



Business Report

For the year ended December 31, 2008

Company Overview

Overview and Results of Operations

Status of Business Combination of Parent Company and Subsidiary Companies

Operating Results & Financial Condition for Previous Three Years

Tasks Facing the Company

Status of Directors and Auditors

Status of Major Shareholders

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

Major Creditor

Issues After the Closing Date

Other Issues Regarding Operation

Company Overview

1. Objectives of the Company

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| <ol style="list-style-type: none"> 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 | <ol style="list-style-type: none"> 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 |
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2. Major Business Lines

Operation of casinos, real estate rental, food & beverage, hotel and spa

3. Offices & Major Business Lines

Name of Office	Main Business Line	Location
Headquarters	Rental	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.	Roppongi 4-2-35, Minatogu, Tokyo, Japan
Dogo Branch	Hotel & Spa	180-1, Gigok-ri, Dogo-myeon, Asan-si, Chungcheongnam-do
Hanwool & 3 Other Branches	Rental	148-6 Kwangjang-dong, Kwangjin-gu, Seoul

4. Status of Employees

		(Unit: Persons)		
Classification		Headquarters	Branches	Total
Administrative	Male	54	53	107
	Female	11	17	28
	Total	65	70	135
Operations	Male	-	456	456
	Female	-	356	356
	Total	-	812	812
Total	Male	54	509	563
	Female	11	373	384
	Total	65	882	947

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	
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	Par Value: KRW 500/share
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 Stocks	11,096,908	11,096,908	
VI. Shares in Free Float (IV-V)	79,845,764	79,845,764	

Note: The 11,096,908 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	Chosun Daily, Korea Economic 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"

Overview and Results of Operations

1. Overview of Operations

Dear Shareholders,

I wish to extend my sincere appreciation to all of you for attending the 38th Annual Shareholders' Meeting.

As you may well know, the Korean economy experienced many obstacles in 2008. Due to the financial crisis from the U.S. and the global economic slowdown, there was a growing concern that the Korean Economy is on the verge of the 2nd economic crisis. Fortunately, U.S.-Korea currency swap agreement and enlarged swap agreements with Japan and China stabilized the Korean economy in December, but despite of all the efforts by the Korean government, in the end, Korea recorded a current account deficit. Until this year, Korea recorded current account surpluses for 10 years.

The casino industry experienced fierce competition and in addition, the Korean government was preparing an individual consumption tax, which can put extra burden on the industry. Despite of said challenges, the casino industry was able to record higher-than-expected earnings thanks to strong Yen, beginning from the third quarter. In turn, sales of Paradise increased sharply beginning from the third quarter and was able to record growth for the year, despite of weak performance in the first half.

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

First, we've change the market concern into expectation by recording high earnings and growth rate. Our sales grew by 14.6% year-on-year recording 280.9 billion won while our operating income grew by 11.3% recording 18.0 billion won. Net income declined by 0.8% and recorded 22.9 billion won, but our overall earnings were higher than the market expectation. In the end, we reduced market concern and prepared for even higher growth in the future.

Second, our VIP marketing to Greater China with Suncity Co., Ltd. in Hong Kong is stabilizing, and we've been successful in finding new customers and expanding the market share through our aggressive operation. Since the Chinese government is burdening extra restrictions towards Macau casino industry, more Chinese guests are expected to visit the Korean casinos, leading to higher competition among the local casino units. Therefore, Paradise will continue to strengthen competitiveness of the Junket market.

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. In addition, we concentrated our marketing efforts to advertisement targeting foreign guests. As a result, we've been awarded in casino section for 2008 Korea's Leading Brand Award, solidifying our position as Korea's premier casino brand.

Owing to the unwavering interest and encouragement of our shareholders, Paradise was able to achieve our targets last year. As an expression of our deepest thanks, the management has decided to reward shareholders with cash dividends of 12 billion won, which corresponds to a payout ratio of 52%. 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.

The year 2009 is forecasted to be a tough year due to the global economic crisis. For a short period, we expect to see the economic crisis in Korea as well. In addition, the Korean companies are reducing their capital expenditures as the restructuring on construction companies in the last year is expected to widen into the other industries.

Looking ahead, Paradise will focus on strengthening our competitive edge through service and marketing innovation, and also fortify the company organization to overcome the challenges. 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 20, 2009
Paradise Co., Ltd.
Ho Suk Choo, CEO

2. Status of Sale by Major Business Line

(Unit: Mil. KRW)			
Main Business	2008 Sales	2007 Sales	2006 Sales
WalkerHill Branch (Casino)	272,817	238,698	231,404
SamecheongGak Branch (Restaurant)	6,787	5,996	5,104
Tokyo Branch (Restaurant)	239	380	51
Dogo Branch (Spa, etc.)	1,037	-	-
Total	280,880	245,074	236,559

3. Status of Major Newly Installed Facilities

(Unit: Mil. KRW)			
Facility	Acquisition Cost	Financing	Remarks
Slot Machine, etc.	2,824	Own capital	
Building Remodeling, etc.	637	Own capital	

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 ^{Note1} 1,500	Hotel	74,998	99.99%	None
Paradise Inv. & Dev. Kenya Ltd.	Nairobi, Kenya	KSH ^{Note1} 400	Casino	16,998	84.99%	None
Paradise International Co., Ltd.	Tokyo, Japan	¥ 80,000	Consulting	1,600	100.00%	₩ 4,747
Paradise Media Art Co, Ltd.	Seoul	₩ 3,375	Web design & management	384,000	56.89%	₩ 8
Paradise Planning Co., Ltd.	Seoul	₩ 500	Real estate development	60,000	60.00%	None

Note1) Kenyan Shilling

3. Directors Holding Positions Concurrently at Parent & Subsidiary Companies

Name	Company	Position	Date Appointed
Ho Suk Choo	Paradise International Co., Ltd.	Director	2008. 2. 20
	Paradise Media Art Co., Ltd.	Director	2006. 3. 23
Yeon Soo Jung	Paradise Safari Park Ltd.	Director	2008. 9. 1
	Paradise Inv. & Dev. Kenya Ltd.	Director	2008. 9. 1
Pyung Yong Park	Paradise Planning Co., Ltd.	Director	2008. 3. 31
	Paradise International Co., Ltd.	Auditor	2008. 2. 20
Duk Young An	Paradise Planning Co., Ltd.	Auditor	2008. 3. 31
Seung Moo Choi	Paradise Planning Co., Ltd.	Director	2008. 3. 31
	Paradise Media Art Co., Ltd.	Director	2007. 12. 18

Operating Results & Financial Condition for Previous Three Years

1. Operating Results (Summarized Income Statement)

Item	(Unit: Mil. KRW)		
	2008	2007	2006
1. Sales	280,880	245,074	236,559
2. Cost of Sales	236,126	204,430	190,358
3. Gross Profit	44,754	40,644	46,201
4. SG&A Expenses	26,794	24,504	31,317
5. Operating Income	17,960	16,140	14,884
6. Non-operating Income	39,953	26,235	25,851
7. Non-operating Expenses	27,398	9,014	16,858
8. Income Before Income Taxes	30,515	33,361	23,877
9. Income Tax Expenses	7,596	10,258	12,436
10. Net Income	22,919	23,103	11,441

2. Financial Conditions (Summarized Balance Sheet)

(Unit: Mil. KRW)			
Item	2008	2007	2006
1. Current Assets	201,375	176,124	165,659
2. Non-current Assets	291,874	287,426	288,386
Total Assets	493,249	463,550	454,045
1. Current Liabilities	76,477	38,020	40,427
2. Non-current Liabilities	17,148	19,618	18,928
Total Liabilities	93,625	57,638	59,355
1. Capital Stock	47,032	47,032	47,032
2. Capital Surplus	73,312	70,574	69,817
3. Capital Adjustments	△37,478	△18,590	△10,538
4. Accumulated Other	6,470	8,794	6,413
5. Comprehensive Income Retained Earnings	310,288	298,102	281,966
Total Shareholders' Equity	399,624	405,912	394,690
Total Liabilities & Shareholders' Equity	493,249	463,550	454,045

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	Director	None	
Standing	Ho Suk Choo	CEO	None	
Standing	Pyung Yong Park	Director	None	
Non-standing	See Kwon Chang	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%	36,927	Real estates purchase, etc.
HBFS-I-JF KOR FD	4,418,252	4.86%	None	
Kyawon Educational Foundation	3,720,000	4.09%	1,100	Donations
Kookmin Bank (Shinyoung Investment Management)	3,699,966	4.07%	None	
BBH-ML GLO ALL FD	1,915,226	2.11%	None	
Sung Jin Kim	1,499,200	1.65%	2,240	Share acquisition
Total	49,252,644	54.16%		

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

Name	Investor (the Company of Subsidiary)	Investment to other company		Other company invested 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 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

Creditor	Credit Amount	No. of Shares Creditor Holds	Remarks
Hana Bank	22,000	-	

Issues After the Closing Date

【Pending Litigation】

The company submitted an application for operational sight relocation in December 2007. Regarding this matter, Walker Hill Inc. sued Paradise Co., Ltd. on April 22nd of 2008, and the court ruled on January 14th 2009 that Paradise Co., Ltd. has the right to the operation but not a right for relocation. Paradise Co., Ltd. and Walker Hill Inc. both appealed a suit on January 30, and the final ruling is unpredictable at the moment.

Other Issues Regarding Operation

【M&A】

Paradise Co., Ltd. merged with Paradise Hotel Dogo Co., Ltd. (previously owned 100%) on November 1st of 2008 through a board of directors meeting on August 26 of 2008.

【Transaction with Related Parties】

Based on a board of directors meeting on December 26 of 2008, Paradise Co., Ltd purchased lands located in Gwangju Gyeonggi-do from Paradise Global Co., Ltd. for 32 billion won to diversify business portfolio (real estates development)