

Part 6 Business Report





"A Leading Service Business Group in the 21st Century"

33rd BUSINESS REPORT

As of and for the years ended December 31, 2003



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I. Progress and results of operation

General Situation of Business

Good morning, distinguished shareholders of Paradise Co. Ltd.

On behalf of all employees of Paradise, I would like to offer special thanks to shareholders for joining the 33rd annual shareholders meeting amid your busy schedule.

Last year, the global economy showed growth recession while the domestic economy suffered from shrinking investment and delayed recovery of domestic demand that were caused by changing external factors including SARS; the North Korean Nuclear Issue; & Iraqi War. More than anything else, the damage that SARS did to the tourism industry at home was deep, which led heaps of companies to the question of existence. Despite the worst management environment, after all employees of Paradise put our heart & soul, the company achieved the average performance. This performance can be attributed to solid structure of earnings, based on differentiated VIP marketing and the company's firm growth base through profit-centered management.

Specifying the performance of last year,

First, we produced 230.6 billion won in sales and 52.3 billion won in operating income. In terms of performance, there is a slight fall from the previous year, but the performance based on the internal & external assessment chalked up almost growth, considering the heavy blow that SARS & others struck to the tourism industry. In fact, following the 3rd quarter when SARS threat died away completely, the recovering performance resulted in real growth in the 4th quarter.

As a result, the performance in the 4th quarter of last year posted 59.86 billion won in sales, up 5.9% over the 4th quarter of the previous year, while operating income and ordinary income recorded 24.3% increase, 11,599 million won and 25.6% increase, 15,274 million won respectively. Net profit showed 8.0 % increase over the same period of the previous year.

Secondly, last year witnessed foreign investors' mounting concerns over Paradise, through the successful IR fair abroad. In the 2nd half of last year, at IR fairs in London, New York, foreign investors acclaimed the financial strength & shareholder-oriented policy of the company. The IR fair led foreign investors to continue to buy our shares until recently and boost the stock price of Paradise. The company has a plan to invite foreign investors actively through regular IR fairs and will pay attention to profitability.

Third, the company is thinking of one of the management performance last year as steady shareholder-focused policy. We carried out a shareholder-oriented policy worth a total of 30 billion won, such as about 10 billion won of cash dividend early last year; cancellation by profit worth about 12 billion won through the buying of treasury shares; special money trust for treasury shares worth 8 billion won. This can be translated into keeping the promise of realizing shareholders' interests that we have emphasized so far, just after entering KOSDAQ.

In a sense that amid support & concerns of the shareholders, the company returns the profits achieved to the shareholders once again, we decided the dividend of the 33rd fiscal year as 200 won per share, 60% increase from the previous year. More than anything else, in the 32nd fiscal year, following the differentiated dividend of the largest shareholders 20% & minority shareholders 25%, the company allotted the differentiated dividend of the largest shareholders 35% & minority shareholders 40%. It is a valuable outcome that we have adhered to the preferred differentiated dividend policy continuously. Because encouragement & interests of the shareholders has been with us, Paradise Co. Ltd. achieved such a remarkable performance despite difficult management conditions at home & abroad. All employees of Paradise offer warm-hearted thanks to all shareholders once again.

Dear shareholders!

Despite gradual recovery of the global economy, the prospect of management environment cannot be so optimistic this year. Worsening conditions of the domestic economy caused by slackened consumption & investments is expected to become another variable.

Amid obscure economic situations, however, the Japanese economy has recovered from the long-term economic recession and is returning to recovery, while the Chinese economy is showing a steep rising trend. That news suggests a new hope to Paradise Co. Ltd. As a matter of fact, Japanese customers are steadily on the rise, posting the lowest score in the 2nd quarter of last year, while Chinese customers are skyrocketing together with eye-opening economic growth. Recent strong yen against won & the possibility of appreciation in Yuan of China is forecasted to have a positive impact on our performance. With such a pride to have accomplished such a significant result amid the worst management situation last year, all employees of Paradise promise to make the company more competitive this year. We also promise to share the performance based on profit-centered management with the shareholders. In 2004, we would like you to give the company infinite concerns & support and always wish your home good health & luck. Thank you.

March 19, 2004

President of Paradise Co. Ltd.

II. General condition of the Company

Object of the Company

- | | |
|---|--|
| 1. Activities of Travel Agencies | 2. Retail Sale of Gifts, Novelties and Souvenirs |
| 3. Retail Sale of Duty Free Goods | 4. Casino Activities |
| 5. Research and Development of tourist enterprise | 6. Tourist Accommodation |
| 7. Activities of Leisure industry | 8. Trade and Renting of Real Estate Activities |
| 9. Guard and Other Protective Services | 10. Agriculture and Forestry and Farming of Animals |
| 11. Delivery of Goods | 12. Domestic Agency of a Foreign Firm |
| 13. Hotels and Restaurants | 14. Operation of Vehicle Parking Facilities |
| 15. Adult and Other Education n.e.c. | 16. Educational Institute |
| 17. Travel Agencies and Other Tourist Assistance Activities | 18. International Conference Agencies |
| 19. Research and Development of Internet Information | 20. Electronic Commerce Via On-Line and Brokerage |
| 21. Business and Management Consultancy Activities | 22. Any and all business which are incidental to any of the forgoing objects |

State of main business Casino and Renting of Real Estate

State of business office

Name of business office	Main business	Location
Head Quarter	Casino and Renting of Real Estate	186-210 2-ga, Jangchung-dong, Jung-gu, Seoul
Branch (Walkerhill)		San 21 Kwangjang-dong, Kwangjin-gu, Seoul
Branch (Hanwool) besides 3		148-6 Kwangjang-dong, Kwangjin-gu, Seoul

State of employees

(Unit : Persons)

Classification		Head Quarter	Branch	Total
Marketing Planning R&D Support	Male	58	60	118
	Female	14	16	30
	Sub total	72	76	148
Operation	Male		399	399
	Female		361	361
	Sub total		760	760
Total	Male	58	459	517
	Female	14	377	391
	Sub total	72	836	908

Note) Including part-timer

Matters about stocks

- Class and number of issued stock

Classification	Number (share)	Amount (KRW)	Ratio (%)	Reference
common stock	90,942,672	47,032,355,000	100	₩ 500/share

- Fluctuation state of the capital

(Unit : 1,000 shares, KRW mil)

Date	Classification	Additional number	Additional amount	Capital after increase	Increasing contents
72. 4. 27	Commonstock	10	5	5	initial paid-in-Capital
75. 2. 25	Commonstock	90	45	50	Paid in capital increase
81. 1. 15	Commonstock	100	50	100	Paid in capital increase
81. 3. 16	Commonstock	200	100	200	Paid in capital increase
82. 3. 25	Commonstock	40	20	220	Paid in capital increase
83. 6. 20	Commonstock	300	150	370	Paid in capital increase
84. 8. 2	Commonstock	260	130	500	Paid in capital increase
84. 12. 20	Commonstock	1,000	500	1,000	Paid in capital increase
87. 5. 13	Commonstock	△1,000	-	1,000	Consolidation of stocks
87. 5. 13	Commonstock	2,050	2,050	3,050	Merger
87. 6. 12	Commonstock	1,370	1,370	4,420	Paid in capital increase
87. 7. 18	Commonstock	△ 420	△420	4,000	Reduction of capital w/o refund
87. 8. 18	Commonstock	△ 3,600	-	4,000	Consolidation of stocks
88. 12. 29	Commonstock	600	6,000	10,000	Capital Increase w/o payment
91. 2. 7	Commonstock	300	3,000	13,000	Paid in capital increase
91. 10. 24	Commonstock	300	3,000	16,000	Paid in capital increase
92. 3. 18	Commonstock	200	2,000	18,000	Paid in capital increase
92. 5. 6	Commonstock	74	740	18,740	Paid in capital increase
99. 9. 29	Commonstock	35,606	-	18,740	Stock Split
99. 10. 6	Commonstock	37,480	18,740	37,480	Capital increase w/o payment
02. 10. 31	Commonstock	18,740	9,370	46,850	Initial Public Offering
02. 12. 16	Commonstock	364	182	47,032	Converted convertible bond
03. 05. 30	Commonstock	△1,408	-	47,032	Stock cancellation by profit
03. 12. 19	Commonstock	△1,714	-	47,032	Stock cancellation by profit

- Stock affairs

Closing date	December 31
Convening of the General shareholders meeting	In 3months after closing date
Suspension period of the register of shareholders	January 1 ~ January 31
Public notice newspaper	Korean Economic Daily and Chosun Daily
Denomination of share certificates	1, 5, 10, 50, 100, 500, 1,000, 10,000 stockholder's right (8kinds)
Transfer agent	Name : Korea Securities Depository Address : 34-6, Yoido-dong, Youngdungpo-gu, Seoul
Privilege for stock	None

Matters about bonds

(Unit : KRW mil)

Classification	The date of issue	Issued amount	Interest rate	Residual amount	The date of maturity
Overseas CB	1999.10.12	30,393	Zero coupon (YTM 11%)	24,071	2004.10.12
Total		30,393		24,071	

Number of customers and sales

(Unit : persons, KRW Mil)

Main Business	33rd		32nd		31st	
	Number of customers	Sales	Number of customers	Sales	Number of customers	Sales
Casino	386,047	230,640	378,871	239,093	410,614	219,118

Sales Breakdown by Games

(Unit : KRW Mil)

Classification	33rd	32nd	31st
	Sales	Sales	Sales
Bacarrat	141,107	148,653	123,125
Blackjack	40,049	42,310	49,093
Roulette	25,114	25,058	26,348
Others	12,531	10,774	8,386
Slotmachine	11,839	12,298	12,166

New Equipments

Operating new games

- 7 Video poker
- Three card poker, Three card bacarrat



III. Parent company, subsidiary company and interlocking of the Company etc.

State of parent company

"Not relevant"

State of subsidiary company

(Unit : thousand Kenya shilling, thousand yen, KRW Mil)

Subsidiary company				Relation of the Company		
Name	Location	Capital	Main Business	Number of Shares	Ratio	Transaction with the Company
Paradise Safari Park Ltd.	Nairobi, Kenya	KSH 1,500	Hotel	74,998	99.99%	None
Paradise inv & Dev, Kenya Ltd.	Nairobi, Kenya	KSH 400	Casino	16,998	84.99%	None
Paradise International Ltd.	Tokyo, Japan	¥80,000	Marketing	1,600	100.00%	₩3,835

Concurrent position state of parent and subsidiary company

Director		Company	
Name	Position	Name	Position
Rak Won CHUN	Chairman	Paradise Safari Park Ltd.	Director
		Paradise Inv & Dev, Kenya Ltd.	Director

IV. Operation results and financial condition for recent 3years

Operation results (Income statement)

(as of December 31, 2003)

Item	(Unit : KRW Mil)		
	33rd	32nd	31st
1. Sales	230,640	239,093	219,118
2. Cost of Sales	155,320	158,440	150,951
3. Gross Profit	75,320	80,653	68,167
4. SG&A Expense	23,064	20,093	18,995
5. Operating Income	52,256	60,560	49,172
6. Non-Operating Income	23,174	23,608	24,731
7. Non-Operating Expense	8,879	16,326	17,379
8. Ordinary Income	66,551	67,842	56,524
9. Income before Taxes	66,551	67,842	56,524
10. Income Taxes Expense	22,369	22,362	19,785
11. Net Income	44,182	45,480	36,739

Financial condition (Balance sheet)

(as of December 31, 2003)

Item	(Unit : KRW Mil)		
	33rd	32nd	31st
1. Current Assets	263,050	268,618	193,125
2. Fixed Assets	164,157	160,227	148,635
Total Assets	427,207	428,845	341,760
1. Current Liabilities	80,090	44,202	93,013
2. Fixed Liabilities	16,020	67,269	53,082
Total Liabilities	96,110	111,471	146,095
1. Capital stock	47,032	47,032	37,480
2. Capital Surplus	68,865	68,865	1,391
3. Retained Earnings	220,686	199,019	153,847
(Net Income)	(44,182)	(45,480)	(36,739)
4. Capital Adjustments	-5,486	2,458	2,947
Total Shareholders' Equity	331,097	317,374	195,665
Total Liabilities and Shareholders' Equity	427,207	428,845	341,760

V. Assignment of the Company

The reporting matters were included to and stated in 'Progress and results of operation'

VI. Present state of directors and auditors

(As of December 31, 2003)

Classification	Name	Position	Transaction with the Company	Reference
Standing	Rak Won CHUN	Chairman	None	
Standing	Sung Taek KIM	CEO	None	
Standing	Kyoung Mo SIM	CEO	None	
Standing	Phillip CHUN	CEO	None	
Standing	Hee Joo KIM	Vice President	None	
Standing	Pyung Yong PARK	CFO	None	
Not standing	See Gwaun JANG	Outside Directo	None	
Not standing	Sung Tae YOON	Outside Directo	None	
Not standing	Ilh Doo KIM	Outside Directo	None	
Not standing	Yun Hwan SUNG	Outside Directo	None	
Standing	Han Sung RHO	Standing Auditor	None	
Not standing	Dae Min SHIM	Not standing Auditor	None	

VII. Present state of major shareholders

As of December 31, 2003 (Unit : shares, KRW Mil)

Name	Number of shares	Ratio	Transaction with the Company	Reference
Rak Won CHUN	24,086,000	26.48%	-	
Paradise Pusan Co., Ltd	23,040,000	25.34%	3	Sharing house organ expenses
Paradise Construction Ind Co., Ltd	10,460,800	11.50%	2	Sharing house organ expenses
The Kaywon Edu Foundation	3,720,000	4.09%	-	
Sung Jin KIM	1,499,200	1.65%	-	
Total	62,806,000	69.06%	5	

VII. Investment state for the Company and subsidiary company or subsidiary company of the Company

(Unit : shares)

Name	Investment company (The Company or subsidiary company)	Investment to other company		Other company invest to the Company	
		Number of shares	Ratio	Number of shares	Ratio
Paradise Duty Free Shop	Paradise	500,000	48,78%	-	-
Paradise Jeju	Paradise	125,000	20,00%	-	-
Paradise Construction Ind. Co., Ltd	Paradise	400,000	10,75%	10,460,800	11,50%
Paradise Hotel Busan	Paradise	789,999	29,26%	-	-
Paradise Safari Park Ltd.	Paradise	74,998	99,99%	-	-
Paradise Inv & Dev. Kenya Ltd.	Paradise	16,998	84,99%	-	-
Cymon	Paradise	52,500	19,09%	-	-
Paradise Media Art	Paradise	80,000	40,00%	-	-
Paradise International	Paradise	1,600	100,00%	-	-

IX. Main creditor etc.

(Unit : KRW Mil)

Name	Amount	Number of shares	Ratio	Reference
Woori Bank	2,711	-	-	
Total	2,711	-	-	

X. Important matters occurred after the accounting period

“ Not relevant ”

XI. Other matters acknowledged important related to operation

“ Nothing to report ”

