

Construction site of Machang Bridge

MACQUARIE KOREA INFRASTRUCTURE FUND
ASSET MANAGEMENT REPORT



MACQUARIE

Type: Infrastructure Fund
Period: 1 October 2006 ~ 31 December 2006

Disclaimer

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General advice warning

The contents of this report does not constitute an offer, invitation or recommendation for the subscription or purchase of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in MKIF, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

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Representative Director's Report

Dear Shareholders,

I am pleased to provide this report to Macquarie Korea Infrastructure Fund (MKIF) shareholders, my first as the Representative Director of Macquarie Shinhan Infrastructure Asset Management Co., Ltd (MSIAM), in conjunction with the lodgement with MKIF's Asset Management Report for the fourth quarter of 2006 (Quarter).

Under the Indirect Investment Asset Management Business Act (Act), MKIF is required to provide its shareholders with an Asset Management Report, in the form and with the content prescribed by the Act. In addition to the details we are required to provide shareholders under the Act, I am pleased to provide this general report on the current state of MKIF's business.

I would also like to take this opportunity, on behalf of all MKIF shareholders, to thank Nick van Gelder, the outgoing Representative Director of MSIAM, for his outstanding contribution to the establishment, growth and development of MKIF. As the founding Representative Director of MSIAM, Nick has overseen the growth of MKIF into a substantial listed company with a high quality and diversified portfolio of infrastructure investments.

Operating Highlights

New investment Activity

During the Quarter, MKIF committed to provide a subordinated loan of KRW 80 billion to Kyunggi Highway Co., Ltd., the company holding the concession to design, construct, operate and maintain the Seosuwon-Osan-Pyungtaek Expressway. This represents 64% of the total subordinated loan facility of KRW 125 billion. Shinhan Bank will provide the remaining 36% of this loan facility.

As part of its commitment to this project, MKIF has secured pre-emptive right over equity in the concession company in the event that new shares are issued or the existing shareholders choose to sell down their shareholding positions and/or not exercise their own pre-emptive rights.

MKIF also reached financial close on its subordinated loan investment into the Seoul-Chuncheon Expressway Company (Company), of which MKIF is a 15% shareholder. MKIF has advanced a loan of KRW 59.0 billion to the Company and expects to advance a further KRW 28.45 billion to the Company in February 2007 to satisfy its subordinated loan commitment of KRW 87.45 billion.

Distribution

Under the MKIF Articles of Incorporation, 31 December 2006 is set as the record date for MKIF's final distribution for the 2006 year, entitling shareholders as at that date to receive a distribution. The MKIF Board has declared a 2006 final distribution of KRW 220 per share, resulting in a total distribution per share for 2006 of KRW 420. This is greater than the distribution guidance provided at the time of MKIF's IPO and reflects the strong underlying performance and growth in the MKIF portfolio.

Asset Performance

Operating Assets

MKIF's operating investments have, collectively, continued to show growth in traffic and revenue during the Quarter. On a weighted average basis¹, traffic and revenue for the Quarter for the operating assets in MKIF's portfolio grew by 11.5% and 13.5%, respectively, over the same period during 2005. For the 2006 full year, traffic and revenue were 6.0% and 8.6% higher, respectively, than the corresponding period in 2005.

Revenue and traffic growth for this Quarter was influenced by seasonal factors, primarily the Chusok national holiday, which fell in September last year and October this year. Concession companies also continue to receive periodic revenue guarantee payments from government authorities. These amounts are not included in the revenue growth figures presented here.

During the Quarter, the concession companies operating the Cheonan-Nonsan Expressway and the Incheon International Airport Expressway received revenue guarantee payments of KRW 9.0 billion and KRW 8.1 billion, respectively.

1. The weighted average growth in MKIF's concession companies is calculated after taking into account the scale of each asset, MKIF investment size and percentage equity interest. Revenue is calculated based on the Average Actual Daily Revenue (exclusive of VAT), which includes reimbursement for toll exemption requests received from the relevant government authorities but does not include other government support payments such as minimum revenue support payments and other toll related compensations.

Assets under Construction

Construction projects into which MKIF has made financial contributions are generally proceeding on schedule. However, some delays are being experienced in the two construction projects to which MKIF has not yet made a financial contribution. These are the Seoul Subway Line 9 and Yongin-Seoul Expressway projects, and the delays are due in both cases to delays in Government making available the respective construction sites. Returns to MKIF from these projects are not expected to be adversely affected by these delays.

Financial Performance

The financial results for the Quarter reflect the continued growth in interest income from operating investments. On a non-consolidated basis, MKIF recognised a net profit for the Quarter of KRW 30.8 billion, an increase of 10.5% over the September Quarter and 24.6% over the prior corresponding period (PCP) in 2005.

MKIF received total revenue of KRW 38.9 billion during the Quarter, an increase of 8.4% on the September quarter and 20.5% higher than the PCP. During the Quarter, MKIF incurred expenses of KRW 8.1 billion, which were 1.2% higher than the September Quarter and 7.1% higher than the PCP.

For the 12 months to 31 December 2006, MKIF recognised a net profit of KRW 5.6 billion. This reflects foreseen accrual of one-off expenses relating to the listing of MKIF. Notwithstanding these expenses, MKIF's underlying business performed well. MKIF's total revenue was KRW 144.2 billion, an increase of 21.7% on the PCP. Of this revenue, KRW 132.0 billion derived from MKIF's investments into concession companies.

Awards

I am pleased to highlight two awards received by MKIF and MSIAM during the Quarter.

The MKIF IPO was awarded the Best Equity Deal 2006 by Asia Money, one of Asia's leading monthly capital markets magazines. This award recognises the innovative and ground-breaking nature of the MKIF IPO, which represented the first ever listing of an infrastructure fund and fourth ever dual-listing IPO of a Korean company.

On 23 November 2006, MSIAM also won an award at the inaugural Australia New Zealand Chamber of Commerce in Korea Business Awards. These awards recognised significant achievements and contributions made by Australian, New Zealand and Korean companies involved in those countries' business communities. MSIAM won the award in the Best Service Company category, in recognition of its role as manager of MKIF.

Outlook

MKIF continues to be well positioned to take advantage of future growth in its portfolio and the continued growth and development of the Korean infrastructure market. MKIF continues to investigate and assess a range of investment and value-enhancing opportunities and we will continue to update shareholders of new initiatives as they arise.

If you have any questions about the Asset Management Report in particular, or about MKIF and its activities in general, please do not hesitate to contact myself or our Investor Relations team. Contact details can be found on the back page of this report.



Chul Hum Paik

Representative Director

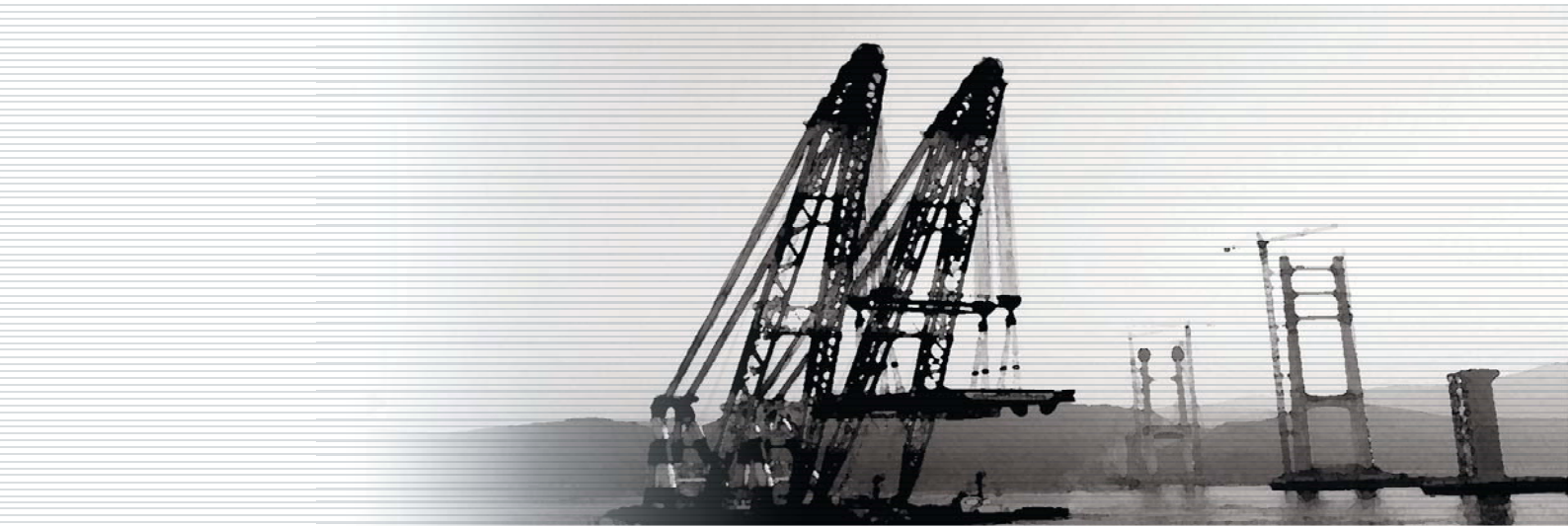
Macquarie Shinhan Infrastructure Asset Management Co., Ltd.
Corporate Director and Asset Manager of Macquarie Korea
Infrastructure Fund

Under the Indirect Investment Asset Management Business Act, MKIF is required to provide an Asset Management Report to its shareholders in the form, and containing the specific information, set out in the Act on a quarterly basis. This Asset Management Report has been prepared by MKIF in compliance with its statutory obligations.

1. Macquarie Korea Infrastructure Fund (MKIF) Summary

Date of Incorporation	12 December 2002
Date of Registration	26 December 2002
Date of Listing	15 March 2006
Financial Year End	31 December 2006
Asset Manager	Macquarie Shinhan Infrastructure Asset Management Co., Ltd. (MSIAM)
Sales Agents	Goodmorning Shinhan Securities Co., Ltd., Samsung Securities Co., Ltd., Macquarie Securities Korea, Ltd., Hanwha Securities Co., Ltd., Kyobo Securities Co., Ltd., Tongyang Investment Bank Co., Ltd.
Custodians	Korea Securities Finance Corporation
Fund Administrator	Korea Exchange Bank Investor Service Co., Ltd.
Board of Directors*	Corporate Director: Macquarie Shinhan Infrastructure Asset Management Co., Ltd. (MSIAM) Supervisory Directors: Dae Yun Cho , Tae-Hee Yun, Kyung Soon Song
Key Staff of MSIAM*	Chul Hum Paik (CEO) Yongkyun Park (Vice-President) Jae Lee (COO) Andrew Major (Investor Relations) Jin Sook Shin (CFO) Johnno Kim (Asset Management) Jinwook Park (Compliance)
MKIF Profile	<p>MKIF was established in December 2002 with a mandate to invest in concession companies that construct or operate infrastructure assets such as toll roads, bridges and tunnels in Korea. MKIF invests in these concession companies through equity, debt and hybrid instruments (such as convertible bonds). MKIF is focused on generating profits from its investments and distributing these profits to its shareholders. MKIF is proud to be making a significant contribution to Korea's infrastructure development.</p> <p>MKIF is managed by Macquarie Shinhan Infrastructure Asset Management Company Limited (MSIAM). MSIAM is a joint venture between Macquarie Investment Management UK Limited, a subsidiary of Macquarie Bank Limited and a member of the Macquarie Group, and Shinhan Bank and Shinhan Capital, which are members of the Shinhan Financial Group.</p>

* See Section 7 Registered Asset Managers and Appendix I Board of Directors for more information



2. Net Asset Value of MKIF

- Under the Indirect Investment Asset Management Business Act (Act), MKIF is required to report the net asset value per share (NAV per share) of its portfolio.
- The total net asset value of MKIF's portfolio is calculated as the sum of the asset value of each asset in MKIF's portfolio. MKIF's assets include its equity and debt investments in concession companies, other investment securities, cash and deposits. The composition of MKIF's asset portfolio is described further below. The net asset value per share of MKIF is calculated by dividing total net assets value by the number of shares on issue.
- For its equity and debt investments in concession companies (other than its convertible bond investment into the Daegu-Busan Expressway Company (DBEC)), and as allowed under the Act and Korean general accounting principles (KGAAP), MKIF has adopted a valuation policy where all investments are held at their original cost. The Act and KGAAP require that MKIF's convertible bond investment in DBEC and short term certificates of deposit held by it are revalued on a quarterly basis.
- Accordingly, the total net asset value of MKIF and, as a result, the NAV per share does not reflect any revaluation of MKIF's assets (with the exception of its investment in DBEC and short term certificates of deposit), nor does it reflect the value of future income from these assets, as may be judged by the market or an independent purchaser.
- As a result, it is not anticipated that the MKIF NAV per share will vary greatly from quarter to quarter and, as a consequence, MKIF's NAV per share does not accurately reflect changes in the underlying value of MKIF's equity and debt investments in concession companies.
- The calculation of the NAV per share of MKIF is set out in the table below. For the purposes of this calculation, asset and liability information is based on the balance sheet of MKIF, which is attached as Appendix II.

(Unit: KRW million)

Total Assets	1,771,828	Total Liabilities	8,558				
Net Asset Amount	1,763,270	NAV per share	<table border="1"> <tr> <td>Previous quarter</td> <td>KRW 5,347.61</td> </tr> <tr> <td>Current quarter</td> <td>KRW 5,450.77</td> </tr> </table>	Previous quarter	KRW 5,347.61	Current quarter	KRW 5,450.77
Previous quarter	KRW 5,347.61						
Current quarter	KRW 5,450.77						

3. MKIF's Asset Portfolio Summary

MKIF's investment portfolio consists of equity, debt and other investments in concession companies (described in the table below as Investment Securities), other investment securities (in the form of short term certificates of deposit), cash and deposits and other assets.

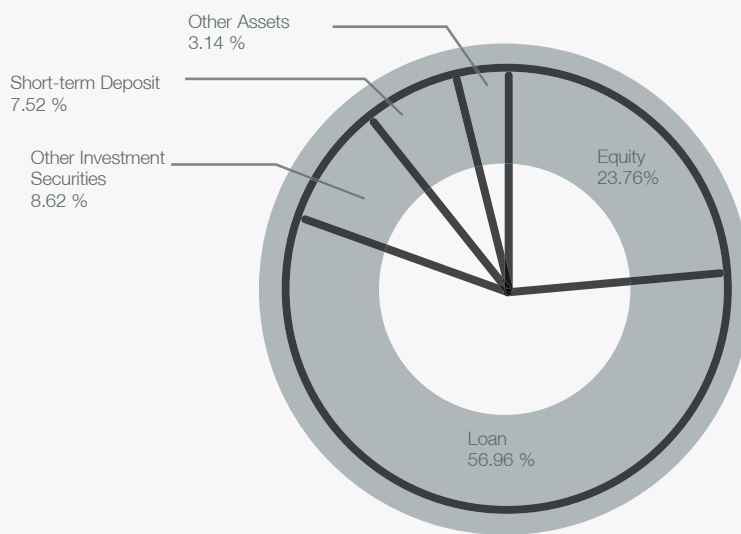
(Unit: KRW million, %)

Type	Investment Securities			Short-term Facilities & deposit	Derivatives		Real Estate	Goods	Indirect investment Securities	Special Assets	Other Assets+	Total Assets
	Equity	Loan*	Others		Market	OTC						
Value	421,074	1,009,216	152,720	133,259	0	0	0	0	0	0	55,559	1,771,828
Composition Ratio	23.76	56.96	8.62	7.52	0	0	0	0	0	0	3.14	100

* Includes convertible bond investment

+ Other Assets: Capitalised interest receivable, other receivables, prepaid expense, prepayment, prepaid tax

Under the Indirect Investment Asset Management Business Act, MKIF is required to provide an Asset Management Report to its shareholders in the form, and containing the specific information, set out in the Act on a quarterly basis. This Asset Management Report has been prepared by MKIF in compliance with its statutory obligations.



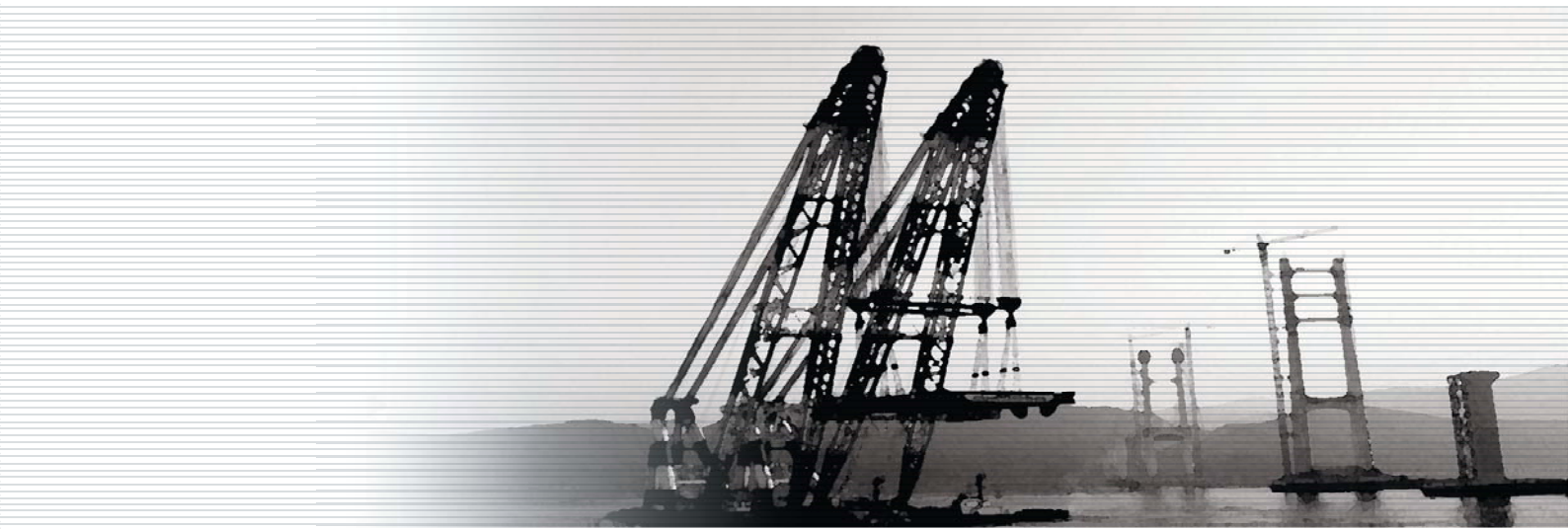
4. MKIF's Asset Portfolio Details

■ Equity Investment

(Unit: Share, KRW million, %)

Name	No. of Shares	Percentage Interest	Acquisition Value	Appraisal Value*	P/L	Composition Ratio†
Kwangju Beltway Investment Co., Ltd.	2,610,000	100%	13,050	13,050	0	0.74
Woomyunsan Development Co., Ltd.	3,830,400	36%	21,876	21,876	0	1.23
New Airport Hiway Co., Ltd.	10,594,360	24.1%	59,880	59,880	0	3.38
Baekyang Tunnel Ltd.	99,200	99.2%	992	992	0	0.06
MCB Co., Ltd.	3,229,800	40.3%	16,301	16,301	0	0.92
Kwangju Ring Road Co., Ltd.	5,775,000	75%	29,495	29,495	0	1.66
Soojungsan Investment Co., Ltd.	1,114,880	100%	47,248	47,248	0	2.67
Cheonan-Nonsan Expressway Co., Ltd.	17,550,000	60%	93,815	93,815	0	5.29
Incheon Bridge Investment Co., Ltd.	5,170,425	100%	31,407	31,407	0	1.77
Macquarie East Daegu Investment Co., Ltd.	5,610,000	85%	57,552	57,552	0	3.25
Seoul-Chuncheon Highway Co., Ltd.	9,714,000	15%	49,439	49,439	0	2.79
Busan New Container Terminal Co., Ltd.	3,900	39%	19	19	0	0.00
Total	65,301,965		421,074	421,074	0	23.76

* Under KGAAP and in accordance with the Act, MKIF records the value of its equity investments in concession companies at their acquisition cost.
 † Ratio refers to the ratio of Appraised Value of equity investments to Total Assets



■ Loans to Concession Companies

(Unit: KRW million, %)

Name	Acquisition Value	Appraisal Value*	Interest Rate	Issued Date	Redemption Date	Guarantee	Credit Ratio	Composition Ratio+
Daegu-Busan Expressway Co., Ltd. (CB)	32,000	55,315	9.0	30/09/2003	30/09/2008	N/A	N/A	3.12
Daegu East Circulation Co., Ltd. (Sub)	32,045	32,269	15.0	14/03/2006	15/06/2019	N/A	N/A	1.82
Baekyang Tunnel Ltd. (Senior)	124,408	129,893	13.0	10/03/2004	10/03/2024	N/A	N/A	7.33
Cheonan-Nonsan Expressway Co., Ltd. (Sub)	182,250	201,010	6.0	20/05/2005	20/05/2029	N/A	N/A	11.35
Soojungsan Investment Co., Ltd., (Senior)	71,950	72,721	8.5	23/03/2005	16/05/2017	N/A	N/A	4.11
Soojungsan Investment Co., Ltd., (Sub)	19,261	19,746	20.0	16/02/2005	16/05/2017	N/A	N/A	1.11
MCB Co., Ltd. (Sub)	32,151	32,697	20.0	1/06/2004	1/06/2029	N/A	N/A	1.85
New Airport Hiway Co., Ltd. (Sub)	51,670	52,910	13.9	30/01/2004	30/01/2017	N/A	N/A	2.99
Kwangju Beltway Investment Co., Ltd. (Senior)	142,000	142,078	10.0	25/11/2004	31/03/2018	N/A	N/A	8.02
Kwangju Beltway Investment Co., Ltd. (Sub)	974	974	15.0	28/06/2005	30/06/2018	N/A	N/A	0.05
Kwangju Beltway Investment Co., Ltd. (Sub)	974	974	15.0	28/07/2005	30/06/2018	N/A	N/A	0.05
Kwangju Beltway Investment Co., Ltd. (Sub)	1,314	1,315	15.0	19/12/2003	30/06/2018	N/A	N/A	0.07
Kwangju Beltway Investment Co., Ltd. (Sub)	31,950	31,985	20.0	21/03/2003	30/06/2018	N/A	N/A	1.81
Kwangju Ring Road Co., Ltd. (Senior)	73,355	73,733	7.85	8/12/2004	8/12/2019	N/A	N/A	4.16
KODA Development Co., Ltd. (Senior)	69,635	70,322	8.0	12/04/2006	18/07/2024	N/A	N/A	3.97
KODA Development Co., Ltd. (Sub)	30,718	31,173	12.0	12/04/2006	18/07/2026	N/A	N/A	1.76
Seoul Chuncheon Highway Co., Ltd. (Sub)	59,000	60,101	11.0	02/11/2006	12/08/2031	N/A	N/A	3.39
Total	955,655	1,009,216						56.96

* These values are the sum of acquisition cost and accumulated interest, except for MKIF's convertible bond investment into Daegu-Busan Expressway Co., Ltd. This investment has been valued based on a market valuation, as required under the Act and KGAAP
 + Ratio refers to the proportion of Total Assets represented by the Appraised Value

■ Other Investment Securities

Other investment securities comprise short-term certificates of deposit (CD), which MKIF has acquired using the proceeds from the IPO. These certificates of deposit offer MKIF attractive rates of interest and details are set out in the table below.

(Unit: KRW million, %)

Name	Face Value	Appraised Value*	Issued Date	Redemption Date	Credit Ratings**	Ratio+
CD (Shinhan Bank)	70,000	72,576	15/03/2006	15/03/2007	A1	4.10
CD (SC First Bank)	10,000	10,020	15/12/2006	15/01/2007	A1	0.565
CD (SC First Bank)	10,000	10,020	15/12/2006	29/01/2007	A1	0.565
CD (SC First Bank)	10,000	10,020	15/12/2006	29/01/2007	A1	0.565
CD (SC First Bank)	20,000	20,039	15/12/2006	15/02/2007	A1	1.13
CD (SC First Bank)	10,000	10,016	15/12/2006	16/04/2007	A1	0.565
CD (SC First Bank)	10,000	10,013	15/12/2006	15/05/2007	A1	0.565
CD (Woori Bank)	10,000	10,016	15/12/2006	15/06/2007	A1	0.565
Total	150,000	152,720				8.62

* The Act and KGAAP require MKIF to value these certificates of deposit based on a market value.
 ** Domestic credit-rating agencies' ratings
 + The ratio refers to the proportion of Total Assets represented by the Appraised Value

Under the Indirect Investment Asset Management Business Act, MKIF is required to provide an Asset Management Report to its shareholders in the form, and containing the specific information, set out in the Act on a quarterly basis. This Asset Management Report has been prepared by MKIF in compliance with its statutory obligations.

■ Short term Deposits

MKIF has also invested a proportion of its cash reserves in a number of fixed, short-term deposits. A summary of the short-term deposit investments MKIF has made are set out in the table below.

(Unit: KRW million, %)

Name	Banks	Appraised Value*	Date of Deposit	Maturity Date	Interest	Composition Ratio+
MMDA	SC First Bank	11,766	18/09/2006	N/A	22	0.66
Term Deposit	Woori Bank	20,293	15/09/2006	15/09/2007	293	1.15
Term Deposit	Woori Bank	20,293	15/09/2006	15/09/2007	293	1.15
Term Deposit	Woori Bank	20,293	15/09/2006	15/09/2007	293	1.15
Term Deposit	Woori Bank	20,293	15/09/2006	15/09/2007	293	1.15
Term Deposit	Woori Bank	10,139	15/09/2006	15/03/2007	139	0.57
Term Deposit	Woori Bank	10,139	15/09/2006	15/03/2007	139	0.57
Term Deposit	Woori Bank	10,021	15/12/2006	15/01/2007	21	0.56
Term Deposit	Woori Bank	10,022	15/12/2006	15/03/2007	22	0.56
Total		133,259			1,515	7.52

* This Value is the sum of principal and interest

+ Ratio refers to the proportion of Total Assets represented by the Appraised Value

■ Other Assets

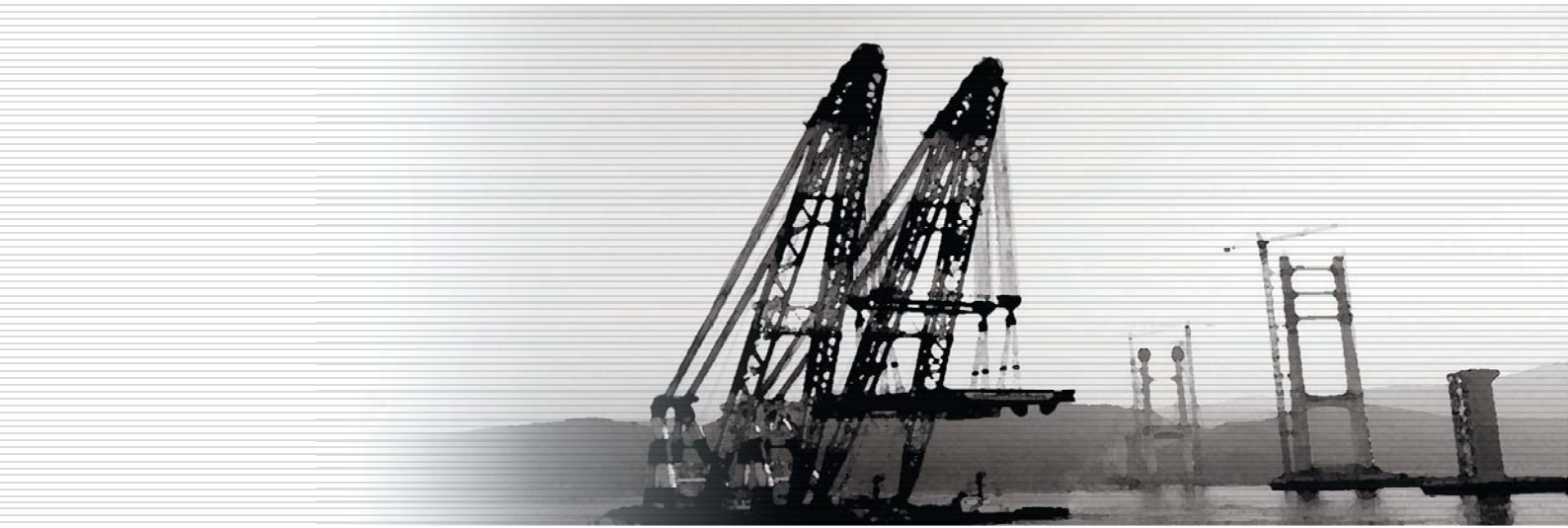
The Other Assets on MKIF's balance sheet are set out in the table below and consist of accrued income, fee receivables and pre-paid expenses.

(Unit: KRW million, %)

Type	Amount	Ratio*
Capitalised Interest Recievable	47,169	2.67
Other Receivables+	927	0.05
Prepaid expense	4,860	0.27
Prepayment	2,432	0.14
Prepaid Tax	171	0.01
Total	55,559	3.14

* The ratio refers to the ratio of other assets to the total assets

+ Other Receivable mainly represents a loan arrangement fee which is due to MKIF in relation to the Yongin-Seoul Expressway project and others



5. Equity Transactions and Loan Facility Injections

■ Equity Transactions

- During the Quarter, MKIF acquired equity securities in concession companies or holding companies (which hold an interest in an underlying concession company). These acquisitions represented drawdowns for existing investments (in accordance with the schedule in the relevant shareholders agreement) and are summarised in the table below.
- During the Quarter, MKIF did not dispose of any equity interests in the concession companies in which it has invested.

(Unit: Shares, KRW million, %)

Name	Buy		Sell		Turnover Ratio
	Shares	Amount	Shares	Amount	
MCB Co., Ltd.	335,200	1,676	0	0	N/A
Busan New Container Terminal Co., Ltd. *	3,900	19	0	0	N/A
Incheon Bridge Investment Company	980,000	4,900	0	0	N/A
Total	1,319,100	6,595	0	0	N/A

* The concession company of the Container Terminal Development at Busan New Port Phase 2-3. This capital injection was made to facilitate the execution of the concession agreement with the Government prior to financing. MKIF is in the process of negotiating transaction documents with other consortium members with a view to making a substantial investment in this project, however MKIF has no obligation to make further investment contributions to this company at this stage.

■ Loan Facility Injections

(Unit: KRW million)

Name	Type	Date	Amount
MCB Co., Ltd.	Subordinated Loan Injection	2006-10-02	814
MCB Co., Ltd.	Subordinated Loan Injection	2006-11-01	961
MCB Co., Ltd.	Subordinated Loan Injection	2006-12-01	1,354
KODA Development Co., Ltd.	Subordinated Loan Injection	2006-11-17	12,180
KODA Development Co., Ltd.	Senior Loan Injection	2006-11-17	5,236
Seoul Chuncheon Highway Co., Ltd.	Subordinated Loan Injection	2006-11-02	59,000
Total			79,545

Under the Indirect Investment Asset Management Business Act, MKIF is required to provide an Asset Management Report to its shareholders in the form, and containing the specific information, set out in the Act on a quarterly basis. This Asset Management Report has been prepared by MKIF in compliance with its statutory obligations.

6. Asset Management Overview & Profit/Loss Summary

■ Asset Management Overview

- The Profit & Loss ("P&L") statements and Balance Sheets for the Quarter are attached in Appendix II.
- In accordance with the Act and KGAAP, MKIF has valued its convertible bond investment in DBEC and its investments in short term certificates of deposit based on a market value, assessed as at 31 December 2006. MKIF is required under the Act to reflect any revaluation gain or loss as part of its P&L statements. The table below sets out the gains/losses incurred by MKIF in its P&L statements during the Quarter, in comparison with any gain or loss from the previous Quarter.

(Unit: KRW million)

Type	Gain / Loss on valuation		Gain / Loss on disposal	
	Q3 2006	Q4 2006	Q3 2006	Q4 2006
Stock	0	0	0	0
Bonds ¹	2,778	4,124	0	0
Other Investment Securities ²	153	(43)	0	(2)

1. DBEC convertible bond investment

2. Certificates of Deposit in which MKIF has invested excess cash

- After removing the impact of these revaluation movements, the P&L statements of MKIF can be represented as follows:

(Unit: KRW million)

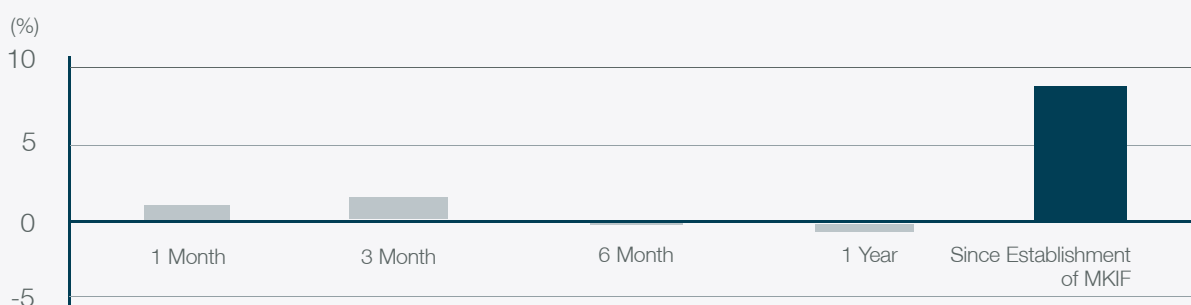
	Q3 2006	Q4 2006
P&L pre-revaluations	24,944	26,720
Revaluation Adjustments	2,931	4,081
Reported P&L	27,875	30,801

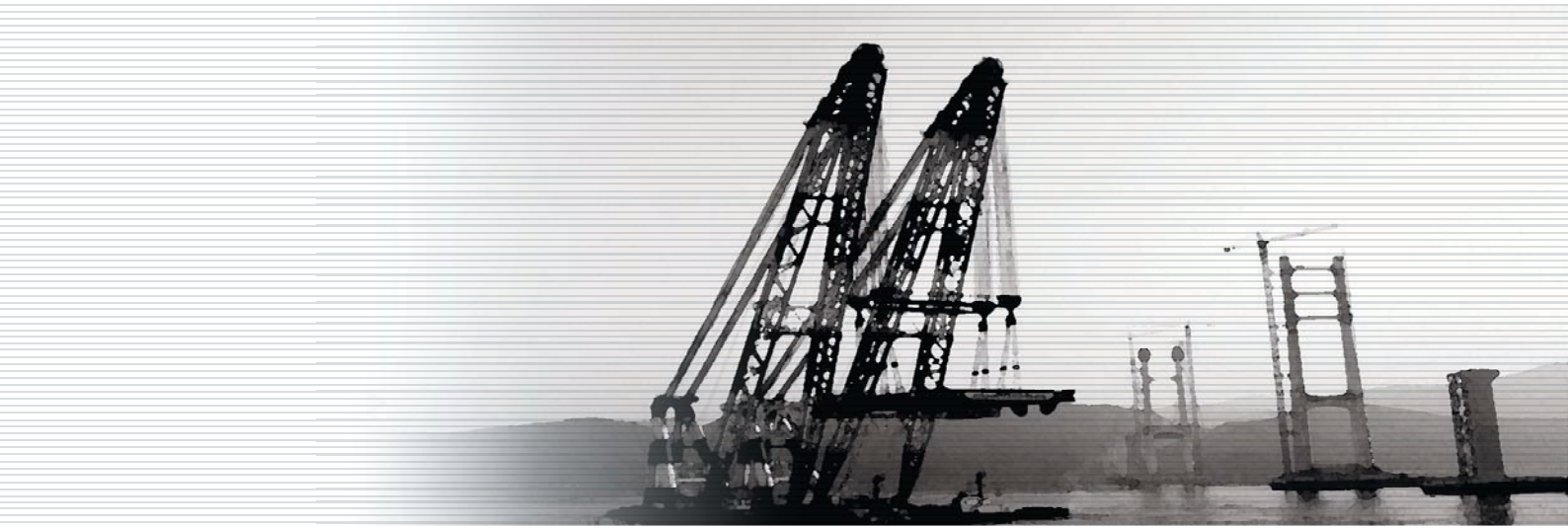
■ Performance over periods

- The table below sets out the historical NAV per share for MKIF. As explained above and given that the majority of MKIF's assets are held at their original cost, the net asset value is not representative of changes in the value of the MKIF portfolio. The historical NAV per share in each historical period is compared with the NAV per share of MKIF determined in section 2 above.

(Unit: %)

	1 Month	3 Month	6 Month	1 Year	Since Establishment of MKIF
Performance	0.96	1.93	(0.21)	(0.28)	9.10





■ Fees to Third Party Service Providers

- The table below sets out fees paid by MKIF to its service providers

(Unit: KRW million)

Type	Q3 2006	Q4 2006
Manager fee	7,032	7,332
Performance fee	0	0
Sales agent fee	0	0
Custodian fee	132	132
Administrator fee	77	77

■ Total Expense Ratio

- The table below sets out the ratio of total ordinary expenses incurred by MKIF in the Quarter, divided by the NAV per share determined in Section 2 above. The total ordinary expenses do not include any performance fees paid or payable to MSIAM.

(Unit: %)

Type	Q3 2006	Q4 2006
Total Expense Ratio (TER)	1.803	1.839

7. Registered Asset Managers

MSIAM is licensed under the Act to carry out asset management activities for MKIF. As part of its licensing requirements, MSIAM is required to employ at least three “asset management professionals” who meet certain qualifications. The following is the list of MSIAM’s asset management professionals who have been registered to the Asset Management Association of Korea (AMAK)

Name (AMAK registration Number)	Birth Year	Career
Jae Lee (06-02323-0002)	1964	Chief Operating Officer Mr Lee has over 17 years’ experience with Shinhan Bank, including 14 years with the International Banking Division, NY Branch (Investment Banking) <ul style="list-style-type: none"> □ Shinhan Bank (Investment Banking department at Seoul and New York branch) □ Sejong Research Institute (previously, Il-Hae) (Economic and Social Research)
Johnho Kim (06-02323-0004)	1962	Division Director - Asset Management. Mr Kim has over 20 years’ experience in asset management and his previous experience includes: <ul style="list-style-type: none"> □ Connell Wagner Group (consulting on major road projects) □ Mott Macdonald Group (Project Engineer in UK) □ BHP Engineering (Industrial & Commercial Development – Project Manager) □ Egis Consulting/GHD (PF & Toll Road Management Consulting Company)
Beom Shick Won (06-02323-0001)	1967	Senior Manager - Asset Management Mr Won has over 13 years’ experience in asset management and his previous experience includes: <ul style="list-style-type: none"> □ Doosan Construction Co (PF management for Daejun-Chunbyun Expressway) / Management of O&M (operations and maintenance) company, Sub-Contracting management
Jung-Suk Lee (06-02323-0003)	1973	Manager - Asset Management Mr Lee has over 11 years’ experience in construction and asset management and his previous experience includes: <ul style="list-style-type: none"> □ Parsons, Brinckerhoff, Quade & Douglas Co., Ltd (Design/Construction) □ Parsons, Brinckerhoff Asia Co., Ltd (Contract Management, Due diligence, Supervision)

Under the Indirect Investment Asset Management Business Act, MKIF is required to provide an Asset Management Report to its shareholders in the form, and containing the specific information, set out in the Act on a quarterly basis. This Asset Management Report has been prepared by MKIF in compliance with its statutory obligations.

8. Trading Amount and Brokerage

■ Stock trading

Classification	06-10-01~ 06-10-31			06-11-01 ~ 06-11-30			06-12-01 ~ 06-12-31		
	Trading amount	Ratio		Trading amount	Ratio		Trading amount	Ratio	
		fee	amount		fee	amount		fee	amount
	N/A								

■ Others

Classification	06-10-01~ 06-10-31			06-11-01 ~ 06-11-30			06-12-01 ~ 06-12-31		
	Trading amount	Ratio		Trading amount	Ratio		Trading amount	Ratio	
		fee	amount		fee	amount		fee	amount
	N/A								

■ Derivatives

Classification	06-10-01~ 06-10-31			06-11-01 ~ 06-11-30			06-12-01 ~ 06-12-31		
	Trading amount	Ratio		Trading amount	Ratio		Trading amount	Ratio	
		fee	amount		fee	amount		fee	amount
	N/A								

9. Related Party Transactions

Under the Act, MKIF is required to report to the Financial Supervisory Commission (FSC) transactions with related parties that relate to the investment and management activities of MKIF and MSIAM. During the Quarter the transaction related to the investment to Seosuwon-Osan-Pyungtaek Expressway project was reported to the FSC.

Related Party		Type of trade	Type of asset	Amount
Name	Party Affiliations			
Shinhan Bank	Shareholders of MSIAM	Acquisition of loan commitment	Loan commitment	Nil

10. Details of voting rights exercised on holding stocks

MKIF is not required to report its voting decisions as a shareholder in concession companies as the relevant provision (Article 94) of the Act does not apply to MKIF, by virtue of Article 44 of the Private Participation in Infrastructure Act.

11. Notice

For more detailed information on the investing activities of the above-mentioned fund, please refer to the Investor Centre on MKIF's website. (www.macquarie.com/mkif)

MACQUARIE KOREA INFRASTRUCTURE FUND

4th Quarter Asset Management Report

Supervisory Directors

Dae Yun Cho

- Practicing law at the law office of Kim & Chang in Seoul since 1979 (Senior Partner)
- Acted as a consultant for various Korea Ministries, including the Ministry of Finance and Economy and the Ministry of Commerce
- Former Senior adviser to the Korea International Trade Law Association, the arbitrator of the Korean Commercial Arbitration Board
- Panel member of the WTO's Subsidies and Countervailing Duties Committee

Kyung Soon Song

- Founding Representative Director of LECG Korea
- Visiting Professor at the Graduate School of international Studies of Seoul National University since 2003
- Former senior staff member of World Bank
- Former chief operating officer of Nomura Project Finance International Limited

Tae Hee Yoon

- Chairman of Lutronic Corporation
- Former Vice-Chairman of PriceWaterhouseCoopers
- Former chairman of Arirang TV (The Korea international broadcasting Foundation)
- Founding Chairman of Korea Economic intelligence on Wall Street, New York

Corporate Director - MSIAM

Chul Hum Paik

- Representative Director of Macquarie Shinhan Infrastructure Asset Management Co., Ltd.
- Joined Shinhan Bank in 1993, with responsibilities for international banking and investment banking division
- Headed the Financial Products division of Shinhan Macquarie Financial Advisory since 2001

Yong Kyun Park

- Vice President of Macquarie Shinhan Infrastructure Asset Management Co., Ltd.
- Joined Shinhan Bank in 1986, responsible for corporate lending, trade finance and retail marketing at Samseong Jungang, Chongno and London branches
- Head responsibility for the Bank's domestic and foreign financial investment management

Nick van Gelder

- Head of Macquarie Investment Banking Funds Group in Asia
- Former Representative Director of Macquarie Shinhan Infrastructure Asset Management Co., Ltd. from 2002 to 2006
- Joined Macquarie Group in 1997 with responsibilities for infrastructure and real estate investment
- Worked over 10 years in financial advisory and investment management prior to joining Macquarie Group

Jae Lee

- Chief Operating Officer of Macquarie Shinhan Infrastructure Asset Management Co., Ltd.
- Served for Shinhan Bank over 14 years (International Banking Division, NY Branch / Investment Banking Division)
- Sejong Research Institute (previously, Il-Hae) (Economic and Social Research)

Jun Gi Eun

- Head of Corporate Finance Division of Shinhan Capital
- Joined Shinhan Bank in 1989, in charge of capital financing reviewer
- Served for Shinhan Capital since joining in 1991 responsible for various roles related to corporate finance

Appendix II

Summary of Financial Statements

MACQUARIE KOREA INFRASTRUCTURE FUND

4th Quarter Asset Management Report

BALANCE SHEETS

As of 31 December 2006 and 30 September 2006

	(Unit: KRW million)	
	31 December 2006	30 September 2006
Assets		
I. Invested Assets	1,671,352	1,651,051
Cash & deposits	131,744	244,481
Loans	923,654	843,382
Equity securities	421,074	413,610
Debt securities	44,954	40,831
Short-term investments	149,926	108,747
II. Others	100,476	87,013
Interest receivables	92,086	78,273
Other receivables	927	863
Deferred costs, net	7,463	7,877
Total Assets	1,771,828	1,738,064
Liabilities		
Payables	826	601
Manager fee payable	7,332	7,032
Performance fee payable	-	-
Other liabilities	400	530
Long-term debt	-	-
Total Liabilities	8,558	8,163
Shareholders' Equity		
I. Issued Capital	1,757,636	1,755,068
Common stock	1,757,636	1,755,068
II. Retained Earnings (Losses)	5,634	(25,167)
Current profit/(loss)	5,634	(25,167)
Total Shareholders' Equity	1,763,270	1,729,901
Total Liabilities and Shareholders' Equity	1,771,828	1,738,064

Appendix II

Summary of Financial Statements

MACQUARIE KOREA INFRASTRUCTURE FUND

4th Quarter Asset Management Report

PROFIT AND LOSS STATEMENTS

For the Quarter Ended in 31 December 2006
The Quarter Ended 30 September 2006
And for the year ended 31 December 2006

	Quarter Ended 31 December 2006	Quarter Ended 30 September 2006	Year Ended 31 December 2006
(Unit: KRW Million)			
I. Revenue	38,883	35,863	141,166
1. Interest income	33,768	32,822	125,030
2. Arrangement fee income	481	-	962
3. Dividend income	-	-	6,958
4. Income from equity sell-down	-	-	-
5. Gain(Loss) on valuation of debt securities	4,124	2,778	6,724
6. Other income	510	263	1,492
II. Expenses	8,082	7,988	135,532
1. Manager fee	7,332	7,032	26,437
2. Custodian fee	132	132	533
3. Administrator fee	77	77	291
4. Sales Agent fee	-	-	-
5. Performance fees	-	-	103,166
6. Interest on borrowings	-	-	-
7. Other expenses	541	747	5,105
III. Net Profit/(Loss)	30,801	27,875	5,634

CORPORATE DIRECTORY

Manager of MKIF

Macquarie Shinhan Infrastructure Asset Management Co., Ltd.

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Facsimile: 82 2 3705 8596

MKIF Custodian

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34-9, Yeouido-Dong, Yeoungdeungpo-Gu,

Seoul, 150-884, KOREA

Telephone: 82 2 3770 8800

Facsimile: 82 2 3770 8244

MKIF Administrator

KEB Investor Services Co., Ltd.

Korea Exchange Bank 23rd Floor,

181 Eulji-Ro 2 Ga Chung-Gu,

Seoul, 100-793, KOREA

Telephone: 82 2 729 8402

Facsimile: 82 2 77 5311

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