

English Translation of a Report Originally Issued in Korean

Report for Third Fiscal Year

From 1 January to 30 June 2005

Macquarie Central Office CR REIT

6 September 2005

TO: Financial Supervisory Commission and Korea Stock Exchange

We submit the attached operation report as per the Article 186-3 of Securities and Exchange Act
(the “Act”)

Company Name: Macquarie Central Office CR REIT
Representative Director: Nicholas John Ridgewell , Ji Hong Kim
Address: Hanhwa Building, 110 Sokong-Dong, Chung-Ku, Seoul Korea
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Prepared by: Woori Bank Trust Business Department, the Business Trustee of
MCO CR REIT
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Sign-off Page of Representative Directors, etc.

Representation

6 September 2005

As the Representative Directors and Officer in charge of Reporting, we personally confirmed and reviewed by paying proper attention that;

- 1) There is no omission of statement or presentation, or false statement or presentation, of important items, which may gravely affect the reasonable investment decision of investors or value of securities in relation with the company or the securities,
- 2) No items, which give rise to grave misunderstanding of the user of the statement or presentation shown in the report, are stated or presented
- 3) The internal accounting management system is being operated pursuant to the Article 2-2 and Article 2-3 of the Act on External Audit of Joint Stock Companies if the corporation is subject to external audit pursuant to Article 2 of the same Act.

Macquarie Central Office CR REIT

Representative Director: Nicholas John Ridgewell , Ji Hong Kim (signature)

Woori Bank, the Business Trustee of MCO CR REIT

Officer in charge of Reporting: Seung Mi Yang (signature)

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I. Company Overview

Section 1. Purposes of Company

1. Business Purposes

Business Purposes of Company	Notes
<ul style="list-style-type: none">- Acquisition, management, improvement and disposition of real estate;- Lease of real estate;- Deposit of funds at financial institutions- Real estate development;- Sale and purchase of securities;- Acquisition, management and disposition of rights related to the use of real estate, including superficies and leasehold interests.	

2. Business Purposes Performed by Subsidiaries

Not applicable

3. New Additional Business Plan

No plan for new additional business as of the date of the submission of this report.

Section 2. History of Company

1. History of Company

(1) Establishment and Post-establishment History

- 30 Sep 2003	Promoters Meeting
- 10 Nov 2003	Pre-approval from MOCT
- 2 Dec 2003~3 Dec 2003	IPO(KRW 35,151,500,000)
- 12 Dec 2003	Inaugural Meeting and Incorporation Asset Management Agreement (Macquarie Property Advisors Korea Ltd.) Custodian Agreement (Woori Bank) Business Trustee Agreement (Woori Bank)
- 12 Dec 2003	Incorporation (Paid-in Capital KRW 76,303,000,000)
- 23 Dec 2003	Final-Approval from MOCT
- 08 Jan 2004	Listed on KSE
-30 Mar 2004	Extraordinary Shareholders Meeting(Change in Directors)
-21 Sep 2004	1 st General Shareholders Meeting
-23 Mar 2005	2 nd General Shareholders Meeting
-29 Jun 2005	Extraordinary Shareholders Meeting(Change in AOI)

(2) Company Name Change

The Company name has not been changed.

(3) Merger, Acquisition or Takeover

Not applicable

(4) Change of Manufacturing Facilities

Not applicable

(5) Important Matters Regarding Management Activities

Not applicable

2. Group to which the Company is affiliated

Not applicable

Section 3. Capital Change

1. Changes in Share Capital

No change for Share Capital

2. Changes in Paid-in Capital Scheduled

No plan for change

3. Convertible Bonds

Not issued

(Unit:KRW, share)

Classification	The XXth XX CBs	Total
Date	-	-	-	-
Face Value	-	-	-	-
Allocation Method	-	-	-	-
Conversion Period	-	-	-	-
Conversion Terms	Conversion Ratio	-	-	-
	Conversion price	-	-	-
Type of convertible stocks	-	-	-	-
Converted CBs	Bond Amount	-	-	-
	Number of converted Stocks	-	-	-
Outstanding CBs (not yet converted)	Bond Amount	-	-	-
	Number of convertible Stocks	-	-	-
Notes	-	-	-	-

4. Bonds with Warrants

Not issued

(Unit:KRW, share)

Classification		The XXth XX BWs	Total
Date		-	-	-	-
Face Value		-	-	-	-
Allocation Method		-	-	-	-
Exercise Period		-	-	-	-
Exercise Terms	Exercise Ratio (vis-a-vis)	-	-	-	-
	Exercise Price	-	-	-	-
Type of stocks exercisable		-	-	-	-
Exercised BWs	Bond Amount	-	-	-	-
	Number of Shares exercised	-	-	-	-
Outstanding BWs (not yet exercised)	Bond Amount	-	-	-	-
	Number of Shares exercisable	-	-	-	-
Notes		-	-	-	-

5. Payment in Kind

Not applicable

Section 4. Shares

1. Total Number of Shares Authorized

(As of 30 June 2005)

(Unit: share)

Shares authorized	Shares issued	Shares unissued
61,042,400	15,260,600	45,781,800

2. Total Number of Shares Issued

(As of 30 June 2005)

(Unit:KRW, share)

Registered/ Unregistered	Type	Number of Shares	Total Face Value of Share Capital	Par Value per share	Notes
Registered	Common Stock	15,260,600	76,303,000,000	5,000	-
Total		15,260,600	76,303,000,000	5,000	

3. Acquisition and Disposition of Treasury Stock

Not applicable

4. Status of Employee Stock Ownership

Not applicable

Section 5. Shares with Voting Rights

(As of 30 June 2005)

(Unit: share)

Category	No. of Shares	Notes
1. Number of ordinary shares with voting rights [a-b]	[15,260,600]	
a. Issued shares	15,260,600	
b. Shares without voting rights	-	
2. Shares of which voting right are restricted [a+b+c+d+e]	[-]	
a. restricted by Commercial Code	-	
b. restricted by Securities and Exchange Act	-	
c. restricted by Monopoly Regulation and Fair Trade Act	-	
d. restricted by Real Estate Investment Company Act	-	
e. restricted by other laws	-	
3. Shares of which voting right are restored	[-]	
Number of shares with voting rights [1-2+3]	[15,260,600]	

Section 6. Dividends

1. Dividend Payment Method

The Company plans to pay, in principle, 100% of the distributable income of each fiscal year as dividend in cash. Actual dividend amount will be decided by the resolution of the general meeting of shareholders pursuant to the Commercial Code. The Company can pay dividend in excess of its net income pursuant to article 28(3) of the Real Estate Investment Company Act. The board of directors of the Company will decide on the excess dividend amount by considering the Company's net income, taxable income, capital expenditure plan and cash balance available for dividends for each fiscal year.

The Company will operate for five years from December 12, 2003 (inception). The ordinary fiscal periods of the Company are from January 1 and July 1 to June 30 and December 31, respectively. However, the first fiscal period of the Company started from December 12, 2003 (inception) and ended on June 2004. If the real estate amounting to 50% or more of total assets of the Company is sold and sale proceeds are completely collected, the fiscal year ends on the date when the sale proceeds are fully collected, after which the disposal profit from the sale will be distributed immediately.

Dividend is paid to the shareholders of the Company who are legally registered in the shareholders registry at the end of each fiscal year. MCO CR-REIT plans to pay dividend within one week from the

date of approval by the general meeting of shareholders unless the dividend payment will be made in some other date followed by the decision from general shareholder's meeting.

2. Dividend Payment for the recent 3 fiscal years

(Unit: KRW)

Classification		3 rd FY	2 nd FY	1 st FY
Par Value per share		5,000	5,000	5,000
Net income		4,494,286,157	4,240,680,957	4,042,490,543
Earning Per Share		295	278	265
Distributable Income		4,304,407,460	3,682,547,509	3,502,374,406
Dividend Payout Ratio (%)		103.32	86.84	86.64
Cash Dividend	Dividend Per Share	304	241	230
	Total Dividend Amount	4,643,142,257	3,682,547,509	3,502,374,406
	Dividend Yield (%)	4.48	4.20	4.20
Stock Dividend	Stock Dividend Rate (%)	-	-	-
	Number of Stock Dividends Per Share	-	-	-

2. Bonds with Income Participation Rights

Not applicable

II. REAL ESTATE BUSINESS

Section I. Business Overview

1. Industry Overview

The Company is one of the Corporate Restructuring Real Estate Investment Trust (CR-REIT) Companies in Seoul Korea.

As of 30 June 2005, there are 10 CR-REITs companies in Korea.

- Macquarie Central Office CR-REIT
- KOCREF I CR-REIT
- KOCREF II CR-REIT
- Kyobo- Meritz First CR-REIT
- K-1 CR-REIT
- Realty Korea CR-REIT
- Ures Meritz CR-REIT
- KOCREF III CR-REIT
- KOCREF IV CR-REIT
- KOCREF V CR-REIT

2. Business Overview

(1) Business Overview and Business Segment

A. Business Overview

The Company is a paper company incorporated in accordance with the Real Estate Investment Company Act. The purpose of this company is to attract funds from various institutions and individual investors and purchase the real estates from corporations under corporate restructuring. Through the sale of their real estates, the distressed corporations are able to expedite the restructuring process and improve the financial structure. Furthermore, the investors are also able to evade risks of direct investment in real estates and gain competitive investment income. Therefore, the Company benefits both the investors and distressed corporations by providing profitable investment incomes and rehabilitation opportunities, respectively.

B. Business Segment

- Real Estate Leasing Business

94% of initial total assets of the Company, which is around KRW 160 billion, was

invested to purchase the properties called Kukdong Building located in CBD Seoul. The main business of the Company is to distribute the cash flows from managing the purchased properties by such means as leasing, maintenance and resale. Therefore, most funds are invested in real estates and additional funds incurred from existing investments will be managed in cash or be invested in securities.

As of 30 June 2005, Company has no plan for other new businesses.

(2) Market Share

At a very initial stage of the market, it is not meaningful to measure a market share.

(3) Market Characteristics

CR-REIT companies are functioning to activate the real estate indirect investment system and enhance the transparency of the real estate market in Korea, by investing its funds, which are drawn from various institutions or individuals, in real estates held by corporations under restructuring, etc. The CR-REIT companies enable the corporations under restructuring to improve their financial structure from disposition of the properties while providing investors with opportunities of more stable and profitable real estate-related financial products using tax-preferred investment vehicles and professional real estate asset management systems.

(4) Prospects of new business

Not applicable

Section 2. Current Business

1. Guidelines on Investment

- (1) The asset management company of MCO CR REIT, Macquarie Property Advisors Korea Ltd., will try to achieve the dividend yield as projected in the information memorandum provided to investors. Macquarie Property Advisors Korea Ltd., will seek to maximize the dividend over the investment term to the investors in MCO CR REIT.
- (2) The acquisition of real property shall be decided upon by a general meeting of shareholders of MCO CR REIT or the Board, based on the due diligence report on the subject assets prepared by Macquarie Property Advisors Korea Ltd., and the due diligence reports on the subject assets prepared by a third party such as an independent real property investment consulting firm or the appraisal reports prepared by an appraisal company. Macquarie Property Advisors Korea Ltd., if necessary, shall appoint and establish business relationships with a qualified company as an appraisal company after examining such company in consultation with an independent real property investment consulting firm. The methodology described above shall be incorporated in the evaluation of any future asset acquisition by MCO CR REIT.
- (3) In order to examine the structural safety and durability of the relevant real property, an investigation into the physical structure of the real property shall be conducted before the acquisition of real property. The methodology described above shall be incorporated in the evaluation of any future asset acquisition by MCO CR REIT.

MCO CR REIT is pursuing a two-pronged investment strategy with an aim to maximize the returns to its investors.

- MCO CR REIT acquires a Building in the CBD of Seoul that has sustainable high-income flow and capital appreciation potential in a medium-long holding period of 3 to 5 years.
- MCO CR REIT is structured to focus on enhancing steady income to investors, maintaining the quality of assets and providing market liquidity for shareholders through listing of securities on Korea Stock Exchange.

2. Portfolio Composition and Change in Asset Value

(1) Portfolio Composition

(Unit: KRW million, %)

Classification		Real Estate*	Real Estate Related Securities	Other Securities	Cash and Deposits	Others	Total Asset*
FY 3	Asset Value	163,654	-	-	8,373	114	172,142
	%	95.07	-	-	4.86	0.07	100.00
FY 2	Asset Value	162,515	-	-	7,012	84	169,611
	%	95.82	-	-	4.13	0.05	100.00
FY 1	Asset Value	161,270	-	-	7,130	150	168,550
	%	95.68	-	-	4.23	0.09	100.00

* The amount of real estate is represented in costs at acquisition before depreciation. Therefore the total asset above is bigger than the book value by accumulated depreciation amount of property.

(2) Change in Asset Value

A. Trend in the change in asset value for the recent one year

(Unit: KRW million)

Quarter	2Q FY3	1Q FY 3	2Q FY2	1Q FY2
Total Asset	172,142	168,327	169,611	167,481

B. Trend in the change in asset value for the recent five years

(Unit: KRW million)

Quarter	FY 3	FY 2	FY 1
	(01 Jan 2005 to 30 Jun 2005)	(01 Jul 2004 to 31 Dec 2004)	(12 Dec 2003 to 30 Jun 2004)
Total Asset	172,142	169,611	168,550

(3) Net Asset Value per share

(Unit: share, KRW million)

	2005-06	2005-03	2004-12	2004-09	2004-06
Total Asset Value per the article 27 of ED of Real Estate Investment Company Act	172,142	168,327	169,611	167,481	168,550

	2005-06	2005-03	2004-12	2004-09	2004-06
Total liabilities per Balance Sheets (II)	89,312	88,159	88,207	88,604	88,479
Net Asset Value (III=I-II)	82,830	80,168	81,404	78,877	80,071
Number of Shares issued	15,260,600	15,260,600	15,260,600	15,260,600	15,260,600
Net Asset Value per share(KRW)	5,428	5,253	5,334	5,169	5,247

3. Details of Investment

(1) Real Estate

(Unit: KRW million, %)

Classification		Name	Location	Usage	Cost at acquisition	Property Value	% of Total Asset
Current	Real Estate	Kukdong building	60-1, Chungmuro 3-Ga, Chung-gu, Seoul	Office, commercial	163,654	163,654	95.07
Preceding	Real Estate	Kukdong building	60-1, Chungmuro 3-Ga, Chung-gu, Seoul	Office, commercial	162,515	162,515	95.82

<Note> Transaction cost is included in the acquisition amount.

(2) Securities

Not applicable

(3) Other Assets

Other assets of the Company include cash, deposits and prepaid expenses.

4. Real Estate Development Projects

Not applicable

5. Leasing Business

(1) Lease status of building

Portfolio	Gross Leasable Area(py)	Leased Area(py)	Occupancy Rate	Annual Rent (mw)	Number of Lease Contracts	Average annual rent per py (1,000 KRW)
Kukdong building	18,859	18,015	95.5%	14,317	88	795
	Vacancy	844	4.5%			
Sub total	18,859	18,859	100.0%			

<Note>

- Annual Rental Income KRW 14,316,895,992= monthly rent 1,193,074,666 * 12months (Annual CAM Income KRW 5,698,921,200= monthly CAM 474,910,100* 12months).
- Average annual rental income per py = Annual Rent KRW 14,316,895,992 / 18,015 py

* The monthly vacancy rate of Kukdong Building is as follows.

2004-10	2004-11	2004-12	2005-01	2005-02	2005-03	2005-04	2005-05	2005-06
7.9%	6.7%	6.9%	11.9%	9.4%	8.8%	7.1%	3.6%	4.5%

6. Investment plan

(1) Capital expenditures for 5Years after closing

MCO CR REIT was approved to carry out refurbishment capital expenditure program with budget KRW 5.7billion for 5 years after closing of acquisition of Kukdong Building from the Inaugural Meeting of the Company. The approved initial business plan on capital expenditures program was based on the due diligence of Kukdong building at the stage of the acquisition including the Due Diligence report from Hanmi Parsons.

Manager of MCO CR REIT has prepared the specific plan based on the initially approved plan and engineering Due Diligence report of SAMS, current Property Management Company annually and implement the plan after approval from Shareholders Meeting and Board Meeting of MCO CR REIT.

(2) The constructions executed during FY3 with the capital expenditure budget approved by the Board of directors and Shareholders' meeting for Year 2005 are as follows amounting to KRW 1,139 million. The following capital constructions are completed and capitalized at the end of June 2005 with the amounts of KRW 1,139 million as the building value.

- Electric facilities refurbishment including MCC Panel, electric cables and transformer, and the expansion of electric capacity
- Replacement of fire extinguishing pumps
- Replacement of grills on the roof
- Water pump replacement in a machine room

(3) The budget of capital expenditures for FY4 and deferred capital expenditure budget by adjusting the construction periods from year 2004 to year 2005 are KRW 1,720million and the details of constructions are as below. The following capital expenditures will enhance the value of the property by increasing future cashflows of Kukdong building and be capitalized as the building value.

- The 2nd Pipe & drainage construction
- Replacement of Halon fire extinguishing facility
- Panel replacement of Elevator
- Installation of electric detection system
- Improving facility for common area of building

7. Performance of Portfolio

(1) Income Analysis

(Unit: KRW million,%)

Classification		Revaluation Gains/ Losses			Disposition Gains/ Losses			Rent Income	Other Income/ Loss	Operating Income Total
		Real Estate	Real Estate Related Securities	Securities	Real Estate	Real Estate Related Securities	Securities			
FY 3	Amount	-	-	-	-	-	-	6,758	123	6,881
	%	-	-	-	-	-	-	98.21	1.79	100.00
FY 2	Amount	-	-	-	-	-	-	6,712	-127	6,585
	%	-	-	-	-	-	-	101.93	-1.93	100.00

Classification		Revaluation Gains/ Losses			Disposition Gains/ Losses			Rent Income	Other Income/ Loss	Operating Income Total
		Real Estate	Real Estate Related Securities	Securities	Real Estate	Real Estate Related Securities	Securities			
FY 1	Amount	-	-	-	-	-	-	6,504	-74	6,430
	%	-	-	-	-	-	-	101.15	-1.15	100.00

* Other income/loss includes CAM, Parking income, other rental income and operating expenses.

* For detail, please refer to the financial information section.

(2) Return on Equity (ROE)

Below ratio is indicating the annualized return on equity measured by dividing net income out of paid-in capital.

A. Annualized ROE

	FY 3 (01 Jan 2005 to 30 Jun 2005)	FY 2 (01 July 2004 to 31 Dec 2004)	FY 1 (12 Dec 2003 to 30 Jun 2004)
MCO CR REIT	11.78 %	11.12 %	9.57 %
Index	-	-	-

B. Cumulative Annualized ROE

	Upto FY 3 (12 Dec 2003 to 30 Jun 2005)	Upto FY 2 (12 Dec 2003 to 31 Dec 2004)	Upto FY 1 (12 Dec 2003 to 30 Jun 2004)
MCO CR REIT	10.78 %	10.30 %	9.57 %
Index	-	-	-

8. Guidelines on Asset Management

(1) Basic Guidelines on Asset Management

As a general rule, taking into consideration market conditions and environment surrounding real property markets and financial markets, MCO CR REIT shall make its investment in income-generating properties consisting primarily of commercial office

buildings and shall manage its excess funds in such a way as to earn market interest income.

(2) Asset Management Plan

① Real Property Management Strategy

- a) MCO CR REIT shall mainly invest in income-generating properties such as commercial office buildings sold by a corporation which is in the course of corporation reorganization proceedings or intends to repay its debt obligations with the sales proceeds, and when it purchases such income-generating properties, MCO CR REIT shall endeavor to purchase undervalued real properties at a price lower than the replacement cost.
- b) If the purchased real property is old and deteriorated, MCO CR REIT shall try to increase rents, generate more cash inflows, and increase the value of the real property.
- c) Asset Manager of MCO CR REIT shall continuously examine the possibility of early disposal of the real property even before the end of MCO CR REIT's corporate life and make recommendations to MCO CR REIT where it believes such early disposal can produce significant premium returns for investors.
- d) MCO CR REIT shall seek to control costs whilst maintaining tenant satisfaction with the ultimate goal of maximizing the rate of return to the investors.
- e) MCO CR REIT shall endeavor to dispose of its real properties within the defined life span of the MCO CR REIT in a manner which maximizes the returns to the investors.
- f) MCO CR REIT shall assess the rate of return of real property on a quarterly basis.

② Management Strategy with respect to surplus cash

MCO CR REIT's surplus cash shall be managed in accordance with the management plan regarding such funds as stipulated in Article 51 of the Articles of Incorporation of MCO CR REIT.

③ Management Strategy of Cash and Liquid Assets

- (a) MCO CR REIT shall maintain cash and liquid assets above certain level to ensure that it can meet its cash outflow needs.
- (b) For the distribution of dividends, MCO CR REIT shall maintain certain level of cash and liquid assets.

(3) Exit Strategy

- A MCO CR REIT is structured with the features commonly associated with international REITS that focus on enhancing steady income to investors, maintaining a high quality portfolio and providing market liquidity for shareholders. The shares of MCO CR REIT has been listed on the Korea Stock Exchange from 8 January 2004.
- B The main attribute of the MCO CR REIT investment structure is the ability for investors to share in the capital gain potential of the Property and not be restricted by an exit price guarantee mechanism, which is common in other CR REITs, which leaves the investor exposed to default by the party providing the guarantee. Investors will be investing in listed securities with market value reflecting the income generating ability and capital growth potential of the Property.
- C MCO CR REIT believes that the key to ensuring that there is capital growth potential for the Property is to demonstrate to the market that the Property can generate a sustainable dividend yield.
- D Exit may take the form of:
 - (a) Third party sale of the Property at or before the end of the life of MCO CR REIT
 - (b) Consolidation with other CR-REIT
 - (c) Potential conversion of MCO CR REIT to an ordinary REIT
- E In addition, Macquarie believes that the creation of a listed CR-REIT with the features common to international REITS will encourage the market to duplicate the structure in future listed CR-REITs. The continued growth of the CR-REIT

market that converges with international common practice would attract increasing investment interests from both international and domestic investors, which would in turn increase the liquidity of listed MCO CR REIT shares and enhance the exit options of shareholders.

9. Restrictions on Asset Management

In managing MCO CR REIT's assets, Macquarie Property Advisors Korea Ltd., shall comply with each of the following requirements:

(1) 70% or more of the total assets of MCO CR REIT shall consist of the following:

- A Real properties sold by a corporation to repay its liabilities, including its loan obligations to its creditor financial institutions.
- B Real properties sold by a corporation which has entered into an agreement for its financial restructuring with its creditor financial institutions in order to comply with such agreement.
- C Real properties sold by a corporation in accordance with corporate reorganization proceedings under the Corporate Reorganization Act of Korea or composition plan under the Composition Act of Korea; or
- D Other real properties the acquisition of which by MCO CR REIT is deemed necessary by the FSC to assist in corporate reorganization.

(2) With respect to investment in securities, MCO CR REIT shall not acquire any securities exceeding 10% of the total issued and outstanding voting stocks of another company, except for the following circumstances:

- A If MCO CR REIT acquires shares in a company established for the development of certain real property which has a definite term of corporate life;
- B If such purchase of securities is for the purpose of merging MCO CR REIT with another company;
- C If MCO CR REIT acquires all of the business of another company; or

- D If necessary to attain specified goals in the exercise of its rights.
 - E It is deemed to be non-detrimental to protecting investors' interests or the stable management of its asset as set forth in the Presidential Decree.
- (3) If MCO CR REIT acquires shares in another company in excess of 10% of the total issued and outstanding voting stocks of such other company, under the circumstances (B) through (D) above, MCO CR REIT shall comply with the investment limitation as required under applicable rules and regulations within six (6) months of the date of such acquisition.
- (4) With respect to the investment in securities, MCO CR REIT shall not acquire any securities issued by a single entity in excess of 5% of MCO CR REIT's total assets, except for national bonds, local or municipal bonds or such other securities whose acquisition in such amounts is permitted under the Enforcement Decree promulgated under the Real Estate Investment Company Act of Korea (the "Act").
- (5) If securities owned and held by MCO CR REIT exceed the limitation as provided in Item 4 above, MCO CR REIT shall comply with the investment limitations under applicable rules and regulations within six (6) months of the date of such acquisition.
- (6) MCO CR REIT shall not engage in any transactions falling within the categories listed in Article 21 of the Act with the officers and their respective related persons, and any shareholder who owns and holds 10% or more of the shares in MCO CR REIT and its respective related persons, except for the following circumstances:
- A General sale, competitive bidding or any similar transactions;
 - B Transactions (other than with the officers and employees of MCO CR REIT and their respective related persons) where MCO CR REIT rents its real property at a rate higher than the rate determined by the Board; or
 - C Unavoidable transactions as a result of merger, dissolution, split or split-merger.
- (7) MCO CR REIT and its related person shall not engage in the sale and purchase of real property or the trading of securities with Macquarie Property Advisors Korea Ltd., except in the following circumstances:

- A If MCO CR REIT is forced to dispose of its securities (other than shares) because it temporarily faces difficulty in making payment of purchase price or repurchase price of shares due to substantial number of appraisal or repurchase claims;
- B General sale, competitive bidding or any similar transaction;
- C Transactions where MCO CR REIT rents its property at a rate higher than that determined by the Board; or
- D Unavoidable transactions as a result of merger, dissolution, split or split-merger.

(8) Limitations on borrowing

- A. A REITs Company may borrow monies or issue bonds in accordance with Article 33 of Presidential Decree of Real Estate Investment Company Act for the purpose of investing and managing its assets or repaying its existing indebtedness or redeeming its outstanding bonds.
- B The amount of such borrowings and bonds under (A) shall not exceed two hundred percent(200%) of the shareholders' equity of the REITs Company.

10. Investment Risk

An investment in the shares of MCO CR REIT involves a high degree of risk. Prospective investors should carefully consider the following risk factors in connection with an investment in such shares.

(1) MCO CR REIT may be unable to pay dividends at the expected rates

MCO CR REIT's expected dividend rates are based on a number of assumptions, including assumptions relating to future operations of MCO CR REIT. These assumptions concern, among other matters, continued property occupancy and creditworthiness of tenants, the amount of future capital expenditures and expenses relating to MCO CR REIT's property, the level of leasing activity and future rental rates, the strength of the office real estate market in Seoul, competition, the costs of compliance with environmental and other laws and the amount of uninsured losses. A number of the assumptions relate to matters that are beyond the control of MCO CR REIT and The Manager or are not capable of being foreseen or accurately predicted.

Accordingly, no assurance can be given that MCO CR REIT will be able to pay dividends at the expected rates.

(2) MCO CR REIT is subject to risks inherent in commercial real estate business

A. General. Investments in MCO CR REIT are subject to the risks generally incident to the ownership and operation of real estate, including risks associated with changes in general economic or local market conditions, competition for tenants, changes in market rental rates, inability to collect rents and other payments from tenants due to bankruptcy, insolvency or other financial difficulties of tenants or otherwise and the need to periodically renovate, repair and relet space and to pay the costs thereof. In addition, real estate investments are relatively illiquid which may tend to limit the ability of MCO CR REIT to react promptly in response to changes in economic or other conditions.

B. Tenant defaults. Most of MCO CR REIT's income is expected to be derived from rental income from the Property, and consequently, MCO CR REIT's distributable cash flow and ability to pay expected dividends to shareholders would be adversely affected if a significant number of tenants of the Property failed to meet their lease obligations. At any time, a tenant of MCO CR REIT could seek the protection of the bankruptcy laws, which could result in delays in rental payments or in the rejection and termination of such tenant's lease. No assurance can be given that tenants will not file for bankruptcy protection in the future or, if any tenants file, that they will affirm their leases and continue to make rental payments in a timely manner. In addition, a commercial tenant from time to time may experience a downturn in its business which may weaken its financial condition and result in the failure to make rental payments when due.

C. Lease terminations. MCO CR REIT is subject to the normal risks associated with leasing property, including the risk that upon expiration of leases for space located in its building, the leases may not be renewed, the space may not be relet or the terms of renewal or leasing (including any cost of required renovations or concessions to tenants) may be less favourable than current lease terms. If MCO CR REIT is unable promptly to relet or renew leases for a significant portion of its space or if the rental rates upon renewal or reletting are significantly lower than expected rates, then MCO CR REIT's earnings and ability to make expected distributions to shareholders will be adversely affected.

D. Decrease in value of buildings. The underlying value of MCO CR REIT's building and the price at which MCO CR REIT will be able to dispose of it may be adversely affected by adverse changes in national or local economic conditions, competition from other properties, changes in interest rates and in the availability, cost and terms of mortgage financing, changes in real estate tax rates and adverse changes in governmental regulations, including environmental and zoning laws affecting the buildings, and other factors which are beyond the control of MCO CR REIT. No assurances can be made that the fair market value of MCO CR REIT's real estate assets will not decrease in the future.

(3) MCO CR REIT's alternative exit strategies may not be viable

Anticipated changes to the Act permitting transformation of a CR REIT into an ordinary REIT may not take place within the life span of MCO CR REIT, and it may not be possible for MCO CR REIT to merge with another CR REIT during this period, thus limiting MCO CR REIT's exit strategies to disposition of the asset through market sale only.

(4) MCO CR REIT's insurance will not cover all losses

MCO CR REIT maintains comprehensive insurance on its building, including liability and fire and extended coverage, in amounts sufficient to permit the replacement of the improvements thereon in the event of a total loss, subject to applicable deductibles. MCO CR REIT will endeavour to obtain coverage of the type and in the amount customarily obtained by owners of real estate similar in nature in the areas where such real estate is located. There are certain types of losses, however, generally of a catastrophic nature, such as earthquakes, floods and hurricanes, that may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also might make it infeasible to use insurance proceeds to replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds received by MCO CR REIT, if any, might not be adequate to restore MCO CR REIT's investment with respect to the affected Property.

(5) MCO CR REIT may suffer adverse impact from leverage

MCO CR REIT is subject to the risks normally associated with debt financing,

including the risk that MCO CR REIT's cash flow will be insufficient to meet required payments of principal and interest and the risk that necessary capital expenditures for such purposes as renovations and reletting space cannot be financed on favourable terms, if at all. The Property will be mortgaged to secure payment of the Loan, and if MCO CR REIT defaults under the Loan, the Property could be lost through foreclosure or transfer to the mortgagee with a consequent loss of income and asset value to MCO CR REIT. Independent accountant's report indicates that in case that vacancy rate increases to 24.6%, MCO CR REIT may not be able to service the debt.

(6) Failure to maintain status as a CR-REIT could have adverse tax consequences

In order to maintain its qualification as a CR-REIT under the Act, MCO CR REIT must continually satisfy certain tests primarily with respect to the nature of its assets. In addition, in order not to be taxed on its income, MCO CR REIT must distribute at least 90% of its distributable income to shareholders. If MCO CR REIT fails to qualify as a CR REIT in any tax year or fails to distribute at least 90% of its distributable income, it would be taxed as a regular domestic corporation. In such a case, MCO CR REIT would be subject to income tax on its taxable income at regular corporate rates, and distributions to MCO CR REIT's shareholders would not be deductible by MCO CR REIT in computing its taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to MCO CR REIT's shareholders, which in turn could have an adverse impact on the value of, and trading prices for, the shares.

(7) The market for MCO CR REIT shares may not be liquid

Although the shares will be listed on the Korea Stock Exchange, there is no assurance that an active trading market will develop or be sustained following the offering of the shares or that at any time the shares may be resold at or above the initial offering price.

(8) Potential change to tax exempt status of CR REIT

Amendments to the Tax Benefit Limitation Act are currently being considered by the National Assembly. Under these amendments, for the additional acquisition of property after 1 January 2004, MCO CR REIT would be liable to pay 50% of

registration tax and 50% of acquisition tax with respect to such purchases or capital expenditures.

11. Dividend Payment

(1) Distribution Policy

Pursuant to the amended Real Estate Investment Company Act effective from 23 April 2005, the requirement to reserve 10% of dividend payable as legal reserve has been eliminated from the third financial year. The Company can pay dividend in excess of its net income pursuant to article 28(3) of the Real Estate Investment Company Act, article 32 of the Enforcement Decree of Real Estate Investment Company Act and article 56(3) of the Articles of Incorporation. The dividend from current net income for a financial year shall be distributed once in every 6 months and the Company plans to pay, in principle, 100% of the distributable income of each fiscal year as dividend in cash. The Actual dividend amount will be decided by the resolution of the general meeting of shareholders pursuant to the Commercial Code.

The Company's initial estimate about dividend rate disclosed by the offering circular at underwriting was as follows.

	2004-06	2004-12	2005-06	2005-12	2006-06	2006-12	2007-06	2007-12	2008-06	2008-12
	FY1	FY2	FY3	FY4	FY5	FY6	FY7	FY8	FY9	FY10
Nominal Dividend Rate	3.38%	3.58%	4.18%	3.81%	4.53%	4.15%	5.21%	4.81%	5.76%	17.48%
Annualized Dividend Rate	6.75%	7.15%	8.36%	7.62%	9.07%	8.30%	10.42%	9.62%	11.52%	34.95%
Average for 5years	11.38%									

Under the current accounting policy of the company, the Company's revised estimate of dividend rate as of Fourth Fiscal Year after reflecting the amendment effects of Real Estate Investment Company Act, effective from 22 April 2005, are as follows.

	2004-06	2004-12	2005-06	2005-12	2006-06	2006-12	2007-06	2007-12	2008-06	2008-12
	FY1	FY2	FY3	FY4	FY5	FY6	FY7	FY8	FY9	FY10
Nominal Dividend Rate	4.58%	4.83%	6.09%	5.34%	5.22%	5.35%	5.66%	5.79%	6.28%	14.36%
Annualized Dividend Rate	8.27%	9.65%	12.27%	10.69%	10.44%	10.70%	11.31%	11.57%	12.55%	28.71%
Average for 5years	12.70%									

The estimate of dividend rate can be varied according to the change of market

environment, change of vacancy rate, and other changes including accounting principal applied. Although due care and attention has been exercised in the preparation of forecast information, the estimates, by their very nature, are subject to contingencies many of which are outside the control of MCO CR REIT.

Investors are advised to do his/her financial analysis and consider obtaining financial, legal and taxation advice before making an investment decision. Also, investor should know that investments in MCO CR REIT are not deposits nor liabilities of the Company and its servicers.

Actual dividend amount of each fiscal year shall be finally determined by the resolution of the general meeting of shareholders, pursuant to the Commercial Code of Korea, which shall be proposed by the Board based on the actual financial performances in each fiscal year.

(2) Payment of Dividend

The Company will operate for five years from December 12, 2003 (inception). The ordinary fiscal periods of the Company are from January 1 and July 1 to June 30 and December 31, respectively. However, the first fiscal period of the Company started from December 12, 2003 (inception) and ended on June 2004. If the real estate amounting to 50% or more of total assets of the Company is sold and sale proceeds are completely collected, the fiscal year ends on the date when the sale proceeds are fully collected, after which the disposal profit from the sale will be distributed immediately.

Dividend is paid to the shareholders of the Company legally registered in the shareholders registry as at end of each accounting period, as approved by the resolution of the general meeting of shareholders. Company plans to pay dividend within one week from the date of its approval by the general meeting of shareholders unless otherwise determined by the general meeting of shareholders which approved the dividend.

12. Method of Asset Evaluation and Disclosure

(1) Method of asset evaluation

A. Real estate is evaluated and disclosed at the historical acquisition costs.

However, from one year after its acquisition, Company can evaluate the

property at the appraisal value which the certified appraiser who is licensed per the Act on Public Disclosure of Land Price and Evaluation of Land, etc evaluates the property and appraises pursuant to Article 9 of the Enforcement Decree of the Real Estate Investment Company Act.

- B. Securities are evaluated by adopting Paragraphs 2 and 3 of Article 29 of the Enforcement Decree of the Securities Investment Company Act.
- C. Deposits at financial institutions are evaluated at the principal plus interests accrued up to the evaluation basis date.
- D. Other assets are evaluated at the figures that are shown on the balance sheet as of the evaluation basis date.

(2) Method of disclosure

- A. Frequency of calculation: Self-evaluation of real estate may be done once a year and net asset value per share will be calculated every quarter.
- B. Time of disclosure: In principle, disclosure is done every quarter by way of investment report. If necessary, however, eg drastic change in asset value, immediate disclosure will be done.
- C. Method and Place of disclosure:
 - (a) Investment Report and other important information: Head Office and website of Macquarie Property Advisors Korea Ltd., and WooriBank, and website of MOCT (www.moct.go.kr)
 - (b) Annual Reports will be posted in the electronic disclosure website of FSS (www.dart.fss.or.kr), the website of the Asset Manager ([www.macquarie.co.kr /property](http://www.macquarie.co.kr/property)) and the website of Business Trustee (www.woorisamu.com).

Section 3. Financing

1. Principles of Financing

At the time of establishment, the Company raised total KRW 76,303,000,000 from stockholders - KRW 41,151,000,000 from promoters and other shareholders and KRW 35,152,000,000 through IPO.

2. Summary of Financing

(Unit : KRW million)

Sources	Beginning	Increase	Outstanding
IPO	35,152	-	35,152
Promoters' and private offering	41,151	-	41,151
Sub-total	76,303	-	76,303
Specially - related Parties	-	-	-
Total	76,303	-	76,303

3. Summary of Borrowing

<Details of Borrowing>

(Unit : KRW million)

Classification	Beginning	Increase	Pay-off	Outstanding
Short-term borrowing for operating capital	-	-	-	-
Long-term borrowings mortgaged to the property	75,244	-	-	75,244
National Housing Fund	-	-	-	-
Borrowing for the stock refund, etc.	-	-	-	-

<Lenders>

(Unit : KRW)

Lenders	Draw-down	Borrowing Principal	Interest	Classification	Outstanding amount
Samsung Life	26 Dec 2003	45,898,840,000	6.90%	Longterm ¹⁾	45,898,840,000
Samsung F&M	26 Dec 2003	12,791,480,000	6.90%	Longterm ¹⁾	12,791,480,000
LG F&M	26 Dec 2003	10,534,160,000	6.90%	Longterm ¹⁾	10,534,160,000
Korea Life	26 Dec 2003	6,019,520,000	6.90%	Longterm ¹⁾	6,019,520,000
Total		75,244,000,000			75,244,000,000

<Note> According to the Credit Facility Agreement, interest rate is 6.03% p.a. from the funding date, 26 December 2003 to the first anniversary date of the acquisition closing date, 26 December 2004 and 6.9% p.a. thereafter.

Section 4. Major Contracts

1. Managerial Important Contracts

Not applicable

2. M&A or Business Take-over Contracts

Not applicable

3. Business Entrustment Engagement

(1) Asset Management Agreement

A. Overview of Asset Management Agreement

(a) Servicing Period

From 12 December 2003 until the date of the dissolution of MCO CR REIT

(b) Compensation

Classification	Fee of Macquarie Property Advisors Korea Ltd	Payment
Acquisition Fee	1) 0.55% of net acquisition price for Kukdong building 2) Upto 1% of net acquisition price of an acquired real estate after incorporation	upon incorporation
Basic AM Fee	applying such an applicable rate to the ordinary income of MCO CR REIT before deduction of the basic AM Fee “Applicable Percentage” is as follows 1 st FY : 0% 2 nd FY : 17.00% 3 rd -4 th FY : 11.00% 5 th -10 th FY : 11.30%	semi-annual basis

Classification	Fee of Macquarie Property Advisors Korea Ltd	Payment
Disposition fee	25% of the excess of the sales price of such Assets less costs related to such sale over the aggregate investments plus the capital expenditure (“Capital Gain”) under the condition that the IRR based on cash flow of net income over the 5 year period of ownership of the Assets is greater than 11.50%	upon the dissolution
Performance fee	The performance fee shall be calculated as 40% of any excess over the IRR of 11.5% for the 5 year period, subject to the satisfaction of the requirements for the entitlement to disposition fee	upon the dissolution

(c) Payment Method

- Basic Fee: The basic fee to Macquarie Property Advisors Korea Ltd., shall be payable on a semi-annual basis within 7 days of the submission of the auditor’s opinion on the fiscal period-end report and the approval of its board of directors.
- Performance Fee: Upon dissolution

(d) Work Scope

- Preparing and submitting to MCO CR REIT annual business plans and borrowing plans for Asset Management Services that set forth the acquisition and disposition of assets, including real estate, securities and any rights related to use of real estate, and the servicing of assets acquired;
 - ① The acquisition, administration, improvement and disposition of real estate with the approval of MCO CR REIT’s board of directors
 - ② The leasing of real estate
 - ③ The sale and purchase of investment securities
 - ④ The acquisition and disposal of superficies, leases or other rights related to the use of real estate
 - ⑤ The development of real estate
 - ⑥ Arranging advisory and assessment services, if necessary, from real estate investment advisory companies in respect of the Asset Management Services;
- Providing relevant data to help the Business Trustee prepare quarterly and fiscal period-end investment reports and financial statements;
- In the event MCO CR REIT issues shares, providing evaluation data on MCO

CR REIT's capital needs, market conditions and other relevant information, providing recommendations as to the conduct of the share issuance, appointing a lead manager, negotiating and executing relevant agreements on behalf of MCO CR REIT and preparing a prospectus;

- Providing (i) data necessary for applications for approvals, reports or public notices required in connection with the Asset Management Services or otherwise under the Act and other applicable laws and regulations and (ii) prior consultation with relevant governmental offices necessary for applications for approvals; and
- Preparing and providing to MCO CR REIT the draft Basic Guideline and, where it has been agreed, draft Detailed Guideline.
- Providing Asset Management Services as instructed by a liquidator or an inspector of dissolution, in the event of dissolution or dissolution of MCO CR REIT.

(e) Other real estate advisory business performed by Manager pursuant to the Article 22-3 of Real Estate Investment Company Act and Article 22 of its Presidential Decree.

As new REIC Act legislation has been effective from 23 April 2005, Macquarie Property Advisors Korea is performing additional business in addition to the investment and management services for REITs externally advised or CR-REITs as follows.

① Additional business

- Advisory business entrusted from other company in relation to acquisition, management and disposal of real estates
- Real estate advisory business in relation to acquisition, management, improvement and disposal of real estates

② Effective from 29 April 2005

B. Asset Management Company

(a) Company Overview

- ① Company: Macquarie Property Advisors Korea Ltd.

- ② Address: 110 Sokong-Dong, Chung-Ku, Seoul
- ③ Date of Authorization of AMC: 30 June 2003
- ④ Shareholder

	Investment Amount (KRW)	No. of Shares Subscribed	% of total
Macquarie Bank Ltd.	7,000,000,000	1,400,000	100.00
Total	7,000,000,000	1,400,000	100.00

⑤ Asset Management Method:

The management of MCO CR REIT has been entrusted to Macquarie Property Advisors Korea Ltd., an authorized AMC in accordance with the provisions of the Article 21 and Article 22-3 of Real Estate Investment Company Act.

(b) Summary of Financial Information for the recent two years

① Projected Balance Sheet

(Unit: KRW 1,000)

Items	31 Mar 2004	31 Mar 2005	31 Mar 2006(e)
I. Assets	7,345,171	7,705,833	7,700,677
1. Current Assets	4,939,602	4,601,434	4,951,135
2. Non-Current Assets	2,405,568	3,104,399	2,749,542
II. Liabilities	692,443	883,655	628,174
III. Stockholders' Equity	6,652,728	6,822,178	7,072,504
Capital Stock	7,000,000	7,000,000	7,251,577
Retained Earnings	-470,470	-634,112	-179,073
IV. Total Stockholders' Equity and Liabilities	7,345,171	7,705,833	7,700,677

② Projected Income Statement

(Unit: KRW 1,000)

Items	31 Mar 2004	31 Mar 2005	31 Mar 2006(e)
Operating Revenue	871,035	1,175,569	3,002,525
Operating Expenses	1,233,727	1,683,675	2,800,000
Operating Profit & Loss	-362,692	-508,106	202,525

Items	31 Mar 2004	31 Mar 2005	31 Mar 2006(e)
Non-Operating Income	3,677	376,320	250,000
Non-Operating Expenses	3,998	31,855	-
Ordinary Income	-363,012	-163,641	452,525
Income Taxes	-	-	135,757
Net Profit	-363,012	-163,641	316,767

(c) Company Group to which Macquarie Property Advisors Korea Ltd., is affiliated

Not applicable

(d) Asset Portfolio under Management as of the end of the period

Macquarie Central Office CR REIT

(e) Asset management and advisory records as of the end of the period

Macquarie Central Office CR REIT

(f) Qualified Asset Managers (as of 30 June 2005)

Name	Title	Education and Qualification	Experience
<i>Richard Han</i>	<i>CEO and Representative Director</i>	<ul style="list-style-type: none"> • BA from Yonsei University • MBA from University of Illinois 	Macquarie Property Advisors Korea Macquarie International Limited, Seoul Branch Deloitte, New York Good Morning Securities IMM Investment Management Co. Macquarie Korea Co, Ltd. etc.
<i>Michael Moon</i>	<i>Vice President, Transaction Management</i>	BA at Northwestern State University of Louisiana.	Macquarie Property Advisors Korea Macquarie International Limited, Seoul Branch Daewoo E&C Real Estate Investment Division Daewoo E&C Sydney Branch, etc.

Name	Title	Education and Qualification	Experience
<i>Tae Kim</i>	<i>Vice President, Transaction Management</i>	<ul style="list-style-type: none"> • BA from The University of Chicago • JD from The University of Texas School of Law 	Macquarie Property Advisors Korea Macquarie International Limited, Seoul Branch Chase Securities Chase Bank Seoul Branch, etc.
<i>SangHo Lee</i>	<i>Manager, Asset Management</i>	<ul style="list-style-type: none"> • BA from The Hong Ik University • US. Certified Public Accountant 	Macquarie Property Advisors Korea KORAMCO Co., Ltd Daewoo E&C Real Estate Investment Division, etc.
<i>Josh Kim</i>	<i>Manager, Operations</i>	<ul style="list-style-type: none"> • BA from Seoul National University • CPA and Certified Property Manager 	Macquarie Property Advisors Korea Hudson Advisors Korea (Lone Star Fund) Samil Accounting Corporation (PwC) FAS, etc.

(g) Indemnification

Not applicable

(h) Other Necessary Information

Not applicable

(2) Underwriting Agreement

A. Overview of Underwriting Agreement

Samsung Securities Co. Ltd., Daewoo Securities Co. Ltd., and SK Securities Co. Ltd., have been selected as the co-lead underwriters of the Company to underwrite the common shares. The fee was KRW 808.5 million, which was 2.3% of the total publicly offered share amount of KRW 35,151.5 million.

B. Underwriter

<Daewoo Securities>

(a) Overview

- ① Name : Daewoo Securities Co., Ltd.
- ② Address: 34-3, Youido-Dong, Yungdungpo-ku, Seoul (150-716), Korea
(Head Office)

(b) Branches

(Unit: branches)	
	Branch
Domestic	118

(c) Key Performance

① Beneficiary Certificate

(Unit: 100 Million)			
Year	2004	2003	2002
Balance	43,748	26,400	35,600

② Real Estate Investment Company Shares Sales

(Unit: KRW million)			
Year	2004	2003	2002
Balance	85	107.5	76

<Samsung Securities>

(a) Overview

- ① Name: Samsung Securities Co., Ltd.
- ② Address: #6, Jongno 2-Ga, Jongno-ku, Seoul, Korea (Head Office)

(b) Branches

(Unit: branches)			
	Branch	Sales Office	Total Offices
Domestic	84	1	85

Overseas	-	1	1
Total	84	2	86

(c) Key Performance

① Beneficiary Certificate

(Unit: 100 Million)					
Year	31 Dec 2000	31 Dec 2001	31 Dec 2002	31 Dec 2003	31 Dec 2004
Balance	187,489	191,372	246,172	180,321	196,979

<Note>

Based on outstanding balance of the date (Including Mutual Fund)

② Commitment Underwriting and Share Sales

(Unit: KRW million)			
	1 Apr 2002 ~ 31 Mar 2003		
	Advisory	Underwriting	Fee
IPO	349,491	221,196	5,706
Share Sales	1,509,240	1,224,240	6,191

③ Corporate Bond

(Unit: KRW million)			
	1 Apr 2002 ~ 31 Mar 2003		
	Lead Manager	Underwriting	Fee
Corporate Bond	4,229,605	3,474,300	6,629

<SK Securities>

(a) Overview

- ① Name : SK Securities Co., Ltd.
- ② Address: #23-10, Yeouido-Dong, Youngdungpo-ku, Seoul, Korea (Head Office)

(b) Branches

(Unit: branches)				
	Branch	Sales Office	Other Office	Total
Domestic	54	-	-	54
Foreign	-	-	-	-
Total	54	-	-	54

(c) Key Performance

① Beneficiary Certificate

(Unit: 100 Million)					
Year	31 Dec 2001	31 Dec 2002	31 Dec 2003	31 Dec 2004	30 Jun 2005
Balance	25,381	24,710	18,393	21,833	23,591

<Note>

Based on outstanding balance of the date (Including Mutual Fund)

② Commitment Underwriting and Share Sales

(Unit: KRW million)			
	1 Apr 2002 ~ 30 Jun 2005		
	Advisory	Underwriting	Fee
IPO	121,818	119,998	2,151
REITs	68,402	37,950	931

③ Corporate Bond

(Unit: KRW million)			
	1 Apr 2002 ~ 30 Jun 2005		
	Lead Manager	Underwriting	Fee
Corporate Bond	11,166,700	10,542,700	23,944

(d) Other Necessary Information

Not applicable

(3) Custodian Agreement

A. Summary of the Agreement

- (a) Term: From date of contract signing to date of registration of dissolution of the Company.
- (b) Fee: 0.03% per annum of total asset value
- (c) Payment: Quarterly in arrears. In case the period is less than three months, fees will be based on daily pro rate calculation.
- (d) Main role:

The main roles of the custodian are the custody of the Property as trustee entrusted with such assets and other matters related to such custody, in accordance with the Act. Upon MCO CR REIT's registration as the owner of the Property, the Property must be entrusted to the custodian. The custodian must maintain custody of the buildings separately from its own assets or other assets entrusted to it by third parties.

B. Custodian Company

(a) Overview

- ① Name: Woori Bank Co., Ltd.
- ② Address: 203 Hoehyon-dong 1 ga Chung -ku, Seoul
- ③ Current Status

Date of the Establishment	Equity	Employees
January 30, 1899	31,797 KRW 100 million	13,002 Persons

C. Other Necessary Information

Not applicable

(4) Business Trustee Agreement

A. Summary of the Agreement

- (a) Term: From date of contract signing to date of registration of dissolution of the Company.
- (b) Fee: 0.05% per annum of total asset value
- (c) Payment: Quarterly in arrears. In case the period is less than three months, fees will be based on daily pro rate calculation.
- (d) Main role:
 - ① the registration of transfers of MCO CR REIT shares;
 - ② the issuance of shares;
 - ③ the operation of MCO CR REIT;
 - ④ accounting;
 - ⑤ individual or public notices made pursuant to the articles of incorporations or relevant laws or regulations;
 - ⑥ the convocation and administration of Board meetings and shareholders' meetings;
 - ⑦ other matters delegated to it by MCO CR REIT. An affiliate of MCO CR REIT or the Manager may not act as the business trustee.

B. Trustee Company

(a) Overview

- ① Name: Woori Bank Co., Ltd.
- ② Address: 203 Hoehyon-dong 1 ga Chung -ku, Seoul (Headquarter)
- ③ Current Status

(Unit: 100 Million)

Date of the Establishment	Equity	Employees
January 30, 1899	31,797 KRW 100 million	13,002 Persons

- (5) Other Business Entrustment Agent
Not applicable

(6) Service Fee Summary

Classification	Service	Fee	Payment	Notes	
Asset Management	Macquarie Property Advisors Korea Ltd.	Acquisition	1) 0.55% of net acquisition price for Kukdong building 2) Upto 1% of net acquisition price of an acquired real estate after incorporation	Upon Incorporation	
		Basic AMC Fee	applying such a applicable rate to the ordinary income before deduction of the basic AMC Fee “Applicable Percentage” is as follows 1 st FY : 0% 2 nd FY : 17.00% 3 rd -4 th FY : 11.00% 5 th -10 th FY : 11.30%	semi-annual basis	
		Disposition fee	25% of the excess of the sales price of such Assets less costs related to such sale over the aggregate investments plus the capital expenditure (“Capital Gain”) under the condition that the IRR based on cash flow of net income over the 5 year period of ownership of the Assets is greater than 11.50%	upon the dissolution	
		Performance fee	The performance fee shall be calculated as 40% of any excess over the IRR of 11.5% for the 5 year period, subject to the satisfaction of the requirements for the entitlement to disposition fee	upon the dissolution	

Classification	Servicer	Fee	Payment	Notes
Co lead manager/Underwriter	Samsung Daewoo SK	2.3% of IPO amount (KRW 808,484,500)	upon Incorporation	
Custodian	Woori Bank	0.03% of total assets per annum	quarterly	
Business Trustee	Woori Bank	0.05% of total assets per annum	quarterly	

Section 5. Other Matters for Investment Decision

1. Shareholder Rights

(1) Voting right

Shareholders have the right to exercise one vote for each share they hold, and are allowed to have their agents exercise the right on behalf of them. Agents are required to submit to the Company prior to the start of the shareholders' meeting written evidence showing that they are given the power of attorney.

(2) Exercise of voting right through written submission

Shareholders are allowed to exercise their voting rights through written submission without attending the shareholders' meeting, as the Company will include a form and reference materials necessary for the exercise of the right when sending out a notice for the convocation of the shareholders' meeting or whenever shareholders make such requests. Shareholders who wish to exercise a voting right through the written submission should fill out required items on the form sent to them and submit it to the Company by one day prior to the meeting. The number of votes cast through written submission will be counted together with the votes cast by shareholders during the meeting. In this case, submitted forms will be displayed at the Head Office for 6 months after the shareholders' meeting.

(3) Distribution of remaining assets

Upon disposition of the Company due to expiration of its life, retained earnings and paid-in capital from the business year immediately preceding to the disposition year will be distributed together with remaining assets. In this case, remaining assets can be distributed in several installments.

(4) Access to accounting books and documents and right to request for transcripts

During business hours, shareholders and creditors of the Company shall be allowed to have an access to the settlement documents, audit report, articles of incorporation, shareholders' meeting records, shareholder registry and board of directors' meeting records. They can also request for a transcript of such documents.

2. Taxation

(1) Taxation on the issuer

A. Acquisition and registration taxes on the acquisition of properties

If a CR REIT company acquired a real estate property by 31 December 2003, it was exempt from registration tax levied on the registration of ownership transfer and acquisition tax on the basis of provisions in Article 120, Paragraph 4 of the same law. However, due to amendments to the Tax Benefit Limitation Act effective from 1 Jan 2004, additional acquisition of property after 1 January 2004 of MCO CR REIT would be liable to pay 50% of registration tax and 50% of acquisition tax with respect to such purchases or capital expenditures.

B. Registration tax on the registration of incorporation

For the registration of a CR REIT company's incorporation, 4/1,000 of the company's total par value of capital (company's initial equity) is applied as the registration tax on the basis of provisions in Article 119, Paragraph 7 of the Restriction of Preferential Taxation Act and Article 137, Paragraph 1, Subparagraph 1 of the Local Tax Act. Provisions in Article 260-3, Paragraph 1, Subparagraph 1 of the Local Tax Act also requires the imposition of 20% local education tax on such registration tax.

C. Income tax

A CR REIT company is required to add the earned surplus carried forward to and deduct the deficit carried forward from its net income by the provisions in Article 51-2, Paragraph 1, Subparagraph 4 of the Corporation Tax Act and Article 86, Paragraph 1 of the same law's Enforcement Decree. If a CR REIT company distributes 90/100 of the available income for dividend payment or more in dividends the amount of dividend paid can be deducted from the income calculated for the current business year. Thus, provided that there is no gap in the amounts of income calculated on the basis of accounting and taxation standards, if a CR REIT company distributes all of its available income dividend payment, income tax will be calculated only for the amount after reflecting the deducted available dividend income.

D. Taxation on the possession of properties

(a) Aggregate Real Estate Tax

A CR REIT company is not required to pay aggregate real estate tax on land it owns. As the lands owned by a CR REIT company are subject to separate taxation as of June 1 of each year on the basis of Article 182, Paragraph 1, Subparagraph 3 and Article 132 of the Enforcement Decree on Local Tax Act.

(b) Property Tax

A CR REIT company is required to pay property tax on the buildings and land it owns. The amount of such property tax is calculated by applying the tax rates specified on the Local Tax Act on the value of commercial buildings it owns as of June 1 of each year.

(c) Local Education Tax

If a CR REIT company pays the above property tax, it also bears an obligation to pay local education tax according to the provisions in Article 260-2 of the Local Tax Act. The local education tax amount is calculated by applying a 20/100 tax rate on the amount of property tax as provided in Article 260-3, Paragraph 1, Subparagraph 4 of the Local Tax Act.

(d) Urban Planning Tax

If a CR REIT company owns real estate properties subject to the taxation of aggregate land tax or property tax, it also bears an obligation to pay urban planning tax according to Article 235-2 of the Local Tax Act. Urban planning tax amount is calculated by applying a 2/1,000 tax rate on the value of a property as provided in Article 237 of the same law.

(e) Community Facility Tax

A CR REIT company has a obligation to pay community facility tax on the buildings it owns as provided in Article 239 of the Local Tax Act. The tax amount is calculated by applying pre-established progressive rates on the value of buildings as provided in Article 240, Paragraph 1, Subparagraph 1 of the Local Tax Act.

(2) Taxation implications for domestic shareholders

A. Dividend income

On the basis of the provisions in Article 55-2, Paragraph 5 of the Restriction of Preferential Taxation Act, dividend income that residents receive from a CR REIT company prior to 31 December 2003 is not included in the computation of global income tax provided in Article 14, Paragraph 4 of the Income Tax Act. Only a 16.5% withholdings tax (resident tax included) is levied on such dividend income provided that the total amount of income subject to global income taxation is no greater than KRW 40 million.

When residents receive dividend income from their investment in the shares of CRREIT companies listed and traded on either the KSE or KOSDAQ markets through “long-term securities savings products”, they are exempt from the dividend income tax on the basis of provisions in Article 87-3, Paragraph 2 of the Restriction of Preferential Taxation Act. No special tax for rural development is

levied on the exempt dividend income tax on the basis of Article 4, Paragraph 4 of the Special Tax for Rural Development Act.

B. Capital gains

On the basis of Article 55-2, Paragraph 5 of the Restriction of Preferential Taxation Act, capital gains that residents earn by selling the stocks of a CRREIT company they acquired through their investment in the company prior to 31 December 2003 are exempt from capital gains tax required in Article 94, Paragraph 1, Subparagraph 3 of the Income Tax Act. However, residents are required to pay a 20% special tax for rural development on the above exempt amount on the basis of Article 5, Paragraph 1, Subparagraph 1 of the Special Tax for Rural Development Act.

If residents sell shares of a CRREIT company listed either on the Korea Stock Exchange or KOSDAQ market under the Securities and Exchange Act through a transaction in the KSE or KOSDAQ markets, they are exempt from the capital gains tax on the basis of Article 94, Paragraph 1, Subparagraph 3, Item Ga and Na of the Income Tax Act.

(3) Taxation on other related companies or subsidiaries

Not applicable

(4) Others

A Real Estate Investment Company for Corporate Restructuring (CR REIT company) is required by Article 13 Paragraph 1 Subparagraph 2 of the Urban Railroad Act and Article 12 Paragraph 1 of the Enforcement Decree of the same Act to purchase urban railroad bonds, as part of corporate registration, in the amount equivalent to 1/1,000 of the value of capital.

A CR REIT company, in accordance with Article 173 Paragraph 1 of the Local Tax Act, is not considered a corporation with an office or business site located within a city and/or country, and therefore is not required to report and/or pay Corporate Parity Inhabitant Tax as stipulated in Article 177 Paragraph 1 of the same Act.

A CR REIT company, in accordance with Article 244 of the Local Tax Act, is not considered a business with a business site located within a city and/or county, and therefore is not required to report and/or pay Property Parity Business Site Tax as

stipulated by Article 250 Paragraph 3 of the same Act.

A CR REIT company, in accordance with Article 249 Paragraph 1 of the Local Tax Act, is considered a company with fifty (50) or less employees, and therefore is not required to report and/or pay Employee Parity Business Site Tax, as stipulated by Article 250 Paragraph 2 of the same Act.

3. Matters on Court Jurisdiction

In the event a dispute arises concerning the operation of the Company, the court of jurisdiction shall be the Seoul District Court, which has jurisdiction over the district where Macquarie Property Advisors Korea Ltd. is located.

Seoul District Court

Address: 1701-1 Seocho 3-dong, Seocho-ku, Seoul, 137-737
Contact Info.: Operator: (02) 530-1114, 530-2609 (Civil Affairs Information)
Depository Civil affairs (02) 530-1707 / FAX (02) 3477-8102

4. Indemnification

Asset management company, underwriter, Business Trustee and asset custodian(the “related entrusted companies”) shall indemnify the CR REITs company if the CR REITs company incurred losses as a result of the related entrusted companies’ negligence.

If the director or internal auditor of the related entrusted company or other related entrusted companies are also liable for the losses the related entrusted company should indemnify the CR REITs company or a third party, they should jointly indemnify.

5. Conflict of Interest

The company is SPC that shall trust its management to Asset Management Company, Business Trustee and asset custodian(the “related entrusted companies”), which causes the Company to be exposed to the agent risk. The related entrusted companies will try their best efforts and due cares in their services, however there can be a conflict of interest in some cases.

6. Duration and Dissolution of Company as per the AOI

1. Duration : 5th anniversary of incorporation date
2. Events causing Dissolution :
 - 1) Expiration of corporate life of the Company;
 - 2) With a resolution of the General Shareholders' Meeting;
 - 3) Merger;
 - 4) Bankruptcy;
 - 5) Court order or judgment of dissolution; or
 - 6) Notice of revocation of approval of incorporation under Article 42 of the Act.

7. Methods of Cashing Funds invested by shareholders

The funds of shareholders may be cashed by selling their shares in KSE because the shares of MCO CR REIT has been listed on KSE since 8 Jan, 2004 as per the Articles of Incorporation pertaining to investment cashing methods.

8. Other Matters Concerning Public Notice

A. Investment Report, etc.

Quarterly financial statements and investment reports incorporating items relevant to asset management will be created and be made available for public notice via the websites of various organizations for shareholders and creditors to access. The items relevant to asset management mentioned above include the following: Company overview, current asset portfolio and details of changes, total income/income structure and rate of return, real estate sales cost, status/price/lease rate/major lessee information for each real estate asset owned, status of securities owned, real estate development projects, major shareholder list and information on investment reports created in each settlement period, borrowing status, share price fluctuations, summary balance sheet/income statement, progress of lawsuits important to Company management, and transaction/trade status stipulated in the caveat of Article 30 of the REIT Act.

B. Articles of Incorporation

The Company will keep copies of its Articles of Incorporation to the headquarters of the asset management company and general administrative service provider.

C. Contract

The copies of the asset management contract will be kept to the headquarters of the asset management company; the sales agreement to the head office and branches of the distributor; and the asset custody and general administrative service contract to the headquarters of the custodian and general administrative service provider.

D. Net asset value per share

a) Valuation period

The calculation of net asset value per share shall be done every quarter

b) Timing of the notice

Public disclosure shall in principle be made every quarter. However, in the event there is significant change in asset value, the disclosure shall be made immediately following the change.

c) Method of disclosure

In the office and websites of Macquarie Property Advisors Korea Ltd. and general administrative service provider.

d) Place of disclosure:

Headquarters and website of Macquarie Property Advisors Korea Ltd.
(www.macquarie.co.kr/property)

Headquarters and website of Woori Bank (www.woorisamu.com)

E. Other books/documents

Other books and documents of the Company will be kept by AMC, asset custodian, underwriter, or business trustee depending on the category of each information.

III. Financial Overview

Section 1. Summary of Financial Statements

(Unit :KRW million)

Items	FY3	FY 2	FY 1
[Current Assets]	8,337	7,097	7,217
• Quick Assets	8,337	7,097	7,217
• Inventories	-	-	-
[Non-current Assets]	161,921	161,244	160,658
• Investments	151	-	63
• Property, Plant, & Equipment	161,770	161,244	160,595
• Intangible Assets	-	-	-
Total Asset	170,258	168,341	167,875
[Current Liabilities]	1,263	1,694	921
[Long-term Liabilities]	88,049	86,513	87,558
Total Liabilities	89,312	88,207	88,479
[Stockholder's Equity]	76,303	76,303	76,303
Retained Earnings	5,212	4,591	4,042
• Legal Reserve	-	-	-
• Revaluation Reserve	-	-	-
[Retained Earnings-Prior years]	-	-	-
[Capital Adjustments]	-570	-760	-949
Total Shareholders' Equity	80,946	80,134	79,396
Revenue	10,384	10,395	10,092
Operating Income	6,881	6,585	6,430
Net Income	4,494	4,241	4,042

Section 2. Notes in Using Financial Statements

1. Principles of Financial Statements

- (1) The Company maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea.
- (2) The Company has not been required a corrective measure nor modification adjustment order from FSC.

2. Violations of Korean GAAP

- (1) Violations, which require modifications in Balance Sheets
Not applicable
- (2) Violations, which do not require modifications in Balance Sheets
Not applicable

3. Other Recommendations

Not applicable

Section 3. Accounting Information

1. Allowances for Doubtful Receivables

Not applicable

2. Holding of Inventories and its due diligence

Not applicable

3. Change of Accounting Policies for the Recent 5 Years and Reason for the Change

Not applicable

4. Any Fiscal Year with Net Loss and Primary Causes for the Recent 5 Years

Not applicable

5. Any Fiscal Year with Increase or Decrease of Net Loss by More Than 30%, or Any Fiscal Year with Turnaround from Net Loss into Net Income and Primary Causes for the Recent 5 Years

Not applicable

6. Valuation of Non-Marketable Equity Investments Securities of this Fiscal Year

Not applicable

Section 4. Financial Statements

1. Balance Sheets

BALANCE SHEETS

AS OF JUNE 30, 2005 AND DECEMBER 31, 2004

	Korean Won	
	2005. 6. 30	2004. 12. 31
	(In thousands)	
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	₩ 7,029,960	₩ 5,799,874
Short-term financial instruments	1,122,080	1,165,955
Accounts receivable	72,287	27,048
Accrued income	69,971	46,232
Prepaid expenses	31,322	57,452
Prepaid income tax	10,877	-
	<u>8,336,497</u>	<u>7,096,561</u>
NON-CURRENT ASSETS:		
Investment assets:		
Long-term financial instruments	<u>151,085</u>	<u>-</u>
Property Investments :		
Land	102,397,913	102,397,913
Building	61,196,107	60,056,830
Machinery	60,000	60,000
Less: Accumulated depreciation	<u>(1,883,641)</u>	<u>(1,270,006)</u>
	<u>161,770,379</u>	<u>161,244,737</u>
	<u>161,921,464</u>	<u>161,244,737</u>
TOTAL ASSETS	<u>₩ 170,257,961</u>	<u>₩ 168,341,298</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	₩ 589,525	₩ 953,117
Accrued expenses	237,929	74,584
Income tax payable	-	199,203
Advanced receipts	7,704	6,725
VAT payables	427,288	390,613
Withholdings	-	70,000
	<u>1,262,446</u>	<u>1,694,242</u>
NON-CURRENT LIABILITIES:		
Long-term borrowings	75,244,000	75,244,000
Leasehold deposits	12,805,373	11,268,653
	<u>88,049,373</u>	<u>86,512,653</u>
Total liabilities	<u>89,311,819</u>	<u>88,206,895</u>
SHAREHOLDERS' EQUITY		
Common stock	₩ 76,303,000	₩ 76,303,000
Appropriated retained earnings – legal reserve	718,492	350,237
Retained earnings before appropriations		

	<u>Korean Won</u>	
	<u>2005. 6. 30</u>	<u>2004. 12. 31</u>
	(In thousands)	
(Net income of ₩4,494,286 thousand for six months ended June 30, 2005 and ₩4,240,681 thousand for six months ended December 31, 2004)	<u>4,494,286</u>	<u>4,240,681</u>
	5,212,778	4,590,918
Capital adjustments	<u>(569,636)</u>	<u>(759,515)</u>
Total shareholders' equity	<u>80,946,142</u>	<u>80,134,403</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩ 170,257,961</u>	<u>₩ 168,341,298</u>

2. Income Statements

STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND DECEMBER 31, 2004

	Korean Won	
	2005. 6. 30	2004. 12. 31
	(In thousands, except per share amounts)	
OPERATING REVENUE:		
Rental income	₩ 6,757,711	₩ 6,712,219
Common area maintenance income	2,729,704	2,684,317
Parking income	734,748	756,346
Tenant reimbursement	118,302	94,043
Other operating revenue	43,907	148,242
	10,384,372	10,395,167
OPERATING EXPENSES:		
Real estate expenses:		
Property administration expenses	214,299	228,519
Facility management fees	839,053	796,100
Utilities	727,760	710,800
Maintenance and repairs	193,122	191,332
Local taxes and dues	201,974	218,512
	2,176,208	2,145,263
Fund operating expenses:		
Remuneration to officers	2,000	2,000
Depreciation	613,635	595,429
Insurance premium	29,130	31,457
National taxes and dues	21,891	21,938
Fund administration fees	17,941	12,918
Professional fees	19,350	23,419
Asset management fees	555,474	910,945
Asset custodian fees	25,276	25,116
Business trustee fees	42,126	41,860
	1,326,823	1,665,083
	3,503,031	3,810,345
OPERATING INCOME	6,881,341	6,584,822
NON-OPERATING INCOME:		
Interest income	₩ 100,345	₩ 127,259
Compensation for damages	91,596	4,355
Other income	6,367	18,375
	198,308	149,989
NON-OPERATING EXPENSES:		
Interest expense	2,585,343	2,287,253
Other expenses	20	-
	2,585,363	2,287,253
ORDINARY INCOME	4,494,286	4,447,558
EXTRAORDINARY ITEM	-	-

	<u>Korean Won</u>	
	<u>2005. 6. 30</u>	<u>2004. 12. 31</u>
	(In thousands, except per share amounts)	
INCOME BEFORE INCOME TAX	4,494,286	4,447,558
INCOME TAX EXPENSE	<u>-</u>	<u>206,877</u>
NET INCOME	<u>₩ 4,494,286</u>	<u>₩ 4,240,681</u>
ORDINARY INCOME PER SHARE	<u>₩ 295</u>	<u>₩ 278</u>
NET INCOME PER SHARE	<u>₩ 295</u>	<u>₩ 278</u>

3. Statements of Appropriation of Retained Earnings

STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND DECEMBER 31, 2004

	<u>Korean Won</u>	
	<u>2005. 6. 30</u>	<u>2004. 12. 31</u>
	(In thousands)	
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Net income	<u>₩ 4,494,286</u>	<u>₩ 4,240,681</u>
APPROPRIATIONS:		
Amortization of discount on capital issuance	189,879	189,879
Legal reserve	-	368,255
Dividends	<u>4,643,142</u>	<u>3,682,548</u>
	<u>4,833,021</u>	<u>4,240,681</u>
ACCUMULATED DEFICIT TO BE CARRIED FORWARD TO SUBSEQUENT PERIOD	<u>₩ (338,735)</u>	<u>₩ -</u>

4. Statements of Cash Flows

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 3005 AND DECEMBER 31, 2004

	Korean Won	
	<u>2005. 6. 30</u>	<u>2004. 12. 31</u>
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 4,494,286	₩ 4,240,681
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	613,635	595,429
Decrease (Increase) in accounts receivable	(45,239)	92,263
Increase in accrued income	(23,739)	(15,781)
Decrease (Increase) in prepaid expenses	26,130	(27,279)
Increase in prepaid income taxes	(10,877)	-
Increase (Decrease) in accounts payable	(363,592)	884,338
Increase (Decrease) in accrued expenses	163,345	(171,809)
Increase (Decrease) in advanced receipts	979	(78,839)
Increase (Decrease) in withholdings	(70,000)	42,939
Increase in VAT payables	36,675	99,368
Decrease in income tax payable	(199,202)	(2,860)
Decrease in deferred income tax liabilities	-	(9,047)
Increase (Decrease) in leasehold deposits	<u>1,536,720</u>	<u>(1,036,404)</u>
	<u>1,664,835</u>	<u>372,318</u>
	<u>6,159,121</u>	<u>4,612,999</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflows from investing activities:		
Withdrawal of short-term financial instruments	<u>43,875</u>	<u>2,201,439</u>
Cash outflows for investing activities:		
Acquisition of short-term financial instruments	-	(1,240,900)
Acquisition of long-term financial instruments	(151,085)	(700,000)
Acquisition of tangible assets	<u>(1,139,277)</u>	<u>(1,244,770)</u>
	<u>(1,290,362)</u>	<u>(3,185,670)</u>
	<u>(1,246,487)</u>	<u>(984,231)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from financing activities:	<u>-</u>	<u>-</u>
Cash outflows for financing activities:		
Payment of dividends	<u>(3,682,548)</u>	<u>(3,502,374)</u>
	<u>(3,682,548)</u>	<u>(3,502,374)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,230,086	126,394
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>5,799,874</u>	<u>5,673,480</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>₩ 7,029,960</u>	<u>₩ 5,799,874</u>

5. Notes to Current Fiscal Year's Financial Statements

1. GENERAL:

Macquarie Central Office Corporate Restructuring Real Estate Investment Trust Ltd. (the "Company") was incorporated on December 12, 2003 and was approved as a CR-REIT Company by the Ministry of Construction and Transportation in Korea on December 24, 2003 under the Real Estate Investment Company Act (the "Act") of the Republic of Korea. The Company's stock was listed on the Korea Stock Exchange on January 8, 2004. The main business purpose of the Company is to distribute the profits of the Company to its shareholders, which are generated from the income earned from acquisition, development, management, refurbishment and disposition of real estates and others.

The head office of the Company is located in Sokong-dong Chung-gu Seoul in Korea. As of June 30 2005, Avonla Korea 1 Holdings (Luxembourg) S.A.R.L., the largest shareholder of the Company, owned 1,696 thousand shares (11.11% of the total shares as of June 30, 2005). The total shareholders' paid-in capital is ₩76,303 million as of June 30, 2005.

The Company will operate for five years from December 12, 2003 (inception). The ordinary fiscal periods of the Company are from January 1 and July 1 to June 30 and December 31, respectively. However, the first fiscal period of the Company started from December 12, 2003 (inception) and ended on June 2004. If the real estate amounting to 50% or more of total assets of the Company is sold and sale proceeds are completely collected, the fiscal year ends on the date when the sale proceeds are fully collected, after which the disposal profit from the sale will be distributed immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations and cash flows, is not presented in the accompanying financial statements.

The significant accounting policies followed by the Company in the preparation of its financial statements are summarized below.

Revenue Recognition

Revenue is recognized as either rental income or administrative income depending on the nature of transaction.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on past collection experience and estimated loss on uncollectible accounts.

Property Investments

Property Investments are stated at cost, net of accumulated depreciation. Routine maintenance and repairs are

expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful life of the facilities involved are treated as additions to Property Investments.

Depreciation is computed using the straight-line method over the following economic useful lives as follows:

Category	Useful lives (Years)
Building	50
Machinery	5

Income Tax Expense and Deferred Income Taxes

Income tax expense is the amount currently payable for the period added to or deducted from the changes in deferred income taxes. The difference between the amount currently payable for the period and income tax expense is accounted for as deferred income tax assets or liabilities, which will be charged or credited to income tax expense in the period each temporary difference reverses in the future.

Ordinary Income per Share and Net Income per Share

Ordinary income per share and net income per share are computed by dividing ordinary income (after deduction for tax effect) and net income, respectively, by the weighted average number of shares outstanding (15,260,600 shares) during the period.

3. CASH AND CASH EQUIVALENTS AND FINANCIAL INSTRUMENTS:

Cash and cash equivalents and financial instruments as of June 30, 2005 and December 31, 2004 consist of the following:

	Bank	Annual interest rate (%)	2005.6.30	2004.12.31
(In thousands)				
Cash and cash equivalents:				
MMDA	Woori Bank	0.0 ~ 2.85	₩5,029,960	₩799,874
Time deposits	Kookmin Bank	3.45 ~ 3.55	2,000,000	5,000,000
			<u>₩7,029,960</u>	<u>₩5,799,874</u>
Short-term financial instruments				
Time deposits	Woori Bank	3.6 ~ 4.2	<u>₩1,122,080</u>	<u>₩1,165,955</u>
Long-term financial instruments				
Time deposits	Woori Bank	4.0	<u>₩ 151,085</u>	<u>₩ -</u>

The Company made deposits with Woori Bank amounting to ₩1,273,165 thousand as collateral for leasehold deposits.

4. PROPERTY INVESTMENTS:

- i. The changes in Property Investments for the six months ended June 30, 2005 are as follows (In thousands):

	<u>Beginning of period</u>	<u>Acquisition</u>	<u>Transfer</u>	<u>Depreciation</u>	<u>End of period</u>
Land	₩ 102,397,913	₩ -	₩ -	₩ -	₩ 102,397,913
Building	58,794,024	53,760	1,085,517	(607,635)	59,325,666
Machinery	52,800	-	-	(6,000)	46,800
Construction in progress	-	<u>1,085,517</u>	<u>(1,085,517)</u>	-	-
	<u>₩ 161,244,737</u>	<u>₩ 1,139,277</u>	<u>₩ -</u>	<u>₩ (613,635)</u>	<u>₩ 161,770,379</u>

- ii. The changes in Property Investments for the six months ended December 31, 2004 are as follows (In thousands):

	Beginning of period	Acquisition	Transfer	Depreciation	End of period
Land	₩ 102,397,913	₩ -	₩ -	₩ -	₩ 102,397,913
Building	56,968,353	72,000	2,344,000	(590,329)	58,794,024
Machinery	39,900	18,000	-	(5,100)	52,800
Construction in progress	1,189,230	1,154,770	(2,344,000)	-	-
	<u>₩ 160,595,396</u>	<u>₩ 1,244,770</u>	<u>₩ -</u>	<u>₩ (595,429)</u>	<u>₩ 161,244,737</u>

- iii. As of June 30, 2005, the published tax assessment value of the Company-owned land (7,942.5 square meters) totals ₩68,226,075 thousand in terms of land tax assessment price officially announced by the Korean government.

5. INSURED ASSETS:

As of June 30, 2005, the Company carries the following insurance policies:

<u>Type of Insurance</u>	<u>Object</u>	<u>Coverage</u> (In thousands)	<u>Company</u>
Package insurance	Building & machinery	₩ 88,960,691	Samsung Fire & Marine Insurance Co., Ltd.
	General liability	US\$ 5,000,000 per each occurrence and others	Samsung Fire & Marine Insurance Co., Ltd.
Gas insurance	Facilities	₩ 300,000 per accident	Samsung Fire & Marine Insurance Co., Ltd.
	Person	₩ 60,000 per person	

6. COLLATERALIZED ASSETS:

The Property Investments are pledged as security to its lenders and tenants as of June 30, 2005 as follows:

<u>Provided to</u>	<u>Collateralized assets</u>	<u>Collateralized amounts</u> (In thousands)	<u>Related liabilities</u>
Samsung Life Insurance Co., Ltd. Samsung Fire & Marine Insurance Co., Ltd. LG Insurance Co., Ltd. Korea Life Insurance Co., Ltd.	Land and building	₩ 97,817,200	Long-term borrowings
Dongbu Insurance Co., Ltd.	Building	121,875	Leasehold deposits
Korea Life Insurance Association	Building	415,545	Leasehold deposits
Dong Ah Construction Industrial Co., Ltd.	Building	546,000	Leasehold deposits
Shinhan Life Insurance Co., Ltd.	Building	245,000	Leasehold deposits
OTIS LG Elevator	Building	100,000	Leasehold deposits
Chohung Bank	Building	1,690,000	Leasehold deposits
Samsung Card Co., Ltd.	Building	90,503	Leasehold deposits
		<u>₩ 101,026,123</u>	

7. LONG-TERM BORROWINGS:

Long-term borrowings as of June 30, 2005 consist of the following:

<u>Creditor</u>	<u>Korean won</u> (In thousands)	<u>Annual</u> <u>interest rate (%)</u>	<u>Maturity</u>
Samsung Life Insurance Co., Ltd.	₩ 45,898,840	6.90	December 26, 2008
Samsung Fire & Marine Insurance Co., Ltd.	12,791,480	6.90	December 26, 2008
LG Insurance Co., Ltd.	10,534,160	6.90	December 26, 2008
Korea Life Insurance Co., Ltd.	<u>6,019,520</u>	6.90	December 26, 2008
	<u>₩ 75,244,000</u>		

8. SHAREHOLDERS' EQUITY:

- i. The Company has 61,042,400 authorized shares of common stock (₩5,000 par value), of which 15,260,600 were issued and outstanding as of June 30, 2005.
- ii. Retained earnings as of June 30, 2005 and December 31, 2004 consist of the following:

	<u>2005. 6.30</u>	<u>2004. 12.31</u>
	(In thousands)	
Appropriated:		
Legal reserve	₩ 718,492	₩ 350,237
Before appropriations	<u>4,494,286</u>	<u>4,240,681</u>
	<u>₩ 5,212,778</u>	<u>₩ 4,590,918</u>

The Korean Commercial Code requires the Company to appropriate, as a legal reserve, a minimum of 10 percent of annual cash dividends declared, until such reserve equals 50 percent of its capital stock issued. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or may be used to reduce any accumulated deficit.

- iii. The amount of discount on stock issuance of ₩569,636 thousand as of June 30, 2005 will be amortized in equal amounts up to the period ending June 30, 2006.

9. DIVIDENDS:

- i. Cash dividends declared for the periods ended June 30, 2005 and December 31, 2004 are as follows (In thousands) :

	<u>2005. 6.30</u>	<u>2004.12. 31</u>
Issued and outstanding shares	15,260,600 shares	15,260,600 shares
Par value	₩ 5,000	₩ 5,000
Dividend rate (6 months)	<u>6.09%</u>	<u>4.83%</u>
Dividends	<u>₩ 4,643,142</u>	<u>₩ 3,682,547</u>

- ii. Pay-out-ratios for the six months ended June 30, 2005 and December 31, 2004 are as follows (In thousands) :

	<u>2005. 6. 30</u>	<u>2004.12. 31</u>
Dividends	₩ 4,643,142	₩ 3,682,548
Net income	4,494,286	4,240,681
Pay out ratio	103.31%	86.84%

The Company can pay dividend in excess of its net income pursuant to article 28(3) of the Real Estate Investment

Company Act, article 32 of the Enforcement Decree of Real Estate Investment Company Act and article 56(3) of the Articles of Incorporation. The board of directors of the Company will decide on the excess dividend amount by considering the Company's net income, taxable income, capital expenditure plan and cash balance available for dividends for each fiscal year. Accumulated deficit to be carried forward to subsequent period from excess dividend amount will not affect the calculation of distributable income for subsequent fiscal year.

	<u>2005. 6. 30</u>	<u>2004. 12. 31</u>
Income available for dividends under the Commercial Code (A)	₩ 4,304,407	₩ 3,682,548
Dividends (B)	4,643,142	3,682,548
Payment ratio (B/A)	107.9%	100.00%

10. INCOME TAX EXPENSE:

Income tax expense for the six months ended June 30, 2005 and December 31, 2004 consists of the following:

	<u>2005. 6. 30</u>	<u>2004. 12. 31</u>
	(In thousands)	(In thousands)
Income tax currently payable	₩ -	₩ 215,924
Change in deferred income tax liabilities	-	(9,047)
Income tax expense	<u>₩ -</u>	<u>₩ 206,877</u>

Changes in cumulative temporary differences for the six months ended June 30, 2005 are as follows (In thousands):

<u>Account</u>	<u>2004. 12. 31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2005. 6. 30</u>
Accrued income	₩ (46,232)	₩ (69,971)	₩ (46,232)	₩ (69,971)
Income tax rate	<u>27.5%</u>			<u>27.5%</u>
Income tax effect	<u>-</u>			<u>-</u>
Deferred income tax liabilities	<u>₩ -</u>			<u>₩ -</u>

The Korean Commercial Code requires the Company to appropriate, as a legal reserve, a minimum of 10 percent of annual cash dividends declared, until such reserve equals 50 percent of its capital stock issued. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or may be used to reduce any accumulated deficit. However, the Company is no longer required to reserve legal reserve after April 23, 2005 based on the revised Real Estate Investment Company Act. Therefore, the Company estimated that no income tax will be incurred and did not recognize deferred income tax asset (liability).

The income tax rate applicable to the Company is 27.5% and 29.7% (resident tax included) for the six months ended June 30, 2005 and December 31, 2004, respectively. However, according to the corporate income tax law, if the Company distributes more than 90% of income available for dividend, the amount is exempted from the income tax. Therefore, the effective tax rate of income tax expense to income before income tax is 4.7 percent for the six months ended December 31, 2004. The effective tax rate for the six months ended June 30, 2005 was not calculated as the Company has not occurred any income tax expense for such period due to the amendment of the Real Estate Investment Company Act in Korea and the Articles of Incorporation of the Company in 2005.

11. RELATED PARTY TRANSACTIONS:

- i. The significant transactions with related parties for the six months ended June 30, 2005 and December 31, 2004 are summarized below.

	<u>2005. 6. 30</u>	<u>2004. 12. 31</u>
	(In thousands)	
Samsung Life Insurance Co., Ltd.:		

	<u>2005. 6. 30</u>	<u>2004. 12. 31</u>
	(In thousands)	
Interest expense	₩ 1,570,495	₩ 1,395,224
Rental income	360,378	350,160
Common area maintenance income	136,279	131,040
Parking income	35,454	35,600
Samsung Fire & Marine Insurance Co., Ltd.:		
Interest expense	437,679	388,833
Insurance premium	29,130	31,455
LG Insurance Co., Ltd.:		
Interest expense	360,441	320,215

- ii. The related account balances with related parties as of June 30, 2005 and December 31, 2004 are summarized below.

	<u>2005. 6. 30</u>	<u>2004. 12. 31</u>
	(In thousands)	
Samsung Life Insurance Co., Ltd.:		
Accrued expenses	₩ 43,384	₩ 45,496
Long-term borrowings	45,898,840	45,898,840
Leasehold deposits	300,000	170,000
Samsung Fire & Marine Insurance Co., Ltd.:		
Prepaid expenses	28,322	57,375
Accrued expenses	12,091	12,679
Long-term borrowings	12,791,480	12,791,480
LG Insurance Co., Ltd.:		
Accrued expenses	9,957	10,442
Long-term borrowings	10,534,160	10,534,160

12. COMMITMENTS:

As of June 30, 2005, the principal commitments of the Company are as follows:

(1) Asset Management Contract

The Company entered into an asset management contract with Macquarie Property Advisors Korea Ltd., [formerly known as Macquarie International Asset Management Company (the "AMC")] in relation to investment of real estate, securities and financial instruments for the Company and, managements, disposal, development, and rental of real estate for the Company. According to this contract, the Company shall pay the basic fee to AMC, which shall be calculated by applying the rate as agreed between the Company and AMC to the ordinary income that does not include the basic compensation payable to AMC and shall be payable to AMC for each fiscal year in arrears. Applicable percentage for purposes of calculating the basic fee is 0% with respect to the first fiscal period, 17% with respect to the second fiscal period, 11% with respect to the third and fourth fiscal periods, and 11.3% with respect the succeeding fiscal period until the scheduled date for liquidation.

The Company is entitled to a disposition fee on the sale of property and a performance fee for the management of assets. Provided, however, that such disposition fee shall be payable only if the sales price of such assets less costs related to such sale exceeds the aggregate investments by the Company at the time of incorporation (i.e. the sum of the purchase price of such assets and the costs related to such purchase) plus all capital expenditure and if an internal rate of return on such assets over a 5 year period of ownership of the assets (the "IRR") is greater than 11.5%.

The disposition fee is calculated at 25% of the excess of the sales price of such assets less costs related to such sale over the aggregate investments plus the capital expenditure during the said period. The performance fee is calculated at 40% of any excess over the IRR of 11.5% for the 5 year period, subject to the satisfaction of the requirements for the entitlement of disposition fee.

(2) Business Trust Contract

The Company entered into a contract with Woori Bank for the purpose of recording the changes in shareholders, issuance of stock and general administration of the Company. According to the contract, the Company shall pay quarterly commission of 0.05% p.a. of total assets.

(3) Asset Custodian Contract

The Company shall pay Woori Bank a quarterly commission of 0.03% p.a. of total assets according to the asset custodian contract.

(4) Property Management Contract

The Company entered into a contract with SAMS regarding property management and facility maintenance.

6. Financial Statements Before and After Adjustments

Not applicable

Section 5. Consolidated Financial Statements

1. Summary of Consolidated Financial Statements

Not applicable

2. Notes in Using Consolidated Financial Statements

Not applicable

3. Consolidated Financial Statements

Not applicable

4. Company excluded from the Consolidation

Not applicable

Section 6. Financial Status by Sector

1. Financial Information by Business Unit

Not applicable

2. Financial Information by Region

Not applicable

Section 7. Pre and Post-Merger Financial Statements

1. Merger-Related Information

Not applicable

2. Pre and Post-Merger Financial Statements

Not applicable

3. Matters relating to Merger

Not applicable

IV. Auditor's Opinion

Section 1. Auditor's Opinion

1. Auditor (CPA)'s Opinion

(1) Auditor

FY3	FY2	FY 1
Deloitte HanaAnjin LLC	Deloitte HanaAnjin LLC	Deloitte HanaAnjin LLC

2. Summary of Current Audit Report

We conducted our audits in accordance with generally accepted auditing standards in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3. Audit Opinion

Fiscal Year	Auditors opinion and special notes
FY3	Unqualified
FY 2	Unqualified
FY 1	Unqualified

4. Special Notes

Fiscal Year	Special Notes
FY 3	(1) Transactions with major shareholders As explained in Note 11 to the financial statements, for the six months ended June 30, 2005 and December 31, 2004, the Company recognized operating revenue amounting to ₩532,111 thousand and ₩516,800 thousand, respectively, paid interest expenses amounting to ₩2,368,615 thousand and ₩2,104,272 thousand, respectively, and paid insurance premium amounting to ₩29,130 thousand and ₩31,455 thousand, respectively, to Samsung Life Insurance Co., Ltd. and other related parties. As of June 30, 2005, the Company had outstanding long-term borrowings, accrued expenses and prepaid expenses

Fiscal Year	Special Notes
	<p>to related parties amounting to ₩ 69,224,480 thousand, ₩65,432 thousand and ₩ 28,322 thousand, respectively.</p> <p>(2) Fiscal periods</p> <p>As explained in Note 1 to the financial statements, the Company will operate for five years from December 12, 2003 (inception). The ordinary fiscal periods of the Company are from January 1 and July 1 to June 30 and December 31, respectively. The first fiscal period started from December 12, 2003 (inception) and ended on June 2004. If the real estate amounting to 50% or more of total assets of the Company is sold and sale proceeds are completely collected, the fiscal year ends on the date when the sale proceeds are fully collected, after which the disposal profit from the sale will be distributed immediately.</p>
FY 2	<p>(1) Transactions with major shareholders</p> <p>As explained in Note 11 to the financial statements, the Company paid interest expenses amounting to ₩2,104,272 thousand and ₩2,173,530 thousand, respectively, and insurance premium ₩31,455 thousand and ₩32,932 thousand, respectively, for the periods ended December 31 and June 30, 2004, to Samsung Life Insurance Co., Ltd. and other related parties. As of December 31, 2004, the Company had outstanding long-term borrowings, accrued expenses and prepaid expenses to related parties amounting to ₩ 69,224,480 thousand, ₩68,617 thousand and ₩ 57,375 thousand, respectively.</p> <p>(2) Fiscal periods</p> <p>As explained in Note 1 to the financial statements, the Company will operate for five years from December 12, 2003 (inception). The fiscal periods of the Company are from January 1 and July 1 to June 30 and December 31, respectively, and the first fiscal period started from December 12, 2003 (inception).</p>
FY 1	<p>(1) Transactions with major shareholders</p> <p>As explained in Note 11 to the financial statements, the Company paid interest expenses and insurance premium amounting to ₩2,713,530 thousand and ₩32,932 thousand, respectively, for the period from December 12, 2003 (inception) to June 30, 2004, to Samsung Life Insurance Co., Ltd. and other related parties. As of June 30, 2004, the Company had outstanding long-term borrowings, accrued expenses and prepaid expenses to related parties amounting to ₩ 69,224,480 thousand, ₩57,181 thousand and ₩ 30,173 thousand, respectively.</p> <p>(2) Fiscal periods</p>

Fiscal Year	Special Notes
	As explained in Note 1 to the financial statements, the Company will operate for five years from December 12, 2003 (inception). The fiscal periods of the Company are from January 1 and July 1 to June 30 and December 31, respectively, and the first fiscal period started from December 12, 2003 (inception).

Section 2. Remuneration to Independent Auditor for the Recent 3 Years

1. Audit Service Agreement

(Unit: Million KRW,)

Fiscal Year	Auditor	Service	Remuneration	Total Service Hours
FY 3	Deloitte HanaAnjin	Quarterly Review and Year-end Audit	18.6	161
FY 2	Deloitte HanaAnjin	Quarterly Review and Year-end Audit	18.0	144
FY 1	Deloitte HanaAnjin	Quarterly Review and Year-end Audit	18.0	127

2. Service Agreement Other Than Audit Service with Independent Auditor

Not applicable

3. Others

Not applicable

V. Corporate Governance and Related Companies

Section 1. Overview of Corporate Governance Structure

1. Board of Directors

(1) Structure of the Board of Directors

A. Resolutions from the Board of Directors

- Convening of the General Meeting of Shareholders;
- Operation of real estates, including acquisition or disposition thereof;
- Acquisition or disposition of the securities worth at least certain amount as set forth in the Enforcement Decree of the Act;
- Borrowing of money;
- Determination of investment into, and approval for the business plan for, the real estate development project;
- Selection of contractors to be involved in a real estate development project, or change of such contractors;
- Execution of the business trust agreement with the business trustee regarding general affairs of the Company, and change thereto;
- Execution of any distribution agreements regarding the Company's stocks with securities companies, and change thereto;
- If any shareholder waives or loses his/her preemptive right, or if fractional shares are left in the allocation of new shares, disposition of such shares;
- Capital increase by public offering, as specified in Article 189-3 of the SEA;
- Issuance of new stocks;
- Retirement of shares (*Ee-ik so-gak*);
- Establishment and revision of internal control regulation;
- Appointment and removal of the Representative Director;
- Appointment and removal of the chairman of the Board of Directors;
- Execution of the property management agreement with property manager, and change thereto;
- Approval of annual capital expenditure plans or expenses of repair work or revenue expenditure plan involving expenditure of an aggregate amount of 100,000,000 Korean Won in a single instance
- Other important matters related to management of the Company.

B. Public Disclosure of Personal Information on the Candidates for the Board of Directors/
Recommendation by Shareholders

- Disclosed personal career profile through offering circular and disclosure about
- Each director has been recommended by major financial institution shareholders

C. Outside Director Candidate Recommendation Committee

Not applicable

D. Outside Directors

Not applicable

E. Indemnification Insurance Policy for the Board of Directors

Not applicable

(2) Operation of the Board of Directors

A. Operational Regulations

- The meetings of the board of directors shall be convened by the representative director. The date, time and place of the meeting is determined by the representative director.
- 1 week prior to the date set for the meeting, the representative director notifies the detailed agenda of the meeting to each director. Such notice may, however, be omitted if all of the directors and statutory auditors consent thereto.
- The quorum for a meeting shall constitute three quarters or more of all directors of the Company.
- All resolutions passed at a meeting of the board of directors shall be adopted by the affirmative vote of three quarters or more of directors present at the meeting, if not otherwise prescribed in the Real Estate Investment Company Act, the Corporate Law, other related laws or Articles of Incorporation.
- Any director who has a personal interest in the matters to be resolved at a meeting of the board of directors shall not be entitled to vote at the meeting.

B. Major Board Meeting Agenda

	Date of Meeting	Agenda	Passed/ Failed	Notes
The 1 st Meeting	12 Dec 2003	1.Election of Co-Representative Director 2.Establishment of Internal Control Guidelines 3.Appointment of Compliance Officer 4.Appointment of the agent of share transfer registration 5.Approval of short-term working capital borrowing and loan acquisition 6.Servicing agreement with property management company	Passed	
1 st Meeting in Yr 2004	12 February 2004	1.Approval of Financial Statements, Investment Reports and Quarterly Reports as of 31 Dec 2003 2. Closing Date of shareholders list for an extraordinary shareholders' meeting due to replacement of directors 3.Rental Price Guideline for tenants who hold more than 3% of shares or more 4.Report receipt on asset management, external auditor appointment, etc.	Passed	
2 nd Meeting in Yr 2004	5 March 2004	1.Convocation of extraordinary shareholders' meeting due to replacement of 4 directors	Passed	
3 rd Meeting in Yr 2004	7 May 2004	1.Half yearly financial statements, Quarterly investment report, Approval of Half yearly report 2. Replacement of Compliance Officer	Passed	
4 th Meeting in Yr 2004	16 Aug 2004	1. Approval of Quarterly Investment Report	Passed	

	Date of Meeting	Agenda	Passed/ Failed	Notes
5 th Meeting in Yr 2004	02 Sep 2004	1.Approval of Financial Statements, Investment report and annual report 2. Approval of Dividend and disclosure of dividend rate 3. Election of director 4. Approval of 2 nd Financial Year business plan 5. Convocation of general shareholders' meeting for Financial Year 1.	Passed	
6 th Meeting in Yr 2004	21 Sep 2004	1. Replacement of Representative director	Passed	
7 th Meeting in Yr 2004	10 Nov 2004	1. Approval of half yearly financial statements, Quarterly investment report and half yearly report	Passed	
1 st Meeting in Yr 2005	14 Feb 2005	1. Approval of Quarterly Investment Report	Passed	
2 nd Meeting in Yr 2005	03 Mar 2005	1.Approval of Financial Statements, Investment report and annual report 2. Approval of Dividend 3. Election of Director 4. Approval of 3 rd & 4 th Financial Year business plan 5. Convocation of general shareholders' meeting for Financial Year 2.	Passed	
3 rd Meeting in Yr 2005	23 Mar 2005	1. Replacement of Representative director	Passed	
4 th Meeting in Yr 2005	04 May 2005	1. Approval of half yearly financial statements, Quarterly investment report and half yearly report 2. Temporary closing of share registry for the Extraordinary Shareholders' Meeting	Passed	
5 th Meeting in Yr 2005	10 June 2005	1. Approval of amendment in AOI 2.Convocation of Extraordinary Shareholders' Meeting	Passed	

	Date of Meeting	Agenda	Passed/ Failed	Notes
6 th Meeting in Yr 2005	12 Aug 2005	1. Approval of financial statements, Quarterly investment report 2. Approval of amendment in Internal Control Standards	Passed	
7 th Meeting in Yr 2005	06 Sep 2005	1. Approval on Dividend payment 2. Approval on Audited Financial Statements, MOCT Investment Report, and Annual Report for FY 3 and Sign-off report from Internal Accounting Manager 3. Appointment of Directors 4. Approval on business plan of FY4 5. Convocation of General Shareholders' Meeting	Passed	

C. Major activities of outside directors

Not applicable

D. Composition of Committee Members and Activities

Not applicable

2. Statutory Auditors

(1) Audit System

A. Audit Committee and Composition

- One non-standing statutory auditor shall be elected.
- Responsibilities of statutory auditor: The statutory auditor shall examine the accounts and business of the Company.
- Authorities of statutory auditor;
 - (a) The statutory auditor may attend meetings of the board of directors and express their opinions.

- (b) The statutory auditor shall have the right to request an extraordinary meeting of the board of directors to be convened by submitting in writing the purposes thereof and the reasons for the convening of the meeting to the board of directors.
- (c) The statutory auditor shall have the right to request an asset management company, an asset custodian or a distribution company entrusted with affairs of the Company, or the trustee to report accounting information related to the affairs of the Company.

B. Internal Mechanism for the Auditor’s Access to Necessary Information

Statutory auditor shall have the right to request an asset management company, an asset custodian or a distribution company entrusted with affairs of the Company, or the trustee to report accounting information related to the affairs of the Company.

C. Information of Audit Committee (Statutory Auditor)

Name	Currently Serving At	Notes
Dae-Sup Roh	Partner at Ankun Accounting Corp.	

(2) Major Activities of Audit Committee (Auditor)

The auditor of the Company, Dae-Sup Roh attends the board meetings and reviews financial statements and investment report.

3. Shareholders’ Voting Rights

(1) Cumulative Voting System

In accordance with the Article 24 of the Articles of Incorporation of the Company, Cumulative Voting System is not adopted.

(2) Voting in Writing

In accordance with the Article 28 of the Articles of Incorporation, shareholders not present at the meeting may exercise their voting rights in writing.

(3) Minority Shareholder's Voting Right

Not applicable

4. Remuneration for Board Members

(1) Remuneration of Directors (including outside directors) and Audit Committee (Auditor)

Classification	Actual Payment	Approved Amount	Average Amount/ person	Notes
Auditor	KRW 2,000,000	KRW 2,000,000/ FY	KRW 2,000,000	

(3) Stock Option

Not applicable

Section 2. Related Companies

1. Investment in Related Companies or Affiliates

Not applicable

2. Performance of Related Companies or Affiliates

Not applicable

Section 3. Investment in Other Corporations

Not applicable

VI. Shares

Section 1. Distribution of Shares

1. Share holdings by Largest Shareholder and Specially-Related Parties

(As of 30 June 2005)

(Unit: Share, %)

Name	Relation	Stock	Number of shares (%)				Note
			Beginning	Increase	Decrease	Outstanding	
Avonla Korea I Holdings (Luxembourg) S.A.R.L.	Largest Shareholder	Ordinary	1,695,622 (11.11)	-	-	1,695,622 (11.11)	
Sub total			1,695,622 (11.11)	-	-	1,695,622 (11.11)	

Largest Shareholder: Avonla Korea I Holdings (Luxembourg) S.A.R.L. No. of Related Entity: 0

* The largest shareholders of MCO CR REIT was changed from Macquarie Bank Limited to Avonla Korea I Holdings (Luxembourg) S.A.R.L. as of 3 Feb 2005 due to decrease of shares held by Macquarie Bank Limited.

2. Shareholders Holding More Than 5%

(As of 30 June 2005)

(Unit: Share, %)

	Name(Company Name)	Common		Preferred		Sub Total	
		No. of Shares	%	No. of Shares	%	No. of Shares	%
1	Samsung Life	1,520,000	9.96	-	-	1,520,000	9.96
2	Macquarie Bank Limited	1,216,038	7.97	-	-	1,216,038	7.97
3	American International Assurance	1,000,000	6.55	-	-	1,000,000	6.55
4	Shinhan Life	979,810	6.42	-	-	979,810	6.42
Total		4,715,848	30.90	-	-	4,715,848	30.90

3. Shareholder Distribution

Category	Shareholders	Ratio(%)	No. of Stock owned	Rate (%)	Note
Small Shareholders	1,056	99.06	6,303,550	41.31	
- Corporate	16	1.50	665,167	4.36	
- Individuals	1,040	97.56	5,638,383	36.95	
Largest Shareholders	1	0.09	1,695,622	11.11	
Major Shareholders	4	0.38	4,715,848	30.90	
Others in Total	5	0.47	2,545,580	16.68	
Others - Corporate	5	0.47	2,545,580	16.68	
Others - Individuals	-	-	-	-	
Total	1,066	100.00	15,260,600	100.00	

Section 2. Stock Administration

<p>Pre-emptive Rights in the Articles of Incorporation</p>	<p>Article 13. Pre-emptive Rights</p> <p>(1) The Company’s shareholders shall have pre-emptive right to subscribe for new shares issued by the Company in proportion to their shareholding ratios. However, if any shareholder waives or loses his/her preemptive right, or if fractional shares are left in the allocation of new shares, such shares shall be disposed of in accordance with the resolution of the Board of Directors.</p> <p>(2) Notwithstanding the provisions of Paragraph (1) of this Article, the Company may exclude or restrict the preemptive right of any existing shareholder by a resolution of the Board of Directors in any of the following cases;</p> <ol style="list-style-type: none"> 1. If the Company offers new shares for subscription in order to newly list or register with KSDA new shares up to a maximum of 30/100 of the total number of issued and outstanding shares;
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	<p>2. If the Company issues new shares up to a maximum of 30/100 of the total number of issued and outstanding shares by a general offering in accordance with the provisions of Articles 189-3 of the SEA;</p> <p>3. If the Company issues new shares up to a maximum of 30/100 of the total number of issued and outstanding shares necessary for the foreign investment under the Foreign Investment Promotion Act.</p> <p>4. If the Company issues new shares to domestic or foreign financial institutions up to a maximum of 30/100 of the total number of issued and outstanding shares due to urgent need for funds; or</p> <p>5. If the Company issues new shares to any person who makes a contribution in kind.</p> <p>Article 14. Record Date for Calculating the Dividend Accrual Period for New Shares</p> <p>In the case of issuance of new shares by the Company, in calculating the dividends for new shares, the issuance of the new shares shall be regarded as having taken place at the end of the fiscal year immediately preceding the fiscal year in which the new shares were issued.</p>		
Closing Date of Fiscal Year	Jun 30 and Dec 31 of every calendar year	Ordinary Shareholders' Meeting	Within 3 months after the Closing Date of Fiscal Year
Closing Period of Registry Book of Shareholders	<p>From the next day of the closing date of each fiscal year To Shareholder's Meeting date of the fiscal year</p>		
Kind of share certificate	1share-note, 5share-note, 10share-note, 50share-note, 100share-note, 500share-note, 1,000share-note, 10,000share-note		
Agent of share transfer registration	Hana Bank		
Special Rights	-	Public Notice At	Mae-il Daily Business Newspaper Hankook Daily Business Newspaper

Section 3. Stock Price and Transaction Record during the Recent 6 Months

1. Domestic Stock Market

[Unit : KRW, Shares]

Category		Jan 2005	Feb 2005	Mar 2005	Apr 2005	May 2005	Jun 2005
Common Stock	High(Date)	5,920	5,940	6,000	6,030	6,190	6,900
	Low(Date)	5,650	5,730	5,750	5,860	5,920	6,260
Monthly Trade Volume		38,960	2,115,406	1,117,445	85,677	53,667	72,630

2. Oversea Stock Market

Not applicable

VII. Officers and Employees

Section 1. Officers

Title (Standing/ Non-standing)	Registered/ Unregistered	Name	Date of Birth	Currently Working At	Role	Shareholdings		Notes
						Common	Preferred	
Representative Director (Non-standing)	Registered	Nicholas John Ridgewell	26 Aug 1966	- Joint Representative Director of Macquarie Funds Management Hong Kong Limited - Macquarie Bank Ltd, Macquarie Property Investment Banking, Hong Kong Asia, Division Director	-	-	-	-
Representative Director (Non-standing)	Registered	Ji Hong Kim	8 Jun 1956	Korea Development Institution	-	-	-	-
Director (Non-standing)	Registered	Jeong Ho Kim	16 Jun 1946	Korea Development Institution	-	-	-	-
Director (Non-standing)	Registered	Jong Pil Park	6 April 1965	Samsung Life Insurance Company	-	-	-	-
Director (Non-standing)	Registered	Woonglim Choi	20 Jan 1967	Samsung Fire & Marine Insurance Company	-	-	-	-
Director (Non-standing)	Registered	Jae Young Jeong	27 Oct 1971	LG Fire & Marine Insurance Company	-	-	-	-
Statutory Auditor (Non-standing)	Registered	Dae-Sup Roh	1 Jul 1960	Ankun Accounting Corp.	-	-	-	-

* Nicholas John Ridgewell and Ji Hong Kim will resign their office and Kwan Young Kim and Joo Hyun Cho will replace the office at the General Shareholders Meeting on 23 Sep 2005.

Section 2. Employees

(Unit: per person)

Category	No. of employees				Avg. service periods	Total amount of salary	Avg. no of salary per employee	Note
	Administration	Production	others	Total				
Male	-	-	-	-	-	-	-	-
Female	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

Section 3. Labor Union

Not applicable

Section 4. Qualified manager for Accounting and Public Disclosure

Not applicable

IV. Transaction with Specially-Related Parties

Section 1. Transactions with Largest Shareholder

1. Prepayments and Loans (security lending included) to Largest Shareholder

None

2. Pledge for security by Largest Shareholder

None

3. Guarantees for Largest Shareholder

None

4. Investment for Largest Shareholder

None

5. Acquisitions or Sale of Securities with Largest Shareholder

None

6. Real Estate Transaction (including Lease) with Largest Shareholder

(1) Real Estate Transactions

None

(2) Real Estate Leasing

None

7. Long-term Supply Contract with Largest Shareholder

None

8. Acquisition/ Sale of Business with Largest Shareholder

None

**Section 2. Transaction with shareholders other than Largest Shareholder, officers,
employees and other specially related parties**

	2005. 6. 30		2004. 12. 31
	(In thousands)		
Samsung Life Insurance Co., Ltd.:			
Interest expense	₩ 1,570,495	₩	1,395,224
Rental income	360,378		350,160
Common area maintenance income	136,279		131,040
Parking income	35,454		35,600
Samsung Fire & Marine Insurance Co., Ltd.:			
Interest expense	437,679		388,833
Insurance premium	29,130		31,455
LG Insurance Co., Ltd.:			
Interest expense	360,441		320,215

IX. Other Necessary Matters

Section 1. Reports and Follow-ups on Important Management-Related Matters

1. Reports on Disclosures of Important Management-Related Matters

Date	Contents	Disclose to
06 July 2005	Temporary Closing of Shares Registry (adjustment)	KSE
29 June 2005	Disclosures about extraordinary shareholders meeting	FSS, KSE
14 June 2005	Temporary Closing of Shares Registry	KSE
14 June 2005	Convocation of general shareholders' meeting and public announcements	KSE
10 June 2005	Resolution for holding a general shareholders' meeting	FSS, KSE
13 May 2005	Half Year report for FY3	FSS, KSE
11 May 2005	Temporary Closing of Shares Registry	KSE
07 Apr 2005	Change of Principal shareholders	FSS, KSE
23 Mar 2005	Replacement of Representative director	FSS, KSE
23 Mar 2005	Disclosures of general shareholders' meeting for FY 2	FSS, KSE
23 Mar 2005	Annual Report for FY 2	FSS, KSE
16 Mar 2005	Submission of Audit Report for FY 2	FSS, KSE
09 Mar 2005	Convocation of general shareholders' meeting and public announcements	FSS, KSE
03 Mar 2005	Resolution for Dividend payment	FSS, KSE
03 Mar 2005	Resolution for holding a general shareholders' meeting	FSS, KSE
04 Feb 2005	Filing of changes in ownership of shares for largest shareholder	FSS, KSE
01 Feb 2005	Change of Principal shareholders	FSS, KSE
01 Feb 2005	Change of Largest shareholder	FSS, KSE
31 Jan 2005	Filing of changes in ownership of shares for largest shareholder	FSS, KSE
28 Jan 2005	Disclosure of other matters	KSE

Section 2. Summary of Shareholders' Meeting Minute

Date	Agenda	Resolution	Note
3 rd Financial Year General Shareholders' Meeting (23 Sep 2005)	1.Approval of FY3 Financial Statements and dividend payment plan 2.Approval on business plan for FY4 3.Election of Directors 4.Approval of Remuneration for directors 5.Approval of Remuneration for statutory auditor	Passed the agendas	
Extraordinary Shareholders Meeting (29 Jun 2005)	1. Amended Articles of Incorporation	Passed the agendas	
2 nd Financial Year General Shareholders' Meeting (23 Mar 2005)	1.Approval of FY 2 Financial Statement, Income statement and Statements of Appropriations of Retained Earnings. 2.Election of Director 3.Business plan approval for FY3 4. Approval of remunerations for Directors 5. Approval of remunerations for Statutory Auditor	Passed the agendas	
1 st Financial Year General Shareholders' Meeting (21 Sep 2004)	1.Approval of FY 1 Financial Statement, Income statement and Statements of Appropriations of Retained Earnings. 2.Election of Director 3.Business plan approval for FY2 4. Approval of remunerations for Directors 5. Approval of remunerations for Statutory Auditor	Passed the agendas	

Date	Agenda	Resolution	Note
Extraordinary Shareholders Meeting (30 Mar 2004)	Replacement of 4 directors	Appointment of following directors as the replacement directors of the former directors who resigned -Jeong Ho Kim (Schroder Asia Property Fund, KDI) -Jong Pil Park (Samsung Life) -Woonglim Choi (Samsung F&M) -Yunchong Jeong (LG F&M)	

Section 3. Other Contingent Liabilities and Other items

1. Important Legal Proceedings

Not applicable

2. Promissory Notes/ Checks pledged for Collateral

Not applicable

3. Contingent Liabilities, etc.

Not applicable

4. Restrictions or Sanctions levied

Not applicable

5. Important Matters Occurred after the Fiscal Year Ending Date

Not applicable

6. Review List of Small and Medium Corporation Standard

Not applicable

7. Usage of Capital Funded From IPO

(Unit: KRW)

	Date	Capital	Plan in Prospectus	Actual Use
IPO	9 Dec 2003	35,151,500,000	Acquisition of Kukdong building under a corporate restructuring purpose	Acquisition of Kukdong building under a corporate restructuring purpose