BUSINESS REPORT

For the year ended December 31, 2007

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Overview and Results of Operations

1. Overview of Operations

Dear Shareholders,

On behalf of the entire "Paradise family," I wish to extend our sincere appreciation to all of you for attending the 37th Annual Shareholders' Meeting.

Despite many adverse factors in 2007, foremost among them being the U.S. financial crisis and soaring oil prices, the Korean economy managed to grow by a solid 4.8% in 2007. Most experts expect approximately 5% expansion for the local economy this year, even taking into account the subprime mortgage debacle and further hikes in the price of oil. The "business-friendly" stance of Korea's newly inaugurated government, combined with active efforts to enhance the domestic investment environment, have generated high hopes and expectations for healthy growth in 2008.

On the one hand, competition has become fiercer in the casino industry. Our competitors and the rapidly changing market environment have posed new challenges for us. However, instead of responding passively, we have opted to actively embrace changes, and as a result, Paradise has successfully achieved our management objectives.

Let me now summarize our major accomplishments and business results for last year:

First, through across-the-board growth in our operations, Paradise further solidified our position as the market leader. We posted a 3.6% increase in total sales over the previous year to 245.0 billion won, and an even stronger 8.6% gain in operating income to 16.1 billion won. Our pre-tax income and net income reached 33.4 billion and 23.1 billion won, respectively, soaring 40% and 102% compared to 2006. This better-than-expected performance had the dual effect of quelling worries and speculation about the impact of rising competition, while also inspiring a "can-do" spirit and confidence about the future of Paradise among our employees.

Second, by strengthening our VIP marketing activities in Southeast Asia, we were able to diversify our customer base and thereby fortify profitability. Key outcomes of these efforts were the conclusion of a contract for overseas VIP customer marketing with Hong Kong-based casino specialist Suncity Co., Ltd. early this year, and the opening of VIP Rooms inside our casino. Through our business alliance with Suncity Co., Ltd., the leading casino marketer in the Macau gaming industry, we expect to attract VIP customers from Macao through the business alliance with Tae Yang Sung, a leading company of the Macao market, which will improve our revenue structure.

Third, we have raised our brand awareness through aggressive advertising and PR activities, focusing not only on Japan, still our largest market, but also on Southeast Asia and "Greater China" (China, Hong Kong & Taiwan). In addition, we concentrated our efforts on maximizing group synergies by increasing marketing/service cooperation with affiliated casinos. Hereafter, we will strive to distinguish Paradise from our competitors as Korea's premiere casino brand through differentiated advertising and promotion strategies.

Owing to the unwavering interest and encouragement of our shareholders, Paradise was able to achieve our targets last year in spite of adverse operating conditions. As an expression of our deepest thanks, the management has decided to reward shareholders of record with cash dividends of 10.7 billion won, which corresponds to a payout ratio of 46.4%. We will remain committed to maximizing shareholder returns and redouble our efforts to make Paradise a company that is valued and respected by all stakeholders.

We expect the winds of change to swirl throughout all sectors of society in 2008. The 5% economic growth that experts have forecasted for the year in light of the new Korean government's policy directions will likely require some revision. High oil prices and currency fluctuation further cloud the economic outlook.

The many competing plans being eagerly pursued by various local governments to develop tourism complexes including casinos represent both risks and opportunities for us.

Looking ahead, Paradise will continue to execute aggressive sales strategies amidst an uncertain business environment and mounting market competition. We will focus on strengthening our competitive edge through service and marketing innovation, and also restructuring our organization and developing new business lines that will guarantee the company' s long-term growth.

As the men and women of Paradise prepare to undertake these ambitious tasks for 2008, we ask once again for your steadfast interest and support in the year ahead, and offer our wishes for good health and happiness to you and your family.

March 21, 2008

Paradise Co., Ltd.

Ho Suk Choo, CEO

2. Status of Sale by Major Business Line

(Unit: Mil. KRW)

Main Business	2007 Sales	2006 Sales	2005 Sales
WalkerHill Branch (Casino)	238.698	231,404	269,961
Samcheonggak Branch (Restaurant)	5,996	5,104	1,739
Tokyo Branch (Restaurant)	380	51	-
Total	245,074	236,559	271,700

3. Status of Major Newly Installed Facilities

(Unit: Mil. KRW)

Facilitiy	Acquisition Cost	Financing	Remarks
Jackpot system, etc.	1,007	Own capital	-
Webpage development, etc.	506	Own capital	-
Building remodeling, etc.	235	Own capital	-

Company Overview

1. Objectives of the Company

1. Travel agency activities
2. Retail sale of gifts, novelties and souvenirs
3. Retail sale of duty-free goods
4. Casino activities
5. Development of tourist enterprise
6. Tourist accommodations
7. Leisure industry activities
8. Trade and real-estate rental activities
9. Guard and other protective services
10. Agriculture, 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
16. Educational institute
17. Travel agency and other tourist assistance activities
18. International conference agency
19. Internet information development business
20. Electronic commerce and brokerage
21. Business and management consultancy activities
22. Games programming, manufacturing, sales, and distribution
23. Software programming, sales, operation, and maintenance
24. Entertainment facility operation
25. Franchise business
26. Retail/wholesales trade and commission trade, except motor vehicles and motorcycles
27. R&D, manufacturing, sales, maintenance of supplies for elderly (disabled)
28. Retail/wholesales and rental of medical equipment & supplies for elderly (disabled)
29. Import/export of medical equipment & supplies for elderly (disabled)
30. Care facilities for elderly (disabled)
31. Broadcasting
32. Publishing of magazines and periodicals
33. Any and all business incidental to any of the forgoing business fields

2. Major Business Lines

Operation of casinos, real estate rental, food & beverage, and travel agency

3. Offices & Major Business Lines

Name of Office	Main Business Line	Location
Headquarters	Rental, travel agency	186-210 2-ga, Jangchung-dong, Jung-gu, Seoul
WalkerHill Branch	Casino	San 21 Kwangjang-dong,Kwangjin-gu, Seoul
Samcheonggak Branch	Food & Beverage, events, etc.	330-115, Seongbuk 2-dong, Seongbuk-gu, Seoul
Tokyo Branch	Food & Beverage, etc.	Urban-Style Mikawadai Bldg., Roppongi 4-2-35, Minatogu, Tokyo, Japan
Hanwool & 3 other branches	Casino, real estate rental	148-6 Kwangjang-dong,Kwangjin-gu, Seoul

4. Status of Employees

(Unit: Persons)

Classification		Headquarters	Branches	Total
Administrative	Male	61	64	125
	Female	14	49	63
	Total	75	113	188
Operations	Male	0	360	360
	Female	0	276	276
	Total	0	636	636
Total	Male	61	424	485
	Female	14	325	339
	Total	75	749	824

NOTE: Includes part-time staff

5. Stock-related Matters

▶ 1) Total Number of Shares

(Unit: Shares)

Category	Classification		Total
	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	5,082,385	5,082,385	
Ⅵ. Shares in free float (Ⅳ-Ⅴ)	85,860,287	85,860,287	

NOTE: The 5,082,385 shares of treasury stock include stock options for 180,844 shares.

▶ 2) Change in Paid-in Capital

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

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

▶ 3) Stock-related Matters

Fiscal year-end	December 31	General Shareholders' Meeting	Within 3 months after close of fiscal year
Suspension period	January 1 ~ 15	Notification newspapers	Korea Economic Daily, Chosun daily
Denomination of share certificates	1, 2, 10, 100, 500, 1000, 10000 shareholder rights (8 types)		
Transfer agent	Name	Korea Securities Depository	
	Address	34-6, Yoido-dong, Youngdeungpo-gu, Seoul (Transfer Agent Div.)	
Remarks	None		

6. Matters Related to Bond Issues

"Not relevant"

Status of Business Combination of Parent Company and Subsidiary Companies

1. Status of Parent Company

"Not relevant"

2. Status of Subsidiary Companies

(Unit: 1,000 Kenyan Shilling, 1,000 Yen, Mil. KRW)

Subsidiary				Relation of the company		
Name	Location	Capital	Main Business	No. of Shares	Ratio	Transaction w/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%	₩4,148
Paradise Media Art Co, Ltd.	Seoul	₩ 3,375	Web design & management	384,000	56.89%	₩1,366
Paradise Planning Co., Ltd.	Seoul	₩ 500	Real estate development	60,000	60.00%	₩15
Paradise Hotel Dogo Co., Ltd.	Asan,Chungchong Namdo	₩26,000	Hotel	4,305,000	82.79%	None

3. Directors Holding Positions Concurrently at Parent & Subsidiary Companies

Name	Company	Position	Date Appointed
Ho Suk Choo	Paradise International Ltd.	Director	2006. 2. 15
	Paradise Safari Park Ltd.	Director	2006. 12. 5
	Paradise Inv. & Dev. Kenya Ltd.	Director	2006. 12. 5
Park Pyung Yong	Paradise Planning Co., Ltd.	Director	2005. 4. 25
	Paradise International Ltd.	Auditor	2004. 2. 17
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
	Paradise Media Art Co., Ltd.	Director	2007. 12. 28
Jong Mun Choi	Paradise International Ltd.	Director	2006. 2. 15
Chang Wan An	Paradise EMS Co., Ltd.	Director	2007. 12. 4

Operating Results & Financial Condition for Previous Three Years

1. Operating Results (Summarized Income Statement)

(Unit: Mil. KRW)

Item	2007	2006	2005
1. Sales	**245,074**	**236,559**	**271,700**
2. Cost of Sales	204,430	190,358	190,924
3. Gross Profit	40,644	46,201	80,776
4. SG&A Expenses	24,504	31,317	27,522
5. Operating Income	**16,140**	**14,884**	**53,254**
6. Non-operating Income	26,235	25,851	25,024
7. Non-operating Expenses	9,014	16,858	12,362
8. Income Before Income Taxes	**33,361**	**23,877**	**65,916**
9. Income Tax Expenses	10,258	12,436	25,244
10. Net Income	**23,103**	**11,441**	**40,672**

2. Financial Conditions (Summarized Balance Sheet)

(Unit: Mil. KRW)

Item	2007	2006	2005
1. Current Assets	176,124	165,659	191,957
2. Non-current Assets	287,426	288,386	300,385
Total Assets	**463,550**	**454,045**	**492,342**
1. Current Liabilities	38,020	40,427	60,304
2. Non-current Liabilities	19,618	18,928	19,812
Total Liabilities	**57,638**	**59,355**	**80,116**
1. Capital Stock	47,032	47,032	47,032
2. Capital Surplus	69,780	69,817	69,817
3. Capital Adjustments	△18,590	△10,538	△981
4. Accumulated Other	9,588	6,413	6,518
5. Comprehensive Income Retained Earnings	298,102	281,966	289,840
Total Shareholders' Equity	**405,912**	**394,690**	**412,226**
Total Liabilities & Shareholders' Equity	**463,550**	**454,045**	**492,342**

Tasks Facing the Company

Included in the "Overview of Operations"

Status of Directors and Auditors

Category	Name	Position	Transaction with the Company	Remarks
Standing	Phillip CHUN	Chairman	None	
Standing	Ho Suk CHOO	CEO	None	
Standing	Pyung Yong PARK	CFO	None	
Non-standing	See Kwon JANG	Outside Director	None	
Non-standing	Yun Hwan SUNG	Outside Director	None	
Non-standing	Jong Tae RHA	Outside Director	None	
Standing	Han Sung ROH	Auditor	None	

Status of Major Shareholders

(Unit: Shares, Mil. KRW)

Name	No. of Shares	Ratio	Transaction with the Company	Remarks
Paradise Global Co., Ltd.	34,000,000	37.39%	15	Lease payments, etc.
HBFS-I- JF KOR FD	5,185,923	5.70%	None	
HBFS-B-KDMW INV (L) LTD	4,739,823	5.21%	None	
The Kaywon Edu. Foundation	3,720,000	4.09%	1,589	Donations, etc.
Kookmin Bank (Shinyoung Investment Management)	3,049,042	3.35%	None	
BBH-ML GLO ALL FD	2,121,026	2.33%	None	
Song Jin Kim	1,499,200	1.65%	None	
Total	54,315,014	59.72%		

Status of the Company's Investment in Subsidiaries and Subsidiaries' Investment in the Company

(Unit: Shares)

Name	Investor (the Company or Subsidiary)	Investment to other company		Other company invest to the company	
		No. of Shares	Ratio	No. 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.	〃	384,000	56.89%	-	-
Paradise Planning Co., Ltd.	〃	60,000	60.00%	-	-
Paradise T&L Co., Ltd.	〃	160,000	40.00%	-	-
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%	-	-
Sidus FNH Benex Cinema Investment Fund I	〃	-	30.00%	-	-

Major Creditor

"Not relevant"

Issues After the Closing Date

"Not relevant"

Other Issues Regarding Operation

"Not relevant"