

Samsung Futures Inc.

Index

March 31, 2004 and 2003

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Report of Independent Auditors

To the Board of Directors and Shareholders of
Samsung Futures Inc.

We have audited the accompanying balance sheets of Samsung Futures Inc. (the “Company”) as of March 31, 2004 and 2003, and the related statements of income, appropriations of retained earnings and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Samsung Futures Inc. as of March 31, 2004 and 2003, and the results of its operations, the changes in its retained earnings and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

As discussed in Note 14 to the accompanying financial statements, the Company had revenues of ₩829 million and purchases of ₩2,062 million with affiliated companies for the year ended March 31, 2004. Related receivables and payables as of March 31, 2004 amounted to ₩299 million and ₩133 million, respectively. Furthermore the Company has entered into a severance insurance with Samsung Life Insurance Co., Ltd. in the amount of ₩440 million as of March 31, 2004.

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
April 14, 2004

This report is effective as of April 14, 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.

Samsung Futures Inc.
Balance Sheets
March 31, 2004 and 2003

(in thousands of Korean Won)

	2003	2002
Assets		
Current assets		
Cash and cash equivalents (Note 3)	₩ 648,915	₩ 398,376
Short-term financial instruments (Note 3)	-	1,000,000
Customer deposits in custody (Note 4)	130,126,663	79,195,740
Trading securities (Note 5)	16,200,000	30,699,058
Short-term loans	-	10,000,000
Others	972,855	1,189,007
	<hr/>	<hr/>
Total current assets	147,948,433	122,482,181
Long-term financial instruments (Note 3)	8,000	8,000
Long-term available-for-sale securities (equity investment in the Korea Futures Exchange)	3,000,000	3,000,000
Long-term loans to employees	1,432,975	1,451,703
Guarantee deposits (Note 14)	1,285,125	1,362,115
Deferred income tax assets (Note 12)	1,122,696	103,712
Indemnity fund (Note 2)	6,398,559	4,855,863
Property and equipment, net of accumulated depreciation (Notes 6 and 14)	840,096	1,258,626
Intangible assets (Note 7)	845,897	1,420,945
	<hr/>	<hr/>
Total assets	<u>₩ 162,881,781</u>	<u>₩ 135,943,146</u>

Samsung Futures Inc.
Balance Sheets
March 31, 2004 and 2003

(in thousands of Korean Won)

	2003	2002
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings (Note 8)	₩ 5,000,000	₩ 17,400,000
Customer deposits	122,788,537	79,070,438
Accrued expenses	835,210	952,466
Other accounts payable (Note 14)	129,928	11,389
Income taxes payable (Note 12)	1,040,418	912,346
Current maturities of long-term debts (Note 8)	-	5,000,000
	<hr/>	<hr/>
Total current liabilities	129,794,093	103,346,639
Accrued severance benefits (Note 9)	264,982	147,210
	<hr/>	<hr/>
Total liabilities	130,059,075	103,493,849
	<hr/>	<hr/>
Commitments and contingencies (Note 10)		
Shareholders' equity		
Common stock (Note 1)	25,000,000	25,000,000
Retained earnings (Note 11)		
Appropriated	722,999	704,006
Unappropriated	7,099,707	6,770,287
Capital adjustment		
Discount on stock issuance	-	(24,996)
	<hr/>	<hr/>
Total shareholders' equity	32,822,706	32,449,297
	<hr/>	<hr/>
Total liabilities and shareholders' equity	₩ 162,881,781	₩ 135,943,146
	<hr/>	<hr/>

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

Samsung Futures Inc.
Statements of Income
Years Ended March 31, 2004 and 2003

(in thousands of Korean Won, except for per share amounts)

	2003	2002
Revenues		
Commission income (Note 14)	₩ 15,192,949	₩ 19,196,676
Interest income (Note 14)	4,921,397	5,134,678
Other incomes	1,086,708	1,615,823
	<u>21,201,054</u>	<u>25,947,177</u>
Cost and expenses		
Commission expense (Note 14)	2,800,106	4,582,262
Interest expense (Note 14)	1,864,650	2,344,627
Loss on valuation of trading securities (Note 5)	3,562,557	398,379
General and administrative expenses (Notes 14 and 16)	10,924,368	11,967,672
Other expenses	1,560,836	1,464,216
	<u>20,712,517</u>	<u>20,757,156</u>
Operating income	488,537	5,190,021
Non-operating income (loss)	<u>425,196</u>	<u>(2,612)</u>
Ordinary income	913,733	5,187,409
Extraordinary income	-	-
Extraordinary loss	<u>-</u>	<u>-</u>
Net income before income tax expense	913,733	5,187,409
Income tax expense (Note 12)	<u>540,324</u>	<u>1,841,520</u>
Net income	<u>₩ 373,409</u>	<u>₩ 3,345,889</u>
Earnings per share (Note 13)	<u>₩ 149</u>	<u>₩ 1,338</u>

Samsung Futures Inc.
Statements of Income
Years Ended March 31, 2004 and 2003

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

Samsung Futures Inc.
Statements of Appropriations of Retained Earnings
Years Ended March 31, 2004 and 2003
(Date of Appropriations: May 28, 2004 and May 29, 2003
for the years ended March 31, 2004 and 2003, respectively)

(in thousands of Korean Won)

	2003	2002
Retained earnings before appropriations		
Unappropriated retained earnings carried over from the prior year	₩ 6,726,298	₩ 3,424,398
Net income	373,409	3,345,889
	<u>7,099,707</u>	<u>6,770,287</u>
Appropriations (Note 11)		
Amortization of stock issue costs	-	24,996
Liability reserve	15,065	18,993
	<u>15,066</u>	<u>43,989</u>
Unappropriated retained earnings carried forward to the subsequent year	<u>₩ 7,084,642</u>	<u>₩ 6,726,298</u>

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

Samsung Futures Inc.
Statements of Cash Flows
Years Ended March 31, 2004 and 2003

(in thousands of Korean Won)

	2003	2002
Cash flows from operating activities (Note 15)		
Net income	₩ 373,409	₩ 3,345,889
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	1,235,152	1,419,901
Provision for severance benefits	326,532	340,566
Loss on valuation of trading securities	3,562,557	398,379
Others	64,638	(233,811)
	<u>5,562,288</u>	<u>5,270,924</u>
 Changes in operating assets and liabilities		
Increase in customer deposits in custody	(50,930,923)	(15,864,602)
Decrease in accrued income	227,555	411,678
Increase in customer deposits	43,718,099	15,685,110
Decrease in accrued expenses	(117,257)	(178,813)
Payment for severance benefits	(374,405)	(76,261)
Increase (decrease) in income taxes payable	128,073	(940,258)
Increase in deferred income tax assets (liabilities)	(1,018,984)	(253,244)
Others	218,146	574,356
	<u>218,146</u>	<u>574,356</u>
 Net cash provided by (used in) operating activities	<u>(2,587,408)</u>	<u>4,628,890</u>

Samsung Futures Inc.
Statements of Cash Flows
Years Ended March 31, 2004 and 2003

(in thousands of Korean Won)

	2003	2002
Cash flows from investing activities		
Proceeds from disposal of short-term financial instruments	1,000,000	-
Acquisition of short-term financial instruments	-	(200,000)
Proceeds from disposal of trading securities	20,902,327	95,046,012
Acquisition of trading securities	(9,912,545)	(102,832,140)
Proceeds from short-term loans	10,000,000	603,970
Payments in short-term loans	-	(10,000,000)
Proceeds from long-term loans to employees	410,677	502,634
Payments of long-term loans to employees	(391,950)	(294,372)
Proceeds from guarantee deposits	118,185	684
Payments for guarantee deposits	(41,195)	(817,600)
Deposits in indemnity fund	(1,542,694)	(1,652,215)
Acquisition of property and equipment	(307,298)	(173,853)
Proceeds from disposal of property and equipment	8,925	15,000
Increase in intangible assets	(6,485)	(837,253)
	<u>20,237,947</u>	<u>(20,639,133)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	5,000,000	9,700,000
Repayment of short-term borrowings	(17,400,000)	-
Repayment of current maturities of long-term debts	(5,000,000)	-
	<u>(17,400,000)</u>	<u>9,700,000</u>
Net cash provided by (used in) investing activities	<u>20,237,947</u>	<u>(20,639,133)</u>
Net cash provided by (used in) financing activities	<u>(17,400,000)</u>	<u>9,700,000</u>
Net increase (decrease) in cash and cash equivalents	250,539	(6,310,243)
Cash and cash equivalents		
Beginning of the year	<u>398,376</u>	<u>6,708,619</u>
End of the year	<u>₩ 648,915</u>	<u>₩ 398,376</u>

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

Samsung Futures Inc.
Notes to Financial Statements
March 31, 2004 and 2003

1. The Company

Samsung Futures Inc. (the “Company”), a majority-owned subsidiary of Samsung Securities Co., Ltd. (the “Parent”), executes and clears futures and options on futures trades on behalf of institutional clients. Founded in 1992, the Company’s principal office is located in Seoul, Korea and the Company is a member of the Korea Futures Exchange, which commenced its trading in April 1999.

As of March 31, 2004, the Company currently performs all duties permitted by the Futures Trading Act, including the receipt of trust funds, and is required by relevant laws to report any changes in the paid-in-capital, major shareholders, members of the board of directors to the Financial Supervisory Commission.

The Company is required to maintain its net capital ratio at or above 100% in accordance with the Futures Trading Act and the Supervisory Regulations. It is also prohibited from owning securities issued by major investors and acting as a guarantor for another party.

As of March 31, 2004, the Company’s capital totals ₩25,000 million and its shareholders are detailed as follows :

Shareholders	Number of shares	Ownership ratio (%)
Samsung Securities Co., Ltd.	1,275,000	51.00
Samsung Life Insurance Co., Ltd.	1,025,000	41.00
Samsung Fire & Marine Insurance Co., Ltd.	100,000	4.00
Samsung Life Public Welfare Foundation	50,000	2.00
Employee stock ownership association	34,550	1.38
Individual Shareholders	<u>15,450</u>	<u>0.62</u>
	<u>2,500,000</u>	<u>100.00</u>
	=====	=====

2. Summary of Significant Accounting Policies

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

Samsung Futures Inc.
Notes to Financial Statements
March 31, 2004 and 2003

Basis of Financial Statement Presentation

The Company maintains its official 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. 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.

Use of Estimates

The preparation of 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 Company may undertake in the future, actual results may be different from those estimates.

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 for the year ended March 31, 2004, except that the Company opted for an early adoption of SKFAS No. 7, "Capitalization of Financing Costs" for the year ended March 31, 2003.

Except for the aforementioned issues, the financial statements have been prepared in accordance with the accounting principles that were in effect as of March 31, 2003.

In accordance with SKFAS No. 6 "Subsequent Events", the Company has not reflected the proposed appropriations of retained earnings in the balance sheets. As a result, retained earnings as of March 31, 2003 was restated to reflect an increase by ₩25 million.

In accordance with SKFAS No. 8, "Securities", the Company changed its classification of marketable securities and marketable securities as of March 31, 2003 have been reclassified to conform to this change.

Samsung Futures Inc.
Notes to Financial Statements
March 31, 2004 and 2003

Revenue Recognition

Revenue from consignment sales and securities trade are recognized at the contract date.

Cash and Cash Equivalents and Short-term Financial Instruments

Cash and cash equivalents include cash on hand and in bank accounts with original maturities of three months or less. Investments which are readily convertible to cash within four to twelve months of purchase are classified in the balance sheet as short-term financial instruments. The cost of these investments approximates fair value.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts and notes receivable based on the aggregate estimated collectibility of the receivables.

Securities

In accordance with SKFAS No. 8, "Securities", investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Trading securities are classified as current assets, and available-for-sale securities and held-to-maturity securities are classified as long-term investments, except that those securities that mature or are certain to be disposed of within one year are classified as current assets.

Cost is measured at the market value upon acquisition, including incidental costs, and is determined using the moving average cost method.

If the costs of trading securities are different from fair value, they are carried at fair value. The difference amount is charged to current operations.

Available-for-sale securities are stated at fair value, while non-marketable equity securities are stated at cost in the case that their fair value cannot be reliably estimated.

Indemnity Fund

In accordance with Article 27 of the Futures Trading Act, the Company, as a member of the Korea Futures Exchange, is required to reserve an indemnity fund, up to ₩15 billion (total indemnity fund : up to ₩100 billion) in order to compensate for losses arising from the default of obligations with respect to futures trading.

The Company can reserve the indemnity fund within 50 percent by the government bonds, the bonds of the corporation which is founded by the special law and the financial guarantee of a bank.

As of March 31, 2004, the Company reserves the indemnity fund up to ₩7,308 million in the cash of ₩6,399 million and the financial guarantee of ₩909 million.

Samsung Futures Inc.
Notes to Financial Statements
March 31, 2004 and 2003

Property and Equipment and Related Depreciation

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as described below.

Vehicles	4 years
Furniture and office equipment	4 - 40years

Maintenance and Repairs

Routine maintenance and repairs are charged to expense as incurred. Expenditures which enhance the value or extend the useful life of the related assets are capitalized.

Intangible Assets

Development costs incurred for new products or technologies which can be clearly identified, measured and have probable future economic benefits are capitalized. Capitalized development costs are amortized using the straight-line method over the rational period from the utilization of such assets.

The software costs are recorded as intangible asset and are amortized using the straight-line method over four years.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the rate prevailing at the balance sheet date (in the case of U.S. Dollars, US\$1 = ₩1,153.6). The resulting exchange losses and gains are recognized in current operations.

Accrued Severance Benefits

Employees and directors with more than one year of service 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.

Severance pay expense is calculated based on the net change in the accrued severance benefits liability assuming the termination of all eligible employees' employment as of the beginning and end of the accounting period.

Accrued severance benefits are funded at approximately 61.9% as of March 31, 2004 through a severance insurance plan to guarantee retirement grants of employees with Samsung Life Insurance Co., Ltd. The amounts funded under this insurance plan are classified as a deduction to the accrued severance benefits liability. Subsequent accruals are to be funded at the discretion of the Company.

Samsung Futures Inc.
Notes to Financial Statements
March 31, 2004 and 2003

In accordance with the National Pension Act of the Republic of Korea, a certain portion of accrued severance benefits is deposited with the National Pension Fund and deducted from the accrued severance benefits liability. The contributed amounts shall be refunded from the National Pension Fund to employees upon their retirement.

Accounting for Derivatives

The Company recorded assets and liabilities related to derivatives in the accompanying balance sheet and stated them at market value. The resulting from derivatives as occurred is recognized in current operations.

Stock Issue Costs

Accounting principles generally accepted in the Republic of Korea requires stock issue costs to be usually deducted from contributed capital in excess of par value, as a reduction in the proceeds from the sale of securities. In case there are no paid-in capital in excess of par value to offset the costs, the costs are reported in a separate component of shareholders' equity (capital adjustment-discount on stock issuance) and are amortized over three years.

Income Tax Expense

The Company recognizes deferred income tax assets and liabilities, which represent temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred income tax assets and liabilities are computed on such temporary differences, including available net operating loss ("NOL") carry-forwards and tax credits, by applying enacted statutory tax rates applicable to the years when such differences are expected to reverse. Deferred income tax assets are recognized when it is almost certain that such deferred income tax assets will be realized. The total income tax provision includes the current income tax expense under applicable tax regulations and the change in the balance of deferred income tax assets and liabilities during the year.

Earnings Per Share

Earnings per share are computed based on earnings available to common shareholders, using the weighted average number of common shares outstanding during the year.

Samsung Futures Inc.
Notes to Financial Statements
March 31, 2004 and 2003

3. Cash and Cash Equivalents, Long-term and Short-term Financial Instruments

Cash and cash equivalents, long-term and short-term financial instruments as of March 31, 2004 and 2003 consist of the following :

<i>(in thousands of Korean Won)</i>	Annual Interest		2003	2002
	Rates (%)			
	2003		2003	2002
(1) Cash and cash equivalents				
Cash on hand	-		₩ 1,297	₩ 855
Passbook accounts	1.0		47,618	97,521
Time deposits	3.1 - 4.1		<u>600,000</u>	<u>300,000</u>
			<u>₩ 648,915</u>	<u>₩ 398,376</u>
(2) Short-term financial instruments				
Time deposits	-		₩ -	₩ 1,000,000
Other financial instruments	-		<u>8,000</u>	<u>8,000</u>
			8,000	1,008,000
Less : portion classified as non-current			<u>(8,000)</u>	<u>(8,000)</u>
			<u>₩ -</u>	<u>₩ 1,000,000</u>

As of March 31, 2004 and 2003, bank deposits amounting to ₩8,000 thousand, respectively, are subject to restrictions on withdrawal

4. Customer Deposits in Custody

In accordance with Article 49-2 of the Futures Trading Act, the Company, as a member of the Korea Futures Exchange, is required to secure money deposited from customers in connection with futures trading separately from the Company's own property and is required to deposit the amount with a securities finance company as stated in Article 145 of the Securities and Exchange Act. The deposits bear an annual interest of approximately 3.8%. These deposits are subject to restrictions on withdrawal.

Samsung Futures Inc.
Notes to Financial Statements
March 31, 2004 and 2003

5. Trading Securities

Trading securities as of March 31, 2004 and 2003 consist of the following:

	2003			2002	
	Annual interest rates(%)	Acquisition cost	Fair value	Recorded book value	Recroded book value
<i>(in thousands of Korea Won)</i>					
Equity investments	-	₩ -	₩ -	₩ -	₩ 76,889
Finance debentures	4.74 - 4.97	20,044,376	16,200,000	16,200,000	29,627,276
Bond with warrants	-	-	-	-	993
Government and public bonds	-	-	-	-	993,900
		<u>₩ 20,044,376</u>	<u>₩ 16,200,000</u>	<u>₩ 16,200,000</u>	<u>₩ 30,699,058</u>

As of March 31, 2004, finance debentures of ₩16,200 million (nominal value: 20,000 million) are pledged to the Korea Futures Exchange as trading margin in accordance with the Article 26 of Futures Trading Act.

Interest income from finance debentures amounted to ₩1,450 million.

In relation to the above finance debentures of ₩16,200 million (nominal value: 20,000 million), the Company recorded valuation loss amounting to ₩3,563 million in current operations due to the decline in the fair value.

Maturity of the finance debentures as of March 31, 2004 consist of the following:

<i>(in thousands of Korean Won)</i>	Fair value		Book value	
Maturity				
Within 6 months	₩	8,100,000	₩	8,100,000
Within 12 months		<u>8,100,000</u>		<u>8,100,000</u>
	₩	<u>16,200,000</u>	₩	<u>16,200,000</u>

Samsung Futures Inc.
Notes to Financial Statements
March 31, 2004 and 2003

6. Property and Equipment

Property and equipment as of March 31, 2004 and 2003 consist of the following:

<i>(in thousands of Korean Won)</i>	2003		
	Vehicles	Furniture and office equipment	Total
Balance at March 31, 2003	₩ 2	₩ 1,258,624	₩ 1,258,626
Acquisition	120,281	187,017	307,298
Disposal	(1)	(72,208)	(72,209)
Depreciation	(3,588)	(650,031)	(653,619)
Balance at March 31, 2004	<u>₩ 116,694</u>	<u>₩ 723,402</u>	<u>₩ 840,096</u>
	2002		
<i>(in thousands of Korean Won)</i>	Vehicles	Furniture and office equipment	Total
Balance at March 31, 2002	₩ 16,206	₩ 1,934,309	₩ 1,950,515
Acquisition	-	173,853	173,853
Disposal	(10,544)	(4,715)	(15,259)
Depreciation	(5,660)	(844,823)	(850,483)
Balance at March 31, 2003	<u>₩ 2</u>	<u>₩ 1,258,624</u>	<u>₩ 1,258,626</u>

Samsung Futures Inc.
Notes to Financial Statements
March 31, 2004 and 2003

7. Intangible Assets

Intangible assets as of March 31, 2004 and 2003 consist of the following:

<i>(in thousands of Korean Won)</i>	2003		
	Development		Total
	Costs	Others	
Balance at March 31, 2003	₩ 1,316,932	₩ 104,013	₩ 1,420,945
Acquisition	5,500	985	6,485
Amortization	(526,486)	(55,047)	(581,533)
Balance at March 31, 2004	₩ 795,946	₩ 49,951	₩ 845,897
Accumulated amortization	₩ 1,312,290	₩ 286,278	₩ 1,598,568

<i>(in thousands of Korean Won)</i>	2002		
	Development		Total
	Costs	Others	
Balance at March 31, 2002	₩ 1,014,301	₩ 138,809	₩ 1,153,110
Acquisition	786,501	50,752	837,253
Amortization	(483,870)	(85,548)	(569,418)
Balance at March 31, 2003	₩ 1,316,932	₩ 104,013	₩ 1,420,945
Accumulated amortization	₩ 785,804	₩ 231,231	₩ 1,017,035

The amortization expense of intangible assets for the years ended March 31, 2004 and 2003 is recorded as general and administrative expenses.

Samsung Futures Inc.
Notes to Financial Statements
March 31, 2004 and 2003

8. Borrowings

Borrowings as of March 31, 2004 and 2003 consist of the following:

<i>(in thousands of Korean Won)</i>	Annual interest rates (%)		2002
	2003	2003	
(1) Short-term borrowings			
Subordinated loan:			
Koram Bank	6.7	₩ 5,000,000	₩ -
General term loan:			
Korea Securities Finance Corp.	-	-	17,400,000
		<u>₩ 5,000,000</u>	<u>₩ 17,400,000</u>
(2) Long-term debt			
Subordinated loan:			
Samsung Life Insurance Co., Ltd.	-	₩ -	₩ 5,000,000
Less : Current maturities		(-)	(5,000,000)
		<u>₩ -</u>	<u>₩ -</u>

The subordinated loan agreements contain certain restrictions on the repayment of such loans in connection with maintenance of certain financial conditions. The subordinated debt from the Korean Bank matures in November 2004.

9. Accrued Severance Benefits

Accrued severance benefits as of March 31, 2004 and 2003 consist of the following:

<i>(in thousands of Korean Won)</i>	2003	2002
Balance at beginning of the year	₩ 758,581	₩ 494,276
Provision for severance benefit	326,532	340,566
Actual severance payments	<u>(374,405)</u>	<u>(76,261)</u>
	710,708	758,581
Cumulative deposits to National Pension Fund	(5,721)	(5,789)
Severance insurance deposits	<u>(440,005)</u>	<u>(605,582)</u>
Balance at end of the year	<u>₩ 264,982</u>	<u>₩ 147,210</u>

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10. Commitment and Contingencies

The Company has entered into bank overdraft agreements with three banks for borrowings of up to maximum of ₩11 billion.

As of March 31, 2004, the Company entered into collateral borrowing agreement with Korea Securities Finance Corporation.

In connection with the indemnity fund requirement under the Futures Trading Act, Koram Bank has provided a financial guarantee in the amount of ₩909 million to the Korea Futures Exchange and the Company pays to the guarantor 1.25% guarantee fee in exchange for the guarantee (See Note 2).

As of March 31, 2004, the Company has deposited customer securities totaling approximately ₩443,730 million with the Korea Futures Exchange .

As of March 31, 2004, the Company has pledged one blank note to Korea Securities Finance Corporation. in relation to collateral borrowing agreement.

The Company entered into an agreement with Koram bank for the contracts of forward exchange within USD 20 million. As of March 31, 2004, there was no outstanding forward contract.

As of March 31, 2004, the Company has the professional indemnity insurance for the financial institution in the amount of ₩300 million.

The Company has entered into a lease agreement for the rentals of office equipment. The Company accounts for these leases as operating leases and the rental payments are charged to current operations.

Future minimum lease payments under scheduled operating leases are as follows:

(in thousands of Korean Won)

2004.4.1~2005.3.31	₩	12,304
2005.4.1~2006.3.31		4,101
	₩	<u>16,405</u>

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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 from management's current assessment.

As of March 31, 2004, the Company had debentures issued by credit card company. The fair value and accrued interest amounted to a total of ₩16,329 million. The above debentures have not yet reached their maturity and the related interest has been collected without default. However, due to the financial difficulties of credit card companies, there have been difficulties in trading and collecting of interest and principal on their own debentures. As of March 31, 2004, the ultimate effect of these matters on the financial position of the Company cannot presently be determined. The accompanying financial statements do not reflect the adjustments that may be caused by this uncertainty.

11. Retained Earnings

Retained earnings as of March 31, 2004 and 2003 comprise the following :

<i>(in thousands of Korean Won)</i>	2003	2002
Appropriated		
Liability reserve (A)	₩ 52,999	₩ 34,006
Reserve for business development (B)	670,000	670,000
Unappropriated:	7,099,707	6,770,287
	<u>₩ 7,822,706</u>	<u>₩ 7,474,293</u>

(A) In accordance with Article 50 of the Futures Trading Act, the Company is required to provide a liability reserve for the amount that equals to the less of its disposable retained earnings or 0.1% of its commission income. The liability reserve should be used to indemnify the customers from any losses that may be incurred due to the default of obligations, violation of laws or negligence by its officers or employees during the course of carrying out futures business, and unused portion can be reversed in three fiscal years.

(B) Pursuant to the Korean tax laws, the Company is allowed to claim a tax deduction in determining taxable income for the amounts of retained earnings appropriated to reserve for business development. These amounts are not available for dividends until used for the specified purposes or reversed.

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12. Income Tax Expense

The statutory income tax rate applicable to the Company including resident tax surcharges is approximately 29.7% for the years ended March 31, 2004 and 2003.

Income tax expense for the years ended March 31, 2004 and 2003 consist of the following:

<i>(in thousands of Korean Won)</i>	2003	2002
Current income taxes	₩ 1,559,308	₩ 2,094,764
Deferred income taxes	<u>(1,018,984)</u>	<u>(253,244)</u>
Income tax expense	<u>₩ 540,324</u>	<u>₩ 1,841,520</u>

The following table reconciles the expected amounts of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company :

<i>(in thousands of Korean Won)</i>	2003	2002
Income before income taxes	₩ 913,733	₩ 5,187,409
Statutory tax rate	<u>29.7%</u>	<u>29.7%</u>
Expected taxes at statutory rate	271,379	1,540,660
Non-deductible expenses	<u>268,945</u>	<u>300,860</u>
Tax expenses	<u>₩ 540,324</u>	<u>₩ 1,841,520</u>
Effective tax rate	<u>59.1%</u>	<u>35.5%</u>

Components of deferred taxes as of March 31, 2004 are as follows:

<i>(in thousands of Korean Won)</i>	Beginning balance	Increase (decrease)	Ending balance
Accrued interest income	₩ (6,732)	₩ (31,494)	₩ (38,226)
Unrealized holding gains or losses from trading securities	109,475	1,032,305	1,141,780
Others	<u>969</u>	<u>18,173</u>	<u>19,142</u>
Net deferred income tax assets	<u>₩ 103,712</u>	<u>₩ 1,018,984</u>	<u>₩ 1,122,696</u>

The Company changed the expected tax rate used for the measurement of deferred income tax assets or liabilities arising from temporary differences which will be recovered after April 1, 2005, from 29.7% to 27.5%, in accordance with the revised Korean tax law. As a result of the change, deferred income tax assets and net income did not change.

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The Company periodically assesses its ability to recover deferred tax assets. In the event of a significant uncertainty regarding the Company's ultimate ability to recover such assets, a valuation allowance is recorded to reduce the assets to its estimated net realizable value.

13. Earnings per share

Earnings per share for the years ended March 31, 2004 and 2003 were calculated as follows :

<i>(in thousands of Korean Won)</i>	2003	2002
Net income available for common stock	₩ 373,410	₩ 3,345,889
Weighted average number of shares outstanding during the year	<u>2,500,000</u>	<u>2,500,000</u>
Earnings per share in Korean Won	<u>₩ 149</u>	<u>₩ 1,338</u>

14. Related Party Transactions

Significant transactions with related parties for the years ended March 31, 2004 and 2003 and the related receivables and payables at March 31, 2004 and 2003 are summarized as follows :

<i>(in thousands of Korean Won)</i>	2003				2002			
	Revenues	Purchases	Receivables	Payables	Revenues	Purchases	Receivables	Payables
Samsung Life Insurance Co., Ltd.	₩ 97,620	₩1,008,764	₩ 299,476	₩ -	₩110,810	₩ 827,579	₩ 327,424	₩5,150,959
Samsung Co., Ltd.	-	15,447	-	-	-	4,450	-	-
Samsung Securities Co., Ltd.	401,823	17,084	-	-	6,137	6,260	-	-
Samsung Fire & Marine Insurance Co., Ltd.	329,856	111,014	-	-	99,724	83,899	-	-
Samsung SDS Co., Ltd.	-	745,034	-	72,814	-	56,499	-	3,789
iMarket Korea Inc.	-	69,726	-	59,557	-	11,366	-	7,942
Samsung Networks Inc.	-	88,903	-	198	-	17,379	-	10,330
Other affiliated companies within the Samsung Group	-	5,664	-	-	-	5,665	-	-
	<u>₩829,299</u>	<u>₩2,061,636</u>	<u>₩ 299,476</u>	<u>₩132,569</u>	<u>₩216,671</u>	<u>₩1,013,097</u>	<u>₩ 327,424</u>	<u>₩5,173,020</u>

Other than the above, the Company has retirement deposits amounting to ₩440,005 thousand with Samsung Life Insurance Co., Ltd. as of March 31, 2004.

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15. Statement of Cash Flows

Non-cash transactions for the years ended March 31, 2004 and 2003 are as follows:

<i>(in thousands of Korean Won)</i>	2003	2002
Amortization of stock issue costs	<u>₩ 24,997</u>	<u>₩ 24,997</u>

16. Value Added Information

The accounts and amounts, included in general and administrative expenses, for computation of value added for the years ended March 31, 2004 and 2003 are as follows:

<i>(in thousands of Korean Won)</i>	2003	2002
Salaries and Wages	₩ 4,037,399	₩ 5,016,879
Provision for severance benefits	326,532	340,566
Employee benefits	427,887	493,842
Rents	625,191	659,051
Depreciation and amortization	1,235,152	1,419,901
Taxes and dues	566,381	674,068

17. Subsequent Events

The financial statements as of and for the year ended March 31, 2004 will be finalized by the Board of Directors' approval on May 10, 2004.