

English Translation of a Report Originally Issued in Korean

Investment Report

As of 30 June 2004

Macquarie Central Office CR REIT

23 Sep 2004

TO : Minister of Construction and Transportation / Financial Supervisory Commission

We submit the attached investment report as per the Article 37 of Real Estate Investment Company Act and the Article 29 of the Enforcement Decree, etc.

Company Name: Macquarie Central Office CR REIT
Representative Director: Matthew Banks, Ji Hong Kim
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Prepared by: Woori Bank Business Trust Department, the Business Trustee of
MCO CR REIT
(Tel.) 822-2130-5651

Section 1. General condition of the company

I . Overview of the company

1) Company Name : Macquarie Central Office Corporate Restructuring Real Estate Investment Company

2) Incorporation Date : 12 December, 2003

3) Address : Hanwha Building, 110 Sokong-Dong, Chung-Ku, Seoul

4) The purposes of the Company :

The purposes of the Company is to invest and manage its assets by any of the following means and distribute the proceeds from the investments to shareholders in accordance with the Real Estate Investment Company Act (the "Act"):

1. acquisition, management, improvement and disposition of real estate;
2. development of real estate;
3. lease of real estate;
4. sale and purchase of securities;
5. deposit of funds with financial institutions; or
6. acquisition, management and disposition of rights related to the use of real estate, including the right of superficies and leasehold rights.

5) Size of Asset and Equity :

As of 30 June, 2004

Total Asset : 167,875 (Million KRW)

Paid Equity : 76,303 (Million KRW)

6) Listing: Listed to KSE as of 8 Jan, 2004 (Standard Code : KR7076850007)

7) Duration and Dissolution of Company as per AOI

1. Duration : 5th anniversary of incorporation date

2. Events causing Dissolution :

- a) Expiration of corporate life of the Company;
- b) With a resolution of the General Shareholders' Meeting;
- c) Merger;
- d) Bankruptcy;
- e) Court order or judgment of dissolution; or
- f) Notice of revocation of approval of incorporation under Article 42 of the Act.

2. History of Company

1) History of Company

A. Incorporation and change thereafter

- | | |
|--------------------------|--|
| ①. 30 Sep 2003 | Promoters Meeting |
| ②. 10 Nov 2003 | Pre-approval from MOCT |
| ③. 2 Dec 2003~3 Dec 2003 | IPO (KRW 35,151,500,000) |
| ④. 12 Dec 2003 | Inaugural Meeting and Incorporation |
| ⑤. 12 Dec 2003 | Asset Management Agreement (Macquarie International Asset Management Company Ltd.) |
| ⑥. 12 Dec 2003 | Custodian Agreement (Woori Bank) |
| ⑦. 12 Dec 2003 | Business Trustee Agreement (Woori Bank) |
| ⑧. 12 Dec 2003 | Incorporation (Paid-in Capital: KRW 76,303,000,000) |
| ⑨. 23 Dec 2003 | Final-Approval from MOCT |
| ⑩. 8 Jan 2004 | Listed to KSE |

B. Change of Company name : N/A

C. M&A : N/A

D. Major matters occurred related to management : N/A

2) Conglomerate by which the company is controlled

A. Introduction of Conglomerate : N/A

B. List of companies in the Conglomerate : N/A

C. Regulations specified in related laws. : N/A

3. Paid-in Capital

1) Change in Share Capital

(Unit :KRW)

Date	Cause	Increase / Decrease				Share Capital thereafter	Allocation of new shares	Ratio (%)
		Kind	Shares	Par Value per share	Subscription Price per share			
1 Dec 2003	Incorporation	Ordinary	7,774,010	5,000	5,000	38,870,050,000	Promoters	50.94
1 Dec 2003	Incorporation	Ordinary	456,290	5,000	5,000	2,281,450,000	Private	2.99
9 Dec 2003	Incorporation	Ordinary	7,030,300	5,000	5,000	35,151,500,000	Public Offering	46.07
Sub total			15,260,600	5,000	5,000	76,303,000,000		100.00

2) Change in Paid-in Capital

not applicable

3) Payment in kind

not applicable

4. Shares

1) Total shares

【as of 30 June 2004】

Shares to be issued	Shares issued	Remaining unissued
61,042,400	15,260,600	45,781,800

2) Shares issued

[Par value : KRW 5,000]

【as of 30 June 2004】

Type of Shares	Number of Shares	Share Capital (KRW)	Comments
Ordinary	15,260,600	76,303,000,000	
Sub total	15,260,600	76,303,000,000	

3) Treasury Stock Acquisition

not applicable

4) Stock Option

not applicable

5. Shares with voting rights

(Unit: Shares)

Category	Shares	
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]	
※ Participants to shareholders meeting (rate: %):	shares	

6. Dividend

1) Dividend Payment Method

The Company plans to pay, in principle, 100% of the distributable income of each accounting period as dividend in cash. Actual dividend amount will be decided by the resolution of the general meeting of shareholders pursuant to the Commercial Act. As a CR-REIT company, MCO CR-REIT is required to set aside 10% or more of the declared cash dividends for each fiscal year, 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 liquidation dividend.

Dividend for the invested money will be paid every six months at time of closing of the accounting periods in accordance with the policy mentioned above and accumulated profit reserve and accumulated depreciation allowance will also be paid at liquidation.

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 is planned to start on the day when the Company's incorporation is registered and end on the immediately following June 30.

Dividend is paid to the shareholders of the Company who are legally registered in the shareholders registry as of the end of each accounting period. MCO CR-REIT plans to pay dividend within one month from the date of approval by the general meeting of shareholders.

2) Dividend Payment for the recent 5 fiscal years

[Par Value: 5,000 Krw]

(unit: won)

Category	1 st Financial Year From 12 Dec 2003 to 30 Jun 2004
Net Income	4,042,490,543
Earning per share	264.90
Distributable Income	3,502,374,406
Dividend in total	3,502,374,406
Payout Ratio	86.64
Dividend Rate	4.59

- Distributable Income : Net Income - Reserve for profits - carry forwarded loss -amortization of stock issuance costs
- Payout Raio : Total Dividend / Net Income
- Dividend Rate : Dividend per share / Subscription Price

Section 2. Asset composition and details of changes

I . Total Asset Composition

1. Real Estate Investment Company

not applicable

2. Corporate Restructuring Real Estate Investment Trust Company (CR-REIT)

1) Total Asset Composition (all assets included)

A. Composition of Book Value

(Unit: KRW million, %)

Items		Preceding Quarter		Current Quarter		% of Total Asset	
		Total Amount	%	Total Amount	%		
Corporate Restructuring Real Estate	Land and Fixtures	159,698	96.13	160,595	95.66	95.66	95.66
	Property Use Rights including the right of superficies, the right of leases	-	-	-	-	-	
	Real Estate Development Projects	-	-	-	-	-	
Other Real Estate	Land and Fixtures	-	-	-	-	-	
	Property Use Rights including the right of superficies, the right of leases	-	-	-	-	-	
	Real Estate Development Projects	-	-	-	-	-	
Real Estate Related Securities			-	-	-	-	
Marketable Securities			-	-	-	-	
Deposits at Financial Institutions		6,243	3.76	7,130	4.25	4.25	
Other Assets		191	0.11	149	0.09	0.09	
Total Asset	Stock Owner's Equity	77,165	46.45	79,396	47.29	47.29	100%
	Liabilities	88,968	53.55	88,479	52.71	52.71	

※ 1. Corporate Restructuring Real Estate means real estates referred to in the provisions of the Article 49-2.(1).1 of Real Estate Investment Company Act.

2. The value of each asset shall be calculated in accordance with provisions of the Article 19 of Enforcement Decree of Real Estate Investment Company Act.

3. Total asset in terms of which the percentage of asset value is calculated include all assets such as paid-in capital and subscription capital at the time of incorporation within the preceding two years.
4. Property use rights including the right of superficies, the right of leases shall be included in real estate.

B. Composition of Asset (Amount of Real Estate is presented the addition of book value and cumulative depreciation balance)

(Unit: KRW million, %)

Items		Preceding Quarter		Current Quarter		% of Total Asset		
		Total Amount	%	Total Amount	%			
Corporate Restructuring Real Estate	Land and Fixtures	160,083	96.14	161,270	95.68	95.68		
	Property Use Rights including the right of superficies, the right of leases							
	Real Estate Development Projects							
Other Real Estate	Land and Fixtures							
	Property Use Rights including the right of superficies, the right of leases							
	Real Estate Development Projects							
Real Estate Related Securities								
Marketable Securities								
Deposits at Financial Institutions		6,244	3.75	7,130	4.23	4.23		
Other Assets		191	0.11	149	0.09	0.09		
Total Asset		166,517	100%	168,550	100%	100%		

* The original acquisition price changed due to a partial refund from the supplementary expenditures.

2) Total Asset Composition (excluding paid-in capital and subscription capital at the time of incorporation)

not applicable

3) Status of assets purchased with funds from the paid-in capital at the time of incorporation

(Same as the section 1) "Total Asset Composition (all assets included)"

4) Status of assets purchased with funds from the newly paid in capital after the incorporation

not applicable

II. Change in Total Assets

1. Real Estate Transaction

A. No change in Real Estate Balance during the quarter.

B. Details of purchased real estate at the time of incorporation (26 December, 2003)

(Unit: Million KRW)

Name	Location	Usage	Area in Pyung		Acquisition Price	Transaction Cost
			Land	Building		
Kukdong building	60-1, Chungmuro 3-Ga, Chung-gu, Seoul	Commercial Office	2,402.6	22,764	158,370	1,442

2. Marketable Securities Transaction related to real estate

not applicable

3. Marketable Securities

not applicable

4. Cash and Cash Equivalent in Financial Institutions

(Unit: %, million Krw)

Financial Institutions	Kind	Interest	Outstanding balance
Woori Bank	MMDA	0.1%~3.1%	4,537
Woori Bank	Time Deposit	4.2%	63
Woori Bank	Time Deposit	3.3%	2,500
Total			7,100

Section 3. Status of each property under management

I . Status of each property under management; present condition, price, rent and primary lessees for each real estate held

1. Overview of portfolio

Name	Location	Construction Completed Year	Acquisition Date	Interest bearing Debt and Mortgage
Kukdong building	60-1, Chungmuro 3-Ga, Chung-gu, Seoul	1978	26 Dec 2003	Interest bearing Debt : 75,244 Million KRW Total of Kun-Mortgage : 99,332 Million KRW

* Total Kun-Mortgage amount is related to the interest bearing debts and lease key money deposits from tenants.

2. Price of each portfolio

(Unit: million KRW)

Portfolio	Acquisition amount		Capital expenditures		Revaluation gain/loss		Outstanding Cost			Cumulative Depreciation	Book Value
	Land	Building	Land	Building	Land	Building	Land	Building	Total		
Kukdong building	102,398	57,641	-	1,231	-	-	102,398	58,872	161,270	675	160,595
Sub total	102,398	57,641	-	1,231	-	-	102,398	58,872	161,270	675	160,595

* The ending balance of the building includes 1,189 million KRW of capital expenditures for the assets under construction and 42 million KRW of equipment acquired for Kukdong building.

3. Lease status

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.

Dec 2003	Jan 2004	Feb 2004	Mar 2004	Apr 2004	May 2004	Jun 2004
7.6%	7.8%	8.3%	5.4%	7.1%	8.1%	9.0%

- 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 through the active leasing activity of the Company.

4. Primary lessees by each property

(Unit: Pyung, million Krw)

Portfolio	Leasable area(py)	Primary Lessees	Leased Area(py)	Annual Rent (Million won)	% of total rent	Average rent per py (1,000 won)
Kukdong building	18,859	Poongsan	1,694	1,142	9.1	674
		Kukdong E&C	1,459	943	7.5	646
		Dong-ah E&C	981	759	5.8	774
		CJ Telenix	1,023	790	6.3	772
		Samsung Life	847	700	5.6	826
		Hyundai IT	880	629	5.0	715
		Sungwoo Motiv	847	622	4.9	734
		Life Insurance Association	645	499	4.0	774
		LG Otis	559	456	3.6	816
		CHB	421	443	3.5	1,052
		Agfa Korea	558	420	3.3	753
		Hu Chams	337	260	2.1	260
		Namhae Chemicals	218	169	1.3	774
		LG Electronic	558	365	2.9	654
		Dongbu Insurance	378	293	2.3	775
		AON Korea	459	327	2.6	714
		National Pension	356	258	2.1	725
		Korea Textile	236	183	1.5	774
		SK Kim's Patent Office	235	173	1.4	735
		S1	257	198	1.6	772
		DK Kim's Patent Office	188	138	1.1	734
		SW Kim's Patent Office	188	138	1.1	734
		Topic Photo	171	126	1.0	739
		Samhyun	168	130	1.0	773
		Korea Toyota	159	123	1.0	773
		Dressor Korea	134	104	0.8	774
		Echo Activa	168	130	1.0	773
		Primus Cinema	171	132	1.1	773
Shinhan Life	293	226	1.8	773		
Neo Media	131	101	0.8	772		

※ Category of primary lessees

1. Tenants occupying leasable area by 10% or more
2. Tenants whose annual rent is over 100mw.
3. Tenants whose rental period is 5years or more
4. Tenants who has special facilities and tenant improvement in his leasing area.

II.Matters relating to development of real estate

not applicable

Section 4. Total income amount, income structure and yield

I . Total Income Amount and Income Structure

1. Income amount by investment assets

Category		Amount (KRW in millions)	% of total income	Notes
Real Estate	Rental Income	6,504	63.16	
	Income/Loss from Sale	-	-	
	Other Income related to Real Estate	3,588	34.84	
Marketable Securities	Income/Loss from Sale	-	-	
	Revaluation Income/Loss	-	-	
	Interest Income/ Dividend	-	-	
Other Income		205	2.00	
Total Income		10,297	100.00	

II . Income Amount by Sector

1. Real Estate

1) Rental Income from Real Estate

	Rent (KRW in millions)	% of total rental income	Notes
1.Kukdong building	6,504	100%	
Total Rental Income	6,504	100%	

2) Income/ Loss from Sale of Real Estate

No incomes or losses from the sale of real estate properties have been incurred during this quarter.

3) Other Income related to Real Estate

	Amount (KRW in millions)	% of other income total	Notes
CAM	2,696	75.14	
Parking income	778	21.68	
Tenant Reimbursement	79	2.20	
Other rental Income	35	0.98	
Total	3,588	100.00	

2. Marketable Securities

1) Income/ Loss from Sale from Securities Investments

Not applicable

2) Revaluation Income/ Loss from Securities Investments

Not applicable

3) Interest Income/ Dividend from Securities Investments

Not applicable

3. Other Income

Category	Amount (KRW in millions)	% of other income total	Notes
Interest income	160	78.05	
Penalty Income	37	18.05	
Other non-operating	8	3.90	
Other Income Total	205	100.00	

III. Rate of Return, etc.

1. Rate of Return (Defined by MOCT)

(Unit: %)

Category	3 rd Quarter	2 nd Quarter	1 st Quarter
Company (A)	4.76	4.17	Calculation of rate of return is meaningless since only 6 days of operational results from business commencement.
Industry Average (B)	-	-	
Excess in Rate of Return	-	-	

*Rate of Return defined by MOCT : Net Income / Average Balance of Total Asset

※ Rate of return represents an annualized accounting rate of return. The calculation is shown as below.

1st Quarter Rate of Return = $\{1 + (\text{Net Income of the 1st Quarter} / [(\text{Beginning Asset Balance of the year} + \text{Ending Asset Balance of the 1st Quarter}) / 2])\}^4 - 1$

2nd Quarter Rate of Income = $\{1 + (\text{Net Income of the 1st Half} / [(\text{Beginning Asset Balance of the year} + \text{Ending Asset Balance of the 2nd Quarter}) / 2])\}^2 - 1$

3rd Quarter Rate of Income = $\{1 + (\text{Net Income during 1st Quarter to 3rd Quarter} / [(\text{Beginning Asset Balance of the year} + \text{Ending Asset Balance of the 3rd Quarter}) / 2])\}^{4/3} - 1$

4th Quarter Rate of Income = $(\text{Net Income of the year} / [(\text{Beginning Asset Balance of the year} + \text{Ending Asset Balance of the 4th Quarter}) / 2])$

2. Net Asset Value

Unit : Korean Won

	2 nd Quarter 2004	1 st Quarter 2004
Net Asset Value	79,396,097,057	77,165,060,929
Net Asset Value per share	5,202.69	5,056.49

Section 5. Matters relating to expense including expenditure of real estate business, etc.

I . Total Operating Expenses

1) On-site Property Operating Expenses

Items	Amount (in KRW Million)
Property Management Fee, etc.	196
Facility Maintenance Fee	859
Utility Expenses	544
Repairs and Maintenance	312
Property Taxes and Dues	211
Sub Total	2,122

2) General Operating Expenses

Items	Amount (in KRW Million)
Remuneration to officers	2
Depreciation Costs	675
Amortization of Insurance Premium	33
National Tax and Dues	401
General Administrative	42
Professional Fees	313
Custodian Fee	28
Business Trust Fee	46
Sub Total	1,540

II. Professional Trustee Fees

Category	To	Fee		Payment	Comments
Asset Management Fee	MIAMC	Adivisory fee on Acquisition	0.55% of net acquisition price	upon Incorporation	
		AMC Basic Fee	Applying such a applicable rate to the ordinary income before deduction of the basic AMC Fee “Applicable Percentage” is as follows 1 st FY : 0% 2 nd FY : 17.00% 3 rd -4 th FY : 11.00% 5 th -10 th FY : 11.30%	semi-annual basis	
		Disposition Fee	25% of the excess of the sales price of such Assets less costs related to such sale over the aggregate investments plus the capital expenditure (“Capital Gain”) under the condition that the IRR based on cash flow of net income over the 5 year period of ownership of the Assets is greater than 11.5%	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	
Underwriting Fee to Securities Companies	Samsung Daewoo SK	2.3% of IPO amount (KRW 808,484,500)		upon Incorporation	<i>down payment</i>
Custodian Fee	Woori Bank	0.03% of total assets per annum		quarterly	<i>pro-rated</i>
Business Trustee Fee	Woori Bank	0.05% of total assets per annum		quarterly	<i>pro-rated</i>

Section 6. Matters relating to borrowings

I . Borrowings

(Unit: Million KRW)

Category	Begin	Increase	Pay-off	Outstanding	Note
Short-term borrowing for funding for operating capital	1,700	-	1,700	-	
Assumption of Long-term borrowing mortgaged to the property	75,244	-	-	75,244	
National Housing Fund	-	-	-	-	
Borrowing for the stock refund, etc.	-	-	-	-	

II . Borrowing Sources, etc.

(Unit: KRW)

Borrowings	Draw-down	Borrowing Principal	Interest	Category	Amortization	Outstanding amount
Samsung Life	26 Dec 2003	45,898,840,000	6.03%	Longterm ¹⁾	Lump sum repayment at maturity	45,898,840,000
	29 Dec 2003	1,037,000,000	6.03%	Short term ²⁾	Lump sum repayment at maturity	-
Samsung F&M	26 Dec 2003	12,791,480,000	6.03%	Longterm ¹⁾	Lump sum repayment at maturity	12,791,480,000
	29 Dec 2003	289,000,000	6.03%	Short term ²⁾	Lump sum repayment at maturity	-
LG F&M	26 Dec 2003	10,534,160,000	6.03%	Longterm ¹⁾	Lump sum repayment at maturity	10,534,160,000
	29 Dec 2003	238,000,000	6.03%	Short term ²⁾	Lump sum repayment at maturity	-
Korea Life	26 Dec 2003	6,019,520,000	6.03%	Longterm ¹⁾	Lump sum repayment at maturity	6,019,520,000
	29 Dec 2003	136,000,000	6.03%	Short term ²⁾	Lump sum repayment at maturity	-
Total		76,944,000,000				75,244,000,000

Note 1) Interest of Long-term Borrowings: 6.9% from 2nd investment year.

Note 2) The short-term borrowings of 1,700 million KRW repaid in total as of 29 March 2004

Section 7. Shareholder structure and present condition of primary shareholders

I .Present condition of securities possession;

(Applicable only to investment reports which are prepared at each fiscal year end)

1. Largest Shareholder and its special-related-parties

【as of 30 June 2004】

Name	Relation	Stock	Number of shares (%)				Note
			Beginning	Increase	Decrease	Outstanding	
Macquarie Bank Limited	-	Ordinary	2,742,098 (17.97%)	-	-	2,742,098 (17.97%)	
Macquarie International AMC	Subsidiary	Ordinary	456,290 (2.99%)	-	-	456,290 (2.99%)	
Sub total			3,198,388 (20.96%)	-	-	3,198,388 (20.96%)	

2. Important Shareholders (3% or more)

【As of 30 June 2004】

	Shareholders	Type of Stock	No. of Stock owned	Rate(%)	Note
1	Avonla Korea I Holdings (Schroder Asian Properties Fund)	Common Stock	1,695,622	11.11%	
2	Samsung Life Insurance Co., LTD	Common Stock	1,520,000	9.96%	
3	AMERICAN INTL ASSURANCE	Common Stock	1,000,000	6.55%	
4	Shinhan Life Insurance Co., LTD	Common Stock	979,810	6.42%	
5	Samsung Fire and Marine Insurance Co., LTD	Common Stock	760,000	4.98%	
6	LG Fire and Marine Insurance Co., LTD	Common Stock	600,000	3.93%	
Total			6,555,432	42.95%	

3. Distribution of shareholders – Small, Largest, Other shareholders

【As of 30 June 2004】

Category	No. of Shareholders	Ratio(%)	No. of Stock owned	Rate(%)	Note
Largest Shareholders	1	0.10%	2,742,098	17.97%	
Major Shareholders	6	0.58%	6,555,432	42.96%	
Small Shareholders	1,021	99.32%	5,963,070	39.07%	
- Individuals	1,007	97.96%	4,381,932	28.71%	

Category	No. of Shareholders	Ratio(%)	No. of Stock owned	Rate(%)	Note
- Corporate	14	1.36%	1,581,138	10.36%	
Total	1,028	100.00%	15,260,600	100.00%	

4. Stock Administration

Fiscal year Ending Date	30 June/ 31 December	Shareholders' meeting	March, September
Kind of share certificate	1share-note, 5 share-note, 10share-note, 50share-note, 100share-note, 500share-note, 1,000share-note, 10,000share-note	Public notices	Maeil Business Newspaper and Korea Economic Daily
		Stock Transfer Agent	Hana Bank

Note 1) 1st FY ends on 30 June 2004.

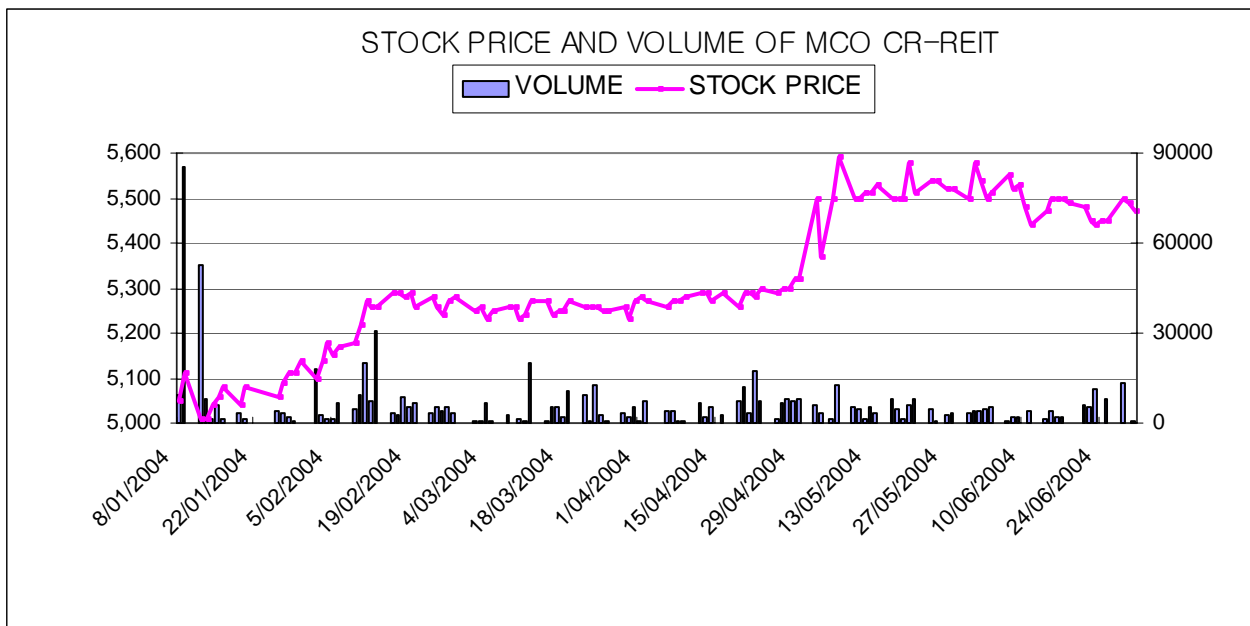
II. State of stock price change

[Unit: KRW, Shares]

Category	Jan 2004	Feb 2004	Mar 2004	Apr 2004	May 2004	Jun 2004
High(Date)	5,140 (30 Jan 2004)	5,290 (19 Feb 2004)	5,270 (31 Mar 2004)	5,320 (29 Apr 2004)	5,590 (07 May 2004)	5,580 (01 Jun 2004)
Low(Date)	5,010 (13 Jan 2004)	5,100 (02 Feb 2004)	5,230 (30 Mar 2004)	5,260 (19 Apr 2004)	5,370 (04 May 2004)	5,440 (23 Jun 2004)
Monthly Trade Volume	178,591	150,036	94,310	112,740	85,157	80,303
Average Daily Trade Volume	12,757	7,502	4,287	5,637	4,482	3,650

[Korea Stock Exchange, Seoul]

< 8 Jan 2004 (Listing Date) ~ 30 Jun 2004 >



Section 8. Summarized balance sheet and income statement

I . Principles of Summarized B/S, I/S Entry

1. Current Assets

(1) Accrued income:

Accrued income includes interest income receivable as of the end of this quarter.

(2) Account Receivables:

Account Receivables include rental income receivable as of the end of this quarter.

(3) Prepaid Expenses:

Prepaid Expenses include insurance premiums paid less cumulatively expensed amortization of premium amount.

(4) Short-term financial instruments:

Short-term financial instruments include short-term time deposits and the money market deposits part of which are restricted.

2. Investment assets:

An investment asset includes long-term financial instruments, which are comprised of time deposits of which maturity is more than 1 year as of balance sheet date.

3. Property, Plant & Equipment

The applied useful lives for buildings and equipments are 50 years and 5 years consecutively and the capital expenditures used under construction are expressed as construction in progress.

4. Current Liabilities

Current liabilities represent account payables and accrued expenses incurred by the real estate holdings.

5. Long-Term Liabilities

Long-term liabilities represent rental deposits and long-term borrowings.

6. Capital Stock

Capital stock represents paid-in capital as of the end of this quarter.

7. Capital Adjustments

The underwriting fees paid to securities company at the time of IPO is represented as Discounts on stock issuance in Capital Adjustments.

II. Violations of Korean GAAP

not applicable

III. Other Recommendations

not applicable

IV. Balance sheets as of 30 June 2004

<u>ASSETS</u>	<u>Amount</u> (In thousand KRW)
CURRENT ASSETS:	
Cash and cash equivalents	₩ 5,673,480
Short-term financial instruments (Note 3)	1,363,994
Accounts receivable	119,311
Accrued income	30,451
Prepaid expenses (Note 12)	30,173
	<u>7,217,409</u>
NON-CURRENT ASSETS:	
Long-term financial instruments (Note 3)	<u>62,500</u>
Tangible Assets (Notes 4, 5, 6, 7)	
Land	102,397,913
Building	57,640,829
Equipment	42,000
Construction in Progress	1,189,230
	<u>(674,576)</u>
Less: Accumulated depreciation	₩ <u>160,595,396</u>
	<u>₩ 167,875,305</u>
Total Asset	
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	
CURRENT LIABILITIES:	
Accounts payable (Note 13)	₩ 68,779
Accrued expenses (Note 12)	246,394
Income tax payable	202,062
Advanced receipts	85,564
VAT payables	291,244
Withholdings	27,061
	<u>921,104</u>
NON-CURRENT LIABILITIES:	
Long-term borrowings (Notes 7, 8 and 12)	75,244,000
Lease key money deposits (Note 7)	12,305,057
Deferred income tax liabilities (Note 11)	9,047
	<u>87,558,104</u>
Total Liabilities	<u>88,479,208</u>
SHAREHOLDERS' EQUITY	
Common stock (Note 9)	76,303,000
Retained earnings	4,042,491

(Net income of ₩4,042,491 thousand from December 12, 2003 (inception) to June 30, 2004)	
Capital adjustment (Note 9)	(949,393)
Total shareholders' equity	<u>79,396,097</u>
Total Liabilities and Shareholders Equity	<u>₩ 167,875,305</u>

V. Income Statements

FOR THE PERIOD FROM DECEMBER 12, 2004 TO JUNE 30, 2004

1 st Financial Year	(In KRW)	
OPERATING REVENUE		10,091,873,389
1. Rental income	6,503,819,396	
2. CAM	2,696,155,150	
3. Parking income	777,477,371	
4. Tenant reimbursement	79,373,850	
5. Other rental income	35,047,622	
OPERATING EXPENSES		3,661,425,634
(1) On-site Property Operating Expenses	(2,121,286,234)	
1. Property Management Administrative (Note 13)	195,401,700	
2. Facility Maintenance Contract (Note 13)	859,098,330	
3. Utility Expenses	543,519,873	
4. Maintenance and Repairment	312,388,821	
5. Taxes and Dues (Operation)	210,877,510	
(2) General Fund Operating Expenses	(1,540,139,400)	
1. Remuneration to officers	2,000,000	
2. Depreciation Costs (Note 5)	674,576,343	
3. Amortization of Insurance Premium (Note 12)	32,931,672	
4. Tax and Dues (General)	401,044,640	
5. General Administrative	42,074,250	
6. Professional Fees	313,145,159	
7. Custodian Fee (Note 13)	27,887,751	
8. Business Trust Fee (Note 13)	46,479,585	
OPERATING INCOME		6,430,447,755
NON-OPERATING INCOME		205,154,374
1. Interest income	160,247,185	
2. Compensation for damage	36,845,000	
3. Other income	8,062,189	
NON-OPERATING EXPENSE		2,362,532,914
1. Interest expense (Note 11)	2,362,532,850	

1 st Financial Year	(In KRW)	
2. Others	64	
EXTRAORDINARY ITEMS		0
INCOME BEFORE INCOME TAX		4,273,069,215
INCOME TAX EXPENSE (Note 11)		230,578,672
NET INCOME (FY1) (EARNING PER SHARE: 265 won) (Note 2) (ORDINARY INCOME PER SHARE: 265 won) (Note 2)		4,042,490,543

VI. Statement of Appropriation of Retained Earnings (Annually)

FOR THE PERIOD FROM DECEMBER 12, 2004 TO JUNE 30, 2004

1 st Financial Year	(In KRW)	
I. RETAINED EARNINGS BEFORE APPROPRIATIONS		4,042,490,543
1. Net Income	4,042,490,543	
II. APPROPRIATIONS		4,042,490,543
1. Amortization of Capital adjustments	189,878,697	
2. Legal reserve	350,237,440	
3. Dividend	3,502,374,406	
Cash Dividend (Note10)	(3,502,374,406)	
(Common Stock Dividend (%)):		
1 st FY: 230 won (4.59%)		
III. UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR		-

VII. Statement of Cash Flow (Annually)

FOR THE PERIOD FROM DECEMBER 12, 2004 TO JUNE 30, 2004

1 st Financial Year	(In KRW)	
I. CASH FLOWS FROM OPERATING ACTIVITIES:		5,509,179,882
1. Net income	4,042,490,543	
2. Increase in expenses with no cash outflow	674,576,343	
Depreciation	674,576,343	
3. Decrease in profits with no cash inflow	-	
Adjustments to reconcile net income to net cash provided		
4. by operating activities:	792,112,996	
Increase in accounts receivable	(-)119,311,305	
Increase in accrued income	(-)30,450,827	
Increase in prepaid expenses	(-)30,173,003	
Increase in account payable	68,778,953	
Increase in accrued expenses	246,393,603	

1 st Financial Year	(In KRW)	
Increase in advanced receipts	85,564,160	
Increase in withholdings	27,061,000	
Increase in VAT payables	291,244,483	
Increase in income tax payable	202,062,440	
Increase in lease key money deposits	41,896,640	
Increase in deferred income tax liabilities	9,046,852	
II. CASH FLOWS FROM INVESTING ACTIVITIES		(-)75,189,306,502
1. Cash inflows from investing activities:	-	
2. Cash outflows for investing activities:	75,189,306,502	
Acquisition of short-term financial instruments	1,363,994,250	
Acquisition of long-term financial instruments	62,500,000	
Acquisition of tangible assets (Including Land & Building)	72,531,582,252	
Acquisition of Equipment	42,000,000	
Construction in Progress	1,189,230,000	
III. CASH FLOWS FROM FINANCING ACTIVITIES		75,353,606,514
1. Cash inflows from financing activities:	77,053,606,514	
Proceeds from short-term borrowings	1,700,000,000	
Issuance of common stock	75,353,606,514	
2. Cash outflows for financing activities:	1,700,000,000	
Repayment of short-term borrowings	1,700,000,000	
IV. NET INCREASE IN CASH AND CASH EQUIVALENTS (I+II+ III)		5,673,479,894
V. CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD		-
VI. CASH AND CASH EQUIVALENTS, END OF THE PERIOD		5,673,479,894

VIII. 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.

1. CASH, CASH EQUIVALENTS AND FINANCIAL INSTRUMENTS:

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

	<u>Bank</u>	<u>Annual interest rate (%)</u>	<u>Amount</u> (In thousands)
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>
Long-term financial instruments			
Time deposits	Woori Bank	4.2	<u>₩ 62,500</u>

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.

2. TANGIBLE ASSETS:

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

	<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.

3. 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> (In thousands)	<u>Company</u>
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 Person	₩ 300,000 per accident ₩ 60,000 per person	Samsung Fire & Marine Insurance Co., Ltd.

4. COLLATERALIZED ASSETS:

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

<u>Provided to</u>	<u>Collateralized assets</u>	<u>Collateralized amounts</u> (In thousands)	<u>Related liabilities</u>
Samsung Life Insurance Co., Ltd. Samsung Fire & Marine Insurance Co., Ltd. LG Insurance Co., Ltd. Korea Life Insurance Co., Ltd.	Land and building	₩ 97,817,200	Long-term borrowings
Dongbu Insurance Co., Ltd.	Building	121,875	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	100,000	Lease key money deposits
		<u>₩ 99,332,005</u>	

5. LONG-TERM BORROWINGS:

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

<u>Creditor</u>	<u>Korean won</u> (In thousands)	<u>Annual interest rate (%)</u>	<u>Maturity</u>
Samsung Life Insurance Co., Ltd.	₩ 45,898,840	6.03	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>		

6. 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.

7. DIVIDENDS:

- i. 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>4.61%</u>
Dividends	<u>₩ 3,517,568,300</u>

- ii. 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%

8. INCOME TAX EXPENSE:

Income tax expense consists of the following:

	<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>₩ 230,579</u>

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

<u>Account</u>	<u>The inception date</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2003</u>
Accrued income	₩ -	₩ (30,461)	₩ -	₩ (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%.

9. 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>
	(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	8,702
Long-term borrowings	10,534,160

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

(2) Business Trust Contract

The Company entered into a contract with Woori Bank for the purpose of recording 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.

IX. Auditor's Opinion

- External Auditor's Opinion

The financial statements represent 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

Anjin Deloitte

- Statutory Auditor's Opinion:

The Financial Statements adequately reflect the company's financial status and comply with the Real Estate Investment Company Act, Articles of Incorporation and Korea-GAPP, etc.

Statutory Auditor Dae-Sup Roh

Section 9. Other matters relating to asset management that are prescribed by the Minister of Construction and Transportation.

I . Summary on disclosures and reports

Date	Contents	Disclosed to
15 Jun 2004	Suspension of title transfer of Stock	KSE
7 May 2004	Half Yearly Report	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

II .States of important lawsuits that are connected with management of the company
not applicable

III.Present condition of transactions falling under the provision of Article 30 of the Act
not applicable

IV. Penalty
not applicable

V. Compliance to the regulated restricted Investment

Regulation	Compliance
1. 70% or more of a company's total assets shall be composed of real estates for corporate restructuring, etc for the seller	Complied
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 allowance under the Real Estate Investment Company Act of Korea (the "Act")	Complied
3. 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 Act.	Complied
4. MCO CR REIT shall not engage in any transactions falling within the categories listed, as follows, with directors and officers and their respective related persons (as defined in Article 21(1) of the Securities and Exchange Act), 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 circumstances under the Act	Complied
5. 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 AMC and its related persons, 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 (other than with the directors, officers and employees of the AMC and their respective related persons) 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, liquidation, spin-off or merger by a spin-off entity.	Complied