

English Translation of a Report Originally Issued in Korean

Report for the Fifth Fiscal Year

From 1 Jan 2006 to 30 Jun 2006

Macquarie Central Office CR REIT

19 September 2006

TO: Financial Supervisory Commission and Korea 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: Kwan Young Kim, Joo Hyun Cho
Address: Hanhwa Building, 110 Sokong-Dong, Chung-Ku, Seoul Korea
(Tel.) 822-3705-8710
Prepared by: Woori Bank Trust Business Department, the Business Trustee of
MCO CR REIT
(Tel.) 822-2130-5652

Sign-off Page of Representative Directors, etc.

Representation

September 2006

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: Kwan Young Kim, Joo Hyun Cho (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 Korea Exchange (KRX)
-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)
-23 Sep 2005	3 rd General Shareholders Meeting
-23 Mar 2006	4 th General Shareholders Meeting

(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 2006)

(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 2006)

(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

5. Stocks other than common stocks

Not applicable

6. Redemption of shares

Not applicable

7. Convertible stocks

Not applicable

Section 5. Shares with Voting Rights

(As of 30 June 2006)

(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		5 th FY	4 th FY	3 rd FY
Par Value per share		5,000	5,000	5,000
Net income		4,736,100,430	4,814,311,935	4,494,286,157
Earning Per Share		310	315	295
Distributable Income		4,017,608,238	4,285,698,441	4,304,407,460
Dividend Payout Ratio (%)		103.76	100.00	103.32
Cash Dividend	Dividend Per Share	322	315	304
	Total Dividend Amount	4,914,241,694	4,814,311,935	4,643,142,257
	Dividend Yield (%)	4.95	4.79	4.48
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 2006, there are 12 CR-REITs companies and 2 REITs externally advised in Korea.

- Macquarie Central Office CR-REIT
- KOCREF I CR-REIT
- KOCREF II CR-REIT
- KOCREF III CR-REIT
- Kyobo- Meritz First CR-REIT
- K-1 CR-REIT
- Realty Korea CR-REIT
- Ures Meritz CR-REIT
- KOCREF IV CR-REIT
- KOCREF V CR-REIT
- KOCREF VI CR-REIT
- C9 Infinity CR-REIT
- KOCREF VII REIT externally advised
- KOCREF VIII REIT externally advised

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 2006, 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 Exchange(“KRX”).

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*
FY5	Asset Value	164,740	-	-	9,116	71	173,927
	%	94.72	-	-	5.24	0.04	100.00
FY 4	Asset Value	164,601	-	-	8,688	129	173,418
	%	94.92	-	-	5.01	0.07	100.00
FY 3	Asset Value	163,654	-	-	8,373	114	172,142
	%	95.07	-	-	4.86	0.07	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 FY5	1Q FY5	2Q FY4	1Q FY4
Total Asset	173,927	171,517	173,418	169,786

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

(Unit: KRW million)

Quarter	FY5 (01 Jan 06 to 30 Jun 06)	FY4 (01 Jul 05 to 31 Dec 05)	FY 3 (01 Jan 05 to 30 Jun 05)	FY 2 (01 Jul 04 to 31 Dec 04)	FY 1 (12 Dec 03 to 30 Jun 04)
Total Asset	173,927	173,418	172,142	169,611	168,550

(3) Net Asset Value per share

(Unit: share, KRW million)

	Jun 2006	Mar 2006	Dec 2005	Sep 2005
Total Asset Value per the article 27 of ED of Real Estate Investment Company Act	173,927	171,517	173,418	169,786
Total liabilities per Balance Sheets (II)	89,749	89,768	89,790	89,139
Net Asset Value (III=I-II)	84,179	81,748	83,628	80,647
Number of Shares issued	15,260,600	15,260,600	15,260,600	15,260,600
Net Asset Value per share (KRW)	5,516	5,357	5,480	5,285

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	164,740	164,740	94.72
Preceding	Real Estate	Kukdong building	60-1, Chungmuro 3-Ga, Chung-gu, Seoul	Office, commercial	164,601	164,601	94.92

<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 Leasible 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	17,780	94.3%	14,612	90	822
	Vacancy	1,079	5.7%			
Sub total	18,859	18,859	100.0%			

<Note>

* Annual Rental Income KRW 14,612,418,192= monthly rent KRW 1,217,701,516*12 (Annual CAM income KRW 5,861,526,240 = KRW 488,460,520 *12)

* Average annual rental income per py = Annual Rent KRW 14,612,418,192 ÷ 17,780py

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

2005-10	2005-11	2005-12	2006-01	2006-02	2006-03	2006-04	2006-05	2006-06
2.5%	2.5%	1.7%	1.3%	1.3%	1.6%	3.5%	5.8%	5.7%

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) MCO CR REIT has completed to capitalize the replacement constructions with the amount of KRW 181 million to the value of the building at the end of June 2006. The capitalized constructions during FY 5 are presented as below.

- Replacement of roof drain pipes on 24F
- Replacement of Sprinkler head and its linking pipes for upper floors

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			
FY5	Amount	-	-	-	-	-	-	7,407	- 336	7,071
	%	-	-	-	-	-	-	104.75	-4.75	100.00
FY4	Amount	-	-	-	-	-	-	7,162	98	7,260
	%	-	-	-	-	-	-	98.65	1.35	100.00
FY 3	Amount	-	-	-	-	-	-	6,758	123	6,881
	%	-	-	-	-	-	-	98.21	1.79	100.00

* Other income/loss includes CAM, Parking income, other operating revenue 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

	FY5 (01 Jan 2006 to 30 Jun 2006)	FY4 (01 Jul 2005 to 31 Dec 2005)	FY 3 (01 Jan 2005 to 30 Jun 2005)	FY 2 (01 July 2004 to 31 Dec 2004)
MCO CR REIT	12.41%	12.62 %	11.78 %	11.12 %
Index	-	-	-	-

B. Cumulative Annualized ROE

	FY5 (12 Dec 2003 to 30 Jun 2006)	FY4 (12 Dec 2003 to 31 Dec 2005)	Upto FY 3 (12 Dec 2003 to 30 Jun 2005)	Upto FY 2 (12 Dec 2003 to 31 Dec 2004)
MCO CR REIT	11.46 %	11.23 %	10.78 %	10.30 %
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

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 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 dividend rate of the 4th fiscal year and the estimate of the 5th 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	4.59%	4.83%	6.09%	6.31%	6.44%	6.20%	5.66%	5.79%	6.28%	14.36%
Annualized Dividend Rate	8.29%	9.65%	12.27%	12.52%	12.99%	12.41%	11.31%	11.57%	12.55%	28.71%
Average for 5years	13.23%									

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 can 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.com/kr) 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

Lenders	Draw-down	Borrowing Principal	Interest	Classification	Outstanding amount
LIG Insurance	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 Balance Sheets

(Unit: KRW 1,000)

Items	31 Mar 2006	31 Mar 2005
I. Assets	18,338,531	7,705,833
1. Current Assets	14,903,578	4,601,434
2. Non-Current Assets	3,434,953	3,104,399
II. Liabilities	10,039,040	883,655
III. Stockholders' Equity	8,299,491	6,822,178
Capital Stock	7,000,000	7,000,000
Retained Earnings	786,735	-634,112
IV. Total Stockholders' Equity and Liabilities	18,338,531	7,705,833

② Income Statements

(Unit: KRW 1,000)

Items	31 Mar 2006	31 Mar 2005
Operating Revenue	3,171,456	1,175,569
Operating Expenses	1,690,924	1,683,675
Operating Profit & Loss	1,480,532	-508,106

Items	31 Mar 2006	31 Mar 2005
Non-Operating Income	411,167	376,320
Non-Operating Expenses	38,083	31,855
Ordinary Income	1,853,616	-163,641
Income Taxes	432,769	-
Net Profit	1,420,847	-163,641

(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 2006)

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>SangHo Lee</i>	<i>Manager, Asset Management</i>	<ul style="list-style-type: none"> • BA from Hong Ik University • US. Certified Public Accountant 	Macquarie Property Advisors Korea KORAMCO Co., Ltd Daewoo E&C Real Estate Investment Division, etc.
<i>Hannah Kim</i>	<i>Manager, Operations</i>	<ul style="list-style-type: none"> • BA from Sungkyunkwan University • KICPA 	Macquarie Property Advisors Korea Deloitte Anjin LLC
<i>YoonJu Lee</i>	<i>Manager, Transaction Management</i>	<ul style="list-style-type: none"> • MBA from Yeonsei University • US. Certified Public Accountant 	Macquarie Property Advisors Korea Samil PricewaterhouseCoopers KPMG Financial Services Inc.

(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, Yeoungdungpo-ku, Seoul (150-716), Korea (Head Office)

(b) Branches

(Unit: branches)	
	Branch
Domestic	117

(c) Key Performance

① Beneficiary Certificate

(Unit: 100 Million)			
Year	2005	2004	2003
Balance	58,280	43,748	26,400

② Real Estate Investment Company Shares Sales

(Unit: 100 million)			
Year	2005	2004	2003
Balance	0	85	107.5

<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 2001	31 Dec 2002	31 Dec 2003	31 Dec 2004	31 Dec 2005
Balance	191,372	246,172	180,321	196,979	193,427

<Note>

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

② Commitment Underwriting and Share Sales

(Unit: KRW million)			
	1 Apr 2005 ~ 31 Dec 2005		
	Advisory	Underwriting	Fee
IPO	148,726	134,059	3,765
Share Sales	158,694	98,904	794

③ Corporate Bond

(Unit: KRW million)			
	1 Apr 2005 ~ 31 Dec 2005		
	Lead Manager	Underwriting	Fee
Corporate Bond	3,405,968	1,650,401	2,865

<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	50	-	-	50
Foreign	-	-	-	-
Total	50	-	-	50

(c) Key Performance

① Beneficiary Certificate

(Unit: 100 Million)					
Year	31 Dec 2001	31 Dec 2002	31 Dec 2003	31 Dec 2004	31 Dec 2005
Balance	25,381	24,710	18,393	21,833	22,163

<Note>

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

② Commitment Underwriting and Share Sales

(Unit: KRW million)			
	1 Apr 2002 ~ 31 Dec 2005		
	Advisory	Underwriting	Fee
IPO	143,154	141,334	2,322
REITs	68,402	37,950	931

③ Corporate Bond

(Unit: KRW million)			
	1 Apr 2002 ~ 31 Dec 2005		
	Lead Manager	Underwriting	Fee
Corporate Bond	12,699,700	12,137,700	28,062

(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	31,798 KRW 100 million	12,884 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
- ③ Current Status

Date of the Establishment	Equity	Employees
January 30, 1899	31,798 KRW 100 million	12,884 Persons

- (5) Other Business Entrustment Agent
Not applicable

(6) Service Fee Summary

Classification	Servicer	Fee	Payment	Notes
Asset Management	Macquarie Property	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	

Classification	Service	Fee	Payment	Notes
	Advisors Korea Ltd.	<p>Basic AMC Fee</p> <p>applying such a applicable rate to the ordinary income before deduction of the basic AMC Fee “Applicable Percentage” is as follows 1st FY : 0% 2nd FY : 17.00% 3rd-4th FY : 11.00% 5th-10th FY : 11.30%</p>	semi-annual basis	
		<p>Disposition fee</p> <p>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%</p>	upon the dissolution	
		<p>Performance fee</p> <p>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</p>	upon the dissolution	
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 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 Korea Exchange (“KRX”) 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 KRX or KOSDAQ market under the Securities and Exchange Act through a transaction in the KRX 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 KRX because the shares of MCO CR REIT has been listed on KRX 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.com/kr)

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

E. Other books/documents

Other books and documents of the Company will be kept by the 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	FY5	FY4	FY3	FY2
[Current Assets]	8,246	8,576	8,337	7,097
• Quick Assets	8,246	8,576	8,337	7,097
• Inventories	-	-	-	-
[Non-current Assets]	162,542	162,332	161,921	161,244
• Investments	942	242	151	-
• Property, Plant, & Equipment	161,600	162,090	161,770	161,244
• Intangible Assets	-	-	-	-
Total Asset	170,788	170,908	170,258	168,341
[Current Liabilities]	1,604	1,271	1,263	1,694
[Long-term Liabilities]	88,145	88,520	88,049	86,513
Total Liabilities	89,749	89,791	89,312	88,207
[Stockholder's Equity]	76,303	76,303	76,303	76,303
Retained Earnings	4,926	5,194	5,212	4,591
• Legal Reserve	-	-	-	-
• Revaluation Reserve	-	-	-	-
[Retained Earnings-Prior years]	-	-	-	-
[Capital Adjustments]	-190	-380	-570	-760
Total Shareholders' Equity	81,039	81,117	80,946	80,134
Revenue	11,318	11,039	10,384	10,395
Operating Income	7,071	7,260	6,881	6,585
Net Income	4,736	4,814	4,494	4,241

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, 2006 AND DECEMBER 31, 2005

	Korean Won	
	2006. 6. 30	2005. 12. 31
	(In thousands)	
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	₩ 6,706,311	₩ 4,245,744
Short-term financial instruments	1,359,580	4,122,080
Accounts receivable	25,101	52,332
Accrued income	108,701	78,321
Prepaid expenses	27,994	56,784
Prepaid income tax	17,772	20,533
	8,245,459	8,575,794
NON-CURRENT ASSETS:		
Investment assets:		
Long-term financial instruments	941,900	241,900
Property Investments :		
Land	102,397,913	102,397,913
Building	62,281,907	62,101,107
Machinery	60,000	60,000
Construction in progress	-	41,700
Less: Accumulated depreciation	(3,139,471)	(2,510,652)
	161,600,349	162,090,068
	162,542,249	162,331,968
TOTAL ASSETS	₩ 170,787,708	₩ 170,907,762
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	₩ 873,710	₩ 714,384
Accrued expenses	279,642	85,345
Advanced receipts	24,471	44,841
VAT payables	426,061	426,136
	1,603,884	1,270,706
NON-CURRENT LIABILITIES:		
Long-term borrowings	75,244,000	75,244,000
Leasehold deposits	12,900,724	13,275,744
	88,144,724	88,519,744
Total Liabilities	89,748,608	89,790,450

	Korean Won	
	<u>2006. 6. 30</u>	<u>2005. 12. 31</u>
(In thousands)		
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock	₩ 76,303,000	₩ 76,303,000
Appropriated retained earnings – legal reserve	718,492	718,492
Retained earnings before dispositions (Net income of ₩4,736,100 thousand from January 1, 2006 to June 30, 2006 and ₩4,814,312 from July 1, 2005 to December 31, 2005)	<u>4,207,487</u> 4,925,979	<u>4,475,577</u> 5,194,069
Capital adjustments	<u>(189,879)</u>	<u>(379,757)</u>
Total Shareholders' Equity	<u>81,039,100</u>	<u>81,117,312</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩ 170,787,708</u>	<u>₩ 170,907,762</u>

2. Income Statements

STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND DECEMBER 31, 2005

	Korean Won	
	<u>2006. 6. 30</u>	<u>2005. 12. 31</u>
(In thousands, except per share amounts)		
OPERATING REVENUE:		
Rental income	₩ 7,407,636	₩ 7,161,824
Common area maintenance income)	2,983,845	2,888,703
Parking income	720,603	775,262
Tenant reimbursement	144,782	149,009
Other operating revenue	<u>61,423</u>	<u>64,647</u>
	<u>11,318,289</u>	<u>11,039,445</u>
OPERATING EXPENSES:		
Real estate expenses:		
Property administration expenses	313,066	159,869
Facility management fees	820,096	854,900
Utilities	787,115	774,053
Maintenance and repairs	684,012	375,799
Local taxes and dues	<u>250,255</u>	<u>231,097</u>
	<u>2,854,544</u>	<u>2,395,718</u>
Fund operating expenses:		
Remuneration to officers	6,000	6,000
Depreciation	628,819	627,011
Insurance premium	28,789	29,595
National taxes and dues	27,239	23,800

	Korean Won	
	<u>2006. 6. 30</u>	<u>2005. 12. 31</u>
	(In thousands, except per share amounts)	
Fund administration fees	11,289	12,097
Professional fees	19,186	22,681
Asset management fees	603,359	595,027
Asset custodian fees	25,461	25,388
Business trustee fees	<u>42,435</u>	<u>42,313</u>
	<u>1,392,577</u>	<u>1,383,912</u>
	<u>4,247,121</u>	<u>3,779,630</u>
 OPERATING INCOME	 <u>7,071,168</u>	 <u>7,259,815</u>
 NON-OPERATING INCOME:		
Interest income	₩ 156,574	₩ 153,673
Arrearage charge	6,543	7,480
Compensation for damages	73,839	10,297
Other income	<u>2,558</u>	<u>301</u>
	<u>239,514</u>	<u>171,751</u>
 NON-OPERATING EXPENSES:		
Interest expense	<u>2,574,582</u>	<u>2,617,254</u>
	<u>2,574,582</u>	<u>2,617,254</u>
 ORDINARY INCOME	 4,736,100	 4,814,312
 EXTRAORDINARY ITEM	 <u>-</u>	 <u>-</u>
 INCOME BEFORE INCOME TAX	 4,736,100	 4,814,312
 INCOME TAX EXPENSE	 <u>-</u>	 <u>-</u>
 NET INCOME	 <u>₩ 4,736,100</u>	 <u>₩ 4,814,312</u>
 ORDINARY INCOME PER SHARE	 <u>₩ 310</u>	 <u>₩ 315</u>
 NET INCOME PER SHARE	 <u>₩ 310</u>	 <u>₩ 315</u>

3. Statements of Appropriation of Retained Earnings

STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND DECEMBER 31, 2005

	Korean Won	
	2006. 6. 30	2005. 12. 31
	(In thousands)	
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Deficit at the beginning of the period	₩ (528,614)	₩ (338,735)
Net income	4,736,100	4,814,312
	4,207,486	4,475,577
APPROPRIATIONS:		
Amortization of capital adjustments	189,879	189,879
Dividends	4,914,241	4,814,312
	5,104,120	5,004,191
ACCUMULATED DEFICIT TO BE CARRIED FORWARD TO SUBSEQUENT PERIOD		
	₩ (896,634)	₩ (528,614)

4. Statements of Cash Flows

STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND DECEMBER 31, 2005

	Korean Won	
	2006. 6. 30	2005. 12. 31
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 4,736,100	₩ 4,814,312
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	628,819	627,011
Decrease in accounts receivable	27,231	19,954
Increase in accrued income	(30,379)	(8,350)
Decrease (Increase) in prepaid expenses	28,790	(25,462)
Decrease (Increase) in prepaid income tax	2,761	(9,656)
Increase in accounts payable	159,326	124,859
Increase (Decrease) in accrued expenses	194,296	(157,217)
Increase (Decrease) in advanced receipts	(20,370)	37,137
Increase (Decrease) in VAT payables	(74)	3,481
Increase (Decrease) in leasehold deposits	(375,021)	470,372
	615,379	1,082,129

	Korean Won	
	<u>2006. 6. 30</u>	<u>2005. 12. 31</u>
	(In thousands)	
	<u>5,351,479</u>	<u>5,896,441</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflows from investing activities:		
Withdrawal of short-term financial instruments	<u>3,762,500</u>	<u>-</u>
Cash outflows for investing activities:		
Acquisition of short-term financial instruments	(1,700,000)	(3,000,000)
Acquisition of long-term financial instruments	-	(90,815)
Expenditures for construction in progress	<u>(139,100)</u>	<u>(946,700)</u>
	<u>(1,839,100)</u>	<u>(4,037,515)</u>
	<u>1,923,400</u>	<u>(4,037,515)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from financing activities:	<u>-</u>	<u>-</u>
Cash outflows for financing activities:		
Payment of dividends	<u>(4,814,312)</u>	<u>(4,643,142)</u>
	<u>(4,814,312)</u>	<u>(4,643,142)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	₩ 2,460,567	₩ (2,784,216)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>4,245,744</u>	<u>7,029,960</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>₩ 6,706,311</u>	<u>₩ 4,245,744</u>

5. Notes to Current Fiscal Year's Financial Statements

1. GENERAL:

Macquarie Central Office Corporate Restructuring Real Estate Investment Trust (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 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 estate and others.

The head office of the Company is located in Sokong-dong Chung-gu Seoul in Korea. As of June 30, 2006, Avonla Korea I 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, 2006). The total shareholders' paid-in capital is ₩76,303 million as of June 30, 2006.

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 in 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

end 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

Tangible assets 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. The Company charges all interest expense in current operations.

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

<u>Category</u>	<u>Useful Lives (Years)</u>
Building	50
Machinery	5

Income Tax Expense and Deferred Income Taxes

The Company recognizes deferred income tax arising from temporary differences between pretax accounting income and taxable income. Accordingly, income tax expense consists of the total income tax and surtaxes currently payable and the changes in deferred income tax assets or liabilities during the period. The deferred income tax assets or liabilities will be charged or credited to income tax expense in the period each temporary difference reversed in the future. Deferred income taxes are recalculated based on the actual tax rate in effect at each balance sheet date. Also, deferred income tax assets (liabilities) are classified to current and non-current in accordance with the classification of the related assets (liabilities) for financial reporting, and are offset if deferred income tax assets and liabilities relate to income tax levied by the same tax jurisdiction.

3. CASH AND CASH EQUIVALENTS AND FINANCIAL INSTRUMENTS:

Cash and cash equivalents and financial instruments as of June 30, 2006 and December 31, 2005 consist of the following:

	Bank	Annual interest rate (%)	Korean Won	
			2006.6.30	2005.12.31
(In thousands)				
Cash and cash equivalents:				
MMDA	Woori Bank	0.0~3.5	₩ 1,206,311	₩ 2,245,744
Time deposits	Kookmin Bank	3.45~4.2	5,500,000	2,000,000
			<u>₩ 6,706,311</u>	<u>₩ 4,245,744</u>
Short-term financial instruments				
Time deposits	Woori Bank	3.6	₩ 359,580	₩ 4,122,080
Time deposits	Kookmin Bank	4.2	1,000,000	-
			<u>₩ 1,359,580</u>	<u>₩ 4,122,080</u>
Long-term financial instruments				
Time deposits	Woori Bank	3.95~4.7	<u>₩ 941,900</u>	<u>₩ 241,900</u>

The Company made deposits with Woori Bank amounting to ₩1,301,480 thousand and ₩1,363,980 as of June 30, 2006 and December 31, 2005 as collateral for leasehold deposits.

4. PROPERTY INVESTMENTS:

i. The changes in Property Investments for the six months ended June 30, 2006 is as follows (In thousands):

	Beginning of period	Acquisition	Transfer	Depreciation	End of period
Land	₩ 102,397,913	₩ -	₩ -	₩ -	₩ 102,397,913
Building	59,609,655	-	180,800	(622,819)	59,167,636
Machinery	40,800	-	-	(6,000)	34,800
Construction in progress	<u>41,700</u>	<u>139,100</u>	<u>(180,800)</u>	<u>-</u>	<u>-</u>
	<u>₩ 162,090,068</u>	<u>₩ 139,100</u>	<u>₩ -</u>	<u>₩ (628,819)</u>	<u>₩ 161,600,349</u>

ii. The changes in Property Investments for the six months ended December 31, 2005 is as follows (In thousands):

	Beginning of period	Acquisition	Transfer	Depreciation	End of period
Land	₩ 102,397,913	₩ -	₩ -	₩ -	₩ 102,397,913
Building	59,325,666	-	905,000	(621,011)	59,609,655
Machinery	46,800	-	-	(6,000)	40,800
Construction in progress	<u>-</u>	<u>946,700</u>	<u>(905,000)</u>	<u>-</u>	<u>41,700</u>
	<u>₩ 161,770,379</u>	<u>₩ 946,700</u>	<u>₩ -</u>	<u>₩ (627,011)</u>	<u>₩ 162,090,068</u>

iii. As of June 30, 2006, the published tax assessment value of the Company-owned land (7,942.5 square meters) totals ₩75,692,025 thousand in terms of land tax assessment price officially announced by the Korean government.

5. INSURED ASSETS:

As of June 30, 2006, the Company carries the following insurance policies:

<u>Type of Insurance</u>	<u>Object</u>	<u>Coverage</u> (In thousands : Korean Won)	<u>Company</u>
Package insurance	Building & machinery	₩ 89,949,369	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 investment pledged as security to its lenders and tenants as of June 30, 2006 are 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. LIG Insurance Co., Ltd. Korea Life Insurance Co., Ltd. Dongbu Insurance Co., Ltd. Korea Life Insurance Association Dong Ah Construction Industrial Co., Ltd. OTIS LG Elevator Shinhan Bank Samsungcard Co., Ltd. Prudential Life Insurance Co., Ltd.	Land and building Building Building Building Building Building Building	₩ 97,817,200 121,875 415,545 589,680 570,680 1,901,900 108,492 152,448	Long-term borrowings Leasehold deposits Leasehold deposits Leasehold deposits Leasehold deposits Leasehold deposits Leasehold deposits Leasehold deposits
		<u>₩ 101,677,820</u>	

7. LONG-TERM BORROWINGS:

Long-term borrowings as of June 30, 2006 and December 31, 2005 consist of the following:

<u>Creditor</u>	<u>Korean Won</u> (In thousands)	<u>Annual 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
LIG 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, 2006.

- ii. Retained earnings as of June 30, 2006 and December 31, 2005 consist of the following:

	Korean Won	
	2006.6.30	2005.12.31
	(In thousands)	
Appropriated:		
Legal reserve	₩ 718,492	₩ 718,492
Unappropriated:	4,207,487	4,475,577
	<u>₩ 4,925,979</u>	<u>₩ 5,194,069</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 provide legal reserve after April 23, 2005 based on the revised Real Estate Investment Company Act.

- iii. Discount on stock issuance, the amount of ₩189,879 thousand as of June 30, 2006, has been amortized completely in this fiscal period.

9. DIVIDENDS:

- i. Cash dividends declared for the six months ended June 30, 2006 and December 31, 2005 are as follows :

	Korean Won	
	2006.6.30	2005.12.31
	(In thousands)	
Issued and outstanding shares	15,260,600 shares	15,260,600 shares
Par value	₩ 5,000	₩ 5,000
Dividend rate (6 months)	6.44%	6.31%
Dividends	<u>₩ 4,914,241</u>	<u>₩ 4,814,312</u>

- ii. Pay-out-ratios for the six months ended June 30, 2006 and December 31, 2005 are as follows:

	Korean Won	
	2006.6.30	2005.12.31
	(In thousands)	
Dividends	₩ 4,914,241	₩ 4,814,312
Net income	4,736,100	4,814,312
Pay out ratio	104.00%	100.00%

The Company will be able to pay dividend in excess of its profit under 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 excess dividend amount considering net income, taxable income, capital expense plan, cash balance available for dividends and depreciation expense. Accumulated deficit to be carried forward to subsequent period from excess dividend amount will not be deducted from the calculation of income available for dividends of subsequent period.

	Korean Won	
	2006.6.30	2005.12.31
	(In thousands)	
Income available for dividends under the Commercial Law (A)	₩ 4,017,608	₩ 4,285,698
Dividends (B)	4,914,241	4,814,312
Pay out ratio (B/A)	122.3%	112.3%

- (3) Dividend yield ratio for the six months ended June 30, 2006 and December 31, 2005 are as follows:

	Korean Won			
	2006.6.30		2005.12.31	
	(In thousands)			
Dividends per share	₩	322.0	₩	315.5
Closing price at period end		6,320		6,420
Dividend yield rate		5.09%		4.91%

10. INCOME TAX EXPENSE:

Income tax expense for the six months ended June 30, 2006 and December 31, 2005 consists of the following:

	Korean Won			
	2006. 6. 30		2005. 12. 31	
	(In thousands)			
Income tax currently payable	₩	-	₩	-
Change in deferred income tax		-		-
Income tax expense	₩	-	₩	-

Changes in cumulative temporary differences for the six months ended June 30, 2006 and December 31, 2005 are as follows (In thousands):

Account	2005. 12. 31	Increase	Decrease	2006. 6. 30
Accrued income	₩ (78,321)	₩ (108,701)	₩ (78,321)	₩ (108,701)
Accrued expenses	-	208,521	-	208,521
Total	(78,321)	99,820	(78,321)	99,820
Income tax rate	27.5%			27.5%
Deferred income tax assets (liabilities)	₩ -			₩ -

The Company can pay dividend in excess of its profit under 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 excess dividend amount considering net income, taxable income, capital expenditure plan and cash balance available for dividends. 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% (resident tax included) for the six months ended June 30, 2006 and December 31, 2005, 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. The effective tax rate for the six months ended June 30, 2006 and December 31, 2005 was not calculated as the Company has not incurred any income tax expense for such period due to the amendment of the Real Estate Investment Company Act in Korea in 2005 and the Articles of Incorporation of the Company.

11. RENTAL INCOME:

The Company determines the rental period and rental fee with each tenant based on rental contract. In addition, the Company doesn't calculate the rental income in the future because the rental fee is raised generally considering consumer price.

12. RELATED PARTY TRANSACTIONS:

- i. The significant transactions with related parties for the six months ended June 30, 2006 and December 31, 2005 are summarized below.

	Korean Won	
	2006. 6. 30	2005. 12. 31
	(In thousands)	
Samsung Life Insurance Co., Ltd.:		
Interest expense	₩ 1,570,495	₩ 1,596,525
Rental income	371,189	360,378
Common area maintenance income	141,456	136,282
Parking income	38,364	35,454
Samsung Fire & Marine Insurance Co., Ltd.:		
Interest expense	437,679	444,933
Insurance premium	28,790	29,595
LIG Insurance Co., Ltd.:		
Interest expense	360,441	366,416

- ii. The related account balances with related parties as of June 30, 2006 and December 31, 2005 are summarized below.

	Korean Won	
	2006. 6. 30	2005. 12. 31
	(In thousands)	
Samsung Life Insurance Co., Ltd.:		
Accrued expenses	₩ 43,384	₩ 52,061
Long-term borrowings	45,898,840	45,898,840
Leasehold deposits	309,000	300,000
Samsung Fire & Marine Insurance Co., Ltd.:		
Prepaid expenses	27,994	56,784
Accrued expenses	12,091	14,509
Long-term borrowings	12,791,480	12,791,480
LIG Insurance Co., Ltd.:		
Accrued expenses	9,957	11,948
Long-term borrowings	10,534,160	10,534,160

13. COMMITMENTS:

As of June 30, 2006, 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., (the "MPAK") 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 MPAK, which shall be calculated by applying the rate as agreed between the Company and MPAK to the ordinary income that does not include the basic compensation payable to MPAK and shall be payable to MPAK 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.

14. ORDINARY INCOME PER SHARE AND NET INCOME PER SHARE:

Net income and ordinary income per share for the six months ended June 30, 2006 and December 31, 2005 are computed as follows:

	<u>Korean Won</u>	
	<u>2006. 6. 30</u>	<u>2005. 12. 31</u>
	(In thousands, except for income per share)	
Net income and Ordinary income	₩ 4,736,100	₩ 4,814,312
Dividends on preferred stock	-	-
Net income and Ordinary income for common stock (*1)	4,736,100	4,814,312
Weighted-average number of shares of common stock (*2)	<u>15,260,600</u>	<u>15,260,600</u>
Net income and Ordinary income per share	<u>₩ 310</u>	<u>₩ 315</u>

(*1) Net income and ordinary income per share for the six months ended June 30, 2006 and December 31, 2005 are equal, since there is no extraordinary gain and loss.

(*2) Weighted average number of common shares and issued common shares for the six months ended June 30, 2006 and December 31, 2005 are equal, since there is no change in issued common shares during 2005 and 2006.

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

FY 5	FY4	FY3
Deloitte Anjin LLC	Deloitte Anjin LLC	Deloitte HanaAnjin LLC

2. Summary of Current Audit Report

We conducted our audits in accordance with auditing standards generally accepted 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
FY 5	Unqualified
FY 4	Unqualified
FY 3	Unqualified

4. Special Notes

Fiscal Year	Special Notes
FY 5	Not Applicable.
FY4	Not Applicable.

Fiscal Year	Special Notes
FY3	<p>(1) Transactions with major shareholders</p> <p>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 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>

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
FY5	Deloitte Anjin	Quarterly Review and Year-end Audit (excl. tax service)	12.8	169
FY4	Deloitte Anjin	Quarterly Review and Year-end Audit	12.4	167
FY3	Deloitte HanaAnjin	Quarterly Review and Year-end Audit	12.4	161

2. Service Agreement Other Than Audit Service with Independent Auditor

(Unit: Million KRW)

Fiscal Year	Contract Date	Service	Service Period	Remuneration
FY5	24 Mar 2006	Tax Service (VAT, Withholding Tax etc.)	FY5 to FY7	FY 5 & 6 : 6.4 FY7 : 6.6

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 Feb 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	
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	Passed	

	Date of Meeting	Agenda	Passed/ Failed	Notes
		5. Convocation of general shareholders' meeting for Financial Year 1.		
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	
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	Passed	

	Date of Meeting	Agenda	Passed/ Failed	Notes
		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		
8 th Meeting in Yr 2005	23 Sep 2005	1. Replacement of Representative directors	Passed	
9 th Meeting in Yr 2005	10 Nov 2005	1. Approval of Financial Statements, MOCT Quarterly Investment Report, and Half Year Report of FY 4	Passed	
1 st Meeting in Yr 2006	14 Feb 2006	1. Approval on draft of Financial Statements for FY4 and MOCT Quarterly Investment Report	Passed	
2 nd Meeting in Yr 2006	03 Mar 2006	1. Approval on Dividend payment 2. Approval on Audited Financial Statements, MOCT Investment Report, and Annual Report for FY 4 and Sign-off report from Internal Accounting Manager 3. Approval on business plan of FY5 & FY6 4. Convocation of General Shareholders' Meeting	Passed	
3 rd Meeting in Yr 2006	11 May 2006	1. Approval of Financial Statements, MOCT Quarterly Investment Report, and Half Year Report of FY5	Passed	
4 th Meeting in Yr 2006	11 Aug 2006	1. Approval on draft of Financial Statements for FY5 and MOCT Quarterly Investment Report	Passed	
5 th Meeting in Yr 2006	31 Aug 2006	1. Approval on Dividend payment 2. Approval on Audited Financial Statements, MOCT Investment Report, and Annual Report for FY 5 and Sign-off report from Internal Accounting Manager 3. Approval on business plan of FY6 4. Convocation of General Shareholders' Meeting for FY5	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 Hanyoung 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 6,000,000	KRW 6,000,000/ FY	KRW 6,000,000	

(2) 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 2006)

(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 2006)

(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	AIAKOREA-STOCK	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

(As of 30 June 2006)

Category	Shareholders	Ratio(%)	No. of Stock owned	Rate (%)	Note
Small Shareholders	1,051	99.06	6,315,050	41.38	
- Corporate	26	2.45	685,735	4.49	
- Individuals	1,025	96.61	5,629,315	36.89	
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	2,534,080	16.61	
Others - Corporate	5	0.47	2,534,080	16.61	
Others - Individuals	-	-	-	-	
Total	1,061	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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	<ol style="list-style-type: none"> 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; 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. 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 5. If the Company issues new shares to any person who makes a contribution in kind. <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	General Shareholders' Meeting	Within 3 months after the Closing Date of Fiscal Year
Closing Period of Registry Book of Shareholders	From January 1 in any given fiscal year through January 10, from July 1 in any given fiscal year through July 10, from the date of collection of sale proceeds in connection with the disposal of real estate amounting 50/100 or more of total assets of the Company through the date of 10days from the date of collection of sale proceeds.		
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 2006	Feb 2006	Mar 2006	Apr 2006	May 2006	Jun 2006
Common Stock	High(Date)	6,370	6,300	6,570	6,600	6,560	6,570
	Low(Date)	6,140	6,160	6,200	6,400	6,450	6,320
Monthly Trade Volume		35,470	39,320	113,500	126,150	64,200	35,310

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	Kwan Young Kim	01 Sep 1956	Hanyang University	-	-	-	-
Representative Director (Non-standing)	Registered	Joo Hyun Cho	30 May 1953	Kunkook University	-	-	-	-
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	LIG Insurance Company	-	-	-	-
Statutory Auditor (Non-standing)	Registered	Dae-Sup Roh	1 Jul 1960	Hanyoung Accounting Corp.	-	-	-	-

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

VIII. 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**

	Korean Won	
	2006. 6. 30	2005. 12. 31
	(In thousands)	
Samsung Life Insurance Co., Ltd.:		
Interest expense	₩ 1,570,495	₩ 1,596,525
Rental income	371,189	360,378
Common area maintenance income	141,456	136,282
Parking income	38,364	35,454
Samsung Fire & Marine Insurance Co., Ltd.:		
Interest expense	437,679	444,933
Insurance premium	28,790	29,595
LIG Insurance Co., Ltd.:		
Interest expense	360,441	366,416

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
15 Jun 2006	Temporary Closing of Shares Registry	FSS
31 Mar 2006	Submission of Annual Report for FY4	FSS, KRX
23 Mar 2006	Disclosures of general shareholders' meeting for FY 4	FSS, KRX
16 Mar 2006	Submission of Audit Report for FY 4	FSS, KRX
03 Mar 2006	Resolution for holding a general shareholders' meeting	FSS, KRX
03 Mar 2006	Resolution for Dividend payment	FSS, KRX
13 Dec 2005	Temporary Closing of Shares Registry	FSS
14 Nov 2005	Submission of Half yearly report for FY 4	FSS, KRX
28 Sep 2005	Submission of Annual Report for FY 3	FSS, KRX

Section 2. Summary of Shareholders' Meeting Minutes

Date	Agenda	Resolution
5 th Financial Year General Shareholders' Meeting (19 Sep 2006)	1. Approval of FY5 Financial Statements and dividend payment plan 2. Approval on business plan for FY6 3. Approval of Remuneration for directors 4. Approval of Remuneration for statutory auditor 5. Appointment of Statutory Auditor	Passed the agendas
4 th Financial Year General Shareholders' Meeting (23 Mar 2006)	1. Approval of FY4 Financial Statements and dividend payment plan 2. Approval on business plan for FY4 3. Approval of Remuneration for directors 4. Approval of Remuneration for statutory auditor	Passed the agendas

Date	Agenda	Resolution
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
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