

Teaser Memorandum

E3Net Co., Ltd

October 2005

Key Investment Highlight

1) Continued Success of 'Coin Stack' series

The Company's eye-catching mobile game called 'Coin Stack' has gained a rising popularity ever since its first release in February 2003. Following the basic principle of a mobile game such as “being easy to enjoy in subway trains or buses”, the 'Coin Stack' has a light and easy theme, thus appealing to anyone within all ages who can use a mobile phone. Encouraged by the great popularity of 'Coin Stack' both in and outside of Korea, E3NET came up with the upgraded serial versions of the game, such as 'Coin Stack 2' released in March 2004 and 'Coin Stack 2006' in Sep. 2005, respectively. The upgraded features include a wide variety of combo items including a couple game, battle game, speed game, etc. E3NET's significant contribution to the development of the Korean mobile game industry was proven with its winning of the “Venture Korea 2004 Presidential Award” in October 2004. E3NET launched a full-scale service in Taiwan, China and Japan, while preparing to create a presence within the US and Europe markets. The accumulated number of downloads (or hits) for the 'Coin Stack' series recently surpassed **"1.6 million"** mark in the domestic mobile game industry only.

2) Personnel

The Company has an experienced and passionate team of professionals & technicians with extensive expertise and know-how in the mobile gaming industry. In addition, the Company has strengthened its manpower and technology capacity by hiring professionals who were previously involved in development of the online games. The Company feels confident that the newly reinforced staff can significantly contribute to accomplishment of its new business plans, such as development of 3D mobile games and deployment of the popular online games onto mobile versions.

3) Established Close Relations with Telecommunication Companies

As the majority of mobile games in the Korean market are developed exclusively for usage on mobile phones, relations of mobile game development company with Korea's three major telecommunications companies are very important. Realizing such rule of the game, the Company has been maintaining cooperative relations with Korea's three major telecommunication companies since its foundation. Strong network with these companies and other relevant government organizations will play a positive role in the Company's future businesses.

I. Company Introduction

E3net Co., Ltd., established in 2000, develops and services mobile games and contents. Most well known for its mobile game called 'Coin Stack,' it is currently ranked 6th in the mobile game industry in Korea. The Company's excellent game development technology is widely recognized in many countries; the Company has not only serviced 'Coin Stack' to Taiwan and China, but also exported it to Japan and US. Sales of the Company was USD 2.2 million in 2004 and is projected to increase a bit in 2005.

II. Transaction Summary

E3net Co., Ltd. is seeking an equity investment partner for its company. E3net Co., Ltd. will retain a majority stake, while the investor will become an equity shareholder of the Company.

E3net Co., Ltd. is looking for an investment amount of USD 7 million which will cover the cost for game development, publishing, and management. The Company feels confident that it can increase its current sales revenue of USD 2 million by using most of the invested capital for development of high-quality games in 3D mobile, online and console genres. It plans to accomplish return on investment by going public through KOSDAQ in the second half of 2006 or the first half of 2007. The specific terms and conditions will be determined through further negotiation between potential investors and the Company.

- A. Amount:** USD 7 million (= KRW 7 Billion)
B. Price per share: KRW 60,000 (Face Value of KRW 5,000)
C. Shareholder Status after Acquiring Equity Investment

	Amount (KRW MM)	# of shares	Equity Ratio
Seong, Young Sook (Majority Shareholder)	783	156,656	51.4%
Newly acquired Paid in Capital	583	116,666	38.3%
others	157	31,344	10.3%
Total	1,523	304,666	100.0%

D. Use of Investment:

Develop 3D mobile games	USD 2 mil.
Develop two games for PSP (Sony)	USD 1.2 mil.
Merge with small mobile company (Acquire high-tech engine)	USD 2 mil.
Marketing Cost for global publishing	USD 500,000
Management & operation cost for stabilization of the compar	USD 1.3 mil.
Total	USD 7 mil.

III. Market Information

1. Present status and outlook of market

1) Industry Overview

The majority of mobile games in the Korean market are developed exclusively for usage on mobile phones. As 79.5% of Koreans are mobile subscribers to date and the number of mobile subscribers is continuously increasing, the Korean mobile game market, of which consumers are mostly composed of these subscribers, continues to look quite promising. The Korean mobile game market already surpassed the KRW 100 billion mark in 2002, overtaking industry predictions by a full year. This rapid growth was the result of advances in the overall infrastructure such as the introduction of CDMA 2000 1x technology and the spread of color display handsets. The collective efforts of the Telecom industry also contributed to growth as Telecom companies endeavored to discover new sources of revenue to offset declining profit margins in the highly saturated Wired market. An analysis of sales breakdown of Telecom companies shows that revenues from wireless internet shows a rapid rate of growth, while revenues from the call charge has almost stopped growing.

Local mobile operators have been in search of the Killer Application that could propel future growth in the data content market. Games are naturally becoming a viable option because of their proven capacities in generating revenue. Providing mobile games offer especially attractive business opportunities when considering the high potential needs of future consumers. Especially, as the high-quality functions of mobile phones are expected to bring about high-quality games in the market, there is an increasing demand and yearning from mobile gamers for more complicated RPG and mobile games. The size of the Korean mobile game market grew 200% year on year in 2004. This figure was the year sales calculated based on the number of downloads and service charges for 1,160 games which three major mobile telecommunication companies serviced in 2004.

2) Outlook

The mobile game market in Korea is expected to sharply expand in scope, thanks to the rapid improvement of diversified platforms and the superb technology such as Wireless Internet Platform for Interoperability (WIPI) which allows mobile game operation on a single platform and provides necessary balance. For example, specialized WIPI-enabled handsets, such as GXG(SK Telecom, "SKT") and GPANG(KT Freetel, "KTF"), for playing 3D games have come out in the market, and they support multi applications, sophisticated memory management, C/C++/JAVA compatibility, and multi-lingual features enhancing the gaming speed and visual experience.

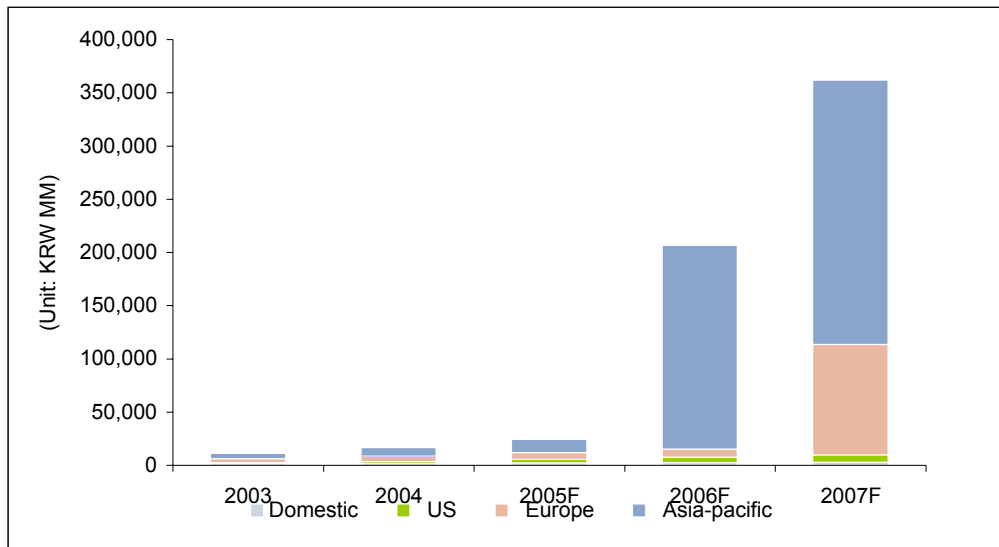
Sales of the mobile game market increased by 11% in 2004 from the year before and is expected to increase by 23% this year. International Data Corporation forecasts that the Korean mobile game market is projected to increase from KRW 210 billion in 2003 to KRW 550 billion in 2007. Also, the 2004 edition of Korea's Game Encyclopedia forecasts that the mobile game market in Korea since 2001 will grow at an annual rate of 80% and reach KRW 380 billion in 2005.

[Mobile Game Industry Outlook]

(Unit: KRW MM)

	2003	2004	2005F	2006F	2007F
Total	11,088	16,657	24,479	206,747	361,706
Domestic	1,458	1,617	1,989	2,387	2,816
Oversea	9,630	15,040	22,490	204,360	358,890
US	890	1,700	3,290	5,150	6,890
Europe	3,530	4,970	6,400	7,610	103,700
Asia-pacific	5,210	8,370	12,800	191,600	248,300
Growth Rate		50.2%	47.0%	744.6%	75.0%

(Source: 2005 Game Encyclopedia)



2. Competitive Environment

Among its major competitors are COM2US, WEB ENG KOREA and Entelligent which produce and service mobile games through major domestic telecommunication companies. Having serviced 28 games in 2004, COM2US is projected to generate USD 11 million in sales this year while Gamevil is expected to generate about USD 7 million. During the same period, E3net Co., Ltd. is projected to make USD 2.2 million.

The number of mobile game companies is estimated to amount to about 600 as the number of new entrants in the market has sharply increased, resulting in more competition in the market. Also, the mobile companies have begun to advertise their games through the mass media including TV, and new issues such as illegal copying, copyrights, and increasing popularity of network games have come to the fore. Major agenda for mobile game companies in 2005. Among major agenda for mobile game companies in 2005 are DMB business, entry into foreign markets, and preparation for entry of online game companies into the mobile game industry.

<Major competitors in the domestic market>

(Unit: KRW MM)

Company (2004)	Revenue	Operating Inc.	EBITDA	Net Income
COM2US Corp.	10,723	169	453	129
GameVil, Inc.	5,265	642	726	604
WEB ENG Korea Co.,Ltd.	2,562	-732	-633	-706
E3Net Co., Ltd.	2,202	38	580	131

(Unit: KRW MM)

Company	COM2US Corp.	GameVil, Inc.	E3Net Co., Ltd
Staff	130	100	35
Number of games serviced (SKT, KTF, LGT)	35/29/16	18/15/31	4/17/5
Sales in 2003	11,800	2,200	650
Sales in 2004	11,000	5,200	2,200
Development Characteristics	<ul style="list-style-type: none"> As the first generation mobile company, COM2US has generated KRW 11 billion in 2004 Pursues one source multi game through servicing to all three telecom. companies Proactively seeks business opportunities in overseas markets and develops many 3D games 	<ul style="list-style-type: none"> Pursues one source multi game through servicing games to three telecom. companies Has proactively participated in WAP games from the early stage Played a leading role in seeking entry into European markets 	<ul style="list-style-type: none"> Expanded game services to all three telecom. companies Enhanced competitive edge in game development technology as the online game development team began to develop 3D mobile games Proactively responds to WIPI platform and wired & wireless linkage areas

IV. Business Information

1. Major Products

The Company develops and services mobile & online games and mobile contents which are based on Brew, Java, GVM, SK-VM, and WIPI platforms, to all three telecommunications companies. The number of games serviced to these companies such as SKT, KTF and LGT is 4, 17 and 5, respectively.

Major Products (Unit: KRW MM)

	2002	2003	2004
Mobile Game		651	1,616
Mobile Contents		30	
S/W Game Solutions			580
DVD Title	170	1,545	6
S/W Development	1,630		
Total	1,800	2,226	2,202

The Company has not only earned 'One Million Download Title' for Coin Stack 1 and 2, but also concluded license contracts with Nexon and Sunny YNK for tailoring and servicing their games through mobile phones. In addition, the Company has made progress in diversifying its portfolio by developing 3D, RPG and large-scale license games. Lastly, it is in the process of developing a unique game on the basis of Coin Stack, the distinguished core game of E3Net Co., Ltd.

V. History & Plan

1. Company History

Year	History
May-00	Established E3net Co.
Jan-02	Increased paid-in capital (USD 500,000) and launched into a game business
May-02	Earned certification as a Venture Company (Seoul Small and Medium Business Association)
Aug-02	Registered as the game development company
Aug-03	Officially began to service the mobile game, 'Coin Stack' through LG Telecom (019)
Feb-04	Officially began to service 'Coin Stack' through #1 telecom company in Taiwan
Aug-04	Won the Korea's 1st Best Entertainment Award in the mobile game industry (Hanguk Daily)
Oct-04	Won the Best Venture Prize in 2004 awarded by the President
Mar-05	Selected as Excellent Global Business Venture Company in 2005 (Seoul Small and Medium BA)
May-05	Selected as Innovative Business (INNO-BIZ) Company (Small and Medium Business Association)
Jul-05	Won 'Excellent Venture Company Prize' by Ministry of Culture & Tourism (MK Economic Daily)
Sep-05	Exhibited 10 games including 'Coin Stack 2006' at 2005 Tokyo Game Exhibition in Japan
Nov-05	Coin Stack 2006, selected as main game a G-Star2005 Game League"

2. Business Plan

1) Total Sales

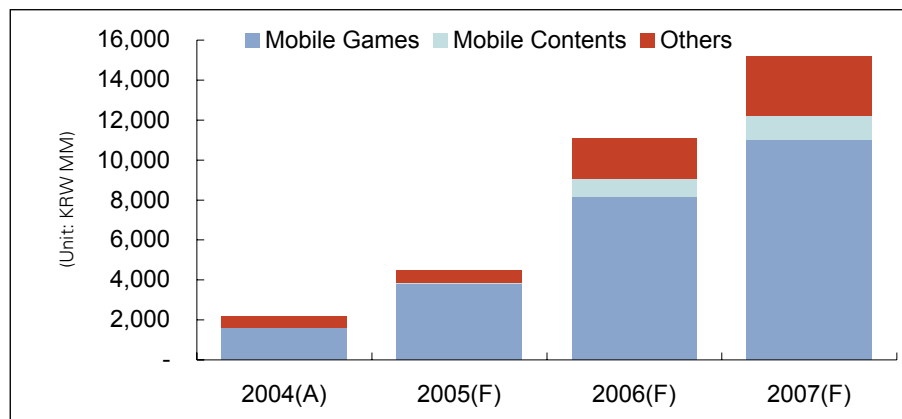
The company plans to increase its sales of 2.2 mil USD in 2004 to 15 mil USD in 2007 through the following business strategy.

	Detailed Strategy
Mobile Games	Established concurrent game service system for three telecom.companies (SKT011,KTF016,LGT019) Release the integrated version for three telecom. companies and build joint marketing system Develop new kind of 3D game and blockbuster RPG games Develop license games for large-scale brand games such as Cartrider and Seal Online in & out of col Secure high-quality games through M&A
Mobile Contents	Provide publishing service in wireless internet cartoon magazine type Differentiate quality of its products from other wireless cartoons

[Annual Sales Projections]

(Unit: '000 USD)

	2004(A)	2005(F)	2006(F)	2007(F)
Mobile Games	1,616	3,789	8,150	11,050
Mobile Contents	-	95	950	1,150
Others	586	619	2,000	3,000
Total	2,202	4,503	11,100	15,200

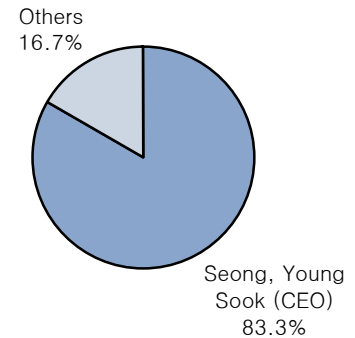


VI. Ownership Structure

1. Ownership Structure

(Unit: '000 USD)

Shareholders	# of Shares	Amount	Ownership(%)
Seong, Young Sook (CEO)	156,656	783	83.33%
Lee, Sung Won	5,400	27	2.87%
Lee, Dae Won	4,000	20	2.13%
Choi, Ok Soon	2,000	10	1.06%
Jeon, Sung Ja	5,500	27	2.93%
Lee, Pung Sik	1,750	8	0.93%
Kim, Gyung Joon	1,000	5	0.53%
Jung, Hun Mo	644	3	0.34%
Others	11,050	57	5.88%
Total	188,000	940	100.00%



VII. Management

Position	Name	Education	Experience
CEO	Seong, Young Sook	Donga Univ. (Accounting)	Former Dir. Of Korea Venture
Director	Lee, Dae Won	Yeonam Engineering Univ. (Industrial Design)	Former CEO of Onesoft Co.
Director	Seong, Moon Joo	Bu Kyeong Univ. (Electrotechnics)	Dir. Of E3net R&D Center
Director	Chun, Richard	Sung Kyun Kwan Univ. (MBA)	Former CEO of Biz to Biz

Most of the management have experiences in working as core members for the venture businesses.

VIII. Financial Information

1. Historical F/S

1) Balance Sheets

(Unit: KRW MM)

	2002	2003	2004
Current Assets	1,575	953	1,104
Non-current Assets	616	1,479	1,873
Total Assets	2,191	2,432	2,977
Current Liabilities	681	721	790
Non-current Liabilities	1,000	1,020	1,020
Total Liabilities	1,681	1,741	1,810
Paid-in Capital	500	600	940
Retained Earnings	10	91	227
Total Shareholders' Equity	510	691	1,167

2) Income Statements

(Unit: KRW MM)

	2000	2001	2002	2003	2004
Sales	88	1,260	1,800	2,226	2,202
<i>% Growth</i>		1331.8%	42.9%	23.7%	-1.1%
COGS	53	961	1,243	1,067	531
Gross Profit	35	299	557	1,159	1,671
<i>Gross Margin</i>	39.8%	23.7%	30.9%	52.1%	75.9%
SG&A	95	229	491	1,050	1,633
Operating Income	-60	70	66	109	38
<i>Operating Income Margin</i>	-68.2%	5.6%	3.7%	4.9%	1.7%
Non-Operating Revenue	3	7	6	28	115
Non-Operating Expenses	7	22	53	0	58
Ordinary Income	-64	55	19	137	95
Net Income	-64	55	19	81	131
<i>Net Income Margin</i>	-72.7%	4.4%	1.1%	3.6%	5.9%

2. Projected F/S

(Unit: KRW MM)

	2005	2006	2007
Sales	3,045	10,400	20,300
<i>% Growth</i>	38.3%	241.5%	95.2%
COGS	732	4,264	10,962
Gross Profit	2,313	6,136	9,338
<i>Gross Margin</i>	76%	59%	46%
SG&A	1,930	2,808	3,166
Operating Income	383	3,328	6,172
<i>Operating Income Margin</i>	12.6%	32.0%	30.4%
Non-Operating Income	90	49	46
Non-Operating Expense	65	88	72
Ordinary Income	408	3,289	6,146
Net Income	314	2,501	4,668
<i>Net Income Margin</i>	10.3%	24.0%	23.0%

KPMG Contact

Partner	D.H.Lee	82-2-2112-0777 82-16-9597-0777	donghoonlee@kr.kpmg.com
Manager	Ken Hwang	82-2-2112-0183 82-10-3065-8060	ihwang@kr.kpmg.com
Analyst	Joohoon Song	82-2-2112-0996 82-11-9709-4292	joohoonsong@kr.kpmg.com

Company Contact

CEO	Seong, YS	82-2-565-1800 82-11-578-1060	one@e3net.co.kr
Director	Chun, Richard	82-2-565-1800 82-11-9004-3003	korea@e3net.co.kr

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