

V. A NOTE FROM THE BOARD OF DIRECTORS

The upbeat sentiment of the property industry in 2003 was mainly instigated by the reduction of Sertifikat Bank Indonesia (SBI) interest rate - from 13.2 percent at the end of 2002 to 10.3 percent in the beginning of 2003 and to 8.46 percent by the end of the year. Not less important growth factors were restructuring of non-performing loans by Badan Penyehatan Perbankan Nasional (BPPN) through Program Penjualan Aset Kredit (PPAK) and Program Penjualan Aset Properti (PPAP), all of which stimulated the property market in primary and secondary sectors respectively.

Meanwhile, macroeconomic condition remained conducive - stable value of rupiah relative to US dollar (Rp.8.500 per dollar), inflation rate at 6 percent, SBI interest rate under two digits - drawing capital repatriation from foreign countries to Indonesia.

The Company successfully achieved revenue target of Rp. 492.11 billion or 67.55 percent higher than last year's figure of Rp. 293.70 billion. In terms of profitability, The Company realized after-tax profit of Rp. 121.37 billion or 42.52 percent above 2002 earning of Rp. 85.16 billion. Such drastic increase was mainly the result of revenue contribution from leasing of space in Mal Kelapa Gading III that officially launched in 2003, in addition to higher unit sales of house, office-house, and land.

In terms of corporate financing, The Company issued Rp. 200 billion worth of bonds with 5-year maturity date and 15.125 percent annual coupon rate. The Company also received Rp. 100 billion from P.T. Bank Central Asia that was structured into investment and working-capital loans.

Furthermore, The Company finally launched Mal Kelapa Gading 3 - currently the largest mall in Jakarta with size of 60.000 m² and slogan "Where everyday is a celebration". At the same time, The Company also completed the development of 5.2-hectare exclusive residential park called Gading Park View.

From environmental viewpoint, The Company was fully committed to preserving and nurturing natural environment to create comfortable and safe living for Kelapa Gading Permai residents. As a cautionary step to anticipate wet season, in cooperation with Jakarta municipal government The Company built a 2.5-hectare dam, excavated mud out of a 20-kilometer long pipeline, reconstructed a surrounding dam 1.2 m higher, built a water-pumping cabin, and devised a special Water Management Team whose focus was to manage and normalize water piping system in Kelapa Gading Permai.

In line with The Company's vision to be a leading property group in Indonesia, going forward into 2004 it is committed to sticking to the tradition of working hard while looking for new market opportunities. Likewise, it is considering the possibilities to enter new markets with entirely different strategies, in order to maintain positive growth using available resources, namely sufficient land reserve, strong brand, extensive experience, and competent human resources.

Finally, we would like to express our sincere gratitude to all shareholders, residents and customers, government bodies, suppliers, contractors and business partners, investors, bankers, accountants, property agents, and our entire staff who have devoted trust and support for The Company. May the blessing of God lie upon us and protect us.

Jakarta, May 31, 2004
Board of Directors

Ir. Sunardi Rusli
President Director

Liliawati Rahardjo
Director

Lexy Arie Tumiwa
Director

Johanes Mardjuki
Director

VIII. FINANCIAL HIGHLIGHTS

The Company's revenue increased by Rp. 198.41 billion (67.55 percent) from Rp. 293.70 billion in 2002 to Rp. 492.11 in 2003. Business units responsible for the increase were space leasing, which generated Rp. 86.83 billion (43.76 percent); real estate, Rp. 405.49 billion (53.17 percent); and recreation, Rp. 6.09 billion (3.07 percent).

The increase in leasing revenue was generated by Mal Kelapa Gading III and Gading Batavia that officially launched in 2003, in addition to higher unit sales of house, office-house, and land as a result of decreasing interest rate of time deposit that induced investors to channel their investment to property. Recreation business unit also contributed to the increase by optimizing the utilization of function room at Klub Kelapa Gading.

Gross profit increased by Rp. 99.61 billion (54.32 percent) from Rp. 183.37 billion in 2002 to Rp. 282.98 billion in 2003, in accordance with revenue increase. Gross profit margin in 2003 was 57.50 percent or down by 4.93 percent compared to 2002 figure of 62.43 percent. The decrease was induced by the drop in gross profit margin of real-estate sector, from 66.25 percent in 2001 to 61.90 percent in 2002.

Corporate expenses jumped by Rp. 35.76 billion (65.98 percent) from Rp. 54.20 billion in 2002 to Rp. 89.97 billion in 2003. The increase was derived from increase in advertising and promotion by Rp. 6.99 billion (134.94 percent), in sales commission by Rp. 4.78 billion (77.44 percent) and in salary and social security expenses by Rp. 16.73 billion (65 percent).

Operating profit increased by Rp. 63.85 billion (49.43 percent) from Rp. 129.16 billion in 2002 to Rp. 193.01 billion in 2003, in line with the gain in gross profit.

Other expenses jumped by Rp. 23.36 billion (162.34 percent) from Rp. 14.39 billion in 2002 to Rp. 37.75 billion in 2003, induced by interest expenses generated by bond and BCA loans.

Net profit increased by Rp. 36.21 billion (42.52 percent) from Rp. 85.16 billion in 2002 to Rp. 121.27 billion in 2003. Such significant rise indicated that this year The Company accomplished positive growth and better performance than last year.

Asset at the end of 2003 was Rp. 1.44 trillion or rose by Rp. 494.09 billion (52.03 percent) from 2002 figure of Rp. 949.60 billion. The gain was derived from cash and cash-based asset of Rp. 134.73 billion, investment of Rp. 81.72 billion, undeveloped land of Rp. 83.63 billion, and fixed asset of Rp. 232.53 billion.

Liability at the end of 2003 was Rp. 904.95 billion or jumped by Rp. 391.48 billion (76.24 percent) from 2002 figure of Rp. 513.47 billion. Responsible for the rise were bank loan of Rp. 25.98 billion, bond of Rp. 194.80 billion and other loans of Rp. 156.61 billion.

Equity at the end of 2003 was Rp. 538.55 billion or increased by Rp. 102.63 billion (23.54 percent) from 2002 figure of Rp. 435.92 billion, as a result of realization of net operating profit.

IX. IMPORTANT EVENTS OF 2004

1. Jakarta Fashion & Food Festival (JFFF) 2004.

A Groundbreaking Move by PT. Summarecon Agung Tbk from the City of a Million Cuisines to Indonesia's Fashion Hub

Jakarta Fashion & Food Festival (JFFF) 2004 is a grand celebration featuring a wide range of fashion products from Indonesia and overseas, as well as various Indonesian dishes - organized by **PT. Summarecon Agung Tbk.** in collaboration with **Tourism Board of the City of Jakarta** and **APPMI (Fashion Designers and Merchants Association of Indonesia)**. The festival is scheduled to take place simultaneously at several locations within **Kelapa Gading Permai - Mal Kelapa Gading, Gading Food City, Gading Batavia** and **Klub Kelapa Gading**, on May 19 - 23, 2004.

THE GREAT FESTIVAL

JFFF was inspired by the status of Kelapa Gading Permai as the '**City of a Million Cuisines**' and its gradual shift to be a fashion center by introducing **The CatWalk** – a cluster of boutiques featuring 32 prominent Indonesian designers; **Bridal World** – a one-stop shop for all wedding needs; and **Fashion HUB** – a specialized teen's clothing and accessories store.

The presentation of food and fashion together in a festival is designed to be a popular shopping destination. At the same time, it will provide an outlet for creative young designers in order to build and expand Indonesian fashion industry to be a considerable contender in international arena.

The giant-scaled JFFF 2004 will bring to light renowned fashion models such as **Arzetti, Tracy Trinita, Paula Verhoeven**, as well as distinguished designers, namely **Musa Widyatmodjo, Poppy Dharsono, Rudy Chandra, Anne Avantie, Soffie, Arifan Mas, Agnes, Inge T. Joe, Deden Siswanto, Ferry, Afif Syakur** and **Oka Diputra**. It will also feature several Asian designers and models from the United States, Sweden, and China, alongside familiar names in the world of fashion - **Martha Tilaar Group, Cosmopolitan Magazines, Harper's Bazaar, Radio Cosmopolitan FM, MTV on Sky, and ESMOD modeling school.**

THE CHEERS OF FASHION EXTRAVAGANZA & FOOD FESTIVAL

The cheers leading up to JFFF 2004 has begun several months before the culmination date with a number of preliminary events - **Gading Model Search 2004, Gading Young Designer Award** and **Gading Young Photography Competition** – all of which aim at searching and nurturing young people with talent in fashion-related niches.

Gading Model Search 2004 received hundreds of applicants from Jakarta, Surabaya, even Lampung. Ten winners will be signed under a one-year contract as ad and catwalk models at Mal Kelapa Gading. They will also receive scholarships from **PT. Summarecon Agung Tbk** and **John Casablancas Modeling & Career Center (JCM)** for a specialized training to be professional models, as well as prizes from participating sponsors.

Not less exciting events are **Fashion & Food News Award** - appreciation to media contribution to fashion industry and JFFF 2004 by its news coverage – and **My Favorite Restaurant & Shop** - dedicated to most-favored shop and restaurant at Mal Kelapa Gading.

On May 19 - 23, 2004, the main event will be unveiled with a parade of 10 decorated vehicles accompanied by marching band and Brazilian-style dancers along Jalan Bulevar Raya, starting at A"X"C and continuing on up to Gading Batavia.

Meanwhile at **Mal Kelapa Gading, Fashion Extravaganza** will already be taking place. It will highlight women's, men's, teens', and kids' wear from the collections of Indonesian and Asian designers, alongside selections from **ESMOD Tokyo, Paris & Seoul**. In addition to apparel, the fashion exhibition will feature accessories and trendy glasses, body painting, demo, as well as talk shows on beauty, spa, and make-up hosted by renowned experts.

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The **Food Festival** is scheduled to take place on June 30, 2004, in conjunction with birthday celebration of the city of Jakarta that happens to be in the same month. At **Gading Food City** and **Gading Batavia**, there will be various attractions such as Nusantara Food Bazar and Nusantara Song and Dance Night.

Adding to the excitement will be “**Eat & Win Promotion**” that allows patrons visiting Gading Food City, Gading Batavia, and eateries along Jalan Bulevar Kelapa Gading, an opportunity to win wonderful prizes.

JFFF represents the aspiration of PT. Summarecon Agung Tbk in contributing to the betterment of fashion industry in Indonesia. It is planned to be an annually recurring event that is included in the main agenda of Jakarta municipal government. Along with the success of Kelapa Gading Permai as the **City of a Million Cuisines**, JFFF 2004 and the fashion centers will propel it to be **Indonesia's Fashion Hub**.