

Part 6 Business Report





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

34th BUSINESS REPORT

As of and for the years ended December 31, 2004



Contents

I. Progress and results of operation	28
II. General condition of the Company	30
III. Parent company, subsidiary company and interlocking of the Company etc.	33
IV. Operation results and financial condition for recent 3years	34
V. Assignment of the Company	35
VI. Present state of directors and auditor	35
VII. Present state of major shareholders	35
VIII. Investment state for the Company and subsidiary company or subsidiary company of the Company	36
IX. Main creditor etc	36
X. Important matters occurred after the accounting period	36
XI. Other matters acknowledged important related to operation	36



I. Progress and results of operation

General Situation of Business

Honorable shareholders of Paradise!

On behalf of all officers and employees of Paradise, I would like to express my gratitude for sparing your precious time to attend the 34th general meeting of shareholders.

Year 2004 marked a strong recovery of the domestic export industry, with the global economy seeing steady growth. However, with the situation still raging in Iraq, escalating terrorist threats around the world, high oil prices, the North Korean nuclear standoff and the appreciation of the Korean won as a result of the weakening U.S. dollar have significantly dampened domestic capital investments. Domestic civilian consumption fell 0.8% from 2003, registering a negative growth for seven consecutive quarters. Thus, Year 2004 witnessed polarizing fortunes between exports and domestic consumption. The domestic casino industry paid stronger attention than ever to strengthening its competitive edge to gear up for the era of fierce competition in accordance with the government's adoption of the policy to authorize the opening of new casinos in Seoul and Busan.

Despite such rapid changes in both internal and external business environments, all officers and employees of Paradise exerted a concerted effort and as a result, accomplished the best ever business performance. This validates the Company's sound profit-making structure based on customized VIP marketing, which will continue to serve as the driving force behind the stable growth of the Company in the upcoming era of fierce competition.

I would like to take this opportunity to present a brief explanation of the Company's outstanding business performance in 2004.

First, the Company recorded KRW243.2 billion in revenues, up 5.4% from the preceding year while its ordinary income and net income rose 27.6% and 45.4%, respectively, to KRW84.9 billion and KRW64.2 billion. Its operating income remained at an average level of KRW50.8 billion.

In the fourth quarter of 2004, the immediately preceding quarter, the Company registered KRW63.95 billion in revenues, up 6.8% from the same period of the previous year and KRW13.787 billion in net income, up 56.7%. Thus, it is anticipated that the Company's business performance will continue to remain on track in 2005 as well.

Second, foreign investors' interest in the Company heightened last year. Foreigners' shareholding ratio stood at about 1% early last year, but rocketed to approximately 16% now, which attests to the foreign investors' increasing trust in the Company's stable business performance. We plan to proactively attract foreign investments based on consistent overseas investor relations events. In addition, we will hold corporate presentations targeting domestic investors on a regular basis, to stimulate public relations of the Company as well as to promote its sound management.

Third, the Company made steady efforts to put shareholders' interest above that of management. This is very meaningful because it means that the Company has kept its promise to attain profits for shareholders, a goal that has been constantly underscored since listing of its stocks on the KOSDAQ.

The Company made the decision to increase dividends for its 34th Fiscal Year by 12.5% from the preceding year to KRW225 per share. In particular, following its implementation of differential dividend payment of 40% for minority shareholders and 35% for major shareholders in the 33rd Fiscal Year, the Company distributed such differential dividends of 45% for minority shareholders and 40% for major shareholders. It is most significant that the Company has abided by the principle of paying preferential dividends to minority shareholders.

Behind such progress achieved by Paradise in spite of the harsh domestic and overseas business environment were the keen attention and encouragement from the shareholders. I would like to take this occasion to once again express my sincere gratitude to you.

Dear shareholders!

The prospect of the Korean economy is still dim for 2005 because of potentially significant changes in the external environment that might be triggered by the North Korean nuclear standoff, high oil prices, dynamics of the Chinese economy and the declining value of the U.S. dollar. The constantly changing domestic and overseas business environment as well as the advent of an era of fierce competition resulting from the opening of new casinos will present us with fresh challenges.

However, the possibility that the Chinese economy will continue to grow rapidly for the time being while the Chinese yuan appreciates in line with the U.S. effort to eliminate its trade deficits against China and the so-called Hanryu (explosive popularity of Korean entertainers) sweeping across all Asia give us new hope.

To brace for the uncertainties in the business environment and intensifying competition, Paradise will further spur its VIP marketing and cement its position as an industry leader on the basis of its competitiveness and know-how accumulated over the past 30 years. In addition, Paradise will strive to find an engine for new growth by endeavoring to develop marketing strategies that keep abreast with the recently mounting Hanryu.

We assure you that we will double our efforts to generate profits based on sound management of the Company this year and do our best to realize maximum gains for shareholders.

I ask for your continued interest and support for the Company in 2005. I wish you and your family good health and everlasting happiness.

Thank you.

March 18, 2005

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	69	127
	Female	15	20	35
	Sub total	73	89	162
Operation	Male		393	393
	Female		393	393
	Sub total		786	786
Total	Male	58	462	520
	Female	15	413	428
	Sub total	73	875	948

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

"Not relevant"

Number of customers and sales

(Unit : persons, KRW Mil)

Main Business	34th		33rd		32nd	
	Number of customers	Sales	Number of customers	Sales	Number of customers	Sales
Casino	374,939	243,192	386,047	230,640	378,871	239,093

Sales Breakdown by Games

(Unit : KRW Mil)

Classification	34th	33rd	32nd
	Sales	Sales	Sales
Bacarrat	136,273	141,142	148,653
Blackjack	47,051	40,049	42,310
Roulette	29,340	25,114	25,058
Others	15,921	12,496	10,774
Slotmachine	14,607	11,839	12,298

New Equipments

(Unit : KRW Mil)

Facility	Acquisition Cost	Financing	Reference
Slotmachince & Others	1,630	Own Capital	



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 Co., Ltd.	Tokyo, Japan	¥80,000	Marketing	1,600	100.00%	KRW 3,316
Paradise Hotel Dogo Co., Ltd.	Dogo	KRW 7,000	Hotel	980,000	70.00%	KRW 4,272

Concurrent position state of parent and subsidiary company

"Not relevant"

IV. Operation results and financial condition for recent 3years

Operation results (Income statement)

(For the years ended December 31, 2004 & 2003 & 2002)

Item	(Unit : KRW Mil)		
	34th	33rd	32nd
1. Sales	243,192	230,640	239,093
2. Cost of Sales	166,144	155,320	158,440
3. Gross Profit	77,048	75,320	80,653
4. SG&A Expense	26,291	23,064	20,093
5. Operating Income	50,757	52,256	60,560
6. Non-Operating Income	43,295	25,202	23,608
7. Non-Operating Expense	9,104	10,907	16,326
8. Ordinary Income	84,948	66,551	67,842
9. Extraordinary gain	7,783	-	-
10. Extraordinary loss	-	-	-
11. Income before Taxes	92,731	66,551	67,842
12. Income Taxes Expense	28,501	22,369	22,362
13. Net Income	64,230	44,182	45,480

Financial condition (Balance sheet)

(As of December 31, 2004 & 2003 & 2002)

Item	(Unit : KRW Mil)		
	34th	33rd	32nd
1. Current Assets	233,221	263,050	268,618
2. Fixed Assets	216,508	164,157	160,227
Total Assets	449,729	427,207	428,845
1. Current Liabilities	46,318	80,090	44,202
2. Fixed Liabilities	13,889	16,020	67,269
Total Liabilities	60,207	96,110	111,471
1. Capital stock	47,032	47,032	47,032
2. Capital Surplus	70,057	68,865	68,865
3. Retained Earnings	268,406	220,686	199,020
(Net Income)	(64,230)	(44,182)	(45,480)
4. Capital Adjustments	4,027	△5,486	2,457
Total Shareholders' Equity	389,522	331,097	317,374
Total Liabilities and Shareholders' Equity	449,729	427,207	428,845

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

(Unit : KRW Mil)

Classification	Name	Position	Transaction with the Company	Reference
Standing	Phillip CHUN	Vice Chairman & CEO	None	
Standing	Dae Min SHIM	CEO	None	
Standing	Ho Suk CHOO	CEO	None	
Standing	Hee Joo KIM	Vice President	None	
Standing	Pyung Yong PARK	CFO	None	
Not standing	See Kwon JANG	Outside Director	27	Rental
Not standing	Sung Tae YOON	Outside Director	None	
Not standing	Ihl Doo KIM	Outside Director	None	
Not standing	Yun Hwan SUNG	Outside Director	None	
Standing	Han Sung RHO	Standing Auditor	None	

VII. Present state of major shareholders

As of December 31, 2004 (Unit : shares, KRW Mil)

Name	Number of shares	Ratio	Transaction with the Company	Reference
Paradise Pusan Co., Ltd.	34,000,000	37.39%	None	
Paradise Construction Industrial Co., Ltd.	6,810,800	7.49%	None	
The Kaywon Edu. Foundation	3,720,000	4.09%	987	Donation
Won Mee CHUN	3,000,000	3.30%	None	
Ji Hae CHUN	1,725,264	1.90%	None	
Sung Jin KIM	1,499,200	1.65%	None	
Paradise Welfare Foundation	834,000	0.92%	847	Donation 752 Rental 95
Phillip CHUN	243,420	0.27%	None	
Total	51,832,684	57.01%	1,834	

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 Jeju Co., Ltd.	Paradise	125,000	20.00%	-	-
Paradise Construction Industrial Co., Ltd.	Paradise	979,600	26.33%	6,810,800	7.49%
Paradise Hotel Busan Co., Ltd.	Paradise	889,999	32.96%	-	-
Paradise Industry Co., Ltd.	Paradise	1,200,000	10.79%	-	-
Paradise Hotel Dogo Co., Ltd.	Paradise	980,000	70.00%	-	-
Paradise Safari Park Ltd.	Paradise	74,998	99.99%	-	-
Paradise Inv. & Dev. Kenya Ltd.	Paradise	16,998	84.99%	-	-
Cymon, Inc.	Paradise	52,500	19.09%	-	-
Paradise Media Co., Art	Paradise	80,000	40.00%	-	-
Paradise International Co., Ltd.	Paradise	1,600	100.00%	-	-

IX. Main creditor etc.

(Unit : KRW Mil)

Name	Amount	Number of shares	Ratio	Reference
Woori Bank	661	-	-	
Total	661	-	-	

X. Important matters occurred after the accounting period

“Not relevant”

XI. Other matters acknowledged important related to operation

“Not relevant”

