foreign currency risk, such as the U.S. dollar, European euro and Singapore dollar is not significant.

The Group does not have any formal hedging policy for foreign exchange exposure. If needed, hedging will be obtained to reduce risk to foreign currency risk. Transactions in foreign currencies other than in connection with regular operations is maintained at an acceptable minimum level.

b. Commodity price risk

The Group's exposures to commodity price risk relates primarily to the purchase of major building materials, such as iron, steel, paint and cement. Before this happens, the Group enters into contracts with its suppliers that bind them to a fixed price, quantity and period of delivery based on the needs of the Group.

The Group's policy is to minimize the risks arising from the fluctuations in commodity prices by maintaining the stability level of development costs, besides profit for the year that should be achieved by the Group.

c. Interest rate risk

The Group's interest rate risk mainly arises from loans for working capital and investment purposes. Loans at variable rates expose the Group to fair value interest rate risk. The Group manages its interest rate risk by obtaining loans with a mixture of fixed and floating interest rates.

d. Credit risk

The Group is exposed to credit risk arising from the credit granted to its customers and tenants. To mitigate this risk, receivable balances are monitored on an ongoing basis to reduce the exposure to bad debts.

When a customer fails to make payment for the property purchased, the Group is not going to hand over to the customer the title to the property. As for the tenant whose payment is in arrears, the tenant's security deposit will be closely monitored. Before the arrears become greater than the security deposit, necessary action should be made, such as termination of rental agreement and rescheduling of payment. The Group's management is of the opinion that there are no significant concentrated risks on trade receivables.

With respect to credit risk arising from other financial asset, including cash in banks and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty. The Group has a policy not to place its funds in investments that have high credit risks and put its cash only in banks with good reputation.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

d. Credit risk (continued)

The table below shows the maximum exposure to credit risk on the components of the consolidated statement of financial position as of December 31, 2017:

	Maximum Exposure
Loans and receivables:	
Cash in banks and cash equivalents	1,475,941,565
Trade receivables	685,169,106
Other receivables	15,762,643
Other current financial assets	145,869
Due from related parties	38,229,670
Other non-current financial assets	419,231,273
Total	2,634,480,126

d. Liquidity risk

The Group manages its liquidity profile to be able to finance its capital expenditure and service its maturing debts by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Group regularly evaluates its projected and actual cash flow information and continuously maintains its payable and receivable day's stability.

Wherever possible, the Group obtains financing from the capital market and financial institutions and for portfolio balances with short-term financing to achieve efficiency in financing.

The table below is a schedule of maturities of financial liabilities of the Group based on undiscounted contractual payments:

	1 tahun	**1-5 tahun**	**5 tahun**	**Total**
Short-term bank loans	905,840,236	-	-	905,840,236
Trade payables to third parties	80,937,455	-	-	80,937,455
Other payables	216,155,598	8,518,365	-	224,673,963
Accrued expenses	1,195,747,002	-	-	1,195,747,002
Short-term employee benefits liabilities	29,264,062	-	-	29,264,062
Due to related parties	125,909,333	-	-	125,909,333
Downpayments received and security deposits - customer deposits	69,122,683	83,992,072	66,751	153,181,506
Long-term debts - nett	993,473,414	3,718,361,083	96,705,525	4,808,540,022
Bonds payable and sukuk ijarah	986,125,301	3,023,782,170	-	4,009,907,471
Other non-current financial liabilities	-	12,842,450	-	12,842,450
Total	**4,602,575,084**	**6,847,496,140**	**96,772,276**	**11,546,843,500**

<u>Capital management</u>

The Group aims to achieve an optimal capital structure in pursuit of its business objectives, which include maintaining healthy capital ratios and strong credit ratings and maximizing stockholder value.

Some of the Group's debt instruments contain covenants that impose maximum leverage ratios. In addition, the Group's have complied with all capital requirements by bank creditors.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Management monitors capital using several financial leverage measurements such as debt-to-equity ratio. The Group's objective is to maintain its debt-to-equity ratio at a maximum of 2 as of December 31, 2017.

As of December 31, 2017 and 2016, the Group's debt-to-equity ratios are as follows:

	December 31,	
	2017	**2016**
Short-term bank loans	905,840,236	1,040,798,732
Long-term debts	3,794,645,054	3,903,881,393
Bonds payable and sukuk ijarah	3,283,223,871	2,481,961,543
Total Liabilities	**7,983,709,161**	**7,426,641,668**
Total Equity	**8,353,742,063**	**8,165,555,485**
Debt to equity ratio	**0.96**	**0.91**

36. OPERATING SEGMENT

Operating segment is reported based on the information used by the management evaluating the performance of each business segment and in determining the allocation of resources. There are no geographical segment since all the Group's business operations are located in Indonesia.

Significant business segments' revenues from property development, investment property, leisure and hospitality, and others which pertain to the main source of revenues. Property development segment comes from sale of houses, commercial building, apartment, and landplots. Investment property segment provides shophouses and office building rental. Leisure and hospitality segment related to sports club and hotel. While the other segment comes from health services, estate management, office and others.

Group management oversees the operating results of business unit for the purpose of decision making in allocation resources and performance evaluation. Segment performance will be evaluate based on segment's income or loss from operations that is measured based on income or loss from operations in consolidated financial statements.

All inter-segments have been eliminated. Consolidated information business segments is as follows:

	For the year ended December 31, 2017				
	Property Development	**Investment Property**	**Leisure & Hospitality**	**Others**	**Consolidation**
Net revenue	3,603,212,537	1,400,289,017	354,130,357	283,119,898	5,640,751,809
Gross profit	1,680,477,830	718,298,520	97,268,207	71,118,851	2,567,163,408
Income from operations	875,752,953	449,720,179	15,098,460	204,300	1,340,775,892
Finance income					90,613,870
Finance costs					(632,441,670)
Profit before final tax and income tax expense					798,948,092
Final tax expense					(259,088,589)
Profit before income tax					539,859,503
Income tax expense - net					(7,421,890)
Profit for the year					**532,437,613**
Others information					
Segment asset	16,491,181,985	4,534,012,008	341,359,355	296,158,643	21,662,711,991
Segment liabilities	10,988,128,583	2,013,504,588	195,962,765	111,373,992	13,308,969,928
Acquisition of fixed assets and investment properties	38,676,322	192,289,435	42,399,818	5,745,055	279,110,630
Depreciation	39,257,007	236,163,159	41,783,457	17,902,820	335,106,443

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

36. OPERATING SEGMENT (continued)

All inter-segment transactions have been eliminated. Consolidated information by business segments is as follows: (continued)

	For the year ended December 31, 2016				
	Property Development	**Investment Property**	**Leisure & Hospitality**	**Others**	**Consolidation**
Net revenues	3,560,829,800	1,348,029,334	244,332,633	244,757,140	5,397,948,907
Gross profit	1,763,643,719	671,873,790	96,469,432	66,423,762	2,598,410,703
Income (loss) from operations	999,895,467	399,915,647	16,540,175	(6,415,825)	1,409,935,464
Finance income					101,097,479
Finance costs					(633,527,946)
Profit before final tax and income tax expense					877,504,997
Final tax expenses					(261,365,173)
Profit before income tax					616,139,824
Income tax expense - net					(11,088,966)
Profit for the year					**605,050,858**
Other information					
Segment assets	15,564,430,688	4,603,069,027	361,143,492	281,676,450	20,810,319,657
Segment liabilities	9,904,935,158	2,417,275,918	218,050,402	104,502,694	12,644,764,172
Acquisition of fixed assets and investment properties	33,449,976	390,780,029	14,316,876	33,244,056	471,790,937
Depreciation	39,225,066	168,515,533	39,995,144	21,111,700	268,847,443

Finance income and costs, and final tax and income tax expenses are not allocated to individual segments as these are presented on a Group basis.

37. SIGNIFICANT AGREEMENTS AND COMMITMENTS

a. On September 19, 2017, based on notarial deed No. 65 of Dewi Himijati Tandika, S.H., SPCK entered into an operational agreement named KSO Summarecon Variatata Serpong (KSO SVS) with PT Variatata (VRTT) to develop the land owned by PT Variatata located in Curug, Tangerang. Profit or loss from operations will be distributed with percentages of 70% for SPCK and 30% for VRTT. This agreement is valid for 10 years.

b. On November 30, 2017, PT Bintang Mentari Indah (BNMI) obtained a credit facility from PT Permata Cahaya Indah (PCI), a related party, amounting to Rp70,000,000. This credit facility mature in 1 year and can be extended under the agreement of both parties. This credit facility bore an interest at 9.00% p.a. As of December 31, 2017, there is no principal repayment due.

c. On May 1, 2017, PT Hotelindo Permata Jimbaran (HOPJ) entered into tradename and trademark agreement with Soho Hospitality Co.,Ltd, wherein HOPJ is authorized to use the name “Above Eleven” and the café will be named “Above Eleven, Bali”. HOPJ agreed to pay royalties as compensation, which is computed at the rate in accordance with the terms of the agreement. This agreement is valid for 5 years.

d. In 2016, PT Inovasi Jaya Properti (IVJP) and PT Bintang Mentari Indah (BNMI) obtained a credit facility from PT Sulisman Graha (SLG), a related party, amounting to Rp16,000,000 and Rp65,000,000, respectively. In 2017, BNMI obtained an additional facility amounting to Rp15,000,000, which bring the total credit facility to Rp80,000,000. This credit facility will mature in 1 year and can be extended under the agreement of IVJP and BNMI with SLG. This credit facility bore an interest at 9.25% p.a. As of December 31, of 2017, there is no principal repayment due.

37. SIGNIFICANT AGREEMENTS AND COMMITMENTS (continued)

e. On July 28, 2016, PT Bhakti Karya Bangsa (BTKB) entered into an operational agreement with Yayasan Inti Prima Bangsa (YPIB), whereby BTKB agreed to collaborate with YPIB in reforming the quality of education and management system in YPIB, also to elevate *Sekolah Tinggi Manajemen Informatika dan Komputer Inovasi Sains Teknologi dan Bisnis* (STMIK ISTB) to a university with an international level of competency standard.

f. On February 14, 2013, PT Multi Abadi Prima (MTAP) entered into a gas station agreement with PT Pertamina (Persero). Based on the agreement, MTAP will provide the land which will be used for gas station and also manage the operations of the gas station. MTAP is entitled to receive revenue-sharing compensation, computed at a certain rate agreed by both parties. This agreement is valid for 20 years.

g. On December 18, 2014, PT Multi Abadi Prima (MTAP) entered into a gas station operational agreement with PT Pertamina Retail (PER), whereby MTAP will lease out to PER the rights to operate the Bekasi and Kelapa Gading gas stations. As compensation, PER will receive fees of Rp220,000,000 for Bekasi gas stations and Rp60,000,000 for Kelapa Gading gas stations, from MTAP which will be paid quarterly in advance. This agreement is valid for a period of 5 years, effective on January 1, 2015.

h. In March 2014, PT Nirwana Jaya Semesta (NWJS) entered into the following agreements with PT AAPC Indonesia (AAPC):

   1. Hotel Technical Assistance Agreement with PT AAPC Indonesia (AAPC), wherein AAPC agreed to provide technical assistance and consultation for the construction of Novotel Hotel located at Slipi, Jakarta. NWJS agreed to pay a fee of a certain amount for the service rendered by AAPC. This agreement is valid until the opening and commencement of operations of the Hotel

   2. Hotel Management Agreement with PT AAPC Indonesia (AAPC), wherein AAPC is engaged as the operator of Novotel Hotel in Slipi, Jakarta. AAPC is entitled to receive fees, which are computed at the rate in accordance with the terms of the agreement.

i. In November 2014, PT Summarecon Hotelindo (SMHO) entered into the following agreements with Pop International Hotels Corporation (PIHC) and PT Tauzia International Management (Tauzia):

   1. Tradename and Trademark License Agreements, wherein SMHO is authorized to use the name “Pop Hotels” and its hotel will be named “Pop! Hotel Kelapa Gading”. SMHO agreed to pay royalty as compensation, which are computed at the rate in accordance with the terms of the agreement. This agreement is valid for 10 years starting from the commercial operations of the hotel.

   2. Hotel Management Agreement, wherein Tauzia is engaged as operator of Pop! Hotel Kelapa Gading. Tauzia is entitled to receive fees, which are computed at the rate in accordance with the terms of the agreement.

37. SIGNIFICANT AGREEMENTS AND COMMITMENTS (continued)

j. In November 2014, PT Summarecon Hotelindo (SMHO) entered into the following agreements with Harris International Hotel Corporation (HIHC) and PT Tauzia International Management (Tauzia):

   1. Tradename and Trademark License Agreements, wherein SMHO is authorized to use the name “Harris” and its hotel will be named “Harris Hotel Bekasi”. SMHO agreed to pay royalty as compensation, which are computed at the rate in accordance with the terms of the agreement. This agreement is valid for 10 years starting from the commercial operations of the hotel.

   2. Hotel Management Agreement, wherein Tauzia is engaged as the operator of Harris Hotel Bekasi. Tauzia is entitled to receive fees, which are computed at the rate in accordance with the terms of the agreement.

k. In December 2011, PT Hotelindo Permata Jimbaran (HOPJ) entered into the following agreements with Movenpick Hotels and Resort Management AG (MH&R):

   1. Marketing and Hotel Services Agreement with MH&R, wherein MH&R agreed to provide hotel management services including human resource development, marketing and reservations. MH&R is entitled to receive contribution and marketing fees as compensation, which are computed at the rate in accordance with the terms of the agreement. This agreement is valid for 15 years starting from the commercial operations of the hotel.

   2. Tradename and Trademark License Agreements with MH&R, wherein HOPJ is authorized to use the name “Movenpick” and the hotel will be named “Movenpick Resort & Spa Jimbaran, Bali”. HOPJ agreed to pay royalty as compensation, which are computed at the rate in accordance with the terms of the agreement. This agreement is valid for 15 years, commencing from the start of the commercial operations of the hotel.

   3. Hotel Management Consulting Agreement with MH&R, wherein MH&R is engaged as the sole and exclusive advisor and consultant to supervise, direct, manage and control the operations of Movenpick Resort & Spa Jimbaran, Bali. MH&R is entitled to receive consultation fees as compensation, which are computed at the rate in accordance with the terms of the agreement. This agreement is valid for 15 years, commencing from the start of the commercial operations of the hotel.

l. On June 1, 2012, PT Mahkota Intan Cemerlang (MKIC) entered into an agreement with Jendot Sudiyanto (SDY) in relation to the acquisition of land properties with total area of ± 2,000,000 m^2 (consisted of Land I and Land II), located in Samarinda, which will be developed into a residential and commercial area along with the supporting facilities. Both parties agreed that once SNMI acquired Land I from SDY, MKIC will transfer 33% of its shares in SNMI to SDY. Based on notarial deed No.123 dated November 28, 2012 of Dewi Himijati Tandika, S.H., SDY acquired 33% ownership of SNMI (Note 1e). As of December 31, 2014, Land I is already acquired by SNMI and the acquisition of land II is still in process of transfer from the previous owners to SDY.

   In order to guarantee the completion of land title deeds issuance for Land I and II, SDY paid Rp5,000,000 to SNMI as deposit, which has been recorded as a part of “Other Non-current Financial Liabilities” in the consolidated statement of financial position as of December 31, 2017.

38. LITIGATIONS

a. PT Jakartabaru Cosmopolitan (JBC) (Defendant I) and SPCK (Defendant II) vs Leliana Hananto (Plaintiff) and other Defendants in relation to the installation of net at Gading Raya Padang Golf & Club, Tangerang. The appeal was filed on August 21, 2013. On May 14, 2014, Tangerang High Court decided to refuse the Plaintiff's claim. On May 20, 2014, the Plaintiff filed an appeal to Banten High Court. On September 22, 2014, Banten High Court has made the decision of ruling Tangerang High Court's decision to be legally binding.

   Based on Banten High Court's decision, on October 30, 2014, the Plaintiff filed an appeal to the Supreme Court. On July 9, 2015, Supreme Court issued a judgement ruling to decline Banten High Court's decision.

   Based on Supreme Court's decision, on December 5, 2016, the Defendants appealed for Judicial Review to Supreme Court. As of the completion date of the consolidated financial statements, the aforementioned case is still under review by the Supreme Court.

b. The Company (Plaintiff) vs Robert Sudjasmin (Defendant I) and other Defendants and Co-defendants in relation to the correction of typing error in the minutes of auction numbers in dictum of North Jakarta District Court Decision No.17/Pdt.G/1991/PN.JKT.UT jo. Jakarta High Court Decision No.158/PDT/1993/PT.DKI jo. Supreme Court Decision No. 538 K/Pdt/1994 jo. No. 466 PK/Pdt/2002. The claim was filed on August 20, 2013 and on September 1, 2014, the North Jakarta District Court accepted the Plaintiff's appeal. Based on that decision, on September 11, 2014, Defendant I filed an appeal to Jakarta High Court. On November 26, 2015, Jakarta High Court has bound the decision of North Jakarta District Court. Based on Jakarta High Court's decision, Defendant I has filed cassation to the Supreme Court. On June 21, 2017, the Supreme Court issued a judgement ruling to decline an appeal from Defendant I.

c. KCJA (Intervenor I) and other Defendants vs Jantje Manesah Agung (Plaintiff) in relation to land dispute over 85,940m^2 of land located in Bogor. On October 29, 2015, this claim was filed to North Jakarta District Court. On April 7, 2016, KCJA has requested to intervere in this case. On April 3, 2017, North Jakarta District Court decided to refuse Plaintiff's claim. Based on North Jakarta District, Plaintiff filed an appeal to Jakarta High Court. As of the date of approval and authorization for issuance of these consolidated financial statements, the aforementioned case is still under review by the Jakarta Hight Court.

d. KCJA (Intervenor II) vs Jantje Manesah Agung (Plaintiff) in relation to land dispute over 82,082m^2 of land located in Bogor. On December 23, 2016, this claim was filed to Bandung Administrative Court. On February 3, 2017, KCJA has requested to intervere in this case. On June 6, 2017 Bandung Administrative Court decided to granted the Plaintiff claim and declared the cancellation of decree which issued by Bogor District Land Agency. Based on Bandung Administrative Court's decision, on June 14, 2017, the Defendant (in this case Bogor District Land Agency) and Intervenor filed an appeal. On October 30, 2017, DKI Jakarta High Administrative Court issued a judgement ruling to decline Bandung Administrative Court. Based on DKI Jakarta High Administrative Court Decision, the Defendant filed an cassation appeal to Supreme Court. As of the completion date of the consolidated financial statements, the aforementioned case is still under review in cassation level by the Supreme Court.

e. MKPP (Defendant I) and other Defendants vs Hj. Sukaesih Binti Suarma Alias Ny. Tjartjih Binti Suarma (Deceased Plaintiff) in relation to land dispute over 8,050m^2 of land located in Bandung. On April 7, 2017, this claim was filed to Bandung District Court. Bandung district court decided to grant the Plaintiff's claim. On March 1, 2018, the Plaintiff filed an appeal to Bandung High Court. As of the completion date of the consolidated financial statements, the aforementioned case is still under review by the Bandung High Court.

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

38. LITIGATIONS (continued)

f. BNMI (Intervenor II) vs Dg. Te'ne (Defendant) in relation to land dispute over 37,011m^2 of land located in Pa'bentengan, Marusu, Maros. On July 20, 2016, this claim was filed at Makassar Administartive Court. On February 13, 2017, Makassar Administrative Court decided to refuse the Plaintiff's claim. Based on Makassar Administrative Court, the Plaintiff was filed an appeal. On July 12, 2017, Makassar High Administrative Court has made the decision of ruling Makasar Administrative Court's decision to be legally binding. On August 14, 2017, the Plaintiff filed a cassation appeal to Supreme Court. On November 30, 2017, Supreme Court has made a decision to refuse the Plaintiff's cassation appeal.

g. The Company (Defendant II) vs Anita Jusmanto (Plaintiff) in relation to land and building dispute over 1 unit of shophouse located in Jalan Raya Kelapa Hibrida RB-01/29C, Kelapa Gading, North Jakarta. On August 25, 2017, this claim was filed at North Jakarta District Court. As of the completion date of the consolidated financial statements, the aforementioned case is still under review by the North Jakarta District Court.

h. The Company (Defendant I) vs Ny. Hj. Zakiyah (Plaintiff) in relation to land dispute over 6,980 m^2 of land located in Rorotan, Cilincing, North Jakarta. On October 30, 2017, this claim was filed at North Jakarta District Court. As of the completion date of the consolidated financial statements, the aforementioned case is still under review by the North Jakarta District Court.

i. The Company (Defendant) vs PT Bhinneka Sangkuriang Transport (Plaintiff) in relation to housing development project located in Rancabolang, Gedebage, Bandung. On October 30, 2017, this claim was filed at North Jakarta District Court. As of the completion date of the consolidated financial statements, the aforementioned case is still under review by the Bandung District Court.

The Company's management believes that the above litigations will not have material effect and will not influence the going concern status of the Group and that these matters can be settled in accordance with the existing laws.

39. EARNINGS PER SHARE

The details of earnings per share computation are as follows:

	Year ended December 31,	
	2017	**2016**
Profit for the year attributable to the owners of the Parent Entity	362,062,815	311,665,815
Weighted average number of shares for calculation of earnings per share	14,426,781,680	14,426,781,680
Earnings per share (full amount)	**25.10**	**21.60**

(Expressed in thousands of Indonesian Rupiah, unless otherwise stated)

40. NON-CASH ACTIVITIES

Supplementary information to the consolidated statement of cash flows relating to non-cash activities is as follows:

	Year ended December 31,	
	2017	**2016**
Capitalization of borrowing costs to:		
Inventories	176,863,119	72,511,452
Fixed assets	-	18,334,548
Investment properties	-	18,098,384
Acquisition of fixed assets and investment properties credited to:		
Other payables	38,005,274	76,280,015
Advances from land acquisition	27,407,680	-
Loans from banks and financial institutions	13,337,329	4,145,060
Reclassification of inventories to:		
Fixed assets	13,787,428	-
Investment properties	-	7,433,820
Reclassification of fixed assets to:		
Investment properties	10,018,146	97,706
Advances	3,640,131	43,055
Inventories	2,471,757	-
Capital stock increase paid by non-controlling interest from subsidiaries through other receivables	2,256,800	-
Fair value adjustment of financial instrument	1,361,244	9,149,710
Acquisition of undeveloped land through advances from land purchase	674,000	-
Issuance of bonds payable through others payable	243,600	-
Reclassification of investment properties to:		
Inventories	205,959	574,788
Fixed assets	-	49,121,751
Undeveloped land	-	570,823

41. SUBSEQUENT EVENTS

a. On March 22, 2018, PT Summa Sinar Fajar was established with an authorized capital stock of Rp235,000,000, Rp185,000,000 of which issued and fully paid by shareholders. SMPD acquired 94,350,000,000 shares with nominal value of Rp1 (in full amount) per share with 51% of ownership. While the remaining 90,650,000 shares or Rp90,650,000 (49%) were subscribed by Sumitomo Forestry (Singapore) Ltd.,. The establishment was notarized under deed No. 54 dated March 22, 2018 of Dewi Himijati Tandika, S.H., which was acknowledged and recorded by the MHHAM in its Decision Letter No. AHU-0015665.AH.01.01. Year 2018 dated March 23, 2018.

b. On March 19, 2018, BCA agreed to extend bank overdraft credit facility and time loan of SPCK up to June 21, 2018 (Note 14).