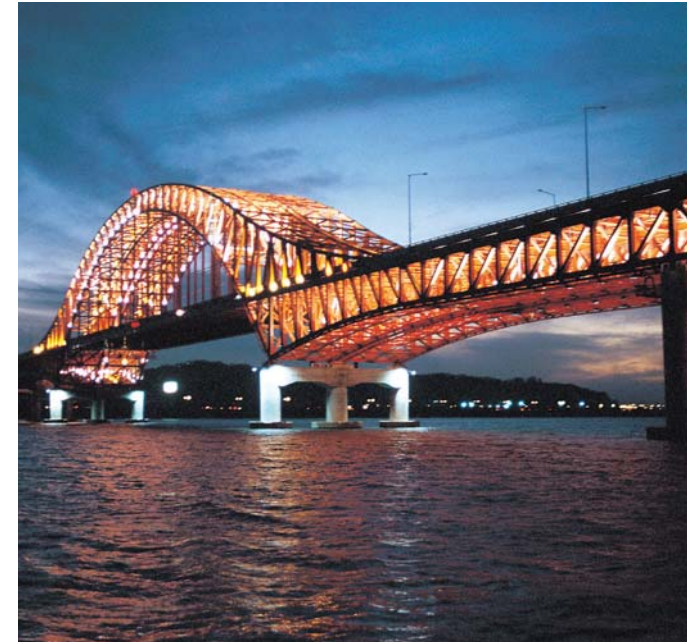


**MACQUARIE KOREA INFRASTRUCTURE FUND
ASSET MANAGEMENT REPORT**



Further information

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**Type : Infrastructure Fund
Period : 1 January 2006 ~ 31 March 2006**

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 Bank 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 Bank Group, including MSIAM, guarantees the performance of MKIF, the repayment of capital or the payment of a particular rate of return on MKIF securities.

MSIAM is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia), and MSIAM's obligations do not represent deposits or other liabilities of Macquarie Bank Ltd ABN 46 008 583 542. Macquarie Bank Limited does not guarantee or otherwise provide assurance in respect of the obligations of MSIAM the performance of funds managed by MSIAM or the repayment of capital.

General advice warning

The contents of this report does not constitute an offer, invitation or recommendation for the subscription or purchase of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. 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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Representative Director's Report

Dear Shareholder,

I am pleased to provide this first report to MKIF investors as shareholders in a public company. Macquarie Korea Infrastructure Fund ("MKIF") is the first listed infrastructure fund in Korea and has an extensive portfolio of investments in concession companies which construct, operate and/or maintain infrastructure assets (toll roads, bridges, tunnels and a subway line). MKIF offers investors the opportunity to obtain exposure to a balanced portfolio of infrastructure assets, including both operating assets and assets under construction. All investments benefit from some form of long term, inflation-adjusted government revenue support.

As at 31 March 2006, MKIF had a market capitalisation of approximately KRW 2.18 trillion (US\$2.1 billion).

This report includes MKIF's Asset Management Report for the quarter ended 31 March 2006 ("Quarter"). Under the Indirect Investment Asset Management Business Act of Korea ("Act"), MKIF is required to provide its shareholders with this report, in a prescribed form. In addition to this information, I am pleased to provide this general update on the current state of MKIF's business.

Operating Highlights

During the Quarter, all investments performed in line with Management's expectations and a number of new investment commitments were completed. Key events included:

• Capital Raising

Through its Initial Public Offering, MKIF raised new capital of KRW 500 billion from Korean and international investors. MKIF intends to use this new capital to continue to invest in concession companies that meet MKIF's investment criteria and return characteristics and to meet its commitments to existing investments.

• New Investments

-On 17 February 2006, MKIF committed to invest in the Incheon Grand Bridge project. MKIF acquired 100% of the equity in

Incheon Bridge Investment Company ("IBIC") for KRW 10.2 billion from Macquarie International Holdings Limited, a member of the Macquarie Group. IBIC has committed to acquire a 41% equity interest in, and has committed to provide senior and subordinated loan facilities to, Koda Development Co., Ltd ("KODA"). These lending commitments to KODA were subsequently transferred to MKIF in April 2006.

KODA holds the concession rights to design, construct, operate and maintain the Incheon Grand Bridge project. MKIF's total equity commitment to KODA, through IBIC, is KRW 67.5 billion, and total loan facilities committed to KODA by MKIF are KRW 277.4 billion. Both equity and loan commitments to KODA are currently partly drawn, with the remainder to be drawn down throughout the construction period to 2009.

-On 14 March 2006, MKIF completed its investment in the Daegu 4th Beltway, East project ("D4 East"), following approval from the Korea Fair Trade Commission and the Financial Supervisory Commission. MKIF acquired an 85% equity stake in Macquarie East Daegu Investment Co., Ltd ("MEDIC") for KRW 57.5 billion. MEDIC holds 100% of the share capital of Daegu East Circulation Road Co., Ltd ("DECRC"), the concession company of D4 East. In addition, MKIF has provided KRW 32 billion of subordinated loans to DECRC.

-On 14 March 2006, MKIF completed a KRW 48.6 billion equity investment in the Seoul-Chuncheon Expressway project ("Seoul-Chuncheon"). MKIF acquired a 15% equity interest in Seoul Chuncheon Expressway Co., Ltd ("SCE"), the concession company of Seoul-Chuncheon. In addition, MKIF increased the amount of its subordinated loan commitments to SCE from KRW 79.4 billion to KRW 87.5 billion.

These new investments represent an immediate opportunity for MKIF to utilise capital raised during its recent IPO, with attractive forecast rates of return.



Asset Performance

Assets under construction, to which MKIF has committed to invest, are all materially performing in line or ahead of program expectations.

Operating projects in which MKIF has invested have collectively shown strong underlying traffic and revenue performance during the Quarter

On a weighted average basis¹, traffic and revenue for the

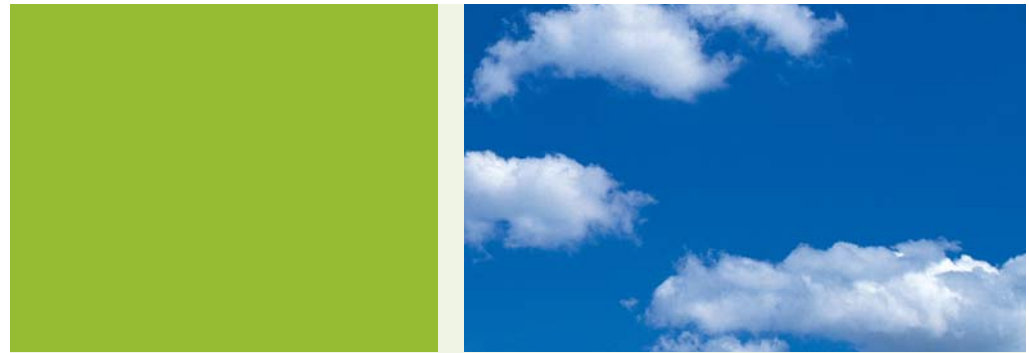
Growth of Revenue and Traffic: Q1 2005 to Q1 2006

	MKIF's Interests	Average Daily Revenue (KRW thousand)			Average Daily Traffic (No. of vehicles)		
		Q1 2005	Q1 2006	Growth (%)	Q1 2005	Q1 2006	Growth (%)
Cheonan-Nonsan Expressway	60.0%	166,277	190,068	14.31%	25,465	27,803	9.18%
Gwangju Second Beltway, Section 1	100.0%	30,789	30,314	(1.54%)	34,260	34,308	0.14%
Gwangju Second Beltway, Section 3-1	75.0%	11,692	12,694	8.57%	14,443	15,790	9.32%
Baekyang Tunnel	99.2%	40,679	42,331	4.06%	63,933	66,326	3.74%
Soojungsan Tunnel	100.0%	22,766	24,806	8.96%	34,619	37,428	8.11%
Incheon International Airport Expressway	24.1%	276,270	308,716	11.74%	57,801	60,778	5.15%
Woomyunsan Tunnel	36.0%	25,323	28,171	11.25%	14,573	16,174	10.99%
New Daegu-Busan Expressway	6.5%	N/A	197,920	N/A	N/A	25,051	N/A
Deagu 4th Beltway East	85.0%	17,463	18,151	3.94%	17,399	18,132	4.21%
Proportionally Consolidated Total			9.4%				6.3%

It should be noted that revenue performance in the underlying project companies is not a direct guide to revenue performance for MKIF. For example, the concession companies into which MKIF invests may also receive revenue guarantee payments from the relevant government authorities for each operating concession in addition to the traffic revenue received. Further detail of underlying traffic and operational revenue growth can be found on the MKIF web site.

¹ The weighted average growth in traffic and revenue is calculated by reference to MKIF's percentage ownership interest in each concession company. Revenue is calculated based on the average actual daily revenue (exclusive of VAT), which does not include minimum revenue guarantee payments but does include other payments such as reimbursements for toll exemption requests received from the relevant government authorities.

operational assets in MKIF's portfolio grew by 6.3% and 9.4%, respectively over the same period during 2005. Revenue growth reflects both growth in traffic flows and inflation linked increases in toll rates, a key feature of the concession companies in which MKIF has invested. The New Daegu-Busan Expressway commenced operations in February 2006 and has not been included in the analysis for this Quarter. The revenue and traffic growth in MKIF's portfolio of operating assets can be summarised as follows:



Financial Performance

The financial results for the Quarter reflect expense item disclosed to investors at the time of IPO relating to performance fees payable to MSIAM and triggered by the listing of MKIF. These results are not expected to affect the distribution forecast made at time of listing.

On a non-consolidated basis, MKIF recognised total revenue of KRW 34.9 billion during the Quarter. This income was primarily derived from MKIF's equity investments in, and loan facilities extended to, concession-holding project companies. MKIF also incurred total expenses for the Quarter of KRW 110.7 billion, which included:

- A one off performance fee payable to MSIAM, in relation to MKIF's performance prior to the date of listing. Under the MKIF Articles of Incorporation and the management agreement between MKIF and MSIAM, MKIF was committed to pay a performance fee to MSIAM upon the listing of MKIF, reflecting the performance of MKIF prior to listing. During this time, total security holder value increased by 33%² and exceeded a prescribed benchmark rate of return. From these calculations, the fee payable to MSIAM was KRW 85.7 billion.
- A quarterly performance fee also payable to MSIAM. Under the MKIF Articles of Incorporation and the management agreement between MKIF and MSIAM, MSIAM is eligible to receive a performance fee each quarter if the MKIF accumulation index outperforms a benchmark rate of return of 8% p.a. ("Benchmark"). The performance fee is 20% of the outperformance over the Benchmark for the period. In the period from 15 March 2006 ("Listing Date") to 31 March 2006, the MKIF accumulation index increased by 3.7% and outperformed the Benchmark by 3.4% resulting in a fee payment to MSIAM of KRW 14.6 billion.

² This increase in value was calculated by reference to the difference between the "listing value" of MKIF (calculated based on the offer price per share and the number of shares outstanding prior to the IPO) and the capital contributions made by MKIF's original shareholders. It does not reflect the actual return made by individual shareholders, as it does not take into account the timing of investment by each shareholder.

³ MKIF's dividend and distribution policy is based on maintaining prudent reserves to ensure that it remains solvent and, among other things, adequately provides for working capital. The form, frequency and amount of future distributions on MKIF shares will depend on MKIF's earnings, financial position, results of operations, contractual restrictions, applicable laws and other factors which the MKIF board may deem relevant.

MKIF reported a net loss of KRW 75.8 billion for the Quarter, which reflects the one-off fee payable by MKIF to MSIAM based on the performance of MKIF in the period prior to listing.

MKIF's distribution guidance for investors remains unchanged from guidance provided at the time of listing, being an intention, in the absence of unforeseen circumstances and subject to the approval of MKIF's board of directors³, to declare and distribute total distributions in relation to the 2006 financial year of at least KRW 400 per share.

Outlook

With proceeds from its IPO in hand, MKIF is well positioned to take advantage of future growth in its portfolio and the continued growth and development of the Korean infrastructure market. MKIF continues to investigate and assess a range of investment opportunities and we will continue to update shareholders of new initiatives as they arise.

If you have any questions about the Asset Management Report in particular, or about MKIF and its activities in general, please do not hesitate to contact our Investor Relations team. Their details can be found on the back page of this report.

Nick van Gelder
Representative Director
Macquarie Shinhan Infrastructure Asset Management Co., Ltd.
Corporate Director and Asset Manager of Macquarie Korea Infrastructure Fund

Asset Management Report

Under the Indirect Investment Asset Management Business Act, MKIF is required to provide an Asset Management Report to its shareholders in the form, and containing the specific information, set out in the Act on a quarterly basis. This Asset Management Report has been prepared by MKIF in compliance with its statutory obligations.

1. Macquarie Korea Infrastructure Fund ("MKIF") Summary

Date of Incorporation	12 December 2002
Date of Registration	26 December 2002
Date of Listing	15 March 2006
Financial Year End	31 December 2006
Asset Manager	Macquarie Shinhan Infrastructure Asset Management Co., Ltd ("MSIAM")
Sales Agents	Goodmorning Shinhan Securities Co., Ltd., Samsung Securities Co., Ltd., Macquarie Securities Korea, Ltd.(Former Macquarie Securities Ltd. Seoul Branch), Hanwha Securities Co., Ltd., Kyobo Securities Co., Ltd., Tongyang Investment Bank Co., Ltd.
Custodian	Korea Securities Finance Corporation
Fund Administrator	Korea Exchange Bank Investor Service Co., Ltd.
Board of Directors *	Corporate Director: Macquarie Shinhan Infrastructure Asset Management Co., Ltd. Supervisory Directors: Kyung Soon Song , Dae Yun Cho , Tae Hee Yun, Hogen Oh
Key Staff of MSIAM *	Nick van Gelder (CEO) Jae Lee (COO & Investor Relations) Andrew Major (Investor Relations) Sohie Kim (CFO) Johnno Kim (Asset Management) Jinwook Park (Compliance)
MKIF Profile	<p>MKIF was established in December 2002 with a mandate to invest in concession companies that construct and operate infrastructure assets such as toll roads, bridges and tunnels in Korea. MKIF invests in these concession companies through equity, debt and hybrid instruments (such as convertible bonds). MKIF is focused on generating profits from its investments and distributing these profits to its shareholders. MKIF is proud to be making a significant contribution to Korea's infrastructure development.</p> <p>MKIF is managed by MSIAM. MSIAM is a joint venture between Macquarie Investment Management UK Limited, a subsidiary of Macquarie Bank Limited and a member of the Macquarie Group, and Shinhan Bank and Shinhan Capital, which are members of the Shinhan Financial Group.</p>

* See Section 7 "Registered Asset Managers" and Appendix I "MKIF Board of Directors" for more information



Under the Indirect Investment Asset Management Business Act, MKIF is required to provide an Asset Management Report to its shareholders in the form, and containing the specific information, set out in the Act on a quarterly basis. This Asset Management Report has been prepared by MKIF in compliance with its statutory obligations.



2. Net Asset Value of MKIF

- Under the Indirect Investment Asset Management Business Act ("Act"), MKIF is required to report the net asset value per share ("NAV per share") of its portfolio.
- The total net asset value of MKIF's portfolio is calculated as the sum of the asset value of each asset in MKIF's portfolio. MKIF's assets include its equity and debt investments in concession companies, other investment securities, cash and cash equivalents. The composition of MKIF's asset portfolio is described further below. The net asset value per share of MKIF is calculated by dividing total net assets value by the number of shares on issue.
- For its equity and debt investment in concession companies, and as allowed under the Act and Korean general accounting principles ("KGAAP"), MKIF has adopted a valuation policy where investments are accounted for at their original cost, with the exception of MKIF's convertible bond investment in Daegu-Busan Expressway Company ("DBEC") and other investment securities which are revalued on a quarterly basis.
- Accordingly, the total net asset value of MKIF and the NAV per share presented in this report do not reflect revaluation of MKIF's primary assets (with the exception of its investment in DBEC and other investment securities), and consequently they do not reflect the value of future income from these assets, as may be judged by the market or an independent purchaser.
- The calculation of the NAV per share of MKIF is set out in the table below. For the purposes of this calculation, asset and liability information is based on the balance sheet of MKIF, which is attached as Appendix II.

(Unit: KRW Million)				
Total Assets	1,794,371	Total Liabilities	130,645	
Net Asset Amount	1,663,725	NAV per share	Previous quarter	KRW 5,465.96
			Current quarter	KRW 5,340.92

3. MKIF's Asset Portfolio Summary

MKIF's investment portfolio consists of equity, debt and other investments in concession companies, other investment securities (in the form of short terms certificates of deposit), cash and cash equivalents and other assets.

Type	Investment Securities			Short-term Facilities & deposit	Derivatives		Real Estate		Indirect investment Securities	Special Assets	Other Assets †	Total Assets
	Equity	Debt*	Others		Market	OTC	Goods					
Value	393,091	815,797	131,200	404,229	0	0	0	0	0	0	50,108	1794.371
Composition Ratio	21.90	45.46	7.31	22.53	0.00	0.00	0.00	0.00	0.00	0.00	22.80	100.00

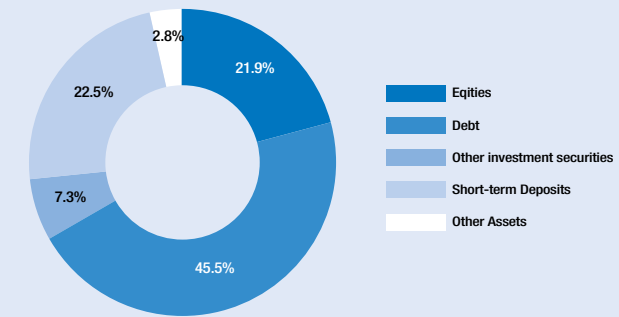
* Includes convertible bond investment

† Other Assets: Comprises prepayments of interest and expenses, deferred interest receivable and other receivables.

Under the Indirect Investment Asset Management Business Act, MKIF is required to provide an Asset Management Report to its shareholders in the form, and containing the specific information, set out in the Act on a quarterly basis. This Asset Management Report has been prepared by MKIF in compliance with its statutory obligations.



Asset Composition



4. MKIF's Asset Portfolio Details

-Equity Investments

(Unit: KRW Million,%)						
Name	No. of Shares	Percentage Interest	Acquisition Value	Appraisal Value*	P/L	Composition Ratio †
Kwangju Beltway Investment Co., Ltd.	2,610,000	100%	13,050	13,050	0	0.73
Woomyunsan Development Co., Ltd.	3,830,400	36%	21,876	21,876	0	1.22
New Airport Highway Co., Ltd.	10,594,360	24.1%	59,880	59,880	0	3.34
Baekyang Tunnel Ltd.	99,200	99.2%	992	992	0	0.06
MCB Co., Ltd.	2,039,800	32.3%	10,351	10,351	0	0.58
Kwangju Ring Road Co., Ltd.	5,775,000	75%	29,495	29,495	0	1.64
Soojungsan Investment Co., Ltd.	1,114,880	100%	47,248	47,248	0	2.63
Cheonan-Nonsan Expressway Co., Ltd.	17,550,000	60%	93,813	93,813	0	5.23
Incheon Bridge Investment Company	2,036,236	24.1%	10,181	10,181	0	0.57
Macquarie East Daegu Investment Co., Ltd.	5,610,000	85%	57,581	57,581	0	3.21
Seoul-Chuncheon Highway Co., Ltd.	9,714,000	15%	48,570	48,570	0	2.71
Total	60,973,876		393,037	393,037	0	21.90

* Under KGAAP and in accordance with the Act, MKIF records the value of its equity investments in concession companies at their acquisition cost.

† Ratio refers to the ratio of Appraised Value of equity investments to Total Assets

Under the Indirect Investment Asset Management Business Act, MKIF is required to provide an Asset Management Report to its shareholders in the form, and containing the specific information, set out in the Act on a quarterly basis. This Asset Management Report has been prepared by MKIF in compliance with its statutory obligations.



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-Loans to Concession Companies

(Unit: Share, KRW million,%)

Name	Acquisition Value	Appraisal Value *	Interest Rate	Issued Date	Redemption Date	Guarantee	Credit Ratio	Composition Ratio †
Daegu-Busan Expressway Co., Ltd (CB)	32,000	44,394	9.00	30/09/2003	30/09/2008	N/A	N/A	2.47
Daegu East Circulation Road Co., Ltd. (Sub)	32,045	32,269	15.00	14/03/2006	15/06/2019	N/A	N/A	1.80
Baekyang Tunnel Ltd. (Senior)	124,408	128,533	13.00	10/03/2004	9/03/2024	N/A	N/A	7.16
Cheonan-Nonsan Expressway Co., Ltd. (Sub)	182,250	195,497	6.00	20/05/2005	19/05/2029	N/A	N/A	10.89
Soojungsan Investment Co., Ltd. (Senior)	71,950	72,687	8.50	23/03/2005	16/05/2017	N/A	N/A	4.05
Soojungsan Investment Co., Ltd. (Sub)	19,261	19,725	20.00	16/02/2006	16/05/2017	N/A	N/A	1.10
MCB Co., Ltd. (Sub)	18,478	18,781	20.00	1/06/2005	1/06/2029	N/A	N/A	1.05
New Airport Highway Co., Ltd. (Sub)	51,670	52,851	13.90	30/01/2004	30/01/2017	N/A	N/A	2.95
Kwangju Ring Road Co., Ltd. (Senior)	73,355	73,733	7.85	8/12/2004	8/12/2019	N/A	N/A	4.11
Kwangju Beltway Investment Co., Ltd. (Senior)	142,000	142,078	10.00	25/11/2004	31/03/2018	N/A	N/A	7.92
Kwangju Beltway Investment Co., Ltd. (Sub)	974	974	15.00	28/07/2005	30/06/2018	N/A	N/A	0.05
Kwangju Beltway Investment Co., Ltd. (Sub)	974	974	15.00	28/06/2005	30/06/2018	N/A	N/A	0.05
Kwangju Beltway Investment Co., Ltd. (Sub)	1,314	1,315	15.00	19/12/2003	30/06/2018	N/A	N/A	0.07
Kwangju Beltway Investment Co., Ltd. (Sub)	31,950	31,985	20.00	21/03/2003	30/06/2018	N/A	N/A	1.78
Total	782,627	815,797						45.46

* These values are the sum of acquisition cost and accumulated interest, except for MKIF's convertible bond investment into DBEC. This investment has been valued based on a market valuation, as required under the Act and KGAAP.
 † Ratio refers to the proportion of Total Assets represented by the Appraised Value.

-Other Investment Securities

MKIF has invested its cash reserves in a number of fixed, short-term deposits and certificates of deposit. Other investment securities comprise short-term certificates of deposit, which MKIF has acquired using the proceeds from the IPO. These certificates of deposit offer MKIF attractive rates of interest and details are set out in the table below.

(Unit: KRW Million,%)

Name	Face Value	Appraised Value *	Issued Date	Redemption Date	Credit Ratings	Ratio †
CD (HSBC Bank)	8,000	8,009	15/03/2006	15/06/2006	AA-	0.45
CD (SC First Bank)	10,000	9,799	15/03/2006	15/09/2006	A-	0.55
CD (Shinhan Bank)	70,000	70,133	15/03/2006	15/03/2007	A-	3.91
CD (SC First Bank)	4,500	4,410	15/03/2006	15/09/2006	A-	0.25
CD (Shinhan Bank)	18,000	18,025	15/03/2006	15/12/2006	A-	1.00
CD (SC First Bank)	20,000	19,371	15/03/2006	15/12/2006	A-	1.08
CD (SC First Bank)	1,500	1,453	15/03/2006	15/12/2006	A-	0.08
Total	132,000	131,200				7.31

* The Act and KGAAP require MKIF to value these certificates of deposit based on a market value.
 † The ratio refers to the proportion of Total Assets represented by the Appraised Value.

-Short term Deposits

MKIF has invested its cash reserves in a number of fixed, short-term deposits and certificates of deposit. A summary of the short-term deposit investments MKIF has made are set out in the table below.

(Unit: KRW Million,%)

Name	Banks	Appraised Value *	Interest	Date of Deposit	Maturity Date	Composition Ratio †
MMDA	Shinhan Bank	12,900	148	31/12/2002	N/A	0.72
MMDA	Shinhan Bank	122,867	49	30/05/2005	N/A	6.85
MMDA	Citibank	88,178	178	15/03/2006	N/A	4.91
Term Deposit	JP Morgan Chase Bank	40,512	512	29/11/2005	29/05/2006	2.26
Term Deposit	JP Morgan Chase Bank	62,114	114	15/03/2006	15/06/2006	3.46
Term Deposit	JP Morgan Chase Bank	26,051	51	15/03/2006	15/09/2006	1.45
Term Deposit	SC First Bank	21,043	43	15/03/2006	15/09/2006	1.17
Term Deposit	SC First Bank	30,563	63	15/03/2006	15/12/2006	1.70
Total		404,229	1,158			22.53

* This value is the sum of principal and interest.
 † Ratio refers to the proportion of Total Assets represented by the Appraised Value.

-Other Assets

The Other Assets on MKIF's balance sheet are set out in the table below and consist of accrued income, fee receivables and pre-paid expenses.

(Unit: KRW Million,%)

Type	Amount	Ratio *
Deferred Interest Receivable	40,380	2.25
Other Receivables †	815	0.05
Prepaid expense	4,137	0.23
Prepayment	4,684	0.26
Prepaid Tax	92	0.01
Total	50,108	2.80

* The ratio refers to the ratio of other assets or special assets to the total assets
 † Other Receivables represents a loan arrangement fee which is due to MKIF in relation to the Yongin-Seoul Expressway project.

Under the Indirect Investment Asset Management Business Act, MKIF is required to provide an Asset Management Report to its shareholders in the form, and containing the specific information, set out in the Act on a quarterly basis. This Asset Management Report has been prepared by MKIF in compliance with its statutory obligations.



5. Equity Transactions

- During the Quarter, MKIF acquired equity securities in a number of concession companies or holding companies (which hold an interest in an underlying concession company). These acquisitions were a combination of new investments and drawdowns for existing investments (in accordance with the schedule in the relevant shareholders agreement) and are summarised on the table below.
- During the Quarter, MKIF did not dispose of any equity interests in the concession companies in which it has invested.

(Unit: Shares, KRW Million, %)

Name	Buy		Sell		Turnover Ratio
	Shares	Amount	Shares	Amount	
Incheon Bridge Investment Company	2,036,236	10,181	0	0	0
Macquarie East Daegu Investment Company	5,610,000	57,580	0	0	0
Seoul-Chuncheon Highway Co., Ltd.	9,714,000	48,570	0	0	0
MCB Co., Ltd.	424,000	2,120	0	0	0
Total	17,784,236	118,451	0	0	0

6. Asset Management Overview & Profit/Loss Summary

Asset Under Management Overview

- The financial results for MKIF for the 1st quarter of year 2006 are summarised in the Representative Director's Report above. The Profit & Loss ("P&L") statement and Balance Sheet for the Quarter are also attached in Appendix II.
- In accordance with the Act and KGAAP, MKIF has valued its convertible bond investment in DBEC and its investments in short term certificates of deposit based on a market value, assessed as at 31 March 2006. MKIF is required under the Act to reflect any revaluation gain or loss as part of its P&L statement. The table below sets out the gains/losses incurred by MKIF in its P&L statement during the Quarter, in comparison with any gain or loss from the previous Quarter.
- The table also records any gain or loss arising from the disposal of assets by MKIF. MKIF did not dispose of any assets during the Quarter.

Type	Gain /Loss on Valuation		Gain/Loss on disposal	
	Q4 2005 (Previous)	Q1 2006 (Current)	Q4 2005 (Previous)	Q1 2006 (Current)
Stocks ¹	0	0	-3	0
Bonds ²	6,230	-1,534	0	0
Other Investment Securities ³	-54	-37	0	54

¹ Reflects an adjustment to the gain recorded by MKIF on the disposal of part of its interest in Cheonan-Nonsan Expressway Company, the company with the concession to operate the Cheonan-Nonsan Expressway.

² DBEC convertible bond investment.

³ Certificates of Deposit in which MKIF has invested excess cash. The valuation loss from the previous quarter is offset by a corresponding gain on disposal in the current Quarter, to reflect that the certificates of deposit can be redeemed at their face value, rather than a market value.

Taking into account the impact of these revaluation movements, the P&L statement of MKIF can be represented as follows:

(Unit: KRW million)

	Q4 2005 (Previous)	Q1 2006 (Current)
P&L pre-revaluations	31,127	-74,245
Revaluation Adjustments	6,173	-1,517
Reported P&L	37,300	-75,762

Under the Indirect Investment Asset Management Business Act, MKIF is required to provide an Asset Management Report to its shareholders in the form, and containing the specific information, set out in the Act on a quarterly basis. This Asset Management Report has been prepared by MKIF in compliance with its statutory obligations.

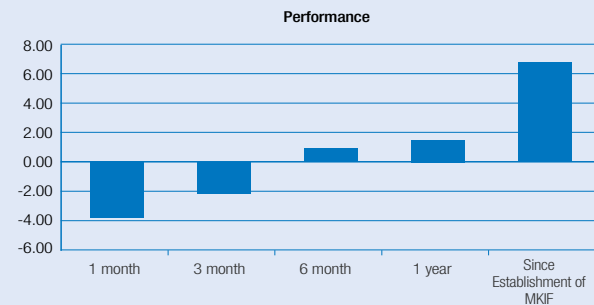


Performance over periods

- The table below sets out the historical NAV per share for MKIF. As explained above the majority of MKIF's assets are held at their original cost. The NAV per share is therefore not representative of changes in the value of the MKIF's portfolio overtime. The historical NAV per share in each historical period is compared with the NAV per share of MKIF determined in section 2 above.

(Unit: %)

	1 month	3 month	6 month	1 year	Since Establishment of mkif
Performance	-3.81	-2.29	0.81	1.29	6.82



Fees to Third Party Service Providers

- The table below sets out fees paid by MKIF to its service providers.
- The performance fees paid during the Quarter reflect the fees explained above, which were paid to MSIAM based on the performance of the MKIF portfolio prior to listing and the performance of MKIF in the period between the date of listing and the end of the Quarter.

(Unit: KRW million)

Type	Previous quarter	Current quarter
Management fee	4,174	4,908
Performance fee to the manager	0	103,166
Sales Agent fee	11	0
Custodian fee	118	138
Fund Administrator fee	91	61

Fee Expense Ratio

The table below sets out the ratio of total ordinary expenses incurred by MKIF in the Quarter, divided by the NAV per share determined in Section 2 above. The total ordinary expenses do not include any performance fees paid or payable by MKIF to MSIAM.

(Unit: KRW million)

Type	Previous quarter	Current quarter
Total expense ratio	1.979	1.709

Under the Indirect Investment Asset Management Business Act, MKIF is required to provide an Asset Management Report to its shareholders in the form, and containing the specific information, set out in the Act on a quarterly basis. This Asset Management Report has been prepared by MKIF in compliance with its statutory obligations.



7. Registered Asset Managers

MSIAM is licensed under the Act to carry out asset management activities for MKIF. As part of its licensing requirements, MSIAM is required to register at least three staff who fulfil the basic qualifications to be "asset management professionals". The following staff have been presented to the Financial Supervisory Service to meet these licensing requirements:

Name	Birth Year	Career
Jae Lee	1964	Chief Operating Officer of Macquarie Shinhan Infrastructure Asset Management Co., Ltd. Mr Lee has over 16 years' experience with Shinhan Bank, including 14 years with the International Banking Division, New York Branch (Investment Banking)
Johnno Kim	1962	Associate Director of Macquarie Shinhan Infrastructure Asset Management Co., Ltd. Asset Management. Mr Kim has over 20 years' experience in asset management and his previous experience includes: <ul style="list-style-type: none"> • 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)
Beom Shick Won	1967	Manager of Macquarie Shinhan Infrastructure Asset Management Co., Ltd - Asset Management Mr Won has over 13 years' experience in asset management and his previous experience includes: <ul style="list-style-type: none"> • Doosan Construction Co (PF management for Daejeon-Chunbyun Expressway) • Management of O&M (operations and maintenance) company, Sub-Contracting Management
Jason Soon	1978	Manager of Macquarie Shinhan Infrastructure Asset Management Co., Ltd. - Asset Acquisition. Mr Soon has 5 years' experience with the Macquarie Group in acquisitions.
Jung-Suk Lee	1973	Executive of Macquarie Shinhan Infrastructure Asset Management Co., Ltd. - Asset Management Mr Lee has over 11 years' experience in construction and asset management and his previous experience includes: <ul style="list-style-type: none"> • Parsons, Brinckerhoff, Quade & Douglas Co., Ltd • Parsons, Brinckerhoff Asia Co., Ltd

8. Related Party Transactions

Under the Act, MKIF is required to obtain approval from the Financial Supervisory Service ("FSC") for transactions with related parties that relate the investment and management activities of MKIF and MSIAM. The table below sets out the transactions between MKIF and members of the Macquarie group undertaken during the Quarter that were reported to the FSC. These transactions relate to the acquisition by MKIF of interests in the Incheon Grand Bridge project and the Daegu 4th Beltway East.

(Unit: KRW million)

Related Party				
Name	Party Affiliations	Type of trade	Type of asset	Amount
Macquarie International Holdings Limited	Affiliate of MSIAM	Purchase equity	Incheon Bridge Investment Company	10,181
Macquarie International Holdings Limited	Affiliate of MSIAM	Purchase equity	Macquarie East Daegu Investment Company	43,940
Macquarie International Investment Pty Ltd	Affiliate of MSIAM	Purchase Debt	Daegu East Circulation Road Company	24,505

9. Details of voting rights exercised on holding stocks

MKIF is not required to report its voting decisions as a shareholder in concession companies as the relevant provision of the Act does not apply to MKIF, by virtue of Article 44 of the Private Participation in Infrastructure Act.

10. Notice

For more detailed information on the investing activities of the above-mentioned fund, please refer to the Investor Centre on MKIF's website. (www.maquarie.com/mkif)

Supervisory Directors



Dae Yun Cho

-Practicing law at the law offices of Kim&Chang in Seoul since 1979 (Senior Partner)
 -Acted as a consultant for various Korean Ministries, including the Ministry of Finance and Economy and the Ministry of Commerce
 -Former senior adviser to the Korea International Trade Law Association, and arbitrator on the Korean Commercial Arbitration Board
 -Has served on the panel for the WTO's Subsidies and Countervailing Duties Committee



Kyung Soon Song

-Founding Representative Director of LECG Korea
 -Visiting Professor at the Graduate School of International Studies of Seoul National University since 2003
 -Former senior staff member of the World Bank and chief operating officer of Nomura Project Finance International Limited.



Tae Hee Yoon

-Chairman of Arirang TV (The Korea International Broadcasting Foundation)
 -Former Vice-Chairman of Samil PricewaterhouseCoopers
 -Founding Chairman of Korea Economic Intelligence on Wall Street, New York



Hogen Oh*

-Standing Advisor to Lazard Asia Ltd.
 -Former Chairman of Corporate Restructuring Committee of Daewoo Group of Companies
 -Former Chairman and Representative of Korea Merchant Bank Corporation

Operate Director-MSIAM



Nick van Gelder

-Representative Director of Macquarie Shinhan Infrastructure Asset Management Co., Ltd. since establishment of MKIF in 2002
 -Joined Macquarie Group in 1997 with responsibilities for infrastructure and real estate investment
 -Worked for over ten years in financial advisory and investment management prior to joining Macquarie Group



Jae Kyun Lee

-Chief Operating Officer of Macquarie Shinhan Infrastructure Asset Management Co., Ltd.
 -Served for Shinhan Bank over 15 years (International Banking Division, NY Branch / Investment Banking Division)



Yong Kyun Park

-Head of Investment Finance for Shinhan Bank
 -Responsible for the Bank's domestic and foreign financial investment management (served for various division including corporate lending, trade finance, retail marketing, and international financing)
 -Joined Shinhan Bank in 1986



Yong Shik Park - Director

-Head of JV management team of Shinhan Financial Group
 -Served for Chohung Bank before joining Shinhan Financial Group
 -Worked as a Senior Manager in various departments (Securities Investment, Synergy Promotion and Investment Banking Dept.)

* It is with great regret that MKIF advises that Mr. Hogen Oh passed away on 23 April 2006

Appendix II

Summary of the Financial Statement

MACQUARIE KOREA INFRASTRUCTURE FUND NON-CONSOLIDATED FINANCIAL STATEMENT

BALANCE SHEET

As of 31 March 2006 and 31 December 2005

(Unit: KRW Millions)

	31 March 2006	31 December 2005
Asset		
I. Invested Asset	1,714,350	1,270,699
Cash & cash equivalents	403,071	172,074
Loans	750,627	714,865
Equity securities	393,037	274,584
Debt securities	36,696	38,230
Short-term investments	130,919	70,946
II. Others	80,021	64,588
Interest receivable	70,293	55,272
Other receivables	815	815
Prepayments	8,913	8,501
Total Assests	1,794,371	1,335,287
Liabilities		
Payables	22,185	17,378
Manager fee payable	4,908	4,174
Performance fee Payable	103,041	1,265
Other Liabilities	511	220
Long-term debt	-	-
Total Liabilities	130,645	23,037
Shareholder's Equity		
I. Issued Capital	1,739,488	1,258,700
Common Stock	1,739,488	1,258,700
II. Retained Earnings (Losses)	(75,762)	53,550
Retained Earnings (Losses)		
Current Profit/(Loss)	(75,762)	53,550
Total Shareholder's Equity	1,663,726	1,312,250
Total liabilities and shareholder's equity	1,794,371	1,335,287

Appendix II

Summary of the Financial Statement

MACQUARIE KOREA INFRASTRUCTURE FUND NON-CONSOLIDATED FINANCIAL STATEMENT

PROFIT AND LOSS STATEMENT

For the Quarter Ended in 31 March 2006
The Quarter Ended 31 December 2005
And the Quarter Ended 31 March 2005

(Unit: KRW Millions)

	Quarter Ended 31 March 2006	Quarter Ended 31 December 2005	Quarter Ended 31 March 2005
I. Revenue	34,893	42,312	6,739
Interest income	27,388	32,747	5,614
Arrangement fee income	481	2,967	1,125
Dividend income	6,958	-	-
Income from equity sell-down	-	-	-
Gain on valuation of debt securities	3	6,230	-
Gain on disposition of short-term investment	54	-	-
Other income	9	368	-
II. Expenses	110,655	5,012	2,332
Manager fee	4,908	4,174	2,099
Custodian fee	138	118	34
Administrator fee	61	91	29
Sales Agent fee	-	11	7
Performance fee	103,166	0	0
Interest on borrowings	-	272	72
Loss on valuation of debt securities	1,574	54	-
Other expenses	808	292	91
III. Net profit/(Loss)	-75,762	37,300	4,407