

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

## **Investment Report as of 31 December 2008**

Macquarie Central Office CR REIT

23 February 2009

**TO :** Ministry of Land, Transport and Maritime Affairs

We submit the attached investment report as per the Article 37 of Real Estate Investment Company Act and the Article 40 of the Enforcement Decree, etc.

Company Name: Macquarie Central Office CR REIT  
Representative Director: Kwan Young Kim, Joo Hyun Cho  
Address: 110 Sogong-Dong, Jung-Gu, Seoul Korea  
(Tel.) 822-3705-8710  
Prepared by: Woori Bank Business Trust Department, the Business Trustee of  
MCO CR REIT  
(Tel.) 822-2002-5423

## 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 : 110 Sogong-Dong, Jung-Gu, Seoul

4) The purposes of the Company:

The purpose 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 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 31 December 2008,

Total Asset : 172,663 (Million KRW)

Paid Equity : 76,303 (Million KRW)

6) Listing: Listed on Korea Exchange (KRX) as of 8 Jan, 2004 (Standard Code: KR707685000)

7) Duration and Dissolution of Company as per AOI

1. Duration : 7th 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 Real Estate Korea Ltd, formerly known as Macquarie Property Advisors Korea 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           | Incorporation (Paid-in Capital: KRW 76,303,000,000)  |
| ⑩. 8 Jan 2004            | Final-Approval from MOCT   |
|                          | Listed on Korea Exchange (KRX)   |
| ⑪. 4 Dec 2008            | Extend duration period to 7 years via Extraordinary General meeting of Shareholders                                    |
| ⑫. 8 Dec 2008            | Approval from MLTM to extend duration period   |

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 : N/A

2) Change in Paid-in Capital : N/A

3) Payment in kind : N/A

#### 4. Shares

##### 1) Total shares

【as of 31 December 2008】

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 31 December 2008】

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

【as of 31 December 2008】

Type of Shares	Number of Shares	Share Capital (KRW)	Comments
Ordinary	1,953,329	17,220,040,598	2008.12.26 (Acquisition Date)
Sub total	1,953,329	17,220,040,598	

##### 4) Stock Option

Date	Bearer	Beneficiary	Type of Shares	# of Shares	# of exercised Shares	# of Shares Outstanding	Period	Exercised Price	Public Subscription Price
2008.12.26	Shareholder	Company	Ordinary	15,260,600	1,953,329	13,307,271	2008.12.04 ~ 2008.12.24	8,815.74	5,000

##### 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	1,953,329	
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	-	

Category	Shares	
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]	[13,307,271]	
※ 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 fiscal year as dividend in cash. Actual dividend amount will be decided by the resolution of the general meeting of shareholders pursuant to the Commercial Code.

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

Dividend is paid to the shareholders of the Company who are legally registered in the shareholders registry at the end of each fiscal year. MCO CR-REIT plans to pay dividend within one week from the date of approval by the general meeting of shareholders unless the dividend payment will be made in some other date followed by the decision from general shareholder's meeting.

### 2) Dividend Payment for the recent 5 fiscal years

[Par value per share: KRW 5,000]

(Unit: thousand KRW)

Category	9 <sup>th</sup> Financial Year	8 <sup>th</sup> Financial Year	7 <sup>th</sup> Financial Year	6 <sup>th</sup> Financial Year
Net Income	6,299,172	5,524,342	5,304,623	5,272,511
Earning per share	412.77	362.00	347.60	328.60
Distributable Income	5,477,930	4,703,099	4,665,799	4,375,878
Dividend in total	6,957,440	5,524,342	5,487,042	5,014,702
Payout Ratio	1.10	1.00	1.03	0.95
Dividend Rate	9.12%	7.24%	7.19%	6.57%
Annualized Dividend Rate	18.29%	14.36%	14.50%	13.04%

- Distributable Income : Net Income - Legal Reserves – Carry Forwarded Loss - Amortization of stock issuance costs
- Payout Ratio : Total Dividend / Net Income
- Dividend Rate : “Dividend in total / [(beginning paid-in capital + ending paid-in capital)/2]”

- The excess dividend upto depreciation cost of each year is permissible pursuant to the Articles of Incorporation. Therefore the dividend amount is greater than the distributable Income under the Commercial Code and the payout ratio exceeds 1.

## 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)

(Unit: million KRW, %)

Items		Preceding Quarter		Current Quarter		% of Total Asset	
		Total Amount	%	Total Amount	%		
Corporate Restructuring Real Estate	Property and Equipment	168,384	95.04	168,385	94.04	94.04	94.04
	Property Use Rights including the right of superficies, the right of leases	-	-	-	-	-	
	Real Estate Development Projects	-	-	-	-	-	
Other Real Estate	Property and Equipment	-	-	-	-	-	
	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		8,575	4.84	10,383	5.80	5.80	
Other Assets		206	0.12	275	0.16	0.16	
① Total Asset	Stock Owner's Equity	84,586	47.74	70,688	39.48	39.48	100.0
	Liabilities	92,579	52.26	108,355	60.52	60.52	

\* Asset value is represented pursuant to the article 27 of Enforcement Decree of REIT Act, not from book value.

**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**

Not applicable

**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

Not applicable

### 2. Marketable Securities Transaction related to real estate

Not applicable

### 3. Marketable Securities

Not applicable

### 4. Cash/Cash Equivalent in Financial Institutions

(Unit: million KRW)

Financial Institutions	Kind	Interest	Preceding balance	Current balance
Woori Bank	MMDA	0%~3.50%	6,808	9,595
Woori Bank	Time Deposit	2.50 %~6.10%	1,726	700
Kookmin Bank	Time Deposit	6.10%	-	35
Total			8,534	10,330

## III. Net Asset Value per share

(Unit: shares, million KRW)

	31-Dec-08	30-Sep-08	30-Jun-08	31-Mar-08
Total Asset Value per the Article 27 (3) of ED of Real Estate Investment Company Act (I)	179,043	177,165	180,485	176,459
Total liabilities per Balance Sheets (II)	108,355	92,579	92,271	91,618
Net Asset Value (III=I-II)	70,688	84,586	88,214	84,841
Number of Shares issued	15,260,600	15,260,600	15,260,600	15,260,600
Net Asset Value per share	4,632	5,543	5,781	5,559

### Section 3. Status of each properties 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 KRW Million Total of Kun-Mortgage : 104,284 KRW Million

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

##### 2. Price of each portfolio

(Unit: KRW million)

Portfolio	Acquisition amount		Capital expenditures		Revaluation gain/loss		Property Value			Cumulative Depreciation	Book Value
	Land	Building	Land	Building	Land	Building	Land	Building	Total		
Kukdong Building	102,398	57,641	-	8,346	-	-	102,398	65,987	168,385	6,380	162,005

\* The ending balance of the building includes 60 million KRW of equipment acquired for Kukdong building and construction in progress.

##### 3. Lease status

【as of 31 Dec 2008】

Portfolio	Gross Leasable Area(m <sup>2</sup> )	Leased Area(m <sup>2</sup> )	Occupancy Rate	Annual Rent (KRW mil)	Number of Lease Contracts	Average annual rent per m <sup>2</sup>
Kukdong building	62,344	59,544	95.5%	17,827	63	299,378
	Vacancy	2,800	4.5%			
Sub total	62,344	62,344	100.0%			

<Note>

\* Annual Rental Income KRW 17,826,137,878= monthly rent KRW 1,485,511,490\*12  
(Annual CAM income KRW 7,413,536,760 = KRW 617,794,730\*12)

\* Average annual rental income per m<sup>2</sup> = Annual Rent KRW 17,826,137,878 ÷ 59,544m<sup>2</sup>

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

2008-04	2008-05	2008-06	2008-07	2008-08	2008-09	2008-10	2008-11	2008-12
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%

**II .Matters relating to development of real estate**

Not applicable

**Section 4. Total income amount, income structure and yield**  
**(From 01 Oct 2008 to 31 Dec 2008)**

**I . Total Income Amount and Income Structure**

**1. Income amount by investment assets**

Category		Amount (in KRW million)	% of total income	Notes
Real Estate	Rental Income	4,382	64.99	
	Income/Loss from Sale	-	-	
	Other Income related to Real Estate	2,251	33.39	
Marketable Securities	Income/Loss from Sale	-	-	
	Revaluation Income/Loss	-	-	
	Interest Income/ Dividend	-	-	
Other Income		109	1.62	
Total Income		6,742	100.00	

※ Revaluation Income/ Loss reflects current fiscal incomes or losses only.

**II . Income by Sector**

**1. Real Estate**

1) Rental Income from Real Estate

	Rental Income (in KRW million)	% of Total Income	Notes
Kukdong Building	4,382	100.00	

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

	Other Income (in KRW million)	% of Total Income	Notes
Kukdong Building	2,251	100.00	

\* Other Income related to Real Estate: CAM, Parking Income, Tenant Reimbursement and Other Operating Revenue

## 2. Marketable Securities

No transaction incurred during this quarter

## 3. Other Income

Category	Amount (in KRW million)	%	Notes
Interest income	109	100.00	
Late Fee	-	-	
Compensation for damage	-	-	
Other Income Total	109	100.00	

## III. Return on Equity

(Unit: %)

Category	FY 10 2 <sup>nd</sup> Quarter	FY 10 1 <sup>st</sup> Quarter	FY 9 2 <sup>nd</sup> Quarter	FY 9 1 <sup>st</sup> Quarter
Company (A)	16.31	16.66	17.19	18.19
Industry Average (B)	-	-	-	-
Excess in Rate of Return	-	-	-	-

\*Return on Equity :  $\text{Net Income} / \text{Average Paid-in Capital}$

※ Return on Equity represents an annualized accounting return on Equity. The calculation is shown as below.

$$1^{\text{st}} \text{ Quarter return on Equity} = \{1 + (\text{Net Income of the } 1^{\text{st}} \text{ Quarter} / [\text{Average Paid-in Capital}])\}^4 - 1$$

$$2^{\text{nd}} \text{ Quarter return on Equity} = \{1 + (\text{Net Income of the } 1^{\text{st}} \text{ Half} / [\text{Average Paid-in Capital}])\}^2 - 1$$

$$3^{\text{rd}} \text{ Quarter return on Equity} = \{1 + (\text{Net Income during } 1^{\text{st}} \text{ Quarter to } 3^{\text{rd}} \text{ Quarter} / [\text{Average Paid-in Capital}])\}^3 - 1$$

$$4^{\text{th}} \text{ Quarter return on Equity} = (\text{Net Income of the year} / [\text{Average Paid-in Capital}])$$

**Section 5. Matters relating to expense including expenditure of real estate business, etc.  
(From 01 Oct 2008 to 31 Dec 2008)**

**I . Total Operating Expenses**

1) On-site Property Operating Expenses

Items	Kukdong Building (in KRW million)
Property Administration Expenses	14
Facility Maintenance Fees	505
Utility Expenses	358
Repairs and Maintenance	103
Property Taxes and Dues	9
Sub Total	989

2) General Operating Expenses

Items	Amount in KRW million
Remuneration to officers	3
Depreciation Costs	333
Amortization of Insurance Premium	12
National Tax and Dues	19
General Administration Fees	23
Professional Fees	653
Sub Total	1,043

\* Specific professional trustee fees not shown in the above table. Refer to **II . Professional Trustee Fees** table below for details.

## II. Professional Trustee Fees

Category	To	Fees and Calculation method		Payment	Comments
Asset Management Fee	Macquarie Real Estate Korea Ltd.	Adivisory fee on Acquisition	1) 0.55% of net acquisition price for Kukdong building 2) Upto 1% of net acquisition price of an acquired real estate after incorporation	upon incorporation	<i>pro-rated</i>
		Basic Fee	11.3% of the ordinary income that does not include the basic compensation payable to MREK (from the 5 <sup>th</sup> fiscal period) (1 <sup>st</sup> FY : 0%, 2 <sup>nd</sup> FY : 17%, 3 <sup>rd</sup> -4 <sup>th</sup> FY : 11%, and the ordinary income includes gains on disposal of asset)	6months 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 liquidation	
		Performanc e Fee	40% of any excess over the cash flows that make equity IRR 11.5% less already calculated Disposition Fee	upon liquidation	
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 borrowing

### I . Borrowing

(Unit: million KRW)

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

### II . Borrowing Sources, etc.

(Unit: KRW)

Borrowing	Draw-down	Borrowing Principal	Interest	Category	Amortization	Outstanding amount
Samsung Life	26 Dec 2008	45,898,840,000	8.5%	Longterm <sup>1)</sup>	Lump sum repayment at maturity	45,898,840,000
Samsung F&M	26 Dec 2008	12,791,480,000	8.5%	Longterm <sup>1)</sup>	Lump sum repayment at maturity	12,791,480,000
LIG Insurance	26 Dec 2008	10,534,160,000	8.5%	Longterm <sup>1)</sup>	Lump sum repayment at maturity	10,534,160,000
Korea Life	26 Dec 2008	6,019,520,000	8.5%	Longterm <sup>1)</sup>	Lump sum repayment at maturity	6,019,520,000
Total		75,244,000,000				75,244,000,000

Note 1) According to the Credit Facility Agreement, 8.5% p.a. of interest rate has been applied from 26 Dec 2008 due to extend the maturity (Samsung F&M – 2 years, Other lenders – 1 year) of 5 years and 6.9% p.a. from the initial funding date.

## 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 31 Dec 2008】

Name	Relation	Stock	Number of shares (%)				Note
			Beginning	Increase	Decrease	Outstanding	
Macquarie Central Office CR REIT	Treasury Stock	Ordinary	-	1,953,329 (12.80%)	-	1,953,329 (12.80%)	
Macquarie Bank Limited	Largest Shareholder	Ordinary	1,216,038 (7.97%)	-	-	1,216,038 (7.97%)	
Macquarie Bank Limited - BPG	Largest Shareholder	Ordinary	1,369,232 (8.97%)	-	-	1,369,232 (8.97%)	
Macquarie Real Estate Korea	Special Related Party	Ordinary	456,290 (2.99%)	-	-	456,290 (2.99%)	
Sub total			3,041,560 (19.93%)	1,953,329 (12.80%)	-	4,994,889 (32.73%)	

#### 2. Important Shareholders (3% or more)

【as of 31 Dec 2008】

	Shareholders	Type of Stock	No. of Stock owned	Ratio(%)	Note
1	Samsung Life Insurance Ltd.	Common Stock	1,520,000	9.96	
2	AIAKOREA-STOCK	Common Stock	1,000,000	6.55	
3	Shinhan Life Insurance Ltd.	Common Stock	979,810	6.42	
4	Samsung Fire & Marine Co Ltd.	Common Stock	760,000	4.98	
5	LIG Insurance Co Ltd.	Common Stock	600,000	3.93	
Total			4,859,810	31.85	

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

Not applicable.

#### 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) The 1st FY ends at 30 June 2004.

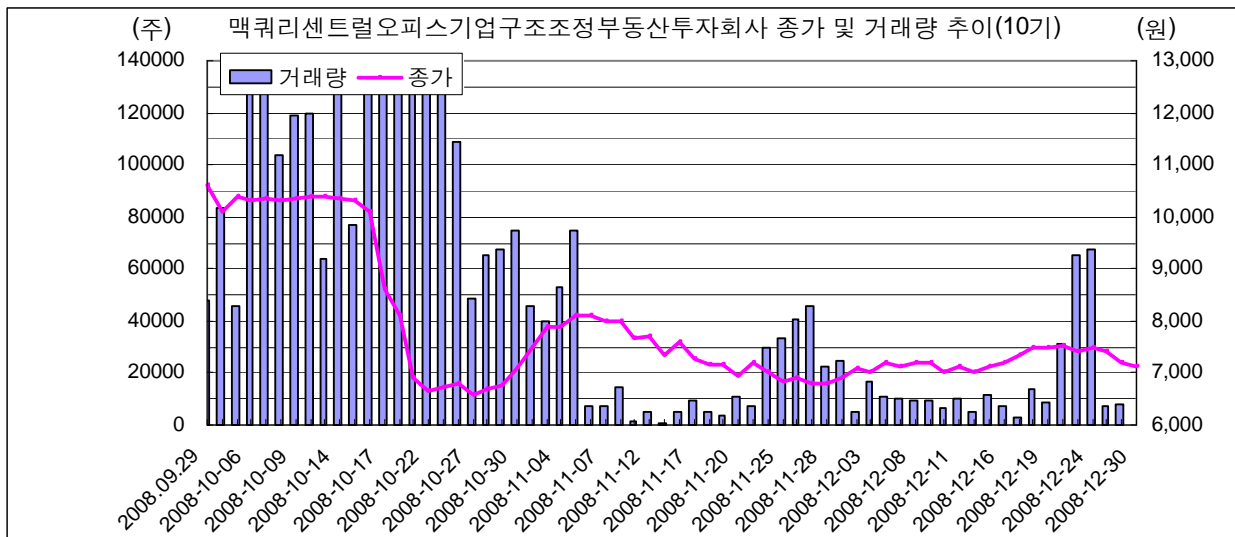
## II. State of stock price change

(Unit: KRW, Shares)

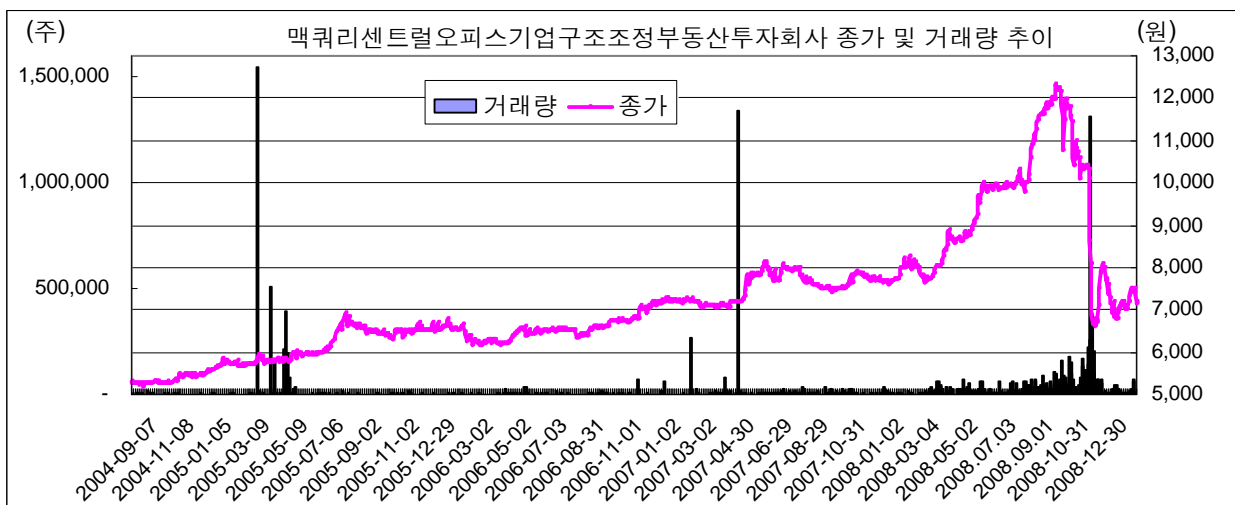
Category	Jul 2008	Aug 2008	Sep 2008	Oct 2008	Nov 2008	Dec 2008
High (Date)	11,650 (30/07/08)	12,350 (21/08/08)	11,950 (05/09/08)	10,400 (13/10/08)	8,100 (06/11/08)	7,520 (22/12/08)
Low (Date)	9,780 (18/01/08)	11,700 (01/02/08)	10,100 (11/03/08)	6,590 (02/04/08)	6,790 (23/05/08)	6,900 (16/06/08)

[Korea Exchange, Seoul]

### < 2<sup>nd</sup> Half of FY10: 01 Oct 2008 to 31 Dec 2008 >



### < Since listing date 08 Jan 2004 to 31 December 2008 >



## Section 8. Summarized balance sheet and income statement

### I .Principles of B/S

#### 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 premium 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:

Investment assets 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 investments:

Property investments include land, building, plant and 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

### Macquarie Central Office Corporate Restructuring Real Estate Investment Trust Balance Sheets December 31, 2008 and June 30, 2008

<i>(in thousands of Korean won)</i>	<u>December 2008</u>	<u>June 2008</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	₩ 8,600,262	₩ 10,185,568
Short-term financial instruments	1,729,959	1,721,920
Other accounts receivables	266	-
Accrued income	52,621	80,063
Prepaid expense	199,125	266,570
Tax refund receivables	41,845	32,231
Total current assets	<u>10,624,078</u>	<u>12,286,352</u>
Property and equipment, net of accumulated depreciation of ₩ 6,379,937 thousand (June 2008: ₩ 5,714,670 thousand)	162,004,683	162,484,150
Long-term prepaid expense	34,975	-
Total assets	<u>₩ 172,663,736</u>	<u>₩ 174,770,502</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Other accounts payable	₩ 822,971	₩ 1,055,693
Accrued expense	338,392	266,380
Advances received	134,931	76,283
Withholdings payable	28,900	28,900
VAT payables	518,072	484,279
Current portion of long-term borrowings, net	61,839,241	75,244,000
Total current liabilities	<u>63,682,507</u>	<u>77,155,535</u>
Long-term borrowings, net	12,664,796	-
Deposits received	14,773,937	15,115,545
Long-term account payable	17,220,041	-
Long-term accrued expense	14,153	-
Total liabilities	<u>108,355,434</u>	<u>92,271,080</u>
Commitments and contingencies		
Shareholders' equity		
Capital stock		
Common stock, ₩5,000 par value per share; authorized 61,042,400 shares; issued 15,260,600 shares	76,303,000	76,303,000
Capital adjustment		
Treasury stock	(17,220,041)	-
Retained earnings		
Legal reserve	718,492	718,492
Retained earnings before appropriations	4,506,851	5,477,930
Total shareholders' equity	<u>64,308,302</u>	<u>82,499,422</u>
Total liabilities and shareholders' equity	<u>₩ 172,663,736</u>	<u>₩ 174,770,502</u>

## V. Income Statements

### Macquarie Central Office Corporate Restructuring Real Estate Investment Trust Statements of Income Six-Month Periods Ended December 31, 2008 and June 30, 2008

(in thousands of Korean won)

	December 2008	June 2008
<b>Operating Revenue</b>		
Rental income	₩ 8,778,585	₩ 8,609,880
Common area maintenance income	3,691,440	3,697,438
Parking income	644,255	695,238
Tenant reimbursement	144,764	129,535
Other operating revenue	47,910	63,449
	<u>13,306,954</u>	<u>13,195,540</u>
<b>Operating Expenses</b>		
<b>Real estate expenses</b>		
Property administration expenses	204,192	326,008
Facility management fees	1,011,047	985,870
Utilities	802,666	791,829
Maintenance and repairs	158,433	623,116
Local taxes and dues	319,532	236,886
<b>Fund operating expenses</b>		
Remuneration to officers	6,000	7,000
Depreciation	665,267	658,267
Insurance premium	28,505	25,135
National taxes and dues	38,208	37,475
Fund administration fees	37,847	15,415
Professional service fees	818,989	50,727
Asset management fees	762,636	802,488
Asset custodian fees	25,784	25,938
Business trustee fees	42,973	43,230
	<u>4,922,079</u>	<u>4,629,384</u>
Operating income	<u>8,384,875</u>	<u>8,566,156</u>
<b>Non-operating income</b>		
Interest income	271,458	240,517
Late fees	450	2,139
Compensation for damages	-	79,016
Other income	451	151
	<u>272,359</u>	<u>321,823</u>
<b>Non-operating expenses</b>		
Interest expenses	2,670,873	2,588,806
Net income	<u>₩ 5,986,361</u>	<u>₩ 6,299,173</u>
<b>Per share data (In Korean won) (Note 14)</b>		
Earnings per share	₩ 394	₩ 413

## VI. Statements of Appropriations of Retained Earnings (Annually)

Not Applicable.

## VII. Statements of Cash flows (Annually)

Not Applicable.

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

### 1. The Company

Macquarie Central Office Corporate Restructuring Real Estate Investment Trust (the "Company") was incorporated on December 12, 2003. On January 8, 2004, its shares of stock were listed on the Korea Exchange. The Company is mainly engaged in the acquisition, development, management, improvement and sale of real estate and others.

The Company's head office is in Sokong-dong, Jung-gu, Seoul in Korea, and as of December 31, 2008, its biggest shareholder is Macquarie Bank Limited, which owns 3,041,560 shares representing 19.93% of the total outstanding shares.

Under the Articles of Incorporation, the original legal life of the Company was five years. However, this was extended to seven years through an amendment of the Articles of Incorporation, as approved by the shareholders on December 4, 2008, and by the Ministry of Land, Transport and Maritime Affairs on December 8, 2008. Its fiscal period starts from January 1 and ending on June 30, and from July 1 ending on December 31, except for the first fiscal period, which ended on June 30, 2004. Although the life of the Company has not expired, its fiscal period will end on the date when 50% or more of the real property owned by the Company is sold and the proceeds are fully collected. Once this sale transaction is executed, gain on sale of the real property will be immediately distributed to the shareholders of the Company.

As of December 31, 2008, the details of capital stock of the Company are as follows:

Authorized number of shares	Number of shares outstanding	Par value per share	Common stock (in thousands of Korean won)
61,042,400	15,260,600	₩ 5,000	₩ 76,303,000

As of December 31, 2008, the shareholders of the Company are as follows:

Shareholders	Number of shares	Amount (in thousands)	Percentage of Ownership (%)
Macquarie Bank Limited	2,585,270	₩ 12,926,350	16.94
Samsung Life Insurance Co., Ltd.	1,520,000	7,600,000	9.96
American Intl. Assurance Co. Ltd.	1,000,000	5,000,000	6.55
Shinhan Life Insurance Co., Ltd.	979,810	4,899,050	6.42
Samsung Fire & Marine Insurance Co., Ltd.	760,000	3,800,000	4.98
LIG Insurance Co., Ltd.	600,000	3,000,000	3.93
Others	5,862,191	29,310,955	38.41
Sub Total	13,307,271	₩ 66,536,355	87.20
Treasury Stock	1,953,329	9,766,645 <sup>1</sup>	12.80
Total	15,260,600	₩ 76,303,000	100.00

### 2. Summary of significant accounting policies

The significant accounting policies followed by the Company in the preparation of its financial statements for the six-month periods ended December 31, 2008 and June 30, 2008, are summarized below:

#### Basis of presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in conformity with 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 from the Korean language financial statements.

The following is a summary of significant accounting policies followed by the Company in the preparation of its financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards ("SKFAS"), which will gradually replace the existing financial accounting standards, established by the Korean Financial Supervisory Commission. The Company adopted SKFAS from No. 1 to No. 23 in its financial statements as of December 31, 2008, and for the six-month period then ended. SKFAS No. 14 and No. 18 were excluded from the application. These Standards were the same as those adopted in financial statements as of and for six-month period ended June 30, 2008.

**Revenue recognition**

The Company recognizes revenues from rental, common area maintenance, parking, tenant reimbursement and others upon delivery of the service.

**Property and equipment**

Property and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. It also includes the present value of the estimated cost of dismantling and removing the asset, and restoring the site after the termination of the asset's useful life, provided that it meets the criteria for recognition of provisions

Property and equipment are stated net of accumulated depreciation calculated based on the following depreciation method and estimated useful lives:

	<u>Estimated useful lives</u>	<u>Depreciation Method</u>
Buildings	50 years	Straight-line method
Machinery and equipment	5 years	Straight-line method

Routine maintenance and repairs are charged to current operations as incurred. Betterments and renewals, enhancing the value of the assets over their recently appraised value, are capitalized.

**Income taxes**

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operating loss to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity.

**Legal reserve**

Under Article 28(1) of the Real Estate Investment Company Act, the Company is not required to appropriate legal reserves as previously mandated by the Commercial Code of the Republic of Korea.

**Excess dividends**

Under the Article 28(3) of the Real Estate Investment Company Act, the Company can declare dividends in excess of retained earnings, to include the amount of depreciation expense for the period.

**Approval of financial statements**

The December 31, 2008 audited financial statements were approved by the Board of Directors on February 26, 2009.

### 3. Restricted financial instruments

Financial instruments whose withdrawals are restricted as of December 31, 2008 and June 30, 2008, are as follows:

<i>(in thousands of Korean won)</i>	<b>Bank</b>	<b>2008.12.31</b>		<b>2008.06.30</b>	
<b>Short-term financial instruments</b>					
Money market deposit account	Woori Bank	₩	995,281	₩	987,242
Time deposits	Woori Bank		700,000		700,000
Time deposits	Woori Bank		34,678		34,678
		₩	<u>1,729,959</u>	₩	<u>1,721,920</u>

As of December 31, 2008, the above short-term financial instruments are pledged as collaterals for the leasehold deposits.

### 4. Public value of land

As of December 31, 2008, the public value of land, announced by the Korean Tax Authority, which the Company owns, is as follows:

<i>(in thousands of Korean won)</i>	<b>Size(Sq.m.)</b>	<b>Book value</b>	<b>Public value of land</b>
Chungmu-ro 60-1, Jung-Gu, Seoul	7,942.50	₩ 102,397,913	₩ 94,515,750

### 5. Property and equipment

Changes in property and equipment for the six-month periods ended December 31, 2008 and June 30, 2008, are as follows:

#### 2008.12.31

<i>(in thousands of Korean won)</i>	<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Construction in progress</b>	<b>Total</b>
Balance as of July 1, 2008	₩ 102,397,913	₩ 59,561,237	₩ 10,800	₩ 514,200	₩ 162,484,150
Acquisition	-	19,300	-	166,500	185,800
Disposal	-	-	-	-	-
Depreciation	-	(659,267)	(6,000)	-	(665,267)
Reclassification	-	680,700	-	(680,700)	-
Balance as of December 31, 2008	₩ 102,397,913	₩ 59,601,970	₩ 4,800	₩ -	₩ 162,004,683
Acquisition cost	₩ 102,397,913	₩ 65,926,707	₩ 60,000	₩ -	₩ 168,384,620
Accumulated depreciation	-	(6,324,737)	(55,200)	-	(6,379,937)

#### 2008.06.30

<i>(in thousands of Korean won)</i>	<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Construction in progress</b>	<b>Total</b>
Balance as of January 1, 2008	₩ 102,397,913	₩ 60,208,204	₩ 16,800	₩ 5,300	₩ 162,628,217
Acquisition	-	-	-	514,200	514,200

Disposal	-	-	-	-	-
Depreciation	-	(652,267)	(6,000)	-	(658,267)
Reclassification	-	5,300	-	(5,300)	-
Balance as of June 30, 2008	<u>₩ 102,397,913</u>	<u>₩ 59,561,237</u>	<u>₩ 10,800</u>	<u>₩ 514,200</u>	<u>₩ 162,484,150</u>
Acquisition cost	₩ 102,397,913	₩ 65,226,707	₩ 60,000	₩ 514,200	₩ 168,198,820
Accumulated depreciation	-	(5,665,470)	(49,200)	-	(5,714,670)

## 6. Insurance

As of December 31, 2008, the Company has the following insurance policies:

Description	Insurance Company	Amount Insured	Period
Property & machinery damage	Samsung Fire & Marine Insurance Co., Ltd.	₩ 133,197 million	December 24, 2008 to December 24, 2009
Business Interruption		₩ 24,887 million	
General liability		US\$ 5,000,000 per each occurrence and others	
Gas insurance		₩ 300 million per accident ₩ 80 million per person	
Directors' & officers' liability	Hyundai Marine & Fire Insurance	₩ 5,000 million	May 1, 2008 to May 1, 2009

## 7. Collateralized assets

The property investments pledged as security to its lenders and tenants as of December 31, 2008 and June 30, 2008, are as follows:

(in thousands of Korean won)	Collateralized amounts		Related Liabilities
	2008.12.31	2008.06.30	
Samsung Life Insurance Co., Ltd., Samsung Fire & Marine Insurance Co., Ltd., LIG Insurance Co., Ltd. and Korea Life Insurance Co., Ltd.	₩ 97,817,200	₩ 97,817,200	Current portion of long-term borrowings & long-term borrowings
Korea Life Insurance Association	415,545	415,545	Deposits received
Dong Ah Construction Industrial Co., Ltd.	-	652,151	Deposits received
OTIS Elevator	871,097	871,097	Deposits received
Shinhan Bank	2,296,410	2,296,410	Deposits received
The Investigative Commission on Pro-Japanese Collaborators' Property	738,333	693,168	Deposits received
Prudential Life Insurance Co., Ltd.	187,580	187,580	Deposits received
Standard Chartered Capital Korea Co., Ltd.	109,523	109,523	Deposits received
	63,665	63,665	Deposits received
Shinsegae Co., Ltd	669,686	669,686	Deposits received
Shinsegae Mart Co., Ltd.	149,509	149,509	Deposits received
Korea Labor Welfare Corporation	805,460	805,460	Deposits received
Woori Financial Co., Ltd.	159,795	-	Deposits received
	<u>₩ 104,283,803</u>	<u>₩ 104,730,994</u>	

## 8. Long-term borrowings and current portion of long-term borrowings

Long-term borrowings and current portion of long-term borrowings as of December 31, 2008, consist of the followings:

<i>(in thousands of Korean won)</i>	<b>Annual interest rates (%) as of December 31, 2008</b>	<b>Maturity date</b>	<b>2008.12.31</b>	<b>2008.6.30</b>
Samsung Life Insurance Co., Ltd	8.5%	2009-12-25	₩ 45,898,840	₩ 45,898,840
Samsung Fire & Marine Insurance Co., Ltd.	8.5%	2010-12-25	12,791,480	12,791,480
LIG Insurance Co., Ltd.	8.5%	2009-12-25	10,534,160	10,534,160
Korea Life Insurance Co., Ltd.	8.5%	2009-12-25	6,019,520	6,019,520
			<u>75,244,000</u>	<u>75,244,000</u>
Less : Current portion of long-term borrowings			(62,452,520)	(75,244,000)
			<u>₩ 12,791,480</u>	<u>₩ -</u>

The Company has extended the maturity date of borrowings during the current fiscal period, and has paid 1% of the face value of borrowings as maturity extension fee. As the fee is a direct cost related to the borrowings and considered material, it is accounted for as discount on long-term borrowings and in the balance sheet as listed below:

<i>(in thousands of Korean won)</i>	<b>Face value</b>	<b>Discount on long-term borrowings</b>	<b>Book value</b>	<b>Period</b>	<b>Effective interest rate</b>
Current portion of long-term borrowings	₩ 62,452,520	₩ 613,279	₩ 61,839,241	2008.12.26~ 2009.12.25	9.91%
Long-term borrowings	12,791,480	126,684	12,664,796	2008.12.26~ ~2010.12.25	9.36%
Total	<u>₩ 75,244,000</u>	<u>₩ 739,963</u>	<u>₩ 74,504,037</u>		

The Company amortises discount on long-term borrowings using effective interest rate method over the remaining life of the borrowings, and this amortisation of long-term borrowings is added to interest expenses.

As of December 31, 2008, land, buildings and the short-term financial instruments are pledged as collaterals for these long-term borrowings (Notes 3 and 7).

## 9. Treasury Stock

On December 26, 2008, the Company purchased treasury stock as a result of exercising its stock option rights as requested by the shareholders. As the payment for the acquired treasury stock is deferred until the Company disposes of its real property, the unpaid amount is recorded as long-term other accounts payable which is subject to 6% interest per annum. The unpaid interest is accounted for under long-term accrued expense. According to the Article 84(3) of the Enforcement Decree of Securities and Exchange Act, the treasury stock should not be resold within six months after acquisition. Also, the treasury stock has no a voting rights according to the Article 369 of the Korean Commercial Act.

As of December 31, 2008, the Company has 1,953,329 treasury shares amounting to ₩ 17,720 million, accounted for as capital adjustment in the shareholders' equity.

As of December 31, 2008, a case is pending filed by five shareholders claiming payment for the treasury stock repurchased by the Company for 758,650 treasury shares amounting to ₩ 6,688 million (Note 10).

## 10. Commitments and contingencies

As of December 31, 2008, the Company has the following contracts:

### Asset management contract

The Company has an asset management contract with Macquarie Real Estate Korea Ltd.(MREK), wherein MREK manages and invests the securities and financial instruments of the Company, and manages, sells, develops and leases out the real estate properties of the Company. In turn, the Company pays basic fee, disposal fee and performance fee for MREK's services. Details of the contract are as follows:

<b>Basic fee</b>	11.3% of the ordinary income that does not include the basic compensation payable to MREK(from the 5 <sup>th</sup> fiscal period) (1 <sup>st</sup> fiscal period: 0%, 2 <sup>nd</sup> : 17%, 3 <sup>rd</sup> & 4 <sup>th</sup> : 11%, and the ordinary income includes gains on disposal of asset)
<b>Disposal fee</b>	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. 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 and an internal rate of return on such assets over a 5-year period of ownership of the assets is greater than 11.5%
<b>Performance fee</b>	40% of any excess over the cash flows that make equity IRR 11.5% minus the calculated disposal fee

### Asset custodian contract

The Company has a contract with Woori Bank for the custodial services of the Company's assets. The Company pays Woori Bank quarterly fees equivalent to 0.03% of the total assets.

### Business trust contract

The Company has a contract with Woori Bank for the maintenance of the stock and transfer records as well as for the bookkeeping of accounts and other administrative services. The Company pays Woori Bank quarterly fees equivalent to 0.05% of the total assets for the services.

### Property management contracts

The Company has a contract with SAMS Property Management, which includes rental, budget management and maintenance, and facilities management, which includes security and management of parking lots and facilities.

### Litigation

The Company is a defendant in a lawsuit, the ultimate outcome which could not be determined as of December 31, 2008.

Description	Plaintiff	Defendant	Amount (in thousands)	Jurisdiction	Status
Request for proceeds of stock repurchase	5 plaintiffs including Endeavor Co., Ltd.	The Company	₩ 6,688,061	Seoul Central District Court	Pending

The Company recorded the amount of unpaid treasury stock, including the subject amount of the case above, as long-term other accounts payable (Note 9).

## 11. Related party transactions

The Company has no parent company or any subsidiary.

The compensation for the Company's key management includes salaries of ₩ 6 million for the six-month period ended December 31, 2008. The Company's key management consists of officers, who have authority and responsibilities for the Company's plans, operations and control.

Details of the Company's transactions with the related parties for the six-month periods ended December 31, 2008 and June 30, 2008, are summarized as follows:

<i>(in thousands of Korean won)</i>	Transactions	
	2008.12.31	2008.06.30
Samsung Life Insurance Co., Ltd.		

<i>(in thousands of Korean won)</i>	<b>Transactions</b>	
	<b>2008. 12.31</b>	<b>2008.06.30</b>
Interest expense	₩ 1,616,862	₩ 1,579,172
Rental income	424,093	424,093
Common area maintenance income	167,706	167,706
Parking income	33,491	44,182
Tenant reimbursement	296	383
Samsung Fire & Marine Insurance Co., Ltd.		
Interest expense	449,528	440,097
Insurance premium	21,005	20,527
LIG Insurance Co., Ltd.		
Interest expense	371,083	362,433

Related account balances as of December 31, 2008 and June 30, 2008, are as follows:

<i>(in thousands of Korean won)</i>	<b>Receivables and payables</b>	
	<b>2008. 12.31</b>	<b>2008. 06. 30</b>
Samsung Life Insurance Co., Ltd.		
Accrued expenses	₩ 64,133	₩ 43,384
Current portion of long-term borrowings <sup>1</sup>	45,448,117	45,898,840
Leasehold deposits	338,800	338,800
Samsung Fire & Marine Insurance Co., Ltd.		
Prepaid expenses	51,528	19,850
Accrued expenses	145,788	12,091
Current portion of long-term borrowings <sup>1</sup>	-	12,791,480
Long-term borrowings <sup>1</sup>	12,664,796	-
LIG Insurance Co., Ltd.		
Accrued expenses	120,061	9,957
Current portion of long-term borrowings <sup>1</sup>	10,430,715	10,534,160

<sup>1</sup> Long-term borrowings and current portion of long-term borrowings are recorded as book value, which is deducted discount on borrowings from face value.

## 12. Rental income

The Company does not project its future rental income due to the nature of the business. It adjusts the rental rates on its rental contracts based on the consumer price index.

## **IX. Auditor's Opinion**

- External Auditor's Opinion

Not Applicable.

- 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 Korean GAAP, etc.

Statutory Auditor Jong-Hee Lee

**Section 9. Other matters relating to asset management that are prescribed by the  
Ministry of Land, Transportation and Maritimes**

**I . Summary on disclosures and reports**

Date	Contents	Disclose to
26 Dec 2008	Amendment of Representative Director	FSS, KRX
4 Dec 2008	Convocation of Extraordinary General shareholder's meeting	FSS, KRX
14 Nov 2008	Half Annual Report for FY10	FSS, KRX
26 Sep 2008	Annual Report for FY9	FSS, KRX
23 Sep 2008	Asset Management Agreement Modification	FSS, KRX
23 Sep 2008	Resolution for holding a General Shareholders' Meeting	FSS, KRX
11 Sep 2008	Financial Audit Report for FY 9	FSS, KRX
08 Sep 2008	Convocation of General shareholder's meeting and public announcements	FSS, KRX
02 Sep 2008	Resolution for Dividend Payment	FSS, KRX
02 Sep 2008	Resolution for holding a General Shareholders' Meeting	FSS, KRX

**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

Regulation	Compliance
<p>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.</p>	Complied
<p>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 Real Estate Investment Company Act of Korea (the "Act")), and any shareholder who owns and holds 10% or more of the shares in MCO CR REIT and its respective related persons, except for the circumstances under the Act.</p>	Complied
<p>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:  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;  General sale, competitive bidding or any similar transaction;  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  Unavoidable transactions as a result of merger, liquidation, spin-off or merger by a spin-off entity.</p>	Complied