

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

## **Investment Report as of 31 March 2007**

Macquarie Central Office CR REIT

15 May 2007

**TO :** Minister of Construction and Transportation

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 Sokong-Dong, Chung-Ku, Seoul Korea  
(Tel.) 822-3705-8710  
Prepared by: Woori Bank Business Trust Department, the Business Trustee of  
MCO CR REIT  
(Tel.) 822-2130-5652

## 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 Sokong-Dong, Chung-Ku, 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 March 2007,

Total Asset : 169,300 (Million KRW)

Paid Equity : 76,303 (Million KRW)

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

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 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	Final-Approval from MOCT
⑩. 8 Jan 2004	Listed to Korea Exchange (KRX)

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 Mar 2007】

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 Mar 2007】

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 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	6 <sup>th</sup> Financial Year	5 <sup>th</sup> Financial Year	4 <sup>th</sup> Financial Year	3rd Financial Year	2nd Financial Year
Net Income	5,272,511	4,736,100	4,814,312	4,494,286	4,240,681
Earning per share	328.60	310.35	315.47	294.50	277.88
Distributable Income	4,375,878	4,017,608	4,285,698	4,304,407	3,682,547
Dividend in total	5,014,702	4,914,242	4,814,312	4,643,142	3,682,547
Payout Ratio	0.95	1.04	1.00	1.03	0.87
Dividend Rate	6.57%	6.44%	6.31%	6.09%	4.83%
Annualized Dividend Rate	13.04%	12.99%	12.52%	12.27%	9.57%

- 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 excessive dividend upto depreciation cost of each year is possible pursuant to the Articles of Incorporation. It leads to dividend amount bigger than the distributable Income under Commercial Code and the payout ratio becomes more than 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	Land and Fixtures	164,794	93.92	165,291	95.33	95.33	95.33
	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		10,374	5.91	7,779	4.49	4.49	
Other Assets		301	0.17	313	0.18	0.18	
① Total Asset	Stock Owner's Equity	85,166	48.54	83,183	47.98	47.98	100.0
	Liabilities	90,303	51.46	90,200	52.02	52.02	

\* 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%~3.80%	2,702	2,785
Woori Bank	Time Deposit	2.50 %~4.70%	1,314	1,313
Kookmin Bank	Time Deposit	4.20~4.30%	6,200	3,500
Total			10,216	7,598

**III. Net Asset Value per share**

(Unit : shares, million KRW)

	31-Mar-07	31-Dec-06	30-Sep-06	30- Jun-06
Total Asset Value per the Article 27 (3) of ED of Real Estate Investment Company Act (I)	173,383	175,469	171,188	173,927
Total liabilities per Balance Sheets (II)	90,200	90,303	89,236	89,749
Net Asset Value (III=I-II)	83,183	85,166	81,952	84,179
Number of Shares issued	15,260,600	15,260,600	15,260,600	15,260,600
Net Asset Value per share	5,451	5,581	5,370	5,516

### 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 : 103,534 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	-	5,252	-	-	102,398	62,893	165,291	4,083	161,208

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

##### 3. Lease status

Portfolio	Gross Leasible Area(py)	Leased Area(py)	Occupancy Rate	Annual Rent (mw)	Number of Lease Contracts	Average annual rent per py (1,000 KRW)
Kukdong building	18,859	18,274	96.9%	15,630	87	855
	Vacancy	585	3.1%			
Sub total	18,859	18,859	100.0%			

<Note>

\* Annual Rental Income KRW 15,629,595,636= monthly rent KRW 1,302,466,303\*12

(Annual CAM income KRW 6,381,630,180= KRW531,802,515\*12)

\* Average annual rental income per py = Annual Rent KRW 15,629,595,636 ÷ 18,274py

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

2006-07	2006-08	2006-09	2006-10	2006-11	2006-12	2007-01	2007-02	2007-03
2.0%	6.6%	6.1%	4.4%	4.4%	5.0%	3.9%	3.6%	3.1%

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

Not applicable

**Section 4. Total income amount, income structure and yield**  
(From 01 Jan 2007 to 31 Mar 2007)

**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	3,805	64.09	
	Income/Loss from Sale	-	-	
	Other Income related to Real Estate	2,021	34.04	
Marketable Securities	Income/Loss from Sale	-	-	
	Revaluation Income/Loss	-	-	
	Interest Income/ Dividend	-	-	
Other Income		111	1.87	
Total Income		5,937	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	3,805	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	2,021	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	105	94.60	
Late Fee	1	0.90	
Penalty Income	2	1.80	
Other non-operating	3	2.70	
Other Income Total	111	100.00	

## III. Return on Equity

(Unit: %)

Category	FY 7 1 <sup>st</sup> Quarter	FY 6 2 <sup>nd</sup> Quarter	FY 6 1 <sup>st</sup> Quarter	FY 5 2 <sup>nd</sup> Quarter
Company (A)	15.02	14.30	13.03	12.80
Industry Average (B)	-		-	-
Excess in Rate of Return	-		-	-

\*Return on Equity : Net Income / 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 Jan 2007 to 31 Mar 2007)**

**I . Total Operating Expenses**

1) On-site Property Operating Expenses

Items	Kukdong Building (in KRW million)
Property Administration Expenses	85
Facility Maintenance Fees	417
Utility Expenses	420
Repairs and Maintenance	128
Property Taxes and Dues	147
Sub Total	1,197

2) General Operating Expenses

Items	Amount in KRW million
Remuneration to officers	3
Depreciation Costs	315
Amortization of Insurance Premium	8
National Tax and Dues	14
General Administration Fees	11
Professional Fees	12
Sub Total	363

\* 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 Property Advisors 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	
		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 <sup>st</sup> FY : 0% 2 <sup>nd</sup> FY : 17.00% 3 <sup>rd</sup> -4 <sup>th</sup> FY : 11.00% 5 <sup>th</sup> -10 <sup>th</sup> FY : 11.30%	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	
		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 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 2003	45,898,840,000	6.90%	Longterm <sup>1)</sup>	Lump sum repayment at maturity	45,898,840,000
Samsung F&M	26 Dec 2003	12,791,480,000	6.90%	Longterm <sup>1)</sup>	Lump sum repayment at maturity	12,791,480,000
LIG Insurance	26 Dec 2003	10,534,160,000	6.90%	Longterm <sup>1)</sup>	Lump sum repayment at maturity	10,534,160,000
Korea Life	26 Dec 2003	6,019,520,000	6.90%	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, interest rate is 6.03% p.a. from the funding date, 26 December 2003 to the first anniversary date of the acquisition closing date, 26 December 2004 and 6.9% p.a. thereafter.

## Section 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 Mar 2007】

Name	Relation	Stock	Number of shares (%)				Note
			Beginning	Increase	Decrease	Outstanding	
Macquarie Bank Limited	Largest Shareholder	Ordinary	1,216,038 (7.97%)	1,335,000 (8.75%)	-	2,551,038 (16.72%)	
Macquarie Property Advisors Korea	Special Related Party	Ordinary	456,290 (2.99%)	-	-	456,290 (2.99%)	
Sub total			1,672,328 (10.96%)	1,335,000 (8.75%)	-	3,007,328 (19.71%)	

\* The largest shareholder of MCO CR REIT was changed from Avonla Korea I Holdings (Luxembourg), S.A.R.L. as of 27 March 07 to Macquarie Bank Limited due to decrease of shares held by Avonla Korea I Holding (Luxembourg), S.A.R.L.

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

Not applicable for quarterly report.

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

Not applicable for quarterly report.

#### 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.

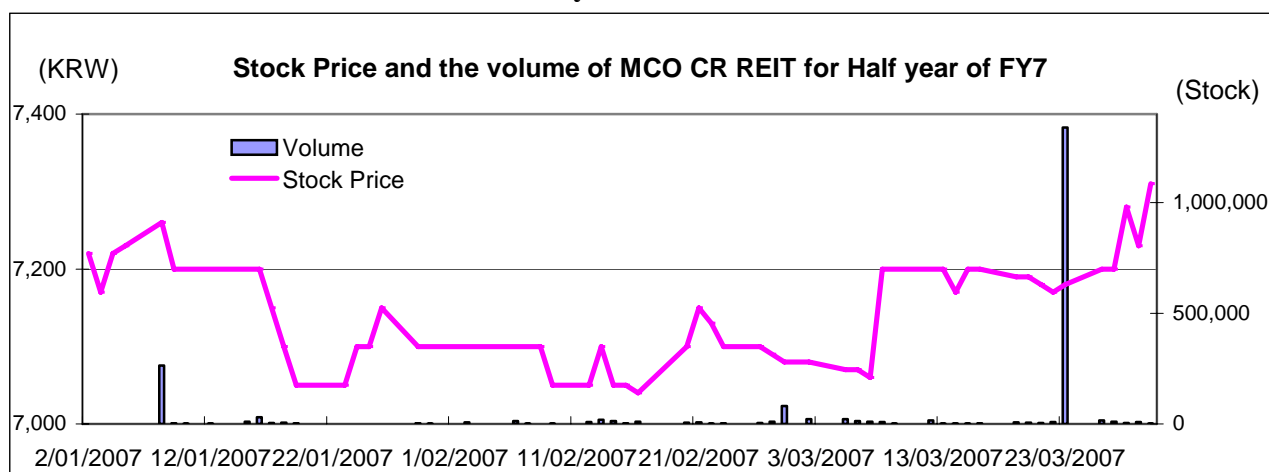
## II. State of stock price change

(Unit: KRW, Shares)

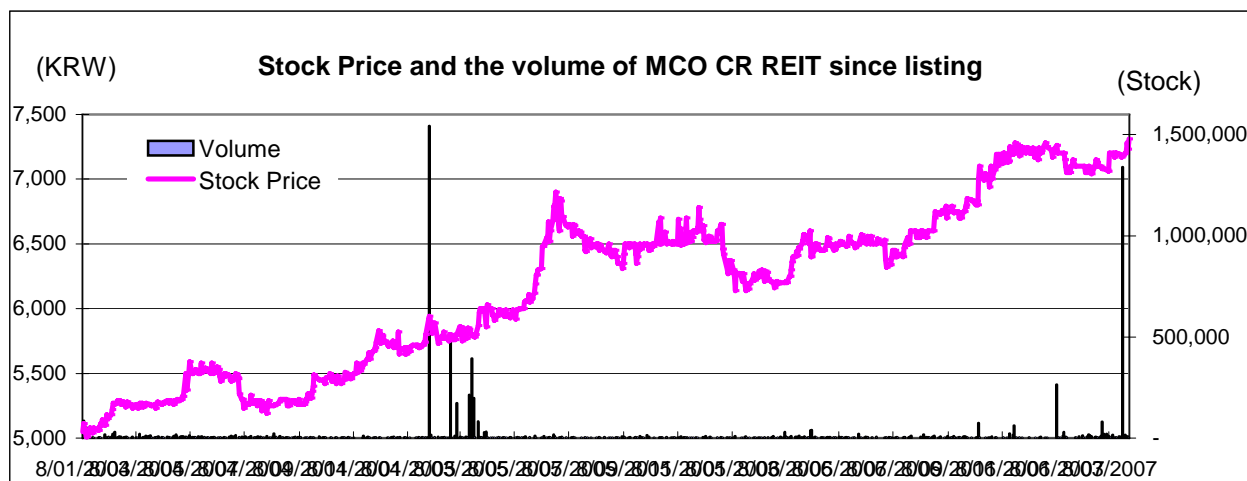
Category	Jan 2007	Feb 2007	Mar 2007
High (Date)	7,260 (08/01/07)	7,150 (21/02/07)	7,310 (30/03/07)
Low (Date)	7,050 (22/01/07)	7,040 (16/02/07)	7,060 (07/03/07)
Monthly Trade Volume	332,810	189,110	1,503,002
Average Daily Trade Volume	15,128	9,953	71,572

[Korea Exchange, Seoul]

< FY7: 01 January 2007 to 31 March 2007 >



< Since listing date 08 Jan 2004 to 31 March 2007 >



## **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

### BALANCE SHEETS AS OF MARCH 31, 2007 AND DECEMBER 31, 2006

	Korean Won	
	2007.3.31	2006.12.31
	(In thousands)	
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	₩ 3,541,354	₩ 6,284,478
Short-term financial instruments	4,056,813	3,772,599
Accounts receivable	28,699	13,023
Accrued income	180,494	157,990
Prepaid expenses	137,706	32,216
Prepaid income tax	<u>30,280</u>	<u>18,668</u>
	<u>7,975,346</u>	<u>10,278,974</u>
NON-CURRENT ASSETS:		
Investment assets:		
Long-term financial instruments	-	158,639
Long-term prepaid expenses	<u>116,249</u>	<u>237,727</u>
	<u>116,249</u>	<u>396,366</u>
Property investments:		
Land	102,397,913	102,397,913
Building	62,335,907	62,335,907
Machinery	60,000	60,000
Construction in Progress	497,400	-
Less: Accumulated depreciation	<u>(4,083,509)</u>	<u>(3,768,830)</u>
	<u>161,207,711</u>	<u>161,024,990</u>
	<u>161,323,960</u>	<u>161,421,356</u>
 TOTAL ASSETS	 <u>₩ 169,299,306</u>	 <u>₩ 171,700,330</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	₩ 405,941	₩ 750,540
Accrued expenses	191,631	85,345
Advanced receipts	2,584	79,134

	Korean Won	
	2007.3.31	2006.12.31
	(In thousands)	
Withholding VAT payables	28,900	28,900
	<u>368,581</u>	<u>468,098</u>
	<u>997,637</u>	<u>1,412,017</u>
<b>NON-CURRENT LIABILITIES:</b>		
Long-term borrowings	75,244,000	75,244,000
Leasehold deposits	<u>13,958,271</u>	<u>13,646,943</u>
	<u>89,202,271</u>	<u>88,890,943</u>
Total Liabilities	<u>90,199,908</u>	<u>90,302,960</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Common stock	₩76,303,000	₩76,303,000
Appropriated retained earnings – legal reserve	718,492	718,492
Retained earnings before appropriations (Net income of ₩ 2,716,729 thousand for the three months ended March 31, 2007 and ₩ 2,373,084 thousand for the three months ended September 30, 2006)	<u>2,077,906</u>	<u>4,375,878</u>
	<u>2,796,398</u>	<u>5,094,370</u>
Capital adjustments	-	-
Total Shareholders' Equity	<u>79,099,398</u>	<u>81,397,370</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>₩169,299,306</u>	<u>₩171,700,330</u>

## V. Income Statements

### STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND SEPTEMBER 30, 2006

	Korean Won	
	2007.3.31	2006. 9. 30
	(In thousands, except per share amounts)	
<b>OPERATING REVENUE:</b>		
Rental income	₩ 3,805,108	₩ 3,631,315
Common area maintenance income	1,582,822	1,454,939
Parking income	348,535	342,643
Tenant reimbursement	57,742	84,309
Other operating revenue	<u>31,816</u>	<u>21,669</u>
	<u>5,826,023</u>	<u>5,534,875</u>
<b>OPERATING EXPENSES:</b>		
Real estate expenses:		
Property administration expenses	84,619	108,990
Facility management fees	417,132	400,368
Utilities	419,849	458,694
Maintenance and repairs	127,711	73,973
Local taxes and dues	<u>147,456</u>	<u>240,651</u>
	<u>1,196,767</u>	<u>1,282,676</u>

	Korean Won	
	2007.3.31	2006. 9. 30
	(In thousands, except per share amounts)	
Fund operating expenses:		
Remuneration to officers	3,000	3,000
Depreciation	314,679	314,680
Insurance premium	8,122	14,633
National taxes and dues	14,304	13,870
Fund administration fees	11,040	8,624
Professional fees	12,036	1,050
Asset management fees	346,100	302,321
Asset custodian fees	12,697	12,580
Business trustee fees	21,162	20,967
	<u>743,140</u>	<u>691,725</u>
	<u>1,939,907</u>	<u>1,974,401</u>
OPERATING INCOME	<u>3,886,116</u>	<u>3,560,474</u>
NON-OPERATING INCOME:		
Interest income	₩ 105,450	₩ 102,124
Late fee	1,235	1,281
Compensation for damages	1,485	17,682
Other income	2,622	150
	<u>110,792</u>	<u>121,237</u>
NON-OPERATING EXPENSES:		
Interest expense	<u>1,280,179</u>	<u>1,308,627</u>
	<u>1,280,179</u>	<u>1,308,627</u>
ORDINARY INCOME	2,716,729	2,373,084
INCOME BEFORE INCOME TAX	2,716,729	2,373,084
INCOME TAX EXPENSE	-	-
NET INCOME	<u>₩ 2,716,729</u>	<u>₩ 2,373,084</u>
NET INCOME PER SHARE	<u>₩ 178</u>	<u>₩ 156</u>

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

Not applicable for Quarterly report.

## VII. Statements of Cash flows (Annually)

Not applicable for Quarterly report.

## VIII. Significant Accounting Policies

## 1. GENERAL:

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

The head office of the Company is located in Sokong-dong Chung-gu Seoul in Korea. As of March 31, 2007, Macquarie Bank Limited., the largest shareholder of the Company, owned 2,551 thousand shares (16.72% of the total shares as of March 31, 2007). The total shareholders' paid-in capital is ₩76,303 million as of March 31, 2007.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### Basis of Financial Statement Presentation

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

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

### Revenue Recognition

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

### Allowance for Doubtful Accounts

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

### Property Investments

Tangible assets are stated at cost, net of accumulated depreciation. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful life of the facilities involved are treated as additions to property investments. The Company charges all interest expense in current operations.

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

Category	Useful Lives (Years)
Building	50
Machinery	5

### Income Tax Expense and Deferred Income Taxes

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

### 3. CASH AND CASH EQUIVALENTS AND FINANCIAL INSTRUMENTS:

Cash and cash equivalents and financial instruments as of March 31, 2007 and December 31, 2006 consist of the following:

	Bank	Annual interest rate (%)	Korean Won	
			2007.3.31	2006.12.31
(In thousands)				
Cash and cash equivalents:				
Money Market Deposit Account	Woori Bank	0.0~3.8	₩ 1,041,348	₩ 1,084,472
Time deposits	Kookmin Bank	3.6~4.3	<u>2,500,006</u>	<u>5,200,006</u>
			<u>₩ 3,541,354</u>	<u>₩ 6,284,478</u>
Short-term financial instruments				
MMDA	Woori Bank	0.0~3.5	₩ 1,743,238	₩ 1,617,663
Time deposits	Woori Bank	2.5~4.7	₩ 1,313,575	1,154,936
Time deposits	Kookmin Bank	4.2	<u>1,000,000</u>	<u>1,000,000</u>
			<u>₩ 4,056,813</u>	<u>₩ 3,772,599</u>
Long-term financial instruments				
Time deposits	Woori Bank	3.0~4.0	<u>₩ -</u>	<u>₩ 158,639</u>

The Company made deposits with Woori Bank amounting to ₩3,056,813 thousand and ₩2,931,238 as of March 31, 2007 and December 31, 2006 as collateral for leasehold deposits.

### 4. PROPERTY INVESTMENTS:

- i. The changes in property investments for the three months ended March 31, 2007 are as follows (In thousands):

	Beginning of period	Acquisition	Transfer	Depreciation	End of period
Land	₩ 102,397,913	₩ -	₩ -	₩ -	₩ 102,397,913
Building	58,598,277	-	-	(311,679)	58,286,598
Machinery	28,800	-	-	(3,000)	25,800
Construction in progress	-	497,400	-	-	497,400
	<u>₩ 161,024,990</u>	<u>₩ 497,400</u>	<u>₩ -</u>	<u>₩ (314,679)</u>	<u>₩ 161,207,711</u>

- ii. As of March 31, 2007, the published tax assessment value of the Company-owned land (7,942.5 square meters) totals ₩75,692,025 thousand in terms of land tax assessment price officially announced by the Korean government.

5. INSURED ASSETS:

As of March 31, 2007, the Company carries the following insurance policies:

<u>Type of Insurance</u>	<u>Object</u>	<u>Coverage</u> (In thousands: Korean Won)	<u>Company</u>
Package insurance	Building & machinery	₩ 90,778,369	Samsung Fire & Marine Insurance Co., Ltd.
	General liability	US\$ 5,000,000 per each occurrence and others	Samsung Fire & Marine Insurance Co., Ltd.
Gas insurance	Facilities	₩ 300,000 per accident	Samsung Fire & Marine Insurance Co., Ltd.
	Person	₩ 80,000 per person	

6. COLLATERALIZED ASSETS:

The property investments pledged as security to its lenders and tenants as of March 31, 2007 are as follows:

<u>Provided to</u>	<u>Collateralized assets</u>	<u>Collateralized amounts</u> (In thousands)	<u>Related liabilities</u>
Samsung Life Insurance Co., Ltd. Samsung Fire & Marine Insurance Co., Ltd. LIG Insurance Co., Ltd. Korea Life Insurance Co., Ltd. Korea Life Insurance Association Dong Ah Construction Industrial Co., Ltd. OTIS LG Elevator Shinhan Bank Samsung Card Co., Ltd. Prudential Life Insurance Co., Ltd. Prime Financial Korea Limited Shinsegae Co.,Ltd Shinsegae mart Co.,Ltd Nonghyup logistics Co.,Ltd	Land and building  Building Building Building Building Building Building Building Building Building Building Building	₩ 97,817,200  759,885 621,096 871,097 2,042,495 108,492 152,448 109,523 669,686 274,174 107,977 <u>₩ 103,534,073</u>	Long-term borrowings  Leasehold deposits Leasehold deposits Leasehold deposits Leasehold deposits Leasehold deposits Leasehold deposits Leasehold deposits Leasehold deposits Leasehold deposits Leasehold deposits

7. LONG-TERM BORROWINGS:

Long-term borrowings as of March 31, 2007 and December 31, 2006 consist of the following:

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

8. RENTAL INCOME:

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

9. RELATED PARTY TRANSACTIONS:

- i. The significant transactions with related parties for the three months ended March 31, 2007 and September 30, 2006 are summarized below.

	<u>Korean Won</u>	
	<u>2007. 3. 31</u>	<u>2006. 9. 30</u>
(In thousands)		
Samsung Life Insurance Co., Ltd.:		
Interest expense	₩ 780,909	₩ 798,263
Rental income	194,874	185,595
Common area maintenance income	74,266	70,958
Parking income	17,727	17,727
Tenant Reimbursement	195	-
Samsung Fire & Marine Insurance Co., Ltd.:		
Interest expense	₩ 217,630	₩ 222,467
Insurance premium	8,122	14,633
LIG Insurance Co., Ltd.:		
Interest expense	179,255	183,208

- ii. The related account balances with related parties as March 31, 2007 and December 31, 2006 are summarized below.

	<u>Korean Won</u>	
	<u>2007. 3. 31</u>	<u>2006. 12. 31</u>
(In thousands)		
Samsung Life Insurance Co., Ltd.:		
Accrued expenses	₩ 52,061	₩ 52,061
Long-term borrowings	45,898,840	45,898,840
Leasehold deposits	309,000	309,000
Samsung Fire & Marine Insurance Co., Ltd.:		
Prepaid expenses	24,094	32,216
Accrued expenses	14,509	14,509
Long-term borrowings	12,791,480	12,791,480
LIG Insurance Co., Ltd.:		
Accrued expenses	11,948	11,948
Long-term borrowings	10,534,160	10,534,160

10. COMMITMENTS:

As of March 31, 2007, the principal commitments of the Company are as follows:

- (1) Asset Management Contract

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

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

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

(2) Business Trust Contract

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

(3) Asset Custodian Contract

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

(4) Property Management Contract

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

## **IX. Auditor’s Opinion**

- External Auditor’s Opinion  
Not Applicable

Deloitte Anjin LLC

- 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 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	Disclose to
26 Mar 2007	Resolution for Largest shareholder changes	FSS, KRX
26 Mar 2007	Resolution for Major shareholder changes	FSS, KRX
16 Mar 2007	Annual Report for FY 6	FSS, KRX
15 Mar 2007	Disclosures of general shareholders' meeting for FY 6	FSS, KRX
07 Mar 2007	Submission of Audit Report for FY 6	FSS, KRX
28 Feb 2007	Convocation of general shareholder's meeting and public announcements	FSS, KRX
22 Feb 2007	Resolution for holding a general shareholders' meeting	FSS, KRX
22 Feb 2007	Resolution for Dividend payment	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