

LG Card Co., Ltd.
Financial Statements
December 31, 2003 and 2002

LG Card Co., Ltd
Index
December 31, 2003 and 2002

	Page(s)
Report of Independent Auditors	1 - 4
Financial Statements	
Balance Sheets	5 - 6
Statements of Operations	7
Statements of Disposition of Accumulated Deficit	8
Statements of Cash Flows	9 - 10
Notes to Financial Statements	11 - 59

Samil PricewaterhouseCoopers
Kukje Center Building
191 Hankangro 2ga, Yongsanku
Seoul 140-702, KOREA
(Yongsan P.O. Box 266, 140-600)

Report of Independent Auditors

To the Board of Directors and Shareholders of
LG Card Co., Ltd.

We have audited the accompanying balance sheet of LG Card Co., Ltd. (the "Company") as of December 31, 2003 and the related statements of operations, disposition of accumulated deficit and cash flows for the year then ended, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of and for the year ended December 31, 2002, presented herein for comparative purposes, were audited by another auditor whose report dated January 29, 2003, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements as of and for the year ended December 31, 2003 referred to above present fairly, in all material respects, the financial position of LG Card Co., Ltd. as of December 31, 2003, and the results of its operations, the changes in its accumulated deficit and its cash flows for the year then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw your attention to the following matters.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate the continuation of the Company as a going concern and under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. However, as discussed in Note 27 to the financial statements, as of November 24, 2003, the Company was provided with a short-term bailout loan of ₩2 trillion from the creditor financial institutions for which its financing assets were pledged as collateral due to a liquidity crisis caused by the worsening delinquency in credit card and loan payment. In addition, to normalize its business, the Company is under the management control by its creditors' group of financial institutions led by Korea Development Bank as of the audit report date.

SAMIL PRICEWATERHOUSECOOPERS

The Company incurred ₩5,598,811 million of net loss during the year ended December 31, 2003 and, as of that date, the Company's total liabilities exceeded its total assets by ₩3,213,187 million. Due to its capital deficit as of December 31, 2003, the Company is likely to be forced to take a prompt corrective measure such as the management improvement order by the Financial Supervisory Commission in accordance with the Regulation on Supervision of Financial Companies Specializing in Loan Business. In the event that the Company fails to increase its net asset through debt-to-equity swaps and other measures to eliminate its capital deficit or to meet the ratio of impaired capital of less than 50% until March 30, 2004, it is possible that the Company's shares will be delisted or designated as supervised issues, respectively, in the Korea Stock Exchange, pursuant to the Regulation on Securities Listing.

Under the terms of the asset transfer agreement, when the interest coverage ratio is below a certain minimum ratio, holders of asset-backed securities can demand for an early redemption. Credipia 2001 SPC (Special Purpose Company) reached the aforementioned condition, however, as of the audit report date, the redemption was deferred, by mutual consent, until the end of February 2004. In addition, there had been other similar cases for some concerned SPCs during the year 2003, however, the requests for the early redemption were withdrawn as the Company replaced the defaulted assets with qualified assets.

These matters raise significant doubt about the Company's ability to continue as a going concern. As discussed in Note 27 to the financial statements, the Company's ability to continue as a going concern is dependent upon the success of its business normalization plan such as the self-rescue plan and debt restructuring plan. In the event the Company cannot continue its existence due to its failure to implement the business normalization plan, it is possible that the Company will not be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, the amounts and classification of liabilities, or adjustments to the statements of operations that might be necessary in the event the Company cannot continue its existence.

As discussed in Note 2 to the financial statements, the Company has adopted the newly published Statements of Korean Financial Accounting Standards ("SKFAS"), which will gradually replace the existing financial accounting standards. SKFAS No. 2 through No. 9 became effective for the Company on January 1, 2003, and the Company has adopted these statements in its financial statements as of and for the year ended December 31, 2003 and has restated its 2002 financial statements to reflect SKFAS No. 6 and 8.

As discussed in Notes 2 and 9 to the financial statements, until December 31, 2002, the Company recognized the expected losses from the transferred assets relating to the repurchase agreement, which were provided for the credit reinforcement of senior and subordinated bonds, as an allowance for doubtful accounts of financing assets. However, during 2003, the Company changed its method of accounting to recognize these expected losses as impairment losses of subordinated bonds or provisions for estimated liabilities.

As discussed in Notes 2 and 9 to the financial statements, until December 31, 2002, as for the asset securitization through the Bank's trust account ("Trust"), the Company accounted for the seller interest certificates acquired from the Trust as investments. However, during 2003, the Company changed its method of accounting to reclassify the seller interest certificates as trust assets in financing assets, considering that the aforementioned assets are not transferred. In addition, during 2003, for certain transactions where the Company transfers the financing assets directly to the financial institutions, the Company changed its accounting treatment from recording it as an asset sale transaction to recording it as secured borrowings by pledging the financing assets as collateral.

SAMIL PRICEWATERHOUSECOOPERS

The accounting changes in relation to the aforementioned asset securitization have no effect on previously reported net income and shareholders' equity and the financial statements of the prior year, presented herein for comparative purposes, were restated to conform to the current year presentation. The effects of the restatement increased assets and liabilities, by ₩4,399,597 million as of December 31, 2002, and increased operating revenue, operating expenses and non-operating expenses by ₩407,663 million, ₩238,853 million, and ₩168,810 million, respectively, for the year 2002.

The aforementioned accounting changes increased the total assets and total liabilities as of December 31, 2003 by ₩808,043 million, and decreased the operating revenue and expenses for 2003 by ₩30,021 million and ₩2,492 million, respectively, and increased non-operating income and expenses for 2003 by ₩166,195 million and ₩138,666 million, respectively.

As discussed in Note 2 to the financial statements, the Company adopts the revised revenue recognition policy for its supplementary revenue arising from loans provided, such as handling charges, in accordance with interpretation 2002-9 of the financial accounting standards established by the Securities and Futures Commission. Until December 31, 2002, the Company recognized the supplementary revenue at the time when the loan is granted. However, in accordance with the revised revenue recognition policy, the supplementary revenue is recognized using the effective interest method over the loan period. The effect of this accounting change in revenue recognition decreased operating revenue and increased net loss for the year 2003 by ₩81,991 million.

As discussed in Note 16 to the financial statements, the Company issued 45,000,000 shares of common stock at ₩8,800 per share and 37,000,000 shares of common stock at ₩5,400, of which the stock issuance proceeds were paid on June 30, 2003 and December 23, 2003, respectively.

As discussed in Note 13 to the financial statements, the Company issued non-guaranteed subordinated convertible bonds amounting to ₩300,000 million on July 21, 2003 and non-guaranteed subordinated bonds with warrants amounting to ₩300,000 million on August 12, 2003.

As discussed in Note 9 to the financial statements, the outstanding balance of transferred receivables as of December 31, 2003 amounted to ₩8,740,487 million.

As discussed in Note 23 to the financial statements, the Company sells its services to, and purchases certain goods and services from, related companies, including LG Home Shopping, Inc. During the year ended December 31, 2003 and 2002, the Company's total sales to related companies amounted to ₩467,544 million and ₩35,280 million, respectively, and total purchases from related companies including service fees amounted to ₩247,055 million and ₩147,381 million, respectively. As of December 31, 2003 and 2002, related receivables amounted to ₩132,224 million and ₩102,672 million, respectively, and the related payables amounted to ₩19,156 million and ₩19,518 million, respectively.

As discussed in Note 28 to the financial statements, the Company is under the management control by its creditors' group of financial institutions in accordance with the agreement of the creditor financial institutions on February 6, 2004, for the effective implementation of the Company's business normalization plan.

SAMIL PRICEWATERHOUSECOOPERS

As discussed in Note 28 to the financial statements, the creditors' group of the Company agreed on the debt-to-equity swap at the meeting held on January 2, 2004 and February 6, 2004, under which the existing debts and the new bailout loan amounting to ₩1,908 billion and ₩1,592 billion, respectively, will be converted to equity in 2004. In accordance with the resolution of the Board of Directors on January 14, 2004, ₩954 billion of the aforementioned debts, will be converted to equity on February 13, 2004.

As discussed in Note 28 to the financial statements, the Company received the approval from the Fair Trade Commission on the spin-off from the LG conglomerate on January 15, 2004.

As discussed in Note 15 to the financial statements, the Company has suffered from worsening delinquency in credit card and loan payments and the uncertainties of the financial market. The operations of the Company also may be either directly or indirectly affected by the volatile economic conditions in the Republic of Korea and the impact of the implementation of structural reforms.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are knowledgeable about Korean accounting principles or auditing standards and their application in practice.

Seoul, Korea
February 9, 2004

This report is effective as of February 9, 2004, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Card Co., Ltd.
Balance Sheets
December 31, 2003 and 2002

(in millions of Korean Won)

	2003	2002
Assets		
Current assets		
Cash and cash equivalents (Notes 3 and 14)	₩ 324,015	₩ 425,459
Short-term financial instruments (Note 3)	67,074	13,881
Trading securities (Note 4)	-	488,588
Short-term available-for-sale securities (Note 4)	6	4
Short-term held-to-maturity securities (Note 4)	1,031,856	449,046
Short-term loans, net (Note 10)	359,239	312,311
Other accounts receivable, net (Note 23)	303,465	203,399
Accrued income, net	260,298	741,765
Advance payments, net	26,437	10,843
Prepaid expenses	26,775	141,342
Other current assets	39,131	-
Total current assets	2,438,296	2,786,638
Financing assets (Notes 2 and 9)		
Credit card receivables, net (Notes 5 and 23)	1,418,666	7,591,358
Installment receivables, net (Note 6)	1,141,290	3,452,073
Loans, net (Notes 2 and 7)	3,331,222	5,794,253
Trust assets, net (Note 9)	1,202,238	2,541,808
Leases, net (Notes 8, 15 and 23)	167,647	445,833
New technology investment securities, net	4,776	4,776
Total financing assets	7,265,839	19,830,101
Premises and equipment, net (Note 11)	95,822	151,894
Long-term financial instruments (Note 3)	326,618	92,274
Long-term receivables	1,139	-
Long-term available-for-sale securities (Note 4)	104,133	37,756
Long-term held-to-maturity securities (Note 4)	268,340	643,648
Equity-method investments (Note 4)	10,486	8,463
Long-term loans (Note 10)	67,179	86,033
Guarantee deposits (Note 23)	125,411	105,985
Deferred income tax assets (Note 19)	-	41,859
Other investments (Note 15)	26,864	37,107
Intangible assets (Note 2)	35,431	3,549
Total assets	₩ 10,765,558	₩ 23,825,307

LG Card Co., Ltd.
Balance Sheets
December 31, 2003 and 2002

(in millions of Korean Won)

	2003	2002
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities		
Short-term borrowings (Note 12)	₩ 4,011,436	₩ 7,710,210
Short-term debentures (Note 12)	833,935	584,538
Other accounts payable (Notes 14 and 23)	289,921	293,464
Withholdings (Note 23)	581,293	616,341
Accrued expenses	322,358	488,991
Current maturities of long-term debts, net (Notes 9 and 12)	3,186,227	5,794,152
Other current liabilities	285,145	194,328
Total current liabilities	9,510,315	15,682,024
Long-term debentures, net (Note 13)	3,510,444	4,817,516
Convertible bonds, net (Note 13)	300,156	-
Bonds with warrants, net (Note 13)	278,078	-
Long-term borrowings, net (Notes 9 and 13)	318,485	1,333,310
Guarantee deposits for lease contracts	5,827	7,729
Accrued severance benefits, net (Note 2)	8,726	18,622
Other long-term liabilities (Note 15)	46,714	61,896
Total liabilities	13,978,745	21,921,097
Commitments and contingencies (Note 15)		
Shareholders' equity (Deficiency)		
Common stock (Notes 1 and 16)	785,989	370,000
Capital surplus		
Paid-in capital in excess of par value (Note 16)	437,979	255,708
Other capital surplus (Note 13)	13,686	4,445
	451,665	260,153
Retained earnings (Accumulated deficit) (Note 17)		
Legal reserve	41,358	28,408
Other reserves	527,089	539,756
Undisposed accumulated deficit		
(Unappropriated retained earnings)	(5,003,645)	724,949
	(4,435,198)	1,293,113
Capital adjustments		
Gain on valuation of available-for-sale securities, net (Note 4)	2,160	137
Gain on valuation of equity-method investments, net (Note 4)	605	635
Loss on valuation of derivatives, net (Note 15)	(18,408)	(19,828)
	(15,643)	(19,056)
Total shareholders' equity (deficiency)	(3,213,187)	1,904,210
Total liabilities and shareholders' equity (deficiency)	₩ 10,765,558	₩ 23,825,307

The accompanying notes are an integral part of these financial statements.

LG Card Co., Ltd.
Statements of Operations
Years ended December 31, 2003 and 2002

(in millions of Korean Won, except per share amounts)

	2003	2002
Operating revenue (Note 23)		
Credit card income	₩ 1,200,633	₩ 1,936,491
Installment financing income	390,134	668,811
Credit financing income	692,386	1,177,001
Lease income	90,570	80,023
Interest income	55,137	24,151
Asset securitization income	1,896,601	2,126,436
Others	67,173	51,727
	<u>4,392,634</u>	<u>6,064,640</u>
Operating expenses (Note 23)		
Interest expenses	1,105,120	1,274,579
Selling and administrative expenses (Note 24)	8,622,239	4,125,213
	<u>9,727,359</u>	<u>5,399,792</u>
Operating (loss) income	(5,334,725)	664,848
Non-operating income (expenses)		
Interest income	1,796	1,351
Gain (loss) on valuation of investments under the equity method of accounting (Note 4)	1,482	(5,758)
Gain on disposal of available-for-sale securities, net (Note 4)	5,485	-
Loss on disposal of trading securities, net	(3,711)	-
Gain on valuation of trading securities	-	1,008
Impairment loss on available-for-sale securities	(3,921)	-
Gain on repayment of held-to-maturity securities, net	11,667	-
Impairment loss on held-to-maturity securities, net (Notes 4 and 15)	(257,729)	(168,810)
Donations (Note 25)	(5,458)	(6,765)
Gain on redemption of bonds, net	6,333	-
Others, net	5,696	15,157
	<u>(238,360)</u>	<u>(163,817)</u>
Ordinary (loss) income	(5,573,085)	501,031
Extraordinary gain (Note 18)	16,133	-
(Loss) income before income taxes	(5,556,952)	501,031
Income tax expense (Note 19)	(41,859)	(150,637)
Net (loss) income	<u>₩ (5,598,811)</u>	<u>₩ 350,394</u>
Per share data (In Won) (Note 20)		
Ordinary (loss) income per share	₩ (52,440)	₩ 3,864
(Loss) earnings per share	₩ (52,290)	₩ 3,864
Diluted ordinary loss per share	₩ (48,541)	₩ -
Diluted loss per share	₩ (48,401)	₩ -

The accompanying notes are an integral part of these financial statements.

LG Card Co., Ltd.
Statements of Disposition of Accumulated Deficit
Years ended December 31, 2003 and 2002

(Date of dispositions : March 23, 2004 and March 20, 2003
for the years ended December 31, 2003 and 2002, respectively)

<i>(in millions of Korean Won)</i>	2003	2002
Retained earnings before appropriations		
(Accumulated deficit before disposition)		
Unappropriated retained earnings carried over from prior years	₩ 595,166	₩ 374,555
Net (loss) income	(5,598,811)	350,394
	<u>(5,003,645)</u>	<u>724,949</u>
Transfer from voluntary reserve		
Reserve for technology development	-	12,667
	-	<u>12,667</u>
Disposition		
Transfer from legal reserve	41,358	-
Transfer from technology development reserve	140,000	-
Transfer from business realization reserve	989	-
Transfer from other reserve	386,100	-
	<u>568,447</u>	-
Appropriations of retained earnings		
Legal reserve	-	12,950
Dividends (Note 22)	-	129,500
	-	<u>142,450</u>
Undisposed accumulated deficit		
(Unappropriated retained earnings)		
carried forward to the subsequent year	<u>₩ (4,435,198)</u>	<u>₩ 595,166</u>

The accompanying notes are an integral part of these financial statements.

LG CARD Co., Ltd.
Statements of Cash Flows
Years ended December 31, 2003 and 2002

(in millions of Korean Won)

	2003		2002	
Cash flows from operating activities				
Net (loss) income	₩	(5,598,811)	₩	350,394
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities				
Depreciation and amortization		109,179		114,471
Impairment losses on intangible assets		10		-
Provision for severance benefits		24,126		19,390
Bad debt expense		7,134,351		2,528,647
Foreign exchange gain, net		(773)		(2,458)
Loss on disposal of trading securities, net		3,711		-
Gain on disposal of available-for-sale securities, net		(5,485)		-
Impairment loss on available-for-sale securities, net		3,921		-
Impairment loss on held-to-maturity securities, net		257,729		168,810
Gain on repayment of held-to-maturity securities		(11,667)		-
Loss on disposal of premises and equipment, net		4,366		(170)
(Gain) loss on disposal of other investments		(46)		6
Compensation for losses of cardholders		500		-
Gain on valuation of derivatives, net		(3,872)		(7,755)
Loss on derivatives, net		2,219		7,816
Gain on redemption of bonds, net		(6,333)		-
Interest expenses		16,067		1,666
Gain (loss) on valuation of investments under the equity method of accounting		(1,482)		5,758
Miscellaneous revenues		(975)		-
Gain from asset contribution		(16,133)		-
		7,509,413		2,836,181
Changes in operating assets and liabilities				
Increase in other accounts receivable		(290,316)		(23,808)
Decrease (increase) in accrued income		394,750		(359,057)
(Increase) decrease in advance payments		(15,540)		109,092
Decrease (increase) in prepaid expenses		114,566		(91,816)
Increase in other current assets		(39,130)		-
Decrease (increase) in credit card receivables		4,463,907		(1,231,926)
Decrease (increase) in installment receivables		2,051,677		(3,226,008)
Increase in loans		(2,152,583)		(5,249,053)
Decrease (increase) in leases		232,875		(257,931)
Decrease (increase) in trust assets		569,218		(981,128)
Increase in new technology investment securities		-		87
Decrease (increase) in deferred income tax assets		41,859		(41,859)
Collection of written-off receivables		475,122		93,849
(Decrease) increase in other accounts payable		(3,543)		32,862
Decrease in withholdings		(35,049)		(1,382,660)
(Decrease) increase in accrued expenses		(166,632)		60,362
Increase (decrease) in other current liabilities		125,919		(107,898)
(Decrease) increase in guarantee deposits for lease contracts		(1,902)		4,815
Payment of severance benefits		(23,287)		(4,367)
Decrease in deferred income tax liabilities		-		(20,607)
Decrease in other long-term liabilities		(11,759)		(7,855)
		5,730,152		(12,684,906)
Net cash provided by (used in) operating activities	₩	7,640,754	₩	(9,498,331)

LG Card Co., Ltd.
Statements of Cash Flows
Years ended December 31, 2003 and 2002

<i>(in millions of Korean Won)</i>	2003	2002
Cash flows from investing activities		
Disposal of trading securities	₩ 2,962,810	₩ -
Repayment of held-to-maturity securities	522,234	-
Proceeds from short-term financial instruments	312,882	17,032
Proceeds from long-term financial instruments	89,507	10,000
Proceeds from collection of short-term loans	-	187,993
Disposal of available-for-sale securities	39,977	-
Proceeds from collection of long-term loans	11,982	10,137
Proceeds from guarantee deposits	15,635	7,696
Disposal of premises and equipment	45,188	875
Disposal of other investments	188	20
Acquisition of trading securities	(2,477,933)	(488,447)
Acquisition of short-term financial instruments	(365,341)	-
Return of contributed capital	-	3,200
Payments for short-term loans	(41,528)	-
Acquisition of long-term financial instruments	(324,584)	(9,655)
Increase in long-term receivables	(1,094)	-
Acquisition of available-for-sale securities	(87,159)	(1,399)
Acquisition of held-to maturity securities	(975,799)	(501,015)
Payments for long-term loans	(14,180)	(92,003)
Payment for guarantee deposits	(35,061)	(21,314)
Acquisition of premises and equipment	(53,685)	(78,299)
Acquisition of intangible assets	(34,274)	-
Increase in other current liabilities	-	7,002
Acquisition of other investments	-	(1)
Net cash used in investing activities	<u>(410,235)</u>	<u>(948,178)</u>
Cash flows from financing activities		
Proceeds from issuance of short-term debentures	2,011,720	744,331
Proceeds from issuance of long-term debentures	1,152,440	4,032,072
Proceeds from issuance of convertible bonds	296,124	-
Proceeds from issuance of bonds with warrants	296,724	-
(Repayment of) proceeds from short-term borrowings, net	(3,698,774)	3,423,515
Proceeds from long-term borrowings, net	132,855	5,038,602
Proceeds from stock issuance	580,570	225,954
Repayment of short-term debentures	(1,763,294)	(923,000)
Repayment of long-term debentures	(416,504)	-
Repayment of current maturities of long-term debts	(5,794,324)	(1,915,000)
Payment of dividends	(129,500)	(138,250)
Net cash (used in) provided by financing activities	<u>(7,331,963)</u>	<u>10,488,224</u>
Net (decrease) increase in cash and cash equivalents	<u>(101,444)</u>	<u>41,715</u>
Cash and cash equivalents		
Beginning of the year	<u>425,459</u>	<u>383,744</u>
End of the year	<u>₩ 324,015</u>	<u>₩ 425,459</u>

The accompanying notes are an integral part of these financial statements.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

1. The Company

LG Card Co., Ltd. (the "Company") was incorporated on December 17, 1985, under the name Express Credit Card Corporation to provide credit card services. At September 1, 2001, the name of the Company was changed to LG Card Co., Ltd. after several name changes. The Company provides several services such as credit card services, factoring, installment financing and leasing, under the Act for Financial Companies Specializing in Loan Business. The Company was listed on the Korea Stock Exchange on April 22, 2002.

The Company merged with Goldstar Factoring Corporation and LG Financing Corporation on June 1, 1988 and January 1, 1998, respectively. As of December 31, 2003, the Company has 60 branch offices, approximately 3 million merchants and 18.9 million credit card holders.

As of December 31, 2003 and 2002, the Company is authorized to issue 800,000,000 shares of common stock and 200,000,000 shares of common stock, respectively, with a par value of ₩5,000 per share. The Company's issued and outstanding number of shares of common stock as of December 31, 2003 and 2002 is 157,197,824 shares and 74,000,000 shares, respectively (Note 16).

The total capital stock of the Company as of December 31, 2003 amounts to ₩785,989 million, including the stock issuance on December 24, 2003 (contributed capital amounting to ₩185,000 million). As of December 31, 2003 and 2002, the major shareholders of the Company are as follows :

	2003		2002	
	Number of Shares	Ownership (%)	Number of Shares	Ownership (%)
Templeton Asset Management, Ltd.	17,355,647	11.04	-	-
Capital Group International Inc.	14,105,689	8.97	3,500,000	4.73
Acorn Investment Holdings	-	-	6,999,500	9.46
Pecan Investment Holdings	-	-	6,999,500	9.46
Affiliates of the LG Group (LG Investment & Securities Co., Ltd. and others)	14,523,640	9.24	6,158,524	8.32
Others	111,212,848	70.75	50,342,476	68.03
	<u>157,197,824</u>	<u>100.00</u>	<u>74,000,000</u>	<u>100.00</u>

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its financial statements are summarized below.

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, or cash flows is not presented in the accompanying financial statements.

Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board ("KASB") has published a series of Statements of Korean Financial Accounting Standards ("SKFAS"), which will gradually replace the existing financial accounting standards established by the Korean Financial and Supervisory Board. SKFAS No. 2 through No. 9 became effective for the Company on January 1, 2003, and the Company has adopted these statements in its financial statements as of and for the year ended December 31, 2003. Except for SKFAS No. 2 through No. 9 and the accounting changes as discussed in notes 2 and 9 to the financial statements, the significant accounting policies adopted to prepare the financial statements as of and for the year ended December 31, 2003 are the same with those adopted to prepare the financial statements as of and for the year ended December 31, 2002.

Accounting Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may be different from those estimates.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Revenue Recognition

The Company recognizes fees and interest income from card holders on an accrual basis. However, the Company recognizes service charges and interest income from delinquent card holders on a cash basis.

The Company adopts the revenue recognition policy for its supplementary revenue arising from loans provided, such as handling charges, in accordance with interpretation 2002-9 of the financial accounting standards established by the Securities and Futures Commission. Until December 31, 2002, the Company recognized the supplementary revenue at the time when the loan is granted. However, in accordance with the revised revenue recognition policy, the supplementary revenue is recognized using the effective interest rate method over the loan period. This change in revenue recognition had the effect of decreasing operating revenue and increasing net loss for the year ended December 31, 2003 by ₩81,991 million.

Until 2002, the Company recognized the service charges and interest income from card receivables over three months delinquent on a cash basis. In 2003, however, the Company recognizes service charges and interest income from the delinquent card receivables and rewritten loans on a cash basis, estimating little chance of acquiring the economic benefit in the future. The effect of this accounting change decreased accrued income and increased net loss by ₩110,335 million for the year 2003. In addition, until 2002, the Company converted the delinquent receivables into rewritten loans after recognizing the interest income over the delinquent period. During 2003, the Company changed its method of accounting to recognize the interest income from the delinquent receivables on a cash basis and the net loss for 2003 was consequently increased by ₩76,527 million.

Cash and Cash Equivalents

The Company considers cash on hand, bank deposits and highly liquid marketable securities with original maturities of three months or less to be cash and cash equivalents.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on historical collection experience and the aggregate estimated collectibility of the receivables.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Securities

The Company accounts for equity and debt securities under the provision of Statement of Korean Financial Accounting Standards No. 8 (SKFAS 8), *Investment*. This statement requires investments in equity and debt securities to be classified into one of three categories: trading, available-for-sale and held-to maturity.

Securities are initially carried at cost, including incidental expenses, with cost being determined using the gross average method. Debt securities, which the Company has the intent and ability to hold to maturity, are generally carried at cost, adjusted for the amortization of discounts or premiums. Premiums and discounts on debt securities are amortized over the term of the debt using the effective interest rate method. Trading and available-for-sale securities are carried at fair value, except for non-marketable securities classified as available-for-sale securities, which are carried at cost. Non-marketable debt securities are carried at a value using the present value of future cash flows, discounted at a reasonable interest rate determined considering the credit ratings provided by independent credit rating agencies.

Unrealized valuation gains or losses on trading securities are charged to current operations, and those resulting from available-for-sale securities are charged to capital adjustments, the accumulated amount of which shall be charged to operations when the related securities are sold, or when an impairment loss on the securities is recognized. Impairment losses are recognized in the statement of operations when the recoverable amounts are less than the acquisition cost of securities or the adjusted cost of debt securities after the amortization of discounts or premiums.

Equity-Method Investments

Investments in equity securities of companies, over which the Company exercises significant control or influence (controlled investees) are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership of the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in book value of the investee.

The Company discontinues the equity method of accounting for investments, when the Company's share in the accumulated losses of the investee equals the costs of the investments, and until the subsequent cumulative proportionate net income of the investees equal its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

The difference between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee is amortized over a period of not more than 20 years and the amortization is charged to current operations.

Unrealized profit arising from sales by the Company to equity method investees is fully eliminated. The Company's proportionate unrealized profit arising from sales by the equity-method investees to the Company or sales between equity-method investees is also eliminated. Under the equity method, the Company records changes in its proportionate ownership of the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investee.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Foreign currency financial statements of equity method investees are translated into Korean Won using the basic exchange rates in effect as of the balance sheet date for assets and liabilities, and annual average exchange rates for income and expenses. Any resulting translation gain or loss is included in the capital adjustment account, a component of shareholders' equity.

Lease

The Company accounts for lease transactions as either operating leases or financing leases, depending on the terms of the lease agreement. Machinery and equipment acquired under financing lease agreements are recorded as property, plant and equipment at cost and depreciated using the declining-balance method over their estimated useful lives. In addition, the aggregate lease payments are recorded as obligations under financing leases, net of accrued interest, as determined by the total lease payments in excess of the cost of the leased machinery and equipment. Accrued interest is amortized over the lease period using the effective interest rate method. In addition, the gain realized on sales and leaseback of certain assets, representing the excess of net sales price over the cost basis of the lease assets, is deferred and amortized as income in proportion to the related gross rental charged to expense over the operating lease term. Machinery and equipment acquired under operating lease agreements are not included in property, plant and equipment, rather, the related lease rentals are charged to expense when incurred.

Lease agreements that include a bargain purchase option, result in the transfer of ownership at the end of the lease term, have a term longer than 75 % of the estimated economic life of the leased property, or have a present value of the minimum lease payments at the beginning of the lease term more than 90 % of the fair value of the leased property, are accounted for as capital leases. Leases that do not meet these criteria are accounted for as operating leases, of which the total minimum lease payments are charged to expense over the lease period on a straight-line basis.

The Company classifies its debtors into three categories: "normal", "precautionary" and "delinquent", based on the delinquency, financial status, past experience of bad debts and industry practices. The receivables of the Company are classified into the three categories of "collectible", "doubtful" and "uncollectible" in consideration of the delinquency, worth of collaterals pledged and debt repayment capacity of guarantors.

As of December 31, 2003, the Company's receivables classified as "collectible" and "doubtful" amounted to ₩167,694 million and ₩904 million, respectively.

The ratio of allowance for doubtful accounts to the total lease receivables was 0.5 % from 1999 to 2002 and 0.6 % in 2003.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Premises and Equipment and Related Depreciation

The cost of premises and equipment includes purchase costs or manufacturing costs, incidental costs directly related to preparing the premises and equipment for use, and the discounted estimated costs to remove, dismantle or restore premises and equipment at the end of the estimated useful lives of the related assets when those costs meet the conditions for the recognition of liabilities.

Depreciation is computed using the declining balance method (the straight-line method for buildings) over the following useful lives:

Buildings	40 years
Computers	4 years
Vehicles	4 years
Others	4 years

Routine maintenance and repairs are charged to current operations as incurred. Expenditures, which enhance the value of the assets or extend the useful lives of the related assets, are capitalized.

The Company assesses the potential impairment of premises and equipment when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely and recognizes an impairment loss when the carrying value of an asset exceeds the value of its future economic benefits. The carrying value of the assets is reduced to the estimated realizable value and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets would be recorded in current operations up to the cost of the assets, net of accumulated depreciation before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Intangible Assets

Intangible assets are stated at cost, net of accumulated amortization. Amortization of intellectual proprietary rights is computed using the straight-line method over a period of five to ten years.

The capitalized development costs include identifiable costs incurred for development activities related to new products or technology (including software development) which are expected to have future economic benefits. The capitalized development costs are amortized over their economic lives not to exceed 20 years using the straight-line method.

The details of the changes in intangible assets for the year ended December 31, 2003 are as follows :

<i>(in millions of Korean Won)</i>	Intellectual		
	Development Cost	Proprietary Rights	Total
Beginning balance	₩ 3,539	₩ 10	₩ 3,549
Increase	34,136	137	34,273
Amortization	2,375	6	2,381
Impairment loss	-	10	10
Ending balance	<u>₩ 35,300</u>	<u>₩ 131</u>	<u>₩ 35,431</u>
Accumulated amortization as of January 1, 2003	<u>₩ 5,120</u>	<u>₩ 82</u>	<u>₩ 5,202</u>
Accumulated amortization as of December 31, 2003	<u>₩ 7,495</u>	<u>₩ 6</u>	<u>₩ 7,501</u>
Accumulated impairment loss as of December 31, 2003	<u>₩ -</u>	<u>₩ 10</u>	<u>₩ 10</u>

The Company recognizes an impairment loss when the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognized in the statement of operations and is deducted from the acquisition cost of the impaired asset. If there is a subsequent recovery from the impairment, a reversal of the previous write-down is made up to the cost of the asset, net of amortization before impairment. The reversal amount of the previously recognized loss is credited to current operations as a gain.

Revaluation of Receivables

Receivables, which are modified during the course of court receivership, court mediation or restructuring of customers, are revalued at the present value discounted by an adjusted interest rate. The difference between the book value and the present value is accounted for as bad debt expense.

Impairment Loss

An impairment loss related to assets, other than marketable securities, investment securities, restructured receivables and assets for which present value discounts are applied, are included in income from operations when there are declines in fair value arising from obsolescence, physical damage or the significant decline in market value. A subsequent recovery is recorded as non-operating income up to the book value before impairment.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Premiums and Discounts on Debentures

The Company accounts for the difference between the face amount and issued amount of debentures as premiums or discounts on debentures.

Premiums or discounts on debentures are amortized using the effective interest rate method over the term of the debentures and the resulting amortization is recorded as interest expense.

Convertible bonds

The Company accounts for the difference between the issue price and the present value of the convertible bond, discounted at the effective interest rate of general debentures, as consideration for conversion rights, which is credited to capital surplus. The face value of the bond is reduced by the conversion right adjustment and increased by redemption premiums.

The conversion right adjustment is amortized using the effective interest rate method over the term of the convertible bond and the resulting amortization is recorded as interest expense.

Bonds with Warrants

The Company accounts for the difference between the issue price and the present value of the bond with warrants, discounted at the effective interest rate of general debentures, as consideration for stock warrants, which is credited to capital surplus. The face value of the bond is reduced by the stock warrants adjustment and increased by redemption premiums.

The stock warrants adjustment is amortized using the effective interest rate method over the term of the convertible bond and the resulting amortization is recorded as interest expense.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the rates in effect at the balance sheet date. Resulting translation gains and losses are recognized in current operations.

Accrued Severance Benefits

Employees and directors with one or more years of service with the Company are entitled to receive a lump-sum payment upon termination of their employment with the Company, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date. Actual payment of severance benefits amounted to ₩23,287million and ₩4,367 million for the years ended December 31, 2003 and 2002, respectively.

Accrued severance benefits are funded at approximately 79.4 % and 58.8 % as of December 31, 2003 and 2002, respectively, through a group severance insurance plan, and are presented as a deduction from accrued severance benefits.

In addition, the Company has made deposits to the National Pension Fund in accordance with National Pension Funds Law. The use of the deposit is restricted to the payment of severance benefits. Accordingly, accrued severance benefits in the accompanying balance sheet are presented net of this deposit.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Contingent Liabilities for Membership Services

The Company provides a point accumulation services and compensation services for cardholders' losses from unauthorized charges. Estimated expenses to be incurred in relation to these services for cardholders are accounted for as liabilities in the balance sheet.

Income Taxes

Income tax expense comprises taxes payable for the period and the change in deferred income tax assets and liabilities for the period.

Current income taxes payable comprise corporate income tax and tax surcharges payable for the current year. Deferred income taxes are recognized for the tax consequences in future years of temporary differences between the tax and financial reporting bases of assets and liabilities at the balance sheet date based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

Derivative Financial Instruments

The Company utilizes derivative instruments to reduce its exposure to fluctuations in interest and foreign currency exchange rates. Rights or obligations arising from derivative instruments are recorded as assets or liabilities at fair value on an accrual basis. Gains or losses on valuation of derivative instruments are recognized in current operations, except for gains and losses on valuation of derivative instruments used to hedge cash flow risks, which are recorded as a capital adjustment.

Restatement and Reclassification of Prior Year Financial Statement Presentation

The Company has restated its 2002 financial statements to reflect SKFAS No. 8 and the accounting changes as discussed notes 2 and 9 to the financial statements and has also reclassified certain amounts to conform to the current year presentation. These restatements and reclassifications had no effect on previously reported net income or shareholders' equity.

The Company has restated its 2002 balance sheet to reflect SKFAS No. 6 and these restatements had resulted in the decrease in dividends payable and the increase in retained earnings by ₩129,500 million.

3. Restricted Financial Instruments

As of December 31, 2003 and 2002, cash and cash equivalents of ₩120 million and ₩810 million, respectively, and short-term financial instruments of ₩59,740 million and ₩6,409 million, respectively, are pledged as collateral for asset securitization, borrowings and bank overdrafts (Notes 9, 12 and 13). Further, long-term financial instruments amounting to ₩322,117 million and ₩47 million as of December 31, 2003 and 2002, respectively, are provided to the banks as a requirement for maintaining checking accounts and pledged as collateral for borrowings (Note 12). The withdrawal of these financial instruments is restricted.

Deposits maintained to fund are restricted to withdrawal in relation to the payment of severance benefits of employees.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

4. Investments

Marketable and investment securities as of December 31, 2003 and 2002 comprise the following:

<i>(in millions of Korean Won)</i>	Current		Non-Current	
	2003	2002	2003	2002
Trading securities	₩ -	₩ 488,588	₩ -	₩ -
Available-for-sale securities	6	4	104,133	37,756
Held-to-maturity securities	1,031,856	449,046	268,340	643,648
Equity-method investments	-	-	10,486	8,463
	<u>₩1,031,862</u>	<u>₩ 937,638</u>	<u>₩ 382,959</u>	<u>₩ 689,867</u>

Trading securities as of December 31, 2003 and 2002 comprise the following:

<i>(in millions of Korean Won)</i>	Annual Interest	Acquisition Cost		Book Value		Fair Value	
	Rate (%)	2003	2002	2003	2002	2003	2002
	2003	2003	2002	2003	2002	2003	2002
Government and public bonds	-	<u>₩ -</u>	<u>₩ 487,569</u>	<u>₩ -</u>	<u>₩ 488,588</u>	<u>₩ -</u>	<u>₩ 488,588</u>

Available-for-sale securities as of December 31, 2003 and 2002 comprise the following:

Current Assets

<i>(in millions of Korean Won)</i>	Acquisition Cost		Book Value	
	2003	2002	2003	2002
Non-marketable equity securities Credipia 5 th , and others	<u>₩ 6</u>	<u>₩ 4</u>	<u>₩ 6</u>	<u>₩ 4</u>

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Non-Current Assets

<i>(in millions of Korean Won)</i>	Ownership (%)	Acquisition Cost		Book Value	
		2003	2002	2003	2002
Marketable equity securities (Listed):					
LG Corp. (formerly, LG CI Ltd.)	-	₩ -	₩ 22,402	₩ -	₩ 19,729
LG Life Sciences, Ltd.	-	-	2,436	-	5,065
LG International Corp.	-	-	3,000	-	2,820
Korea Ratings Corporation	1.3	360	360	523	540
Korea Information Service, Inc.	1.0	498	498	1,880	678
Hynix Semiconductor Inc.	-	54	-	43	-
		<u>912</u>	<u>28,696</u>	<u>2,446</u>	<u>28,832</u>
Non-marketable equity securities					
Unlisted					
Kihyup Technology Banking Corp.	3.4	1,000	1,000	1,000	1,000
Korea Credit Card Electronic Settlement Service Co., Ltd.	11.4	819	819	819	819
Korea Cyber Payment Inc.	6.5	510	510	510	510
Epion Technologies Corp.	3.3	500	500	500	500
Mondex Korea Inc.	0.7	150	150	-	150
V-Cash Co., Ltd.	2.6	420	420	420	420
A-Cash Co., Ltd	19.7	1,976	1,976	205	1,976
EVALI Corp.	8.9	300	300	-	300
Dizzo.com	1.9	800	800	-	800
One M Power Co., Ltd.	10.0	20	20	20	20
LG Sports Ltd.	-	-	264	-	254
Mirae Credit Information Services Corp.	-	-	570	-	570
Global Credit Center Inc.	10.0	400	400	400	400
Mybe Co., Ltd.	1.2	300	300	300	300

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

	Ownership	Acquisition Cost		Book Value	
	(%)	2003	2002	2003	2002
Non-marketable equity securities					
Unlisted					
Smartro Co.	2.7	900	900	-	900
Daewoo Commercial Vehicle Co., Ltd.	-	0.2	-	0.2	-
Daewoo Motor Co., Ltd.	-	44	-	44	-
Pyunghwa Plastics Industrial Co., Ltd.	1.1	2	-	2	-
MasterCard International	-	16,133	-	16,133	-
Huneed Technologies	-	1	-	1	-
		<u>24,275</u>	<u>8,929</u>	<u>20,354</u>	<u>8,919</u>
Others					
Credipia 2 nd and others	-	1	5	1	5
Debt securities					
Trust beneficiary certificates					
Korea Investment & Securities Co., Ltd.		15,700	-	16,051	-
CJ Investment & Securities Co., Ltd.		25,000	-	25,109	-
Daehan Investment & Securities Co., Ltd.		40,000	-	40,166	-
Korea Development Bank		6	-	6	-
		<u>80,706</u>	<u>-</u>	<u>81,332</u>	<u>-</u>
		<u>₩ 105,894</u>	<u>₩ 37,630</u>	<u>₩ 104,133</u>	<u>₩ 37,756</u>

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Held-to-maturity securities as of December 31, 2003 and 2002 comprise the following:

Current Assets

<i>(in millions of Korean Won)</i>	Annual		Book Value		
	Interest Rate (%)	Acquisition Cost		2003	2002
	2003	2003	2002	2003	2002
Asset-backed Securities					
(Subordinated bonds)					
Credipia 1 st	-	₩ -	₩ 14,387	₩ -	₩ 14,352
Credipia 4 th	-	-	7,662	-	7,662
Credipia 5 th	-	-	95,239	-	93,827
Credipia 6 th	-	-	3,488	-	3,488
Credipia 7 th	30.0	80,380	-	80,380	-
Credipia 8 th	30.0	57,414	-	57,414	-
Credipia 16 th	30.0	51,700	-	51,700	-
Credipia 17 th	-	-	39,304	-	39,304
Credipia 18 th	-	-	26,602	-	26,602
Credipia 19 th	-	-	27,309	-	27,309
Credipia 20 th	30.0	35,190	-	16,382	-
Credipia 21 th	30.0	36,500	-	36,500	-
Credipia 22 nd	-	-	38,594	-	37,266
Credipia 23 rd	-	-	59,387	-	51,382
Credipia 24 th	-	-	32,159	-	29,776
Credipia 25 th	30.0	36,516	-	36,516	-
Credipia 26 th	-	-	26,228	-	23,613
Credipia 27 th	-	-	25,217	-	21,290
Credipia 31 st	-	-	38,679	-	31,104
Credipia 32 nd	-	-	56,149	-	42,071
Credipia 33 rd	5.8~20.0	61,680	-	61,680	-
Credipia 34 th	6.0~20.0	67,192	-	67,192	-
Credipia 36 th	6.0~20.0	68,783	-	68,783	-
Credipia 38 th	6.0~20.0	65,734	-	65,734	-
Credipia 39 th	12.0	172,940	-	166,613	-
Credipia 40 th	7.0~7.5	329,184	-	322,962	-
Korea Asset Management Corp.	4.9~5.1	102,111	-	-	-
		<u>₩1,165,324</u>	<u>₩ 490,404</u>	<u>₩1,031,856</u>	<u>₩ 449,046</u>

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Non-Current Assets

<i>(in millions of Korean Won)</i>	Annual		Acquisition Cost		Book Value	
	Interest Rate (%)	2003	2003	2002	2003	2002
Asset-backed Securities						
(Subordinated bonds)						
Credipia 2 nd	12.0	₩ 43,436	₩ 43,436	₩ 40,136	₩ 42,268	
Credipia 7 th	-	-	80,380	-	39,196	
Credipia 8 th	-	-	57,414	-	28,655	
Credipia 16 th	-	-	51,700	-	51,700	
Credipia 20 th	-	-	43,500	-	43,500	
Credipia 21 st	-	-	57,500	-	57,500	
Credipia 25 th	-	-	36,516	-	36,516	
Credipia 28 th	15.0	90,000	90,000	44,149	90,000	
Credipia 33 rd	-	-	62,180	-	47,097	
Credipia 34 th	-	-	67,192	-	46,361	
Credipia 35 th	30.0	82,063	112,500	43,283	112,500	
Credipia 36 th	-	-	68,783	-	48,355	
Credipia 37 th	6.0~20.0	149,970	-	127,976	-	
Sangroksu 1 st	-	154,587	-	12,796	-	
		<u>₩ 520,056</u>	<u>₩ 771,101</u>	<u>₩ 268,340</u>	<u>₩ 643,648</u>	

As of December 31, 2003, the asset-backed securities (subordinated bonds) amounting to ₩1,583,269 million (acquisition cost) are pledged as collateral for the Company's borrowings.

Maturity dates of held-to-maturity securities at December 31, 2003 and 2002 are as follows :

<i>(in millions of Korean Won)</i>	2003		2002	
Within 1 year	₩	1,031,856	₩	449,046
Over 1 year and within 5 years		268,340		643,648
	<u>₩</u>	<u>1,300,196</u>	<u>₩</u>	<u>1,092,694</u>

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Changes in the gain (loss) on valuation of available-for-sale securities accounted for as capital adjustment for the years ended December 31, 2003 and 2002 are as follows :

<i>(in millions of Korean Won)</i>	2003			
	Beginning Balance	Increase (Decrease)	Disposal	Ending Balance
LG Corp. (formerly, LG CI Ltd.) (*)	₩ (2,672)	₩ -	₩ (2,672)	₩ -
LG Life Sciences, Ltd. (*)	2,629	-	2,629	-
LG International Corp. (*)	(180)	-	(180)	-
Korea Ratings Corporation	180	(17)	-	163
Korea Information Service, Inc.	180	1,202	-	1,382
Hynix Semiconductor Inc.	-	(11)	-	(11)
Korea Investment & Securities Co., Ltd.	-	351	-	351
CJ Investment & Securities Co., Ltd.	-	109	-	109
Daehan Investment & Securities Co, Ltd.	-	166	-	166
	<u>₩ 137</u>	<u>₩ 1,800</u>	<u>₩ (223)</u>	<u>₩ 2,160</u>

(*) During the year ended December 31, 2003, the Company disposed of all of its stock in LG Corp., LG Life Sciences, Ltd., and LG International Corp.

<i>(in millions of Korean Won)</i>	2002			
	Beginning Balance	Increase (Decrease)	Disposal	Ending Balance
LG Corp. (formerly, LG CI Ltd.)	₩ (480)	₩ (2,192)	₩ -	₩ (2,672)
LG Life Sciences, Ltd.	-	2,629	-	2,629
LG International Corp.	(642)	462	-	(180)
Korea Ratings Corporation	-	180	-	180
Korea Information Service, Inc.	-	180	-	180
	<u>₩ (1,122)</u>	<u>₩ 1,259</u>	<u>₩ -</u>	<u>₩ 137</u>

Total interest income from investments for the years ended December 31, 2003 and 2002 is ₩174,982 million and ₩309,823 million, respectively.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Equity-method investments as of December 31, 2003 and 2002 are as follows :

<i>(in millions of Korean Won)</i>	Ownership (%)	Acquisition Cost		Book Value	
	2003	2003	2002	2003	2002
High Technology Investment, Ltd.	28.6	₩ 11,410	₩ 11,410	₩ 4,543	₩ 5,514
Global Technology Investment, Ltd.	16.7	5,774	5,774	2,707	2,949
Mirae Credit Information Services Corp.	19.0	570	-	3,236	-
		<u>₩ 17,754</u>	<u>₩ 17,184</u>	<u>₩ 10,486</u>	<u>₩ 8,463</u>

Changes in equity-method investments for the years ended December 31, 2003 and 2002 are as follows :

<i>(in millions of Korean Won)</i>	2003					
	Beginning Book Value	Acquisition (Disposal)	Dividend	Valuation Gain (Loss)	Decrease in Capital Adjustment	Ending Book Value
High Technology Investment, Ltd. (*1)	₩ 5,514	₩ -	₩ -	₩ (972)	₩ -	₩ 4,542
Global Technology Investment, Ltd. (*1)	2,949	-	-	(212)	(29)	2,708
MIRAE Credit Information Services Corp. (*2)	570	-	-	2,666	-	3,236
	<u>₩ 9,033</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 1,482</u>	<u>₩ (29)</u>	<u>₩ 10,486</u>

(*1) The equity method of accounting is applied based on the most recent available financial statements of the investees (balance sheets as of September 30, 2003 and statements of income for the year then ended September 30, 2003).

(*2) Since the Company began to exercise significant control or influence over the investee, this investment was reclassified as equity-method investments from the current year.

<i>(in millions of Korean Won)</i>	2002					
	Beginning Book Value	Acquisition (Disposal)	Dividend	Valuation Gain (Loss)	Decrease in Capital Adjustment	Ending Book Value
High Technology Investment, Ltd. (*1)	₩ 8,670	₩ -	₩ -	₩ (2,537)	₩ (619)	₩ 5,514
Global Technology Investment, Ltd. (*1)	7,211	-	-	(3,252)	(1,010)	2,949
	<u>₩ 15,881</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ (5,789)</u>	<u>₩ (1,629)</u>	<u>₩ 8,463</u>

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Changes in the gain (loss) on valuation of equity-method investments which are accounted for as capital adjustment for the years ended December 31, 2003 and 2002 are as follows :

		2003			
<i>(in millions of Korean Won)</i>		Beginning Balance	Increase (Decrease)	Disposal	Ending Balance
High Technology Investment, Ltd.	₩ 895	₩ -	₩ -	₩ 895	
Global Technology Investment, Ltd.	(260)	(30)	-	(290)	
	<u>₩ 635</u>	<u>₩ (30)</u>	<u>₩ -</u>	<u>₩ 605</u>	
		2002			
<i>(in millions of Korean Won)</i>		Beginning Balance	Increase (Decrease)	Disposal	Ending Balance
High Technology Investment, Ltd.	₩ 1,514	₩ (619)	₩ -	₩ 895	
Global Technology Investment, Ltd.	750	(1,010)	-	(260)	
	<u>₩ 2,264</u>	<u>₩ (1,629)</u>	<u>₩ -</u>	<u>₩ 635</u>	

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

5. Credit Card Receivables

Credit card receivables as of December 31, 2003 and 2002 comprise the following:

<i>(in millions of Korean Won)</i>	2003		2002	
Lump-sum purchases (*1)	₩	421,572	₩	2,069,224
Installment purchases (*2)		670,794		2,465,462
Cash advances (*3)		<u>762,750</u>		<u>3,378,008</u>
		1,855,116		7,912,694
Less : Allowance for doubtful accounts		<u>(436,450)</u>		<u>(321,336)</u>
	₩	<u>1,418,666</u>	₩	<u>7,591,358</u>

(*1) The Company provides merchants with financing by purchasing their accounts receivable from cardholders with lump-sum payment terms and imposes service charges of a certain rate on merchants. Lump-sum payments are collected from the credit card holders on the agreed payment date.

(*2) The Company provides merchants with financing by purchasing their accounts receivable from cardholders with installment payment terms and collects installment payments from the credit card holders over an agreed period ranging from two to twelve months. The Company imposes service charges of a certain rate on merchants for these payments and charges interest ranging from 12.0% to 20.0 % (11.0% to 17.0 % in 2002) per annum of the outstanding installment balances on credit card holders.

(*3) The Company provides credit card holders with cash advances, up to ₩6 million per month and collects service charges ranging from 0.04% to 3.18 % (0.03% to 3.75 % in 2002) from credit card holders over the term of the cash advances.

As of December 31, 2003, credit card receivables amounting to ₩190,315 million are pledged as collateral for the Company's borrowings (Notes 12 and 13).

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

6. Installment Receivables

As of December 31, 2003 and 2002, installment receivables and the corresponding allowance for doubtful accounts comprise the following:

<i>(in millions of Korean Won)</i>	2003	2002
Outstanding balance	₩ 1,317,094	₩ 3,643,956
Less : Allowance for doubtful accounts	<u>(175,804)</u>	<u>(191,883)</u>
	<u>₩ 1,141,290</u>	<u>₩ 3,452,073</u>

In accordance with the Act for Financial Companies Specializing in Loan Business, the Company provides installment financing on purchases of products. As of December 31, 2003, the Company provides installment financing on purchases of durable goods, automobiles, and houses, at annual interest rates of 17% to 23 % (13% to 25 % in 2002) over a 3 to 36-month period, 7.75% to 24 % (5% to 24 % in 2002) over a 12 to 60-month period, and 7% to 9 % (same rate in 2002) over a 1 to 20-year period, respectively.

The Company collects service charges at a maximum of 3 % from merchants. Service charges and interest from delinquent loan receivables are accounted for as installment financing income.

Certain amounts provided by merchants to the Company to ensure repayment of installment financing are accounted for as guarantee deposits received. In addition, the Company is provided with third-party guarantees or collateral for installment financing services, depending on the credit rating of debtors.

As of December 31, 2003, installment receivables amounting to ₩693,466 million are pledged as collateral for the Company's borrowings (Notes 12 and 13).

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

7. Loans – Financing Assets

As of December 31, 2003 and 2002, loans comprise the following:

<i>(in millions of Korean Won)</i>	2003	2002
Card loans (*1)	₩ 317,341	₩ 2,690,923
Rewritten loans (*2)	5,002,662	3,448,176
Others (*3)	1,241,829	774,300
	<u>6,561,832</u>	<u>6,913,399</u>
Less : Allowance for doubtful accounts	(3,148,619)	(1,119,146)
Deferred supplementary revenue	(81,991)	-
	<u>₩ 3,331,222</u>	<u>₩ 5,794,253</u>

(*1) The Company provides credit card holders with loans up to ₩30 million with maturities of three years or less at an annual interest rate of 13.0% to 22.5 % as of December 31, 2003 (9.0% to 19.0 % as of December 31, 2002). The card loans with one-year terms can be repaid in a lump sum payment at maturity while the card loans with two or three-year terms are to be repaid in installments.

(*2) Rewritten loans are delinquent receivables converted into loans, and the loan period is within 6 years. The rewritten loans of the Company consist of two kinds: loans that are to be repaid in equal installments without grace period after the conversion into rewritten loans and loans that are to be repaid in equal installments after a deferment of six months or one year (except for interest). Interest rates of the rewritten loans are determined based on the credit ratings of debtors.

(*3) Other loans consist of general loans, loans for working capital, and others. It also includes the loans converted from the cash advances and others, which can be repaid with 2 to 48-month terms or with a monthly minimum payment of a certain ratio to the balances of the loans.

As of December 31, 2003, loans amounting to ₩5,762,747 million are pledged as collateral for the Company's borrowings (Notes 12 and 13).

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

8. Leases

Lease assets are mostly machinery, office equipments and medical equipments, and the lease terms are approximately between 18 and 120 months. The general terms of a lease contract are described in the subsequent paragraphs.

The capital lease agreements are non-cancelable, and the lessee has the option to return the equipment to the Company at the end of the lease term, to renew the lease, or to purchase the equipment at a pre-determined price.

Operating leases can be cancelled under the terms of agreement and the lease term expires with the cancellation of lease agreements.

The Company possesses the ownership of the leased assets during the lease term and leased assets are insured against fire and other casualty losses, with the Company as the beneficiary of the insurance benefits.

The Company determines the lease payments by applying certain margin rates to the standard interest rates on the funds used for the acquisition of leased assets.

As of December 31, 2003 and 2002, lease assets comprise the following :

<i>(in millions of Korean Won)</i>	2003		2002	
Operating lease assets	₩	32,933	₩	70,326
Capital lease receivables		115,822		328,933
Lease rentals paid in advance		19,840		48,808
Others		3		6
Less : Allowance for doubtful accounts		(951)		(2,240)
	₩	167,647	₩	445,833

As of December 31, 2003 and 2002, operating lease assets comprise the following :

<i>(in millions of Korean Won)</i>	2003		2002	
Manufacturing	₩	97,260	₩	91,642
Wholesale and retail		188		90
Transportation and warehousing		-		52,995
Communication		-		4,510
Automobile		1,838		634
Others		1,911		-
		101,197		149,871
Less : Accumulated depreciation		(68,264)		(79,545)
	₩	32,933	₩	70,326

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

As of December 31, 2003 and 2002, capital lease receivables comprise the following :

<i>(in millions of Korean Won)</i>	2003		2002	
Total capital lease receivables	₩	130,836	₩	379,850
Unrealized interest income		(15,014)		(50,917)
Capital lease receivables	₩	<u>115,822</u>	₩	<u>328,933</u>

The annual maturities of lease receivables as of December 31, 2003 are as follows :

(in millions of Korean Won, thousands of foreign currency)

Year ending December 31	Operating Lease		Capital Lease		Total	
2004	₩	40,152	₩	59,598	₩	99,750
			(US\$	2,252)	(US\$	2,252)
2005		12,679		37,217		49,896
			(US\$	329)	(US\$	329)
2006		497		18,558		19,055
			(US\$	62)	(US\$	62)
2007		497		13,273		13,770
2008 ~		249		2,190		2,439
	₩	<u>54,074</u>	₩	<u>130,836</u>	₩	<u>184,910</u>
			(US\$	<u>2,643)</u>	(US\$	<u>2,643)</u>

As of December 31, 2003, total lease contracts that are entered into but not yet executed amount to ₩26,021 million, of which ₩19,840 million was paid and accounted for as lease rentals paid in advance.

Outstanding guarantees of ₩3,272 million are provided by financial institutions to the Company in connection with lease assets at December 31, 2003.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

9. Asset Securitization

The Company has sold some of its receivables to special purpose companies ("SPC"), pursuant to the Asset Securitization Law, with recourse. As of December 31, 2003, the outstanding balance of transferred receivables is ₩8,740,487 million.

Under the terms of the asset transfer agreement, the Company is liable for any unqualified receivables or the default of transferred receivables. In asset securitization through the trust, transferees can demand for the Company to additionally transfer the assets equivalent to the minimum amount in case the transferred assets are substandard.

In addition, some of the the SPCs has the obligation of early redemption of the asset-backed securities in certain cases as prescribed by the contract, such as when the equity to total assets ratio of the Company is less than 8 % or when the outstanding balance of qualified assets is less than 106 % (the rate of obligatory payment) of the principal amount of the beneficiary certificate.

Under the terms of the asset transfer agreement, when the interest coverage ratio is below a certain minimum ratio, holders of asset backed securities can demand for an early redemption. Credipia 2001 SPC (Special Purpose Company) reached the aforementioned condition, however, as of the audit report date, the redemption was deferred, by the mutual consent, until the end of February, 2004. In addition, there had been other similar cases for some concerned SPCs during the year 2003, however, the requests for the early redemption were withdrawn as the Company replaced the defaulted assets with qualified assets.

The Company has entered into an agreement with the SPCs and Trusts to provide asset management services for the transferred receivables. Under the agreement, the Company provides various services such as billing for payment, collecting, and dealing with delinquencies, and receives service fees from the SPCs or Trusts.

As of December 31, 2003, the Company provided its short-term financial instruments amounting to ₩56,500 million to Korea Development Bank as collateral in relation to the repurchase agreement of asset-backed securities on December 23, 2003 (Note 15) and also provided its trust assets amounting to ₩1,461,268 million as collateral in relation to short-term borrowings.

Until December 31, 2002, the Company recognized the expected losses from the transferred assets relating to repurchase agreement, which were provided for the credit reinforcement of senior and subordinated bonds, as an allowance for doubtful accounts of financing assets. However, during 2003, the Company changed its method of accounting to recognize these expected losses as impairment losses of subordinated bonds or provisions for estimated liabilities. The effect of the restatement decreased the allowance for doubtful accounts of financing assets and depreciation expenses and increased the impairment losses on held-to-maturity securities by ₩168,810 million.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

In addition, as for the asset securitization through the trust, the Company accounted for the seller interest certificates acquired from the trust as investments until 2002. However, during 2003, the Company changed its method of accounting to reclassify the seller interest certificates as trust assets in financing assets. Therefore, the Company reclassified the seller interest certificates, previously recorded as investment as of December 31, 2002, amounting to ₩3,004,890 million as financing assets (trust assets) and restated the 2002 financial statements, presented herein for comparative purposes.

As of December 31, 2003 and 2002, trust assets and the corresponding allowance for doubtful accounts comprise the following:

<i>(in millions of Korean Won)</i>	2003	2002
Outstanding balance	₩ 2,435,671	₩ 3,004,890
Less : Allowance for doubtful accounts	<u>(1,233,433)</u>	<u>(463,082)</u>
	<u><u>1,202,238</u></u>	<u><u>2,541,808</u></u>

During 2003, the Company changed its accounting treatment for certain transactions where the Company transfers the financing assets directly to the financial institutions from recording it as an asset sale transaction to recording it as secured borrowings by pledging the financing assets as collateral. The 2002 financial statements, presented herein for comparative purposes, were restated to conform to the current year presentation and the effect of the aforementioned accounting changes increased the financing assets and related debts by ₩4,242,275 million and ₩4,808,137 million, respectively. In addition, the effect of the accounting changes increased other accounts receivable and decreased withholdings by ₩157,322 million and ₩408,540 million, respectively, and increased the related income and expenses by ₩407,663 million.

The 2002 financial statements, presented herein for comparative purposes, were restated to conform to the current year presentation and the aforementioned accounting changes have no effect on previously reported net income, shareholders' equity and ordinary income and earnings per share for the past three years.

The aforementioned accounting changes increased the total assets and total liabilities as of December 31, 2003 by ₩808,043 million, and decreased the operating revenue and expenses for 2003 by ₩30,021 million and ₩2,492 million, respectively, and increased non-operating income and expenses for 2003 by ₩166,195 million and ₩138,666 million, respectively.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

10. Loans

As of December 31, 2003 and 2002, short-term and long-term loans are as follows :

<i>(in millions of Korean Won)</i>		2003	2002
Short-term loans	ABS loans	₩ 361,066	₩ 319,538
Less :	Allowance for doubtful accounts	(1,827)	(7,227)
		<u>359,239</u>	<u>312,311</u>
Long-term loans		₩ 88,654	₩ 86,465
Less :	Allowance for doubtful accounts	(21,475)	(432)
		<u>₩ 67,179</u>	<u>₩ 86,033</u>

11. Premises and Equipment

Changes in premises and equipment for the year ended December 31, 2003 are as follows :

<i>(in millions of Korean Won)</i>	Land (*)	Buildings	Computers	Vehicles	Others (*)	Total
Beginning balance	₩ 54,092	₩ 8,114	₩ 78,616	₩ 180	₩ 10,892	₩ 151,894
Acquisition	-	-	49,771	124	3,790	53,685
Disposal	(48,806)	-	(100)	(28)	(620)	(49,554)
Depreciation	-	(244)	(53,020)	(160)	(6,779)	(60,203)
Ending balance	<u>₩ 5,286</u>	<u>₩ 7,870</u>	<u>₩ 75,267</u>	<u>₩ 116</u>	<u>₩ 7,283</u>	<u>₩ 95,822</u>
Accumulated depreciation	<u>₩ -</u>	<u>₩ 1,902</u>	<u>₩ 189,582</u>	<u>₩ 957</u>	<u>₩ 45,673</u>	<u>₩ 238,114</u>

(*) The Company disposed of the land and construction-in-progress located in Yeoksam-dong for ₩45,000 million in 2003.

As of December 31, 2003, certain premises and equipment are insured against fire and other casualty losses up to ₩317,271 million, and cash and securities are also insured against theft.

As of December 31, 2003 and 2002, the value of land based on the posted price issued by the Korean tax authority amounted to ₩5,573 million and ₩21,329 million, respectively.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

12. Short-term Borrowings

As of December 31, 2003 and 2002, short-term borrowings are as follows :

(in millions of Korean Won)

Type of borrowings	Annual		
	Interest Rate (%)	2003	2002
Short-term borrowings :			
Bank overdrafts	8.0 – 9.5	₩ 53,389	₩ 45,983
Commercial paper	4.8 – 9.7	1,843,047	7,544,227
General term loans	7.4 – 7.5	2,090,000	110,000
Call money	4.5	25,000	10,000
		<u>4,011,436</u>	<u>7,710,210</u>
Short-term debentures	5.0 – 7.9	837,307	585,000
Less : Discount on debentures		(3,372)	(462)
		<u>833,935</u>	<u>584,538</u>
Current maturities of long-term debts :			
Won currency debentures	4.5 – 7.5	2,015,000	1,740,000
Foreign currency debentures	Libor+0.5~0.6	23,956	-
		(US\$ 20,000)	
Won currency borrowings	5.2 – 8.0	182,705	310,000
Foreign currency borrowings	Libor+0.5~0.6	35,934	-
		(US\$ 30,000)	
Secured borrowings (*)	5.6 – 11.1	929,071	3,744,324
		3,186,666	5,794,324
Less: Discount on debentures		(439)	(172)
		<u>3,186,227</u>	<u>5,794,152</u>
		<u>₩ 8,031,598</u>	<u>₩ 14,088,900</u>

(*) As of December 31, 2003 and 2002, certain financing assets are pledged as collateral for these borrowings relating to the direct transfer of financing assets to financial institutions (Notes 3, 5, 6, 7 and 9).

Certain financial instruments, financing assets and investment securities of the Company are pledged as collateral for the above short-term borrowings (Notes 3 to 7 and 9).

The holders of some commercial papers and debentures may demand the Company to repurchase these financial instruments pursuant to the repurchase agreement.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

13. Long-term Borrowings

As of December 31, 2003 and 2002, long-term borrowings are as follows :

<i>(in millions of Korean Won)</i>	Reference	2003	2002
Debentures	(1)	₩ 3,510,444	₩ 4,817,516
Won currency borrowings	(2)	294,743	1,273,663
Foreign currency borrowings	(3)	23,742	59,647
Convertible bonds	(4)	300,156	-
Bonds with warrants	(5)	278,078	-
		₩ 4,407,163	₩ 6,150,826

(1) Debentures as of December 31, 2003 and 2002 are as follows :

(in millions of Korean Won, thousands of foreign currency)

Type of Borrowings	Maturity	Annual Interest Rate (%)		2003	2002
		2003			
Won currency debentures	2004.10.8 - 2008. 4. 4	4.7 - 10.9		₩ 5,252,440	₩ 6,262,000
Foreign currency debentures	2004.12.10 - 2005.12.10	Libor + 0.5 - 0.6		299,450	300,100
				(US\$ 250,000)	(US\$ 250,000)
				5,551,890	6,562,100
	Less: Current maturities			(2,038,956)	(1,740,000)
	Discount on debentures issued			(2,490)	(4,584)
				₩ 3,510,444	₩ 4,817,516

Treasury bonds temporarily held by the Company for the purpose of reissuance and retirement amount to ₩676,160 million as of December 31, 2003. This amount is deducted from the balance of the related debentures.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

(2) Won currency borrowings as of December 31, 2003 and 2002 are as follows :

<i>(in millions of Korean Won)</i>	Annual		
	Interest Rate (%)	2003	2002
Type of borrowings	2003	2003	2002
Won currency loans	5.2 - 9.8	₩ 342,705	₩ 519,850
Secured borrowings	5.6 - 11.1	1,063,814	4,808,137
Less: Current maturities		<u>(1,111,776)</u>	<u>(4,054,324)</u>
		<u>₩ 294,743</u>	<u>₩ 1,273,663</u>

(*) As of December 31, 2003 and 2002, certain financing assets are pledged as collateral for these borrowings relating to the direct transfer of financing assets to financial institutions (Notes 3, 5, 6, 7 and 9).

(3) Foreign currency borrowings as of December 31, 2003 and 2002 are as follows :

<i>(in millions of Korean Won, thousands of foreign currency)</i>	Annual		
	Interest Rate (%)	2003	2002
Type of borrowings	2003	2003	2002
Foreign currency loans	Libor + 0.5 - 0.6	₩ 59,890	₩ 60,020
		(US\$ 50,000)	(US\$ 50,000)
Less: Current maturities		(35,934)	-
Present value discounts		<u>(214)</u>	<u>(373)</u>
		<u>₩ 23,742</u>	<u>₩ 59,647</u>

(4) Convertible bonds as of December 31, 2003 are as follows :

Type	Term of Bond	Interest Rate (%)	Amount
Non-guaranteed subordinated convertible bonds	July 21, 2003 ~ January 21, 2009	3.0	₩ 299,670
	Add : Redemption premium (*1)		99,001
	Less : Conversion right adjustment		(94,935)
	Less : Discount on debenture		<u>(3,580)</u>
			<u>₩ 300,156</u>

(*1) The Company is to repay the bonds at 133.04 % (guaranteed rate of return : 8 %) of the principal amount at maturity when the warrants have not been exercised within the exercise period.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

The face value of the convertible bonds at issuance was ₩300,000 million and decreased by ₩330 million due to conversion during the year 2003 (Note 16).

Major terms of the convertible bond are as follows :

- Conversion period	From three months after issue date to one month before redemption date
- Conversion stock	Common stock (par value : ₩5,000)
- Number of shares converted	18,575 shares
- Number of shares not converted	18,151,941 shares
- Adjustment of conversion price	The conversion price is adjusted in cases of stock issuances without consideration, stock dividends, or stock issuances at a price lower than the market price
- Special arrangement	In case of bankruptcy, claims to the principal of the convertible bond have a lower priority than all non-guaranteed, non-subordinated claims, and have a higher priority than claims of shareholders (of both common and preferred stock) and bondholders where special agreements inferior to convertible bonds apply.
- Conversion during the fiscal year	Regarded as converted at the beginning of the year
- Conversion price as of December 31, 2003	₩ 16,509

(5) Bonds with warrants as of December 31, 2003 are as follows :

Type	Term of Bond	Interest Rate (%)	Amount
Non-guaranteed subordinated bonds with stock warrants	August 12, 2003 ~ February 12, 2009	3.0	₩ 282,665
	Add : Redemption premium (*1)		73,015
	Less : Stock warrants adjustment		(74,696)
	Less : Discount on debenture		(2,906)
			<u>₩ 278,078</u>

(*1) The Company is to repay the bonds at 125.83 % (guaranteed rate of return : 7 %) of the principal amount at maturity when the warrants have not been exercised within the exercise period.

The face value of the bonds with warrants at issuance was ₩300,000 million and decreased by ₩17,335 million by paying in bonds in substitute for cash at the exercise of the warrants during the year 2003 (Note 16).

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Major terms of the bond with stock warrants are as follows :

- Exercise period of the warrants From three months after issue date to one month before redemption date
- Stock to be issued Common stock (par value : ₩5,000)
- Payment method for stock Cash or bond redemption
- Number of shares issued by exercise of the warrants 1,179,249 shares
- Number of shares to be issued by exercise of the warrants 20,630,976 shares
- Adjustment of exercise price The exercise price is adjusted in case of stock issuances without consideration, stock dividends, or stock issuances at a price lower than the market price
- Special arrangement In case of bankruptcy, claims to the principal of the bonds with warrants have a lower priority than all non-guaranteed, non-subordinated claims, and have a higher priority than claims of shareholders (of both common and preferred stock) and bondholders where special agreements inferior to bonds with warrants apply.
- Exercise of warrants during the fiscal year Regarded as exercised at the beginning of the year
- Exercise price as of December 31, 2003 ₩13,701

The annual maturities of long-term borrowings as of December 31, 2003 are as follows :

(in millions of Korean Won)

	Debentures	Convertible Bonds	Bonds with Warrants	Won Currency Borrowings	Foreign Currency Borrowings	Total
2005	₩ 2,640,494	₩ -	₩ -	₩ 291,830	₩ 23,956	₩ 2,956,280
2006	662,440	-	-	2,891	-	665,331
2007	100,000	-	-	22	-	100,022
2008 and thereafter	110,000	299,670	282,665	-	-	692,335
	<u>₩ 3,512,934</u>	<u>₩ 299,670</u>	<u>₩ 282,665</u>	<u>₩ 294,743</u>	<u>₩ 23,956</u>	<u>₩ 4,413,968</u>

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

14. Foreign Currency Denominated Assets and Liabilities

Monetary assets and liabilities denominated in foreign currency as of December 31, 2003 and 2002, other than the accounts presented in Notes 8 and 13, comprise the following :

Account	Foreign Currency (in thousands)		Won Currency Equivalent (in millions)	
	2003	2002	2003	2002
Cash and cash equivalents	US\$ 1,599	US\$ 218	₩ 1,916	₩ 262
	¥ 134	-	-	-
Other accounts payable	-	10	-	12

15. Commitments and Contingencies

As of December 31, 2003, in the normal course of business, the Company has provided a number of blank promissory notes as collateral to creditors and guarantors.

The Company received guarantees from financial institutions in relation to the opening of letters of credit for importing a lease equipment amounting to US\$997 thousand (₩1,194 million) as of December 31, 2003.

The Company has entered into membership agreements with MasterCard International Incorporated on July 28, 1988, JCB Card Co. on October 1, 1997, and Visa International Service Association on December 1, 1997, respectively. In accordance with the agreements, the Company has provided card services under the name of LG Master Card, LG JCB Card and LG Visa Card.

The Company has entered into installment financing agreements with a number of manufacturers and agencies.

The Company has entered into agency agreements related to the credit card services with 13 local banks, Korea Computer Inc., and the Ministry of Information and Telecommunication.

The Company has sold some of its receivables to SPCs, pursuant to the Asset Securitization Law with recourse. Under the terms of the asset transfer agreement, the Company is liable for any unqualified receivables or default of transferred receivables. In addition, the SPC has the obligation of early redemption of the asset-backed securities in certain cases as prescribed by the contract, such as when the equity to total assets ratio of the Company is less than 8 % (Note 9).

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

The Company has sold its written-off or delinquent receivables to Korea Asset Management Corporation several times during the year 2003, and the total face value of subordinated bonds acquired in relation to these sales amounted to ₩102,112 million. These subordinated bonds are to be settled upon one year from the transfer agreement date, depending on the collection results for this period and using the rates stipulated in the agreement (Note 4).

In relation to certain lease contracts, the Company entered into an agreement stipulating that in case of the cancellation of lease contracts with lessees, the provider of the leased assets shall repurchase the leased assets at the Company's request.

As of December 31, 2003, the Company is named as a defendant or a plaintiff in various legal claims and proceedings. The Company's management believes that, although the outcomes of these matters are uncertain, their ultimate resolution will not have a material adverse impact on the Company's operations or financial position.

In relation to the asset securitization of Credipia 25th and 28th, Korea Development Bank agreed on the purchase of asset-backed securities with SPCs and Kookmin Bank. The Company entered into a repurchase agreement on December 23, 2003, under which it will repurchase all the asset-backed securities purchased or repaid by Korea Development Bank pursuant to the above agreement. In relation to this repurchase agreement, the Company provided its short-term financial instruments amounting to ₩56,500 million to Korea Development Bank as collateral.

The Company has entered into currency swap contracts with financial institutions to hedge the fluctuation risk of future cash flows related to foreign currency risks and interest rate risks in debentures and lease receivables. Currency swap contracts outstanding as of December 31, 2003 are as follows :

(in thousands of dollars)

Counterpart	Buying	Selling	Contract Date	Maturity
Korea Development Bank	US\$ -	US\$ 1,782	2000.11.03	2005.04.01
Korea Development Bank	-	772	2001.06.13	2005.01.10
Korea Development Bank	40,000	-	2002.12.04	2004.12.10
Hana Bank	50,000	-	2002.08.02	2005.08.12
Korea Development Bank	40,000	-	2002.12.04	2005.12.10
Korea Development Bank	150,000	-	2002.08.02	2005.08.12
Credit Lyonnais	10,000	-	2002.12.04	2004.12.10
Credit Lyonnais	10,000	-	2002.12.04	2005.12.10
	<u>US\$ 300,000</u>	<u>US\$ 2,554</u>		

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

The Company has entered into interest rate swap contracts with financial institutions to hedge the fluctuation risk of future cash flows. Interest rate swap contracts outstanding as of December 31, 2003 are as follows :

(in millions of Korean Won)

Counterpart	Contract Amount	Exercise Date
Industrial Bank of Korea	₩ 900,000	2004.2.25 ~ 2008.9.13
Korea Development Bank	170,000	2004.12.10 ~ 2008.4.4
Shinhan Bank	30,000	2004.4.16
KorAm Bank	415,000	2005.3.8 ~ 2005.4.4
Woori Bank	140,000	2005.2.14 ~ 2008.4.4
Korea Exchange Bank	90,000	2005.9.17 ~ 2006.2.19
Citibank	250,000	2005.3.5 ~ 2005.5.29
Credit Suisse First Bank	877,650	2005.3.4 ~ 2006.12.28
Standard Chartered Bank	240,000	2004.9.30 ~ 2008.8.29
Barclays Bank	180,000	2004.10.8 ~ 2006.2.18
Deutsche Bank	20,000	2006.1.9
	₩ 3,312,650	

Details of the valuation of derivative instruments as of December 31, 2003 are as follows :

<i>(in millions of Korean Won)</i>	Derivative Assets	Derivative Liabilities	Capital Adjustment
Currency swaps (Liability)	₩ -	₩ 1,937	₩ -
Currency forwards (Asset)	2,517	-	-
Interest rate swaps (Asset)	24,273	-	12,967
Interest rate swaps (Liability)	-	42,681	(31,375)
	₩ 26,790	₩ 44,618	₩ (18,408)

The Company has recognized a valuation gain on derivatives of ₩9,824 million and valuation loss on derivatives of ₩5,952 million in 2003.

Valuation gain of ₩7,653 million and valuation loss of ₩15,653 million on interest rate swaps are expected to be charged to operations within 12 months from December 31, 2003.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

In common with certain other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices, including corporate governance. The Company may be either directly or indirectly affected by these volatile economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results of operations of the Company. Actual results may differ materially from management's current assessment.

16. Capital Stock

Details of the changes of common stock for the year ended December 31, 2003 are as follows:

(in millions of Korean Won)

Date	Description	Number of Shares	Par Value	Additional Paid-in Capital
2003.1.1	Beginning balance	74,000,000	₩ 370,000	₩ 255,708
2003.7.1	Issuance of common stock	45,000,000	225,000	171,000
2003.10.21 ~ 12.3	Conversion of convertible bonds	18,575	93	239
2003.11.13 ~ 11.17	Exercise of warrants	1,179,249	5,896	11,601
2003.12.24	Issuance of common stock	37,000,000	185,000	14,800
	Stock issuance costs			(15,369)
2003.12.31	Ending balance	<u>157,197,824</u>	<u>₩ 785,989</u>	<u>₩ 437,979</u>

The Company issued 45,000,000 shares of common stock at ₩8,800 per share and 37,000,000 shares of common stock at ₩5,400 per share, of which the stock issuance proceeds were paid on June 30, 2003 and December 23, 2003, respectively.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Details of the changes of common stock for the year ended December 31, 2002 are as follows :

(in millions of Korean Won)

Date	Description	Number of Shares	Par Value	Additional Paid-in Capital
2002.1.1	Beginning balance	70,000,000	₩ 350,000	₩ 49,754
2002.4.10	Issuance of common stock	4,000,000	20,000	212,000
	Stock issuance costs	-	-	(6,046)
2002.12.31	Ending balance	<u>74,000,000</u>	<u>₩ 370,000</u>	<u>₩ 255,708</u>

17. Retained Earnings

Legal Reserve

The Korean Commercial Code requires the Company to appropriate an amount equal to a minimum of 10% of its cash dividends as a legal reserve until such reserve equals 50% of its paid-in capital. This reserve is not available for the payment of cash dividends. Subject to the approval of the Board of Directors, it may be transferred to common stock or may be used to reduce accumulated deficit, if any.

Other Reserves

Pursuant to the Korean tax laws, the Company is allowed to claim the amount of retained earnings appropriated for reserves for technology development as deductions in its income tax return. These reserves are not available for the payment of dividends until used for the specified purpose or reversed.

18. Gain from Asset Contribution

The Company recorded ₩16,133 million as a gain from asset contribution in extraordinary gain, relating to the 1,073,060 shares of common stock received from MasterCard International.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

19. Income Taxes

Income taxes for the years ended December 31, 2003 and 2002, comprise the following :

<i>(in millions of Korean Won)</i>	2003	2002
Current income taxes under the tax law	₩ -	₩ 210,341
Changes in deferred income tax assets (liabilities) (*)	(41,859)	(59,704)
Income taxes	<u>₩ (41,859)</u>	<u>₩ 150,637</u>

(*) The changes in deferred income tax assets (liabilities) are as follows :

	Accumulated Temporary Differences		Deferred Income Tax Assets (Liabilities)	
	2003	2002	2003	2002
Beginning balance	₩ 140,938	₩ (60,084)	₩ 41,859	₩ (17,845)
Ending balance (**)	-	140,938	-	41,859
	<u>₩ 140,938</u>	<u>₩ 201,022</u>	<u>₩ 41,859</u>	<u>₩ 59,704</u>

(**) As of December 31, 2003, the Company did not recognize any deferred income tax assets as the utilization of loss carry-forwards and accumulated temporary differences is uncertain.

Current income taxes under the tax law are calculated as follows :

<i>(in millions of Korean Won)</i>	2003	2002
(Loss) income before income taxes	₩ (5,556,952)	₩ 501,031
Addition to pretax income		
Temporary differences	2,127,737	778,498
Permanent differences	<u>5,395</u>	<u>2,133,132</u>
Deduction to pretax income		
Temporary differences	891,318	577,474
Permanent differences	<u>886</u>	<u>6,891</u>
(Loss) income for tax purposes	<u>₩ (4,316,024)</u>	<u>₩ 708,260</u>

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Changes in temporary differences for the years ended December 31, 2003 and 2002, are as follows :

<i>(in millions of Korean Won)</i>	2003			
	Beginning Balance	Decrease	Increase	Ending Balance
Donations	₩ 3,176	₩ 3,176	₩ 6,094	₩ 6,094
Reserve for technology development	(140,000)	-	50,000	(90,000)
Depreciation	15,657	5,852	-	9,805
Equity-method investments	9,883	1,526	-	8,357
Available-for-sale securities	335	-	3,921	4,256
Held-to-maturity securities	-	126,285	477,125	350,840
Trading securities	1,128	1,128	-	-
Derivatives	20,901	36,573	34,886	19,214
Accrued income	(308,313)	177,507	368,994	(116,826)
Allowance for doubtful accounts	475,950	475,950	1,071,830	1,071,830
Supplementary revenue	-	-	81,991	81,991
Impairment loss on intangible assets	-	-	10	10
Others	62,221	63,321	32,886	31,786
Loss carry-forwards	-	-	4,316,024	4,316,024
	<u>₩ 140,938</u>	<u>₩ 891,318</u>	<u>₩ 6,443,761</u>	<u>₩ 5,693,381</u>

<i>(in millions of Korean Won)</i>	2002			
	Beginning Balance	Decrease	Increase	Ending Balance
Donations	₩ 1,074	₩ 1,074	₩ 3,176	₩ 3,176
Reserve for technology development	(152,666)	(12,666)	-	(140,000)
Depreciation	264	153	15,546	15,657
Available-for-sale securities	335	-	-	335
Equity-method investments	4,125	-	5,758	9,883
Trading securities	1,128	-	-	1,128
Derivatives	12,060	12,060	20,901	20,901
Accrued income	(137,436)	(137,436)	(308,313)	(308,313)
Allowance for doubtful accounts	188,559	188,559	475,950	475,950
Others	22,473	23,573	63,321	62,221
	<u>₩ (60,084)</u>	<u>₩ 75,317</u>	<u>₩ 276,339</u>	<u>₩ 140,938</u>

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

Temporary differences and loss carry-forwards not recognized as deferred income tax assets on the balance sheet for the years ended December 31, 2003 and 2002 are as follows :

	2003		2002	
Accumulated temporary differences	₩	1,377,357	₩	-
Loss carry-forwards (*)		4,316,024		-
	₩	5,693,381	₩	-

(*) Loss carry-forwards can be deducted from taxable income until 2008.

The statutory income tax rate, including resident tax surcharges, applicable to the Company for the years ended December 31, 2003 and 2002 was 29.7 %. However, the effective tax rate of the Company for the year ended December 31, 2002 was 30.1 %, while the effective tax rate for the year ended December 31, 2003 was not calculated since the Company has incurred a loss before income taxes.

20. Earnings (Loss) Per Share

Basic earnings (loss) per share and basic ordinary income (loss) per share

Basic ordinary income (loss) per share and earnings (loss) per share for the years ended December 31, 2003 and 2002 are calculated as follows :

<i>(in Korean Won)</i>	2003		2002 (*1)	
Ordinary (loss) income	₩	(5,573,085,195,438)	₩	501,031,564,500
Income tax expense		41,858,842,654		150,637,191,411
Ordinary (loss) income allocated to common stock (A)	₩	(5,614,944,038,092)	₩	350,394,373,089
Net (loss) income allocated to common stock (B)	₩	(5,598,811,033,051)	₩	350,394,373,089
Weighted average number of common shares outstanding during the period (C) (*2)		107,073,277 shares		90,682,565 shares
Basic ordinary (loss) income per share (A/C)	₩	(52,440)	₩	3,864
Basic (loss) earnings per share (B/C)	₩	(52,290)	₩	3,864

(*1) Basic ordinary income per share and earnings per share for the year ended December 31, 2002 was ₩4,805. However, the Company issued shares of stock at a price below market on June 30, 2003, which is considered as a combination of stock issued without consideration and stock issued at market price, in accordance with interpretation 29-54 of the financial accounting standards. Accordingly, the above per share amounts were recalculated reflecting the effect of the stock issued without consideration.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

(*2) The weighted average number of common shares outstanding for the years ended December 31, 2003 and 2002 are calculated as follows:

	2003				
	Number of Shares Issued	Adjustment Rate (*1)	Outstanding Period	Number of Days Outstanding	Weighted Number of Shares
Beginning	74,000,000	(1+0.2435)	2003.1.1 ~ 2003.6.29	180	16,563,246,480
Issuance of common stock	119,000,000	-	2003.6.30 ~ 2003.7.20	21	2,499,000,000
Conversion of convertible bonds	119,018,575	-	2003.7.21 ~ 2003.8.11	22	2,618,408,650
Exercise of bonds with warrants	120,197,824	-	2003.8.12 ~ 2003.12.22	133	15,986,310,592
Issuance of common stock	157,197,824	-	2003.12.23 ~ 2003.12.31	9	1,414,780,416
				<u>365</u>	<u>39,081,746,138</u>

(*1) Calculation of the rate of adjustment for stock issued without consideration:
 The Company issued 45,000,000 shares of common stock, of which the stock proceeds were paid on June 30, 2003. The issue price and the stock price at the day before the date of stock issuance were ₩8,800 and ₩18,250, respectively. As the Company issued stock to the shareholders at a price lower than market, this is considered as a combination of stock issued without consideration and stock issued at market price, according to interpretation 29-54 of the financial accounting standards. The rate of adjustment for stock issued without consideration was calculated as follows :

a) Number of shares to be issued when issued at market price

$$21,698,630 \text{ shares} = 45,000,000 \text{ shares} \times \text{₩}8,800 \div \text{₩}18,250$$

b) Number of shares issued without consideration

$$23,301,370 \text{ shares} = 45,000,000 \text{ shares} - 21,698,630 \text{ shares}$$

c) Rate of adjustment

$$24.35 \% = 23,301,370 \text{ shares} \div (74,000,000 \text{ shares} + 21,698,630 \text{ shares})$$

Weighted average number of common shares outstanding:

$$39,081,746,138 \text{ shares} \div 365 \text{ days} = 107,073,277 \text{ shares}$$

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

2002					
	Number of Shares Issued	Adjustment Rate (*1)	Outstanding Period	Number of Days Outstanding	Weighted Number of Shares
			2002.1.1 ~		
Beginning	70,000,000	(1+0.2435)	2002.4.8	98	8,530,320,624
Issuance of			2002.4.9 ~		
Common stock	74,000,000	(1+0.2435)	2002.12.31	267	24,568,815,612
Total				<u>365</u>	<u>33,099,136,236</u>

Weighted average number of common shares outstanding:

$$33,099,136,236 \text{ shares} \div 365 \text{ days} = 90,682,565 \text{ shares}$$

Diluted earnings (loss) per share

Diluted ordinary income (loss) per share and earnings (loss) per share for the year ended December 31, 2003 are as follows :

(in Korean Won)

	Diluted Ordinary Loss Per Share	
Ordinary loss allocated to common stock	₩	(5,614,944,038,092)
Interest expense on convertible bonds, net of tax		10,992,004,650
Diluted ordinary loss allocated to common stock	<u>₩</u>	<u>(5,603,952,033,442)</u>
Weighted average number of common shares and diluted securities outstanding during the period (*)		115,447,571 shares
Diluted ordinary loss per share	<u>₩</u>	<u>(48,541)</u>

(in Korean Won)

	Diluted Loss Per Share	
Net loss allocated to common stock	₩	(5,598,811,033,051)
Interest expense on convertible bonds, net of tax		10,992,004,650
Diluted net loss allocated to common stock	<u>₩</u>	<u>(5,587,819,028,401)</u>
Weighted average number of common shares and diluted securities outstanding during the period (*)		115,447,571 shares
Diluted loss per share	<u>₩</u>	<u>(48,401)</u>

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

(*) The weighted average number of common shares and diluted securities outstanding for the year ended December 31, 2003 is calculated as follows :

	Weighted Average Number of Outstanding Shares
Common stock	107,073,277 shares
Diluted securities (**)	8,374,294 shares
	<u>115,447,571 shares</u>

(**) The weighted-average number of potential common shares of the diluted securities

Type	Outstanding Period	Number of Shares	Number of Days Outstanding	Weighted Number of Shares
Convertible bonds not converted	2003. 7. 21 ~ 2003. 12. 31	18,151,941	164	2,976,918,324
Bonds with warrants not exercised (*)	2003. 8. 12 ~ 2003. 12. 31	561,263	142	79,699,346
				<u>3,056,617,670</u>

(*) The weighted-average number of potential common shares of the bonds with warrants not exercised is calculated using the treasury stock method.

Weighted average number of potential common shares of diluted securities outstanding :

$$3,056,617,670 \text{ shares} \div 365 \text{ days} = 8,347,294 \text{ shares}$$

Details of diluted potential shares as of December 31, 2003 are as follows :

Type	Conversion or Exercise Period	No. of Common Shares to be Issued by Conversion or Exercise	Conversion or Exercise Price
Convertible bonds	2003. 10. 21 ~ 2008. 12. 21	18,151,941	₩ 16,509
Bonds with warrants	2003. 11. 12 ~ 2009. 01. 12	20,630,976	13,701

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

21. Operating Results for the Final Interim Period

Operating results for the three-month periods ended December 31, 2003 and 2002 are as follows :

(in millions of Korean Won, except per share amounts)

	2003		2002
	(unaudited)		(unaudited)
Operating revenue	₩ 631,566	₩	1,767,856
Operating loss	4,582,008		196,269
Ordinary loss per share	37,006		2,133
Diluted loss per share	32,098		2,133

(*) The above operating results for the final interim period were calculated by reflecting the accounting changes as discussed in Notes 2 and 9 to the financial statements.

As discussed in Note 2 to the financial statements, until 2002, the Company recognized the service charges and interest income from card receivables over three-month delinquent on a cash basis. In 2003, however, the Company recognizes service charges and interest income from the delinquent card receivables and rewritten loans on a cash basis, estimating little chance of acquiring the economic benefit in the future. The effect of this accounting change decreased accrued income and increased net loss by ₩110,335 million for the year 2003. In addition, until 2002, the Company converted the delinquent receivables into rewritten loans after recognizing the interest income over the delinquent period. During 2003, the Company changed its method of accounting to recognize the interest income from the rewritten loans on a cash basis, and the net loss for the final three-month period ended December 31, 2003 was consequently increased by ₩6,687 million.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

22. Dividends

Details of dividends declared for the year ended December 31, 2002 are as follows :

(in millions of Korean Won)

Number of shares (par value per share: ₩ 5,000)	74,000,000 shares
Dividend per share (in Korean Won) (dividend ratio)	₩ 1,750 (35 %)
Total dividend	₩ 129,500

The Company's dividend payout ratio for the year ended December 31, 2002 is computed as follows :

(in millions of Korean Won)

Total dividend (A)	₩	129,500
Net income (B)	₩	350,394
Dividend payout ratio (A)/(B)		36.96 %

The Company's dividend yield ratio for the year ended December 31, 2002 is computed as follows :

(in Korean Won)

Dividend per share (A)	₩	1,750
Market price as of balance sheet date (B)	₩	34,000
Dividend yield ratio (A)/(B)		5.15 %

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

23. Related Party Transaction

Significant transactions, which occurred in the ordinary course of business with related companies for the years ended December 31, 2003 and 2002 and the related account balances as of December 31, 2003 and 2002, are summarized as follows :

<i>(in millions of Korean Won)</i>	2003 (*1)		2002	
Sales (*2)	₩	467,544	₩	35,280
Purchases (*3)		247,055		147,381
Receivables		132,224		102,672
Payables		19,156		19,518

- (*1) With the cancellation of the lease agreements with Onse Telecom and Korea Thrunet Co., Ltd., the Company sold the related leased assets to LG Electronics Inc., the provider of the leased assets, for ₩37,061 million, in accordance with a repurchase agreement.

The Company sold some of its financing assets (including lease receivables and loans) to LG Investment & Securities Co., Ltd. for ₩143.6 billion and its written-off and delinquent receivables amounting to ₩121.5 billion for ₩243.8 billion (including subordinated bonds amounting to ₩159.9 billion) for the asset securitization of non-performing household loans of multiple lenders in 2003.

- (*2) Include the disposal of investment in LG Sports Ltd. of 58,800 shares.
 (*3) Include service fees.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

24. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2003 and 2002 are as follows :

<i>(in millions of Won)</i>	2003	2002
Salaries and wages	₩ 120,229	₩ 103,609
Provision for severance benefits	24,126	19,390
Other employee benefits	27,518	24,862
Travel	1,530	1,227
Communications	50,887	66,176
Utilities	19,751	18,455
Vehicles	2,943	3,812
Supplies	24,310	48,387
Taxes and dues	8,684	18,778
Rent	25,096	23,509
Depreciation and amortization	109,179	114,471
Insurance	2,477	2,416
Repairs and maintenance	135	161
Entertainment	3,029	3,656
Advertising	67,982	217,987
Transportation	2,429	1,097
Publications	1,086	534
Service fees (Note 23)	550,362	692,354
Compensation for losses	5,093	4,878
Training	1,445	4,114
Bad debt expenses	7,134,351	2,528,647
Collection fees for receivables	14,991	3,988
Credit rating service fees (Note 23)	197,170	198,841
Miscellaneous expenses		
on the lease of assets	5,794	-
Foreign exchange loss	3,945	5,628
Loss on valuation of derivatives	5,952	6,638
Loss on derivative transactions	10,547	11,598
Loss on disposal of receivables	201,198	-
	₩ 8,622,239	₩ 4,125,213

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

25. Donations

Donations for the years ended December 31, 2003 and 2002 are as follows :

<i>(in millions of Korean Won)</i>	2003		2002	
Welfare facilities	₩	1,017	₩	995
Donation for public facilities		1,334		2,063
Others		2,380		2,151
	₩	<u>4,731</u>	₩	<u>5,209</u>

26. Supplemental Cash Flow Information

Major transactions not involving an inflow or outflow of cash and cash equivalents are as follows :

<i>(in millions of Korean Won)</i>	2003		2002	
Transfer of long-term financial instruments to current maturities	₩	733	₩	573
Transfer of held-to-maturity securities to current maturities		966,113		449,947
Write-off of receivables		4,513,614		1,306,000
Transfer of debentures to current maturities		2,038,956		1,740,000
Transfer of long-term borrowings to current maturities		1,147,710		4,054,324
Gain on valuation of interest rate swaps		1,730		14,697
Loss on valuation of interest rate swaps		2,516		33,890
Loss on valuation of available-for-sale securities		2,841		2,852
Gain on valuation of available-for-sale securities		818		2,989
Redemption premium (convertible bonds, bonds with warrants)		172,016		-
Transfer of lease rentals paid in advance to operating lease assets		25,236		-
Conversion of convertible bonds and bonds with warrants to common shares		17,828		-
Consideration for conversion rights		2,608		-
Consideration for stock warrants		7,039		-

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

27. Uncertainty of Assumption of a Going Concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate the continuation of the Company as a going concern and under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. However, as of November 24, 2003, the Company was provided with a short-term bailout loan of ₩2 trillion from the creditor financial institutions for which its financing assets were pledged as collateral due to a liquidity crisis caused by the worsening delinquency in credit card and loan payment. In addition, to normalize its business, the Company is under the management control by its creditors' group financial institutions led by Korea Development Bank as of the audit report date.

The Company incurred ₩5,598,811 million of net loss during the year ended December 31, 2003 and, as of that date, the Company's total liabilities exceeded its total assets by ₩3,213,187 million. Due to its capital deficit as of December 31, 2003, the Company is likely to be forced to take a prompt corrective action such as the management improvement order by the Financial Supervisory Commission in accordance with the Regulation on Supervision of Financial Companies Specializing in Loan Business. In the event that the Company fails to increase its net asset through debt-to-equity swaps and other measures to eliminate its capital deficit or to meet the ratio of impaired capital of less than 50% until March 30, 2004, it is possible that the Company's shares will be delisted or designated as supervised issues, respectively, in the Korea Stock Exchange, pursuant to the Regulation on Securities Listing.

Under the terms of the asset transfer agreement, when the interest coverage ratio is below a certain minimum ratio, holders of asset-backed securities can demand for an early redemption. Credipia 2001 SPC (Special Purpose Company) reached the aforementioned condition, however, as of the audit report date, the redemption was deferred, by mutual consent, until the end of February 2004. In addition, there had been other similar cases for some concerned SPCs during the year 2003, however the requests for the early redemption were withdrawn as the Company replaced the defaulted assets with qualified assets.

These matters raise significant doubt about the Company's ability to continue as a going concern.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

The details of the measures taken by its management to address the aforementioned significant doubts about the Company's going concern status are as follows :

Improvement plan of financial structure and liquidity

- The Company plans to increase its capital by ₩3,499 billion through the execution of two debt-to-equity swaps with creditor financial institutions as part of its business normalization plan. In the first debt-to-equity swap on February 13, 2004, the debts, amounting to ₩954 billion, owned by 14 creditor financial institutions will be converted to equity. In addition, the debts amounting to ₩2,545 billion will be converted to equity on early July 2004 for the second debt-to-equity swap.
- Furthermore, other measures such as the extension of the maturity dates of debts will be implemented to improve the financial structure and resolve the liquidity problem.
- The creditors' group of financial institutions of the Company plans to dispose of the total 21.2 % of equity in LG Investment & Securities Co., Ltd. which include a 4.4 % of equity owned by the major shareholders and related individuals of the LG group and 16.8 % of equity owned by the affiliates of the LG group, and increase the Company's capital using the proceeds from the disposal of these equities (expected proceeds: ₩350 billion). In a way to implement the aforementioned plan, the equity of LG Investment & Securities Co., Ltd. owned by the major shareholders and related individuals of the LG group will be sold to creditor financial institutions for ₩1 per share and stock options will be granted to the creditor financial institutions. In addition, the Company will improve cash flows by selling written-off receivables and other accounts.

Self-rescue plan

- Business operation: As for the credit card business, the Company plans to keep its customers with high frequency of card usage, attract potential customers and operate a business which could generate profits. As for the installment receivables and leases, it plans to improve the profit structure by introducing a new business.
- Credit / delinquency management: To minimize payment delinquency, the Company plans to implement the credit/delinquency management in advance through customer analysis and improve the recovery ratio of delinquent receivables.
- Others: The Company plans to reduce its operating costs by improving the organization structure and business process, and implement the resource priority allocation plan for maintaining and enhancing the customer base.

The Company's ability to continue as a going concern is dependent upon the success of its fund-raising plan and the business normalization plan, including the self-rescue plan for generating a steady ordinary income and the troubled debt restructuring plan. In the event that the Company cannot continue its existence due to its failure to implement the aforementioned plans, it is possible that the Company will not be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, the amounts and classification of liabilities or adjustments to the statements of income that might be necessary in the event the Company cannot continue its existence.

LG Card Co., Ltd.
Notes to Financial Statements
December 31, 2003 and 2002

28. Subsequent Events

The Company is under the management control by its creditors' group of financial institutions in accordance with the agreement of the creditor financial institutions on February 6, 2004, for the effective implementation of the Company's business normalization plan.

The creditors' group of the Company agreed on the debt-to-equity swap at the meeting held on January 2, 2004 and February 6, 2004, under which the existing debts and the new bailout loan amounting to ₩1,908 billion and ₩1,592 billion, respectively, will be converted to equity in 2004. In accordance with the resolution of the Board of Directors on January 14, 2004, ₩954 billion among the aforementioned debts, will be converted to equity on February 13, 2004.

The Company received the approval from the Fair Trade Commission on the spin-off from the LG conglomerate on January 15, 2004.