

## Part 6

### Business Report

As of and for the year ended December 31, 2006

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.



## Progress and results of operation

### General Situation of Business

Dear shareholders,

First, on behalf of all Paradise employees, I would like to extend our appreciation to you for attending the 36<sup>th</sup> Annual Shareholders' Meeting.

The year 2006 was marked with both hope and anxiety.

The domestic economy was able to achieve respectable 5% growth although the global economic growth has faltered and there were a continual instability caused by high oil price and currency fluctuation. However, due to a continuous unfavorable currency rate and high oil price, many of economists expect that this year will not be favorable to high economic growth. Paradise also experienced many difficulties owing to the increasing competition in foreigners-only casino. To counteract such a competition, we have improved our service competitiveness through intensive "customer-oriented" training and implemented inventive marketing strategy turning "risk into opportunity."

Under this unfavorable business environments as mentioned above, Paradise's managements and staff members have concentrated all their efforts in order to build the "affluent and happy world" for shareholders, clients and employees.

The followings are brief summary of our achievements and results for last year:

First, Paradise recorded total sales of 236.6 billion won, which is 12.9% decrease when compare to previous year, and operating income was 14.9 billion won, 72.1% down. The ordinary income and net income were 19.1 billion and 11.4 billion won respectively, recording 70.3% and 71.9% decrease, in comparison to last year. It is a result indicative of increased competition, resulting in reduced customers and increased marketing expenses. However, despite such challenges from competitors, we have led the industry with 46% market share, making us confident that we will achieve better results this year than the previous year.

Second, to counter the increasing competition expeditiously, we have restructured the staff organization and strengthen the "customized one-on-one service." Furthermore, we have lessened the communication gaps between the business divisions, and through the aggressive marketing, we have put all our efforts to attract new customers. With our efforts, we were successful in attracting many new important Chinese customers, 8.4% growth compared to last year, establishing important stronghold for customers from China, a country undergoing phenomenal growth. In addition, visits from many foreign clients from non-Asian countries have undergone small increase.

Third, Paradise was also especially visible in venturing into new business and in establishing global business environments.

In November of last year, the first Omi, a result of new venture in foreign food service industry, was opened in the heart of Tokyo; and we expect further synergy effects as we undertook a travel agency business. We firmly believe that these endeavors will greatly improve our business performance and profitability.

Although Paradise has not met the expectations due to unfavorable changes in the business environment, we have decided to pay cash dividends of 6.6 billion won, 57.8% payout ratio, in order to return the shareholders' interests and supports. To realize and give back the supports to our shareholders, we will spare no expense and will continuously improve our services quality and marketing strategies to attract new customers.

For year 2007, there are opinions of many experts that it will be difficult to improve considerably the economic conditions from 2006 due to both domestic and global economic cycle. The significant factors include slowing of world economy, led by the US, the nuclear risk of North Korea and instability in political sphere owing to the upcoming Korean presidential election. In addition, currency instability due to a rise in Korean won and worsening of competitions in foreigners-only casino will directly affect the business operations.

In light of above, Paradise will implement aggressive marketing strategies to overcome the competition and inconstant business conditions. Specifically, we will establish systematic customer management system, create innovative marketing tools to attract new customers and develop new markets to meet and surpass the business goal. Moreover, through the successful managements of new domestic and international business operations, we will do our best to maximize the shareholders' wealth.

We once again thank you for your continuous interests and supports, and we wish the best for all of our shareholders.

March 16, 2007  
Paradise Co., Ltd.  
Ho Suk Choo, CEO

### State of Sales for Each Main Business

[Unit : Mil. KRW]

Main Business	Sales (36 <sup>th</sup> )	Sales (35 <sup>th</sup> )	Sales (34 <sup>th</sup> )
Walker-Hill Br.(Casino)	231,404	269,961	243,192
Samcheonggak Br.(restaurant)	5,104	1,739	-
Tokyo Br.(restaurant)	51	-	-
Total	236,559	271,700	243,192

### New Equipments

[Unit : Mil. KRW]

Facility	Acquisition Cost	Financing	Reference
Slotmachines & Others	2,670	Own Capital	
Remodeling of Walker-Hill Casino	10,143	Own Capital	

## 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. Games programming, manufacturing, sales, and distribution
23. Software programming, sales, operation, maintenance
24. Entertainment facility operation
25. Franchise business
26. Retail/wholesales trade and commission trade, except of motor vehicles and motorcycles
27. R&D, manufacturing, sales, maintenance on supplies for elders(disables)
28. Retail/wholesales and rental of medical equipment & supplies for elders(disables)
29. Import/export of medical equipment & supplies for elders(disables)
30. Facility for caring elders(disables)
31. Broadcasting
32. Publishing of magazines and periodicals
33. Any and all business which are incidental to any of the forgoing objects

### State of main business

Casino, Renting of Real Estate, Food & Beverage, Travel Agency

## State of business office

Name of business office	Main business	Location
Head Quarter	Rental, Travel agency	186-210 2-ga, Jangchung-dong, Jung-gu, Seoul
Branch (Walker-Hill)	Casino	San 21 Kwangjang-dong, Kwangjin-gu, Seoul
Branch (Sam Cheong Gak)	Food & Beverage, Events, etc	330-115, Seongbuk 2-dong, Seongbuk-gu, Seoul
Branch (Tokyo)	Food & Beverage, etc	"Urban Style Mikawadaï" B/D, Roppongi 4-2-35, Minatogu, Tokyo, Japan
Branch (Hanwool and 3 others)	Casino and Renting of Real Estate	148-6 Kwangjang-dong, Kwangjin-gu, Seoul

## State of employees

(Unit : People)

Classification		Head Quarter	Branch	Total
Marketing Planning R&D Support	Male	63	41	104
	Female	16	9	25
	Subtotal	79	50	129
Operation	Male	-	396	396
	Female	-	354	354
	Subtotal	-	750	750
Total	Male	63	437	500
	Female	16	363	379
	Subtotal	79	800	879

Note) Including part-timers

## Matters about stocks

### ■ Total number of shares

(Unit : Shares)

Category	Classification		Reference
	Common stock	Total	
I . Authorized shares	200,000,000	200,000,000	Par value KRW 500 / Share
II . Total shares issued	94,064,710	94,064,710	
III . 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	
IV . Total outstanding shares ( II - III )	90,942,672	90,942,672	
V . Treasury stock	2,836,993	2,836,993	
VI . Shares in free float ( IV - V )	88,105,679	88,105,679	

Note) Treasury stock 2,836,993 includes 180,844 for stock option

■ Change in paid-in capital

(Unit : 1,000 shares, Mil. KRW)

Date	Classification	Additional number	Additional amount	Capital after increase	Reference
1972. 4. 27	Common stock	10	5	5	Initial paid-in-Capital
1975. 2. 25	"	90	45	50	Paid in capital increase
1981. 1. 15	"	100	50	100	"
1981. 3. 16	"	200	100	200	"
1982. 3. 25	"	40	20	220	"
1983. 6. 20	"	300	150	370	"
1984. 8. 2	"	260	130	500	"
1984. 12. 20	"	1,000	500	1,000	"
1987. 5. 13	"	△1,000	-	1,000	Consolidation of stocks
1987. 5. 13	"	2,050	2,050	3,050	Merger
1987. 6. 12	"	1,370	1,370	4,420	Paid in capital increase
1987. 7. 18	"	△420	△420	4,000	Reduction of capital w/o refund
1987. 8. 18	"	△3,600	-	4,000	Consolidation of stocks
1988. 12. 29	"	600	6,000	10,000	Capital Increase w/o payment
1991. 2. 7	"	300	3,000	13,000	Paid in capital increase
1991. 10. 24	"	300	3,000	16,000	"
1992. 3. 18	"	200	2,000	18,000	"
1992. 5. 6	"	74	740	18,740	"
1999. 9. 29	"	35,606	-	18,740	Stock Split
1999. 10. 6	"	37,480	18,740	37,480	Capital increase w/o payment
2002. 10. 31	"	18,740	9,370	46,850	Initial Public Offering
2002. 12. 16	"	364	182	47,032	Converted convertible bond
2003. 5. 30	"	△1,408	-	47,032	Stock cancellation by profit
2003. 12. 19	"	△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 fiscal year end
Suspension period of the register of shareholders	January 1 ~ January 15		Public notice newspaper
Denomination of share certificates	1/5/10/50/100/500/1,000/10,000 shareholder's right (8 types)		Korean Economic Daily and Chosun Daily
Transfer agent	Name	Korea Securities Depository	
	Address	34-6, Yoido-dong, Youngdungpo-gu, Seoul	
Remarks	None		

Matters about bonds

"Not relevant"

## 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, Mil. KRW)

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%	₩ 4,670
Paradise Media Art Co., Ltd.	Seoul	₩ 1,875	Web design & management	192,000	51.20%	₩ 1,112
Paradise Planning Co., Ltd.	Seoul	₩ 500	Real estate development	60,000	60.00%	₩ 85
Paradise Hotel Dogo Co., Ltd.	Asan-shi, Chungchong-nam-do	₩ 26,000	Hotel	4,305,000	82.79%	None

### 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
	Paradise Safari Park Ltd.	Director	2006. 12. 5
	Paradise Inv. & Dev. Kenya Ltd.	Director	2006. 12. 5
Pyung Yong Park	Paradise Planning Co., Ltd.	Director	2005. 4. 25
	Paradise International Co., Ltd.	Auditor	2004. 6. 20
Duk Young An	Paradise Planning Co., Ltd.	Auditor	2005. 4. 25
Yeon Soo Jung	Paradise Media Art Co., Ltd.	Director	2006. 3. 23
Seung Moo Choi	Paradise Planning Co., Ltd.	Director	2005. 4. 25
Jong Mun Choi	Paradise International Co., Ltd.	Director	2005. 4. 6
Hyun Joo Choi	Paradise Media Art Co., Ltd.	Director	2003. 5. 3

## Operation results and financial conditions for 3 recent years

### Operation results (Summarized Income Statement)

(Unit : Mil. KRW)

Item	36 <sup>th</sup>	35 <sup>th</sup>	34 <sup>th</sup>
1. Sales	236,559	271,700	243,192
2. Cost of Sales	190,358	190,924	166,144
3. Gross Profit	46,201	80,776	77,048
4. SG&A Expense	31,317	27,522	26,291
5. Operating Income	14,884	53,254	50,757
6. Non-Operating Income	25,851	25,024	43,295
7. Non-Operating Expense	21,586	13,819	9,104
8. Ordinary Income	19,149	64,459	84,948
9. Extraordinary gain	-	-	7,783
10. Extraordinary loss	-	-	-
11. Income before Taxes	19,149	64,459	92,731
12. Income Taxes Expense	7,708	23,787	28,501
13. Net Income	11,441	40,672	64,230

### Financial conditions (Summarized Balance Sheet)

(Unit : Mil. KRW)

Item	36 <sup>th</sup>	35 <sup>th</sup>	34 <sup>th</sup>
1. Current Assets	165,659	191,957	228,125
2. Fixed Assets	288,386	300,385	221,604
<b>Total Assets</b>	<b>454,045</b>	<b>492,342</b>	<b>449,729</b>
1. Current Liabilities	40,427	60,304	46,317
2. Fixed Liabilities	17,009	17,902	13,890
<b>Total Liabilities</b>	<b>57,436</b>	<b>78,206</b>	<b>60,207</b>
1. Capital stock	47,032	47,032	47,032
2. Capital Surplus	69,817	69,817	70,057
3. Retained Earnings	281,966	289,839	268,406
(Net Income)	(11,441)	[40,672]	[64,230]
4. Capital Adjustments	△2,206	7,448	4,027
<b>Total Shareholders' Equity</b>	<b>396,609</b>	<b>414,136</b>	<b>389,522</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>454,045</b>	<b>492,342</b>	<b>449,729</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

(Unit : Mil. KRW)

Category	Name	Position	Transaction with the Company	Transaction with the Company
Standing	Phillip Chun	Chairman	None	
Standing	Ho Suk Choo	CEO	None	
Standing	Pyung Yong Park	CFO	None	
Not standing	See Gwaun Jang	Outside Director	27	Lease payments
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

(Unit : Shares, Mil. KRW)

Name	Number of shares	Ratio	Transaction with the Company	Reference
Paradise Global Co., Ltd.	34,000,000	37.39%	1,480	Payments of construction, etc
HBFS-B-KDMW INV (L) LTD	6,379,281	7.01%	None	
The Kaywon Edu. Foundation	3,720,000	4.09%	1,136	Donation
HBFS-I-JF KOR FD	2,100,000	2.31%	None	
LEHMAN BROTHERS	1,900,000	2.09%	None	
Sung Jin Kim	1,499,200	1.65%	None	
Total	49,598,481	54.54%		

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