

Cover: Machang Bridge

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About MKIF

The largest portfolio of toll roads in Asia

EXCHANGE

KRX-088980.KS LSE-MKIF.LI

MARKET CAPITALISATION¹

KRW 1.6 trillion (US\$ 1.45billion2)

SHAREHOLDING

Internationally diversified with circa 24% international shareholding

NUMBER OF SHAREHOLDERS

Approximately 7,000 shareholders

MANDATE

To invest in infrastructure assets in Korea as defined under PPI Act³

INVESTMENTS

4 concession companies

PORTFOLIO AGE 4

SERVICES

about 700,000 users per day

^{1.} Based on the share price as of 31 December 2010 2. USD 1 = KRW 1,120 as of 31 December 2010

^{3.} Private Participation in Infrastructure Act (PPI Act) defines infrastructure sectors including roads, railways, ports, energy, airport, communication,

^{4.} Operation period of each concession company on a weighted average basis based on respective commitment amount

MKIF Profile

MKIF manages Korea's largest portfolio of infrastructure assets consisting of 12 toll-roads, 1 subway line and 1 marine terminal port



PROFILE

Established in December 2002, MKIF's mandate is to invest in concession companies that construct and operate infrastructure assets in Korea. MKIF invests in these concession companies through equity and debt and aims to deliver stable and predictable returns to the shareholders. To date, MKIF has deployed circa KRW 1.7trillion in 14 concession companies of which 13 companies benefit from inflation-adjusted Minimum Revenue Guarantees (MRG) from central, provincial or city government bodies of Korea. Only 1 project in the portfolio, Busan New Port Phase 2-3, remains under construction for opening in January 2012.

MKIF's strategy is implemented by its manager, Macquarie Shinhan Infrastructure Asset Management Co., Ltd (MSIAM). MSIAM as a joint venture between Macquarie Infrastructure and Real Assets (Europe) Limited, a member of Macquarie Group, and Shinhan Bank and Shinhan Capital, which are members of the Shinhan Financial Group. MSIAM benefits from the expertise and experience of its shareholders in the execution and management of diverse range of infrastructure investments. MSIAM operates under a corporate governance framework based on polices and procedures developed for funds managed in Macquarie Group's Macquarie Real and Infrastructure Assets Division.

STRATEGY

MKIF aims to generate attractive returns for its shareholders through a combination of capital growth and cash yield. As the largest infrastructure investor in Korea with extensive track record and expertise in the sector, MKIF is well placed to source attractive investment opportunities and managing the assets through the lifecycle. The value creation through asset lifecycle comes from having hands-on



approach to managing the individual assets, careful and proactive capital and cashflow management at both MKIF and asset level, and also effective administration of government subsidies.

INVESTMENT CRITERIA

Key investment criteria are:

- likely to generate long term, inflation-adjusted revenue streams:
- opportunities to increase leverage or refinance debt to optimise MKIF's financial returns;
- MKIF to exercise significant influence or control over key strategic, commercial and financial functions;
- align with MKIF's corporate governance framework; and
- may benefit from government support.

DISTRIBUTION POLICY

MKIF declares and make distributions to its shareholders on a semi-annual basis, as for the first half ended in 30 June and the second half ended in 31 December, subject to the MKIF Board of Directors approval.¹

As an investment company under Financial Services and Capital Market Act, MKIF is entitled to deduct from its taxable income the amount of distributions declared in respect of a financial year, provided that the amount of such dividend/distribution is equal to 90% or more of MKIF's distributable income for such year. MKIF intends to declare and distribute higher amount of 100% of its accounting distributable income and taxable income in order to continue to qualify for the deduction of such distributions declared from MKIF's taxable income in any given fiscal year and additional gain from its assets which are non-recurring nature will be distributed as well.

 All investors are advised to obtain their own professional tax advice in relation to the distributions paid by MKIF.

Letter to shareholders



This annual report provides an overview of MKIF's investment and operating activities for the 12 months from 1 January 2010 to 31 December 2010, as well as information on the performance of MKIF's assets. It also includes the audited non-consolidated financial statements for the year.

Dear Shareholders,

I am delighted to bring you another year of solid financial and traffic results, and MKIF begins the year well placed to sustain the growth.

The management priorities since the global financial crisis have been clear and consistent - sustaining financial stability and improving its distribution capacity - and the outcome to date has been encouraging. The initiatives began with the underlying business being re-forecasted to better reflect the changes in market conditions, the corporate debt refinanced with extended maturity and the distribution profile aligned more closely to the earnings. These activities have been instrumental in preserving the capital flexibility of MKIF in the short to medium term, a period during which a substantial operating cashflows are applied toward amortisation of asset level debt. We have also been very active on the transaction side of the business, delivering a number of cash and return positive transactions some of which brought special distributions. Lastly, we continue to have hands-on involvement in managing the underlying assets and their last year's performance correspond to the various efforts made in promoting traffic and managing costs.

We look forward to the successful opening of Busan New Phase 2-3 (BNP), MKIF's only remaining construction asset. Representing circa 14.5% of the portfolio in investment size, BNP is a challenging yet potentially very profitable business in the portfolio. We have been working intensively with the other stakeholders in the project to complete the project on time and on budget and ensure a smooth start to operation. This we believe starts with having right people in place and we have searched globally to bring together a capable and committed management team with best practice and industrial expertise. It is

expected that BNP will be ready for its opening in January 2012.

We believe that ultimately MKIF assets serve an important public purpose, and we remain dedicated to maintaining high standards of operation and services to best serve the communities in which the assets operate.

MKIF has opened the year strongly and remain focused on replicating last year's performance. It is important to note that while MKIF is effectively a portfolio of fully operating businesses having stable revenues that are indexed to inflation and subsidised by the government, there are other layers of the business that are pivotal to protecting and growing value. We are confident that the embedded attributes combined with the active capital and asset management will ensure stable and growing distributions to the shareholders and provision of reliable services to the daily users of underlying assets.

On behalf of the Manager and MKIF Board, I would like to thank you for your ongoing support and interest in MKIF.

Chul Hum Paik

Representative Director

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

Mullim Paik

2010 Annual Report

2010 Highlights

STRONG FINANCIAL PERFORMANCE

- Revenue and net income¹ increased by 8.0% and 11.2%, respectively on the previous corresponding period (pcp)
- Average EBITDA margin of 85% across the portfolio²
- Distribution of KRW 344 per share, reflecting the special distribution component from the capital management transactions³

SOLID TRAFFIC AND REVENUE GROWTH OF THE UNDERLYING ASSETS

- A solid overall traffic growth of the underlying assets with a particularly strong performance of the newly opened assets
- Underlying traffic volume and revenue⁴ growth of 4.2% and 7.1%, respectively, on pcp
- Newly opened assets recorded $76\%^5$ of weighted average traffic against the Concession Agreement forecast in 2010

SUCCESSFUL DELIVERY OF CAPITAL MANAGEMENT TRANSACTIONS

- Successfully executed three capital management transactions, all positive on return and yield perspective
- Generated total net cash proceeds to MKIF of KRW 135.6billion, recording a combined one-off capital gain of KRW 14.9billion

TRANSACTION	TYPE	NET CASH INFLOW	ONE-OFF CAPITAL GAIN
Seosuwon-Osan-Pyungtaek Expressway	Divestment of MKIF's subordinated loan	KRW 85.7billion	KRW 6.9billion
Cheonan-Nonsan Expressway	2 nd Securitisation of the Subordinated loan interest	KRW 19.5billion	KRW 0.3billion
Machang Bridge	Capital restructuring including partial equity sale	KRW 30.4billion	KRW 7.7billion
Total		KRW 135.6billion	KRW 14.9billion

^{1.} On a non-consolidated basis

^{2.} Estimated, unaudited figures. On a proportionate average basis based on MKIF's equity interest in each concession company. Excludes all new assets which have commenced operation in 2009. EBITDA margin=EBITDA/Operating Revenue where, revenue compensation and other compensations are reflected on cash basis

^{3.} Composed of (i) a dividend of KRW 336 per share and (ii) a distribution in excess of profits of KRW 8 per share (Deduction from the retained earnings).

^{4.} On a weighted average basis based on revenue size of each asset and the MKIF's equity interest in each concession company. Excludes all new assets which have commenced operation since July 2009

^{5.} A weighted average basis based on total commitment amount and average daily traffic during 2010

Performance review

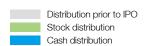
MKIF achieved a sound financial result based on steady returns from underlying assets along with a number of successful capital management initiatives

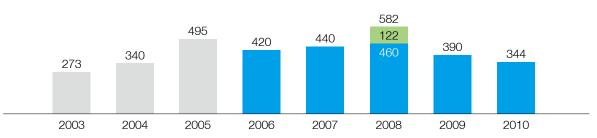
FINANCIAL SUMMARY¹

		(KRW million)
FY 2010	FY 2009	FY 2008
166,275 ²	153,978	235,064 ³
54,833	53,755	51,364
111,442	100,223	183,700
As at 31 December 2010	As at 31 December 2009	As at 31 December 2008
1,848,587	1,964,784	1,929,621
369,164	463,894	359,004
1,695,777	1,690,402	1,740,828
2,064,941	2,154,296	2,099,832
	166,275 ² 54,833 111,442 As at 31 December 2010 1,848,587 369,164 1,695,777	166,275 ² 153,978 54,833 53,755 111,442 100,223 As at 31 December 2010 31 December 2009 1,848,587 1,964,784 369,164 463,894 1,695,777 1,690,402

DISTRIBUTION (PER SHARE)

DISTRIBUTION (PER SHARE)			(KRW)
	FY 2010	FY 2009	FY 2008
EPS	336	302	554
Cash distribution	344	390	460
Share distribution	-	-	122
Number of new shares issued	-	7,969,137	-
Total outstanding shares	331,459,341	331,459,341	323,490,204





^{1.} On a non-consolidated basis

^{2.} Includes special gains on (1) Divestment of the subordinated loan provided to Seosuwon-Osan-Pyungtaek Expressway (2) the 2nd Tranche securitisation of the 2. Includes special gains on (i) Sirved in the substitution of the

Busan Expressway of KRW 54.9billion

MKIF actively manages its underlying concessions to maximise return

TRAFFIC AND REVENUE¹

Asset	Average daily traffic volume	Average daily traffic revenue
Ilncheon International Airport Expressway ²	(14.0%)	(6.6%)
Baekyang Tunnel	4.2%	4.3%
Gwangju 2 nd Beltway, Section 3-1	14.6%	16.9%
Gwangju 2 nd Beltway, Section 1	4.2%	8.6%
Woomyunsan Tunnel	11.8%	11.7%
Cheonan-Nonsan Expressway	10.2%	14.3%
Soojungsan Tunnel	4.9%	4.7%
Daegu 4 th Beltway East	5.4%	5.4%
Machang Bridge	22.7%	8.7%
Weighted Average ³	4.2%	7.1%

^{1.} Excludes all new assets which have commenced operation in the second half of 2009 (Yongin-Seoul Expressway, Seoul-Chuncheon-Expressway, Seoul Subway Line 9 Section 1 and Incheon Grand Bridge). For the performance of newly opened assets are separately discussed in page 10

OPERATIONAL MANAGEMENT INITIATIVES IN 2010

MKIF is an active manager of its invested companies and improving profitability and maintaining quality services have been the top management priorities. Some of the additional initiatives during 2010 included:

ANCILLARY BUSINESS

Ancillary business is a valuable source of incremental revenues for the portfolio and MKIF has been working closely with certain assets during the year to grow that business. Revenues from the leasing of rest area and retail shop properties for example represent circa KRW 10billion of non-MRG¹ supported proportionate revenues for the portfolio and expected to grow. MKIF believes that ancillary businesses are supplementary growth engines for the portfolio and will continue to seek new ways to expand these non-toll revenue sources across the portfolio. During the year, MKIF was able to help procure popular and diversified range of retails shops for its subway line and successfully renew some of the leasing contacts on attractive terms.

ENVIRONMENT FRIENDLY AND ENERGY SAVING

Subway Line 9, Section 1 has initiated works to re-use electricity generated from the subway operation. This is a long term commitment where the systems provider installs and re-sells the stored electricity back to grid while Subway Line 9, Section 1 saves its electricity cost. This is one of many examples of how MKIF invested asset companies continues to improve the business while committing to the environment protection.

HI-PASS SYSTEM IMPROVES ENVIRONMENT AND SAFETY

Cheonan-Nonsan Expressway and Baekyang Tunnel have successfully operated one year of electronic tolling. The system is now widely used and welcomed by the customers where the usage rate of the system have reached up to 60~70 % in some assets. The non-stop tolling process resulted in the overall improvement of traffic flow and congestion. Also the reduced process including the receipt printing has positively impacted on the overall tolling operation and customer service.

^{2.} The traffic decrease in Incheon International Airport Expressway is in line with the Concession Agreement forecast, reflecting the opening of the Incheon Grand Bridge in October 2009

^{3.} On a weighted average basis based on revenue size of each asset and the MKIF's equity interest in each concession company

^{1.} Minimum Revenue Guarantee - revenue support provided by the relevant authority under the concession agreement

Ramp-up of newly opened assets

TRANSPORT ASSETS, PARTICULARLY TOLL ROADS, GENERALLY HAVE RELIABLE AND PREDICTABLE CASHFLOWS WHICH GO THROUGH FIVE DISTINCT LIFE CYCLE STAGES

The life cycle of toll roads can best be described in the following five stages:

- Development (the initial investment decision and project preparation)
- Construction (building the road and related infrastructure)
- Ramp-up (attracting motorists to the road and rapid increment of traffic flow)
- Growth stage (achieving stable increment of traffic and fulfilling investment expectations); and

- Maturity asset (stable traffic volume until concession termination and hand back)

RAMP-UP REFERS TO INITIAL STAGE OF OPERATION IN THE LIFE CYCLE OF AN INFRASTRUCTURE ASSET

The ramp-up stage is normally 3 to 5 years from operation commencement depending on length of concession. During this stage, there is a rapid build-up in revenue as the users learn about the asset and make an assessment to the value for money that the facility offers. The ramp-up stage involves marketing to consumers, implementing various enhancement measures, refining operational processes and remedying post-construction issues.

Asset	Operation commencement	Traffic pattern	% of CA forecast traffic volume	Traffic volume growth (2009 over 2010)
Yongin-Seoul Expressway (YSE)	1 July 09	Commuters and intercity travel	68%	39%
Seoul-Chuncheon Expressway (SCE)	15 July 09	Intercity travel (national expressway) including leisure and business	78%	17%
Seoul Subway Line 9, Section 1 (SM9)	24 July 09	Commuters	97%	25%
Incheon Grand Bridge (IGB)	19 October 09	International airport user demand and some Youngjong Island tourists	72%	0.3%

MKIF'S FOUR OUT OF FIVE GREENFIELD ASSETS COMMENCED OPERATION DURING THE SECOND HALF OF 2009 AND DEMAND CONTINUES TO GROW AT A SOLID PACE

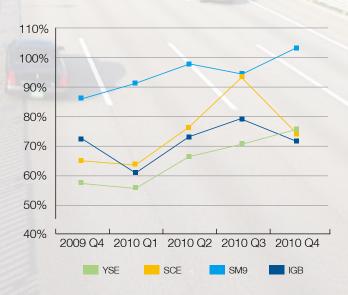
Representing 29% of MKIF's total commitment, the four newly opened assets are all landmark infrastructures in or near the capital city of Seoul. For the three road assets, there are number of ongoing residential and commercial developments that are expected to raise the population level around these assets and ultimately the level of traffic usage. Korea's first privately operated metro line, Subway 9 Section 1 is the only subway investment in MKIF's portfolio and has been performing exceptionally well to date. It is located favorably starting from Gimpo Airport moving through major residential and business areas in the centre of Seoul and is the only subway line with express line services.

TO DATE, ALL OF NEWLY OPENED ASSETS ARE PERFORMING IN LINE WITH THE MANAGEMENT EXPECTATION

The weighted average daily traffic for the four newly opened assets have reached 76%¹ of the Concession Agreement (CA) forecast in 2010, representing 22% weighted average traffic growth on 2010 fourth quarter over prior corresponding period.

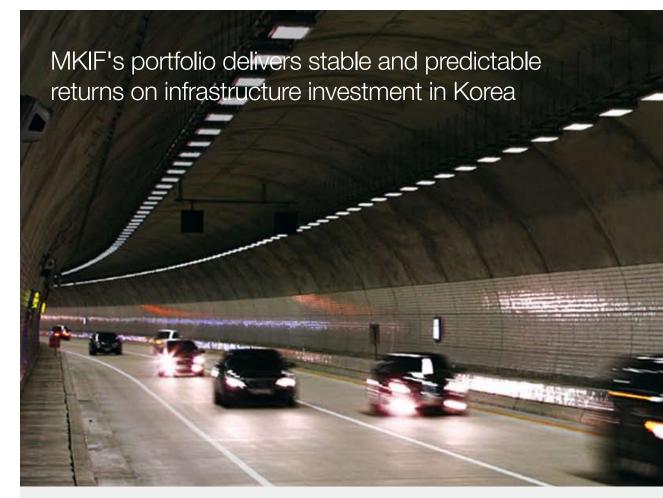
On a weighted average basis based on total commitment amount and average daily traffic

PERCENTAGE OF CA FORECAST TRAFFIC VOLUME



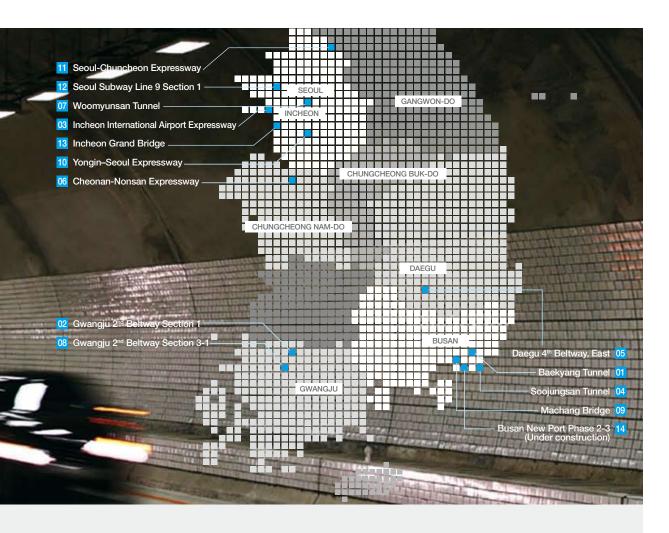
The four new assets have delivered a solid traffic ramp-up to date, delivering consistent growth since their opening with minor seasonal volatility and the trend is expected to continue.

Portfolio

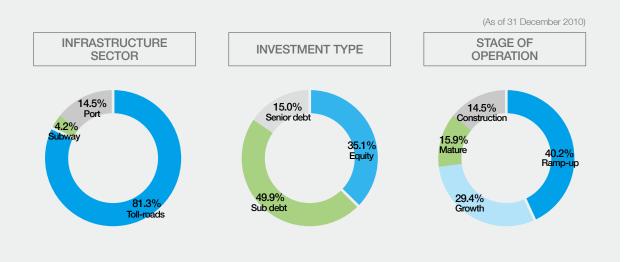


						(KR	W billion, %)
Name	Equity	Ownership (%)	Subordinated Debt	Interest Rate	Senior Debt	Interest Rate	Total
01_ Baekyang Tunnel	1.2	100.0	-	-	1.6	15.0	2.8
02_ Gwangju 2 nd Beltway Section 1	13.1	100.0	35.2 ¹	20.0	142.0	10.0	190.3
03_ Incheon International Airport Expressway	58.2	24.1	51.7	13.9	-	-	109.9
04_ Soojungsan Tunnel	47.1	100.0	19.3	20.0	57.6	8.5	124.0
05_ Daegu 4 th Beltway, East	57.5	85.0	32.0	17.0	-	-	89.5
06_ Cheonan-Nonsan Expressway	87.7	60.0	182.3	16.0	-	-	270.0
07_ Woomyunsan Tunnel	10.7	36.0	9.6	20.0	-	-	20.3
08_ Gwangju 2 nd Beltway Section 3-1	28.9	75.0	-	-	66.0	7.85	94.9
09_ Machang Bridge	33.8	70.0	79.0	11.4	-	-	112.8
10_ Yongin-Seoul Expressway	57.8	35.0	77.0	13.0	-	-	134.8
11_ Seoul-Chuncheon Expressway	48.6	15.0	87.4	11.6	-	-	136.0
12_ Seoul Subway Line 9 Section 1	40.9	24.5	33.5	15.0	-	-	74.4
13_ Incheon Grand Bridge	74.5	41.0	89.4	11.5	-	-	163.9
14_ Busan New Port Phase 2-32	66.4	30.0	193.0	10.0	-	-	259.4
Total	626.4		889.4		267.2		1,783.0
Percentage (%)	35.1%		49.9%		15.0%		100.0%

Includes KRW 3.2billion working capital facility
 As of 31 December 2010, undrawn commitment of KRW 79billion



MKIF's portfolio represents a mix of asset and investment types with a broad geographic spread throughout Korea



Yongin-Seoul Expressway



22.9 km, dual two to three-lane tolled expressway, developed to ease traffic congestion on the Suwon-Seoul section of the Seoul-Busan Highway, which is one of the most heavily travelled expressway in Metropolitan Seoul



Concession Company: Gyungsu Highway Co., Ltd.

Opened: July 2009

Concession Term: 30 years to 2039 (29 years remaining)

MRG1 Period: 10 years

Relevant Authority: Ministry of Land, Transport and Maritime Affairs

Total commitment: KRW 134.8billion Proportion of MKIF portfolio 1: 7.6%

Category	2009	2010
Average daily traffic (vehicles / day)	38,933	54,121
Average daily revenue (1,000 won)	62,381	87,157

^{1.} Based on the total MKIF investment commitment to all investments in the portfolio $\,$

Seoul-Chuncheon Expressway



61.4 km, dual two to three-lane toll expressway providing a link between Seoul and Gangwon province, a leading tourist destination in Korea



Concession Company: Seoul-Chuncheon Highway Co., Ltd.

Opened: July 2009

Concession Term: 30 years to 2039 (29 years remaining)

MRG Period: 15 years

Relevant Authority: Ministry of Land, Transport and Maritime Affairs

Total commitment: KRW 136.0billion **Proportion of MKIF portfolio:** 7.6%

Category	2009	2010
Average daily traffic (vehicles / day)	30,432	35,724
Average daily revenue (1,000 won)	189,115	226,530

Seoul Subway Line 9, Section 1



 $25.5\,\mathrm{km}$, subway line providing regular and express service east-west along the southside of the Han River, running from Gimpo Airport to Gangnam, through major business and residential districts of Seoul



Concession Company: Seoul Metro Line 9 Co., Ltd.

Opened: July 2009

Concession Term: 30 years to 2039 (29 years remaining)

MRG Period: 15 years

Relevant Authority: Seoul Metropolitan Government

Total commitment: KRW 74.4billion **Proportion of MKIF portfolio:** 4.2%

Category	2009	2010
Average daily initial boarding ¹ (passengers / day)	138,010	172,840
Average daily revenue (1,000 won)	101,379	124,564

^{1.} Excludes inter-change passengers

Incheon Grand Bridge



12.3 km, dual three-lane tolled bridge which connects Incheon International Airport to the rapidly developing commercial area of New Songdo City in the Incheon Free Economic Zone



Concession Company: Incheon Bridge Co., Ltd.

Opened: October 2009

Concession Term: 30 years to 2039 (29 years remaining)

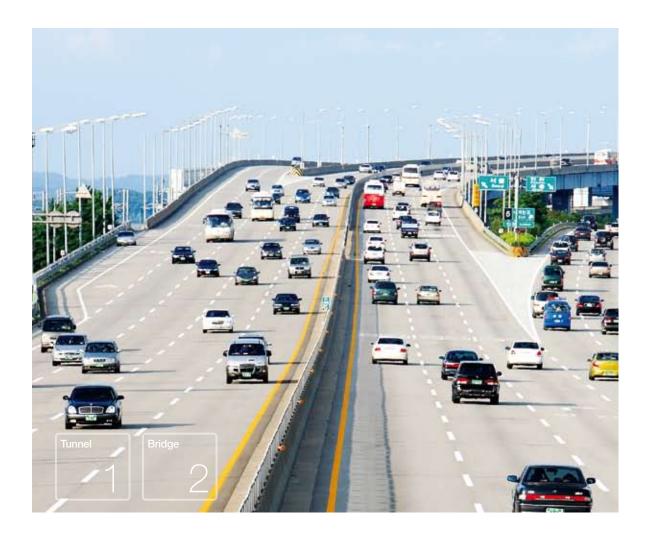
MRG Period: 15 years

Relevant Authority: Ministry of Land, Transport and Maritime Affairs

Total commitment: KRW 163.9billion **Proportion of MKIF portfolio:** 9.2%

Category	2009	2010
Average daily traffic (vehicles / day)	25,467	25,549
Average daily revenue (1,000 won)	123,188	122,131

Incheon International Airport Expressway



 $40.2\,\mathrm{km}$, dual three to four-lane expressway link between Yongjong Island, site of the Incheon International Airport to Korea's capital, Seoul



Concession Company: New Airport Hiway Co., Ltd.

Opened: December 2000

Concession Term: 30 years to 2030 (20 years remaining)

MRG Period: 20 years

Relevant Authority: Ministry of Land, Transport and Maritime Affairs

Total commitment: KRW 109.9billion **Proportion of MKIF portfolio:** 6.2%

Category	2009	2010
Average daily traffic (vehicles / day)	62,165	53,490
Average daily revenue (1,000 won)	359,025	335,242

Baekyang Tunnel



2.3 km, dual two-lane tolled tunnel that runs underneath Baekyang Mountain in Busan city, providing a link through the Busan central business district, Busan port and the northern and western residential areas including Gimhae International Airport



Concession Company: Baekyang Tunnel Ltd.

Opened: January 2000

Concession Term: 25 years to 2025 (14 years remaining)

MRG Period: 25 years

Relevant Authority: Busan Metropolitan City

Total commitment: KRW 2.8billion Proportion of MKIF portfolio: 0.2%

Category	2009	2010
Average daily traffic (vehicles / day)	66,523	69,349
Average daily revenue (1,000 won)	48,426	50,487

Gwangju 2nd Beltway, Section 3-1



 $3.5\,\mathrm{km}$, dual three-lane tolled expressway running east-west along the southern edge of Gwangju, Korea's fifth largest city



Concession Company: Kwangju Ring Road Co., Ltd.

Opened: December 2004

Concession Term: 30 years to 2034 (24 years remaining)

MRG Period: 30 years

Relevant Authority: Gwangju Metropolitan City

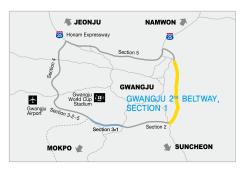
Total commitment: KRW 94.9billion **Proportion of MKIF portfolio:** 5.3%

Category	2009	2010
Average daily traffic (vehicles / day)	29,091	33,344
Average daily revenue (1,000 won)	25,242	29,503

Gwangju 2nd Beltway, Section 1



5.6 km dual three-lane expressway consisting of four tunnels and 10 bridges, running from Gwangju Dooam Interchange to Sotae Interchange



Concession Company: Kwangju Beltway Investment Co., Ltd.

Opened: January 2001

Concession Term: 28 years to 2029 (18 years remaining)

MRG Period: 28 years

Relevant Authority: Gwangju Metropolitan City

Total commitment: KRW 190.3billion¹ **Proportion of MKIF portfolio:** 10.7%

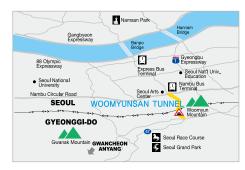
1. Includes KRW 3.2billion working capital facility

Category	2009	2010
Average daily traffic (vehicles / day)	34,576	36,019
Average daily revenue (1,000 won)	34,261	37,203

Woomyunsan Tunnel



3.0 km, dual lane tolled tunnel running underneath Mount Woomyun, providing a direct route between the Seoul suburbs, Kwachon and Anyang



Concession Company: Woomyunsan Infraway Co., Ltd.

Opened: January 2004

Concession Term: 30 years to 2034 (23 years remaining)

MRG Period: 30 years

Relevant Authority: Seoul Metropolitan Government

Total commitment: KRW 20.3billion **Proportion of MKIF portfolio:** 1.1%

Category	2009	2010		
Average daily traffic (vehicles / day)	23,479	26,246		
Average daily revenue (1,000 won)	40,730	45,494		

Cheonan-Nonsan Expressway



81.0 km, dual two-lane toll expressway connecting Cheonan on the Gyeongbu Expressway to Nonsan on the Honam Expressway



Concession Company: Cheonan Nonsan Expressway Co., Ltd.

Opened: December 2002

Concession Term: 30 years to 2032 (22 years remaining)

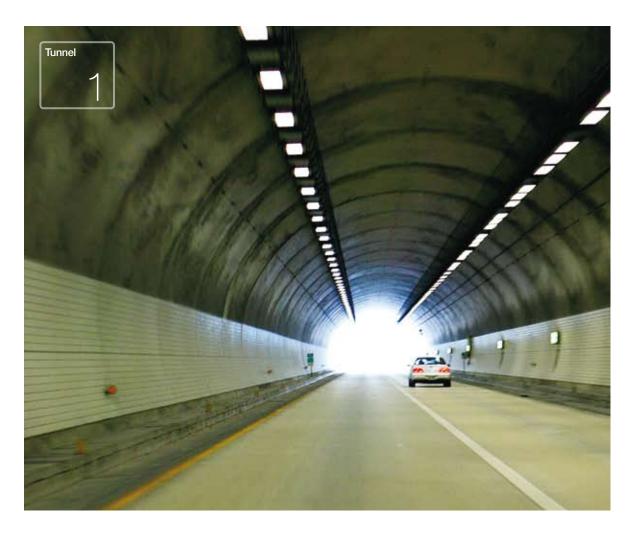
MRG Period: 20 years

Relevant Authority: Ministry of Land, Transport and Maritime Affairs

Total commitment: KRW 270billion **Proportion of MKIF portfolio:** 15.1%

Category	2009	2010
Average daily traffic (vehicles / day)	34,437	37,953
Average daily revenue (1,000 won)	254,698	291,191

Soojungsan Tunnel



2.3 km, dual two-lane tolled tunnel located in Busan, Korea's second largest city. Soojungsan Tunnel serves as an important connection through Busan central business district, Busan's port area which is the largest port in Korea and the northern and western residential areas including Gimhae International Airport

Concession Company: Soojungsan Investment Co., Ltd.

Opened: April 2002

Concession Term: 25 years to 2027 (16 years remaining)

MRG Period: 25 years

Relevant Authority: Busan Metropolitan City Total commitment: KRW 124.0billion Proportion of MKIF portfolio: 7.0%



Category	2009	2010
Average daily traffic (vehicles / day)	39,283	41,210
Average daily revenue (1,000 won)	29,482	30,856

Daegu 4th Beltway, East



7.3 Km, dual three-lane expressway forming the east section of Daegu city's proposed circulation road, running along north-south of the eastern perimeter of Daegu City



Concession Company: Daegu East Circulation Road Co., Ltd.

Opened: September 2002

Concession Term: 24 years to 2026 (16 years remaining)

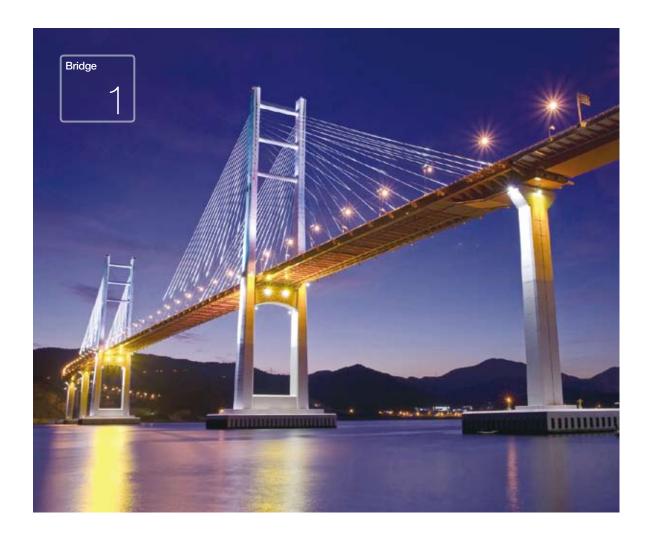
MRG Period: 20 years

Relevant Authority: Daegu Metropolitan City

Total commitment: KRW 89.5billion **Proportion of MKIF portfolio:** 5.0%

Category	2009	2010
Average daily traffic (vehicles / day)	18,813	19,825
Average daily revenue (1,000 won)	18,865	19,879

Machang Bridge



1.7 km, dual two-lane, cable stayed bridge, providing a bypass for vehicles travelling the west bank and the east bank of Changwon city that shortens the costal route between Busan and southwestern areas in Gyungsangnam-do Province



Concession Company: Machang Bridge Co., Ltd.

Opened: July 2008

Concession Term: 30 years to 2038 (27 years remaining)

MRG Period: 30 years

Relevant Authority: Gyungsangnam Provincial Government

Total commitment: KRW 112.8billion **Proportion of MKIF portfolio:** 6.3%

Category	2009	2010
Average daily traffic (vehicles / day)	11,990	14,717
Average daily revenue (1,000 won)	24,247	26,346

Busan New Port Phase 2-3



One of the national priority projects designed to meet future demand driven by Busan's position as a regional shipping and logistics hub



Concession Company: BNCT Co., Ltd. Opened: Expected in January 2012

Concession Term: 29 years and 3 months from the start of the

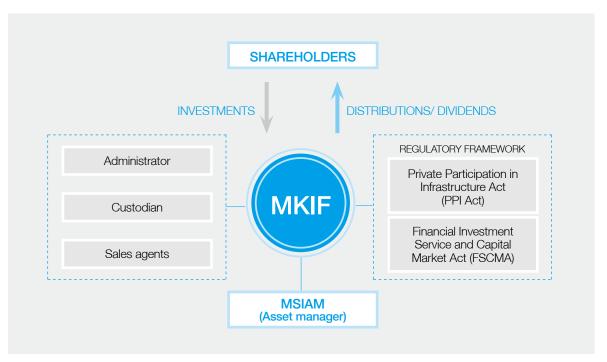
operation

Relevant Authority: Ministry of Land, Transport and Maritime Affairs

Total commitment: KRW 259.4billion **Proportion of MKIF portfolio:** 14.5%

Corporate governance statement

MKIF'S STRUCTURE



LEGAL FRAMEWORK

MKIF operates under the legal and regulatory framework established by the Financial Investment Service and Capital Market Act (FSCMA), and the Private Participation in Infrastructure Act (PPI Act). MKIF is required under FSCMA to appoint an asset manager, a custodian, an administrator and a sales agent (collectively the Service Providers).

MKIF BOARD OF DIRECTORS

The MKIF Board of Directors, comprising a majority of independent supervisory directors, is responsible for overseeing MKIF operations, monitoring MKIF business affairs (including overseeing the performance of the asset manager and other service providers), capital management (including share issues) and approving and monitoring financial and other reporting. The Board is required to act in the best interests of MKIF and its shareholders.

The Board is currently comprised of four directors: one corporate director and three supervisory directors. Under FSCMA and MKIF's Articles of Incorporation

(AOI), MKIF is required to have at least one corporate director at all times. In accordance with FSCMA, MKIF's manager, MSIAM is the corporate director and will appoint one of its officers or employees as its representative on the MKIF Board. MSIAM represents, manages and conducts the business of MKIF and must report to the MKIF Board the status of business conduct and asset management at least once every quarter.

The directors are appointed by the shareholders at a general meeting held in accordance with MKIF's AOI. Pursuant to the Korean Commercial Code and MKIF's AOI, the maximum length of a director's term of office is three years, after which the director can stand for reappointment.

However, under the FSCMA promulgated in 2008 the term of corporate director was changed to the dissolution of MKIF from three years. Board meetings are held at least once every quarter.

Directors are provided with board papers in advance of each meeting to enable informed discussion of agenda items. The supervisory directors may request the corporate director or any of MKIF's service providers to report to the Board the status of MKIF business or assets whenever the supervisory directors deem necessary. The Board has the right to decide the following matters:

- Execution and/or termination of the Management Agreement, Custodian Agreement, Sales Agency Agreements an Administration Agreement;
- Convening general meetings of shareholders;
- Issuance of new shares;
- Payment of expenses or fees (or commissions) payable to service providers in connection with the management, custody or distribution of MKIF assets, the administration of MKIF or other services;
- Matters relating to the allocation of distributions either in the form of cash or shares; and
- Any matters which require the resolution of the MKIF Board under the MKIF AOI, FSCMA, or other relevant legislation and regulations.

MSIAM, as Manager, is a corporate director. The current supervisory directors of MKIF are as follows:

Dae Yun Cho

Reappointed as MKIF Supervisory Director in March 2010 (Initially appointed in December 2002)

- Attorney-at-law, Senior Partner of Kim & Chang
- National Candidate of Korea for the World Trade Organisation (WTO) Panel and for the WTO's Subsidy and Countervailing Duties Committee
- President of the International Association of Korean Lawyers
- Arbitrator of the Korean Commercial Arbitration Board
- Former President of the Korea International Trade Law Association
- Former consultant for various Korean Ministries, including the Ministry of Strategy and Finance and the Ministry of Knowledge Economy

Kyung Soon Song

Reappointed as MKIF Supervisory Director in March 2008 (Initially appointed in March 2005)

- Founding Representative Director of Korea Expert Consulting Group (KECG)
- Steering Committee Member of Korea Investment Corporation (Chairman of Investment Subcommittee)

- Member of International Development Cooperation Committee of the Republic of Korea
- Former senior staff member of World Bank
- Former chief operating officer of Nomura Project Finance International Limited

Tae Hee Yoon

Reappointed as MKIF Supervisory Director in March 2008 (Initially appointed in September 2004)

- Chairman, Lutronic Corporation Inc, Korea
- Chairman, Korea Economic Intelligence, NY, NY
- Chairman, EnerTech International, Seoul
- Senior Advisor, IFC of the World Bank, DC
- Vice Chairman, Hyundai Group, Hyundai Investment Network. Seoul
- Former president, Seoul National University of Foreign Studies, Seoul
- Former Vice-Chairman, Financial Advisory Services, PricewaterhouseCoopers
- Former Chairman of Arirang International TV
- Founding chairman of Korea Economic Intelligence, New York Wall Street

MKIF'S APPROACH TO CORPORATE GOVERNANCE

The MKIF Board is committed to achieving sustainable financial performance for the benefit of MKIF security holders, while meeting the expectations of all stakeholders for responsible corporate governance. Accordingly, the Board has established clear corporate governance arrangements for MKIF, including delegation of responsibilities to MSIAM and other service providers. The Board monitors these delegations, and periodically reviews the effectiveness of arrangements to ensure they are in the best interest of MKIF and its security holders.

MKIF relies extensively on its corporate director and asset manager, MSIAM, for effective day-to-day control of MKIF's operations. This reliance is established by the Management Agreement, MKIF's AOI, and applicable Korean laws and regulations, which together give MSIAM full authority with respect to the management of MKIF assets. Consequently, MSIAM is an important

component of MKIF's corporate governance framework. As an affiliate of the Macquarie Group Ltd. (Macquarie), MSIAM has, to the extent possible and relevant, adopted the corporate governance framework that Macquarie applies to its funds management activities.

The requirements of the framework and its related policies are broadly consistent with the Australian Stock Exchange's Corporate Governance Principles and Best Practice Recommendations (the Standards). The Standards are designed to maximise corporate performance and accountability in the interests of shareholders and the broader economy, and address matters such as board structure, promotion of ethical and responsible decision-making, timely and balanced disclosure, recognition and management of risk, and recognition of the interests of stakeholders.

The MKIF and MSIAM Boards have adopted fund management policies that are consistent with the principles contained in the Macquarie funds management framework, although they have been amended to take account of Korean legal and regulatory requirements. The policies address the following key areas:

- Risk management
- External communications
- Staff trading
- Conflict of interest management
- Auditor independence
- Employee conduct
- Employee health and safety
- Environmental and social responsibility management
- Related party transactions

MSIAM BOARD OF DIRECTORS

The MSIAM Board of Directors (MSIAM Board) is responsible for establishing an effective corporate governance framework and MSIAM management oversight, with a view to ensuring that MSIAM performs its duties with due care and diligence in accordance with the management agreement. In particular, the Board is responsible for:

- Considering and approving the submission of

- investment or divestment recommendations to MKIF;
- Setting objectives, goals and strategic direction for management, with a view to maximizing shareholder wealth;
- The oversight of control and accountability systems;
- Ensuring MSIAM is performing its functions and providing services to MKIF as provided for under the Management Agreement;
- Review and ratification of systems for risk management framework and internal compliance standards;
- Approving and monitoring financial and other reporting; and
- Setting the highest business standards and codes for ethical behaviour.

Board meetings are held at least quarterly or more frequently as required. Directors are provided with board papers in advance of each meeting to enable informed consideration of agenda items.

MSIAM's current board of directors comprises three representatives nominated by the Macquarie Group and two nominated by the Shinhan Financial Group.

Chul Hum Paik

Reappointed as MSIAM Representative Director in December 2009 (Initially appointed in December 2006)

- Representative Director of MSIAM
- Former Head of the Financial Products division of Shinhan Macquarie Financial Advisory from 2001 to 2006
- Lead financial adviser to MKIF on its successful IPO and listing in March 2006
- Joined Shinhan Bank in 1993, with responsibilities for international banking and investment banking division

Jason Pak

Reappointed as MSIAM Director in November 2008 (Initially appointed in June 2008)

- Chief Operating Officer of Macquarie Shinhan Infrastructure Asset Management Co., Ltd.
- Joined Macquarie Group in 2002 and spent 4 years on the equity capital market and M&A advisory side with Macquarie Securities

 Worked over 5 years in the Corporate Finance division of KPMG, in Seoul and London on the M&A advisory side MKIF is required to disclose information to investment markets in accordance with the regulations of the Korea Exchange and the London Stock Exchange.

Jong Hyuck Park

Appointed as MSIAM Director in June 2010

- Head of Transaction Team of Macquarie Shinhan Infrastructure Asset Management Co., Ltd.
- Joined Macquarie Group in 2007 with responsibilities for asset transactions
- Worked over 10 years mainly in Investment Banking Division of Kookmin Bank
- Worked as a member of advisory panel to PIMAC

Chun Bae Kim

Appointed as MSIAM Director in March 2010

- Vice President of Shinhan Capital
- Joined Shinhan Capital in 2008 and lead various investment projects

Young Chul Lee

Appointed as MSIAM Director in June 2010

- Head of Project Financing Team in Investment Banking Group of Shinhan Bank
- Joined Shinhan Bank in 1994 with responsibilities for various project finance transactions involving SOC projects in Korea

SHAREHOLDER INFORMATION AND DISCLOSURE

It is MKIF's policy to provide timely, open and accurate information to shareholders. Shareholders will be informed to the release of MKIF's annual report, audit report and financial statements and other regular reports. These reports will keep shareholders informed of MKIF's performance.

FSCMA requires MSIAM to upload a quarterly asset management report in the MKIF website, and an annual and quarterly business report to the Financial Service Commission (FSC) and the Korea Financial Investment Association (KOFIA). The FSC and KOFIA are responsible for disclosure of the reports to investors under the FSCMA.

COMPLIANCE

Under the FSCMA, MSIAM, as MKIF's asset manager, is required to establish MSIAM Board-approved internal control standards. Internal control standards are basic procedures and standards to be followed by MSIAM's officers and employees when they perform their duties in order to observe relevant laws and regulations, manage the company's assets effectively, and protect its investors.

MSIAM appointed a compliance officer who is responsible for reviewing and monitoring the efficiency of compliance systems on an ongoing basis so that appropriate compliance procedures, staff education and board reporting arrangements are in place to enable observance of the internal control standards.

Environmental and social responsibilities

MKIF's environmental and social responsibilities are managed throughout the investment process through our asset selection, ongoing asset management and shareholder reporting

MKIF recognises that its infrastructure investments involve both environmental and social responsibilities as a result of the essential services provided by such assets.

MKIF's environmental and social responsibility arises from the impact (both positive and negative) on natural resources, the community, customers, employees and investors by the operations of the fund and its investments.

MKIF's environmental and social responsibilities are managed throughout the investment process as follows:

- Asset selection environmental and social responsibilities are reviewed as part of the acquisition due diligence process. Where they exist, regulatory obligations are viewed as minimum standards for environmental and social responsibility management post-acquisition.
- Ongoing asset management MKIF's ability to control or influence the ongoing environmental and social responsibility management at each asset differs based on its level of investment and the regulatory framework that governs those issues. Importantly, the regulatory framework is not controlled by MKIF or its assets.

In general, it is MKIF's policy to ensure compliance by its assets within the regulatory framework and the minimum standards under which an asset operates.

Through participation on the Boards of concession companies, MKIF representatives actively participate in

the consideration of environmental issues. Each concession company provides regular reports to its Board on environmental matters, and this enables compliance with environmental requirements to be monitored and environmental and social responsibility issues to be identified and resolved on a timely basis.

KEY ENVIRONMENTAL AND SOCIAL RESPONSIBILITY FACTORS

Following a review of the specific regulatory requirements and concession agreements related to each asset, MKIF has identified its key environmental and social responsibility factors as:

- Air quality
- Noise and other pollution
- Waste management
- Landscaping
- Flora and fauna management
- Occupational health and safety
- Recruitment and business contracting compliance
- Community relations

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY-RELATED REGULATORY REQUIREMENTS

MKIF is not aware of any significant breaches of relevant environmental and social responsibility-related regulatory standards by its assets during the year ended 31 December 2010.

Non-Consolidated Financial Statements December 31, 2010 and 2009

Macquarie Korea Infrastructure Fund

Report of Independent Auditors

To the Shareholders and Board of Directors of MACQUARIE KOREA INFRASTRUCTURE FUND

We have audited the accompanying statements of financial position of MACQUARIE KOREA INFRASTRUCTURE FUND (the Company) as of December 31, 2010 and 2009, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements, referred to above, present fairly, in all material respects, the financial position of MACQUARIE KOREA INFRASTRUCTURE FUND as of December 31, 2010 and 2009, and the results of its operations, the changes in its shareholders' equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers as described in Note 2(b) to the accompanying financial statements, do not form part of the non-consolidated financial statements and are unaudited.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.

Seoul, Korea January 28, 2011

> This report is effective as of January 28, 2011, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Samil PricustalanCorpers

Samil PricewaterhouseCoopers LS Yong San Tower, 191, Hangangno 2-go, Yongsan-gu, Seoul 140-702, KOREA (Yongsan P.O. Box 266, 140-600) www.samil.com

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Non-consolidated Statements of Financial Position

MACQUARIE KOREA INFRASTRUCTURE FUND December 31, 2010 and 2009 (In thousands of Korean won and U.S. dollars, except per share data)

		Won (th	U.S. dollars (note 2(b))			
Assets		2010		2009		2010
Invested assets:						
Cash and deposits (notes 3 and 8)	₩	139,365,426	₩	239,693,523	\$	122,368,448
Loans receivable (notes 4 and 7)		1,098,822,291		1,112,569,724		964,810,160
Equity securities (notes 6 and 9)		610,398,897		612,520,450		535,954,778
Total invested assets		1,848,586,614		1,964,783,697		1,623,133,386
Other assets:						
Interest receivable (note 7)		199,145,159		168,342,252		174,857,458
Other receivables		3,860,135		3,178,181		3,389,354
Deferred costs, net (note 5)		13,348,663		17,991,462		11,720,663
Total other assets		216,353,957		189,511,895		189,967,475
Total assets	₩	2,064,940,571	₩	2,154,295,592	\$	1,813,100,861

Liabilities and Shareholders' Equity

Liabilities:					
Accounts payable	₩	907	₩	7,336	\$ 796
Management fee payable (note 8)		5,958,632		5,814,322	5,231,919
Other liabilities (notes 8 and 10)		2,653,663		77,985,267	2,330,023
Long-term debts (notes 8 and 11)		360,550,681		380,087,014	316,577,997
Total liabilities		369,163,883	П	463,893,939	324,140,735
Commitments (note 19)					
Shareholders' equity:					
Share capital - no par value		1,670,985,755		1,670,985,755	1,467,192,690
Authorized - 4,000,000,000 shares;					
Issued and outstanding: 331,459,341					
shares in 2010 and 2009					
Retained earnings		24,790,933		19,415,898	21,767,436
Net asset value per share in Korean won					
and U.S. dollars: ₩ 5,116 (\$4.49) in 2010					
and ₩ 5,100 (\$4.37) in 2009 (note 16)					
Total shareholders' equity		1,695,776,688		1,690,401,653	1,488,960,126
Total liabilities and shareholders' equity	₩	2,064,940,571	₩	2,154,295,592	\$ 1,813,100,861

The accompanying notes are an integral part of these financial statements.

Non-consolidated Statements of Income

MACQUARIE KOREA INFRASTRUCTURE FUND
For the years ended December 31, 2010 and 2009
(In thousands of Korean won and U.S. dollars, except earnings per share)

		Won (th	U.S. dollars (note 2(b))		
		2010		2009	2010
Revenue:					
Interest income (notes 4, 7 and 8)	₩	151,281,496	₩	157,818,013	\$ 132,831,237
Arrangement fees		100,000		143,640	87,804
Gain (loss) on sale of investment, net		14,887,510		(3,574,935)	13,071,833
(notes 4 and 6)					
Other income (expense)		6,250		(409,038)	5,488
		166,275,256		153,977,680	145,996,362
Expenses:					
Management fees (note 8)		22,891,440		23,381,797	20,099,605
Custodian fees (note 8)		334,633		337,509	293,821
Administrator fees (note 8)		250,681		295,320	220,108
Interest expense (note 8)		25,620,003		22,960,971	22,495,393
Other expense (notes 8 and 13)		5,736,475		6,779,020	5,036,856
		54,833,232		53,754,617	48,145,783
Net income	₩	111,442,024	₩	100,223,063	\$ 97,850,579
Earnings per share					
in Korean won and U.S. dollars (note 17)	₩	336	₩	302	\$ 0.295

The accompanying notes are an integral part of these financial statements

Non-consolidated Statements of Changes in Shareholders' Equity

MACQUARIE KOREA INFRASTRUCTURE FUND For the years ended December 31, 2010 and 2009 (In thousands of Korean won and U.S. dollars, except per share data)

		Won (tho	usands)		U.S. dollars (note 2(b))
	Number of shares	Share capital	Retained earnings	Total	Total
Balance at January1, 2009	323,490,204	₩ 1,631,530,557	₩ 109,297,195	₩1,740,827,752	\$ 1,528,516,772
Stock dividends (note 12)	7,969,137	39,455,198	(39,455,198)	-	-
Net income	-	-	100,223,063	100,223,063	87,999,880
Cash distribution (note 12) (Net asset value per share in Korean won and US dollars: ₩ 5,100 (\$4.37) (note 16)	-	-	(150,649,162)	(150,649,162)	(132,276,023)
Balance at December 31, 2009	331,459,341	1,670,985,755	19,415,898	1,690,401,653	1,484,240,629
Net income	-	-	111,442,024	111,442,024	97,850,579
Cash distribution (note 12) (Net asset value per share in	-	-	(106,066,989)	(106,066,989)	(93,131,082)
Korean won and US dollars: ₩ 5,116 (\$4.49) (note 16)					
Balance at December 31, 2010	331,459,341	₩ 1,670,985,755	₩ 24,790,933	₩1,695,776,688	\$ 1,488,960,126

The accompanying notes are an integral part of these financial statements

Non-consolidated Statements of Cash Flows

MACQUARIE KOREA INFRASTRUCTURE FUND For the years ended December 31, 2010 and 2009 (In thousands of Korean won and U.S. dollars)

		Won (th	ousan	ds)	U.S. dolla	ars (note 2(b))
		2010		2009		2010
Cash flows from operating activities:						
Cash inflows from operating activities:						
Interest income	₩	104,864,171	₩	115,764,888	\$ 92,	074,959
Arrangement fees		100,000		143,640		87,804
Collection of loans receivable		75,796,803		5,396,250	66,	552,641
Other income		69,181		302,840		60,744
Sale of invested assets		46,834,100		183,051,000	41,	122,223
Advance receipt		-		72,764,508		-
		227,664,255		377,423,126	199,	898,371
Cash outflows from operating activities:						
Purchases of equity securities		(12,417,750)		(38,714,910)	(10,9	903,284)
Issuances of loans receivable		(139,443,440)		(107,856,357)	(122,4	136,948)
Payment of deferred costs		(189,066)		(10,239,237)	(1	66,007)
Management fees		(22,747,130)		(23,542,066)	(19,9	72,895)
Custodian fees		(334,767)		(339,895)	(2	293,939)
Administrator fees		(271,928)		(297,408)	(2	238,764)
Interest expense		-		(783,812)		-
Other expenses		(1,521,282)		(4,721,201)	(1,3	35,747)
		(176,925,363)		(186,494,886)	(155,3	347,583)
Net cash provided by operating activities		50,738,892		190,928,240	44,	550,788
Cash flows from financing activities:						
Repayment of long-term debts		(50,000,000)		(120,000,000)	(43,9	902,011)
Proceeds from long-term debts		5,000,000		137,000,000	4,	390,201
Distribution		(106,066,989)		(150,646,620)	(93,1	31,082)
Net cash used in financing activities		(151,066,989)		(133,646,620)	(132,6	642,892)
Net increase (decrease) in cash and deposits		(100,328,097)		57,281,620	(88,0	92,104)
Cash and deposits at beginning of the year		239,693,523		182,411,903	210,	460,552
Cash and deposits at end of the year	₩	139,365,426	₩	239,693,523	\$ 122,	368,448

The accompanying notes are an integral part of these financial statements

Notes to Non-consolidated Financial Statements

MACQUARIE KOREA INFRASTRUCTURE FUND December 31, 2010 and 2009

1. Organization and Description of Business

MACQUARIE KOREA INFRASTRUCTURE FUND (the "Company") was incorporated on December 12, 2002, under the Securities Investment Company Act (the "SICA") and the Private Participation in Infrastructure Act (the "PPIA"). The Company is an investment company that operates by investing in entities that have entered into long-term concession agreements with central, provincial and city governments in Korea implemented under the framework of the PPIA. During 2004 the Korean Government enacted the Indirect Investment Asset Management Business Act ("IIAMBA"), replacing the SICA. During 2009 the Korean Government enacted the Financial Investment Services and Capital Markets Act (the "FSCMA"), replacing the IIAMBA. The Company, which was classified as an investment company for the IIAMBA purposes, was registered as the investment company under the FSCMA on April 30, 2009 and amended its Articles & Incorporation on June 15, 2009.

Under the FSCMA, the Company shall not have any employees. Instead, the Company is required under FSCMA to appoint a manager, custodian, administrator and sales agents. As described in note 8, Macquarie Shinhan Infrastructure Asset Management Co., Ltd. (the "Manager") is the Company's asset manager. The Manager is a joint venture between entities in the Macquarie Group and Shinhan Financial Group. On November 11, 2005, the Manager was licensed as an infrastructure fund asset management company under the IIAMBA and on February 4, 2009, the Manager was re-licensed as an infrastructure fund asset management company under the FSCMA. Also, on June 24, 2010, the manager was authorized as manager of special asset collective investment vehicle under the FSCMA, and expanded its business scope.

The Company listed its Depository Receipts (DR) on the London Stock Exchange Professional Securities Market on March 14, 2006, and its common shares on the Korea Exchange on March 15, 2006. Through its initial public offering ("IPO"), the Company issued 71,428,572 shares and received proceeds of \wfoo,199 million. In addition, the Company issued 11,984,713 shares and raised new capital of \wfootnote{\pi}82,291 million through the exercise of the overallotment option in 2006. The Company deducted the share issuance costs related to the IPO, of \wfootnote{\pi}18,856 million and \wfootnote{\pi}267 million, from share capital in 2006 and 2007, respectively. On February 26, 2009, the Company additionally issued 7,969,137 shares through stock dividends.

2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements

(a) Basis of Presenting Financial Statements

The Company maintains its accounting records in Korean won and prepares financial statements in conformity with the FSCMA, the Statement of Korea Accounting Standards ("SKAS") No. 104, "Collective investment Vehicle" and accounting principles generally accepted in the Republic of Korea ("Korean GAAP").

Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, non-consolidated financial statements are intended for use only by those who are informed about Korean accounting principles and practices.

The accompanying non-consolidated financial statements include only the accounts of the Company, and do not consolidate the accounts of any of the Company's subsidiaries.

2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(b) Basis of Translating Financial Statements

The Company operates primarily in Korean won and its accounting records are maintained in Korean won. The U.S. dollars amounts as of and for the year ended December 31, 2010, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at US\$1:\(\forall 1,138.9\). Such presentation is not in accordance with accounting principles generally accepted in the Republic of Korea, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

(c) Revenue Recognition

Revenue is recognized when the Company's revenue-earning activities have been substantially completed, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Company. Interest income on loans is recognized on an accrual basis. In principle, the Company recognizes interest income using the effective interest rate method over the term of the loan.

(d) Cash and Deposits

The Company considers cash and deposits to include funds deposited in money market deposit accounts, negotiable certificates of deposit and time deposits.

(e) Loans Receivable

The acquisition costs of loans receivable are initially carried at cost. The costs related to loan acquisitions are deferred and amortized over the term of the respective loan. Under the effective interest rate method, the loans are recorded at amortized costs, including allowance for doubtful loans.

The Company assesses the potential impairment of loans receivable when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. The carrying value of the asset is reduced to its estimated realizable value by recording an impairment loss charged to current operations and presenting it as a reduction from the said carrying value.

(f) Investment Securities

Under the SKAS No.8, "Investment Securities", investment securities are initially recognized and carried at cost, including incidental expenses.

The Company as the investment company also accounts for investment securities under the provision of SKAS No. 104, "Collective Investment Vehicle".

Investment securities are subsequently measured at fair value and changes in the fair values of the securities are recognized in the current operations. Under SKAS No. 104, the fair value is determined by valuation methodologies stipulated in FSCMA.

Under the provision of FSCMA and its presidential decree, when a reliable market price is not readily determinable at the assessment date, investment securities are measured at fair value which is the price determined by the

2010 Annual Report

2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

Collective Investment Property Appraisal Committee ("Appraisal Committee") of Macquarie Shinhan Infrastructure Asset Management Co., Ltd. In this case, the Appraisal Committee should determine the price of unlisted and non-marketable securities considering, amongst other things, the acquisition cost, transaction price and third party valuation. As of December 31, 2010, the Appraisal Committee has chosen to adopt acquisition cost as its assessment of fair value for the unlisted equity securities.

Investment securities shall be assessed at each statement of financial position date to determine whether there is any objective evidence of impairment. When such evidence exists, and unless there is clear counter evidence that recognition of impairment is unnecessary, the entity shall estimate the recoverable amount of the impaired security and recognize any impairment loss in current operations.

(g) Share Issuance Costs

The Company's shares have no par value, and share issuance costs are recorded as a reduction to shareholders' equity.

(h) Distributions Payable

Distributions are declared and recorded when approved by the Company's board of directors as defined under the Company's Articles of Incorporation.

(i) Provisions

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

(j) Net Asset Value Per Share

Net asset value per share is calculated as the carrying value of net assets of the Company divided by the outstanding numbers of shares.

(k) Earnings Per Share

Earnings per share is calculated by dividing net income by the weighted-average numbers of shares outstanding during each period.

(I) Income Taxes

As described in note 1, the Company is an investment company under the FSCMA, which is defined as a collective investment vehicle established in the form of a corporation under the Korean Commercial Code to distribute to its shareholders the profits made by managing investments. Accordingly, for Korean corporate income tax purposes, the Company, as an investment company under the FSCMA, is entitled to deduct from its taxable income (up to an amount equal to its taxable income) for any fiscal year the amount of distributions the Company declares in the same year as long as such amount is equal to 90% or more of the Company's distributable income

2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

for such year. Distributable income is defined as non-consolidated net income after deduction of income taxes as set forth in the Company's non-consolidated financial statements prepared under Korean GAAP, further adjusted to include retained earnings or deficit and any reserves pursuant to applicable laws and regulations. If the Company does not declare distributions equal to 90% or more of the Company's distributable income in a particular fiscal year, the Company will be liable for the Korean corporate income tax for the entire amount of its taxable income.

(m) Use of Estimates

The preparation of non-consolidated financial statements in accordance with Korean GAAP requires management to make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements and related notes. Therefore, actual results could differ from those estimates.

(n) Approval of financial statements

The December 31, 2010, financial statements of the Company were approved by the board of directors on January 28, 2011.

3. Cash and Deposits

Cash and deposits as of December 31, 2010 and 2009, are as follows:

		Won (the	ousanc	nds)	U.S. dollars (note 2(b))
		2010		2009	2010
Money Market Deposit Accounts ("MMDA") (*1):					
SC Korea First Bank	₩	24,365,426	₩	17,693,523	\$ 21,393,823
Time Deposits ("TD") ("2):					
Kookmin Bank		35,000,000		100,000,000	30,731,407
Woori Bank		80,000,000		100,000,000	70,243,218
Shinhan Bank		-		22,000,000	-
		115,000,000		222,000,000	100,974,625
	₩	139,365,426	₩	239,693,523	\$ 122,368,448

^(*1) As of December 31, 2010, the interest rate of MMDA is 2.30%.

^(*2) As of December 31, 2010, the interest rates of TDs are 2.55%~2.70%, and the maturities of TDs are less than 1 year.

4. Loans Receivable

Loans receivable as of December 31, 2010 and 2009, are as follows:

			Won (thousands) U.S. dollars				
	Repayment Period	Annual interest rate (%)	2010	2009	2010		
Senior loans receivable:							
Kwangju Beltway Investment Co., Ltd.	2018~2024	10	₩142,000,000	₩142,000,000	\$ 124,681,710		
Kwangju Ring Road Co., Ltd.	2010~2019	7.85	66,019,361	73,354,846	57,967,654		
Soojungsan Investment Co., Ltd.	2009~2018	8.5	57,560,000	64,755,000	50,539,995		
Baekyang Tunnel Ltd.	2024	13~15	1,613,202	1,660,271	1,416,456		
Subordinated loans receivable:							
Kwangju Beltway Investment Co., Ltd.	2024~2026	20	31,950,000	31,950,000	28,053,385		
MCB Co., Ltd. (*1)	2030~2035	11.38	79,000,000	61,266,319	69,365,177		
New Airport Hiway Co., Ltd.	2015~2017	13.9	51,670,400	51,670,400	45,368,689		
Soojungsan Investment Co., Ltd.	2017	20	19,260,587	19,260,587	16,911,570		
Cheonan Nonsan Expressway Co., Ltd. (*2)	2024~2029	6~20	182,250,000	182,250,000	160,022,829		
Daegu East Circulation Road Co., Ltd.	2022~2024	17	32,045,000	32,045,000	28,136,799		
Incheon Bridge Co., Ltd.	2020~2026	11.49	89,378,000	87,429,560	78,477,478		
Seoul Chuncheon Highway Co.,Ltd (*3)	2026~2031	11~11.59	87,450,000	87,450,000	76,784,617		
Gyungsu Highway Co., Ltd (*4)	2029~2034	13~15	77,000,000	77,000,000	67,609,096		
Kyunggi Highway Co., Ltd (*5)	2025~2029	9~11	-	68,455,000	-		
BNCT Co., Ltd. (*6)	2028~2032	10~12	135,329,000	85,726,000	118,824,304		
Seoul Metro Line 9 Co., Ltd.	2033~2035	15	33,460,000	33,460,000	29,379,226		
Woomyunsan Infraway Co., Ltd.(17)	2024~2026	20	9,576,000	9,576,000	8,408,113		
Working capital loans receivable:							
Kwangju Beltway Investment Co., Ltd.	2027	15	3,260,741	3,260,741	2,863,062		
			₩1,098,822,291	₩1,112,569,724	\$ 964,810,160		

^(*1) On November 29, 2010, MCB Co., Ltd. repaid ₩92,533 million of the subordinated debt including its unpaid interest and the Company recognized gain of ₩5,316 million. At the same date the Company re-invested ₩79,000 million of the subordinated loan with revised maturity and interest rate.

^(*2) Interest rates per annum are as follows: 6% from 2005 to 2007, 8% in 2008, 16% from 2009 to 2012 and 20% from 2013 to maturity in 2029, and an effective interest rate of 11.58% is used to recognize interest income. Due to financial covenants restricting payment of interest on subordinated loans, Cheonan Nonsan Expressway ("CNEC") have the limitation to pay interests on the subordinated loan. In May 2009, the Company entered a debt securitization agreement with NH Investment and Securities Co., Ltd ("NHISC") to securitize the accumulated interest receivable from CNEC. Under the agreement, NHISC agreed to take over the debt securities amounting to \text{\psi}157,200 million through seven transactions. The Company paid NHISC an underwriting fee of 1.5% (\text{\psi}2,358 million) of the total amount underwritten. The Company sold the debt securities of \text{\psi}33,789 million for \text{\psi}30,214 million as the first transaction in May 2009 and sold the debt securities of \text{\psi}19,949 million for \text{\psi}20,197 million as the second transaction in March 2010 under the agreement.

4. Loans receivable, Continued

- (*3) The interest rate during the construction period is 11% per annum and it increases to 11.59% per annum thereafter. The Company has accrued interest income using an effective interest rate of 11.9%.
- (*4) The interest rate during the construction period and for three years following commencement of operations is 13% per annum and it increases to 15% per annum thereafter. The Company has accrued interest income using an effective interest rate of 15.08%.
- (*5) The interest rate during the construction period is 9% per annum and it increases to 11% per annum thereafter. On January 25, 2010, the Company sold the subordinated loan of Seosuwon-Osan-Pyungtaek Expressway ("SOPE") for W85,733 million and recognized gain of W6,900 million. The Company received W75,447 million in advance in 2009 which are included in other liabilities as of December 31, 2009.
- (*6) The interest rate during the construction period is 10% per annum and thereafter increases to 12% per annum thereafter. Busan New Container Terminal Co., Ltd. has changed its name to BNCT Co., Ltd. on October 19, 2010.
- (*7) In January, 2009, the Company acquired the subordinated loan for \\$\text{\$\Psi}\$9,576 million, whose interest rate is 20% per annum.

5. Deferred Costs

Deferred costs as of December 31, 2010 and 2009, are as follows:

		Won (the	ousand	ds)	U.S. dollars (note 2(b))
		2010		2009	2010
Costs deferred on investments prior to acquisition	₩	137,500	₩	137,500	\$ 120,731
Loans receivable costs, net		4,418,226		7,089,564	3,879,380
Others (*1)		8,792,937		10,764,398	7,720,552
	₩	13,348,663	₩	17,991,462	\$ 11,720,663

(*1) The fees regarding the securitization and credit facility are included (Notes 4 and 11).

			Won (th	ousan	ds)	U.S. dollars (note 2(b))
	Owner- ship (%)		2010		2009	2010
Kwangju Beltway Investment Co., Ltd. (*1)	100	₩	13,050,000	₩	13,050,000	\$ 11,458,425
Kwangju Ring Road Co., Ltd. (*2)	75		29,494,766		29,494,766	25,897,591
MCB Co., Ltd. (*3, 18)	70		33,925,040		48,464,342	29,787,549
New Airport Hiway Co., Ltd. (*4)	24.1		59,880,248		59,880,248	52,577,266
Baekyang Tunnel Ltd. (*5)	100		1,231,000		1,231,000	1,080,868
Soojungsan Investment Co., Ltd. (*6)	100		47,247,830		47,247,830	41,485,495
Cheonan-Nonsan Expressway Co., Ltd. (*7, 18)	60		93,815,061		93,815,061	82,373,396
Woomyunsan Infraway Co., Ltd. (*8, 18)	36		2,723,725		2,723,725	2,391,540
Private Infrastructure Investment Korea (*9)	100		76,886,809		75,286,809	67,509,709
Korea Road Infrastructure Investment Co., Ltd. (*10)	85		57,552,156		57,552,156	50,533,107
Seoul-Chuncheon Expressway Co., Ltd. (*11, 18)	15		49,439,043		49,439,043	43,409,468
BNCT Co., Ltd. (*12, 18)	30		45,643,656		34,825,957	40,076,965
Gyungsu Highway Co., Ltd. (*13, 18)	35		58,361,765		58,361,765	51,243,977
Seoul Metro Line 9 Co., Ltd. (*14)	24.5		41,147,648		41,147,648	36,129,290
BYT Securitization Specialty Co., Ltd. (*15)	0.5		50		50	44
CN First Securitization Specialty Co., Ltd. (*16)	0.5		50		50	44
CN Second Securitization Specialty Co., Ltd. (17)	0.5		50		-	44
		₩	610,398,897	₩	612,520,450	\$ 535,954,778

- (*1) Kwangju Beltway Investment Co., Ltd. ("KBICL") operates the Gwangju Second Beltway, Section 1 and collects toll revenues generated by the beltway under the concession agreement with the Gwangju City government.
- (*2) Kwangju Ring Road Co., Ltd. ("KRRCL") operates the Gwangju Second Beltway, Section 3-1 and collects toll revenues generated by the beltway under the concession agreement with the Gwangju City government.
- (*3) MCB Co., Ltd. ("MCB") holds the concession right to operate Machang Bridge under a concession agreement with the Gyeongsangnamdo provincial government. On November 29, 2010, the Company sold 30% of its shares in MCB of ₩14,539 million for ₩17,048 million and recognized gain of ₩2,424 million after deducting incidental expenses.
- (*4) New Airport Hiway Co., Ltd. ("NAHC") operates the Incheon International Airport Expressway under a concession agreement with the Ministry of Land, Transport and Maritime Affairs ("MLTM").
- (*5) Baekyang Tunnel Ltd. ("BYTL") operates and manages Baekyang Tunnel under a concession agreement with the Busan City government.

6. Investments, Continued

- (*6) Soojungsan Investment Co., Ltd. ("SICL") operates Soojungsan Tunnel under a concession agreement with the Busan City government.
- (*7) CNEC operates Cheonan-Nonsan Expressway under a concession agreement with the MLTM.
- (*8) Woomyunsan Infraway Co., Ltd. ("WIC") operates Woomyunsan Tunnel under a concession agreement with the Seoul City. In January 2009, according to the shareholders' agreement, WIC reduced its capital by purchasing 50% of outstanding shares at W10,000 per share (par value W5,000 per share), decreasing the Company's shares in WIC from 3,830,400 shares to 1,915,200 shares. In this regard, the Company received W19,152 million of proceeds for the capital reduction from WIC.
- (*9) Private Infrastructure Investment Korea ("PIIK") is a special purpose company established to acquire Incheon Bridge Co., Ltd. ("IBC"), the concession company with the right to operate Incheon Grand Bridge, under a concession agreement with the MLTM. As of December 31, 2010, PIIK holds 40.86% of the equity in IBC. Incheon Bridge commenced its operation on October 19, 2009.
- (*10) Korea Road Infrastructure Investment Co., Ltd. ("KRIIC") is a special purpose company established to provide funding to Daegu East Circulation Road Co., Ltd. ("DECRC"), the concession company with the right to operate and maintain the Daegu 4th Beltway East. As of December 31, 2010, KRIIC holds 100% of the shares of DECRC.
- (*11) Seoul-Chuncheon Expressway Co., Ltd. ("SCE") has the right to operate and manage Seoul-Chuncheon Expressway under a concession agreement with MLTM and commenced the operation on August 12, 2009.
- (*12) BNCT Co., Ltd. ("BNCT") has been granted a concession from MLTM to construct, operate and manage Busan New Port Phase 2-3.
- (*13) Gyungsu Highway Co., Ltd. ("YSE") has the right to operate and manage Yongin-Seoul Expressway under the concession agreement with MLTM and commenced its operation on July 1, 2009.
- (*14) Seoul Metro Line 9 Co., Ltd. ("SM9") has the right to operate and manage Subway Line 9 under the concession agreement with Seoul City government and commenced its operation on July 24, 2009.
- (*15) In December 2007, the Company acquired 0.5% of the shares of BYT SPC for the purchase price of W50 thousand. The Company also provided Shinhan Bank with its equity shares in the BYT SPC as a pledge in relation to any potential loss which may arise due to BYTL's default on the loan.
- (*16) In April 2009, the Company acquired 0.5% of the shares of CN First Securitization Specialty Co., Ltd.
- (*17) In March 2010, the Company acquired 0.5% of the shares of CN Second Securitization Specialty Co., Ltd.
- (*18) The Company provided its equity shares as collaterals for subsidiaries' long-term debts (Note 9).

7. Transactions with Significantly Invested Companies and Supervisory Directors

(a) Details of significantly invested companies as of December 31, 2010, are as follows:

Significantly Invested Companies (*1)	Ownership (%)	Principal Business
Kwangju Beltway Investment Co., Ltd.	100	Operation of toll road
Kwangju Ring Road Co., Ltd.	75	Operation of toll road
Baekyang Tunnel Ltd.	100	Operation of tunnel
Cheonan Nonsan Expressway Co., Ltd.	60	Operation of toll road
Soojungsan Investment Co., Ltd.	100	Operation of tunnel
Private Infrastructure Investment Korea Co., Ltd.	100	Investment
Korea Road Infrastructure Investment Co., Ltd.	85	Investment
Daegu East Circulation Road Co., Ltd. (*2)	=	Operation of toll road
MCB Co., Ltd.	70	Operation of toll road

^(*1) SKAS 104 does not require disclosure of transactions and balances with related parties. However, in order to provide relevant information to the shareholders, the Company classifies the subsidiaries where greater than 50% equity shares are held as significantly invested companies, and discloses the transactions and balances with such entities.

 $(^*2)$ A wholly owned subsidiary of Korea Road Infrastructure Investment Co., Ltd.

(b) Significant transactions which occurred in the normal course of business with the significantly invested companies as of and for the years ended December 31, 2010 and 2009, are summarized as follows:

		Won (the	ousands	5)	U.S. dollars (note 2(b))
		2010		2009	2010
Statements of income:					
Interest income	₩	87,339,260	₩	90,865,271	\$ 76,687,383
Statements of financial position:					
Loans receivable		614,958,890		611,802,764	539,958,636
Interest receivable		151,356,955		156,580,669	132,897,493

(c) Compensation for the supervisory directors for the years ended December 31, 2010 and 2009, consists of:

	Won (thousands)					U.S. dollars (note 2(b))
		2010		2009		2010
Salaries	₩	144,000	₩	144,000	\$	126,438

8. Related Party Transactions and Balances with the Manager and its Associates

- (a) On December 13, 2002, the Company appointed Macquarie Shinhan Infrastructure Asset Management Co., Ltd. as the Company's Manager, with the terms of the appointment stipulated in a management agreement executed between the Company and the Manager. The management agreement was amended and restated on February 16, 2006 (the "Management Agreement"). Pursuant to the amended Management Agreement, the Company paid management fees and performance fees to the Manager on the following basis:
 - (i) Post-listing Management Fees: The Manager receives a fee, paid quarterly in arrears, calculated as a proportion of the net investment value and the commitments of the Company. The net investment value of the Company is the aggregate of the market value of the Company plus debt incurred by the Company less cash and cash equivalents (*) ("Net Investment Value"). Commitments represent the aggregate of amounts which the Company has firmly committed for future investments (other than cash and cash equivalents (*)). Each of the Net Investment Value and Commitments are calculated as at the end of each calendar quarter.
 - In relation to the Net Investment Value portion of the Post-listing Management Fees, the amount is calculated at the rate of 1.25% per annum of the Net Investment Value where Net Investment Value plus Commitments is less than or equal to \text{\$\psi\$}1.5 trillion, and 1.10% per annum for that part of the Net Investment Value where Net Investment Value plus Commitments exceeds \text{\$\psi\$}1.5 trillion.
 - In relation to the Commitments portion of the Post-Listing Management Fee, the amount is calculated at the rate of 1.15% per annum of Commitments where Commitments plus Net Investment Value is less than or equal to \(\psi 1.5\) trillion, and 1.05% per annum for that part of Commitments where Commitments plus Net Investment Value exceeds \(\psi 1.5\) trillion.
 - (*) Cash and cash equivalents include all cash and deposits held at the banks.
 - (ii) Post-listing Performance Fees: Post-listing Performance Fees are payable to the Manager quarterly, calculated as 20% of the out-performance (as measured by an accumulation index for shares over the last 15 trading days of each quarter) over an 8% per annum benchmark rate of return, after taking into account any deficit and surplus from previous periods.
 - (iii) Termination of Management Agreement: Under the terms of the Management Agreement, the Company may only terminate the agreement upon 90 days' written notice to the Manager and approval by the holders of at least two thirds of the Company's shares. However, if the Company terminates the Management Agreement for reasons other than willful misconduct, gross negligence by the Manager or underperformance, the Company is required to pay to the Manager an amount equal to:
 - three times the management fees paid to the Manager over the four quarters immediately preceding termination; and
 - if the Company was not listed, a listing performance fee assuming the Company had listed as at the time of termination; or
 - if the Company is listed, performance fees for the 12 quarters after termination as though the Manager was still engaged as the Manager and the Management Agreement was still operating.

8. Related Party Transactions and Balances with the Manager and Associates, Continued

- (b) As of December 31, 2010, the Company has the Korean Securities Finance Corporation and KEB Investor Services Co., Ltd. as its Custodian and Administrator, respectively. The Company also has Shinhan Investment Corp., Macquarie Securities Korea, Ltd., Hanwha Securities Co., Ltd., Samsung Securities Co., Ltd., Tong Yang Securities Inc. and Kyobo Securities Co., Ltd. as its Sales Agents. Pursuant to the relevant service provider agreements, the Company pays administrator fees, custodian fees and sales agent fees. The details are as follows:
 - (i) Custodian fees: 0.02% per annum of the average balance of the net asset value of the Company. This fee is paid in arrears on a quarterly basis.
 - (ii) Administrator fees: 0.0125% per annum of the average balance of the net asset value of the Company. This fee is paid quarterly in arrears.
 - (iii) Sales agent fees: According to sales agent agreements, no fee is payable.
- (c) Significant transactions and account balances which occurred with the Manager and its related parties as of and for the years ended December 31, 2010 and 2009, are summarized as follows:

			Won (the	usan	ids)	U	.S. dollars (note 2(b))
			2010		2009		2010
Significant transactions:							
Macquarie Shinhan Infrastructure Asset Management Co., Ltd.	Management fee	₩	22,891,440	₩	23,381,797	\$	20,099,605
Shinhan Bank	Cash and deposits		-		22,000,000		-
	Long-term debt		8,529,827		38,360,000		7,489,531
	Repayment of long-term debt		14,000,000		33,600,000		12,292,563
	Interest income		262,483		765,293		230,471
	Interest expense		7,173,601		6,429,072		6,298,710
	Upfront fee and other fees relative to the credit facility		196,685		4,815,084		172,697
Macquarie Capital Advisers Korea Co., Ltd. (*1)	Advisory fee		603,152		3,049,063		529,592
Account balances:							
Macquarie Shinhan Infrastructure Asset Management Co., Ltd.	Management fee payable	₩	5,958,632	₩	5,814,322	\$	5,231,919
Shinhan Bank	Cash and deposits		=		22,000,000		_
	Long-term debt (note 11)		100,954,191		106,424,364		88,641,839
	Other liabilities		693,542		647,305		608,958

^(*1) Shinhan Macquarie Financial Advisory Co., Ltd. has changed its name to Macquarie Capital Advisers Korea Co., Ltd. on August 20, 2010.

9. Pledged Assets and Guarantees Provided by Others

The following assets are pledged as collaterals for subsidiaries' long-term debts as of December 31, 2010:

			Won (the	ousands)	U.S. dollars (note 2(b))		
Pledged Assets	Lender	Borrower	Book value	Collateralized amount	Book value	Collateralized amount	
Equity securities:							
MCB Co., Ltd.	Kookmin Bank and others	MCB Co., Ltd.	₩ 33,925,040	₩201,500,000	\$ 29,787,549	\$176,925,103	
Cheonan-Nonsan Expressway Co., Ltd.	Korea Development Bank, CNE Securitization Specialty LLC and Shinhan Bank	Cheonan-Nonsan Expressway Co., Ltd.	93,815,061	1,144,000,000	82,373,396	1,004,478,005	
Woomyunsan Infraway Co., Ltd.	Shinhan Bank and others	Woomyunsan Infraway Co., Ltd.	2,723,725	187,070,000	2,391,540	164,254,983	
Seoul-Chuncheon Highway Co., Ltd.	Kookmin Bank and others	Seoul-Chuncheon Highway Co., Ltd.	49,439,043	1,300,000,000	43,409,468	1,141,452,279	
Busan New Container Terminal Co.,Ltd.	Kookmin Bank and others	Busan New Container Terminal Co.,Ltd.	45,643,656	800,800,000	40,076,965	703,134,604	
Gyungsu Highway Co.,Ltd	Korea Development Bank and others	Gyungsu Highway Co.,Ltd	58,361,765	471,900,000	51,243,977	414,347,177	
			₩283,908,290	₩4,105,270,000	\$ 249,282,895	\$3,604,592,151	

10. Other Liabilities

Other liabilities as of December 31, 2010 and 2009, are as follows:

			Won (the	ousands)	U.S. do	ollars (note 2(b))
		2010		2009		2010
Administrator fee payable	₩	52,826	₩	74,074	\$	46,383
Custodian fee payable		84,522		84,656		74,214
Interest payable		2,438,074		2,281,737	2	2,140,727
Accrued expenses		78,241		97,800		68,699
Advance receipt		-		75,447,000		-
	₩	2,653,663	₩	77,985,267	\$ 2	2,330,023

11. Long-Term Debts

a) On December 31, 2010, the Company entered into a corporate credit facility agreement ("Facility") with Lenders for a limit of \\ \psi 500,000\ million. Detail terms and conditions of the Facility are as follows:

	Tranche A	Tranche B
Lenders	Shinhan Bank and others	Tongyang Life Insurance and others
Credit limit	₩ 430,000 million	₩ 70,000 million
Drawdown as of December 31, 2010	₩ 310,074 million	₩ 50,477 million
Interest rate (*1)	Base rate + 4%	7.2%
Maturity (*2)	November 30, 2014	November 30, 2014

- (*1) The base rate is the arithmetic average of the 91-day Negotiable Certificate of Deposit rates (provided by Korea Financial Investment Association) quoted on each of the three consecutive banking days immediately prior to the first day of each interest period. Interest accrued during each interest period may be paid or capitalized, at the election of the Company, on each interest payment date.
- (*2) Related to the Facility, the Company and Lenders agreed to extend maturity date from May 17, 2012 to November 30, 2014. The Company paid the fee of 1.5% (W7,500 million) of the facility limit to Lenders. The Company is able to make an early repayment of the facility drawn down. Also, the Company is able to redraw any early repaid amount.
- b) Long-term debts as of December 31, 2010 and 2009, are as follows:

	Won (thousands)	Won (thousands)					U.S. dollars (note 2(b))
	Limit of the Facility	Annual Interest Rate ^(*)		2010		2009	2010
Shinhan Bank	₩ 140,000,000	6.8	₩	100,954,191	₩	106,424,364	\$ 88,641,839
National Agricultural Cooperative Federation (NACF)	140,000,000	6.8		100,954,191		106,424,364	88,641,839
Woori Bank	110,000,000	6.8		79,321,150		83,619,143	69,647,160
Tong Yang Life Insurance Co., Ltd.	60,000,000	7.2		43,266,082		45,610,442	37,989,360
Shinhan Life Insurance Co., Ltd.	30,000,000	6.8		21,633,041		22,805,221	18,994,680
LIG Insurance Co., Ltd.	20,000,000	6.8-7.2		14,422,026		15,203,480	12,663,119
	₩ 500,000,000		₩	360,550,681	₩	380,087,014	\$ 316,577,997

12. Distributions

The Company paid cash distributions amounting to \$106,067 million and \$150,649 million in 2010 and 2009, respectively. Also, stock dividends of \$39,455 million was distributed in 2009.

13. Other Expenses

Other expenses for the years ended December 31, 2010 and 2009, are as follows:

		Won (tho	U.S. dollars (note 2(b))			
		2010		2009		2010
Amortization of deferred costs	₩	414,814	₩	518,848	\$	364,223
Service fees related to the corporate credit facility		1,944,483		370,121		1,707,334
Service fees (*1)		3,377,178		5,890,051		2,965,299
	₩	5,736,475	₩	6,779,020	\$	5,036,856

^(*1) In 2009, the advisory fees of ₩1,452 million paid to Macquarie Capital Advisers Korea Co., Ltd. are included.

14. Income Taxes

As long as the Company distributes 90% or more of its distributable income in the form of a distribution to its shareholders, such distributions are deducted from taxable income under the Corporate Income Tax Law.

For the years ended December 31, 2010 and 2009, the Company did not pay income taxes because it deducted distributions from taxable income by distributing 90% or more of its distributable income.

15. Insurance

As of December 31, 2010, the Company carries directors & officers compensation liability insurance amounting to \$\psi_20,000\$ million with American Home Assurance Company Korea and Hyundai Marine & Fire Insurance Co.,Ltd.

16. Net Asset Value Per Share

Net asset value per share as of December 31, 2010 and 2009, is as follows:

	٧	Won (thousands, except s	U.S. dollars (note 2(b))			
		2010		2009		2010
Total assets	₩	2,064,940,571	₩	2,154,295,592	\$	1,813,100,861
Total liabilities		369,163,883		463,893,939		324,140,735
Net assets		1,695,776,688		1,690,401,653		1,488,960,126
Number of outstanding shares		331,459,341		331,459,341		331,459,341
Net asset value per share in Won and U.S. dollar	₩	5,116	₩	5,100	\$	4.49

17. Earnings Per Share

Earnings per share for the years ended December 31, 2010 and 2009, is calculated by dividing net income by the weighted-average number of shares outstanding as follows:

	V	Von (thousands, except :	U.S. dollars (note 2(b))			
		2010		2009		2010
Net income per accompanying statements of income	₩	111,442,024	₩	100,223,063	\$	97,850,579
Weighted-average number of shares outstanding (*1)		331,459,341		331,459,341		331,459,341
Earnings per share in won and U.S. dollars	₩	336	₩	302	\$	0.295

^(*1) Weighted average number of shares outstanding for the years ended December 31, 2010 and 2009, is as follows:

	Sile	1163
	2010	2009
Beginning of the year Stock dividends	331,459,341 -	323,490,204 7,969,137
Weighted-average number of shares outstanding	331,459,341	331,459,341

18. Non-Cash Transactions

Non-cash transactions occurred for the years ended December 31, 2010 and 2009 are as follows:

		Won (thousands)			U.S. dollars (note 2(b))
		2010		2009	2010
Stock dividends	₩	-	₩	39,455,198	\$ -

19. Commitments

Commitments as of December 31, 2010, are as follows:

Invested Assets		V	U.S. dollars (note 2(b))		
	٦	otal Commitment	Investment	Remaining Commitment	Remaining Commitment
BNCT Co., Ltd Equity (*1)	₩	66,420,000 ₩	45,015,600 ₩	21,404,400 \$	18,793,924
BNCT Co., LtdSubordinated loan (*1)		193,000,000	135,329,000	57,671,000	50,637,457
	₩	259,420,000 ₩	180,344,600 ₩	79,075,400 \$	69,431,381

^(*1) As of December 31, 2010, the Company has purchased 30% of the equity shares in BNCT Co., Ltd ("BNCT"), amounting to \$\psi 45,016\$ million. On December 31, 2007, the Company entered into a revised shareholders' agreement in which the Company will invest \$\psi 66,420\$ million in BNCT. The Company's investment will take place over the construction period, ending in late 2011. On December 31, 2007, the Company entered into a subordinated loan agreement with BNCT to lend \$\psi 193,000\$ million over the construction period of four years. The interest rate of the loan is 10% per annum during the construction period and it increases to 12% per annum thereafter. As of December 31, 2010, outstanding loan amounts to \$\psi 135,329\$ million.

Corporate directory

Manager of MKIF

Macquarie Shinhan Infrastructure Asset Management Co., Ltd.

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Korea Securities Finance Corp.

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MANAGEMENT FEE

MSIAM, as the manager for MKIF, is entitled to a management fee.

FINANCIAI STATEMENTS

The financial statements have been prepared in compliance with Korean Generally Accepted Accounting Principle (GAAP) and Applicable Korean Law.

COMPLAINTS HANDLING

If you have any enquiries or complaints, please contact:

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