

Paradise will strive to find a new growth engine and vision as an industry leader backed by its competitiveness and know-how accumulated over the past 30 years.



## Contents

- 01 Progress and results of operation
- 02 General condition of the Company
- 03 Parent company, subsidiary company and interlocking of the Company etc.
- 04 Operation results and financial conditions for 3 recent years
- 05 Assignment of the Company
- 06 Present state of directors and auditor
- 07 Present state of major shareholders
- 08 Investment state for the Company and subsidiary company or subsidiary company of the Company
- 09 Main creditor etc
- 10 Important matters occurred after the accounting period
- 11 Other matters acknowledged important related to operation

## Progress and results of operation



### General Situation of Business

Honorable Shareholders of Paradise!

On behalf of employees of Paradise, I would like to extend my heartfelt gratitude for sparing your precious time to attend the 35th ordinary general meeting of shareholders.

The year 2005 was an eventful year both at home and abroad. The global economy remained listless with investments weighed down by high oil prices and interest rates. Faced with numerous disasters including earthquakes, tidal waves and outbreak of the avian influenza, the global business environment is fraught with even more uncertainties now. Domestically, slumping corporate facility investments and public consumption are holding back economic recovery. Moreover, instability in the employment market, including high unemployment rate among the youth, is aggravating the polarization of society.

Despite such strains on the business environment at home and abroad, the concerted effort of all employees of Paradise led to the attainment of the highest level of revenues in its history. This demonstrates that the Company is operating under a sound profit-making structure anchored on differentiated VIP marketing, which will certainly serve as the driving force behind the stable growth of the Company in the upcoming era of cutthroat competition.

Major achievements of the Company in 2005 are outlined as follows:

First, the Company recorded KRW 271.7 billion in revenues, up 12% from the preceding year and KRW 53.3 billion in operating income, up 5% from the previous year. Its ordinary income and net income stood at KRW 64.5 billion and KRW 40.7 billion, respectively. In the fourth quarter of 2005 alone, the Company recorded KRW 71.6 billion in revenues, up 12% from the same period of the previous year. There was also a slight increase in its operating income, compared to the same period of the previous year.

Second, renovation of the Company's casino facilities was rapidly concluded in the face of full-swing competition in the casino industry. Besides, the Company exerted all possible efforts to enhance its service competitiveness. Equipped with more pleasant facilities and more diverse game equipments, the Walker Hill Casino, which was reopened last January, cemented its position as the country's finest casino both in repute and reality. In addition, the Company endeavored to expand the customer base by enhancing the convenience of VIP customers to the utmost possible extent and enlarging the space for group tours.

Third, the Company produced such tangible outcome as establishment of its Tokyo Branch by aggressively advancing into new business territories, which will provide new momentum for growth of the Company. Paradise's Tokyo Branch is expected to generate new profits by cashing in on the "hallyu" (the Korean Wave or explosive popularity of the Korean pop

culture) sweeping the Asian markets including Japan and developing the "culture of traditional Korean cuisines" into marketable products.

Honorable shareholders!

Your warm support and encouragement made these achievements possible in spite of difficult business environments at home and abroad.

As in the previous year, the Company accordingly plans to implement differentiated dividend payments in favor of minority shareholders in recognition of your constant affection and support : 45% for ordinary shareholders and 40% for major shareholders. The Company will do its best to maximize shareholders' wealth by continuously employing a shareholder-focused management policy.

I would like to take this opportunity to express my deep gratitude for your support once again.

Buoyed by the trend of recovery by the global economy, it is anticipated that the year 2006 will witness a slow upward trend in the domestic economy, with public consumption and facility investments leading the way. However, it is likely that an extremely unpredictable business environment will unfold due to high oil prices and growing volatility concerning the foreign exchange rate. Especially, intensified competition in the casino industry, the core business of the Company, will pose a tough challenge to the competitiveness this year.

However, PATA (Pacific Asia Travel Association) has put forward its positive analysis that the regional tourism industry in Asia, which has been showing signs of recovery since 2003, will continue to see high growth rate of 10 to 11 percent on annual average until 2007. In addition, the prospect that the Korea's booming tourism industry triggered by so called 'hallyu' will persist for the time being offers a sense of fresh optimism.

In the face of the uncertain business environment and intensifying competition, Paradise will further enhance its VIP marketing and consolidate its stature as a market leader on the basis of its 30-year-old competitiveness and service experience. In addition, the Company will spur its effort to explore highly value-added profit sources that can generate synergy with existing businesses.

This year, the Company will redouble its efforts to accomplish rewarding management to the satisfaction of all its shareholders, customers and employees based on pursuit of stable growth and profit-making.

We invite your unwavering attention and support for the Company in 2006 as well and wish you and your family the best of luck and health.

Thank you very much.

March 17, 2006  
President of Paradise Co., Ltd.

## General condition of the Company

### Object of the Company

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

### State of main business **Casino, Renting of Real Estate, Food & Beverage**

### 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 (Walker-Hill)		San 21 Kwangjang-dong, Kwangjin-gu, Seoul
Branch (Sam Cheong Gak)	Food & Beverage, Events, etc	330-115, Seongbuk 2-dong, Seongbuk-gu, Seoul
Branch (Hanwool and 3 others)	Casino and Renting of Real Estate	148-6 Kwangjang-dong, Kwangjin-gu, Seoul

### State of employees

(Unit: Persons)

Classification		Head Quarter	Branch	Total
Marketing Planning R&D Support	Male	60	170	230
	Female	18	64	82
	Subtotal	78	234	312
Operation	Male	-	297	297
	Female	-	331	331
	Subtotal	-	628	628
Total	Male	60	467	527
	Female	18	395	413
	Subtotal	78	862	940

## Matters about stocks

### ■ Total number of shares

(Unit: shares)

Classification	Classification		Reference
	Common stock	Total	
① Authorized shares	200,000,000	200,000,000	Par value KRW 500 / Share
② Total shares issued	94,064,710	94,064,710	
③ Total shares cancelled	3,122,038	3,122,038	
① Reduction of capital	0	0	
② Stock cancellation by profit	3,122,038	3,122,038	
③ Redemption of redeemable shares	0	0	
④ Others	0	0	
④ Total outstanding shares ( ② - ③ )	90,942,672	90,942,672	
⑤ Treasury stock	180,844	180,844	
⑥ Shares in free float ( ④ - ⑤ )	90,761,828	90,761,828	

### ■ Change in paid-in capital

(Unit: 1,000 shares, KRW Mil)

Date	Classification	Additional number	Additional amount	Capital after increase	Reference
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. 5. 30	Common stock	△ 1,408	-	47,032	Stock cancellation by profit
03. 12. 19	Common stock	△ 1,714	-	47,032	Stock cancellation by profit

### ■ Matters about stocks

Fiscal year end	December 31
Convening of the general shareholders meeting	In 3 months 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 shareholder's right (8 types)
Transfer agent	Name : Korea Securities Depository Address : 34-6, Yoido-dong, Youngdungpo-gu, Seoul
Closing date	None

### Matters about bonds

"Not relevant"

### Number of customers and sales

(Unit : persons, KRW Mil)

Main Business	35th		34th		33rd	
	Sales	Number of customers	Sales	Number of customers	Sales	Number of customers
Casino	269,961	322,195	243,192	374,939	230,640	386,047

NOTE) Excluding sales revenue from Sam Cheong Gak (FY 2005) : KRW 1,739 Million

### New Equipments

(Unit : KRW Mil)

Facility	Acquisition Cost	Financing	Reference
Slotmachines & Others	5,163	Own Capital	
Remodeling of Walker-Hill Casino	11,687	Own Capital	Construction in Progress



## 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%	₩3,381
Paradise Media Art Co., Ltd.	Seoul	₩1,875	Web design & management	192,000	51.20%	₩1,043
Paradise Planning Co., Ltd.	Seoul	₩500	Real estate development	60,000	60.00%	₩307
Paradise Hotel Dogo Co., Ltd.	Asan-shi, Chungchongnam-do	₩26,000	Hotel	4,305,000	82.79%	₩16,657

### Concurrent position state of parent and subsidiary company

Name	Company	Concurrent Position	Date Inaugurated
Ho Suk CHOO	Paradise International Co., Ltd.	Director	2005. 4. 6
Pyung Yong PARK	Paradise Planning Co., Ltd.	Director	2005. 4. 25
	Paradise International Co., Ltd.	Auditor	2004. 6. 20

## Operation results and financial conditions for 3 recent years

### Operation results (Income statement)

(Unit : KRW Mil)

Item	35th	34th	33rd
1. Sales	271,700	243,192	230,640
2. Cost of Sales	190,924	166,144	155,320
3. Gross Profit	80,776	77,048	75,320
4. SG&A Expense	27,522	26,291	23,064
5. Operating Income	53,254	50,757	52,256
6. Non-Operating Income	25,024	43,295	25,202
7. Non-Operating Expense	13,819	9,104	10,907
8. Ordinary Income	64,459	84,948	66,551
9. Extraordinary gain	-	7,783	-
10. Extraordinary loss	-	-	-
11. Income before Taxes	64,459	92,731	66,551
12. Income Taxes Expense	23,787	28,501	22,369
13. Net Income	40,672	64,230	44,182

### Financial conditions (Balance sheet)

(Unit : KRW Mil)

Item	35th	34th	33rd
1. Current Assets	191,957	228,125	263,050
2. Fixed Assets	300,385	221,604	164,157
<b>Total Assets</b>	<b>492,342</b>	<b>449,729</b>	<b>427,207</b>
1. Current Liabilities	60,304	46,318	80,090
2. Fixed Liabilities	17,902	13,889	16,020
<b>Total Liabilities</b>	<b>78,206</b>	<b>60,207</b>	<b>96,110</b>
1. Capital stock	47,032	47,032	47,032
2. Capital Surplus	69,817	70,057	68,865
3. Retained Earnings (Net Income)	289,839 (40,672)	268,406 (64,230)	220,686 (44,182)
4. Capital Adjustments	7,448	4,027	△5,486
<b>Total Shareholders' Equity</b>	<b>414,136</b>	<b>389,522</b>	<b>331,097</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>492,342</b>	<b>449,729</b>	<b>427,207</b>



## Assignment of the Company

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



## Present state of directors and auditors

Classification	Name	Position	Transaction with the Company
Standing	Phillip CHUN	Chairman & CEO	None
Standing	Ho Sook CHOO	CEO	None
Standing	Dae Min SHIM	CEO	None
Standing	Hee Joo KIM	Vice President	None
Standing	Pyung Yong PARK	CFO	None
Not standing	See Gwaun JANG	Outside Director	None
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



## Present state of major shareholders

As of December 31, 2005 (Unit : shares, KRW Mil)

Name	Number of shares	Ratio	Transaction with the Company	Reference
Paradise Busan Co., Ltd.	34,000,000	37.39%	None	
The Kaywon Edu. Foundation	3,720,000	4.09%	846	Donation
Won Mee CHUN	1,725,264	1.89%	None	
Ji Hae CHUN	1,725,264	1.89%	None	
Sung Jin KIM	1,499,200	1.65%	None	
Paradise Welfare Foundation	834,000	0.92%	842	Donation 738 Rental 104
Phillip CHUN	243,420	0.27%	None	
Yoon Jung CHOI	151,110	0.17%	None	
Woo Kyung CHUN	137,190	0.15%	None	
Dong In CHUN	137,189	0.15%	None	
Dong Hyuk CHUN	91,400	0.10%	None	
Total	44,264,037	48.67%		

## 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 Hotel Busan Co., Ltd.	Paradise	1,475,340	38.49%	-	-
Paradise Jeju Co., Ltd.	Paradise	206,700	23.18%	-	-
Paradise Hotel Dogo Co., Ltd.	Paradise	4,305,000	82.79%	-	-
Paradise Industry Co., Ltd.	Paradise	1,200,000	10.79%	-	-
Paradise Media Art Co., Ltd.	Paradise	192,000	51.20%	-	-
Paradise Planning Co., Ltd.	Paradise	60,000	60.00%	-	-
Cymon, Inc.	Paradise	52,500	19.09%	-	-
Paradise Safari Park Ltd.	Paradise	74,998	99.99%	-	-
Paradise Inv. & Dev. Kenya Ltd.	Paradise	16,998	84.99%	-	-
Paradise International Co., Ltd.	Paradise	1,600	100.00%	-	-

### Main creditor etc.

"Not relevant"

### Important matters occurred after the accounting period

"Not relevant"

### Other matters acknowledged important related to operation

"Not relevant"