

# **English Translation of a Report Originally Issued in Korean**

Annual Report

**From 12 Dec 2003 to 30 Jun 2004**

Macquarie Central Office CR REIT

23 Sep 2004

**TO:** Financial Supervisory Commission and Korea Stock Exchange

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

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

### Representation

02 Sep 2004

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: Mathew Banks, Ji Hong Kim (signature)

Woori Bank, the Business Trustee of MCO CR REIT

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

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# I. Company Overview

## Section 1. Purposes of Company

### 1. Business Purposes - operated

<b>Business Purposes of Company</b>	<b>Notes</b>
<ul style="list-style-type: none"><li>- Acquisition, management, improvement and disposition of real estate;</li><li>- Lease of real estate;</li><li>- Deposit of funds at financial institutions</li></ul>	Businesses operated during the current fiscal year

### 2. Business Purposes - not operated

<b>Business Purposes of Company</b>	<b>Notes</b>
<ul style="list-style-type: none"><li>- Real estate development;</li><li>- Sale and purchase of securities;</li><li>- Acquisition, management and disposition of rights related to the use of real estate, including superficies and leasehold interests.</li></ul>	<ul style="list-style-type: none"><li>-No tangible plan</li><li>-Possible to use securities for the management of surplus funds</li><li>-No tangible plan</li></ul>

### 3. Business Purposes of Subsidiaries

Not applicable

### 4. New Additional Business Plan

There is 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 International Asset Management Company Limited)  
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
- 8 Jan 2004 Listed on KSE

#### (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

(Unit: won, share)

Date	Cause	Increase / Decrease				Share Capital thereafter	Allocation of new shares	Rate of increase (%)
		Type	Shares	Par Value per share	Subscription Price per share			
12 Dec 2003	Incorporation	Common	15,260,600	5,000	5,000	76,303,000,000	Promoters & Public Offering	100%

### 2. Changes in Paid-in Capital Scheduled

No plan for change

### 3. Convertible Bonds

Not issued

(Unit: won, 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	Bond Amount	-	-	-	-

Classification		The XXth XX CBs	...	...	Total
(not yet converted)	Number of convertible Stocks	-	-	-	-
Notes		-	-	-	-

#### 4. Bonds with Warrants

Not issued

(Unit: won, 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 Jun 2004)

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

### 2. Total Number of Shares Issued

(As of 30 Jun 2004)

[Par value per share: KRW 5,000]

(Unit: won, share)

Registered/ Unregistered	Type	Number of Shares	Total Face Value of Share Capital (KRW)	Notes
Registered	Common Stock	15,260,600	76,303,000,000	-
Total		15,260,600	76,303,000,000	

### 3. Acquisition and Disposition of Treasury Stock

- (1) Acquisition and Retirement of Treasury Stock for Retirement of shares (Ee-ik so-gak)

Not applicable

(Unit: won, share)

Acquisition Date	Type	Number of Shares	Acquisition Price	Retirement Date	Number of Retired Shares	Retired Amount	Limit of Retirement
-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-

- (2) Acquisition and Disposition of Treasury Stock for reasons other than (1)

Not applicable

(As of 30 Jun 2004)

(Unit: won, share)

Acquisition Date	Type	Number of Shares	Acquisition Price	Notes
-	-	-	-	-
Total		-	-	-

#### 4. Treasury Stock Fund

Not applicable

(As of 30 Jun 2004)

(Unit: won, share)

Subscription Date	Subscription Institution	Subscription Amount	Number of Shares	Maturity Date	Notes
-	-	-	-	-	-
Total		-	-	-	-

#### 5. Stock Option

Not applicable

(As of 30 Jun 2004)

(Unit: won, share)

Offer Date	Relation to Company	Name	Type of Share	Number of Shares	Number of Shares Exercised	Number of Shares Unexercised	Exercise Period	Exercise Price	Recent Price (Public Offering Price)	Notes
-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-

#### 6. Employee Stock Ownership

Not applicable

(Unit: won, share)

Type of Shares	Beginning Balance	Increase	Decrease	Ending Balance	Notes
-	-	-	-	0	-
Total	-	-	-	0	-

## Section 5. Shares with Voting Rights

(As of 30 Jun 2004)

(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 for the recent 5 fiscal years

Not applicable

[Par value per share: KRW 5,000]

(Unit: KRW)

Classification				1 <sup>st</sup> FY	2 <sup>nd</sup> FY	3 <sup>rd</sup> FY	4 <sup>th</sup> FY	5 <sup>th</sup> FY
Net income				4,042,490,543	-	-	-	-
Earning Per Share (Korean Won)				265	-	-	-	-
Distributable Income				3,502,374,406	-	-	-	-
Dividend Payout Ratio				100	-	-	-	-
Cash Dividend	Dividend Per Share (Won)	major	Common	230	-	-	-	-
			Preferred	-	-	-	-	-
		minor	Common	230	-	-	-	-
			Preferred	-	-	-	-	-

Classification				1 <sup>st</sup> FY	2 <sup>nd</sup> FY	3 <sup>rd</sup> FY	4 <sup>th</sup> FY	5 <sup>th</sup> FY
	Total Dividend Amount (Won)	major	Common	3,502,374,406	-	-	-	-
			Preferred	-	-	-	-	-
		minor	Common	3,502,374,406	-	-	-	-
			Preferred	-	-	-	-	-
	Dividend Yield (%)	major	Common	4.20	-	-	-	-
			Preferred	-	-	-	-	-
		minor	Common	4.20	-	-	-	-
			Preferred	-	-	-	-	-
Stock Dividend	Rate (%)	major	Common	-	-	-	-	-
			Preferred	-	-	-	-	-
		minor	Common	-	-	-	-	-
			Preferred	-	-	-	-	-
	Number of Stock Dividends Per Share (Share)	major	Common	-	-	-	-	-
			Preferred	-	-	-	-	-
		minor	Common	-	-	-	-	-
			Preferred	-	-	-	-	-
Net Asset Per Share (Korean Won)				5,203	-	-	-	-
Current Income Per Share (Korean Won)				265	-	-	-	-

## 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 2004, there are 9 CR-REIT companies in Korea.

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

#### 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 2004, 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, MIAMC will try to achieve the dividend yield as projected in the information memorandum provided to investors. The MIAMC 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 the MIAMC 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. The MIAMC, if necessary, shall appoint and establish business relationships with a qualified company as an appraisal company after examining such company in consultation with an independent real property investment consulting firm. The methodology described above shall be incorporated in the evaluation of any future asset acquisition by MCO CR REIT.
- (3) In order to examine the structural safety and durability of the relevant real property, an investigation into the physical structure of the real property shall be conducted before the acquisition of real property. The methodology described above shall be incorporated in the evaluation of any future asset acquisition by MCO CR REIT.

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

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

### 2. Portfolio Composition and Change in Asset Value

(1) Portfolio Composition

(Unit: million KRW, %)

Classification		Real Estate*	Real Estate Related Securities	Other Securities	Cash and Deposits	Others	Total Asset*
Current Period	Asset Value	161,270	-	-	7,130	149	168,550
	%	95.68	-	-	4.23	0.09	100.00

\* The amount of real estate is represented in costs at acquisition before depreciation. Therefore the total asset above is bigger than the balance sheet amount by Accumulated depreciation.

(2) Change in Asset Value

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

(Unit: KRW million)

Quarter	3rd Quarter	2nd Quarter	1st Quarter
Asset Value	168,550	166,517	170,174

\* The management term of actual real estate for 1<sup>st</sup> Quarter is from 26 Dec, 2003 to 31 Dec 2003 and the asset value is represented in costs at acquisition

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

(Unit: KRW million)

Quarter	FY 1 (12 Dec 2004 to 30 Jun 2004)
Asset Value	168,550

### 3. Details of Investment

#### (1) Real Estate

(Unit: KRW million,%)

Classification		Name	Location	Usage	Cost at acquisition	Property Value	% of Total Asset
Current Period	Real Estate	Kukdong building	60-1, Chungmuro 3-Ga, Chung-gu, Seoul	Office, commercial	161,270	161,270	95.68
	Total				161,270	161,270	95.68

<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

Lease status of building

Portfolio	Gross Leasable Area(py)	Leased Area(py)	Occupancy rate	Annual Rent (mw)	Number of Lease Contracts	Average annual rent per py (1,000 KRW)
Kukdong building	18,859	17,162	91.0%	12,579	94	733
	Vacancy	1,697	9.0%			
Sub total	18,859	18,859	100%	12,579	94	733

<Note>

- Annual Rental Income KRW 12,579,801,083 = monthly rent 1,048,316,757 (excluding CAM) \* 12months (Annual CAM income KRW 5,161,772,400 = monthly CAM 430,147,700 \* 12months).
- Average annual rental income per Py = KRW 12,579,801,083 / 17,162py
- Kukdong building recorded vacancy rate to 5.4% as of March ahead of schedule compared with the business plan. However the vacancy rate began to rise as AMC commences tenant restructuring of small delinquent tenants in second quarter of yr 2004.

The monthly vacancy rate of Kukdong Building is as follows.

2003-12	2004-01	2004-02	2004-03	2004-04	2004-05	2004-06	2004-07
7.6%	7.8%	8.3%	5.4%	7.1%	8.1%	9.0%	6.2%

- The vacancy rate of the second half of the year after July 2004 is expected to approximate to 7% as presented in the business plan of the Company.

## 6. Investment plan

### (1) Refurbishments during the period

MCO implemented the renovation work for lobby(1F,2F) and Arcade(B1F) during the FY1. It started at 12th April 2004 and completed at 12th July 2004. The direct construction cost reached KRW1,539Mil. All the works and procedures were supervised and cost-reviewed on the site by Hanmi Parsons with the fee of KRW64Mil including the ancillary CM service regarding the pipe drainage replacement and automatic building control system etc.

To improve the operation of facilities, Kukdong building invested KRW 106 million on capital improvements of facilities including the replacement of circulating pump system and installation of parking lot settlement system during the FY1.

### (2) Refurbishment program during the FY2

As of 30 June 2004, KRW 477Mil is payable to the construction company and HanmiParsons regarding the renovation project.

Kukdong building will invest KRW 1,969Mil on upgrade plan of material building facilities during the FY2 from July 2004 to Dec 2004. KRW 1,500Mil is budgeted

initially for FY2 from underwriting model and KRW 469 Mil will be funded from the cost saving of closing costs of Kukdong building at acquisition. Major facilities which will be replaced or upgraded during FY2 include :

- HVAC Pipe facilities in machine room and arcade, etc.
- Building control automation system and security system
- Electric wiring and plumbing on B1 & lobby
- Fire pump facilities.
- Electric receiving system and transformer and other electric facilities
- Ventilation system in generating room
- Cable and MCC panel
- Spandrel (1F, Arcade)
- West canopy and the entrances of arcade
- Grill on the roof and waterproofing on roof top and basement entrance
- Other facilities which are ancillary to the facilities above

\* The plan is described on cash payment basis. The replacement of building control automation system, security system and electric wiring and plumbing on B1 & lobby have been already under way for the installation. These refurbishments will be capitalized collectively into building at the end of FY2 after completing the detail inspection on construction.

## 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			
Current Period	Amount	-	-	-	-	-	-	6,504	-74	6,430
	%	-	-	-	-	-	-	101.15	-1.15	100.00

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

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

### (2) Return on Equity (ROE)

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

#### A. Annual ROE

	FY 1 (12 Dec 2003 to 30 Jun 2004)
MCO CR REIT	9.57%
Index	-

#### B. Cumulative ROE

	FY 1 (12 Dec 2003 to 30 Jun 2004)
MCO CR REIT	9.57%
Index	-

#### C. ROE by financial year

	FY 1(12 Dec 2003 to 30 Jun 2004)
MCO CR REIT	9.57%
Index	-

## 8. Guidelines on Asset Management

### (1) Basic Guidelines on Asset Management

As a general rule, taking into consideration market conditions and environment surrounding real property markets and financial markets, MCO CR REIT shall make its investment in income-generating properties consisting primarily of commercial office buildings and shall manage its excess funds in such a way as to earn market interest income.

### (2) Asset Management Plan

#### ① Real Property Management Strategy

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

returns to the investors.

- f) MCO CR REIT shall assess the rate of return of real property on a quarterly basis.

② Management Strategy with respect to surplus cash

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

③ Management Strategy of Cash and Liquid Assets

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

(3) Exit Strategy

- A MCO CR REIT is structured with the features commonly associated with international REITS that focus on enhancing steady income to investors, maintaining a high quality portfolio and providing market liquidity for shareholders. The shares of MCO CR REIT has been listed on the Korea Stock Exchange from 8 January 2004.
- B The main attribute of the MCO CR REIT investment structure is the ability for investors to share in the capital gain potential of the Property and not be restricted by an exit price guarantee mechanism, which is common in other CR REITs, which leaves the investor exposed to default by the party providing the guarantee. Investors will be investing in listed securities with market value reflecting the income generating ability and capital growth potential of the Property.
- C MCO CR REIT believes that the key to ensuring that there is capital growth potential for the Property is to demonstrate to the market that the Property can generate a sustainable dividend yield.

D Exit may take the form of:

- (a) Third party sale of the Property at or before the end of the life of MCO CR REIT
- (b) Consolidation with other CR-REIT
- (c) Potential conversion of MCO CR REIT to an ordinary REIT

E In addition, Macquarie believes that the creation of a listed CR-REIT with the features common to international REITS will encourage the market to duplicate the structure in future listed CR-REITs. The continued growth of the CR-REIT market that converges with international common practice would attract increasing investment interests from both international and domestic investors, which would in turn increase the liquidity of listed MCO CR REIT shares and enhance the exit options of shareholders.

## 9. Restrictions on Asset Management

In managing MCO CR REIT's assets, the MI AMC 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.
- (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 3% 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 the MIAMC, 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) MCO CR REIT shall not be allowed to obtain a loan except in the following circumstances:
- A If the Company temporarily obtains a loan to fund operating expenses;
  - B If the Company assumes liabilities secured by a real property including key money deposit in acquiring the real property;
  - C If the Company temporarily borrows from funds raised to be used for public purposes, including the national housing funds as prescribed by Article 10 of the Housing Construction Promotion Act; or
  - D If the Company temporarily faces difficulty in making payment of purchase

price or repurchase price of shares due to substantial number of appraisal or repurchase claims under Article 49-4 or Article 49-5 of the Act.

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

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

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

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

In order to maintain its qualification as a CR-REIT under the Act, MCO CR REIT must continually satisfy certain tests primarily with respect to the nature of its assets. In addition, in order not to be taxed on its income, MCO CR REIT

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

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

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

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

Amendments to the Tax Benefit Limitation Act are currently being considered by the National Assembly. Under these amendments, for the additional acquisition of property after 1 January 2004, MCO CR REIT would be liable to pay 50% of registration tax and 50% of acquisition tax with respect to such purchases or capital expenditures.

## 11. Dividend Payment

(1) Distribution Policy

The distribution policy of MCO CR REIT will be governed by a combination of the rules stipulated under the Act, Corporate Tax Law and the Korean Commercial Code. The Company plans to pay, in principle, 100% of the distributable income of each accounting period as dividend in cash.

The distributable net income for a fiscal period, during the life of MCO CR REIT, is the net income for that period plus retained earnings (or minus accumulated losses) carried over from previous period, less the amortization amount of the capital adjustments and amount of legal reserve requirement for a fiscal period. As a CR REIT company, MCO CR REIT is required to set aside

10% or more of the total declared cash dividends to be distributed for the relevant fiscal period, up to 50% of total par value of equity capital, as legal reserves. MCO CR REIT will distribute all reserves at the end of its corporate life as dissolution dividend.

Company's 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%									

Company's revised estimate about dividend rate including the performance of FY1 and accounting policy about property tax accrual as follows.

	2004-06	2004-12	2005-06	2005-12	2006-06	2006-12	2007-06	2007-12	2008-06	2008-12
	FY1	FY2	FY3	FY4	FY5	FY6	FY7	FY8	FY9	FY10
Nominal Dividend Rate	4.58%	3.80%	3.94%	4.05%	4.29%	4.40%	4.95%	5.07%	5.49%	17.74%
Annualized Dividend Rate	8.27%	7.59%	7.88%	8.11%	8.57%	8.80%	9.90%	10.13%	10.99%	35.48%
Average for 5years	11.57%									

Company adopted the accounting policy that the Company allocates the annual property tax for building and land over the whole calendar year. The dividend rate at the offering circular was based on the assumption that Company recognize the property tax expenses at the time of payment which occurs only in even fiscal years. These accounting policy will represent smooth dividend stream to investors between odd fiscal years and even fiscal years.

However, the Company can not guarantee the accuracy of the estimate on the dividend rate above. Also, investments in MCO CR REIT are not deposits nor liabilities of the Company and its servicers. 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. Actual dividend amount of each fiscal year will be proposed by the Board based on the actual financial statements of each fiscal year and be approved by the resolution of the general meeting of shareholders pursuant to the Commercial Act of Korea.

(2) Payment of Dividend

The accounting period of the Company will start every January 1 and end every June 30 and start every July 1 and end every December 31; provided that the first accounting period started from 12 Dec 2004 and ended on 30 June 2004.

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 month 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.

Close of Fiscal Year	30th of June	31st of December
Shareholders Meeting and Dividend Payment	within 30 <sup>th</sup> of September	within 31 <sup>st</sup> of March

## 12. Method of Asset Evaluation and Disclosure

(1) Method of asset evaluation

- A. Real estate is evaluated at the price which the appraiser the Act on Public Disclosure of Land Price and Evaluation of Land, Etc evaluated pursuant to Article 12 of the Enforcement Decree of the Real Estate Investment Company Act. However, the book value (acquisition price) may be used within one year from acquisition.
- B. Securities are evaluated by adopting Paragraphs 2 and 3 of Article 29 of the Enforcement Decree of the Securities Investment Company Act.
- C. Deposits at financial institutions are evaluated at the principal plus interests accrued up to the evaluation basis date.
- D. Other assets are evaluated at the figures that are shown on the balance sheet as of the evaluation basis date.

(2) Method of disclosure

- A. Frequency of calculation: Self-evaluation of real estate may be done once a year and net asset value per share will be calculated every quarter.
- B. Time of disclosure: In principle, disclosure is done every quarter by way of

investment report. If necessary, however, eg drastic change in asset value, immediate disclosure will be done.

C. Method and Place of disclosure:

- (a) Investment Report and other important information: Head Office and website of Macquarie International Asset Management Company and WooriBank, and website of MOCT ([www.moct.go.kr](http://www.moct.go.kr))
- (b) Annual Reports: Electronic disclosure website of FSS ([www.dart.fss.or.kr](http://www.dart.fss.or.kr)), etc.

## Section 3. Financing

### 1. Principles of Financing

At the time of establishment, the Company raised total KRW 76,303,000,000 from stockholders - KRW 41,252,000,000 from promoters and other shareholders and KRW 35,151,000,000 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	-	1,700	1,700	-
Long-term borrowings mortgaged to the property	-	75,244	-	75,244
National Housing Fund	-	-	-	-
Borrowing for the stock refund, etc.	-	-	-	-

<Lenders>

(Unit : KRW)

<b>Lenders</b>	<b>Draw-down</b>	<b>Borrowing Principal</b>	<b>Interest</b>	<b>Classification</b>	<b>Outstanding amount</b>
Samsung Life	26 Dec 2003	45,898,840,000	6.03%	Longterm <sup>1)</sup>	45,898,840,000
	29 Dec 2003	1,037,000,000	6.03%	Short-term <sup>2)</sup>	-
Samsung F&M	26 Dec 2003	12,791,480,000	6.03%	Longterm <sup>1)</sup>	12,791,480,000
	29 Dec 2003	289,000,000	6.03%	Short-term <sup>2)</sup>	-
LG F&M	26 Dec 2003	10,534,160,000	6.03%	Longterm <sup>1)</sup>	10,534,160,000
	29 Dec 2003	238,000,000	6.03%	Short-term <sup>2)</sup>	-
Korea Life	26 Dec 2003	6,019,520,000	6.03%	Longterm <sup>1)</sup>	6,019,520,000
	29 Dec 2003	136,000,000	6.03%	Short-term <sup>2)</sup>	-
Total		76,944,000,000			75,244,000,000

<Note>

- Interest of Long-term Borrowings: 6.9% from 2nd year.
- Repayment of Short-term Borrowing has been completed as of 29 March, 2004.

## 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 AMA

##### (a) Servicing Period

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

##### (b) Compensation

Classification	Compensation	Payment
Acquisition Fee	0.55% of net acquisition price	upon Incorporation
Basic AMC Fee	applying such a applicable rate to the ordinary income before deduction of the basic AMC Fee “Applicable Percentage” is as follows 1 <sup>st</sup> FY : 0% 2 <sup>nd</sup> FY : 17.00% 3 <sup>rd</sup> -4 <sup>th</sup> FY : , 11.00% 5 <sup>th</sup> -10 <sup>th</sup> FY : 11.30%	semi-annual basis
Disposition fee	25% of the excess of the sales price of such Assets less costs related to such sale over the aggregate investments plus the capital expenditure (“Capital Gain”) under the condition that the IRR based on cash flow of net income over the 5 year period of ownership of the Assets is greater than 11.50%	upon the dissolution

Classification	Compensation	Payment
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 MIAMC shall be payable to MIAMC 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.

## B. Asset Management Company

### (a) Company Overview

- ① Company:  
Macquarie International Asset Management Company Limited  
("MIAMC")
- ② Address: Hanhwa Building, 110 Sokong-Dong, Chung-Ku, Seoul
- ③ Date of Authorization of AMC: 30 June 2003
- ④ Shareholders:

	<b>Investment Amount (KRW)</b>	<b>No. of Shares Subscribed</b>	<b>% of total</b>
Macquarie Bank	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 MI AMC, an authorized AMC in accordance with the provisions of the Article 21 and Article 49-3 of Real Estate Investment Company Act.

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

- ① Projected Balance Sheet

(Unit: KRW 1,000)

Items	31 Mar 2004	31 Mar 2005(e)	31 Mar 2006(e)
I. Assets	7,345,171	8,104,705	10,039,475
1. Current Assets	4,939,602	2,504,705	4,039,475
2. Non-Current Assets	2,405,568	5,600,000	6,000,000
II. Liabilities	692,443	400,000	600,000
III. Stockholders' Equity	6,652,728	7,704,705	9,439,475
Capital Stock	7,000,000	7,208,000	7,704,705
Retained Earnings	-470,470	496,705	1,734,770
IV. Total Stockholders' Equity and Liabilities	7,345,171	8,104,705	10,039,475

② Projected Income Statement

(Unit: KRW 1,000)

Items	31 Mar 2004	31 Mar 2005(e)	31 Mar 2006(e)
Operating Revenue	871,035	2,800,000	5,355,200
Operating Expenses	1,233,727	2,388,171	3,138,234
Operating Profit & Loss	-362,692	411,829	2,246,966
Non-Operating Income	3,677	286,877	270,852
Non-Operating Expenses	3,998	-	-
Ordinary Income	-363,012	698,706	2,487,818
Income Taxes	-	202,001	753,048
Net Profit	-363,012	496,705	1,734,770

(c) Company Group to which the MIAMC is affiliated

Not applicable

(d) Asset Portfolio under Management

Currently, MIAMC is entrusted by Macquarie Central Office CR REIT only.

(e) Performance History

Currently, MIAMC is entrusted by Macquarie Central Office CR REIT only.

(f) Qualified Asset Managers (as of 30 Jun 2004)

<b>Name</b>	<b>Title</b>	<b>Education and Qualification</b>	<b>Experience</b>
<i>Graham Sugden</i>	<i>CEO and Representative Director</i>	<ul style="list-style-type: none"> <li>• MA in Land Economics (University of Cambridge, England)</li> <li>• Royal Institution of Chartered Surveyors</li> <li>• Member of the Australian Property Institute</li> </ul>	CB Richard Ellis of Australia Legal & General Life of Australia Macquarie in Sydney (Head of Special Project Group within LPT Management Team) Macquarie International Limited, Seoul Branch, etc.
<i>Richard Han</i>	<i>Director of Operations</i>	<ul style="list-style-type: none"> <li>• BA from Yonsei University</li> <li>• MBA from University of Illinois</li> </ul>	Deloitte, New York Good Morning Securities IMM Investment Management Co. Macquarie Korea Co, Ltd Macquarie International Limited, Seoul Branch, etc.
<i>Michael Moon</i>	<i>Vice President, Transaction Management</i>	BA at Northwestern State University of Louisiana.	Daewoo E&C Real Estate Investment Division Daewoo E&C Sydney Branch Macquarie International Limited, Seoul Branch, etc.
<i>Tae Kim</i>	<i>Vice President, Transaction Management</i>	<ul style="list-style-type: none"> <li>• BA from The University of Chicago</li> <li>• JD from The University of Texas School of Law</li> </ul>	Chase Securities Chase Bank Seoul Branch Macquarie International Limited, Seoul Branch, etc.
<i>SangHo Lee</i>	<i>Manager, Asset Management</i>	<ul style="list-style-type: none"> <li>• BA from The Hong Ik University</li> <li>• US. Certified Public Accountant</li> </ul>	KORAMCO Co., Ltd Daewoo E&C Real Estate Investment Division, etc.
<i>Josh Kim</i>	<i>Manager, Operations</i>	<ul style="list-style-type: none"> <li>• BA from Seoul National University</li> <li>• CPA and Certified Property Manager</li> </ul>	Samil Accounting Corporation (PwC) FAS Star Property Management, etc.

(g) Indemnification

Not applicable

(h) Other Necessary Information

Not applicable

(2) Underwriting Agreement

A. Overview of Underwriting Agreement

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

B. Underwriter

<Daewoo Securities>

(a) Overview

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

(As of March 2003)			
Shareholders	No. of Shares	%	Note
Korea Development Bank	74,309,252	38.44%	
Commercial Banks	21,680,000	11.21%	
Foreigners	6,944,792	3.59%	
Employees	2,712,203	1.40%	
Others	87,687,536	45.36%	
Total	193,333,783	100.00%	

(b) Branches

(Unit: branches)				
	Branch	Sales Office	Other Office	Total
Domestic	119	1	-	120
Foreign	-	-	Local Corporation 3 Office 1 Investment Advisor 1. Bank 1	6
Total	119	1	6	126

(c) Key Performance

① Beneficiary Certificate

(Unit: 100 Million)					
	31 Dec 1998	31 Dec 1999	31 Dec 2000	31 Dec 2001	31 Dec 2002
Balance	168,296	97,668	78,535	49,844	45,775

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

② Commitment Underwriting and Share Sales

(Unit: KRW million)		
	1 Apr 2002 ~ 31 Mar 2003	
	Advisory & Underwriting	Fee
IPO	597,265	13,531

③ Corporate Bond

(Unit: KRW million)			
	1 Jan 2002 ~ 31 Dec 2002		
	Lead Manager	Underwriting	Fee
Corporate Bond	1,549,506	2,082,500	3,560

④ REITs

(Unit: KRW million)	
	<b>Real Estate Investment Company Shares</b>
KOCREF II CR-REIT	7,600
Ures Meritz I CR-REIT	5,000
KOCREF III CR-REIT	5,750

<Samsung Securities>

(a) Overview

- ① Name: Samsung Securities Co., Ltd.
- ② Address: #6, Jongno 2-Ga, Jongno-ku, Seoul, Korea (Head Office)
- ③ Major Shareholders

(As of July 2003)			
Shareholders	No. of Shares	Percentage	Note
Samsung Life	7,603,659	11.38%	
Samsung Fire	5,163,442	7.73%	
Samsung Card	2,386,898	3.57%	
Samsung Capital	756,296	1.13%	
Samsung Culture	192,641	0.29%	
Samsung Corp.	180,172	0.27%	
Kun-Hee Lee	67,347	0.10%	
Young-Kee Hwang	26,462	0.04%	
Yong-Eum Ban	9,394	0.01%	
<b>Total</b>	<b>16,386,311</b>	<b>24.52%</b>	

(b) Branches

(Unit: branches)				
	Branch	Sales Office	Local Corp.	Other Office
Domestic	114	2	-	-
Oversea	-	-	3	2
Total	114	2	3	2

(c) Key Performance

① Beneficiary Certificate

(Unit: 100 Million)					
	31 Dec 1998	31 Dec 1999	31 Dec 2000	31 Dec 2001	31 Dec 2002
Balance	182,170	155,768	187,489	191,372	246,172

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

② Commitment Underwriting and Share Sales

(Unit: KRW million)			
	1 Apr 2002 ~ 31 Mar 2003		
	Advisory	Underwriting	Fee
IPO	701,918	499,278	7,433
Share Sales	5,200	5,200	50

③ Corporate Bond

(Unit: KRW million)			
	1 Apr 2002 ~ 31 Mar 2003		
	Lead Manager	Underwriting	Fee
Corporate Bond	9,164,132	7,483,097	8,412

<SK Securities>

(a) Overview

- ① Name : SK Securities Co., Ltd.
- ② Address: #23-10, Yeouido-Dong, Youngdungpo-ku, Seoul, Korea (Head Office)
- ③ Major Shareholders

(As of Sep 2003)			
<b>Shareholders</b>	<b>No. of Shares</b>	<b>Percentage</b>	<b>Note</b>
SK Engineering & Construction	46,378,750	14.31%	
SK Networks	46,306,000	14.29%	
SKC Corp.	39,733,451	12.26%	
Walkerhill Corp.	20,450,188	6.31%	
SK Securities	8,084,013	2.49%	
SK Capital	3,608,856	1.11%	
Employee Stock Ownership Fund	1,804,689	0.56%	
Jae-Won Choi	88,481	0.03%	
<b>Total</b>	<b>166,454,428</b>	<b>51.37%</b>	

(b) Branches

(Unit: branches)				
	<b>Branch</b>	<b>Sales Office</b>	<b>Other Office</b>	<b>Other</b>
Domestic	53	-	-	-
Foreign	-	-	-	-
Total	53	-	-	-

(c) Key Performance

① Beneficiary Certificate

(Unit: 100 Million)					
	<b>31 Dec 1999</b>	<b>31 Dec 2000</b>	<b>31 Dec 2001</b>	<b>31 Dec 2002</b>	<b>30 Jun 2003</b>
Balance	16,423	34,078	25,381	24,710	19,731

<Note>

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

② Commitment Underwriting and Share Sales

(Unit: KRW million)			
	1 Jan 2001 ~ 31 Jul 2003		
	Advisory	Underwriting	Fee
IPO	5,375	5,613	338
REITs	33,250	29,450	730

③ Corporate Bond

(Unit: KRW million)			
	1 Apr 2002 ~ 31 Jul 2003		
	Lead Manager	Underwriting	Fee
Corporate Bond	3,764,600	3,448,100	9,320
ABS	1,544,100	1,324,100	897

(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	27,644 KRW 100 million	10,200 Persons

### ④ Custodian Account Size

(Unit: 100 Million)

		Year		
		2000	2001	2002
Custody	Size	169,532	164,067	209,300

## 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 Administration Account Size

(Unit: 100 Million)

		Year		
		2000	2001	2002
Administration	Size	4,583	14,415	20,700

(5) Other Business Entrustment Agent

Not applicable

(6) Service Fee Summary

(Unit: KRW)

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

<b>Classification</b>	<b>Servicer</b>	<b>Fee</b>	<b>Payment</b>	<b>Notes</b>
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 acquires a real estate property, it is exempt from registration tax levied on the registration of ownership transfer on the basis of provisions in Article 119, Paragraph 6 of the Restriction of Preferential Taxation Act, and is also exempt from acquisition tax on the basis of provisions in Article 120, Paragraph 4 of the same law. In addition, special tax for rural development is not levied on the exempt registration and acquisition taxes on the basis of provisions in Article 4, Paragraph 12 of the Special Tax for Rural Development Act and Article 4, Paragraph 6, Subparagraph 1 of the Enforcement Decree of the same Act. 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.

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, and is also required to deduct the accumulated profit reserve from the amount calculated above by the provisions in Article 458 of the Commercial Act (The amount after these calculations is called "distributable income"). 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 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 (profit reserve excluded), income tax is levied on the amount of profit reserve only.

D. Taxation on the possession of properties

(a) Aggregate Land Tax

As the lands owned by a CR REIT company are subject to separate taxation on the basis of Article 194-15, Paragraph 4, Subparagraph 4 and Article 23 of the Enforcement Decree on Local Tax Act, 3/1000 tax rate is applied for the calculation of aggregate land tax.

(b) Property Tax

A CR REIT company is required to pay property tax on the buildings 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 aggregate land tax and 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 aggregate land tax or property tax as provided in Article 260-3, Paragraph 1, Subparagraph 4 and 7 of the Local Tax Act.

(d) Urban Planning Tax

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

(e) Community Facility Tax

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

(2) Taxation implications for domestic shareholders

A. Dividend income

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

When residents receive dividend income from their investment in the shares of CRREIT companies listed and traded on either the KSE or KOSDAQ markets through “long-term securities savings products”, they are exempt from the dividend income tax on the basis of provisions in Article 87-3, Paragraph 2 of the Restriction of Preferential Taxation Act. No special tax for rural development is levied on the exempt dividend income tax on the basis of Article 4, Paragraph 4 of the Special Tax for Rural Development Act.

B. Capital gains

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

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

(3) Taxation on other related companies or subsidiaries

Not applicable

(4) Others

A Real Estate Investment Company for Corporate Restructuring (CR REIT

company) is required by Article 13 Paragraph 1 Subparagraph 2 of the Urban Railroad Act and Article 12 Paragraph 1 of the Enforcement Decree of the same Act to purchase urban railroad bonds, as part of corporate registration, in the amount equivalent to 1/1,000 of the value of capital.

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

A CR REIT company, in accordance with Article 244 of the Local Tax Act, is not considered a business with a business site located within a city and/or county, and therefore is not required to report and/or pay Property Parity Business Site Tax as stipulated by Article 250 Paragraph 3 of the same Act.

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

### 3. Matters on Court Jurisdiction

In the event a dispute arises concerning the operation of the Company, the court of jurisdiction shall be the Seoul District Court, which has jurisdiction over the district where MI AMC is located.

#### **Seoul District Court**

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

### 4. Indemnification

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

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

## 5. Conflict of Interest

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

## 6. Duration and Dissolution of Company as per the AOI

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

## 7. Methods of Cashing Funds invested by shareholders

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

## 8. Other Matters Concerning Public Notice

### A. Investment Report, etc.

Quarterly financial statements and investment reports incorporating items relevant

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

#### B. Articles of Incorporation

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

#### C. Contract

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

#### D. Net asset value per share

##### a) Valuation period

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

##### b) Timing of the notice

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

##### c) Method of disclosure

In the office and websites of the MIAMC and general administrative service provider.

##### d) Place of disclosure:

Headquarters and Website of Macquarie International Asset Management

Company Ltd. ([www.macquarie.co.kr/property](http://www.macquarie.co.kr/property))

Headquarters and Website of Woori Bank ([www.woorisamu.com](http://www.woorisamu.com))

E. Other books/documents

Other books and documents of the Company will be kept by MIAMC, 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	FY 1
[Current Assets]	7,217
• Quick Assets	7,217
• Inventories	
[Non-current Assets]	160,658
• Investments	63
• Property, Plant, & Equipment	160,595
• Intangible Assets	-
• Deferred Assets	-
Total Asset	167,875
[Current Liabilities]	921
[Long-term Liabilities]	87,558
Total Liabilities	88,479
[Stockholder's Equity]	76,303
Retained Earnings	-
• Legal Reserve	-
• Revaluation Reserve	4,042
[Retained Earnings-Prior years]	-
[Capital Adjustments]	-949
Total Shareholders'	79,396
Revenue	10,092
Operating Income	6,430
Net Income	4,042

## Section 2. Notes in Using Financial Statements

### 1. Principles of Financial Statements

- (1) The Company maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea.
- (2) The Company have 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. Large-scale Asset Swap Transactions of this Fiscal Year

Not applicable

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

Not applicable

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

Not applicable

6. 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

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

Not applicable

## Section 4. Financial Statements

### 1. Balance Sheets (as of 30 June 2004)

#### BALANCE SHEET

As of 30 JUNE, 2004

		<u>Amount</u>
<u>ASSETS</u>		(In thousands)
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 3)	₩	5,673,480
Short-term financial instruments (Note 3)		1,363,994
Accounts receivable		119,311
Accrued income		30,451
Prepaid expenses (Note 11)		<u>30,173</u>
		<u>7,217,409</u>
<b>NON-CURRENT ASSETS:</b>		
Investment assets:		
Long-term financial instruments (Note 3)		<u>62,500</u>
Tangible assets (Notes 4, 5 and 6):		
Land		102,397,913
Building		57,640,829
Machinery		42,000
Construction in progress		1,189,230
Less: Accumulated depreciation		<u>(674,576)</u>
		<u>160,595,396</u>
<b>TOTAL ASSETS</b>	<b>₩</b>	<b><u>167,875,305</u></b>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable (Note 12)	₩	68,779
Accrued expenses (Note 11)		246,394
Income tax payable (Note 10)		202,062
Advanced receipts		85,564
VAT payables		291,244
Withholdings		<u>27,061</u>
		<u>921,104</u>

NON-CURRENT LIABILITIES:

Long-term borrowings (Notes 6, 7 and 11)	75,244,000
Lease key money deposits (Note 6)	12,305,057
Deferred income tax liabilities (Note 10)	<u>9,047</u>
	<u>87,558,104</u>
TOTAL LIABILITIES	<u>88,479,208</u>

SHAREHOLDERS' EQUITY

Common stock (Note 8)	76,303,000
Retained earnings	
(Net income of ₩4,042,491 thousand from December	
12, 2003 (inception) to June 30, 2004)	4,042,491
Capital adjustments (Note 8)	<u>(949,394)</u>
Total shareholders' equity	<u>79,396,097</u>

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>₩ 167,875,305</u>
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2. Income Statements (FOR THE PERIOD FROM DECEMBER 12, 2003 (INCEPTION) TO JUNE 30, 2004)

1st Financial Year	<u>Amount</u>
	(In thousands, except per share amounts)
<b>OPERATING REVENUE:</b>	
Rental income	₩ 6,503,819
CAM	2,696,155
Parking income	777,477
Tenant reimbursement	79,374
Other rental income	<u>35,048</u>
	<u>10,091,873</u>
<b>OPERATING EXPENSES:</b>	
Real estate expenses:	
Property management fees (Note 11)	195,402
Facility management fees (Note 11)	859,098
Utilities	543,520
Maintenance and repairment	312,389
Local taxes and dues	<u>210,877</u>
	<u>2,121,286</u>
Fund operating expenses:	
Remuneration to officers	2,000
Depreciation	674,576
Insurance premium (Note 10)	32,932
National taxes and dues	401,045
Fund administration fees	42,074
Professional fees	313,145
Asset custodian fees	27,888
Business trustee fees	<u>46,479</u>
	<u>1,540,139</u>
	<u>3,661,425</u>
<b>OPERATING INCOME</b>	<b>6,430,448</b>
<b>NON-OPERATING INCOME:</b>	

Interest income	160,247
Compensation for damage	36,845
Other income	<u>8,062</u>
	<u>205,154</u>
NON-OPERATING EXPENSES:	
Interest expense (Note 10)	<u>2,362,533</u>
	<u>2,362,533</u>
EXTRAORDINARY ITEMS	-
INCOME BEFORE INCOME TAX	4,273,069
INCOME TAX EXPENSE (Note 9)	<u>230,578</u>
NET INCOME	<u>₩ 4,042,491</u>
ORDINARY INCOME PER SHARE (Note 2)	<u>₩ 265(won)</u>
NET INCOME PER SHARE (Note 2)	<u>₩ 265(won)</u>

3. Statement of Appropriation of Retained Earnings (FOR THE PERIOD FROM DECEMBER 12, 2003 (INCEPTION) TO JUNE 30, 2004)

	<u>Amount</u>
	(In thousands)
RETAINED EARNINGS BEFORE APPROPRIATIONS :	
Net income	<u>₩ 4,042,491</u>
APPROPRIATIONS :	
Amortization of Capital adjustments	189,879
Legal reserve	350,237

Dividends (Note 9)	<u>3,502,375</u>
	<u>4,042,491</u>

UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED  
FORWARD TO SUBSEQUENT YEAR

₩ -

#### 4. Statement of Cash Flow (From 12 Dec 2003(Inception) To 30 Jun 2004)

	<u>Amount</u>
	(In thousands)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net income	₩ <u>4,042,491</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	674,576
Increase in accounts receivable	(119,311)
Increase in accrued income	(30,451)
Increase in prepaid expenses	(30,173)
Increase in accounts payable	68,779
Increase in accrued expenses	246,394
Increase in advanced receipts	85,564
Increase in withholdings	27,061
Increase in VAT payables	291,244
Increase in income tax payable	202,062
Increase in deferred income tax liabilities	9,047
Increase in lease key money deposits	<u>41,897</u>
	<u>1,466,689</u>
	<u>5,509,180</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash inflows from investing activities:	-
Cash outflows for investing activities:	
Acquisition of short-term financial instruments	(1,363,994)
Acquisition of long-term financial instruments	(62,500)
Acquisition of tangible assets	<u>(73,762,812)</u>
	<u>(75,189,306)</u>
	<u>(75,189,306)</u>

## CASH FLOWS FROM FINANCING ACTIVITIES

Cash inflows from financing activities:	
Proceeds from short-term borrowings	1,700,000
Issuance of common stock	<u>75,353,607</u>
	<u>77,053,607</u>
Cash outflows from financing activities:	
Repayment of short-term borrowings	<u>(1,700,000)</u>
	<u>75,353,607</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,673,480
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>₩ 5,673,480</u>

## 5. Notes to Current Fiscal Year's Financial Statements

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

#### 1. GENERAL

Macquarie Central Office Corporate Restructuring Real Estate Investment Trust (the "Company") was incorporated on December 12, 2003 and was issued license on December 24, 2003 under Real Estate Investment Company Act (the "Act") of the Republic of Korea as a special purpose company. The Company's stock was listed on the Korea Stock Exchange on January 8, 2004. The Company is mainly engaged in distributing to the shareholders the income earned from acquisition, development, management, renewal and disposition of real estate and rent.

The head office of the Company is located in Sokong-dong Chung-gu Seoul. Macquarie Bank Limited, as the largest shareholder of the Company, owned 2,742 thousand shares (17.97% of the total shares as of June 30, 2004). The total shareholders' equity is ₩76,303 million as of June 30, 2004.

The Company will operate for five years from December 12, 2003 (inception). The fiscal periods of the Company are from January 1 and July 1 to June 30 and December 31, respectively, and the first fiscal period started from December 12, 2003 (inception).

In common with other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices including corporate governance. The Company may be either directly or indirectly affected by these economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results of operations of the Company. Actual results may differ materially from management's current assessment.

## 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.

### Tangible Assets

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 tangible assets.

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

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

### Income Tax Expense and Deferred Income Taxes

Income tax expense is the amount currently payable for the period added to or deducted from the changes in deferred income taxes. The difference between the amount currently payable for the period and income tax expense is accounted for as deferred income tax assets or liabilities and offset against income tax assets and liabilities in future periods.

### Ordinary Income per Share and Earnings per Share

Ordinary income per share and earnings per share are computed by dividing ordinary income (after deduction for tax effect) and net income, respectively, by the weighted average number of shares outstanding (15,260,600 shares) during the period from December 12, 2003 (inception) to June 30, 2004.

## 3. CASH AND CASH EQUIVALENTS AND FINANCIAL INSTRUMENTS

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

	<u>Bank</u>	<u>Annual Interest Rate (%)</u>	<u>Amount (In thousands)</u>
Cash and cash equivalents:			
MMDA	Woori Bank	0.0 ~ 3.1	₩ 3,173,480
Time deposits	Kookmin Bank	3.5	<u>2,500,000</u>
			<u>₩ 5,673,480</u>

Short-term financial instruments

MMDA	Woori Bank	1.0 ~ 3.1	<u>₩ 1,363,994</u>
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Long-term financial instruments

Time deposits	Woori Bank	4.2	<u>₩ 62,500</u>
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The Company made deposits with Woori Bank amounting to ₩1,362,500 thousand as collateral for lease key money deposits and ₩41,897 thousand as restriction by covenant in credit facility agreement.

#### 4. TANGIBLE ASSETS

The changes in tangible assets for the period from December 12, 2003 (inception) to June 30, 2004 are as follows (In thousands):

	<u>Beginning of period</u>	<u>Acquisition</u>	<u>Depreciation</u>	<u>End of period</u>
Land	₩ -	₩ 102,397,913	₩ -	₩ 102,397,913
Building	-	57,640,829	(672,476)	56,968,353
Machinery	-	42,000	(2,100)	39,900
Construction in progress	-	1,189,230	-	1,189,230
	<u>₩ -</u>	<u>₩ 161,269,972</u>	<u>₩ (674,576)</u>	<u>₩ 160,595,396</u>

As of June 30, 2004, the published tax assessment value of the Company-owned land (7,942.5 square meters) totals ₩62,984,025 thousand in terms of land tax assessment price officially announced by the Korean government.

#### 5. INSURED ASSETS

As of June 30, 2004, the Company carries the following insurance policies:

<u>Type of Insurance</u>	<u>Object</u>	<u>Coverage</u>	<u>Company</u>
		(In thousands)	
Package insurance	Building & machinery	₩ 86,502,691	Samsung Fire & Marine Insurance Co., Ltd.
	General liability	US\$ 5,000,000 per each occurrence and others	Samsung Fire & Marine Insurance Co., Ltd.
Gas insurance	Facilities	₩ 300,000 per accident	Samsung Fire & Marine Insurance Co., Ltd.
	Person	₩ 60,000 per person	Samsung Fire & Marine Insurance Co., Ltd.

## 6. COLLATERALIZED ASSETS

Collateralized assets as of June 30, 2004 are as follows:

<u>Provided to</u>	<u>Collateralized assets</u>	<u>Collateralized amounts</u>	<u>Related liabilities</u>
		(In thousands)	
Samsung Life Insurance Co., Ltd.			
Samsung Fire & Marine Insurance Co., Ltd.	Land and building	₩ 97,817,200	Long-term borrowings
LG Insurance Co., Ltd.			
Korea Life Insurance Co., Ltd.			
Dongbu Insurance Co., Ltd.	Building	121,875	Lease key money deposits
Korea Life Insurance Association	Building	415,545	Lease key money deposits
Dong Ah Construction Industrial Co., Ltd.	Building	632,385	Lease key money deposits
Shinhan Life Insurance Co., Ltd.	Building	245,000	Lease key money deposits
OTIS LG Elevator	Building	<u>100,000</u>	Lease key money deposits
		<u>₩ 99,332,005</u>	

## 7. LONG-TERM BORROWINGS

Long-term borrowings as of June 30, 2004 consist of the following:

<u>Creditor</u>	<u>Korean won</u>	<u>Annual interest rate (%)</u>	<u>Maturity</u>
	(In thousands)		
Samsung Life Insurance Co., Ltd.	₩ 45,898,840	6.03	December 26,2008
Samsung Fire & Marine Insurance Co., Ltd.	12,791,480	6.03	December 26,2008
LG Insurance Co., Ltd.	10,534,160	6.03	December 26,2008
Korea Life Insurance Co., Ltd.	<u>6,019,520</u>	6.03	December 26,2008
	<u>₩ 75,244,000</u>		

## 8. SHAREHOLDERS' EQUITY

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, 2004.

The amount of discount on stock issuance of ₩949,394 thousand as of June 30, 2004 is amortized over a period of no more than 3 years in equal amounts beginning in the year of issuance of the stock. The amount of amortization decreases the retained earnings of the Company through appropriation from FY1 to FY5.

9. DIVIDENDS

(1). Cash dividends declared from the inception date December 12, 2003 to June 30, 2004 are as follow (in Korean won) :

	<u>Amount</u>
Issued and outstanding shares	15,260,600 shares
Par value	₩ 5,000
Dividend rate	<u>4.59%</u>
Dividends	<u>₩ 3,502,374,405</u>

(2). Pay-out-ratio from the inception date December 12, 2003 to June 30, 2004 is as follow (in Korean won) :

	<u>Amount</u>
Dividends	₩ 3,502,374,405
Net income	4,042,490,543
Pay out ratio	86.64%

10. INCOME TAX EXPENSE

Income tax expense consists of the followings:

	<u>Amount</u>
	(In thousands)
Income tax currently payable	₩ 221,531
Change in deferred income tax liabilities	<u>9,047</u>
Income tax expense	<u>₩ 230,578</u>

Changes in cumulative temporary differences are as follows (In thousands):

<u>Account</u>	<u>The inception</u> <u>date</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2003</u>
Accrued income	<u>₩ -</u>	<u>₩ (30,461)</u>	<u>₩ -</u>	₩ (30,461)
Total				
Income tax rate				<u>29.7%</u>
Income tax effect				<u>(9,047)</u>
Deferred income tax liabilities				<u>₩ (9,047)</u>

The income tax rate applicable to the Company is 29.7% (resident tax included). 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 of income tax expense to income before income tax is 5.4%.

#### 11. RELATED PARTY TRANSACTIONS

The significant transactions with related parties during the period from December 12, 2003 (inception) to June 30, 2004 and the related account balances as of June 30, 2004 are summarized below.

	<u>Amount</u> <u>(In thousands)</u>
<b>Samsung Life Insurance Co., Ltd.:</b>	
Interest expense	₩ 1,441,145
Accrued expenses	37,914
Long-term borrowings	45,898,840
<b>Samsung Fire &amp; Marine Insurance Co., Ltd.:</b>	
Interest expense	401,630
Insurance premium	32,932
Prepaid expenses	30,173
Accrued expenses	10,566
Long-term borrowings	12,791,480
<b>LG Insurance Co., Ltd.:</b>	

Interest expense	330,755
Accrued expenses	8,701
Long-term borrowings	10,534,160

12. COMMITMENTS

As of June 30 2004, the principal commitments of the Company are as follows:

(1) Asset Management Contract

The Company entered into a contract with Macquarie International Asset Management Company (“AMC”) in relation to investment trust business of acquisitions, managements, disposal, developments, rent of real estate and trading of securities. According to this contract, the Company shall pay the basic fee to AMC which shall be calculated by applying such a rate as agreed between the Company and AMC to the ordinary income that does not include the basic compensation payable to AMC and shall be payable by the Company to AMC on a semi-annual basis as servicing fee. 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 lees 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 of changes of shareholders, issuance of stock and general administration of the Company. According to

the contract, the Company shall pay quarterly commission of 0.05% pa of total assets.

(3) Asset Custodian Contract

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

(4) Property Management Contract, etc.

The Company entered into a contract with SAMS regarding property management and facility maintenance for the Kukdong building.

## 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

## **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**

Anjin Deloitte LLC (Seoul, Korea)

#### **2. Summary of Current Annual Audit Report**

We conducted our audit in accordance with audit standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain moderate assurance as to 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 statement. 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 audit provides a reasonable basis for our opinion.

#### **3. Audit Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2004 and the results of its operations, changes in its retained earnings and its cash flows for the period from December 12, 2003 (inception) to June 30, 2004, in conformity with financial accounting standards generally accepted in the Republic of Korea.

#### **4. Special Notes**

As explained in Note 11 to the financial statements, the Company paid interest expenses and insurance premium amounting to ₩2,713,530 thousand and ₩32,932 thousand, respectively, for the period from December 12, 2003 (inception) to June 30, 2004, to Samsung Life Insurance Co., Ltd. and other related parties. As of June 30, 2004, the Company had outstanding long-term borrowings, accrued expenses and prepaid expenses to related parties amounting to ₩ 69,224,480 thousand, ₩57,181 thousand and ₩ 30,173 thousand, respectively.

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

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

### 1. Audit Service Agreement

(Unit: Million KRW)

Fiscal Year	Auditor	Service	Remuneration	Time
1 <sup>st</sup> FY	Anjin Deloitte	Quarterly Review and Year-end Audit	18	-

### 2. Service Agreement Other Than Audit Service with Independent Auditor

Not applicable

### 3. Others

Not applicable

## V. Corporate Governance and Related Companies

### Section 1. Overview of Corporate Governance Structure

#### 1. Board of Directors

##### (1) Structure of the Board of Directors

##### A. Resolutions from the Board of Directors

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

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

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

C. Outside Director Candidate Recommendation Committee

Not applicable

D. Outside Directors

Not applicable

E. Indemnification Insurance Policy for the Board of Directors

Not applicable

(2) Operation of the Board of Directors

A. Operational Regulations

- The meetings of the board of directors shall be convened by the representative director. The date, time and place of the meeting is determined by the representative director.
- 1week 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

	<b>Date of Meeting</b>	<b>Agenda</b>	<b>Passed/ Failed</b>	<b>Notes</b>
The 1 <sup>st</sup> 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 <sup>st</sup> Meeting in Yr 2004	12 February 2004	1.Approval of Financial Statements, Investment Reports and Quarterly Reports as of 31 Dec 2003 2. Closing Date of shareholders list for an extraordinary shareholders' meeting due to replacement of directors 3.Rental Price Guideline for tenants who hold more than 3% of shares or more 4.Report receipt on asset management, external auditor appointment, etc.	Passed	
2 <sup>nd</sup> Meeting in Yr 2004	5 March 2004	1.Convocation of extraordinary shareholders' meeting due to replacement of 4 directors	Passed	
3 <sup>rd</sup> 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	
4th Meeting in Yr 2004	16 Aug 2004	1. Approval of Quarterly Investment Report	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 Deloitte & Touche	

(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	2,000,000	1 <sup>st</sup> FY KRW 2,000,000	1 <sup>st</sup> FY KRW 2,000,000	

(3) Stock Option

Not applicable

## **Section 2. Related Companies**

### **1. Investment in Related Companies or Affiliates**

Not applicable

### **2. Performance of Related Companies or Affiliates**

Not applicable

## **Section 3. Investment in Other Corporations**

Not applicable

## VI. Shares

### Section 1. Distribution of Shares

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

(As of 30 Jun 2004)

(Unit: Share, %)

Name	Relation	Type of Stock	Number of shares (%)						Reason for Change		
			Beginning		Increase		Decrease			Ending	
			No. of Share	%	No. of Share	%	No. of Share	%		No. of Share	%
Macquarie Bank Limited	Largest Shareholder	Common	2,742,098	17.97	-	-	-	-	2,742,098	17.97	-
MIAMC	Subsidiary of Macquarie Bank	Common	456,290	2.99	-	-	-	-	456,290	2.99	-
Total		Common	3,198,388	20.96	-	-	-	-	3,198,388	20.96	-
		Preferred	-	-	-	-	-	-	-	-	-
		Total	3,198,388	20.96	-	-	-	-	3,198,388	20.96	-

Largest Shareholder: Macquarie Bank Limited

No. of Related Entity: 1

#### 2. Shareholders Holding More Than 5%

(As of 30 Jun 2004)

(Unit: Share, %)

	Name(Company Name)	Common		Preferred		Sub Total	
		No. of Shares	%	No. of Shares	%	No. of Shares	%
1	Avonla Korea I Holdings (Schroder Asian Properties Fund)	1,695,622	11	-	-	1,695,622	11
2	Samsung Life	1,520,000	10	-	-	1,520,000	10
3	Shinhan Life	979,810	6	-	-	979,810	6
4	American International Assurance	1,000,000	7	-	-	1,000,000	7

	Name(Company Name)	Common		Preferred		Sub Total	
		No. of Shares	%	No. of Shares	%	No. of Shares	%
5	Samsung Fire & Marine	760,000	5	-	-	760,000	5
6	LG Fire & Marine	600,000	4	-	-	600,000	4
Total		6,555,432	43	-	-	6,555,432	43

### 3. Shareholder Distribution

(As of 30 Jun 2004)

Category	No. of Shareholders	Ratio	No. of Shares	Ratio	Note
Government	-	0.00%	0	0.00%	
Companies under Government control	-	0.00%	0	0.00%	
Security Companies	4	0.39%	60	0.00%	
Insurance Companies	6	0.58%	5,132,810	33.63%	
Investment Trust Companies	-	0.00%	0	0.00%	
Commercial Banks	-	0.00%	0	0.00%	
Comprehensive financial companies	-	0.00%	0	0.00%	
Mutual Savings Banks	1	0.10%	110,000	0.72%	
Others	8	0.78%	1,198,078	7.85%	
Individuals	1,007	97.96%	4,381,932	28.71%	
Foreigners	2	0.20%	4,437,720	29.08%	
Total	1,028	100.00%	15,260,600	100.00%	

### 4. Minority Shareholders, Largest Shareholder, and Other Shareholders

(As of 30 June 2004)

Category	No. of Shareholders	Ratio	No. of Shares	Ratio	Note
Total of small shareholders	1,018	99.03%	4,777,490	31.31%	
Small shareholders -individual	11	1.07%	395,558	2.59%	

Category	No. of Shareholders	Ratio	No. of Shares	Ratio	Note
Small shareholders-corporate	1,007	97.96%	4,381,932	28.71%	
Largest shareholders	1	0.10%	2,742,098	17.97%	
Others in Total	9	0.88%	7,741,012	50.73%	
Others- corporate	9	0.88%	7,741,012	50.73%	
Others-individual	-	0.00%	-	0.00%	
Total	1,028	100.00%	15,260,600	100.00%	

## Section 2. Stock Administration

Pre-emptive Rights in the Articles of Incorporation	<p><b>Article 13. Pre-emptive Rights</b></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"> <li>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;</li> <li>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;</li> <li>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.</li> </ol>
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	<p>4. If the Company issues new shares to domestic or foreign financial institutions up to a maximum of 30/100 of the total number of issued and outstanding shares due to urgent need for funds; or</p> <p>5. If the Company issues new shares to any person who makes a contribution in kind.</p> <p><b>Article 14. Record Date for Calculating the Dividend Accrual Period for New Shares</b></p> <p>In the case of issuance of new shares by the Company, in calculating the dividends for new shares, the issuance of the new shares shall be regarded as having taken place at the end of the fiscal year immediately preceding the fiscal year in which the new shares were issued.</p>		
Closing Date of Fiscal Year	Jun. 30 and Dec 31 of every calendar year	Ordinary Shareholders' Meeting	Within 3 months after the Closing Date of Fiscal Year
Closing Period of Registry Book of Shareholders	From the next day of the closing date of each fiscal year To Shareholder's Meeting date of the fiscal year		
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 Prices and Transaction Record during the Recent 6 Months

#### 1. Domestic Stock Market

[Unit : KRW, Shares]

Category		Jan 2004	Feb 2004	Mar 2004	Apr 2004	May 2004	Jun 2004
Common Stock	High(Date)	5,140	5,290	5,270	5,320	5,590	5,580
	Low(Date)	5,010	5,100	5,230	5,260	5,370	5,440
Monthly Trade Volume		178,591	150,036	94,310	112,740	85,157	80,303

#### 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	Matthew Banks	4 May 1961	Macquarie Bank Ltd.	-	-	-	-
Representative Director (Non-standing)	Registered	Ji Hong Kim	8 Jun 1956	Korea Development Institution	-	-	-	-
Director (Non-standing)	Registered	Jeong Ho Kim	16 Jun 1946	Korea Development Institution	-	-	-	-
Director (Non-standing)	Registered	Jong Pil Park	6 April 1965	Samsung Life Insurance Company	-	-	-	-
Director (Non-standing)	Registered	Woonglim Choi	20 Jan 1967	Samsung Fire & Marine Insurance Company	-	-	-	-
Director (Non-standing)	Registered	Yunchong Jeong	26 Dec 1971	LG Fire & Marine Insurance Company	-	-	-	-
Statutory Auditor (Non-standing)	Registered	Dae-Sup Roh	1 Jul 1960	Ankun Accounting Corporation	-	-	-	-
Total Yearly Remunerations: KRW 2,000,000 (Statutory Auditor only)								
Yearly Average Remunerations per Person : KRW 2,000,000 (Statutory Auditor only)								

## 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

## **IV. Transaction with Specially-Related Parties**

### **Section 1. Transactions with Largest Shareholder**

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

None

#### **2. Pledge for security by Largest Shareholder**

None

#### **3. Guarantees for Largest Shareholder**

None

#### **4. Investment for Largest Shareholder**

None

#### **5. Acquisition 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

### 1. Assumption of Long-term borrowings, etc.

The transactions with important shareholders during the period from December 12, 2003 (inception) to June 30, 2004 and the related account balances as of June 30, 2004 are summarized below.

	Amount
	(In thousands)
Samsung Life Insurance Co., Ltd.:	
Interest expense	₩ 1,441,145
Accrued expenses	37,914
Long-term borrowings	45,898,840
Samsung Fire & Marine Insurance Co., Ltd.:	
Interest expense	401,630
Insurance premium	32,932
Prepaid expenses	30,173
Accrued expenses	10,566
Long-term borrowings	12,791,480
LG Insurance Co., Ltd.:	
Interest expense	330,755
Accrued expenses	8,701
Long-term borrowings	10,534,160

## IX. Other Necessary Matters

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

#### 1. Reports in accordance with the Article 6.2 of the Regulation on Disclosures of Important Management-Related Matters

Date	Contents	Disclosed to
15 Jun 2004	Suspension of title transfer for shares	KSE
7 May 2004	Half Yearly Report (as of 31 Mar 2004)	FSS, KSE
30 Mar 2004	The resolution of extraordinary shareholders' meeting (Replacement of 4 Directors)	FSS, KSE
10 Mar 2004	Convocation of extraordinary shareholders' meeting and public announcement	FSS, KSE
5 Mar 2004	BOD' s resolution about convocation of extraordinary shareholders' meeting	FSS, KSE
13 Feb 2004	Submission of the quarterly report as of 31 Dec, 2003	FSS, KSE
12 Feb 2004	Disclosure about the temporary Closing of shares registry for the extraordinary shareholders' meeting	KSE

#### 2. Any Matters Disclosed in Accordance with the Disclosure Regulations Required by KSE

##### (1) Ad-hoc Disclosure

None

##### (2) Fair Disclosure

None

##### (3) Inspection Disclosure

None

##### (4) Voluntary Disclosure

None

3. Any Matters Disclosed in Accordance with Disclosure Regulations Required by KOSDAQ

Not applicable

4. Any Matters Disclosed in accordance with the Chapter 2 of the Securities and Exchange Act (Registration of Underwriters of Securities)

Not applicable

5. Current Process of Disclosed Matters

Not applicable

**Section 2. Summary of Shareholders' Meeting Minute**

<b>Date</b>	<b>Agenda</b>	<b>Resolution</b>	<b>Note</b>
21 Sep 2004	1.Approval of FY 1 Financial Statement, Income statement and Statement of Retained Earnings. 2.Election of Director 3.Business plan approval for FY2 4. Approval of remunerations for BOD and Audit fee in FY 2		
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. Implementation of Future Plans

There are no planned projects as of the cut-off date.

#### 8. Usage of Capital Funded From IPO

	<b>Date</b>	<b>Capital</b>	<b>Plan in Prospectus</b>	<b>Actual Use</b>
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

## OFFICER'S OPINION ON MANAGEMENT OF BUSINESS

The board of directors of Macquarie Central Office CR REIT is to report the opinions of officers on management of business with regard to the financial accounts and the business matters of 1<sup>st</sup> Financial Year from 12 Dec 2003 to 30 Jun 2004.

### 1. Summary of Officer's opinion on management of business

The account books and the related documents have been inspected to understand the overall matters of management of business while having a close examination on the financial statements and the annexed detailed accounts.

The property management company has reported the necessary papers in case of need for examination of management and management of business has been examined by scrutinizing the details or taking appropriate measures on the matters that give significant influence to management activities.

### 2. Achievement in Management

The management achievement of recent business year is as follows:

#### 1<sup>st</sup> Financial Year From 12 Dec 2003 to 30 Jun 2004

Category	Amount (unit; KRW)
Revenues	10,091,873,389
Operating Expenses	3,661,425,634
Operating Income	6,430,447,755
Non-operating income	205,154,374
Non-operating expenses	2,362,532,914
Income before income tax	4,273,069,215
Income tax expense	230,578,672
Net income	4,042,490,543

### 3. Financial Overview

The financial status of the company is as follows:

#### 1<sup>st</sup> Financial Year as of 30 June 2004

<b>Category</b>	<b>Amount (Unit; KRW)</b>
Total Assets	167,875,305,548
Total Liabilities	88,479,208,491
Total Shareholders' s equity	79,396,097,057
(Common Stock)	76,303,000,000

### 4. Financing

The Company is a Corporate Restructuring Real Estate Investment Trust (CR-REIT) Company focused on corporate restructuring of companies and the total capital of 763.03 hundred million Krw was raised from shareholders. There is no plan for issuing new shares for company capital approved by BOD as of the date of Officers' report issued.

The company holds 57 hundred million Krw of cash and cash equivalents, 14 hundred million Krw of short-term financial instrument, and 600 million Krw of long-term financial instrument. The most of the funds are raised by operating income and lease security deposits and the company is intended to pay all its distributable income as dividend in cash after deducting reserve for profits in current term net income and the amortization of stock issuance costs.

Additionally the company has 752.44 hundred million of long term borrowings and there is no plan for further borrowings in order to finance investment funds of the company at this stage.

### 5. Others

No particular matter found

Dated : on 2 Sep 2004

Macquarie Central Office CR REIT

Representative Director, Matthew Banks, Ji Hong Kim