

Investment Overview

Macquarie Korea Infrastructure Fund



This document contains detailed information about Macquarie Korea Infrastructure Fund. Thus, we strongly recommend you to read this document before making an investment decision.

1. Company :

Macquarie Korea Infrastructure Fund ("MKIF")
11th Floor, Hanhwa Building
110 Sokong-dong, Chung-gu
Seoul 100-755 Korea
Tel: 82-2-3705-4921

2. Asset Management Company :

Macquarie Shinhan Infrastructure Asset Management Co., Ltd
11th Floor, Hanhwa Building
110 Sokong-dong, Chung-gu
Seoul 100-755 Korea
Tel: 82-2-3705-4921

3. Sales Agents :

Goodmorning Shinhan Securities Co., Ltd., Macquarie Securities Korea Ltd., Samsung Securities Co., Ltd., Kyobo Securities Co., Ltd., Hanhwa Securities Co., Ltd. and Tongyang Investment Bank Co., Ltd.

MKIF is listed its common shares on the Korea Exchange and global depository shares on the London Stock Exchange and its outstanding shares and its outstanding shares can be publicly traded through securities companies including the sales agents mentioned here.

4. Date of this Investment Overview :

14 March, 2008

5. The Investment Overview is available at:

- Macquarie Shinhan Infrastructure Asset Management ("MSIAM") office
- MKIF website (www.macquarie.com/mkif)
- The Korea Financial Supervisory Commission
- The Asset Management Association of Korea ("AMAK"). (www.amak.or.kr)

The Korea Financial Supervisory Commission does not approve MKIF's stock offerings nor guarantee the accuracy and propriety of this document. We advise you to be as prudent as possible in making investment decisions as the investment may entail a loss of principal.

DISCLAIMER

Investments in Macquarie Korea Infrastructure Fund ("MKIF") are not deposits with or other liabilities of Macquarie Shinhan Infrastructure Asset Management Co., Ltd. ("MSIAM"), Macquarie Bank Limited, or any entity in the Macquarie Group, and are subject to investment risk, including possible delays in repayment or loss of income and/or capital invested. Neither MKIF, nor any member of the Macquarie Group, including MSIAM, guarantees the performance of MKIF, the repayment of capital or the payment of a particular rate of return on MKIF securities.

ADVICE WARNING

This Investment Overview has been prepared by MKIF in compliance with its obligations under the Indirect Investment Asset Management Business Act ("IIAMBA"), which require MKIF to update, on an annual basis, the prospectus dated 7 March 2006 provided to the investors in the initial public offering of MKIF securities ("Prospectus"). However, this Investment Overview has not been prepared in connection with solicitation for or offering of new shares by MKIF and, accordingly, it is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the particular investment objectives, financial situation or particular needs of the investor.

This Investment Overview is not an offer for sale of the securities of MKIF in the United States or in any jurisdiction where any offer, sale or solicitation in respect of such securities is not permitted. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended, or in any jurisdiction where such offer or sale is not permitted. MKIF does not intend to register any portion of any contemplated offering in the United States or to conduct a public offering of securities in the United States.

This Investment Overview does not provide all information that we consider is necessary for an investor to make an informed investment decision in relation to MKIF securities. It contains an update of certain information contained in the investment overview dated 15 March 2007 provided to the investors, a copy of which was lodged with the Asset Management Association of Korea ("AMAK"), as required by IIAMBA regulations, and does not represent a full and complete update of the Prospectus. Therefore, investors which are to acquire MKIF shares which have been issued and listed on an exchange should review and consider other information relating to investment in MKIF provided by MKIF including information contained in the public disclosures made by MKIF from time to time and/or on a periodic basis together with this Investment Overview.

Furthermore, this Investment Overview is a direct English translation of the Korean version of the document which MKIF is required to prepare and file under Korean IIAMBA regulations. This translation has been prepared as accurately and faithfully as is possible to meet the general principle of Korean law that Korean and foreign shareholders should receive equal treatment and have access to equal information. This translation of the Investment Overview does not include any disclosure specifically addressed or prepared for the benefit of holders of MKIF's GDRs that MKIF is not otherwise required to disclose pursuant to IIAMBA.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this document or any of its contents. Before making an investment in MKIF, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

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Summary

I. Company Overview

1. Company Name

Macquarie Korea Infrastructure Fund (“MKIF” or “Company”)*

* Fund Code registered by the Asset Management Association of Korea: 35801

2. Duration of the Company

From the incorporation date until the company is dissolved according to the terms set forth in the Articles of Incorporation.

3. Company Description

An indirect investment company registered under the Private Participation in Infrastructure Act (“PPI Act”), where the repurchase of securities is prohibited other than in limited circumstances as set out in the MKIF Articles of Incorporation (“AOI”).

4. Asset Management Company

Macquarie Shinhan Infrastructure Asset Management Co., Ltd (“MSIAM” or “Manager”).

II. Investment Information

1. Investment Purpose

We invest in concession companies that develop and operate infrastructure businesses under their respective concession agreements based on the Korean Private Participation in Infrastructure Act, or PPI Act in Korea. We are focused on generating profits from dividend and interest income and ultimately distributing the profits from our investment activity to our shareholders.

2. Investment Strategy

We focus on providing loans to, and acquiring equity and equity-linked securities of, concession companies that operate infrastructure assets such as toll roads, ports, energy, airport, communication, and water resources under concessions from Korean central, provincial or city governments throughout the country. We may also make equity investments into companies that invest in those concession companies, as well as other investments allowed by related laws and regulations. The infrastructure projects in which we invest have been, or are being, constructed under the PPI Act and all projects benefit from some form of government support. Also, these assets offer opportunities to maximize our profit through capital restructuring initiatives.

3. Risk Factors

There are various risks which exist in relation to our business and our investments, such as potential loss of investment principal, market risk, liquidity risk and fluctuations in net asset value. Detailed information on the key risks arising in relation to our business or an investment in MKIF is set out in Part 2 (Detailed Information), Section I(2) (Risk Factors).

4. Investor Characteristics

We have invested in a portfolio of infrastructure assets that we believe will offer growing revenues over the medium and long term. Most of the concession companies in which we have made investments benefit from some form of revenue guarantee from the relevant central, provincial or city government bodies under their respective concession agreements. These revenue guarantees are not static, but are adjusted for inflation and based on forecasts which assume growth in traffic volumes and toll revenues.

Considering our stable and growing, inflation-adjusted cash flows, our diversified portfolio of investments, the government revenue support provided to each concession company and the expertise of our Manager, we believe that we offer an investment with “low risk” and, as a result, should be rated at level 4 (low risk) in terms of risk categories identified below. However, since there are no specific criteria or guidelines published for assessing risk levels based on the below categories, the rating is subjective and should not be recognized as an official rating from any rating agencies and should not be a substitution of your own assessment of the risks associated with an investment in MKIF or MKIF’s business.

The IIAMBA requires us to categorise the risk associated with an investment in MKIF, based on our own assessment. The five risk categories are:

Level 1	Level 2	Level 3	Level 4	Level 5
Very high	High	Moderate	Low	Very low

For Korean resident individual shareholders, under the Korean law dividend income from MKIF is exempt from inclusion in the calculation of a shareholder’s global income tax base until the end of the year 2008. The withholding tax rate applied to dividends received from MKIF by Korean resident individual shareholders is 5.5% (including resident tax) where the par value of the shareholder’s total share investments does not exceed KRW 300 million, and 15.4% (including resident tax) for the portion of the par value of shareholder’s total share investments which exceeds KRW 300 million¹.

Considering the aspects mentioned above, MKIF is expected to be a suitable investment alternative for investors who are looking for:

- 1) Long-term stable cash flows.
- 2) Growth potential in traffic volumes and optimization of capital structures of concession companies in which MKIF has invested.
- 3) Tax benefits for dividend income (until the end of 2008) for individual shareholders who are residents of Korea.

5. Calculation of the Net Asset Value (NAV)

The total net asset value of our portfolio is calculated as the sum of the asset value of each asset in the portfolio. As noted above, for all equity and debt investments in concession companies (other than the convertible bond investment into the Daegu Busan Expressway Company (“DBEC”)), we have adopted a valuation policy where all investments are held at their original cost. The NAV per share is calculated by dividing the total NAV by the number of shares on issue.

¹ This summary is based upon the tax laws of the Republic of Korea as in effect on the date of this Investment Overview, and is subject to any change in Korean tax laws that may come into effect after this date. Investors are advised to consult their own tax advisers as to the Korea tax consequences of the purchase, ownership and disposal of MKIF shares including, in particular, the effect of any national, state or local tax laws.

Accordingly, our total net asset value and, as a result, the NAV per share does not reflect any revaluation of our assets (with the exception of our investment in DBEC and Negotiable Certificate Deposit (“NCD”)), nor does it reflect the value of future income from these assets, as may be judged by the market or an independent purchaser.

As a result, it is not anticipated that our NAV per share will vary greatly from period to period and, as a result, the NAV per share does not accurately reflect changes in the underlying value of our equity and debt investments in concession companies.

The table below describes the manner in which our NAV per share is calculated.

Calculation method	NAV = (total assets– total liabilities) / number of outstanding shares
Calculation frequency	Daily
Disclosure frequency	Quarterly (daily disclosure is not obligatory under the PPI Act)
Disclosure method and place	Inclusion in the quarterly Business Report

6. Registered Asset Managers

MSIAM is licensed under IIAMBA to carry out asset management activities for MKIF. As part of its licensing requirements, MSIAM is required to employ at least three “asset management professionals” who meet certain qualifications. The following is the list of MSIAM’s asset management professionals who have been registered with the Asset Management Association of Korea.

Name	Date of Birth	AMAK registration number	Position
Jae Lee	1964	06-02323-0002	Chief Operating Officer
Johnno Kim	1962	06-02323-0004	Director of Asset Management
Beom Shick Won	1967	08-02323-0005	Senior Asset Manager
Jong Hyuck Park	1967	06-02323-0001	Director of Asset Acquisition
Jung-Suk Lee	1973	06-02323-0003	Asset Manager

7. Investment Performance

The table below sets out the historical return performance of MKIF based on distribution yield. It is important to note that the past performance does not guarantee that future return performance of these levels can be achieved.

Category	Year 1 (2003.12.12 ~ 2003.12.31)	Year 2 (2004.1.1 ~ 2004.12.31)	Year 3 (2005.1.1 ~ 2005.12.31)	Year 4 (2006.1.1 ~ 2006.12.31)	Year 5 (2007.1.1 ~ 2007.12.31)
Distribution yield ⁽¹⁾	10.39%	8.41%	10.81%	6.27%	6.49%
Comparison index ⁽²⁾	–	–	–	–	–

⁽¹⁾ For Year 1 – 3, distribution yield is calculated based on the actual distribution for the year divided by the average aggregate amount contributed to MKIF by its shareholders.

For Year 4 - 5, distribution yield is calculated based on total distribution for the year divided by the closing MKIF share price on the last trading day of the 2006 year and 2007 year, respectively.

⁽²⁾ Comparison index: There is no comparison index available because MKIF is Korea’s only listed infrastructure fund.

III. Purchase and Redemption of Shares

1. Fees and Expenses

	Fees	Payment Rate (Annual, %)	Payment Date
Fees paid by the shareholders	Upfront purchase fee	N/A	N/A
	Deferred purchase fee	N/A	N/A
	Redemption fee	N/A	N/A
	Total	N/A	N/A
Fees paid by the Company	Asset management fee	Variable ⁽¹⁾	Within 15 trading days after the end of the previous quarter
	Sales agent fee	0.00%	-
	Custodian fee	0.02%	Within 1 trading day after the end of the previous quarter
	Administrator fee	0.0175%	Within 1 trading day after the end of the previous quarter
	Other expenses	0.045% ⁽²⁾	Based on amounts paid as at 31 December 2007
	Total Expense Ratio	Variable ⁽³⁾	

Notes:

- (1) Under the terms of the management agreement, we will compensate MSIAM for managing our investments through base management fees and performance fees. These fees will be payable for each quarter ending on 31 March, 30 June, 30 September and 31 December of each year. The amount payable as at each payment date varies based on an agreed calculation methodology set out in the Management Agreement. Full details about remuneration and fees that are payable by us to the Asset Manager can be found in Part I (Basic Information), Section III (2) (Fees and expenses paid by the Company).
- (2) This represents the proportion of expenses incurred by MKIF for the year ended 31 December 2007 that were paid to third party service providers other than the service providers listed in the table (e.g. fees paid to legal and accounting advisers for professional services provided), as a proportion of total net asset value of MKIF as at 31 December 2007.
- (3) The total expense ratio will also vary on an annual basis as the amount of fees payable by us to our services varies from year to year.

2. Taxation

The following summary is based upon the tax laws of the Republic of Korea as in effect on the date hereof, and is subject to any change in Korean tax law that may come into effect after such date. Investors are advised to consult their own tax advisers as to tax consequences of the purchase, ownership and disposition of shares, including, in particular, the effect of any national, state or local tax laws.

1) Taxation of Company Income

Under applicable Korean tax laws, as an investment company registered under IIMBA, we are entitled to deduct from our taxable income for any fiscal year (up to an amount equal to our taxable income), for Korean corporate income tax purposes, the amount of distributions we declare in respect of such year as long as such amount is equal to 90 per cent. or more of our distributable income for such year.

2) Taxation of Shareholder Income

a) Taxation of Individual Residents

Under Article 91-4 of the Restriction of Special Taxation Act (Tax exemption for shareholders of social infrastructure investment companies), individual residents with equity investments having a total par value of KRW 300 million or less are subject to withholding tax of 5.5% (inclusive of

resident surtax) on dividends paid by MKIF. For shareholders with investments having a total par value over KRW 300 million, the dividend withholding tax rate increases to 15.4% (inclusive of resident surtax) for dividends referable to the proportion of par value exceeding KRW 300 million. This concessional rate of dividend withholding tax is applicable until end of 2008.

A resident individual will not be obliged to pay transfer tax on listed shares. However, there will be gift tax on the transfer profit if you are a major shareholder (who holds more than 3% of the total shares or who holds more than KRW 10 billion of total value) or the transactions take place outside the market. The shares acquired within one year will be subject to 33% tax (inclusive of resident surtax). The other shares are subject to 22% tax (inclusive of resident surtax).

If you transfer shares on the Korea Exchange, you will be subject to securities transaction tax at the rate of 0.15 per cent, and an agriculture and fishery special surtax at the rate of 0.15 per cent, of the sale price of the shares. If your transfer of the shares is not made on the Korea Exchange, subject to certain exceptions, you will be subject to securities transaction tax at the rate of 0.5 per cent of the sale price of the shares but will not be subject to an agriculture and fishery special surtax.

b) *Taxation of Korean Corporate Shareholders*

- Korean corporations are exempt from withholding tax on distributions.
- Distributions on shares and capital gains from transfer of shares are not deductible for tax purposes and are subject to corporate income tax.
- Securities Transaction Tax in relation to transfer of shares is the same as that of individual residents.

c) *Taxation of Non-Residents and Foreign Corporate Shareholders*

We will deduct Korean withholding tax from distributions (whether in cash or in shares) paid to non-resident or foreign shareholders at a rate of 27.5 per cent. (inclusive of resident surtax). If you are a qualified resident in a country that has entered into a tax treaty with Korea, you may qualify for a reduced rate of Korean withholding tax. In order to obtain a reduced rate of withholding tax pursuant to an applicable tax treaty, you must submit to us, prior to the distribution payment date, such evidence of tax residence as the Korean tax authorities may require (which will include a certificate of your tax residency issued by a competent authority of your country of tax residence) in order to establish your entitlement to the benefits of the applicable tax treaty.

As a general rule, capital gains earned by non-residents upon transfer of shares are subject to Korean withholding tax at the lower of (1) 11 per cent. (inclusive of resident surtax) of the gross proceeds realised or (2) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs of the shares, 27.5 per cent. (inclusive of resident surtax) of the net realised gain, unless exempt from Korean income taxation under the applicable Korean tax treaty with the non-resident's country of tax residence. Even if you do not qualify for an exemption under a tax treaty, you will not be subject to the foregoing withholding tax on capital gains if you qualify under the relevant Korean domestic tax law exemptions discussed in the following paragraph.

You will not be subject to Korean income taxation on capital gains realized upon the transfer of shares through the Korea Exchange if you (1) have no permanent establishment in Korea and (2) did not own or have not owned (together with any shares owned by any entity with which you have a certain special relationship) 25 per cent or more of the total issued and outstanding shares, which may include the shares represented by the GDSs, at any time during the calendar year in which the sale occurs and during the five calendar years prior to the calendar year in which the sale occurs.

Securities Transaction Tax in relation to transfer of shares is the same as that of individual residents

3) *Purchase and Redemption Process*

MKIF is listed on the Korea Exchange and the London Stock Exchange and its outstanding shares can be publicly traded through securities companies. The price at which you can buy or sell MKIF shares will depend on the prevailing market price at the time.

The Body

Part 1. Basic Information

I. Company Overview

1. Company Name:

Macquarie Korea Infrastructure Fund (“MKIF” or “Company”).

2. Duration of the Company:

From the incorporation date until the company is dissolved according to the terms set forth in the Articles of Incorporation.

3. Company Description:

An indirect investment company registered under the Private Participation in Infrastructure Act (“PPI Act”), where the redemption of securities is prohibited other than in limited circumstances as set out in the MKIF Articles of Incorporation (“AOI”).

4. Asset Management Company:

Macquarie Shinhan Infrastructure Asset Management Co., Ltd (“MSIAM” or “Manager”).

5. History

A summary of recent events in the history of MKIF is set out in the table below. For a full overview of historical events prior to the IPO and listing of MKIF, please refer to the original Prospectus dated 7 March 2006, Part 2, Section 1(l) (5) (Incorporation Date & History). A copy of this Prospectus can be found on the website of the Asset Management Association of Korea (“AMAK”) (www.amak.or.kr).

December 2002	Incorporation of Korea Road Infrastructure Fund.
November 2005	MSIAM was licensed by the FSC as an infrastructure asset management company under IIAMBA <ul style="list-style-type: none"> - Amendments to the AOI were made in order to list MKIF, and MKIF converted from a private investment company under Securities Investment Company Act to a public investment company under IIAMBA. - Change of the company name from Korea Road Infrastructure Fund to Macquarie Korea Infrastructure Fund.
February 2006	Registration of MKIF as an Investment Company under IIAMBA.
March 2006	<ul style="list-style-type: none"> - Capital raising of KRW 500 billion through Initial Public Offering in Korea and placement to international institutional investors. - Dual listing on the Stock Market Division of the Korea Exchange and Professional Securities Market of the London Stock Exchange.
April 2006	Acquisition of senior and subordinated loan commitments to Koda Development Co., Ltd., the concession company of the Incheon Grand Bridge project.
October 2006	MKIF committed to provide a subordinated loan of KRW 80 billion to Kyunggi Highway Co., Ltd, the concession company of the Seosuwon-Osan-Pyungtaek Expressway

	project.
November 2006	On the Seoul-Chuncheon project, MKIF reached financial close on its subordinated loan commitment into Seoul-Chuncheon Expressway Company, the project concessionaire.
February 2007	<ul style="list-style-type: none"> - MKIF paid an full year distribution (as at the record date of 31 December 2006) to shareholders of KRW 220 per share - MKIF reached financial close on its equity and subordinated loan investment into Gyungso Highway Co., Ltd., the concessionaire of the Yongin-Seoul Expressway Project
March 2007	The 8 th General Shareholders' Meeting was held on March 23
April 2007	<ul style="list-style-type: none"> - MKIF received a credit rating of AA- (stable) by the Korea Ratings Company - Refinancing of third party provided senior loans in Daegu 4th Beltway East with MKIF provided loan - MKIF reached financial close on its subordinated loan investment into Kyunggi Highway Co., Ltd, the concessionaire of the Seosuwon-Osan-Pyungtaek Expressway Project
May 2007	MKIF entered into a corporate loan facility (5 year term, limit to KRW 500 billion)
November 2007	MKIF participated in the 3rd KRX IR EXPO organised by Korea Exchange
December 2007	MKIF committed to provide a subordinated loan of KRW 193 billion and to invest KRW 66.4 billion of equity in Busan New Port Container Terminal, Ltd., the concession company of the Busan New Port Phase 2-3 project
January 2008	MKIF securitised the shareholder loan in Baekyang Tunnel Ltd. involving issuance of asset-backed securities bonds

6. Capital under Management

The table below sets out Shareholder Equity for the last two financial years on a half-yearly basis. The amounts quoted below are derived from the audited non-consolidated balance sheet of MKIF.

	(In KRW millions)				
Date	31 Dec, 2007	30 Jun, 2007	31 Dec, 2006	30 Jun, 2006	31 Dec, 2005
Paid in capital	1,652,985	1,692,102	1,757,636	1,819,950	1,258,700
Growth rate ¹⁾	(2.31%)	(3.73%)	(3.42%)	44.59%	N/A

1) Growth rate on a half-yearly basis

7. Dissolution of Company

The Company shall dissolve itself in any of the following events:

- 1) by a resolution adopted by the general meeting of shareholders;
- 2) mergers;
- 3) insolvency;
- 4) court order or judgment; or
- 5) cancellation of registration by the order of the Financial Supervisory Commission.

If any of the above events occur, a receiver or liquidator shall report the fact of dissolution to the FSC within 30 days of the dissolution.

II. Investment Information

1. Investment Purpose

We invest in concession companies that develop and operate infrastructure businesses under their respective concession agreements based on the Korean Private Participation in Infrastructure Act, or PPI Act in Korea. We are focused on generating profits from dividend and interest income and ultimately distributing the profits from our investment activity to our shareholders.

2. Investment Strategy

Our primary strategic objective is to invest in companies that construct, operate and maintain infrastructure assets under concessions from Korean central, provincial and city governments and thereby operate a diversified portfolio of infrastructure assets to generate attractive returns for our shareholders through both capital growth and cash yield. We plan to achieve this goal by investing in concession companies which:

- may benefit from various forms of government support provided by the PPI Act;
- are likely to generate long-term, inflation-adjusted revenue streams;
- offer opportunities to increase leverage or refinance debt to optimise our financial returns; and
- will enable us to exercise significant influence or control over key strategic, commercial and financial functions through our ownership interest in the concession company.

3. Risk Factors

There are various risks which exist in relation to our business and our investments, such as potential loss of investment principal, market risk, liquidity risk and fluctuations of net asset value. The risks described in the Part 2 of this Investment Overview, together with the other information contained in this Investment Overview, should be carefully considered and understood before making an investment decision (see Part 2 (Detailed Information), Section I (2) (Risk Factors)).

4. Investor Characteristics

We have invested in a portfolio of infrastructure assets that we believe will offer growing revenues over the medium and long term. All of the concession companies in which we have made investments benefit from some form of revenue guarantee from the relevant central, provincial or city government bodies under their respective concession agreements. These revenue guarantees are not static, but are adjusted for inflation and based on forecasts which assume growth in traffic volumes and toll revenues. These revenue guarantees effectively ensure that our concession companies receive a minimum level of revenue for a prescribed period of time.

Considering our stable and growing, inflation-adjusted cash flows, our diversified portfolio of investments, the government revenue support provided to each concession company and the expertise of our Manager, we believe that we offer an investment with “low risk” and, as a result, should be rated at level 4 (low risk) in terms of risk categories identified below. However, since there are no specific criteria or guidelines published for assessing risk levels based on the below categories, the rating is subjective and should not be recognized as an official rating from any rating agencies and should not be a substitution of your own assessment of the risks associated with an investment in MKIF or MKIF’s business.

The IIAMBA requires us to categorise the risk associated with an investment in MKIF, based on our own assessment. The five risk categories are:

Level 1	Level 2	Level 3	Level 4	Level 5
Very high	High	Moderate	Low	Very low

For Korean resident individual shareholders, under the Korean law dividend income is exempt from general income tax and shareholders may benefit from a lower withholding tax rate on dividends until the end of the year 2008. The withholding tax rate applied to dividends received from MKIF by Korean resident individual investors is 5.5% (including resident tax) where the par value of the shareholder's total share investments does not exceed KRW 300 million and 15.4% (including resident tax) for those shareholders where the par value of the shareholder's total share investments exceeds KRW 300 million.

It should be noted that MKIF shares have no par value. In determining the value of our shares for the purposes of this par value calculation, the Ministry of Strategy and Finance has advised that the value of each share can be determined by dividing the shareholders' equity by the total number of issued shares from our most recently published balance sheet.

We expect the future cash flow of concession companies in which MKIF has invested to grow over time as investments mature and traffic volumes increase. Therefore we also believe that there is room for MKIF to deliver sustainable growth to the market through active capital management.

Considering the aspects mentioned above, the Company is expected to be a good fit for investors who are looking for:

- 1) Long-term stable cash flows.
- 2) Growth potential in traffic volumes and optimization of capital structures of concession companies in which MKIF has invested.
- 3) Tax benefits for dividend income (until the end of 2008) for individual shareholders who are residents of Korea for tax purposes.

5. Calculation of the Net Asset Value (NAV)

The total net asset value of our portfolio is calculated as the sum of the asset value of each asset in the portfolio. As noted above, for all equity and debt investments in concession companies (other than the convertible bond investment into the Daegu Busan Expressway Company ("DBEC")), we have adopted a valuation policy where all investments are held at their original cost. The NAV per share is calculated by dividing the total NAV by the number of shares on issue.

Accordingly, our total net asset value and, as a result, the NAV per share does not reflect any revaluation of our assets (with the exception of our investment in DBEC and NCD), nor does it reflect the value of future income from these assets, as may be judged by the market or an independent purchaser.

As a result, it is not anticipated that our NAV per share will vary greatly from period to period and, as a result, the NAV per share does not accurately reflect changes in the underlying value of our equity and debt investments in concession companies.

The table below describes the manner in which our NAV per share is calculated.

Calculation method	$NAV = (\text{total assets} - \text{total liabilities}) / \text{number of outstanding shares}$
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Calculation frequency	Daily
Disclosure frequency	Quarterly (daily disclosure is not obligatory under the PPI Act)
Disclosure method and place	Inclusion in the quarterly Business Report

6. Registered Asset Managers

MSIAM is licensed under IIAMBA to carry out asset management activities for MKIF. As part of its licensing requirements, MSIAM is required to employ at least three “asset management professionals” who meet certain qualifications. The following is the list of MSIAM’s asset management professionals who have been registered with the Asset Management Association of Korea.

Name (AMAK Registration Number)	Age	Position	Operation Status		Career
			Number of Fund(s)	Size	
Jae Lee (06-02323-0002)	1964	Chief Operating Officer	N/A	N/A	Mr Lee has over 17 years experience with Shinhan Bank, including 14 years with the International Banking Division, NY Branch (Investment Banking) - Shinhan Bank (Investment Banking department at Seoul and New York branch) - Sejong Research Institute (previously, Il-Hae) (Economic and Social Research)
Johnno Kim (06-02323-0004)	1962	Head of Asset Management	N/A	N/A	Mr Kim has over 20 years experience in asset management and his previous experience includes: - Connell Wagner Group (consulting on major road projects) - Mott Macdonald Group (Project Engineer in UK) - BHP Engineering (Industrial & Commercial Development – Project Manager) - Egis Consulting/GHD (PF & Toll Road Management Consulting Company)
Jong Hyuk Park (08-02323-0005)	1967	Head of Asset Acquisition	N/A	N/A	Mr Park has over 14 years’ experience with Kookmin Bank, including 10 years with investment Banking Division. - Kookmin Bank (Project Manager for 3 port projects, 7 toll road projects and 2 property projects) - Worked as a member of advisory of PIMAC
Beom Shick Won (06-02323-0001)	1967	Senior Asset Manager	N/A	N/A	Mr Won has over 13 years experience in asset management and his previous experience includes: - Doosan Construction Co (PF management for Daejun-Chunbyun Expressway) / - Management of O&M (operations and maintenance) company, Sub-Contracting Management
Jung-Suk Lee (06-02323-0003)	1973	Asset Manager	N/A	N/A	Mr Lee has over 12 years experience in construction and asset management and his previous experience includes: - Parsons, Brinckerhoff, Quade & Douglas Co., Ltd (Design/Construction) - Parsons, Brinckerhoff Asia Co., Ltd (Contract Management, Due diligence, Supervision)

7. Investment Performance

The table below sets forth, for the periods indicated, certain past performance but does not guarantee future operation results. Specific financial statements such as balance sheet and income statement are available on AMAK's website (www.amak.or.kr).

1) Distribution Yield

Category	Year 1 (2003.12.12 ~ 2003.12.31)	Year 2 (2004.1.1 ~ 2004.12.31)	Year 3 (2005.1.1 ~ 2005.12.31)	Year 4 (2006.1.1 ~ 2006.12.31)	Year 5 (2007.1.1 ~ 2007.12.31)
Distribution yield ⁽¹⁾	10.39%	8.41%	10.81%	6.27%	6.49%
Comparison index ⁽²⁾	-	-	-	-	-

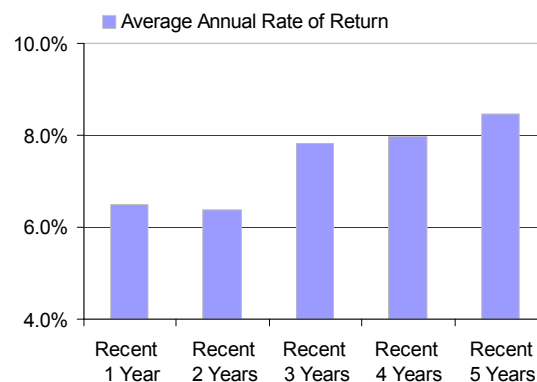
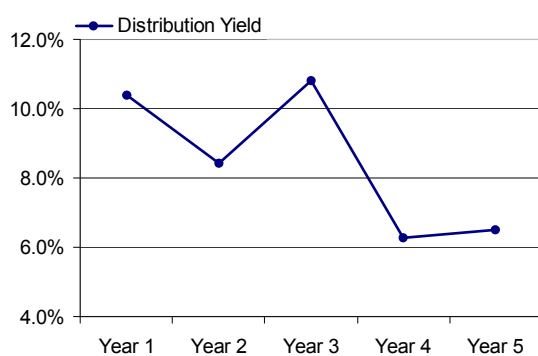
⁽¹⁾ For Year 1 – 3, distribution yield is calculated based on the actual distribution for the year divided by the average aggregate amount contributed to MKIF by its shareholders.
For Year 4 - 5, distribution yield is calculated based on total distribution for the year divided by the closing MKIF share price on the last trading day of the 2006 year and 2007 year, respectively.

⁽²⁾ Comparison index: There is no comparison index available because MKIF is Korea's only listed infrastructure fund.

2) Average Annual Rate of Return

	Recent 1 Year	Recent 2 Years	Recent 3 Years	Recent 4 Years	Recent 5 Years
Average Annual Rate of Return ⁽¹⁾	6.49%	6.38%	7.84%	7.98%	8.46%

⁽¹⁾ For recent 3– 5 years, average annual rate of return is calculated based on the actual distribution for the year divided by the average aggregate amount contributed to MKIF by its shareholders by the geometric (not arithmetic) average.
For recent 1 – 2 year(s), average annual rate of return is calculated based on total distribution for the year divided by the closing MKIF share price on the last trading day of the 2006 year and 2007 year by the geometric (not arithmetic) average, respectively.



III. Fees, Expenses and Taxation

1. Fees and Expenses Paid by the Shareholders

There are no fees payable on transactions in MKIF shares, other than standard brokerage fees charged by securities companies when a trade is executed.

Fees and Expenses	Payment Rate (Annual, %)	Payment Date
Upfront purchase fee	N/A	N/A
Deferred purchase fee	N/A	N/A
Redemption fee	N/A	N/A

Total	N/A	N/A
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2. Fees and Expenses Paid by the Company

MKIF is required by the IIAMBA to engage certain service providers and related fees and expenses are as set out in table below.

Fees and Expenses	Payment Rate (Annual, %)	Payment Date
Asset management fee	Variable ⁽¹⁾	Within 15 trading days after the end of the previous quarter
Sales agent fee	0.00%	-
Custodian fee	0.02%	Within 1 trading day after the end of the previous quarter
Administrator fee	0.0175%	Within 1 trading day after the end of the previous quarter
Other expenses	0.045% ⁽²⁾	Based on amounts paid as at 31 December 2006
Total Expense Ratio	Variable ⁽³⁾	

- (1) Under the terms of the management agreement, we will compensate MSIAM for managing our investments through base management fees and performance fees. These fees will be payable for each quarter ending on 31 March, 30 June, 30 September and 31 December of each year. The amount payable as at each payment date varies based on an agreed calculation methodology set out in the Management Agreement. Full details about remuneration and fees that are payable by us to the Asset Manager can be found in Part I (Basic Information), Section III (2) (Fees and expenses paid by the Company).
- (2) This represents the proportion of expenses incurred by MKIF for the year ended 31 December 2007 that were paid to third party service providers other than the service providers listed in the table (e.g. fees paid to legal and accounting advisers for professional services provided), as a proportion of total net asset value of MKIF as at 31 December 2007.
- (3) The total expense ratio will also vary on an annual basis as the amount of asset management fees payable by us to the Asset Manager varies.

Example: Total fees and expenses for a shareholder with an investment of KRW 10 million

We are unable to provide a meaningful estimate of the total amount of fees that would be referable to a shareholder who invests KRW 10 million in MKIF over periods of 1, 3, 5 and 10 years, as the fees payable by MKIF to third party service providers vary according to factors such as MKIF's market capitalisation, investment commitments or its net asset value. Accordingly, any estimate would be imprecise, particularly over longer periods of time (such as 5 or 10 years).

Period	(unit : KRW)			
	Year 1	Year 3	Year 5	Year 10
Total fees and expenses	N/A	N/A	N/A	N/A

1) *Management fee*

The management fee is payable quarterly in arrears and is calculated as follows:

If the net investment value plus the aggregate of the amounts which we and our wholly-owned companies, trusts or other entities have firmly committed for future investment in investments, other than cash or cash equivalents, is less than or equal to KRW 1.5 trillion:

$$[R \times (NIV+C) \times 1.15\% + (1-R) \times (NIV+C) \times 1.25\%] \times (N/365); \text{ and}$$

If the net investment value plus the aggregate of the amounts which we and our wholly-owned companies, trusts or other entities have firmly committed for future investment in investments, other than cash or cash equivalents, is greater than KRW 1.5 trillion:

$$\frac{[R \times T \times 1.15\% + R \times (NIV+C-T) \times 1.05\% + (1-R) \times T \times 1.25\% + (1-R) \times (NIV+C-T) \times 1.10\%]}{N/365}$$

Where:

R = the ratio (expressed as a percentage) determined as follows:

$$R = C/(NIV+C)$$

NIV = the net investment value for the relevant quarter

C = the aggregate of the amounts which we and our wholly-owned companies, trusts or other entities have firmly committed for future investment in investments, other than cash or cash equivalents, at the end of the quarter

T = KRW 1.5 trillion

N = the number of days in the quarter

The net investment value for any quarter equals:

- a) our market value being:
 - (1) in respect of a quarter, the aggregate of the market value of our shares calculated on the basis of the average closing number of our shares issued and outstanding during each trading day of the quarter multiplied by the volume weighted average trading price per share traded on the Korea Exchange over those trading days; and
 - (2) in the event our shares are de-listed, the aggregate of the market value of our shares calculated on the basis of the average closing number of our shares issued and outstanding during each trading day of the quarter in which the de-listing occurs and ending on the date of the de-listing of our shares, multiplied by the volume weighted average trading price per share traded on the Korea Exchange over those trading days; plus
- b) the total amount of any external borrowings by us, our wholly-owned companies, trusts or other entities (but not including any borrowings held by any operating or project company, trust or other entity controlled by us or held specifically for the benefit of such an entity) at the end of the quarter; less
- c) the aggregate amount invested by us, our wholly-owned companies, trusts or other entities in cash or cash equivalents (but not including cash or cash equivalents held by any operating or project company, trust or other entity controlled by us or held specifically for the benefit of such an entity) at the end of the quarter.

The management fee for a quarter is due as at the last day of each quarter and is to be calculated by the Manager as at the last day of each quarter and is payable in cash by us to the Manager within 15 business days thereafter. The Manager may apply all or a portion of the management fee payable to it in respect of any quarter to purchase our shares, to the extent permitted under the relevant law. The number of our shares to be issued to the Manager is to be equal to the amount of the management fee which the Manager elects to apply to purchase our shares divided by the volume weighted average trading price per share traded on the Korea Exchange during the last 15 trading days of the relevant quarter for which the management fee is payable.

2) Performance fee

The Manager is entitled to be paid a performance fee, calculated and payable quarterly in arrears, if the return on our shares for a quarter (including reinvestment of all distributions) is greater than zero and exceeds the benchmark return. If the return on our shares for a quarter is less than the benchmark return, the deficit will be carried forward and offset against any future out-performance. No performance fee is payable until the cumulative deficit has been offset by a cumulative surplus, which will occur where the return on our shares is greater than the benchmark return for one or more quarters since a performance fee has become payable.

The performance fee is equal to 20 per cent. of the amount (if any) by which the return of a quarter, or, in the case of the first quarter, the first quarter return, together with any surplus, exceeds the benchmark return for the quarter or, in the case of the first quarter, the first quarter benchmark return, and any deficit carried forward.

The performance fee for each quarter is calculated as follows:

Performance fee = 20% × (return + surplus - benchmark return - deficit), where:

“return” equals A1 + A2, where:

$$A1 = S1 \times \left(\frac{B1 - C1}{C1} \right)$$

Where:

A1 = the return for the relevant quarter applicable to all of our shares (other than additional shares issued in the last 15 trading days of the previous quarter and additional shares issued in the quarter).

S1 = in respect of the quarter, the average number of our shares on issue during the last 15 trading days in the previous quarter excluding any additional shares issued during the last 15 trading days in the previous quarter, multiplied by the volume weighted average trading price per share traded on the Korea Exchange during that 15 trading day period.

B1 = the average of the daily closing accumulation index for our shares over the last 15 trading days of the quarter as calculated or reported by Standard & Poor’s Corp. or such other entity selected by us and our Manager to calculate or report this index (the “Reporting Agency”).

C1 = the average of the daily closing accumulation index for our shares over the last 15 trading days of the previous quarter as calculated or reported by the Reporting Agency.

And where:

$$A2 = S2 \times \left(\frac{B2 - C2}{C2} \right)$$

Where:

A2 = the return applicable solely to the additional shares issued during the quarter, excluding additional shares issued in the last 15 trading days of the quarter and including additional shares issued in the last 15 trading days of the previous quarter. (A2 is to be calculated separately for each allotment of additional shares.)

S2 = the number of additional shares issued during the quarter excluding the number of additional shares issued during the last 15 trading days of the quarter and including the number of additional shares issued during the last 15 trading days of the previous quarter multiplied by the issue price per share for those additional shares.

B2 = the average of the daily closing accumulation index for our shares over the last 15 trading days of the quarter as calculated or reported by the Reporting Agency.

C2 = the initial accumulation index value for the additional shares, which is to be calculated as the accumulation index value for our shares based on the issue price of the additional shares issued in the relevant additional offering as at the date of issue of the additional shares.

“additional shares” means the total number of our shares issued, for any quarter in which a performance fee is being calculated, in any offering of shares other than through the global offering or the exercise of any over-allotment option in connection with the global offering.

“benchmark return” equals $BR1 + BR2$, where:

$$BR1 = S1 \times (1.08^{N/365} - 1)$$

Where:

BR1 = the benchmark return for the quarter applicable to all our shares (other than additional shares issued during the last 15 trading days of the previous quarter and additional shares issued in the quarter).

S1 = the same as item “S1” in the definition of return.

N = the number of days in the quarter.

And where:

$$BR2 = S2 \times (1.08^{N/365} - 1)$$

Where:

BR2 = the benchmark return applicable solely to the additional shares issued during the quarter, excluding additional shares issued in the last 15 trading days of the quarter and including additional shares issued during the last 15 trading days of the previous quarter (BR2 is to be calculated separately for each allotment of additional shares).

S2 = the same as item “S2” in the definition of return.

N = the number of days from the date of listing of the additional shares to the end of the quarter inclusive.

“deficit” for a period equals the aggregate amounts in respect of each quarter since a performance fee has become due and payable (or, if a performance fee has not been paid, since listing), not including the quarter in respect of which a calculation is being made, by which the benchmark return for each such quarter, or in the case of the first quarter, the first quarter benchmark return, exceeds the return for that quarter, or in the case of the first quarter, the first quarter return (if any).

“surplus” for a period equals the aggregate amounts in respect of each quarter since a performance fee has become due and payable (or, if a performance fee has not been paid, since our listing), not

including the quarter in respect of which a calculation is being made, by which the return for each such quarter, or in the case of the first quarter, the first quarter return, exceeds the benchmark return for that quarter, or in the case of the first quarter, the first quarter benchmark return (if any).

The performance fee for a quarter is due as at the last day of each quarter and is to be calculated by the Manager as at the last day of each quarter and is payable in cash by us to the Manager within 15 business days thereafter. The Manager may apply all or a portion of the performance fee payable to it in respect of any quarter to the purchase of our shares, to the extent permitted under the relevant law.

The number of our shares to be issued to the Manager is to be equal to the amount of the performance fee which the Manager elects to apply to purchase our shares divided by the volume weighted average trading price per share traded on the Korea Exchange during the last 15 trading days of the relevant quarter for which the performance fee is payable.

3. Taxation

The following summary is based upon the tax laws of the Republic of Korea as in effect on the date hereof, and is subject to any change in Korean tax law that may come into effect after such date. Investors are advised to consult their own tax advisers as to tax consequences of the purchase, ownership and disposition of shares, including, in particular, the effect of any national, state or local tax laws.

1) *Taxation of Company Income*

Under applicable Korean tax laws, as an investment company registered under IIAMBA, we are entitled to deduct from our taxable income for any fiscal year (up to an amount equal to our taxable income), for Korean corporate income tax purposes, the amount of distributions we declare in respect of such year as long as such amount is equal to 90 per cent or more of our distributable income for such year. Distributable income is defined for such purposes as our non-consolidated net income after deduction of income taxes as set forth in our financial statements prepared under Korean GAAP, adjusted further to include retained earnings and less any deficit and any reserve pursuant to applicable laws and regulations.

2) *Taxation of Shareholder Income*

a) *Taxation of Individual Residents*

Under Article 91-4 of the Restriction of Special Taxation Act (Tax exemption for shareholders of social infrastructure investment companies), individual residents with equity investments having a total par value of KRW 300 million or less are subject to withholding tax of 5.5% (inclusive of resident surtax) on dividends paid by MKIF. For shareholders with investments having a total par value over KRW 300 million, the dividend withholding tax rate increases to 15.4% (inclusive of resident surtax) for dividends referable to the proportion of par value exceeding KRW 300 million. This concessional rate of dividend withholding tax is applicable until end of 2008.

It should be noted that MKIF shares have no par value. In determining the value of MKIF shares for the purposes of this par value calculation, the Ministry of Strategy and Finance (formerly, Ministry of Finance and Economy)'s has advised that the value of each MKIF share can be determined by dividing the shareholders' equity by the total number of issued shares from the most recently published MKIF balance sheet.

In the taxation of distributions to resident shareholders, distributions referable to gains made by a company from certain securities deals in futures (as described below) will not be included in the shareholder's taxable income.

- (1) Securities listed on the Korea Exchange or the KOSDAQ Market Division under Securities and Exchange Law. (Exception: the bonds applicable to paragraph 1, Article 46 of the Income Tax Act).
- (2) Shares of venture business companies under Act on Special Measures for the Promotion of Venture Businesses.

Individual investors are obliged to report their income when the total amount of financial income (interest and dividend income) exceeds KRW 40 million (inclusive of dividend income that does not benefit from exemption under the Tax Exemption Law).

A resident individual will not be obliged to pay transfer tax on listed shares. However, there will be gift tax on the transfer profit if you are a major shareholder (who holds more than 3% of the total shares or who holds more than KRW 10 billion of total value) or the transactions take place outside the market. The shares acquired within one year will be subject to 33% tax (inclusive of resident surtax). The other shares are subject to 22% tax (inclusive of resident surtax).

If you transfer shares on the Korea Exchange, you will be subject to securities transaction tax at the rate of 0.15 per cent, and an agriculture and fishery special surtax at the rate of 0.15 per cent, of the sale price of the shares. If your transfer of the shares is not made on the Korea Exchange, subject to certain exceptions, you will be subject to securities transaction tax at the rate of 0.5 per cent.

b) *Taxation of Korean Corporate Shareholders*

- Korean corporations are exempt from withholding tax on distributions.
- Distributions on shares and capital gains from transfer of shares are not deductible for tax purposes and are subject to corporate income tax.
- Securities Transaction Tax in relation to transfer of shares is the same as that of individual residents.

c) *Taxation of Non-Residents and Foreign Corporate Shareholders*

We will deduct Korean withholding tax from distributions (whether in cash or in shares) paid to non-resident or foreign shareholders at a rate of 27.5 per cent. (inclusive of resident surtax). If you are a qualified resident in a country that has entered into a tax treaty with Korea, you may qualify for a reduced rate of Korean withholding tax. If we distribute shares representing a transfer of certain capital reserves or asset revaluation reserves into paid-in capital, that distribution may be subject to Korean withholding tax. In order to obtain a reduced rate of withholding tax pursuant to an applicable tax treaty, you must submit to us, prior to the distribution payment date, such evidence of tax residence as the Korean tax authorities may require (which will include a certificate of your tax residency issued by a competent authority of your country of tax residence) in order to establish your entitlement to the benefits of the applicable tax treaty.

As a general rule, capital gains earned by non-residents upon transfer of shares or GDSs are subject to Korean withholding tax at the lower of (1) 11 per cent. (inclusive of resident surtax) of the gross proceeds realised or (2) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs of the shares or GDSs, 27.5 per cent. (inclusive of resident surtax) of the net realised gain, unless exempt from Korean income taxation under the applicable Korean tax treaty with the non-resident's country of tax residence. Even if you do not qualify for an exemption under a tax treaty, you will not be subject to the foregoing withholding tax on capital gains if you qualify under the relevant Korean domestic tax law exemptions discussed in the following paragraph.

You will not be subject to Korean income taxation on capital gains realized upon the transfer of shares through the Korea Exchange if you (1) have no permanent establishment in Korea and (2) did not own or have not owned (together with any shares owned by any entity with which you have a certain special relationship) 25 percent or more of the total issued and outstanding shares, which may include the shares represented by the GDSs, at any time during the calendar year in which the sale occurs and during the five calendar years prior to the calendar year in which the sale occurs.

Securities Transaction Tax in relation to transfer of shares is the same as that of individual residents.

IV. Purchase and Redemption of Shares, Distribution

1. Purchase and Redemption of Shares

MKIF is listed on the Korea Exchange and the London Stock Exchange and its outstanding shares can be publicly traded through securities companies.

2. Distribution Policy

The following table sets forth our distribution for each six-month period starting from the period ended 31 December, 2002 to 31 December 2007, as an aggregate amount for each period and on a per share basis.

Distribution for the six-month period ended	Aggregate distribution paid (In KRW million)	Per share distribution paid (In Won)
31 December, 2002.....	0	0
30 June, 2003	1,700.0	185.7
31 December, 2003.....	3,221.8	85.5
30 June, 2004	13,887.6	212.7
31 December, 2004.....	18,879.3	127.1
30 June, 2005	49,241.2	271.4
31 December, 2005.....	53,550.0	223.1
30 June, 2006	64,698.0	200.0
31 December, 2006.....	71,167.8	220.0
30 June, 2007	71,167.8	220.0
31 December, 2007.....	71,167.8	220.0

Pursuant to IIAMBA and in accordance with our Articles of Incorporation, we are permitted to declare and pay distributions to our shareholders in the form of dividends and/or over-distributions of profits. Over-distributions of profits are distributions to our shareholders in excess of accounting profits for the relevant fiscal period. Such over-distributions of profits may include, at our discretion, but would not be limited to, distributions of cash held on reserve or cash received from our investments, such as principal payments on our loans and proceeds from refinancing, which are not otherwise reflected in our non-consolidated income statements.

Under applicable Korean tax laws, as an investment company registered under IIAMBA, we are entitled to deduct from our taxable income for any fiscal year (up to an amount equal to our taxable income), for Korean corporate income tax purposes, the amount of distributions we declare in respect of such year

as long as such amount is equal to 90 percent or more of our distributable income for such year. Our distributable income is defined for such purposes as our non-consolidated net income after deduction of income taxes as set forth in our financial statements prepared under Korean GAAP, adjusted further to include retained earnings and less any deficit and any reserve pursuant to applicable laws and regulations. We intend to declare and distribute to our shareholders, on a semi-annual basis, 100 percent of our non-consolidated accounting profit in order to continue to qualify for the deduction of such distributions declared from our taxable income, for Korean corporate income tax purposes. In addition, at our discretion, we may use the proceeds of refinancing to make distributions to our shareholders.

In the event that there is an expense item which results in a decrease in our non-consolidated accounting profit for any given fiscal period, we may, at our discretion, make an over-distribution of profits to shareholders to neutralise the impact of such item on cash distributions received by our shareholders. Non-recurring and one-off items such as loan establishment fees and performance fees payable to our Manager are considered examples of such expense items.

Conversely, in the event that an income item increases our non-consolidated accounting profit for any given fiscal period, we may, at our discretion, distribute less than 100 percent of the non-consolidated accounting profit for the fiscal period, although we currently do not anticipate distributing less than 90 percent of the distributable income in any given fiscal period.

Our dividend and distribution policy will also be based on maintaining prudent reserves to ensure we remain solvent and that, among other things, we adequately provide for working capital costs. From time to time, we may retain distributions or proceeds from the realisation of investments to fund future investments. The declaration and payment of any future distribution will, in any case, be subject to the limitation that over-distribution of profits does not exceed the balance of our net asset value less a minimum net asset value, on a non-consolidated basis, of KRW 5.0 billion, pursuant to the PPI Act, IIAMBA and our articles of incorporation.

The foregoing are statements of our present intentions which may be subject to modification (including the reduction or non-declaration of any distributions) in the sole and absolute discretion of our board of directors. The declaration of any future distributions will be subject to the decision of our board of directors. The form, frequency and amount of future distributions (if any) on our shares will depend on our earnings, financial position, results of operations, contractual restrictions, provisions of applicable law and other factors which our board of directors may deem relevant.

We will pay our distributions in Won.

We may implement a stock distribution scheme. If we decide to proceed with the implementation of a stock distribution scheme, the proposal for the adoption of such scheme will be subject to approval from our Board of Directors. Such scheme, if adopted, will provide an opportunity for our shareholders to receive distributions in the form of new shares instead of in cash, and will enable our shareholders to acquire additional shares without having to incur transaction costs such as brokerage costs or stamp duty (if applicable). It is expected that any new shares issued pursuant to such scheme will be issued at the then prevailing prices at which our shares are traded on the Korea Exchange, although we may issue such shares at a discount to prevailing prices subject to the approval of our board of directors.

Part 2. Detailed Information

I. Investment Strategy and Risk Factors

1. Investment Strategy

Our primary strategic objective is to invest in concession companies and thereby operate a diversified portfolio of infrastructure assets to generate attractive returns for our shareholders through both capital growth and cash yield. We plan to achieve this goal by:

- 1) Investing in concession companies which may benefit from various forms of government support provided by the PPI Act;
- 2) Utilising our Manager's considerable capabilities in identifying and originating promising infrastructure assets;
- 3) Focusing on investments in unlisted debt, equity and equity-linked securities;
- 4) Investing in infrastructure assets likely to generate long-term, inflation-adjusted revenue streams;
- 5) Investing in concession companies which are value accretive to our portfolio;
- 6) Investing in concession companies covering a range of infrastructure assets across all stages of development within the framework of the PPI Act;
- 7) Investing in concession companies which offer opportunities to increase leverage or refinance debt to optimise our financial returns;
- 8) Investing in concession companies that offer returns that are expected to be consistent with or greater than the associated risk of the underlying infrastructure asset; and
- 9) Focusing on concession companies which will enable us to exercise significant influence or control over key strategic, commercial and financial functions.

Our infrastructure investments in Korea have historically been in concession companies operating toll roads, bridges, tunnels and a subway line. While road infrastructure assets will continue to be the primary asset class for investment, we will examine investing in concession companies covering other types of assets, such as ports, energy and water resources, as permitted under the PPI Act. On December 2007, MKIF committed to invest in Busan New Port Container Terminal, Ltd., the concession company of the Busan New Port Phase 2-3 project.

2. Risk Factors

Below is a summary of risk factors relating to our business and our investments. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. A full description of the risk factors outlined below can be found in the Prospectus dated 7 March 2006 (available on the AMAK web site (www.amak.or.kr)), and should be carefully considered before making an investment decision.

Risks relating to our business	<ol style="list-style-type: none"> 1) Our future performance may be difficult to assess because we invest in a new class of assets in Korea and we have a limited operating history. 2) There are limitations on, and significant financial costs associated with, our ability to remove our Manager.
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	<p>3) We rely on distributions or payments from the concession companies in which we hold investments.</p> <p>4) Some of our investments are in the form of loans to, or non-majority equity interests in, concession companies, and consequently we may not be able to exercise significant influence over the operations of the underlying businesses or their ability to make payments to us on outstanding debt or equity.</p> <p>5) We have investments, and may make future investments, in concession companies whose shares or debt are not liquid, and therefore may be unable to be sold for a price that equates to their full value, and any sale of such assets under such circumstances may have an adverse effect on our net asset value.</p> <p>6) Our investments may not meet our investment objectives.</p> <p>7) We cannot assure you that we will be able to successfully fund future investments, as suitable financing may not be available.</p> <p>8) There is uncertainty as to the application of Korean legal and regulatory regimes to our business.</p> <p>9) Our failure to satisfy certain requirements under applicable Korean tax laws would result in an increase in our tax expense which would reduce the amount of distributions we make to you.</p> <p>10) Our Manager is also our corporate director and there may be conflicts of interest in carrying out its duties in such capacity.</p> <p>11) There are restrictions on our ability to sell our equity interest in some of our concession companies, which could delay our ability to liquidate our interest.</p> <p>12) There are limitations on our ability to merge with, acquire or be acquired by third parties, which could prevent us from realising the synergies of joining with other entities or enhancing the value of our investment portfolio.</p> <p>13) We are required to assign various key functions to an asset manager, custodian, administrator and sales agents and, therefore, we are dependent on the performance of other parties.</p> <p>14) Our Manager and our other service providers face potential conflicts of interest which may not be resolved in our favour.</p> <p>15) We are significantly dependent on the key executives of our Manager.</p>
Risks relating to our investments	<p>16) Toll rates set in respect of the toll roads, and the fares chargeable on the subway, in which we have invested, may be outside our control.</p> <p>17) Reduction of traffic volume or the rate of growth in traffic volume could adversely affect our investments.</p> <p>18) There can be no assurance that the revenue guarantees supporting our concession companies will compensate any shortfalls in toll revenue in full, in cash, in a timely manner or at all.</p> <p>19) If the relevant government bodies face fiscal difficulties, they may not perform under the revenue guarantees that support the concession companies in which we have investments.</p> <p>20) Most of our concession companies may not be able to retain the full amount of toll revenues or refinancing gains that they generate.</p> <p>21) The expiration or termination of their concessions would leave our concession companies without the right to operate, and earn revenue from, the</p>

infrastructure assets.

- 22)** Six of our concession companies have assets under construction and therefore are subject to various completion risks, any of which could give rise to significant delays, additional costs and loss of revenue.
 - 23)** Unforeseen events may disrupt the use of toll roads, bridges, tunnels and other infrastructure assets, and insurance may not be sufficient to cover the resulting losses.
 - 24)** The operating and/or capital expenditure of our concession companies may be higher than forecasted and may result in a lower rate of return on our investments in such concession companies or on loans extended to such concession companies.
 - 25)** All of the concession companies in which we have investments have substantial indebtedness, which could inhibit their operating flexibility.
 - 26)** We may not maintain our investment in senior and subordinated loans made to concession companies for the duration of the loans as concession companies may prepay outstanding loans prior to their maturity.
 - 27)** Many of our concession companies may be required to make larger interest payments if market interest rates increase.
 - 28)** All of our investments are, and will be, in companies that operate pursuant to government licences, leases, concessions or contracts which are generally very complex and may result in a dispute over interpretation or enforceability. The failure by our concession companies to comply with regulations or concessions could subject such companies to monetary penalties or result in a revocation of their rights to operate the underlying infrastructure assets.
 - 29)** Our investments are in concession companies which have environmental risks that may impact their value.
 - 30)** We face increasing competition for investment opportunities in concession companies, which could reduce the returns available from new investments.
 - 31)** The infrastructure assets operated by our concession companies face increasing competition from alternative infrastructure assets.
 - 32)** Users of the toll roads, bridges, tunnels and subways operated by our concession companies may react negatively to any adjustments to the applicable toll rates, or public pressure may cause relevant government authorities to challenge the toll rates.
 - 33)** Our concession companies are subject to sovereign risk.
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3. Investments

As an infrastructure fund established under the PPI Act, we have been permitted to invest in equity, equity-linked and debt securities of, and have advanced loans to, concession companies that operate infrastructure assets such as toll roads, bridges and tunnels under concessions from Korean central, provincial and city governments throughout the country. We have also made equity investments into companies that invest in those concession companies.

As of 14 March 2008, we have committed KRW 2,180.1 billion of investments in and/or commitments to invest in 16 Korean infrastructure assets, including 14 toll road assets (including bridges and tunnels), one subway rail project and a container terminal project.

The table below summarises our investment commitments to the assets in our portfolio. For additional information on the assets, see our 2007 Annual Report dated 13 March 2008, which is available from MKIF website (www.macquarie.com/mkif).

Name	Status	Commitment (KRW bn)			Total (KRW bn)	% Ownership of Concession Company
		Equity	Sub Debt	Senior Debt		
Incheon International Airport Expressway	Operating	58.2	51.7	-	109.9	24.1
Baekyang Tunnel	Operating	1.2	-	1.8	3.0	100
Gwangju 2 nd Beltway Section 3-1	Operating	28.9	-	73.3	102.2	75.0
Gwangju 2 nd Beltway Section 1	Operating	13.1	35.2 ⁽¹⁾	142.0	190.3	100.0
Woomyunsan Tunnel	Operating	20.3	-	-	20.3	36.0
Cheonan-Nonsan Expressway	Operating	87.7	182.3	-	270.0	60.0
Soojungsan Tunnel	Operating	47.1	19.3	70.2	136.6	100.0
New Daegu-Busan Expressway	Operating	49.2	-	-	49.2	6.5 ⁽²⁾
Daegu 4 th Beltway, East	Operating	57.5	32.0	-	89.5	85.0
Machang Bridge	Construction	49.6 ⁽³⁾	51.2	-	100.8	49.0/100.0 ⁽³⁾
Seoul-Chuncheon Expressway	Construction	48.6	87.4	-	136.0	15.0
Seoul Subway Line 9	Construction	40.9	33.5	-	74.4	24.5
Incheon Grand Bridge	Construction	74.5	89.4	188.0	351.9	41.0
Yongin-Seoul Expressway	Construction	129.6 ⁽⁴⁾	77.0	-	206.6	35.0/67.0 ⁽⁴⁾
Seosuwon-Osan-Pyungtaek Expressway	Construction	-	80.0	-	80.0	-
Busan New Port Phase 2-3	Construction	66.4	193	-	259.4	30
Total	N/A	772.8	932.0	475.3	2,180.1	-
Percentage (%)	N/A	35.4	42.8	21.8	100.0	-

(1) Includes KRW 3.2 billion working capital facility.

(2) Based on full conversion of existing convertible bond investment (including interest payable) in September 2008.

(3) Assumes full take out of sponsor equity for a fixed sum at the time of operation commencement (giving MKIF 100% equity interest in the concession company).

(4) Includes MKIF's commitment to acquire an additional 32% equity interest at the maximum of variable price range agreed with project sponsors (increasing MKIF's equity stake to 67%).

4. Investment Limitations

We are an investment company registered under Article 41 of the PPI Act and we cannot perform businesses other than described below.

- 1) Acquisition of stocks and bonds issued by corporations with the purpose of implementing infrastructure facilities projects.
- 2) Acquisition of loan credits against corporations with the purpose of implementing infrastructure facilities projects.
- 3) Acquisition of stocks or shares of the corporation (excluding the infrastructure fund) with the purpose of investing by the mode of subparagraph 1 or 2 in the corporation with the purpose of implementing an infrastructure facilities projects.
- 4) Other investments approved as necessary for achieving the purpose under subparagraphs 1 through 3 by the Financial Supervisory Commission.

When deemed necessary for carrying on the business under each subparagraph above, we may offer our assets as security or make guarantees.

The PPI Act permits excess cash held by MKIF to be used in the following manner:

- 1) Deposit in a financial institution.
- 2) Purchase of national and public bonds.

Article 88, "Restrictions on Operation of Assets", of IIAMBA shall not apply to the Company under Article 44 of PPI Act.

II. Valuation of Assets

Our policy is to record all assets in our portfolio in accordance with the principles set out in IIAMBA. Our assets consist of shares and hybrid investments (e.g. convertible bonds) in, and loans to, concession companies, as well as cash and cash equivalents (e.g. NCD). The table below summarizes the valuation method adopted for each asset class.

Asset	Valuation method
Unlisted stocks	Historical cost
Loans	Historical cost
Convertible bonds	Fair market value as assessed by two bond valuation companies
NCD	Fair market value as assessed by two bond valuation companies
Bank deposits	Historical cost

III. Criteria for Selecting Trading Agents for Investment Securities and Derivatives

We do not engage agents for trading investment securities and derivatives, because its main investments are unlisted stocks and loans which are traded through individual transactions between private participants.

IV. Information of Purchase and Redemption of Securities and Distribution of Profits

1. Purchase and Redemption of Securities

MKIF is listed on the Korea Exchange and the London Stock Exchange and its outstanding shares can be publicly traded through securities companies. The price at which you can buy or sell MKIF shares will depend on the prevailing market price at the time.

2. Distribution of Profits

Pursuant to IIAMBA and in accordance with our Articles of Incorporation, we are permitted to declare and pay distributions to our shareholders in the form of dividends and/or over-distributions of profits. Over-distributions of profits are distributions to our shareholders in excess of accounting profits for the relevant fiscal period.

We intend to declare and distribute to our shareholders, on a semi-annual basis, 100 percent of our non-consolidated accounting profit in order to continue to qualify for the deduction of such distributions declared from our taxable income, for Korean corporate income tax purposes. Our distributable income is defined for such purposes as our non-consolidated net income after deduction of income taxes as set forth in our financial statements prepared under Korean GAAP, adjusted further to include retained earnings and less any deficit and any reserve pursuant to applicable laws and regulations. In addition, at our discretion, we may use the proceeds of refinancing to make distributions to our shareholders.

Detailed information on taxation in relation to distribution of profits is set out in Part 2 (Detailed Information), Section III (3) (Taxation).

Part 3. Asset Management Company and Other Service Providers

We outsource management of our assets and other administrative and operational functions to our Manager, MSIAM, and certain other functions to our Administrator, our Custodian and our Sales Agents. For full information/description of contractual arrangements between the Company and its Service Providers, please refer to pages 159 ~ 182 of the IPO Prospectus dated 7 March 2006 (available on the AMAK web site (www.amak.or.kr)).

I. Asset Management Company

1. Company Overview

Company Name	Macquarie Shinhan Infrastructure Asset Management Co., Ltd. (MSIAM)
Contact	11th Floor, Hanhwa Building, 110 Sokong-dong, Chung-gu, Seoul 100-755, Korea, +82 2 3705 4921
History	<ul style="list-style-type: none"> - Incorporated in Korea on 17 October, 2002 - Appointed as MKIF's asset manager on 13 December, 2002 - Licensed as an infrastructure asset management company in Korea under IIAMBA on 11 November, 2005

2. Primary Functions and Duties

1) *Entrusted Business*

Under the management agreement, our Manager has agreed to provide us with management, investment and administrative services and agreed further to perform all representative functions for us, in accordance with our Articles of Incorporation, the management agreement and applicable laws and regulations including IIAMBA, Securities Exchange Act and Korean Commercial Code.

As part of its investment management functions, our Manager has agreed, to take the overall responsibility to make investment and divestment decisions for us and, unless otherwise authorised by us, notify our board of directors with respect to any investment and divestment of our assets, provided that all final investment or divestment decisions are made in accordance with our Articles of Incorporation, investment policy, investment guidelines and all applicable laws and regulations.

2) *Summary of the Management Agreement*

a) Term of Agreement:

The term of the management agreement will be from the effective date until the termination date which is the earlier of (i) its termination in accordance with the terms set out in the management agreement or (ii) the liquidation and termination of the Company.

b) *Management Fee and Performance Fee*

Refer to Part 1 (Basic Information) Section III (2) (Fees and Expenses) for more information.

c) *Our Manager's Authority*

Subject to the restrictions set out in the management agreement, the applicable laws and regulations, our articles of incorporation and any further written instructions from us, our Manager has full authority at all times with respect to the management of our assets, including, but not limited to the authority to:

- (1) give written or oral instructions to any of our agents, brokers, dealers or consultants;
- (2) obligate us to contracts, arrangements or transactions, which are to be entered into by our Manager on our behalf (whether or not with or through agents);
- (3) direct or cause the sale or other disposition of any securities or investments; and
- (4) do and take all actions which the Manager considers necessary or advisable in connection with the management of our assets or considered desirable by the Manager with respect thereto.

d) *Manager's Duties and Responsibilities*

(1) *Our Manager's Duties*

Our Manager has agreed further that, where appropriate given the level of influence we have over our underlying investments, it will:

- (i) identify, assess and implement investment and divestment opportunities on our behalf;
- (ii) keep our assets under review and develop and manage our assets, including the insurance aspects;
- (iii) recommend and procure the appointment of directors of the investee companies on our behalf;
- (iv) exercise voting rights to which we are entitled in respect of our investments to the extent permitted under the relevant laws and regulations;
- (v) supervise the implementation of business and financial plans, and the development and maintenance of assets, of the investee companies;
- (vi) attend to our day-to-day management, company secretarial, accounting and reporting obligations to ensure that we comply with all laws and requirements, including the engagement of professional and technical advisers on our behalf;
- (vii) ensure we comply with the requirements of applicable laws and contractual obligations;
- (viii) carry out or cause to be carried out valuations of our assets, including our investments, in accordance with our articles of incorporation and all applicable laws;
- (ix) cause to be prepared audited annual and unaudited semi-annual accounts as required under applicable laws and requirements;
- (x) ensure the calculation and payment of taxes and duties applicable to us, if any, in accordance with applicable laws and requirements;
- (xi) manage our relationship and communications with shareholders, including causing to be prepared reports to shareholders in respect of our assets (including our investments) and operations;

- (xii) recommend, provide or procure all necessary technical, business management or other resources for investee companies;
- (xiii) make recommendations to us in relation to borrowings required to provide the funding requirements for any activity entered into by us, make recommendations on the timing of capital and raising of capital, use reasonable efforts to procure the raising of funds, whether by way of debt or equity and, in connection therewith, prepare, review, distribute and promote any prospectus, offering memorandum or other disclosure document and any related document;
- (xiv) make recommendations to us in relation to capital raisings and capital reductions;
- (xv) attend to opening, closing, operation and management of all our bank accounts and our accounts held with other financial institutions, including making deposits and withdrawals necessary for the management of our day-to-day operations;
- (xvi) make recommendations to us as to our distribution policy;
- (xvii) monitor the services provided by the Administrator, the Custodian and the Sales Agents; and
- (xviii) do all things as may be reasonably requested by us and as may be deemed by our Manager to be necessary or desirable in relation to our business including all things required under applicable laws and regulations in connection with our Manager's functions and duties under the management agreement.

Our Manager may delegate some or all of its functions to third parties subject to the management agreement, our articles of incorporation and applicable laws and regulations. If some of the above functions or duties are required, pursuant to applicable laws and regulations, to be performed by our Administrator, then our Manager may rely on the services of the Administrator, or co-ordinate with the Administrator company in the performance of such functions or duties.

Our Manager has agreed to provide us with reports with respect to its activities and the status of our investments, our assets and our liabilities as prescribed in the relevant laws and regulations and our articles of incorporation.

In addition, our Manager may distribute our shares at our request and to the extent permitted under IIAMBA and the Presidential Decree of IIAMBA.

(2) Our Manager's Responsibilities

- (i) To protect our investors and enhance our specialty, our Manager has to procure asset management experts under Article 17 of IIAMBA.
- (ii) Our Manager shall provide shareholders with asset management reports (the content of which has been confirmed by our Custodian) at least on a quarterly basis. In order to do so, Manager shall provide our sales agents with sufficient copies of the asset management report and sales agents shall provide indirect investors with a copy of the report either by letter or e-mail within one month from the date provided by item 1, paragraph 2, Article 121 of IIAMBA; Provided, That the same shall not apply to a case where the Company is listed investment vehicle and the Manager make disclosures quarterly basis by the case that is prescribed by IIAMBA. We do not provide an asset management report if a shareholder refuses to receive one or if the total appraised value of a

shareholder's investment is KRW 100,000 or below.

- (iii) In the event that the Manager causes damage to indirect investors by performing any act in contravention of Acts and subordinate statutes, the terms and conditions of investment trust, the Articles of Incorporation and the investment prospectus provided for in Article 56 of IIAMBA, and by neglecting its business, the Manager shall be held liable to indemnify for such damage.
- (iv) In the event that the Manager takes liability to indemnify for the damage in accordance with paragraph (iii), if any director or any auditor (including any member of the audit and inspection committee) is responsible for causing such damage, the Manager as well as the director and auditor shall be held liable to jointly indemnify for the damage
- (v) If our Manager, Custodian, Sales Agent, and Administrator are deemed liable for loss incurred to shareholders and are to indemnify the shareholders by the relating laws, Manager, Custodian, Sales Agent and Administrator shall be held liable to jointly indemnify for the damage.

(3) *Expenses of the Company*

In addition to any other right of indemnity which it may have under the Management Agreement or at law, the Manager and its employees, officers, delegates, agents and contractors will be indemnified and entitled to be reimbursed for, or have paid by us on demand, all reasonable and documented costs incurred in relation to the proper performance of its powers and duties under this Agreement (whether by the Manager or any employee, officer, delegate, agent or contractor of the Manager). This includes but is not limited to reasonable costs as incurred in connection with:

- (i) expenses relating to the acquisition, disposition, insurance, custody and transaction of our assets including trading fees/transaction fees of the investment securities;
- (ii) expenses incurred in connection with the borrowings by us, the expenses for the guarantee and fees payable to the financial institutions including hedging expenses and interest on borrowings;
- (iii) expenses relating to the issuance and offering of our shares (including deposit of share certificates), and the expenses in connection with listing (including various fees payable under the relevant agreement(s) in connection with issuance of new shares, etc.);
- (iv) costs and expenses for listing on the stock exchange or the official quotation of our shares and costs for compliance with the regulation of such stock exchange;
- (v) expenses in connection with the claim, dispute or litigation against us;
- (vi) costs for compliance with the request or requirements under the laws or of the regulatory authorities;
- (vii) expenses for deposit and settlement of the investment securities;
- (viii) expenses for obtaining price information of investment securities;
- (ix) expenses related to convening general meeting of shareholders, expenses incurred in connection with shareholders' resolution and communication with the shareholders;
- (x) expenses related to notice to shareholders in accordance with Act, the AOI and prospectus;

- (xi) fees and expenses relating to the appointment of agents, contractors and advisors (including legal and financial advisors); and
- (xii) other expenses incurred for the management of our fund and our assets.

Our Manager may cause the above costs to be deducted from our Company Assets. Our Manager also will allocate expenses incurred in connection with an Investment acquired or to be acquired on our behalf and other clients between us and those clients proportionately to their respective interests in the Investment.

Subject to applicable laws and regulations, we will indemnify the Manager and its employees, officers, delegates, agents and contractors against any direct and indirect costs (including consequential legal expenses and damages on a full indemnity basis) reasonably incurred by or in connection with its activities carried on our behalf in the performance of its duties and obligations under the management agreement, except insofar as any cost is caused by the gross negligence, fraud or wilful misconduct of or the material breach of the management agreement by the Manager or its employees, officers, delegates, agents or contractors.

Our Manager is not indemnified for and is not entitled to be reimbursed for, or to have paid, by us, any in-house administration costs of our Manager in the nature of rent for our Manager's premises, computer charges, salaries, research costs, overheads and general operating expenses and our Manager is not entitled to recover costs from us to the extent that such costs are paid by any of the companies or entities in which we invest.

(4) *Public announcement of NAV*

- (i) We are an investment company registered under PPI Act thereby we are not obliged to announce or notice standard price every day.
- (ii) We shall submit the business report on our indirectly invested assets within 20 days from end of each calendar quarter to FSC, AMAK and to the Minister of Planning and Budget.

e) *Termination of Management Agreement*

Unless otherwise provided by law, we may terminate the management agreement and our Manager's appointment at any time with 90 days' written notice to the Manager, following approval by holders of not less than two-thirds of our issued shares.

The management agreement provides that our Manager may terminate the management agreement at any time by notice in writing to us if we become insolvent or are terminated, if a receiver or administrative receiver or administrator or similar officer is appointed with respect to any of our assets or if we commit any material breach of our obligations under the management agreement and (if such breach is capable of remedy) we fail to make good such breach within 30 days of receipt of notice served by our Manager to us requiring us to do so.

The management agreement permits our Manager to resign and terminate the management agreement at any time with 90 days' written notice to us, and this right is not contingent upon our finding a replacement manager. If our Manager resigns, it is under no obligation to find a replacement before resigning. However, if our Manager resigns, until the date on which the resignation becomes effective, the Manager will, upon our request, use reasonable efforts to assist us to find a replacement manager.

If the appointment of the Manager is terminated by us for reasons other than wilful misconduct, gross negligence or underperformance in at least 14 out of 16 consecutive

quarters (determined pursuant to the terms of the management agreement, as described below) or if the Manager resigns from its appointment and terminates the management agreement following failure of the Manager to be re-appointed as our corporate director, then we are required to pay to the Manager an amount equal to (i) three times the total amount of all management fees paid to the Manager over the past four quarters preceding the date on which the management agreement is terminated and (ii) performance fees, if any, in respect of the quarter in which the termination of the Manager's appointment occurred and the following 12 quarters, in an amount equal to the amount of performance fees that would have been payable in respect of a quarter if the Manager was still engaged as our manager in accordance with the management agreement. Any such fee will be payable at the time and in the manner that the performance fee would have been payable by us to the Manager under the management agreement if the Manager was still engaged as our Manager under the management agreement. In addition, any portion of the listing performance fee plus accrued interest remaining unpaid will be released from the escrow account and paid to the Manager on the date of the termination of the management agreement.

"underperformance" shall occur where, in any quarter (including the first quarter), the performance return is less than the performance benchmark return.

"performance return" means the amount calculated as follows:

$$PR1 = \left[\frac{B1 - IP1}{IP1} \right]$$

Where:

PR1 = the performance return for the period from the listing date to the current quarter end date.

B1 = the average of the daily closing accumulation index over the last 15 trading days of the quarter or in the case of the first quarter, the lesser of the last 15 trading days of the first quarter or the number of trading days from the listing date to the end of the first quarter inclusive, as calculated or reported by the Reporting Agency.

IP1 = means the same as item 'IP1' in the definition of first quarter return.

"performance benchmark return" means the amount calculated as follows:

$$PBR1 = (1+X)^{(N1/365)} - 1$$

Where:

PBR1 = the performance benchmark return for the period from the listing date to the current quarter end date.

X = the lower of 3.0% and the annualised rate of inflation for the relevant period representing N1 (calculated as the compound annual rate of inflation based on the change in the CPI last published before the end date of N1 from the one published closest to the start date of N1).

N1 = the number of days from the listing date to the current quarter end date inclusive.

Under the terms of the management agreement, if the Manager's term as our corporate director expires and the Manager is not re-elected as our corporate director by our

shareholders in accordance with our articles of incorporation, the Manager will continue to act as our Manager until such time as a new asset manager is appointed and elected as our corporate director as required under our articles of incorporation.

Notwithstanding the paragraph above, if the Manager is not re-elected as our corporate director, we shall use our best endeavours to secure the re-election of the Manager as corporate director for so long as the management agreement remains in effect.

Upon termination of the management agreement, we will, within 30 days of the date of termination, cease to use any Macquarie and/or Shinhan brand entirely.

The management agreement will terminate on our liquidation and termination.

3. Selected Financial Information of the Manager of the Two Recent Financial Years

Set out below are summaries of the Balance Sheet and Income Statement of the Manager for its last two financial years. The Manager's financial year ends on 31 March. The information below is based on the audited financial statements of the Manager which are reported periodically to the Financial Supervisory Service ("FSS") and AMAK.

1) Balance Sheet Summary

	(In KRW million)	
	As of 31 March 2007	As of 31 March 2006
Current assets	29,518	120,567
Non-current assets	1,083	475
Total assets	30,601	121,042
Current liabilities	12,052	37,136
Non-current liabilities	2,794	1,415
Total liabilities	14,846	38,551
Capital stock	3,000	3,000
Retained earnings	12,755	79,533
Capital adjustments	-	(42)
Total shareholders' equity	15,755	82,491
Total liabilities and shareholders' equity	30,601	121,042

2) Income Statement Summary

	(In KRW million)	
	1 April 2006 ~ 31 March 2007	1 April 2005 ~ 31 March 2006
Operating revenue	30,577	123,081
Operating expense	14,349	13,349
Operating income	16,228	109,732
Non-operating income	995	-
Non-operating expenses	1,613	83
Income before income tax	15,610	109,649
Income tax expenses	4,354	30,141
Net income	11,256	79,508

4. Assets under Management

As of 31 December 2007, our assets under management, calculated by multiplying the NAV per shares by the number of shares issued and outstanding as at that date, were KRW 1,702,698 billion. As noted earlier in Part 1 (Basic Information), Section II (5) (Calculation of Net Asset Value), the NAV per share does not accurately reflect the underlying value of MKIF's equity and debt investments in concession companies, nor does it reflect the value of future income from these assets, as may be judged by the market or an independent purchaser.

5. Registered Asset Managers

MSIAM is licensed under IIAMBA to carry out asset management activities for MKIF. As part of its licensing requirements, MSIAM is required to employ at least three "asset management professionals" who meet certain qualifications. The following is the list of MSIAM's asset management professionals who have been registered with the Asset Management Association of Korea.

Name (AMAK Registration Number)	Age	Position	Operation Status		Career
			Number of Fund(s)	Size	
Jae Lee (06-02323-0002)	1964	Chief Operating Officer	N/A	N/A	Mr Lee has over 17 years experience with Shinhan Bank, including 14 years with the International Banking Division, NY Branch (Investment Banking) - Shinhan Bank (Investment Banking department at Seoul and New York branch) - Sejong Research Institute (previously, Il-Hae) (Economic and Social Research)
Johnno Kim (06-02323-0004)	1962	Head of Asset Management	N/A	N/A	Mr Kim has over 20 years experience in asset management and his previous experience includes: - Connell Wagner Group (consulting on major road projects) - Mott Macdonald Group (Project Engineer in UK) - BHP Engineering (Industrial & Commercial Development – Project Manager) - Egis Consulting/GHD (PF & Toll Road Management Consulting Company)
Jong Hyuk Park (08-02323-0005)	1967	Head of Asset Acquisition	N/A	N/A	Mr Park has over 14 years' experience with Kookmin Bank, including 10 years with investment Banking Division. - Kookmin Bank (Project Manager for 3 port projects, 7 toll road projects and 2 property projects) - Worked as a member of advisory of PIMAC
Beom Shick Won (06-02323-0001)	1967	Senior Asset Manager	N/A	N/A	Mr Won has over 13 years experience in asset management and his previous experience includes: - Doosan Construction Co (PF management for Daejun-Chunbyun Expressway) / - Management of O&M (operations and maintenance) company, Sub-Contracting Management
Jung-Suk Lee (06-02323-0003)	1973	Asset Manager	N/A	N/A	Mr Lee has over 12 years experience in construction and asset management and his previous experience includes: - Parsons, Brinckerhoff, Quade & Douglas Co., Ltd (Design/Construction) - Parsons, Brinckerhoff Asia Co., Ltd (Contract Management, Due diligence, Supervision)

II. Sales Agents

1. Overview

We appointed our Sales Agents under respective sales agency agreements and IIAMBA but after listing on the Korea Exchange and the London Stock Exchange, MKIF shares can be publicly traded through any brokerage company including our Sales Agents.

Name	Address and Contacts	History (Refer to website)
Samsung Securities Co., Ltd.	6th Floor, Jongro Tower Building, Jongro 2 ga, Seoul Tel: 82 2 2020 7586	www.samsungfn.com
Goodmorning Shinhan Securities Co., Ltd.	23-2 Goodmorning Shinhan Tower Yeoido-dong, Youngdeungpo-gu, Seoul Tel: 82 2 6050 2194	www.goodi.com
Macquarie Securities Korea Ltd.,	9th Floor Hanwha Building 110 Sokong-dong, Chung-gu Tel: 82 2 3705 8738	www.macquarie.com
Kyobo Securities Co., Ltd.	26-4 Kyobo Securities Building Yeoido-dong, Youngdeungpo-gu, Seoul Tel: 82 2 3771 9095	www.iprovest.com
Tong Yang Investment Bank Co., Ltd.	185 Tong Yang Investment Bank Building Euljiro 2 ga, Chung-gu, Seoul Tel: 82 2 3770 2675	www.myasset.com
Hanwha Securities Co., Ltd.	23-5 Hanwha Securities Building Yeoido-dong, Youngdeungpo-gu, Seoul Tel: 82 2 3772 7432	www.koreastock.co.kr

III. Custodian

1. Overview

We are required to appoint a custodian under IIAMBA and have entered into a custodian agreement with Korea Securities Finance Corporation ("KSFC").

Company Name	Korea Securities Finance Corporation
Contact	34-9 Yeoido-dong Youngdeungpo-gu, Seoul +82 2 3770 8800
History (Refer to the website)	http://www.ksfc.co.kr/

2. Main Duties

1) Summary of Custodian Agreement

a) Term of Agreement

The term of the custodian agreement will be from the effective date (31 March 2006) until the termination date of any liquidation if we are wound up under the related laws and regulations or our AOI.

b) *Custody Fee*

The custody fee payable to Custodian is equal to the amount of the average net asset value of the Deposited Assets (the sum of the net asset values of the Deposited Assets as of each day from the first day of the Fee Calculation Period until the Fee Withdrawal Date, divided by the number of days included in the relevant Fee Calculation Period), multiplied by 0.02/100 per annum.

c) *Fee Payment Date*

The custody fees will be paid to Custodian on the business day immediately following any of the dates below in accordance with our instructions and the measures of our service providers:

- (i) Expiration of the Fee Calculation Period;
- (ii) Winding-up of MKIF under the Articles of Incorporation; or
- (iii) Termination of the Agreement.

d) *Primary Roles and Responsibilities*

As our Custodian, KSFC is responsible for the custody and maintenance of our assets and matters provided in our articles of incorporation and under applicable laws and regulations. In connection with this function, KSFC is, among other things, to:

- (1) Open an asset custody account in the name of MKIF and purchase such Investment Assets as determined by the Manager in accordance with instructions from the Manager and will keep such Investment Assets in the asset custody account.
- (2) Keep and manage the Deposited Assets separate from the Custodian's own assets and the assets entrusted by other third parties.
- (3) To the extent required by law, deposit securities forming a part of the Deposited Assets with KSD.
- (4) Open a deposit account in the name of MKIF (the "Deposit Account") and manage payments for new shares and any fees and expenses payable by the Company (including fees payable to the Service Providers) as instructed by the Company (through the Asset Manager) out of the Deposit Account, the deposit/withdrawal of settlement proceeds according to the sale/purchase of Investment Assets, the deposit/withdrawal of fees, the deposit/withdrawal of non-operating expenses, the deposit of money borrowed from a third party by MKIF and the withdrawal of principal and its interest thereof, the deposit/withdrawal of interest and dividends, and all the cash received or paid in accordance with any instructions from the relevant Service Provider.
- (5) Prepare and provide every month to the Administrator a report on the details of the Deposited Assets Custodian holds on behalf of MKIF. Custodian should request the Administrator to provide a confirmation of whether the report provided by Custodian conforms to the information the Administrator has with respect to the details of MKIF's assets.
- (6) Collect distributions from the Investment Assets (including but not limited to dividend, distribution, sale proceeds, principal and its interest of bond, principal and its interest of loan, interest on deposits) and deposit such distributions into the account of MKIF.

- (7) Receive and deliver Certificates of Title and take necessary measures in relation to Certificates of Title:
- (8) In the event that Custodian doesn't receive Certificates of Title from a broker or the issuer due to any reason attributable to the broker or issuer, Custodian shall not be responsible to MKIF for any legal action, provisional attachment or any request filed against MKIF or any fees or expenses incurred by MKIF and shall obtain Certificates of Title from the broker or issuer at the expense of MKIF.
- (9) Give prompt notice to secure Investment Assets or rights to or interests in the Investment Assets to the Manager and shall take all necessary measures to protect MKIF's rights in Investment Assets until the Asset Manager deals with such notice.
- (10) Endorse and collect the payments on a check, note to receive the cash payments in connection therewith.
- (11) In the event any concession company does not repay the principal or interest amount on the loan provided by MKIF on the due date, Custodian shall dispatch a notice of demand for repayment of principal or interest to the concession company and request the Manager to provide an instruction to collect such principal/interest amount by a certain date. In the event that Custodian does not receive the instruction from the Manager by the requested date, notwithstanding any provision to the contrary provided in this Agreement, Custodian shall not be responsible for the loss of MKIF's rights to the loan.
- (12) With respect to MKIF's cash which has not been invested, Custodian shall deposit such cash into a nominated deposit account, unless it receives any other instruction from MKIF or the relevant Service Provider, or unless it would violate the Relevant Laws and Regulations.
- (13) In the event that Custodian receives instructions for obtaining collaterals from the Manager in relation to an acquisition of Investment Assets under Subparagraph (i) above, Custodian shall obtain such collateral and manage the collateral in accordance with the customary financial practice.
- (14) Perform the matters described as the obligation of the custodian in the Relevant Laws and Regulations (e.g., confirmation and reports provided in Article 131, Paragraph (2) and Article 132 of the IIAMBA, etc.).
- (15) Custodian may not delegate its business which the Custodian has registered for or is licensed to do under the IIAMBA to a third party, unless it is in accordance with Article 176 of the IIAMBA.

3. Responsibility and Liability

- 1) Custodian shall sincerely perform its business with the care of a good manager for indirect investors in accordance with the relevant laws and regulations, the articles of incorporation of the investment company, the investment prospectus, the trust contract or the asset custody entrustment contract.
- 2) Custodian shall be prohibited from being involved in transactions between the entrusted indirect investment property and its own property or other entrusted indirect investment property: This prohibition shall not apply to cases prescribed by the Presidential Decree as being necessary to operate the indirect investment property efficiently.

- 3) Custodian shall be prohibited from using information on the operation (including the operation related to the business that is permitted under the Trust Business Act and other Acts) of the entrusted assets of the indirect investment fund for the purpose of operating its own property and the sales of indirect investment securities in which it is involved
- 4) Custodian shall manage the indirect investment property separately from its own property, other indirect investment property and the property, the custody of which is entrusted by a third party.
- 5) Custodian shall confirm whether operational instructions given by the Manager are in violation of the Acts and subordinate statutes, the terms and conditions of trust or the investment prospectus under the conditions as prescribed by the Presidential Decree and if any violation is confirmed, ask the Manager to withdraw, change or correct such operational instructions.
- 6) Custodian shall confirm whether the operational acts of the asset management company are in violation of the Acts and subordinate statutes, the AOI of the investment company or the investment prospectus under the conditions as prescribed by the Presidential Decree and if any violation is confirmed, report such violation to the supervisory directors of the Company.
- 7) In the event that the Custodian causes damage to indirect investors by performing any act in contravention of Acts and subordinate statutes, the terms and conditions of investment trust, the articles of incorporation of the Company and the investment prospectus provided for in Article 56 of IIAMBA, and by neglecting its business, the Custodian shall be held liable to indemnify for such damage.

IV. Administrator

1. Overview

Company Name	KEB Investor Services Co., Ltd.
Contact	23th floor KEB head office, 181, 2-ga, Eulji-ro, Chung-gu, Seoul 100-793, Korea + 82 2 729 8950
History	Incorporation date: 1 April 2003 Paid in capital: KRW 2.55 billion Number of employees: 69

2. Main Duties

1) *Summary of the Administration Agreement*

a) *Term of Agreement*

The term of the administration agreement shall be from the effective date until the termination date of any liquidation if MKIF is wound up under the Related Laws and Regulations or its AOI.

b) *Administration Fee*

The general administrative business fee payable to our Administrator is equal to the amount of our average net asset value, calculated as the sum of our net asset value as at each day from and including the first day of the relevant calendar quarter to and including the last day of the relevant calendar quarter, divided by the number of days in the relevant calendar quarter, multiplied by 0.0175/100 per annum.

c) *Fee Payment Date*

The first business day following the last day of each calendar quarter (31 March, 30 June, 31 September, and 31 December).

d) *Main Roles and Responsibilities*

The primary functions of the Administrator are to:

- (1) convene and administer board meeting and shareholders' meeting;
- (2) maintain our share registry;
- (3) act as transfer agent for transfers of our shares;
- (4) communicate notices to our shareholders;
- (5) deposit shares into the relevant shareholder's transaction account, upon request of the Sales Agents;
- (6) issue and deliver physical share certificates to shareholders as necessary, to the extent permitted by applicable law;
- (7) maintain records of share transactions;
- (8) co-ordinate filings, communication with the public and regulatory authorities and other related actions;
- (9) pay and record our expenses, general costs and remuneration to our Manager, Custodian and Sales Agents;
- (10) calculate the net asset value of our assets and the price of newly issued shares;
- (11) calculate our Manager's fees and/or commissions;
- (12) prepare and file tax returns;
- (13) notify and confirm the types and details of our assets with the Custodian on a monthly basis;
- (14) assist in the preparation and/or submission of financial statements, annual reports and other reports;
- (15) assist in maintenance of our corporate status; and
- (16) conduct any other business incidental to the above.

e) *Administrator's Agreement with Korea Securities Depository*

Our Administrator has entered into an entrustment agreement with the Korea Securities Depository, or KSD, to delegate its share registrar services and transfer agent services as permitted under IIAMBA. Under the entrustment agreement, the KSD receives fees from our Administrator for acting as our share registrar and transfer agent.

f) *Re-entrustment of Entrusted Business*

The Administrator may entrust its duty to a third party if such duty is not related to any one of our essential tasks or such duty does not entail any potential conflicts of interest to the indirect investors. The Administrator may entrust its business to 3rd party, except in the circumstances below as provided under Article 164 of the IIAMBA.

- (1) Affairs relating to the management of the investment company (not including simple tasks such as notification of the General meeting of shareholders).
- (2) Calculating the value of indirectly invested properties.

If any loss is incurred by us or other service provider arising out of, among others, any negligence on the part of Administrator in its performance of the entrusted business or violation of the administration agreement on the part of the Administrator and the Administrator is deemed liable for such loss, the Administrator shall be liable to indemnify us or the other service provides against such loss severally or jointly with any of our directors or other service providers who are liable for such loss.

3. Responsibility and Liability

- 1) The Administrator shall sincerely perform its business with the care of a good manager for indirect investors.
- 2) In the event that the Administrator causes damage to us, the Manager, the Custodian or any Sales Agent by performing any act in contravention of Acts and subordinate statutes, the terms and conditions of investment trust, the articles of incorporation and the investment prospectus provided for in Article 56 of IIAMBA, and by neglecting its business, the Administrator shall be held liable to indemnify for such damage.
- 3) In the event that the Administrator, the Custodian, the Manager, the Sales Agent and the Bond Valuation Company become liable to indemnify for damage caused to indirect investors, the Administrator as well as the Custodian, the Manager, the Sales Agents or the Bond Valuation Company shall be held liable to jointly indemnify for the damage.

V. Bond Valuation Companies

1. Overview

Company Name	Nice Pricing Services, Inc.	Korea Bond Pricing and KR Co.
Contact	6th Floor Hansum Building 15 Yeoido-dong Youngdeungpo-gu Seoul +82 2 398 3900	9th Floor Gwanghwamoon Building 211 Sejong-Ro Jongro-Gu Seoul + 82 2 399 3350
History (Refer to websites)	http://www.npricing.co.kr/	www.koreabp.com

2. Primary Functions and Duties

Bond valuation companies appraise indirectly invested assets such as bond and investment securities and provide the information to the indirect investment institutions. We engage two bond valuation companies on a periodic basis to undertake valuations of certain of our assets, as required under IIAMBA. After receiving the valuation reports from these companies, our Valuation Committee confirms the valuation of these assets, as required for the preparation of our financial statements.

Part 4. Shareholders' Rights and Public Offering

I. Shareholders' Rights

1. General Meeting - Board of Directors and Voting Rights

1) *General Meeting and Voting Rights*

a) *General Meeting of Shareholders*

We hold an annual general meeting of shareholders within three months after the end of each fiscal year. The shareholders registered on the shareholders' register as at 31 December of a fiscal year shall be deemed shareholders who may cast votes at the ordinary general meeting of shareholders for the fiscal year. The shareholders' register shall be closed from 1 January of each year until the date of the general meeting of shareholders convened for such year in accordance with our articles of incorporation. Under IIAMBA, if our Custodian or any shareholder holding five percent. or more of our issued and outstanding shares requests that our board of directors convene a general meeting of shareholders by giving written notice specifying the purpose of and reason for convening such meeting, the board of directors is required to convene a general meeting of shareholders within one month of such request. If the board of directors takes no action to convene such general meeting of shareholders without justifiable reason within one month, the custodian or the shareholder holding five percent. or more of our issued and outstanding shares may convene a general meeting of shareholders with the approval of FSC.

The Korean Commercial Code provides that a shareholder who holds at least three percent of the total number of the issued and outstanding shares may request the board of the company to convene a shareholders' meeting. It is, however, unclear whether the relevant provision under the Korean Commercial Code should be applicable to our shareholders, as it is possible that the relevant provision under IIAMBA set forth above may be deemed to override the provision under the Korean Commercial Code and there is no case precedent available on this point.

In addition, a shareholder who has held three percent or more (or 1.5 per cent. or more in case of a corporation whose capital is more than KRW 100 billion) of the total number of the issued and outstanding shares for six months in accordance with the relevant laws and regulations may exercise his/her right to convene the shareholders' meeting under the Securities and Exchange Act of Korea.

We are required to give shareholders written notice setting out the date, place and agenda of the meeting at least two weeks prior to the general meeting of shareholders. This notice may be made with computer telecommunication. The agenda of the general meeting of shareholders is determined at the meeting of the board of directors or may be proposed by a shareholder meeting the shareholding requirements as follows. A shareholder who has held one percent or more (or 0.5 per cent. or more in case of a corporation whose capital is more than KRW100 billion) of the total number of the issued and outstanding shares for six months in accordance with the relevant laws and regulations shall have the right to propose an agenda item for the shareholders' meeting under the Securities and Exchange Act of Korea. In addition, a shareholder holding no less than three percent of the total number of the issued and outstanding voting shares may exercise such right under the Korean Commercial Code. Such proposal by a shareholder should be made in writing at least six weeks prior to the meeting. The board of directors may decline such proposal if it violates the relevant laws and regulations or our articles of incorporation.

Our shareholders' meetings will be held at our head office or at any other place determined by the board.

b) *Postponement of General Meeting of Shareholders*

If the total number of the shares present at a shareholders' meeting as of one hour after the scheduled time for commencing of the general meeting of shareholders is less than a majority of the total number of the shares issued and outstanding, we may postpone the meeting. When a general meeting of shareholders is so postponed, the board is required to reconvene the general meeting of shareholders within two weeks from the date of the original meeting. A notice to reconvene the general meeting of the shareholders is to be sent to shareholders at least one week prior to the date of the rescheduled meeting.

If a shareholders' meeting is reconvened and the total number of the shares present as of one hour after the scheduled time for the starting of the meeting is less than a majority of the total number of the shares issued and outstanding, the meeting is deemed duly convened in terms of the number of the shares present and voting requirements different from the requirements set forth under "— Voting Rights" are to apply. For matters that would otherwise require at least a quarter of the total issued and outstanding shares and a majority of the shares present at the meeting, such matters may be approved by the affirmative votes of a majority of the shares present at the reconvened meeting. For the matters that would otherwise require at least two-thirds of the shares present at the meeting and at least one-third of the total number of shares issued and outstanding, such matters may be approved by the affirmative votes of at least two-thirds of the shares present at the reconvened meeting.

c) *Voting Rights*

Holders of our shares are entitled to one vote for each share. Cumulative voting is not permitted.

Under IIAMBA and the articles of incorporation, ordinary resolutions to be adopted at the general meeting of shareholders require the attendance of shareholders holding a majority of the total number of the shares issued and outstanding and the approval of the holders of at least a quarter of the total shares issued and outstanding and a majority of the shares present at the meeting. For matters to be approved with special resolutions under Article 434 of the Korean Commercial Code, they shall be resolved with the approval of the holders of at least two-thirds of the shares present at the meeting and at least one-third of the total number of the shares issued and outstanding.

A resolution to amend the articles of incorporation in order to change the asset management company or our duration shall be adopted by two-thirds or more of all issued and outstanding shares.

The general meeting of shareholders shall decide the following matters, unless otherwise regulated by the articles of incorporation, relevant laws and regulations, or any relevant agreement:

- (1) appointment of directors;
- (2) change of the asset management company that is our corporate director and the custodian (for the purposes of this paragraph, "change" shall mean the appointment of a new asset management company (or a new custodian) or dismissal of the existing asset management company (or the existing custodian) but shall not mean the re-appointment of the existing asset management company (or the existing custodian));

- (3) our dissolution;
- (4) amendment of the articles of incorporation with respect to an increase of remuneration or other commissions payable to the asset management company or the custodian, a change in the asset management company or the custodian, a change in our duration, or a change in our company type according to Article 27 of IIAMBA; and
- (5) other matters designated by relevant laws and regulations.

Amendment of the articles of incorporation with respect to an increase of remuneration or other commissions payable to the asset management company or the custodian, a change in the asset management company or the custodian, a change in our duration, or a change in our company type according to Article 27 of IIAMBA needs at least at least two-thirds of the shares present at the meeting and at least one-half of the total number of the shares issued and outstanding.

Change of the asset management company and change of the company's duration shall need at least two-thirds of affirmative votes out of total number of issued stocks.

Shareholders may exercise their voting rights by proxy. Under our articles of incorporation, the proxy does not have to be a shareholder. The holder of a proxy must submit an instrument evidencing the relevant power of attorney prior to commencement of a general meeting of shareholders in order to exercise voting rights.

Shareholders may exercise their voting rights in writing. The shareholder must state the details of his intentions on the form which the company have sent and submit the document within 2 business days from the general meeting. The number of votes exercised in writing shall be added to the number of votes present at the general meeting.

d) *Rights of Dissenting Shareholders*

Under IIAMBA and our articles of incorporation, in some limited circumstances, including our merger or consolidation with another company, or the passing of a resolution of a general meeting of shareholders to amend certain articles of the articles of incorporation, dissenting shareholders have the right to require us to purchase their shares.

- (1) To exercise this right, a shareholder must submit to us a written notice of its intention to dissent before the applicable general meeting of shareholders. Within 20 days after the relevant resolution is passed, the dissenting shareholder must request the purchase of the shares it holds by filing a letter to us describing the number of the shares it holds and seeks to sell.
- (2) We may not charge the shareholder any fee for the purchase of the shares or other expenses related to such purchase.
- (3) We shall, upon request for purchase of the shares as set forth above, purchase such shares in accordance with the terms outlined in the paragraph below, provided, however, that if we cannot comply with such request for purchase due to insufficient funds, such purchase of the shares may be deferred with the approval of the FSC.
- (4) The purchase price for the shares of dissenting shareholders shall be determined at the net asset value per share calculated on the day immediately before the date of the shareholders' resolution (when the shares are not listed), or the weighted average (by actual trading volume) of the daily closing market prices on the stock exchange

published for the period of 15 trading days starting from 15 trading days prior to the date of the shareholders' resolution until the day before the date of the shareholders' resolution when the shares are listed. We shall pay for the shares in cash to dissenting shareholders within 35 days from the date of the shareholders' resolution.

e) *Shareholders' Rights for Derivative Action*

Any shareholders who holds no less than one hundredth of total shares of a company in accordance with the Commercial code or who has held the shares of a company for six months in accordance with the relevant laws and regulations may demand that the company file an action against a director in connection the director's liability. In such case, if the company fails to file such action within 30 days from the date when such demand is received, the shareholder may immediately file such action on behalf of the company, provided that if the company may suffer irreparable damage with the lapse of the 30 days, the shareholder may immediately file such action without waiting for 30 days.

2) *Directors*

a) *Our Board of Directors*

Our board of directors, comprising a majority of supervisory directors, is responsible for overseeing our operations, monitoring our business affairs, including overseeing the performance of MSIAM and other service providers, capital management (including share issues) and approving and monitoring financial and other reporting.

Our board of directors is currently comprised of three directors: one corporate director and two supervisory directors. Under IIAMBA and our articles of incorporation, we are required to have at least one corporate director at all times. MSIAM is our corporate director. The directors are appointed by the shareholders at a general meeting held in accordance with our articles of incorporation. Pursuant to the Korean Commercial Code and our Articles of Incorporation, the maximum length of a director's term of office is three years, provided that if the term of office expires after the end of a fiscal year but before the ordinary general meeting of shareholders convened with respect to such fiscal year, the term of office shall be extended until the close of such general meeting of shareholders. A director may be appointed to serve any number of consecutive terms if elected in accordance with our articles of incorporation.

Board meetings are held at least once every quarter. Directors are provided with board papers three days in advance of each meeting to enable informed discussion of agenda items. If all members of board of directors agree on the matter, the notification process may be omitted. Resolution of board of directors is adopted by majority of directors present at the meeting with affirmative majority vote.

The table below sets out the names, positions and tenure of our directors as at the date of this Investment Overview:

Name	Appointed	Term expiry ⁽¹⁾	Position
MSIAM	11 November, 2005	11 November, 2008	Corporate Director
Dae Yun Cho	23 March, 2007	23 March, 2010	Supervisory Director
Kyung Soon Song	31 March, 2005	31 March, 2008	Supervisory Director

(1) The term may be extended until the close of the relevant shareholders' meeting where the term of office expires after the end of a fiscal year but before the ordinary general meeting of shareholders for that fiscal year.

Information on the business and working experience of our directors is set out below.

MSIAM

MSIAM, as Manager, is our corporate director. For a description of the role and responsibilities of MSIAM, see Part 2 (Detailed Information), Section I (2).

Dae Yun Cho

Dae Yun Cho was appointed as one of our original supervisory directors on 12 December, 2002. Mr. Cho has practised law at the law offices of Kim & Chang in Seoul since 1979, covering broad areas of finance and securities, international trade, dispute settlements (including trade disputes and international arbitration), and mergers, acquisitions and divestitures (including insolvency practice). He is currently senior partner in charge of finance and trade matters generally and in particular private finance initiatives.

Mr. Cho has acted as a consultant for various Korean government ministries, including the Ministry of Strategy and Finance (formerly, Ministry of Finance and Economy) and the Ministry of Knowledge and Economy (formerly, Ministry of Commerce, Industry and Energy). In such capacity, he has participated in many legislative initiatives, including the PPI Act and the Foreign Trade Act. Previously, Mr. Cho was also a senior adviser to the Korea International Trade Law Association, the arbitrator of the Korean Commercial Arbitration Board and the National Candidate of Korea for the World Trade Organisation, or WTO, panel and for the WTO's Subsidies and Countervailing Duties Committee.

Kyung Soon Song

Kyung Soon Song was elected by shareholders to our board of directors as an independent supervisory director on 31 March 2005. Dr. Song has substantial experience in financial and economic matters. Formerly an adviser to the vice president of the World Bank in Washington, D.C., U.S.A., Dr. Song completed his Doctorate of Business Administration at George Washington University. He also previously held positions as assistant director of the Economic Planning Board (now merged into the Ministry of Strategy and Finance and the Fair Trade Commission) and as executive vice-president and chief operating officer of Nomura Project Finance International Limited.

None of our directors has, within the previous five years, been convicted of any fraudulent offences, associated with any bankruptcies, receiverships or liquidations in his capacity as a member of an administrative, management or supervisory body, or been the subject of official public incrimination or sanction.

b) Committees of the Board of Directors

Our board of directors does not have any standing committees.

c) Remuneration of Directors and Executive Officers

Remuneration paid to supervisory directors in 2007 was KRW 128 million. The annual remuneration of each supervisory director will be a maximum of KRW 8 million per month. Supervisory directors receive salaries but do not receive retirement and severance benefits.

3) Our shares

Record Date	31 December (Every year)		
Closing of shareholders' registrar	From 1 January to the date of general meeting	Notification Newspapers	Herald Business Or Hankook Economy
Share certificates	We will issue and deliver share certificates in 13 denominations (1 unit, 5 units, 10 units, 50 units, 100 units, 500 units, 1,000 units, 10,000 units, 100,000 units, 1,000,000 units, 10,000,000 units, 100,000,000 units and 1,000,000,000 units)	Transfer agent	Korea Securities Depository

2. Distribution of Remaining Assets

1) *Payment request in event of settlement or liquidation*

- a) Shareholders may request for distribution of remaining assets in the event of liquidation or settlement.
- b) After our Manager has handed over settlement dividend or liquidating dividend to Sales Agents, the Sales Agents are deemed to be responsible for the payment to shareholders.

2) *Negative prescription*

If shareholders do not request the payment for five years from the starting date of settlement dividend or liquidating dividend payment, he shall lose the rights and the rights will revert to our company.

3. Inspection Rights

Under Article 125 of IIAMBA and Article 106 of its Presidential Decree, upon written request from a shareholder, we are required to permit such shareholder to inspect our books and records relating to our assets during normal working hours, or deliver copies or extracts to shareholders, unless:

- 1) there is a concern that the shareholder could use such information in any transaction or business or provide such information to others;
- 2) there is a clear possibility that permitting such inspection is likely to result in a loss to other shareholders; or
- 3) it is impossible to comply with such inspection request due to expiry of the preservation period stipulated by applicable laws and regulations due to our liquidation.

The books and documents that the indirect investors may request for the purview or the issuance of the certified or original copies are:

- 1) statements of the indirect investment property;
- 2) books of the NAV per unit (share) of the indirect investment securities;
- 3) financial statements and attachments thereof; and
- 4) statements of asset sales transactions.

An asset management company, an investment company or a sales company which refuses the request of the indirect investors due to reasons under each of the items of paragraph 1 shall give

notice thereof to the indirect investors in writing.

4. Indemnification Responsibilities

If any loss is suffered by us as a result of any negligence on the part of our Manager, Sales Agent, Administrator, or Custodian ("service providers" hereinafter) arising out of the performance of its duties, the service provider is deemed liable for such loss. In cases where more than one service provider is to reimburse us or a third party, the service provider shall jointly indemnify with any director, auditor, and other service providers who may be deemed liable for the loss.

The service providers shall jointly indemnify if the service providers are deemed to have caused loss to the indirect investors under IIAMBA.

5. Jurisdiction

- 1) The Manager, the Custodian, the Administrator or the Sales agent shall institute litigation relating to their agreements with us only through the court that has jurisdiction over our business district.
- 2) Shareholders may institute litigation through either the court that has jurisdiction over the shareholders' residential district or the court that has jurisdiction over the Manager's or Sales Agent's business district. If the shareholder is a non-resident, the shareholder shall institute litigation only through the court that has jurisdiction over the Manager or the Sales Agent's business district under item 13, Article 3 of Foreign Currency Trade Act.

6. Other matters regarding protection of shareholders' rights

1) *Shareholders' Rights for Derivative Action*

Any shareholders who has held more than one hundredth of shares of a company in accordance with the Commercial code or who has held the shares of a company for six months in accordance with the relevant laws and regulations may demand that the company file an action against a director in connection the director's liability. In such case, if the company fails to file such action within 30 days from the date when such demand is received, the shareholder may immediately file such action on behalf of the company, provided that if the company may suffer irreparable damage with the lapse of the 30 days, the shareholder may immediately file such action without waiting for 30 days.

2) *Deposit and Issue of the Shares*

- a) We shall issue our shares without any delay from our company's foundation date or new shares' payment date in the title of Korea Securities Depository by the method provided under paragraph 5, Article 174 of Securities and Exchange Act.
- b) The Sales Agent shall prepare and keep the customers account book in which the following matters are stated:
 - (1) Names and addresses of customers;
 - (2) Types and number of deposited securities, and names of issuers; and
 - (3) Shares in the customers account book and the depositors account book are considered to be deposited in Korea Securities Depository under paragraph 2, Article 174-2 of Securities and Exchange Act.

- (4) Shareholders who are stated in the customers account book and the depositors account book shall be considered to hold the respective securities under paragraph 1, Article 174-3 of Securities and Exchange Act.

3) *Delivery of deposited shares*

- a) Beneficial shareholders may request a Sales Agent to deliver deposited shares anytime. The promoter may request the company for the shares which were taken over at the time of company's foundation.
- b) If there is a request for deposited shares as referenced in paragraph (1), we shall issue and deliver share certificates in thirteen denominations, such denominations being 1 unit, 5 units, 10 units, 50 units, 100 units, 500 units, 1,000 units, 10,000 units, 100,000 units, 1,000,000 units, 10,000,000 units, 100,000,000 units and 1,000,000,000 units. We may charge actual costs for the preparation and delivery of the share certificates to the shareholder.
- c) The shareholder shall, when requesting the delivery of the share certificates, make such request in such manner to minimize the number of certificates delivered.

4) *Redelivery of Certificates*

- a) If a shareholder loses or otherwise destroys share certificates due to the loss or theft or a similar reason, the shareholder may request re-delivery of the share certificates from our Company through any distributor or Transfer Agent (as defined herein) in accordance with the procedures specified by our Company, and accompanied by an original or certified copy of a nullification judgment obtained from a court after public notice.
- b) If share certificates are stained or damaged, a holder may request the re-delivery of such share certificates from our Company in accordance with the procedures determined by our Company, and accompanied by such share certificates; provided that when the stain and/or damage are/is so extreme that the beneficial certificates are not legible, Paragraph 1 above shall apply *mutatis mutandis*.
- c) If we re-deliver a share certificate pursuant to paragraphs (1) and (2) above, we may request reimbursement of its actual costs from the shareholder who has requested such re-delivery.

5) *Transfer of Shares*

- a) In transferring shares, a shareholder shall deliver²⁾ the relevant share certificates to transferee.
- b) If a transfer or pledge is registered in the Customers Account Book for Investment Company maintained by the distributor, the share certificates shall be deemed to have been delivered to the transferee or the pledgee.
- c) In connection with a transfer of shares made by delivery of the relevant share certificates outside Korea Exchange the person who has physical possession of the share certificates shall be presumed to be a holder in due course. However, the transferee may not assert its rights against our Company, unless his/her name and address are registered in the registry of shareholders.

²⁾ The delivery may be made in any of the methods enumerated under Articles 188, 189, 190 of the Korean Civil Code, including physical delivery.

6) Transfer Agent

- a) We shall delegate the transfer agency business to the administrator (the “Administrator”) whose name is in the Administration Agreement made between the Company and the Administrator. KEB Investor Services Company, the Administrator, re-delegated the transfer agency business to Korea Securities Depository.
 - b) The Administrator as a transfer agent (the “Transfer Agent”) shall maintain the shareholders’ registry of the Company or the counterpart thereof at its place of business and shall perform the transfer of shares, registration or cancellation of the pledge, registration or cancellation of trust funds, issuance of share certificates, receipt of the report and other businesses relating to the shares.
 - c) Any shareholder who holds share certificates of our Company, any registered pledgee and/or its respective legal agent shall report its name, address and seal or signature to the Transfer Agent.
 - d) Any shareholder or registered pledgee in a foreign country shall designate and report its respective legal agent to receive the notice in Korea.
 - e) Any legal agent referenced in paragraphs (c) and (d) above shall submit written documents evidencing its right to act as the legal agent.
 - f) In the event of any change to any of the matters reported under paragraphs (c) and (e) above, the shareholder, pledgee or legal agent (as the case may be) shall submit an update report to the Transfer Agent following the same procedure as set out in paragraphs (c) and (e).
- 7) You may request the Manager or the Sales Agent for our articles of incorporation or any additional information.
 - 8) You may request information on performance features such as change in standard price, to our Manager or Sales agent.
 - 9) You may read or photocopy this investment overview and the change in standard price at AMAK or on the AMAK’s website. (<http://www.amak.or.kr>)

II. Disclosure

1. Regular Disclosure and Reports

1) *Asset Management Report*

- a) Our Manager shall prepare an asset management report every calendar quarter or at the point of expiration of our fund, and disclose the asset management report to shareholders, under supervision of the Custodian.
- b) We do not provide the asset management report to shareholders who express their intention not to receive the asset management report or to shareholders who hold shares with an actual or estimated aggregate value of KRW 100,000 or less.
- c) The asset management report is available on our website (www.macquarie.com/mkif).

2) *Asset Custody Report*

Our Custodian shall prepare an asset custody report within two months after the end of each fiscal year and distribute the report to our shareholders.

- a) Our Custodian shall prepare an asset custody report within two months after the end of the fiscal year of the investment company and distribute the report to the shareholders of the investment company by letter unless shareholders express their intention to receive the asset custody report via e-mail; Provided, That the same shall not apply to a case where the Company is listed investment vehicle and the Custodian make disclosures by the case that is prescribed by IIAMBA.
- b) Our Custodian shall prepare an asset custody report within two months after the end of each fiscal year and shall report to the FSC and AMAK.

3) *Business Report*

An infrastructure fund shall submit a business report to the Ministry of Planning and Budget ("MOPB"), AMAK and the FSC on a quarterly basis.

FSC and AMAK shall open the submitted report to the public.

4) *Audit Report*

- a) Every asset management company of an investment trust or every investment company shall undergo an accounting audit of the indirect investment property within two months from the last day of the accounting term and from the date falling under each of the following subparagraphs:
 - (1) In the case of the expiration or termination of the contract term of the investment trust; the date of such expiration or the date of such termination; or
 - (2) In the case of the expiration of the period of existence or the dissolution of the investment company; the date of such expiration or the date of such dissolution.
- b) After auditing the Company's assets, the auditor shall submit an audit report to the Manager immediately, containing balance sheet, income statement, NAV calculations and transaction details between parties interested.
- c) After the Manager has received the audit report, the Manager shall submit the audit report immediately to the FSC, the AMAK, the Sales agent, and the Custodian.

2. Occasional Disclosure

1) *Amendment to the AOI*

- a) If we amend our articles of incorporation in any of the ways described below, we shall disclose such amendments by a notification to all shareholders.
 - (1) Change in calculation method which leads to an increase in fees or other commissions payable to the Asset Manager or the Custodian;
 - (2) Change in the Asset Manager that is the corporate director of our Company, or the Custodian;

- (3) Change in duration of our Company; or
 - (4) Change in type of the company according to the provisions of Article 27 of IIAMBA.
- b) Amendments other than those set out under a) shall be disclosed by public notice in the Herald Economic Daily (in the case we need two or more channels of notification, Seoul Economy Daily shall be included) or via computer telecommunications at least once.
- c) Notwithstanding a) and b) above, in case of rewording or minor change in the AOI or changes by the relevant laws and regulations or by the order of the Governor of the Financial Supervisory Service, we shall post the contents of the amendment at the business places of our Manager and our distributor for at least one month.

2) *Exercise of the Voting Rights*

Our Manager may freely decide whether to exercise the voting rights, according to Article 94 of IIAMBA. Our Manager will exercise voting rights to which we are entitled in respect of our investments to the extent permitted under the relevant laws and regulations and maximize the Company and its shareholders value, by voting in favour of resolutions designed to:

- (1) Enhance profitability through business operations;
- (2) Increase company's potential value and/or
- (3) Improve corporate governance and financial structures.

3) *Way of Exercising the Voting Rights*

- (1) Our Manager may exercise its voting right itself or delegate a proxy who is the issuer of the shares. Our Manager shall submit an instrument evidencing its representing power. The instrument shall contain our Manager's pro et contra.
- (2) In other cases, our Manager may exercise its voting right in writing under the articles of incorporation of the concession company.

3. Ad-hoc disclosure

- a) We shall disclose without delay the matters falling under any of the followings headings:
- (1) Changes in fund managers.
 - (2) Decision on delaying or resuming redemption and reasons thereof.
 - (3) In case where such bad assets as described by the relevant laws and regulations, the details thereof and a write-off ratio thereof.
 - (4) Details of resolutions by a general meeting of shareholders.
 - (5) Material amendment of the articles of incorporation or the prospectus.
 - (6) The merger or spin-off of the asset management company, or the assignment or acquisition of a business.
 - (7) if the asset management company corrects the miscalculation of the NAV per unit (share), the details thereof provided by the Administrator.

- (8) Information disclosed on the LSE, as permitted under Korean laws and regulations.
 - (9) Distributions.
 - (10) Decision on investment or divestment of infrastructure projects.
 - (11) Cash drawdown for investment or repayment of principal and interest (for single drawdowns of KRW 50 billion and above).
 - (12) Material changes of concession agreements.
 - (13) if MKIF borrows or issues bonds above KRW 10 billion.
 - (14) Quarterly calculation of NAV.
 - (15) Bankruptcy of concession companies or equivalent matters.
 - (16) Administrative sanction from Financial Supervisory Authority in the UK.
- b) We may either:
- (1) post the contents on the website of the Manager, the Sales agents, or AMAK;
 - (2) provide the business information via e-mail; or
 - (3) prepare the relevant books and documents in the head office and branch offices of the Manager and the Sales Agents.

AMAK www.amak.or.kr	6th Floor, Fund Centre, 25-2, Yoido-dong, Youngdeungpo-Gu, Seoul 150-975 Korea	Tel: 82-2-2122-0181
MKIF www.macquarie.com/mkif	11th Floor, Hanwha Building, 110 Sokong-dong, Chung-gu, Seoul 100-755 Korea	Tel: 82-2-3705-4921

Certificate of Investors' Confirmation

- Date of Purchase : _____
- Name of the Broker : _____
- Staff Information :

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Investor's Confirmation

Please rewrite the sentence below and sign your name on the bottom of the page after you have been provided with the prospectus and have been informed of the key information about the contents.

- I have been provided with the prospectus and explanation on material information.

_____ (the prospectus) _____

_____ (material information).

Date _____

Name _____ Signature / _____)