

CJ CGV CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

**December 31, 2013 and 2012**

(With Independent Auditors' Report Thereon)

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## **Independent Auditors' Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholders  
CJ CGV Co., Ltd.

We have audited the accompanying consolidated statements of financial position of CJ CGV Co., Ltd and its subsidiaries (the "Group") as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to the following:

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those knowledgeable about Korean auditing standards and their application in practice.

As discussed in note 32 to the consolidated financial statements, on June 21, 2013, CJ CGV Co., Ltd. merged with Primus Cinema Co., Ltd., which was one of subsidiaries of CJ CGV Co., Ltd. The ratio of merger was 1:0.6296806.

*KPMG Samjong Accounting Corp.*

KPMG Samjong Accounting Corp.  
Seoul, Korea  
March 5, 2014

This report is effective as of March 5, 2014, 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 consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

CJ CGV CO., LTD. AND SUBSIDIARIES  
 Consolidated Statements of Financial Position

As of December 31, 2013 and 2012

(In thousands of won)

	<u>Note</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>			
Cash and cash equivalents	3,4,5 ₩	85,976,456	183,140,936
Trade receivables	3,4,8,31	79,868,795	54,776,919
Inventories	3,9	11,837,729	3,419,060
Other current financial assets	3,4,10,31	39,864,904	28,098,509
Other current assets	11	21,890,289	18,091,559
<b>Current assets</b>		<u>239,438,173</u>	<u>287,526,983</u>
Investments in equity method investees	3,12	35,008,199	34,273,662
Investment property	13	18,605,209	19,019,362
Property and equipment	3,6,14	507,660,703	410,464,056
Intangible assets	3,6,15	107,151,245	101,088,237
Deferred tax assets	3,29	1,252,295	-
Other non-current financial assets	3,4,10,31	99,446,166	64,872,100
Other non-current assets	11	90,612,964	90,730,318
<b>Non-current assets</b>		<u>859,736,781</u>	<u>720,447,735</u>
<b>Total assets</b>	₩	<u>1,099,174,954</u>	<u>1,007,974,718</u>

See accompanying notes to the consolidated financial statements.

CJ CGV CO., LTD. AND SUBSIDIARIES  
 Consolidated Statements of Financial Position, Continued

As of December 31, 2013 and 2012

<i>(In thousands of won)</i>	<u>Note</u>	<u>2013</u>	<u>2012</u>
<b>Liabilities</b>			
Trade payables	3,4,31	₩ 60,086,519	77,146,315
Other payables	3,4,20,31	93,352,535	80,929,564
Short-term borrowings	3,4,18	52,766,883	35,369,143
Current portion of long-term borrowings	3,4,18	61,207,400	-
Current portion of debentures	3,4,18	99,914,976	49,930,974
Current tax liabilities	29	1,784,483	7,471,003
Other current financial liabilities	3,4,16	12,573,069	6,309,567
Other current liabilities	17	73,375,623	56,976,028
<b>Current liabilities</b>		<u>455,061,488</u>	<u>314,132,594</u>
Long-term debentures	3,4,18	99,771,283	169,563,674
Long-term borrowings	3,4,18	77,617,349	88,123,800
Long-term other payables	3,4,20	46,782,188	44,290,865
Employee benefits	3,19	6,373,931	9,309,939
Deferred tax liabilities	3,29	11,309,970	17,825,111
Other non-current financial liabilities	3,4,16	7,356,803	3,469,929
Other non-current liabilities	17	16,269,545	13,262,172
<b>Non-current liabilities</b>		<u>265,481,069</u>	<u>345,845,490</u>
<b>Total liabilities</b>		<u>720,542,557</u>	<u>659,978,084</u>
<b>Stockholders' equity</b>			
Common stock	1,3,21	10,580,656	10,308,729
Capital surplus	22	89,157,245	67,150,745
Retained earnings	23	278,368,180	273,722,905
Other capital	24	(5,862,666)	(5,585,332)
<b>Equity attributable to owners of the Parent Company</b>		<u>372,243,415</u>	<u>345,597,047</u>
<b>Non-controlling interests</b>		<u>6,388,982</u>	<u>2,399,587</u>
<b>Total stockholders' equity</b>		<u>378,632,397</u>	<u>347,996,634</u>
<b>Total liabilities and stockholders' equity</b>		<u>₩ 1,099,174,954</u>	<u>1,007,974,718</u>

See accompanying notes to the consolidated financial statements.

CJ CGV CO., LTD. AND SUBSIDIARIES  
Consolidated Statements of Comprehensive Income

For the years ended December 31, 2013 and 2012

<i>(In thousands of won, except earnings per share)</i>	<u>Note</u>	<u>2013</u>	<u>2012</u>
Revenue	3,6,31	₩ 915,929,692	779,332,695
Cost of sales	19,26,31	<u>(448,055,266)</u>	<u>(366,898,667)</u>
<b>Gross profit</b>		467,874,426	412,434,028
Selling, general and administrative expenses	19,25,26,31	<u>(416,358,576)</u>	<u>(357,255,343)</u>
<b>Operating profit</b>		51,515,850	55,178,685
Finance income	28	7,054,485	14,859,795
Finance costs	18,20,28	(29,664,726)	(29,332,269)
Other non-operating income	27	9,104,504	38,287,339
Other non-operating expenses	27	(24,036,420)	(3,617,379)
Gain on investments in associates	12	2,231,705	3,873,300
Loss on investments in associates	12	<u>(1,119,587)</u>	<u>(929,370)</u>
<b>Income before income taxes</b>		<u>15,085,811</u>	<u>78,320,101</u>
Income tax expense	29	<u>(2,953,966)</u>	<u>(23,336,096)</u>
<b>Net income</b>		<u>12,131,845</u>	<u>54,984,005</u>
<b>Other comprehensive income (loss)</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of the defined benefit plan	3,19	(1,089,250)	(3,137,409)
Foreign currency translation difference for foreign operations		(201,151)	(3,642,203)
Taxes on items that will not be reclassified to profit or loss		<u>263,497</u>	<u>701,338</u>
<b>Total items that will not be reclassified to profit or loss</b>		<u>(1,026,904)</u>	<u>(6,078,274)</u>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Net changes in fair value of available-for-sale financial assets	10,28	703,821	1,284,465
Change in equity of equity method investments	12	218,871	(1,355,119)
Taxes on items that are or may be reclassified subsequently to profit or loss		<u>(140,371)</u>	<u>(309,557)</u>
<b>Total items that are or may be reclassified subsequently to profit or loss:</b>		<u>782,321</u>	<u>(380,211)</u>
<b>Total comprehensive income</b>		₩ <u>11,887,262</u>	<u>48,525,520</u>
<b>Profit attributable to</b>			
Owners of the Parent Company		₩ 12,682,158	54,152,709
Non-controlling interests		<u>(550,313)</u>	<u>831,296</u>
		₩ <u>12,131,845</u>	<u>54,984,005</u>
<b>Total comprehensive income</b>			
Owners of the Parent Company		₩ 12,531,532	48,010,697
Non-controlling interests		<u>(644,270)</u>	<u>514,823</u>
		₩ <u>11,887,262</u>	<u>48,525,520</u>
<b>Earnings per share (in won)</b>			
Basic earnings per share	3,30	₩ 613	2,626
Diluted earnings per share	3,30	613	2,626

See accompanying notes to the consolidated financial statements.

CJ CGV CO., LTD. AND SUBSIDIARIES  
Consolidated Statements of Changes in Equity

For the years ended December 31, 2013 and 2012

<i>(In thousands of won)</i>	<u>Common stock</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Other capital</u>	<u>Non- controlling interest</u>	<u>Total</u>
<b>Balance at January 1, 2012</b>	₩ 10,308,729	67,150,745	228,173,432	165,747	1,982,558	307,781,211
<b>Total comprehensive income (loss)</b>						
Net income	-	-	54,152,709	-	831,297	54,984,006
Net changes in fair value of available- for-sale financial assets	-	-	-	973,610	1,299	974,909
Remeasurements of the defined benefit plan	-	-	(2,434,719)	-	(1,352)	(2,436,071)
Change in equity of equity method investments	-	-	-	(1,355,119)	-	(1,355,119)
Foreign currency translation difference for foreign operations	-	-	-	(3,339,566)	(302,638)	(3,642,204)
<b>Total</b>	-	-	51,717,990	(3,721,075)	528,606	48,525,521
<b>Transactions with owners of the Parent Company, recognized directly in equity</b>						
Dividends	-	-	(6,185,237)	-	-	(6,185,237)
Exercise of stock options	-	-	-	(138,650)	-	(138,650)
Acquisition of subsidiary	-	-	-	-	294,557	294,557
Additional acquisition of investments in subsidiary	-	-	16,720	(1,891,354)	(406,134)	(2,280,768)
<b>Total</b>	-	-	(6,168,517)	(2,030,004)	(111,577)	(8,310,098)
<b>Balance at December 31, 2012</b>	₩ 10,308,729	67,150,745	273,722,905	(5,585,332)	2,399,587	347,996,634
<b>Balance at January 1, 2013</b>	10,308,729	67,150,745	273,722,905	(5,585,332)	2,399,587	347,996,634
<b>Total comprehensive income (loss)</b>						
Net income (loss)	-	-	12,682,158	-	(550,313)	12,131,845
Net changes in fair value of available- for-sale financial assets	-	-	-	551,087	12,364	563,451
Remeasurements of the defined benefit plan	-	-	(820,773)	-	(4,980)	(825,753)
Change in equity of equity method investments	-	-	-	218,871	-	218,871
Foreign currency translation difference for foreign operations	-	-	-	(99,810)	(101,341)	(201,151)
<b>Total</b>	-	-	11,861,385	670,148	(644,270)	11,887,263
<b>Transactions with owners of the Parent Company, recognized directly in equity</b>						
Increase (decrease) from the merger	271,927	(271,927)	-	-	-	-
Disposal of treasury stock	-	22,278,427	-	3,335,080	-	25,613,507
Dividends	-	-	(7,216,110)	-	-	(7,216,110)
Exercise of stock options	-	-	-	(252,800)	-	(252,800)
Acquisition of subsidiary	-	-	-	-	2,660,141	2,660,141
Additional investments in subsidiaries	-	-	-	(4,029,762)	1,973,524	(2,056,238)
<b>Total</b>	271,927	22,006,500	(7,216,110)	(947,482)	4,633,665	18,748,500
<b>Balance at December 31, 2013</b>	₩ 10,580,656	89,157,245	278,368,180	(5,862,666)	6,388,982	378,632,397

*See accompanying notes to the consolidated financial statements.*

CJ CGV CO., LTD. AND SUBSIDIARIES  
Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(In thousands of won)

	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Net income	₩ 12,131,845	54,984,005
Adjustments for:		
Income tax expense	2,953,966	23,336,096
Expenses for employee	8,735,650	5,113,545
Depreciation	55,733,253	46,363,659
Amortization	11,378,640	9,801,133
Bad debt expenses	233,373	44,422
Other bad debt expenses	904,295	683,807
Foreign currency translation loss	1,557,812	559,999
Interest expense	21,929,624	22,710,515
Loss on disposal of inventories	591,978	13,033
Loss on valuation of derivative financial assets	4,384,196	5,556,598
Loss on transaction of derivative financial assets	5,784	-
Loss on disposal of available-for-sale financial assets	701,198	3,968
Loss on disposal of investments in associates	1,119,588	929,370
Loss on disposal of other financial assets	1,182,790	51,742
Loss on disposal of property and equipment	3,089,030	976,526
Loss on disposal of intangible assets	11,066	8,644
Impairment losses on intangible assets	9,551,103	-
Loss on disposal of trade receivables	14,993	-
Transfer to provision	6,227,463	216,933
Other expenses, net	7,570,794	7,106,916
Interest income	(4,878,768)	(9,433,302)
Foreign currency translation gain	(1,475,937)	(4,999,119)
Gain on valuation of derivative financial assets	-	(2,903)
Gain on transaction of derivative financial assets	(997)	(964)
Gain on disposal of other financial assets	-	(26,623,686)
Gain on disposal of property and equipment	(30,221)	(8,500)
Gain on disposal of investments in associates	(2,231,705)	(3,873,300)
Other income, net	(119,800)	(119,394)
	<u>129,139,168</u>	<u>78,415,738</u>
Changes in assets and liabilities:		
Trade receivables	(29,638,204)	(1,609,934)
Other current financial assets	(1,566,966)	8,532,373
Other current assets	(2,998,701)	(1,321,914)
Inventories	(3,352,470)	2,560,239
Other non-current assets	(1,114,960)	800,792
Trade payables	(15,304,076)	18,945,991
Other payables	12,146,685	(17,515,565)
Other current financial liabilities	3,680,616	(2,053,475)
Other current liabilities	(524,309)	17,112,848
Long-term other payables	(1,312,337)	2,568,096
Other non-current financial liabilities	(106,000)	130,000
Other non-current liabilities	(2,637,608)	(6,397,585)
Payment of retirement and severance benefits	(1,821,411)	(1,784,567)
Severance benefits from affiliated companies	202,806	1,470,554
Employee benefit plan assets	(11,142,302)	(5,000,000)
	<u>₩ (55,489,237)</u>	<u>16,437,853</u>

See accompanying notes to the consolidated financial statements.



CJ CGV CO., LTD. AND SUBSIDIARIES  
Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2013 and 2012

(In thousands of won)

	<b>2013</b>	<b>2012</b>
<b>Cash generated from operating activities</b>	₩ 85,781,776	149,837,596
Interest received	5,997,969	3,754,705
Interest paid	(14,889,123)	(18,198,427)
Income taxes paid	(15,393,798)	(13,004,212)
<b>Net cash from operating activities</b>	<u>61,496,824</u>	<u>122,389,662</u>
<b>Cash flows from investing activities</b>		
Decrease of short-term financial assets	1,475,900	-
Decrease of long-term-financial assets	318,000	-
Proceeds from disposal of available-for-sale financial assets	294,567	103,222
Decrease of other financial assets	2,889,651	163,110,353
Proceeds from disposal of property and equipment	3,544,013	769,820
Proceeds from disposal of intangible assets	3,990	57
Disposal of assets held for sale	-	1,618,181
Proceeds from disposal of investments in associates	-	1,206,774
Receipt of contributions for construction	-	900,000
Inflow from acquisition of subsidiaries	3,987,456	8,412
Increase of short-term financial assets	(375,000)	(10,448,114)
Increase of long-term financial assets	(621,620)	(2,500)
Acquisition of available-for-sale financial assets	(2,781,540)	(18,852,533)
Increase of other financial assets	(32,329,114)	(22,296,733)
Acquisition of investments in subsidiaries	(10,903,600)	(371,155)
Acquisition of investments in associates	-	(823,873)
Acquisition of investments in joint venture	(455,342)	-
Acquisition of property and equipment	(159,558,289)	(81,393,715)
Acquisition of intangible assets	(13,076,817)	(8,839,213)
<b>Net cash from (used in) investing activities</b>	<u>(207,587,745)</u>	<u>24,688,983</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of debentures	29,878,475	29,875,108
Proceeds from borrowings	259,873,226	88,981,960
Disposal of treasury stock	25,613,507	-
Proceeds from non-controlling interests on capital transactions	1,138,147	655,181
Repayment of debentures	(50,000,000)	(100,000,000)
Repayment of borrowings	(197,716,143)	(60,016,000)
Exercise of stock options	(252,800)	-
Dividends paid	(7,216,110)	(6,185,237)
Others, net	(265,138)	(267,956)
Payment to non-controlling interests on capital transactions	(12,078,647)	(2,756,718)
<b>Net cash from (used in) financing activities</b>	<u>48,974,517</u>	<u>(49,713,662)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(97,116,404)	97,364,983
Cash and cash equivalents at January 1	183,140,936	86,880,210
Effect of exchange rate fluctuations on cash held	(48,076)	(1,104,257)
<b>Cash and cash equivalents at December 31</b>	<u>₩ 85,976,456</u>	<u>183,140,936</u>

See accompanying notes to the consolidated financial statements.

# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the years ended December 31, 2013 and 2012

#### 1. Reporting Entity

CJ CGV Co., Ltd. (the "Parent Company") was established for the purpose of being engaged in operating multiplex cinemas and screening film and its head office is located in World Cup buk-ro, Mapo-gu, Seoul, Republic of Korea. On December 24, 2004, the Parent Company was listed on the Korea Exchange.

On June 21, 2013, the Parent Company merged with Primus Cinema Co., Ltd., which was one of its subsidiaries. As of December 31, 2013, the Group's major shareholders are as follows:

Shareholders	The number of shares	Ownership (%)
CJ Corp.	8,257,000	39.02
National pension service	1,985,247	9.38
Others	10,919,066	51.60
	<u>21,161,313</u>	<u>100.00</u>

(1) The list of subsidiaries as of December 31, 2013 and 2012 is as follows:

Parent Company	Subsidiaries	Location	Primary business	Ownership (%)	
				2013	2012
CJ CGV Co., Ltd.	Primus Cinema Co., Ltd.(*1)	Korea	Theater operation	-	100.00
	CJ 4DPlex Co., Ltd.(*2)	Korea	Retail of equipment	93.42	92.72
	Simuline Inc.(*3)	Korea	Equipment manufacturing	64.89	-
	CJ Theater LA Holdings Inc.	USA	Theater operation	100.00	100.00
	CGI Holdings Ltd.	Hong Kong	Theater operation	100.00	100.00
Envoy Media Partners Ltd.(*4)		British Virgin Island	Theater operation	100.00	94.40
	SIMULINE(HONG KONG) LIMITED	Hong Kong	Equipment manufacturing	64.89	-
Simuline Inc.	SIMULINE(CHINA) LIMITED	China	Equipment manufacturing	64.89	-
	CJ CGV AMERICA LA, LLC.	USA	Theater operation	100.00	100.00
CJ Theater LA Holdings Inc.	UVD Enterprise Ltd.	Hong Kong	Theater operation	100.00	100.00
	CGI Holdings Ltd.				
UVD Enterprise Ltd.	CJ CGV(Shanghai) Enterprise Management Co., Ltd.(*5)	China	Theater operation	100.00	100.00
	Vietnam Cinema 1 Company Ltd.	Vietnam	Theater operation	80.00	80.00
CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.(*5)	PanJin CGV Cinema Co., Ltd.(*5)	China	Theater operation	100.00	100.00
	CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.(*5)	China	Theater operation	100.00	100.00
	CJ CGV (Harbin) International Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Changsha) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	YANTAI CGV CINEMA CO., LTD.	China	Theater operation	100.00	100.00
	CGV (BEIJING) INTERNATIONAL CINEMA CO., LTD.	China	Theater operation	100.00	100.00
	ZIBO CGV CINEMA CO.,LTD.	China	Theater operation	100.00	-
	CGV (WuHan) Cinema Co., Ltd.	China	Theater operation	100.00	-
	Wuhu CGV Cinema Co., Ltd.	China	Theater operation	100.00	-
	CGV (Tangshan) Cinema Co., Ltd.	China	Theater operation	100.00	-
	Liaoning CGV Cinema Co., Ltd.	China	Theater operation	100.00	-
	CGV (HuaiAn) Cinema Co., Ltd.	China	Theater operation	100.00	-
	CGV (TianJin) Cinema Co., Ltd.	China	Theater operation	100.00	-
	CGV (Chengdu) Cinema Co., Ltd.	China	Theater operation	100.00	-
	CGV (Chongqing) Cinema Co., Ltd.	China	Theater operation	100.00	-
YuYao CGV Cinema Co., Ltd.	China	Theater operation	100.00	-	
CJ CGV(Shanghai) Enterprise Management Co., Ltd.	ShangHai C Media Co., Ltd.	China	Theater operation	100.00	100.00
Envoy Media Partners Ltd.	Megastar Media Company(*6)	Vietnam	Theater operation	80.00	75.52
CJ 4DPlex Co., Ltd.	CJ 4DX (Beijing) Cinema Technology Co., Ltd.	China	Retail of equipment	93.42	-

# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### For the years ended December 31, 2013 and 2012

#### 1. Reporting Entity, Continued

(1) The list of subsidiaries as of December 31, 2013 and 2012 are as follows, continued:

(\*1) During 2013, the Parent Company merged with Primus Cinema Co., Ltd.

(\*2) The percentage of ownership of the Parent Company increased from 92.72% to 93.03% as the Parent Company participated in paid-in capital increase of CJ 4DPlex Co., Ltd.

(\*3) During 2013, the Group obtained control over Simuline Inc. by purchasing additional shares amounting to ₩10,904 million which resulted in ownership of 48.13%. As a result, the Group reclassified existing carrying amounts of available-for-sale financial assets to a consolidated subsidiary. Subsequent to the acquisition, the Parent Company acquired additional common shares of ₩3,334 million and convertible preferred shares of ₩390 million. As the Parent Company exercised the conversion option, the Parent Company's interest in Simuline Inc. is 64.89% as of December 31, 2013.

(\*4) During 2013, non-controlling interest shareholders exercised the put option to sell their shares and the Parent Company acquired additional shares. As a result, the Parent Company's interest in Envoy Media Partners Ltd. increased from 94.4% to 100%.

(\*5) The list of subsidiaries which changed its name is as follows:

Before	After
Shanghai CJ CGV Media Consulting Co., Ltd.	CJ CGV (Shanghai) Enterprise Management Co., Ltd
CJ CGV (Shen Yang) Film Investment Management Co., Ltd.	CJ CGV (Shen Yang) Film International Cineplex Co., Ltd
CJ CGV (Panjin) Film Investment Management Co., Ltd.	PanJin CGV Cinema Co., Ltd.
CJ CGV (Shang Hai) Film Culture Consulting Co., Ltd.	CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.

(\*6) As the Parent Company's interest in Envoy Media Partners Ltd. increased from 94.4% to 100%, the Group's effective ownership interest increased from 75.52% to 80.00%.

(2) Changes in subsidiaries

The list of subsidiaries that were newly included in consolidation for the year ended December 31, 2013 is as follows:

Subsidiaries	Reason
Simuline Inc.	Purchase of additional shares
SIMULINE(HONG KONG) LIMITED	Acquisition of control over Simuline Inc.
SIMULINE(CHINA) LIMITED	Acquisition of control over Simuline Inc.
ZIBO CGV CINEMA CO., LTD.	New investment
CGV (WuHan) Cinema Co., Ltd.	New investment
Wuhu CGV Cinema Co., Ltd.	New investment
CGV (Tangshan) Cinema Co., Ltd.	New investment
Liaoning CGV Cinema Co., Ltd.	New investment
CGV (HuaiAn) Cinema Co., Ltd.	New investment
CGV (TianJin) Cinema Co., Ltd.	New investment
CGV (Chengdu) Cinema Co., Ltd.	New investment
CGV (Chongqing) Cinema Co., Ltd.	New investment
YuYao CGV Cinema Co., Ltd.	New investment
CJ 4DX (Beijing) Cinema Technology Co., Ltd.	New investment

CJ CGV CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

**1. Reporting Entity, Continued**

(3) Financial information of subsidiaries

1) Financial information of subsidiaries as of and for the year ended December 31, 2013 was as follows:

(In thousands of won)

<u>Subsidiaries</u>	<u>Asset</u>	<u>Liability</u>	<u>Equity</u>	<u>Revenue</u>	<u>Net profit or loss</u>	<u>Total comprehensive income (loss)</u>
CJ 4DPlex Co., Ltd	₩ 46,193,458	13,904,129	32,289,329	36,739,850	(6,923,890)	(6,906,957)
Simuline Inc.	20,447,684	12,910,436	7,537,248	30,614,909	332,925	315,571
SIMULINE(HONG KONG) LIMITED	202,814	79,452	123,362	-	(9,584)	(9,584)
SIMULINE(CHINA) LIMITED	88,740	33,253	55,487	18,764	(133,855)	(133,855)
CJ Theater LA Holdings Inc.	6,773,397	43	6,773,354	-	(204)	(204)
CGI Holdings Ltd.	126,760,022	58,546,819	68,213,203	320,174	(15,619,409)	(15,546,091)
CJ CGV America LA, LLC.	5,496,889	3,216,409	2,280,480	4,231,312	(1,259,468)	(1,259,468)
Envoy Media Partners Ltd.	47,584,594	1,202,030	46,382,564	942,145	998,493	998,493
UVD Enterprise Ltd.	86,487,998	5,661,171	80,826,827	324,077	(331,761)	(331,761)
CJ CGV (Shanghai) Enterprise Management Co., Ltd.	15,074,351	4,444,538	10,629,813	15,547,528	1,474,578	1,474,578
Vietnam Cinema 1 Company Ltd.	1,549,383	366,154	1,183,229	56,341	(120,897)	(120,897)
CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.	7,032,711	2,033,049	4,999,662	4,255,004	(750,570)	(750,570)
Pan Jin CGV Cinema Co., Ltd.	4,915,442	1,180,960	3,734,482	3,632,441	(13,607)	(13,607)
CJ CGV (Shanghai) Film International Cineplex Co., Ltd.	3,024,183	754,334	2,269,849	2,652,773	(337,822)	(337,822)
CJ CGV(Harbin) International Cinema Co., Ltd.	6,753,059	796,534	5,956,525	4,191,961	266,242	266,242
ShangHai C Media Co., Ltd.	444,904	826,982	(382,078)	896,435	(220,313)	(220,313)
CGV (Changsha) Cinema Co., Ltd.	5,689,072	965,470	4,723,602	1,016,711	(725,944)	(725,944)
YANTAI CGV CINEMA CO., Ltd. CGV (BEIJING) INTERNATIONAL CINEMA CO., Ltd.	4,761,982	1,398,152	3,363,830	2,226,924	(816,655)	(816,655)
Megastar Media Company	10,435,894	3,025,130	7,410,764	2,945,976	(717,950)	(717,950)
ZIBO CGV CINEMA CO., LTD.	61,479,917	53,101,968	8,377,949	57,287,672	(2,346,278)	(2,295,818)
CGV (WuHan) Cinema Co., Ltd.	1,804,357	15,820	1,788,537	-	(26,051)	(26,051)
Wuhu CGV Cinema Co., Ltd.	8,635,333	2,086,173	6,549,160	404,784	(376,193)	(376,193)
CGV (Tangshan) Cinema Co., Ltd.	5,793,246	669,478	5,123,768	909,632	(852,339)	(852,339)
Liaoning CGV Cinema Co., Ltd.	4,273,628	206,897	4,066,731	8,834	(239,677)	(239,677)
CGV (HuaiAn) Cinema Co., Ltd.	7,079,142	1,361,903	5,717,239	446,060	(749,819)	(749,819)
CGV (TianJin) Cinema Co., Ltd.	2,470,911	52,464	2,418,447	-	(8,130)	(8,130)
CGV (Chengdu) Cinema Co., Ltd.	3,198,910	83,096	3,115,814	2,102	(135,265)	(135,265)
CGV (Chongqing) Cinema Co., Ltd.	7,428,154	352,003	7,076,151	5,857	(309,044)	(309,044)
CGV (Chongqing) Cinema Co., Ltd.	5,238,173	1,237,430	4,000,743	254,581	(299,911)	(299,911)
CJ 4DX (Beijing) Cinema Technology Co., Ltd.	3,376,001	1,471,799	1,904,202	1,314,390	(216,182)	(216,182)
YuYao CGV Cinema Co., Ltd.	824,437	28,906	795,531	-	(5,159)	(5,159)

CJ CGV CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

**1. Reporting Entity, Continued**

(3) Financial information of subsidiaries, continued

2) Financial information of subsidiaries as of and for the year ended December 31, 2012 was as follows:

*(In thousands of won)*

<b>Subsidiaries</b>	<b>Asset</b>	<b>Liability</b>	<b>Equity</b>	<b>Revenue</b>	<b>Net profit or loss</b>	<b>Total comprehensive income (loss)</b>
Primus Cinema Co., Ltd.	35,268,827	13,351,064	21,917,763	51,893,179	2,779,077	2,558,331
CJ 4DPlex Co., Ltd.	25,374,569	4,006,069	21,368,500	14,119,446	(7,938,192)	(7,956,766)
CJ Theater LA Holdings Inc.	6,875,865	900	6,874,965	-	(1,192)	(1,192)
CGI Holdings Ltd.	69,016,489	35,666,938	33,349,551	326,858	(14,647,050)	(14,647,050)
CJ CGV America LA, LLC.	6,585,780	3,039,223	3,546,557	3,655,068	(1,456,548)	(1,456,548)
Envoy Media Partners Ltd.	46,579,472	479,130	46,100,342	754,603	2,182,699	2,182,699
UVD Enterprise Ltd.	29,713,358	2,154,829	27,558,529	58,440	(550,013)	(550,013)
CJ CGV (Shanghai) Enterprise Management Co., Ltd	12,429,707	3,357,915	9,071,792	13,595,473	(20,933)	(20,933)
Vietnam Cinema 1 Company Ltd.	1,425,367	89,568	1,335,799	71,257	(27,409)	(27,409)
CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.	7,749,739	2,089,189	5,660,550	1,699,331	(1,158,743)	(1,158,743)
Pan Jin CGV Cinema Co., Ltd.	3,736,307	36,101	3,700,206	-	-	-
CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.	3,317,561	750,504	2,567,057	787,717	(498,572)	(498,572)
CJ CGV (Harbin) International Cinema Co., Ltd	4,486,357	463,350	4,023,007	-	-	-
ShangHai C Media Co., Ltd.	65,365	229,974	(164,609)	-	(349,606)	(349,606)
CGV (Changsha) Cinema Co., Ltd.	895,772	85,172	810,600	-	-	-
YANTAI CGV CINEMA CO., Ltd.	4,372,845	263,583	4,109,262	-	-	-
CGV (BEIJING) INTERNATIONAL CINEMA CO., Ltd.	4,729,080	419,327	4,309,753	-	-	-
Megastar Media Company	57,993,699	47,340,929	10,652,770	46,949,081	4,929,575	4,934,880

# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

### **2. Basis of Preparation**

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in *the Act on External Audits of Corporations in the Republic of Korea*.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value
- Available-for-sale financial assets are measured at fair value
- Liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(3) Functional and presentation currency

These consolidated financial statements are presented in Korean won, which is the Parent Company's functional currency and the currency of the primary economic environment in which the Group operates.

(4) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following note:

Note 13 – classification of investment property

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 15 – impairment test
- Note 17 and 20 – provisions and contingencies
- Note 19 - measurement of defined benefit obligations
- Note 29 – recognition of deferred tax asset

(5) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant value measurements, including Level 3 fair values, and reports directly to the CFO.

# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

### **2. Basis of Preparation, Continued**

#### (5) Measurement of fair values, continued

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is issued to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following note:

Note 4 – Risk management

- (6) Certain accounts of the prior year's consolidated statement of cash flows and disclosures have been reclassified to conform to the current year's presentation. These reclassifications have not resulted in any change to reported net income or stockholders' equity.
- (7) Changes in accounting policies

Except for the following new standards and amendments to standards with a date of initial application of January 1, 2013, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

#### 1) Subsidiaries

The Group adopted K-IFRS No.1110, 'Consolidated Financial Statements'. As a result, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. K-IFRS No. 1110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of K-IFRS No. 1110, the Group reassessed the control conclusion for its investees at January 1, 2013. Notwithstanding the reassessment, there has been no change in the scope of consolidation.

# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

### **2. Basis of Preparation, Continued**

(7) Changes in accounting policies, continued

2) Joint arrangements

Under K-IFRS No. 1111, 'Joint Arrangements', the Group has classified its interests in joint arrangements as either joint operations or joint ventures. When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification. The Group has re-evaluated its involvement in joint arrangements and has reclassified the investments from jointly controlled entities to joint ventures. Notwithstanding the reclassification, the investment continues to be recognized by applying the equity method and there has been no impact on the recognized assets, liabilities, and comprehensive income of the Group.

3) Disclosure of interests in other entities

The Group adopted K-IFRS No.1112, 'Disclosure of Interests in Other Entities' since January 1, 2013. As a result, the Group has expanded its disclosure of information about its interests in subsidiaries and equity method investees (see Notes 7 and 12).

4) Fair value measurement

K-IFRS No. 1113, 'Fair Value Measurement' establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other K-IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other K-IFRSs, including K-IFRS No. 1107, 'Financial Instruments: Disclosures'. As a result, the Group has included additional disclosures in note 4.

In accordance with the transition provisions of K-IFRS No. 1113, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

5) Post-employment defined benefit plans

As a result of the amendment to K-IFRS No. 1019, 'Employee Benefits', the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans.

Under the amendment to K-IFRS No. 1019, the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return. As management believes the impact of adopting the amendment on prior year financial statements is insignificant, the Group did not retrospective apply this change in accounting policy to the prior year financial statements.



# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

### **2. Basis of Preparation, Continued**

(7) Changes in accounting policies, continued

6) Presentation of items of other comprehensive income

As a result of the amendments to K-IFRS No. 1001, the Group has modified the presentation of items of other comprehensive income in its consolidated statements of comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

(8) Authorization date for issuance of the consolidated financial statements

The consolidated financial statements were authorized for issue by the Board of Directors on February 6, 2014, which will be submitted for approval to the shareholders' meeting to be held on March 21, 2014.

### **3. Significant Accounting Policies**

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the changes in accounting policies as explained in Note 2 (7).

Certain comparative amounts in the consolidated statements of comprehensive income have been reclassified or re-presented as a result of a change in the accounting policy regarding the presentation of items of other comprehensive income.

(1) Operating segment

The Group classifies reportable segments based on the internal report reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance. The Group has two strategic divisions, which are its reportable segments, as described in note 6. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Parent Company's headquarters), head office expenses, and income tax assets and liabilities.

(2) Basis of consolidation

1) Business combination

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities according to K-IFRS No. 1032 and 1039. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

### **3. Significant Accounting Policies, Continued**

(2) Basis of consolidation, continued

1) Business combination, continued

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

2) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

4) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

5) Interests in equity method investees

The Group's interests in equity method investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. The carrying amount of interests in equity method investees is increased or decreased to recognize the Group's share of the profit or loss and other comprehensive income of equity accounted investees after the date of acquisition. Distributions received from an investee reduce the carrying amount of interests in equity method investees.

6) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity method investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

### **3. Significant Accounting Policies, Continued**

(2) Basis of consolidation, continued

7) Business combination under common control

A business combination involving entities or business under common control are accounted for by applying book value method, which accounted for assets and liabilities at carrying amounts recognized previously in the consolidated financial statements. The Group recognizes the difference between the consideration transferred in a business combination and net assets acquired as capital surplus.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Also, short term commitments that are subject to an insignificant risk of changes in fair value that liquidity is very high, and readily converted to cash amounts, are classified as cash and cash equivalents. Equity instruments are excluded from the cash assets, but redeemable preference shares considered substantially as cash equivalents having short period from the acquisition date to redemption date, are included as cash and cash equivalents.

(4) Inventories

The cost of inventories is based on the first-in first-out principle, and includes expenditures for acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(5) Non-derivative financial assets

The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Group recognizes financial assets in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

(i) Financial assets at fair value through profit or loss

A financial asset is classified as financial assets at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(ii) Held-to-maturity investments

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Group has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

### **3. Significant Accounting Policies, Continued**

#### (5) Non-derivative financial assets, continued

##### (iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

##### (iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

##### (v) De-recognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

In the case that the Group neither transfers nor retains all the risks and rewards of ownership of the financial asset, the Group derecognizes the financial asset if the Group has not retained control and the Group continues to recognize the financial asset to the extent of its continuing involvement in the financial assets if the Group has retained control.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

##### (vi) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### (6) Derivative financial instruments

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes in the fair value of derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria has been met: (a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

CJ CGV CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

**3. Significant Accounting Policies, Continued**

(7) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

Objective evidences that a financial asset has been impaired are as follows:

- significant financial difficulty of the issuer
- breach of contract such as a delay or failure of principal repayment and interest payment
- inevitable relaxation of the initial borrowing conditions due to legal or economic related financial difficulties of the borrower
- borrower's bankruptcy or other financial restructuring are very likely
- disappearance of an active market for an asset due to financial difficulties, and
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since their initial recognition, although the decrease cannot yet be identified with the individual assets in the group

In addition, for an investment in available-for-sale financial assets, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized as below.

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Group can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost

The amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(7) Impairment of financial assets, continued

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

(8) Property and equipment

Property and equipment are initially measured at cost. The cost of property and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Property and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

A component that is significant compared to the total cost of property and equipment is depreciated over its separate useful life.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss.

The estimated useful lives of the Group's property and equipment are as follows:

	<u>Useful lives (years)</u>
Buildings	40
Structures	10~20
Tools and equipment	4
Vehicles	4

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

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For the years ended December 31, 2013 and 2012

3. Significant Accounting Policies, Continued

(9) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which certain intangible assets are expected to be available for use, these intangible assets are determined as having indefinite useful lives and not amortized.

	<u>Useful lives (years)</u>
Usage rights	12, 15
Capitalized development costs	5, 7, 10
Other intangible assets	3~7

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

- (i) Research and development  
Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.
- (ii) Subsequent expenditures  
Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

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**For the years ended December 31, 2013 and 2012**

**3. Significant Accounting Policies, Continued**

(10) Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

(11) Investment Property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Investment property except for land, are depreciated on a straight-line basis over 40 years as estimated useful lives.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.



# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

### **3. Significant Accounting Policies, Continued**

#### (12) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit ("CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (13) Leases

The Group classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

##### (i) Finance leases

At the commencement of the lease term, the Group recognizes as finance lease assets and finance lease liabilities in its consolidated statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. The Group reviews to determine whether the leased asset may be impaired.

# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

### **3. Significant Accounting Policies, Continued**

#### (13) Leases, continued

##### (ii) Operating leases

Payments made under operating leases (net of incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease. Incentives received under operating leases are recognized over period of the lease by being deducted from payment made under operating leases.

##### (iii) Determining whether an arrangement contains a lease

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

At inception or reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a financial lease that it is impracticable to separate the payments reliably, the Group recognizes an asset and a liability at an amount equal to the fair value of the underlying asset that was identified as the subject of the lease. Subsequently, the liability shall be reduced as payments are made and an imputed finance charge on the liability recognized using the purchaser's incremental borrowing rate of interest.

#### (14) Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

##### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

##### (ii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

#### (15) Employee benefits

##### (i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

CJ CGV CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

**3. Significant Accounting Policies, Continued**

(15) Employee benefits, continued

(ii) Retirement benefits: defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of plan assets.

The calculation of defined benefit obligation is performed annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognizing immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(16) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision shall be used only for expenditures for which the provision was originally recognized.

# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

### **3. Significant Accounting Policies, Continued**

#### (17) Foreign currencies

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation of monetary items are recognized in profit or loss, except for differences resulting from the settlement of foreign currency transactions and differences resulting from monetary items that form part of a net investment in a foreign operation or from financial liabilities designated as a cash flow hedge. If foreign currency differences arising on non-monetary items are recognized in other comprehensive profit or loss, related foreign exchange rate change effect are recognized in other comprehensive profit or loss. If foreign currency differences arising on non-monetary items are recognized in profit or loss, related foreign exchange rate change effect are recognized in profit or loss.

##### (ii) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at average exchange rates for the reporting periods. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

##### (ii) Translation of net investment in a foreign operation

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve and reclassified to profit or loss on the disposal of the foreign operation.

#### (18) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

### **3. Significant Accounting Policies, Continued**

#### (19) Share-based payment transactions

For equity-settled share-based payment transactions, if the Group cannot reliably estimate the fair value of the goods or services received, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting date and at the date of settlement, with changes in fair value recognized in profit or loss for the period.

#### (20) Revenue

##### (i) Recognition of revenues

Revenue from film screening is recognized when the movies are screened, and revenue from sale of goods is recognized when the goods are sold, and revenue of advertisement is recognized when the advertising service is completed. Revenue from the sale of goods, rendering of services are measured at the fair value of the consideration received or receivable, and sales returns, trade discounts and volume rebates are deducted.

##### (ii) Customer loyalty program

For customer loyalty program, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits ("points") and the other components of the sale. The Group supplies all of the awards, in respect of rendering film screening services. The amount allocated to the points is estimated by reference to the fair value of the film screening service for which they could be redeemed. The fair value of the service is estimated taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and revenue is recognized only when the points are redeemed and the Group has fulfilled its obligations to supply the film screening service. The amount of revenue recognized in those circumstances is based on the number of points that have been redeemed in exchange for service, relative to the total number of points that is expected to be redeemed.

##### (iii) Rental income

Rental income from investment property, net of lease incentive granted, is recognized in profit or loss on a straight-line basis over the term of the lease.

#### (21) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, gains on foreign currency transactions, gains on foreign currency translation of monetary items, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, losses on foreign currency transactions, losses on foreign currency translation of monetary items, and changes in the fair value of financial assets at fair value through profit or loss. Borrowing costs are recognized in profit or loss using the effective interest method.

# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

### **3. Significant Accounting Policies, Continued**

#### (22) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

##### (i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

##### (ii) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis. The Group recognizes additional tax arising from dividends payment upon dividends payable is recognized.

#### (23) Earnings per share

The Parent Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

### **3. Significant Accounting Policies, Continued**

(24) New amendment not yet adopted

The following new amendment to existing standard has been published and is mandatory for the Group for annual periods beginning after January 1, 2013, and the Group has not early adopted it. Management believes the impact of the amendment on the Group's consolidated financial statements is not significant.

1) Amendment to K-IFRS No.1032, 'Financial Instruments: Presentation'

The amendment clarifies the meaning of 'currently has a legally enforceable right to set-off.'

The amendment is required to be applied for annual periods beginning after January 1, 2014.

### **4. Risk Management**

The Group has exposure to the following risks from its use of financial instruments:

- ✓ credit risk
- ✓ liquidity risk
- ✓ market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(1) Financial risk management

1) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Credit risk is not significant because the majority of Group's revenues are generated from individual customers. The Group limits credit risk by keeping most of cash and cash equivalents in banks with high credit ratings.

CJ CGV CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2013 and 2012

4. Risk Management, Continued

(1) Financial risk management, continued

2) Credit risk, continued

(i) Exposure to credit risk

The carrying amount of financial assets stands for the exposure to credit risk. Considering the definition of credit risk, cash in hand and equity investments are not included in the exposure to credit risk.

Details of the Group's maximum exposure to credit risk as of December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>		<u>2013</u>	<u>2012</u>
Cash and cash equivalents	₩	83,854,057	180,278,527
Short-term financial Instruments		2,611,350	-
Available-for-sale financial assets		32,248,145	16,034,345
Trade receivables		79,868,795	54,776,919
Other financial assets		98,891,672	70,284,081
Derivative financial assets		303,591	304,358
	₩	<u>297,777,610</u>	<u>321,678,230</u>

(ii) Impairment losses

The aging and impairment losses of loans and receivables, except for cash and cash equivalent, as of December 31, 2013 and 2012 are as follows:

		<u>2013</u>		
<i>(In thousands of won)</i>		<u>Not overdue</u>	<u>Overdue, but not impaired</u>	<u>Impaired</u>
Not past due	₩	172,018,312	-	-
0-3 months		-	4,240,526	-
4-6 months		-	1,913,984	-
7-12 months		-	233,319	-
Over one year		-	354,326	6,977,445
	₩	<u>172,018,312</u>	<u>6,742,155</u>	<u>6,977,445</u>
		<u>2012</u>		
<i>(In thousands of won)</i>		<u>Not overdue</u>	<u>Overdue, but not impaired</u>	<u>Impaired</u>
Not past due	₩	117,180,857	-	-
0-3 months		-	3,944,093	-
4-6 months		-	206,039	-
7-12 months		-	518,118	-
Over one year		-	3,211,893	10,302,006
	₩	<u>117,180,857</u>	<u>7,880,143</u>	<u>10,302,006</u>

The Group records an allowance for impairment that represents its estimate of incurred losses in respect of loans and receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.



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**For the years ended December 31, 2013 and 2012**

**4. Risk Management, Continued**

(1) Financial risk management, continued

2) Credit risk, continued

(iii) Guarantees

As described in note 31 (7), the Group provides financial guarantees to joint ventures, executives and staff members. As a result, the Group is exposed to credit risk to the extent of payment guarantee.

3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors cash flow requirements with the extended plans and short-term strategies. The Group ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The contractual maturity of financial liabilities as of December 31, 2013 and 2012 are as follows. The amounts below include estimated interest from financial liabilities scheduled to be paid, and exclude the effects under application of any set-off agreements.

<i>(In thousands of won)</i>	<b>2013</b>				
	<b>Book value</b>	<b>Contractual cash outflow</b>	<b>Less than one year</b>	<b>One to five years</b>	<b>Over five years</b>
Trade payables	₩ 60,086,519	60,086,519	60,086,519	-	-
Other payables(*)	91,369,535	91,369,535	91,369,535	-	-
Debentures	199,686,259	210,462,750	106,894,250	103,568,500	-
Short-term borrowings	52,766,883	53,942,019	53,942,019	-	-
Long-term borrowings	138,824,749	144,305,590	64,199,059	80,106,531	-
Long-term other payables(*)	45,904,637	72,437,012	-	40,459,917	31,977,095
Other current financial liabilities	12,573,069	12,614,824	12,614,824	-	-
Other non-current financial liabilities	7,356,803	7,537,902	-	7,537,902	-
	<u>₩ 608,568,454</u>	<u>652,756,151</u>	<u>389,106,206</u>	<u>231,672,850</u>	<u>31,977,095</u>

(\*) Other payables related to long-term officer compensation expense and reserve for restoration are not included.

The Group doesn't expect the above cash flows to be occurred in earlier period or to be materially different. As described in note 31 (7), the Group provides joint ventures and executives and staff members with payment guarantee which is exposed to liquidity risk. The payment guarantee is not included in the book value or contractual cash outflow above.

CJ CGV CO., LTD. AND SUBSIDIARIES  
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**For the years ended December 31, 2013 and 2012**

**4. Risk Management, Continued**

(1) Financial risk management, continued

3) Liquidity risk, continued

<i>(In thousands of won)</i>	<b>2012</b>				
	<b>Book value</b>	<b>Contractual cash outflow</b>	<b>Less than one year</b>	<b>One to five years</b>	<b>Over five years</b>
Trade payables	₩ 77,146,315	77,146,315	77,146,315	-	-
Other payables	80,929,564	80,929,564	80,929,564	-	-
Debentures	219,494,648	236,748,250	59,174,500	177,573,750	-
Short-term borrowings	35,369,143	36,123,290	36,123,290	-	-
Long-term borrowings	88,123,800	95,126,774	3,672,319	91,454,455	-
Long-term other payables(*)	40,831,778	72,006,396	-	34,953,879	37,052,517
Other current financial liabilities	6,309,567	6,354,948	6,354,948	-	-
Other non-current financial liabilities	3,469,929	3,793,255	-	3,793,255	-
	<u>₩ 551,674,744</u>	<u>608,228,792</u>	<u>263,400,936</u>	<u>307,775,339</u>	<u>37,052,517</u>

(\*) Other payables related to long-term officer compensation expense and reserve for restoration are not included.

4) Market risk

Market risk is the risk that changes in market prices will affect the value or the future cash flow of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Currency risk

The Group is exposed to currency risk on other receivables and borrowings that are denominated in a currency other than the functional currency of the Group. The currencies in which these transactions primarily are denominated are USD, VND, RMB and others.

The amount of exposure to currency risk as of December 31, 2013 and 2012 are as follows.

<i>(In thousands of won)</i>	<b>2013</b>			<b>2012</b>		
	<b>USD</b>	<b>VND</b>	<b>RMB, etc.</b>	<b>USD</b>	<b>VND</b>	<b>RMB, etc.</b>
Cash and cash equivalents	₩ 7,920,819	4,199,386	27,228,628	3,365,056	1,335,494	13,937,813
Other receivables	12,297,441	17,306,858	23,781,539	3,691,090	7,046,769	5,015,254
Other payables	(3,214,115)	(11,885,086)	(13,329,423)	(10,910,232)	(953,600)	(232,620)
Finance lease liabilities	(670,604)	-	-	(924,203)	-	-
Borrowings	(103,419,289)	-	(26,503,883)	(73,371,563)	(75,190)	(24,046,190)
Total exposure	<u>(87,085,748)</u>	<u>9,621,158</u>	<u>11,176,861</u>	<u>(78,149,852)</u>	<u>7,353,473</u>	<u>(5,325,743)</u>
Currency swaps	61,207,400	-	-	62,123,800	-	-
Net exposure	<u>₩ (25,878,348)</u>	<u>9,621,158</u>	<u>11,176,861</u>	<u>(16,026,052)</u>	<u>7,353,473</u>	<u>(5,325,743)</u>

CJ CGV CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2013 and 2012

4. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk, continued

(i) Currency risk, continued

Significant exchange rates applied during the year are as follows.

		Average rate		Reporting date spot rate	
		2013	2012	2013	2012
<i>(In won)</i>					
USD	₩	1,095.04	1,126.88	1,055.30	1,071.10
RMB		178.10	178.58	174.09	171.88
VND		0.05	0.05	0.05	0.05

Assuming that other variables such as interest rates do not change, the impact of changes in exchange rates of the won against foreign currencies on the profit or loss for the years ended December 31, 2013 and 2012 are as follows.

			2013		2012	
			10% strengthening	10% weakening	10% strengthening	10% weakening
<i>(In thousands of won)</i>						
USD	Total exposure	₩	(8,708,575)	8,708,575	(7,814,985)	7,814,985
	Currency swaps		6,120,740	(6,120,740)	6,212,380	(6,212,380)
	Net exposure		(2,587,835)	2,587,835	(1,602,605)	1,602,605
VND			962,116	(962,116)	735,347	(735,347)
RMB, etc.			1,117,686	(1,117,686)	(532,574)	532,574

(ii) Interest rate risk

Carrying amount of interest-bearing financial instruments held by the Group as of December 31, 2013 and 2012 are as follows:

			2013	2012
<i>(In thousands of won)</i>				
Fixed rate:				
Financial assets		₩	2,039,925	4,312,454
Financial liabilities			(296,828,428)	(282,598,395)
		₩	(294,788,503)	(278,285,941)
Variable rate:				
Financial assets		₩	82,661,081	176,288,931
Financial liabilities			(130,858,748)	(110,839,448)
		₩	(48,197,667)	65,449,483

- Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (currency swaps) as hedging instruments under a fair value hedge accounting model. Therefore, the change in interest rates would not affect profit or loss.

CJ CGV CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2013 and 2012

4. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk, continued

(ii) Interest rate risk, continued

- Fair value sensitivity analysis for variable rate instruments

Assuming that all other variables are constant, the impact of changes in interest rate on profit or loss as of December 31, 2013 and 2012 are as follows:

(In thousands of won)

		2013		2012	
		0.5% Point increase	0.5% Point decrease	0.5% Point increase	0.5% Point decrease
Variable rate instruments	₩	(240,988)	240,988	327,247	(327,247)
Currency swaps		306,037	(306,037)	310,619	(310,619)
Cash flow sensitivity, net	₩	65,049	(65,049)	637,866	(637,866)

(iii) Other market price risk

Market price risk arises from available-for-sale financial assets held. Major investments within the portfolio are managed separately and the approval of the board of directors is necessary for important acquisition or sales decision.

The following indicates effects on other comprehensive income (gain or loss on valuation of available-for-sale securities) arising from fluctuations in price of quoted equity instruments among the available-for-sale financial assets that the Group possess as of December 31, 2013 and 2012.

(In thousands of won)

		2013	2012
5% increase	₩	7,224	5,039
5% decrease		(7,224)	(5,039)

CJ CGV CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2013 and 2012

4. Risk Management, Continued

(1) Financial risk management, continued

5) Fair values

The carrying amount and fair value of financial assets and liabilities as of December 31, 2013 and 2012 are as follows:

① December 31, 2013

(In thousands of won)

	Carrying amount					Fair value		
	Designated at fair value	Loans and receivables	Available- for-sale	other	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>								
Financial assets held for trading	₩ 2,611,350	-	-	-	2,611,350	-	2,611,350	-
Available-for-sale:								
equity investments	-	-	144,488	-	144,488	144,488	-	-
Derivative financial assets(*3)	303,591	-	-	-	303,591	-	2,136	301,455
<b>Subtotal</b>	<u>2,914,941</u>	<u>-</u>	<u>144,488</u>	<u>-</u>	<u>3,059,429</u>	<u>144,488</u>	<u>2,613,486</u>	<u>301,455</u>
<b>Financial assets not measured at fair value(*1)</b>								
Cash and cash equivalents	-	85,976,456	-	-	85,976,456	-	-	-
Trade receivables	-	79,868,795	-	-	79,868,795	-	-	-
Available-for-sale: equity investments(*2)	-	-	5,111,824	-	5,111,824	-	-	-
Available-for-sale: debt investments	-	-	32,248,145	-	32,248,145	-	-	-
Other financial assets	-	98,891,672	-	-	98,891,672	-	-	-
<b>Subtotal</b>	<u>-</u>	<u>264,736,923</u>	<u>37,359,969</u>	<u>-</u>	<u>302,096,892</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	₩ <u>2,914,941</u>	<u>264,736,923</u>	<u>37,504,457</u>	<u>-</u>	<u>305,156,321</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities measured at fair value</b>								
Derivative financial liabilities(*3)	₩ 5,732,960	-	-	-	5,732,960	-	5,732,960	-
<b>Financial liabilities not measured at fair value(*1)</b>								
Trade payables	-	-	-	60,086,519	60,086,519	-	-	-
Other payables	-	-	-	91,369,535	91,369,535	-	-	-
Borrowings and debentures	-	-	-	391,277,891	391,277,891	-	-	-
Long-term other payables	-	-	-	45,904,637	45,904,637	-	-	-
Other financial liabilities	-	-	-	14,196,912	14,196,912	-	-	-
<b>Subtotal</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>602,835,494</u>	<u>602,835,494</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	₩ <u>5,732,960</u>	<u>-</u>	<u>-</u>	<u>602,835,494</u>	<u>608,568,454</u>	<u>-</u>	<u>-</u>	<u>-</u>

(\*1) As the carrying amounts of financial assets and liabilities are approximate values of fair value, their fair values are not disclosed.

(\*2) As equity investments do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are measured at cost.

(\*3) Fair value of derivative financial assets and liabilities are measured at discounted present value using the forward rate at the reporting date.

CJ CGV CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2013 and 2012

4. Risk Management, Continued

(1) Financial risk management, continued

5) Fair values, continued

② December 31, 2012

(In thousands of won)

	Carrying amount					Fair value		
	Designated at fair value	Loans and receivables	Available- for-sale	other	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>								
Available-for-sale:								
equity investments	₩ -	-	3,769,119	-	3,769,119	100,786	28,020	3,640,313
Derivative financial assets(*3)	304,358	-	-	-	304,358	-	2,903	301,455
<b>Subtotal</b>	<u>304,358</u>	<u>-</u>	<u>3,769,119</u>	<u>-</u>	<u>4,073,477</u>	<u>100,786</u>	<u>30,923</u>	<u>3,941,768</u>
<b>Financial assets not measured at fair value(*1)</b>								
Cash and cash equivalents	-	183,140,936	-	-	183,140,936			
Trade receivables	-	54,776,919	-	-	54,776,919			
Available-for-sale: equity investments(*2)	-	-	2,578,706	-	2,578,706			
Available-for-sale: debt investments	-	-	16,034,345	-	16,034,345			
Other financial assets	-	70,284,081	-	-	70,284,081			
<b>Subtotal</b>	<u>-</u>	<u>308,201,936</u>	<u>18,613,051</u>	<u>-</u>	<u>326,814,987</u>			
<b>Total</b>	₩ <u>304,358</u>	<u>308,201,936</u>	<u>22,382,170</u>	<u>-</u>	<u>330,888,464</u>			
<b>Financial liabilities measured at fair value</b>								
Derivative financial liabilities(*3)	₩ 1,349,531	-	-	-	1,349,531	-	1,349,531	-
<b>Financial liabilities not measured at fair value(*1)</b>								
Trade payables	-	-	-	77,146,315	77,146,315			
Other payables	-	-	-	80,929,564	80,929,564			
Borrowings and debentures	-	-	-	342,987,591	342,987,591			
Long-term other payables	-	-	-	40,831,778	40,831,778			
Other financial liabilities	-	-	-	8,429,965	8,429,965			
<b>Subtotal</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>550,325,213</u>	<u>550,325,213</u>			
<b>Total</b>	₩ <u>1,349,531</u>	<u>-</u>	<u>-</u>	<u>550,325,213</u>	<u>551,674,744</u>			

(\*1) As the carrying amounts of financial assets and liabilities are approximate values of fair value, their fair values are not disclosed.

(\*2) As equity investments do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are measured at cost.

(\*3) Fair value of derivative financial assets and liabilities are measured at discounted present value using the forward rate at the reporting date.

CJ CGV CO., LTD. AND SUBSIDIARIES  
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4. Risk Management, Continued

(1) Financial risk management, continued

6) Transfers of financial asset

Repurchasing amount of the leasehold deposits derecognized entirely is the fair value at the time of repurchase. The maturity analysis and undiscounted cash outflows of transferred leasehold deposits are as follows.

(In thousands of won)

<u>Type of continuing involvement</u>		<u>Maturity of continuing involvement</u> <u>1~3 years</u>
Put-option	₩	160,094,086

(2) Capital Management

The Group's policy is to maintain sustainability of going concern and the objective of the Group's capital management is to maximize the shareholder's profit by minimizing the cost of capital financing. The capital structure of the Group consists of net liabilities (total borrowings and debentures less cash and cash equivalents) and total equity. The Group's management is periodically reviewing the capital structure.

The Group's net liabilities to equity ratios at the end of the reporting period are as follows

(In thousands of won, except ratio)

		<u>2013</u>	<u>2012</u>
Total liabilities	₩	720,542,557	659,978,085
Total equity		378,632,397	347,996,634
Cash and cash equivalents		85,976,456	183,140,936
Borrowings and debentures		391,277,891	342,987,591
Borrowings and debentures, net		305,301,435	159,846,655
Liabilities to equity ratio		190.30%	189.65%
Net debt to equity ratio		80.63%	45.93%

5. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2013 and 2012 are as follows:

(In thousands of won)

		<u>2013</u>	<u>2012</u>
Cash on hand	₩	2,122,399	2,862,409
Demand deposits		82,661,081	179,173,042
Other cash equivalents		1,192,976	1,105,485
	₩	<u>85,976,456</u>	<u>183,140,936</u>

The amount of cash and cash equivalents that are restricted to withdrawal is ₩3,497 million as of December 31, 2013.

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For the years ended December 31, 2013 and 2012

6. Operating Segments

The Group has two reportable segments: multiplex cinemas operation and sales of equipment (4Dplex). Financial information for each reportable segment for the years ended December 31, 2013 and 2012 was as follows:

(1) Segment results and geographical information

(i) Revenues and net profit (loss)

(In thousands of won)

	2013			2012		
	Cinema Operation	Equipment sales	Total	Cinema Operation	Equipment sales	Total
<b>Revenues:</b>						
Domestic	₩ 805,234,065	22,407,910	827,641,975	714,500,740	11,321,926	725,822,666
Foreign:						
USA	4,138,823	-	4,138,823	3,655,068	-	3,655,068
China	25,540,706	1,268,792	26,809,498	2,853,266	-	2,853,266
Vietnam	57,339,396	-	57,339,396	47,001,695	-	47,001,695
	₩ 892,252,990	23,676,702	915,929,692	768,010,769	11,321,926	779,332,695
Net profit (loss)	₩ 18,856,665	(6,724,820)	12,131,845	65,719,717	(10,735,711)	54,984,006

(ii) Intangible assets and property and equipment

	2013		2012	
	Property and equipment	Intangible assets	Property and equipment	Intangible assets
(In thousands of won)				
Domestic	₩ 406,445,639	100,737,458	357,236,230	86,353,866
Foreign	101,215,064	6,413,787	53,227,826	14,734,371
	₩ 507,660,703	107,151,245	410,464,056	101,088,237

(2) Revenue information

(In thousands of won)

	2013	2012
Admissions	₩ 579,104,483	481,109,356
Concession	151,933,258	123,000,169
Advertisement	85,886,661	71,297,866
Equipment sales	23,676,702	11,321,926
Others	75,328,588	92,603,378
	₩ 915,929,692	779,332,695



CJ CGV CO., LTD. AND SUBSIDIARIES  
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7. Acquisition/Establishment of Subsidiaries

(1) Business combination

(i) General information

On January 31, 2013, the Group obtained control over Simuline Inc., a manufacturer of simulation equipment, by acquiring additional 36.81% of ordinary shares and 8.9% of convertible preferred shares for ₩10,904 million in cash in an effort to expand its presence in the 4D movie market. Simuline Inc. has two subsidiaries which are SIMULINE(HONG KONG) LIMITED and SIMULINE(CHINA) LIMITED.

On April 30, 2012, the Group acquired 80% of interest in Vietnam Cinema 1 Company Ltd. ("VC1") for ₩371 million in cash.

(ii) Identifiable assets acquired and liabilities assumed

(In thousands of won)

		<b>2013</b>	<b>2012</b>
		<b>Simuline Inc.(*)</b>	<b>VC1</b>
Cash and cash equivalents	₩	3,989,311	8,458
Trade and other receivables		2,462,148	346
Inventories		6,262,373	-
Property and equipment		340,136	27,355
Intangible assets		1,044,856	-
Other assets		3,769,449	885
Trade and other payables		(2,514,480)	(6,428)
Borrowings		(9,311,932)	-
Other liabilities		(1,189,843)	(42,452)
Total identifiable net assets	₩	<u>4,852,018</u>	<u>(11,836)</u>

(\*) The Group determined the fair values of assets acquired and liabilities assumed on the date of acquisition.

(iii) Goodwill

Goodwill was recognized as a result of the acquisition as follows:

(In thousands of won)

		<b>2013</b>	<b>2012</b>
		<b>Simuline Inc.</b>	<b>VC1</b>
Fair value of previous interests in the acquiree	₩	3,385,424	-
Newly acquired interests in the acquiree(*)		<u>9,089,597</u>	<u>371,155</u>
Total considerations transferred		<u>12,475,021</u>	<u>371,155</u>
Less: the acquirer's interests in fair value of identifiable net assets		<u>2,335,305</u>	(9,469)
Goodwill	₩	<u>10,139,716</u>	<u>380,624</u>

(\*)The amount does not include ₩1,814 million which are related to purchase of convertible preferred shares of Simuline Inc.

# CJ CGV CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**

### **7. Acquisition/Establishment of Subsidiaries, Continued**

- (2) After obtaining the control over Simuline Inc., the Group additionally acquired 0.59% and 13.52% of the total ordinary shares on April 1 and May 13, 2013, respectively. On December 31, 2013, the Group acquired 17.10% of convertible preferred shares and exercised the conversion option. As a result, the Group's interest in Simuline Inc. increased to 64.89%.
- (3) On March 27, 2013, the Group invested ₩436 million and newly established ZIBO CGV CINEMA CO., LTD., a theater operating company. On October 24, 2013, the Group participated in paid-in capital increase and additionally invested ₩1,380 million, resulting in no change of the Group's percentage of ownership.
- (4) On April 15, 2013, the Group invested ₩4,013 million and newly established Wuhu CGV Cinema Co., Ltd., a theater operating company. On June 25, 2013, the Group participated in paid-in capital increase and additionally invested ₩2,223 million, resulting in no change of the Group's percentage of ownership.
- (5) On April 19, 2013, the Group invested ₩4,665 million and newly established CGV (WuHan) Cinema Co., Ltd., a theater operating company. On September 25, 2013, the Group participated in paid-in capital increase and additionally invested ₩2,424 million, resulting in no change of the Group's percentage of ownership.
- (6) On March 29, 2013, the Group invested ₩512 million and newly established CGV (TianJin) Cinema Co., Ltd., a theater operating company. On July 29 and October 25, 2013, the Group participated in paid-in capital increase and additionally invested ₩1,623 and ₩1,115 million, respectively, resulting in no change of the Group's percentage of ownership.
- (7) On June 18, 2013, the Group invested ₩605 million and newly established CGV (HuaiAn) Cinema Co., Ltd., a theater operating company. On December 16, 2013, the Group participated in paid-in capital increase and additionally invested ₩1,858 million, resulting in no change of the Group's percentage of ownership.
- (8) On June 25, 2013, the Group invested ₩3,003 million and newly established CGV (Tangshan) Cinema Co., Ltd., a theater operating company. On July 25, 2013, the Group participated in paid-in capital increase and additionally invested ₩1,515 million, resulting in no change of the Group's percentage of ownership.
- (9) On June 26, 2013, the Group invested ₩4,505 million and newly established Liaoning CGV Cinema Co., Ltd., a theater operating company. On July 24, 2013, the Group participated in paid-in capital increase and additionally invested ₩2,272 million, resulting in no change of the Group's percentage of ownership.
- (10) On July 19, 2013, the Group invested ₩2,813 million and newly established CGV (Chongqing) Cinema Co., Ltd., a theater operating company. On September 25, 2013, the Group participated in paid-in capital increase and additionally invested ₩1,515 million, resulting in no change of the Group's percentage of ownership.
- (11) On July 24, 2013, the Group invested ₩1,883 million and newly established CGV (Chengdu) Cinema Co., Ltd., a theater operating company. On September 24 and December 26, 2013, the Group participated in paid-in capital increase and additionally invested ₩2,970 and ₩2,564 million, respectively, resulting in no change of the Group's percentage of ownership.

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For the years ended December 31, 2013 and 2012

**7. Acquisition/Establishment of Subsidiaries, Continued**

(12) On October 29, 2013, the Group invested ₩2,183 million and newly established CJ 4DX (Beijing) Cinema Technology Co., Ltd., a retailer of equipment.

(13) On July 24, 2013, the Group invested ₩796 million and newly established YuYao CGV Cinema Technology Co., Ltd., a theater operating company.

**8. Trade Receivables**

(1) Trade receivables as of December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>	<u>2013</u>	<u>2012</u>
Trade receivables	₩ 81,637,916	55,154,849
Allowance for doubtful accounts	(1,769,121)	(377,930)
	<u>₩ 79,868,795</u>	<u>54,776,919</u>

(2) Changes in allowance for doubtful accounts for the years ended December 31, 2013 and 2012 were as follows:

<i>(In thousands of won)</i>	<u>2013</u>	<u>2012</u>
Balance at the beginning	₩ 377,930	333,507
Change in scope of consolidation	1,394,882	-
Increase in allowance	233,373	44,423
Write-off	(235,500)	-
Changes in exchange rates	(1,564)	-
Balance at the end	<u>₩ 1,769,121</u>	<u>377,930</u>

Trade receivables are short-term account receivables and the difference between the carrying amount and fair value is immaterial.

**9. Inventories**

The Group has not recognized any loss on valuation or reversal of loss on valuation of inventories for the years ended December 31, 2013 and 2012. Inventories as of December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>	<u>2013</u>	<u>2012</u>
Merchandise	₩ 1,278,084	736,531
Finished goods	1,797,159	-
Work in process	1,269,566	-
Raw materials	7,492,920	2,682,529
	<u>₩ 11,837,729</u>	<u>3,419,060</u>

CJ CGV CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2013 and 2012

10. Other Financial Assets

(1) Other financial assets as of December 31, 2013 and 2012 are as follows:

		2013		2012	
		Current	Non-current	Current	Non-current
<i>(In thousands of won)</i>					
Financial assets held for trading	₩	2,611,350	-	-	-
Financial institution deposits		10,052,871	1,229,280	10,954,565	13,500
Other receivables		23,733,759	-	15,776,661	-
Accrued revenues		359,458	-	762,100	-
Loans		173,116	303,030	20,600	303,029
Leasehold deposits		3,041,627	72,014,462	589,003	47,759,119
Present value discount		(107,277)	(11,908,654)	(4,420)	(5,890,076)
Derivative financial assets		-	303,591	-	304,358
Available-for-sale financial assets		-	37,504,457	-	22,382,170
	₩	<u>39,864,904</u>	<u>99,446,166</u>	<u>28,098,509</u>	<u>64,872,100</u>

(2) Other financial assets are presented on a net basis after deducting related allowance. As of December 31, 2013 and 2012, other financial assets and allowance for doubtful accounts are as follows:

		2013		2012	
		Current	Non-current	Current	Non-current
<i>(In thousands of won)</i>					
Other financial assets	₩	42,897,691	101,621,703	33,739,646	69,155,039
Allowance for doubtful accounts :					
Other receivables		(3,015,253)	-	(5,623,603)	-
Accrued revenues		(17,534)	-	(17,534)	-
Loans		-	(2,175,537)	-	(4,282,939)
Subtotal of allowance for doubtful accounts		<u>(3,032,787)</u>	<u>(2,175,537)</u>	<u>(5,641,137)</u>	<u>(4,282,939)</u>
Other financial assets, net	₩	<u>39,864,904</u>	<u>99,446,166</u>	<u>28,098,509</u>	<u>64,872,100</u>

(3) Changes in allowance for doubtful accounts for the years ended December 31, 2013 and 2012 were as follows:

		2013		2012	
		Current	Non-current	Current	Non-current
<i>(In thousands of won)</i>					
Balance at the beginning	₩	5,641,137	4,282,939	5,880,000	3,884,486
Increase in (reversal of) allowance		1,261,409	(357,114)	186,714	497,093
Write-off		(3,869,759)	(1,731,329)	(425,577)	-
Other		-	(18,959)	-	(98,640)
Balance at the end	₩	<u>3,032,787</u>	<u>2,175,537</u>	<u>5,641,137</u>	<u>4,282,939</u>

(4) Leasehold deposit measured at present value as of December 31, 2013 and 2012 are as follows:

	Effective interest rate (%)		Nominal values	Discounted present value	Present value discount
<i>(In thousands of won)</i>					
December 31, 2013	2.5~8.0	₩	75,056,089	63,040,158	(12,015,931)
December 31, 2012	2.9~11.5		48,348,122	42,453,626	(5,894,496)

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10. Other Financial Assets, Continued

(5) Available-for-sale financial assets

① Available-for-sale financial assets as of December 31, 2013 and 2012 are as follows:

(In thousands of won)

	2013		2012	
	Acquisition cost	Book value	Acquisition cost	Book value
Beneficiary certificates	₩ -	-	248,377	28,020
Equity securities:				
Simuline Inc.	-	-	4,000,000	3,640,313
Phuong Nam Cultural Joint Stock Company	389,402	144,488	389,402	100,786
Foshan Property Investment Company	2,578,306	2,611,424	2,578,306	2,578,306
Multiplex Series No.1, LLC.	400	400	400	400
Banks Foundation for Young Entrepreneurs Cultural Contents Investment Association	2,500,000	2,500,000	-	-
Debt securities	32,248,145	32,248,145	16,034,345	16,034,345
	₩ 37,716,253	37,504,457	23,250,830	22,382,170

② Changes in available-for-sale financial assets for the years ended December 31, 2013 and 2012 were as follows:

(In thousands of won)

	2013	2012
Balance at the beginning	₩ 22,382,170	2,490,958
Acquisitions	18,995,340	18,852,533
Disposals	(309,530)	(239,483)
Gain (loss) on valuation of available-for-sale financial assets	(131,142)	1,284,465
Others(*)	(3,385,424)	-
Changes in exchange rates	(46,957)	(6,303)
Balance at the end	₩ 37,504,457	22,382,170

(\*) During 2013, the Group acquired 325,070 common shares and 33,160 preferred shares of Simuline Inc. As a result, the Group obtained the control over Simuline Inc. and reclassified existing carrying amounts of available-for-sale financial assets to a consolidated subsidiary.

11. Other Current Assets and Other Non-current Assets

Other current assets and other non-current assets as of December 31, 2013 and 2012 are as follows:

(In thousands of won)

	2013		2012	
	Current	Non-current	Current	Non-current
Advance payments	₩ 6,174,687	1,800,000	5,688,127	1,500,000
Allowance for doubtful accounts	(66,004)	-	(66,004)	-
Prepaid expenses	13,466,259	88,812,964	11,147,311	89,230,318
Prepaid value added tax	1,048,356	-	814,018	-
Prepaid taxes	1,266,991	-	508,107	-
	₩ 21,890,289	90,612,964	18,091,559	90,730,318

CJ CGV CO., LTD. AND SUBSIDIARIES  
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12. Investment in Equity Method Investees

(1) Investments in equity method investees as of December 31, 2013 and 2012 are as follows:

Subsidiaries	Location	Primary business	Ownership (%)	
			2013	2012
<b>Associate:</b>				
SSV Contents Investment Association(*)	Korea	Investment fund	35.52	35.52
<b>Joint venture:</b>				
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	China	Theater operation	49.00	49.00
CJ XingXing (TJ) International Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Beijing CJ Xingxing Olympic International Cinema Co. Ltd.	China	Theater operation	49.00	49.00
Ningbo Culture Plaza CJ Cinema Co., Ltd.	China	Theater operation	45.00	45.00
D-Cinema Korea Co., Ltd.	Korea	Leasing service	50.00	50.00
Shanghai Shangying CGV Cinema Co., Ltd.	China	Theater operation	50.00	50.00
CJ Xingxing (Shanghai) Cinema Co., Ltd.	China	Theater operation	49.00	49.00
CJ Xingxing (FSH) Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Zhongshan CJ Xingxing Cinema Co., Ltd	China	Theater operation	49.00	49.00
CGV Empire SDN BHD	Malaysia	Theater operation	25.00	25.00

(\*) The name of BMC Movie Expert Fund was changed to SSV Contents Investment Association.

(2) Condensed financial information of associate and joint ventures as of and for the years ended December 31, 2013 and 2012 was as follows:

(In thousands of won)	2013							
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net profit (loss)	Total comprehensive income (loss)	Dividends received
SSV Contents Investment Association	₩ 14,634,969	20,151,757	158,420	-	1,410,653	(2,135,813)	(2,135,813)	-
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	7,446,475	1,808,644	3,117,947	-	7,221,018	1,348,198	1,348,198	474,633
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	3,309,149	1,510,371	1,144,955	-	3,628,384	389,173	389,173	-
CJ XingXing (TJ) International Cinema Co., Ltd.	2,345,939	7,884,123	3,866,857	115,044	7,742,480	(408,386)	(408,386)	-
Beijing CJ Xingxing Olympic International Cinema Co. Ltd.	3,951,461	8,669,164	2,843,022	-	8,971,025	649,351	649,351	-
Ningbo Culture Plaza CJ Cinema Co., Ltd.	2,497,896	6,326,771	2,647,567	-	5,782,794	427,597	427,597	-
D-Cinema Korea Co., Ltd.	32,446,489	39,056,310	17,182,568	58,253,722	24,156,582	2,301,793	2,301,793	-
Shanghai Shangying CGV Cinema Co., Ltd.	6,193,357	1,899,916	2,782,303	-	6,466,401	1,224,005	1,224,005	586,688
CJ Xingxing (Shanghai) Cinema Co., Ltd.	1,552,237	2,421,871	621,985	-	3,352,029	396,555	396,555	-
CJ Xingxing (FSH) Cinema Co., Ltd.	2,796,828	2,072,918	1,188,686	-	3,847,725	129,548	129,548	-
Zhongshan CJ Xingxing Cinema Co., Ltd	1,557,282	2,757,390	2,010,261	-	1,675,513	(328,361)	(328,361)	-
CGV Empire SDN BHD	24,714	312,858	996,255	-	-	(463,066)	(463,066)	-

CJ CGV CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2013 and 2012

12. Investment in Equity Method Investees, Continued

(2) Condensed financial information of associate and joint ventures as of and for the years ended December 31, 2013 and 2012 was as follows, continued:

(In thousands of won)	2012							
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net profit (loss)	Total comprehensive income (loss)	Dividends received
SSV Contents Investment Association	₩ 12,450,885	24,390,823	77,589	-	10,949,497	6,849,045	6,849,045	-
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	5,374,157	2,331,892	1,999,974	-	7,191,134	1,096,291	1,096,291	-
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	2,933,038	1,784,797	1,465,498	-	3,188,206	73,964	73,964	-
CJ XingXing (TJ) International Cinema Co., Ltd.	6,278,223	3,594,987	3,310,244	-	6,705,071	(983,840)	(983,840)	-
Beijing CJ Xingxing Olympic International Cinema Co. Ltd.	2,473,962	8,895,272	2,342,426	-	2,149,994	(335,932)	(335,932)	-
Ningbo Culture Plaza CJ Cinema Co., Ltd.	4,721,431	980,353	15,762	-	-	-	-	-
D-Cinema Korea Co., Ltd.	27,708,182	50,795,234	16,002,415	68,736,285	22,324,941	(1,308,114)	(1,308,114)	-
Shanghai Shangying CGV Cinema Co., Ltd.	5,393,522	2,094,915	2,267,664	-	7,046,603	1,364,663	1,364,663	-
CJ Xingxing (Shanghai) Cinema Co., Ltd.	875,453	2,834,894	783,484	-	2,997,181	136,101	136,101	-
CJ Xingxing (FSH) Cinema Co., Ltd.	2,543,785	2,155,528	1,190,006	-	985,840	241,351	241,351	-
Zhongshan CJ Xingxing Cinema Co., Ltd	2,246,216	1,207,309	1,766,940	-	-	-	-	-
CGV Empire SDN BHD	157,108	2,577	413,996	-	-	(103,513)	(103,513)	-

(3) The reconciliation of the investees' net assets to the carrying amount of the Group's interest in equity method investees as of December 31, 2013 and 2012 was as follows:

(In thousands of won)	2013				
	Net assets (a)	Owner-ship (b)	Group's share of net assets (axb)	Goodwill	Carrying amount
SSV Contents Investment Association	₩ 34,628,306	35.52%	12,299,019	38,204	12,337,223
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	6,137,172	49.00%	3,007,214	-	3,007,214
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	3,674,565	49.00%	1,800,537	-	1,800,537
CJ XingXing (TJ) International Cinema Co., Ltd.	6,248,159	49.00%	3,061,598	-	3,061,598
Beijing CJ Xingxing Olympic International Cinema Co. Ltd.	9,777,603	49.00%	4,791,025	-	4,791,025
Ningbo Culture Plaza CJ Cinema Co., Ltd.	6,177,100	45.00%	2,779,695	-	2,779,695
D-Cinema Korea Co., Ltd.	(3,933,491)	50.00%	(1,966,746)	-	-
Shanghai Shangying CGV Cinema Co., Ltd.	5,310,969	50.00%	2,655,485	-	2,655,485
CJ Xingxing (Shanghai) Cinema Co., Ltd.	3,352,123	49.00%	1,642,540	-	1,642,540
CJ Xingxing (FSH) Cinema Co., Ltd.	3,681,061	49.00%	1,803,720	-	1,803,720
Zhongshan CJ Xingxing Cinema Co., Ltd	2,304,412	49.00%	1,129,162	-	1,129,162
CGV Empire SDN BHD	(658,683)	25.00%	(164,671)	-	-
	₩				<u>35,008,199</u>

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12. Investment in Equity Method Investees, Continued

(3) The reconciliation of the investees' net assets to the carrying amount of the Group's interest in equity method investees as of December 31, 2013 and 2012 was as follows, continued:

<i>(In thousands of won)</i>	<b>2012</b>				
	<b>Net assets (a)</b>	<b>Owner-ship (b)</b>	<b>Group's share of net assets (axb)</b>	<b>Goodwill</b>	<b>Carrying amount</b>
SSV Contents Investment Association	₩ 36,764,120	35.52%	13,057,601	38,204	13,095,805
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	5,706,074	49.00%	2,795,976	-	2,795,976
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	3,252,337	49.00%	1,593,645	-	1,593,645
CJ XingXing (TJ) International Cinema Co., Ltd.	6,562,966	49.00%	3,215,853	-	3,215,853
Beijing CJ Xingxing Olympic International Cinema Co. Ltd.	9,026,810	49.00%	4,423,137	-	4,423,137
Ningbo Culture Plaza CJ Cinema Co., Ltd.	5,686,022	45.00%	2,558,710	-	2,558,710
D-Cinema Korea Co., Ltd.	(6,235,284)	50.00%	(3,117,642)	-	-
Shanghai Shangying CGV Cinema Co., Ltd.	5,220,772	50.00%	2,610,386	-	2,610,386
CJ Xingxing (Shanghai) Cinema Co., Ltd.	2,926,864	49.00%	1,434,163	-	1,434,163
CJ Xingxing (FSH) Cinema Co., Ltd.	3,509,308	49.00%	1,719,561	-	1,719,561
Zhongshan CJ Xingxing Cinema Co., Ltd	1,686,584	49.00%	826,426	-	826,426
CGV Empire SDN BHD	(254,311)	25.00%	(63,578)	-	-
	₩				<u>34,273,662</u>

(4) Changes in investments in equity method investees for the years ended December 31, 2013 and 2012 were as follows:

<i>(In thousands of won)</i>	<b>2013</b>					
	<b>Acquisition cost</b>	<b>Beginning balance</b>	<b>Acquisition</b>	<b>Equity income (loss)</b>	<b>Others (*1)</b>	<b>Ending balance</b>
SSV Contents Investment Association	₩ 10,300,000	13,095,805	-	(758,582)	-	12,337,223
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	1,820,123	2,795,976	-	660,617	(449,379)	3,007,214
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	1,601,700	1,593,645	-	190,695	16,197	1,800,537
CJ XingXing (TJ) International Cinema Co., Ltd.	4,263,177	3,215,853	-	(200,109)	45,854	3,061,598
Beijing CJ Xingxing Olympic International Cinema Co. Ltd.	5,297,164	4,423,137	-	318,182	49,706	4,791,025
Ningbo Culture Plaza CJ Cinema Co., Ltd.	2,676,585	2,558,710	-	192,418	28,567	2,779,695
D-Cinema Korea Co., Ltd.	1,500,000	-	-	-	-	-
Shanghai Shangying CGV Cinema Co., Ltd.	1,191,990	2,610,386	-	612,002	(566,903)	2,655,485
CJ Xingxing (Shanghai) Cinema Co., Ltd.	1,587,903	1,434,163	-	194,312	14,065	1,642,540
CJ Xingxing (FSH) Cinema Co., Ltd.	1,661,627	1,719,561	-	63,479	20,680	1,803,720
Zhongshan CJ Xingxing Cinema Co., Ltd.(*2)	1,283,807	826,426	459,933	(160,897)	3,700	1,129,162
CGV Empire SDN BHD	9,067	-	-	-	-	-
	₩ <u>33,193,143</u>	<u>34,273,662</u>	<u>459,933</u>	<u>1,112,117</u>	<u>(837,513)</u>	<u>35,008,199</u>

(\*1) Others include dividends received and change in equity of equity method investments.

(\*2) The Group participated in paid-in capital increase of Zhongshan CJ XingXing Cinema Co., Ltd. and purchased additional shares amounting to ₩460 million. There is no change in the Group's percentage of ownership.



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12. Investment in Equity Method Investees, Continued

(4) Changes in investments in equity method investees for the years ended December 31, 2013 and 2012 were as follows, continued:

		2012						
		Acquisition cost	Beginning balance	Acquisition	Disposals	Equity income (loss)	Others	Ending balance
<i>(In thousands of won)</i>								
SSV Contents Investment Association	₩	10,300,000	10,663,213	-	-	2,432,592	-	13,095,805
CJ Venture Investment No. 9 - Cinema Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.		2,000,000	1,477,744	-	(1,477,744)	-	-	-
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.		1,820,123	2,913,316	-	-	537,182	(654,522)	2,795,976
CJ XingXing (TJ) International Cinema Co., Ltd.		1,601,700	1,655,165	-	-	36,242	(97,762)	1,593,645
Beijing CJ Xingxing Olympic International Cinema Co. Ltd.		4,263,177	3,907,429	-	-	(482,081)	(209,495)	3,215,853
Ningbo Culture Plaza CJ Cinema Co., Ltd.		5,297,164	4,864,916	-	-	(164,606)	(277,173)	4,423,137
D-Cinema Korea Co., Ltd.		2,676,585	2,716,955	-	-	-	(158,245)	2,558,710
Shanghai Shangying CGV Cinema Co., Ltd.		1,500,000	-	-	-	-	-	-
CJ Xingxing (Shanghai) Cinema Co., Ltd.		1,191,990	2,670,733	-	-	682,332	(742,679)	2,610,386
CJ Xingxing (FSH) Cinema Co., Ltd.		1,587,903	1,454,702	-	-	66,690	(87,229)	1,434,163
Zhongshan CJ Xingxing Cinema Co., Ltd.		1,661,627	1,705,043	-	-	118,262	(103,744)	1,719,561
CGV Empire SDN BHD		823,873	-	823,873	-	-	2,553	826,426
		9,067	-	9,067	-	(11,712)	2,645	-
	₩	<u>34,733,209</u>	<u>34,029,216</u>	<u>832,940</u>	<u>(1,477,744)</u>	<u>3,214,901</u>	<u>(2,325,651)</u>	<u>34,273,662</u>

(5) The unrecognized equity losses during 2013 and the cumulative equity losses, resulted from discontinuing application of the equity method, for the year ended December 31, 2013 were as follows:

<i>(In thousands of won)</i>		Unrecognized equity loss (income) during 2013	Unrecognized cumulative equity losses
D-Cinema Korea Co., Ltd	₩	(1,150,897)	1,966,746
CGV Empire SDN BHD		115,767	141,645

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13. Investment Property

(1) Investment property as of December 31, 2013 and 2012 are as follows:

(In thousands of won)

		2013			2012		
		Acquisition costs	Accumulated depreciation	Carrying amounts	Acquisition costs	Accumulated depreciation	Carrying amounts
Land	₩	3,695,706	-	3,695,706	3,695,706	-	3,695,706
Buildings		16,433,132	(1,523,629)	14,909,503	16,433,132	(1,109,476)	15,323,656
	₩	<u>20,128,838</u>	<u>(1,523,629)</u>	<u>18,605,209</u>	<u>20,128,838</u>	<u>(1,109,476)</u>	<u>19,019,362</u>

(2) Changes in investment property for the years ended December 31, 2013 and 2012 were as follows:

(In thousands of won)

		Land	Buildings	Total
<b>Acquisition costs</b>				
Balance at January 1, 2012	₩	-	-	-
Others(*)		3,695,706	16,433,132	20,128,838
Balance at December 31, 2012 and 2013		<u>3,695,706</u>	<u>16,433,132</u>	<u>20,128,838</u>
<b>Accumulated depreciation</b>				
Balance at January 1, 2012		-	-	-
Depreciation		-	(241,589)	(241,589)
Others(*)		-	(867,887)	(867,887)
Balance at December 31, 2012		-	(1,109,476)	(1,109,476)
Depreciation		-	(414,153)	(414,153)
Balance at December 31, 2013		-	<u>(1,523,629)</u>	<u>(1,523,629)</u>
<b>Carrying amounts</b>				
Balance at January 1, 2012	₩	-	-	-
Balance at December 31, 2012	₩	<u>3,695,706</u>	<u>15,323,656</u>	<u>19,019,362</u>
Balance at December 31, 2013	₩	<u>3,695,706</u>	<u>14,909,503</u>	<u>18,605,209</u>

(\*) During 2012, the Company reclassified lands and buildings which were not used as owner-occupied property anymore and leased for rental income to investment property from property and equipment.

(3) Profit and loss related to investment property for the year ended December 31, 2013 were as follows:

(In thousands of won)

		2013
Rental income	₩	747,432
Rental cost (depreciation)		(414,153)

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14. Property and Equipment

(1) Changes in property and equipment for the year ended December 31, 2013 are as follows:

<i>(In thousands of won)</i>	<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Machinery</u>	<u>Vehicles</u>	<u>Tools</u>	<u>Construction -in-progress</u>	<u>Total</u>
<b>Acquisition costs:</b>								
Beginning balance	₩ 83,689,667	70,600,274	279,639,891	-	82,496	237,759,254	17,966,711	689,738,293
Acquisitions	3,689,608	14,758,433	21,623,136	12,633,598	22,200	40,433,434	69,665,892	162,826,301
Disposals	-	-	(5,945,449)	(18,663)	(10,500)	(6,302,067)	(169,540)	(12,446,219)
Change in scope of consolidation	-	-	-	313,608	67,500	762,400	-	1,143,508
Change in exchange rates	-	(71,544)	(1,194,332)	(407,438)	-	(614,475)	(112,196)	(2,399,985)
Others	-	-	40,349,495	6,107,445	-	4,608,083	(53,622,824)	(2,557,801)
Ending balance	<u>87,379,275</u>	<u>85,287,163</u>	<u>334,472,741</u>	<u>18,628,550</u>	<u>161,696</u>	<u>276,646,629</u>	<u>33,728,043</u>	<u>836,304,097</u>
<b>Accumulated depreciation:</b>								
Beginning balance	-	(11,269,201)	(92,216,866)	-	(82,495)	(173,096,984)	-	(276,665,546)
Depreciation	-	(1,869,478)	(22,063,401)	(2,367,171)	(15,415)	(29,063,636)	-	(55,379,101)
Disposals	-	-	3,255,706	997	6,300	2,524,625	-	5,787,628
Change in scope of consolidation	-	-	-	(7,011)	(23,892)	(498,872)	-	(529,775)
Change in exchange rates	-	13,873	170,144	51,608	-	405,505	-	641,130
Others	-	-	(33,388)	-	-	41,260	-	7,872
Ending balance	<u>-</u>	<u>(13,124,806)</u>	<u>(110,887,805)</u>	<u>(2,321,577)</u>	<u>(115,502)</u>	<u>(199,688,102)</u>	<u>-</u>	<u>(326,137,792)</u>
<b>Accumulated impairment:</b>								
Beginning balance	-	-	-	-	-	(1,718,691)	-	(1,718,691)
Disposals	-	-	-	-	-	43,089	-	43,089
Ending balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,675,602)</u>	<u>-</u>	<u>(1,675,602)</u>
<b>Contribution for construction:</b>								
Beginning balance	-	-	(890,000)	-	-	-	-	(890,000)
Depreciation	-	-	60,000	-	-	-	-	60,000
Ending balance	<u>-</u>	<u>-</u>	<u>(830,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(830,000)</u>
<b>Carrying amounts:</b>								
Balance at								
December 31, 2012	₩ <u>83,689,667</u>	<u>59,331,073</u>	<u>186,533,025</u>	<u>-</u>	<u>1</u>	<u>62,943,579</u>	<u>17,966,711</u>	<u>410,464,056</u>
Balance at								
December 31, 2013	₩ <u>87,379,275</u>	<u>72,162,357</u>	<u>222,754,936</u>	<u>16,306,973</u>	<u>46,194</u>	<u>75,282,925</u>	<u>33,728,043</u>	<u>507,660,703</u>

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14. Property and Equipment, Continued

(2) Changes in property and equipment for the year ended December 31, 2012 are as follows:

<i>(In thousands of won)</i>	<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Vehicles</u>	<u>Tools</u>	<u>Construction -in-progress</u>	<u>Total</u>
<b>Acquisition costs:</b>							
Beginning balance	₩ 84,602,863	79,678,221	241,409,172	82,496	212,051,801	24,763,122	642,587,675
Acquisitions	2,763,515	7,704,344	5,452,255	-	21,262,036	44,211,565	81,393,715
Disposals	-	-	(3,433,343)	-	(2,742,413)	(511,958)	(6,687,714)
Change in scope of consolidation	-	-	101,434	-	87,015	-	188,449
Change in exchange rates	-	(349,159)	(1,765,938)	-	(1,326,538)	(570,270)	(4,011,905)
Others	(3,676,711)	(16,433,132)	37,876,311	-	8,427,353	(49,925,748)	(23,731,927)
Ending balance	<u>83,689,667</u>	<u>70,600,274</u>	<u>279,639,891</u>	<u>82,496</u>	<u>237,759,254</u>	<u>17,966,711</u>	<u>689,738,293</u>
<b>Accumulated depreciation:</b>							
Beginning balance	-	(10,230,110)	(75,483,246)	(82,495)	(150,036,003)	-	(235,831,854)
Depreciation	-	(1,936,471)	(18,586,786)	-	(25,608,813)	-	(46,132,070)
Disposals	-	-	1,695,795	-	1,879,261	-	3,575,056
Change in scope of consolidation	-	-	(78,997)	-	(83,682)	-	(162,679)
Change in exchange rates	-	29,494	236,368	-	752,253	-	1,018,115
Others	-	867,886	-	-	-	-	867,886
Ending balance	<u>-</u>	<u>(11,269,201)</u>	<u>(92,216,866)</u>	<u>(82,495)</u>	<u>(173,096,984)</u>	<u>-</u>	<u>(276,665,546)</u>
<b>Accumulated impairment:</b>							
Beginning balance	-	-	(1,027,647)	-	(2,065,855)	-	(3,093,502)
Disposals	-	-	1,027,647	-	347,164	-	1,374,811
Ending balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,718,691)</u>	<u>-</u>	<u>(1,718,691)</u>
<b>Contribution for construction:</b>							
Beginning balance	-	-	-	-	-	-	-
Acquisitions	-	-	(900,000)	-	-	-	(900,000)
Depreciation	-	-	10,000	-	-	-	10,000
Ending balance	<u>-</u>	<u>-</u>	<u>(890,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(890,000)</u>
<b>Carrying amounts:</b>							
Balance at January 1, 2012	₩ 84,602,863	69,448,111	164,898,279	1	59,949,943	24,763,122	403,662,319
Balance at December 31, 2012	<u>₩ 83,689,667</u>	<u>59,331,073</u>	<u>186,533,025</u>	<u>1</u>	<u>62,943,579</u>	<u>17,966,711</u>	<u>410,464,056</u>

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15. Intangible Assets

(1) Changes in intangible assets for the years ended December 31, 2013 and 2012 were as follows:

<i>(In thousands of won)</i>	<b>Goodwill</b>	<b>Trademark right</b>	<b>Membership</b>	<b>Usage rights</b>	<b>Others</b>	<b>Total</b>
<b>Acquisition costs:</b>						
Balance at January 1, 2012	₩ 50,568,972	9,483,272	5,722,453	11,969,820	35,717,481	113,461,998
Acquisitions	380,624	-	503,567	-	8,335,646	9,219,837
Disposals	-	-	-	(19,387)	(13,360)	(32,747)
Change in exchange rates	(148,027)	-	-	-	79,206	(68,821)
Others	-	333,916	-	327,600	2,241,583	2,903,099
Balance at December 31, 2012	50,801,569	9,817,188	6,226,020	12,278,033	46,360,556	125,483,366
Acquisitions	10,139,716	-	-	14,400	13,068,417	23,222,533
Disposals	-	-	-	-	(49,067)	(49,067)
Additions from transactions with entities under common control	-	8,140	-	-	5,951,621	5,959,761
Change in exchange rates	-	-	-	-	(1,890,200)	(1,890,200)
Others	-	72,071	-	222,320	4,115,152	4,409,543
Balance at December 31, 2013	60,941,285	9,897,399	6,226,020	12,514,753	67,556,479	157,135,936
<b>Accumulated depreciation and impairment:</b>						
Balance at January 1, 2012	-	-	(689,215)	(6,026,062)	(8,255,906)	(14,971,183)
Amortization	-	-	-	(1,054,823)	(8,746,310)	(9,801,133)
Disposals	-	-	-	10,745	13,301	24,046
Change in exchange rates	-	-	-	-	37,547	37,547
Others	-	-	-	-	315,594	315,594
Balance at December 31, 2012	-	-	(689,215)	(7,070,140)	(16,635,774)	(24,395,129)
Amortization	-	-	-	(1,088,823)	(10,289,817)	(11,378,640)
Impairment	-	(9,450,101)	(101,002)	-	-	(9,551,103)
Disposals	-	-	-	-	34,011	34,011
Additions from transactions with entities under common control	-	-	-	-	(4,916,885)	(4,916,885)
Change in exchange rates	-	-	-	-	67,508	67,508
Others	-	-	-	-	155,547	155,547
Balance at December 31, 2013	-	(9,450,101)	(790,217)	(8,158,963)	(31,585,410)	(49,984,691)
<b>Carrying amounts:</b>						
Balance at January 1, 2012	₩ 50,568,972	9,483,272	5,033,238	5,943,758	27,461,575	98,490,815
Balance at December 31, 2012	₩ 50,801,569	9,817,188	5,536,805	5,207,893	29,724,782	101,088,237
Balance at December 31, 2013	₩ 60,941,285	447,298	5,435,803	4,355,790	35,971,069	107,151,245

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15. Intangible Assets, Continued

(2) Impairment test

Goodwill and intangible assets that have indefinite useful lives are tested for impairment annually. The Group reviews the recoverable amount of CGU for those assets. The recoverable amount is determined on basis of value in use, which is discounted amount of future cash flow arising from continuous use of assets.

Primary assumptions used in calculation for value in use are determined by considering external and internal information (historical information), and reflect management assessment about future trend of related industry.

The key assumptions used in the estimation of the recoverable amount are set out below.

<i>(In percent)</i>	<u>CJ CGV</u>	<u>Simuline Inc.</u>	<u>CJ 4DPlex Co., Ltd.</u>	<u>UVD Enterprise Ltd.</u>	<u>Megastar Media Company</u>	<u>Vietnam Cinema 1 Company Ltd.</u>
Discount rate	3.87%	10.14%	6.31%	17.71%	13.49%	24.57%
Terminal value growth rate	0.00%	0.50%	0.00%	3.00%	0.50%	0.00%

The discount rate was a post-tax measure based on the rate of government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

The future cash flows were estimated based on the nature of industry in which the Group operates. The future cash flows after the estimated years were estimated based on terminal growth rate. The cash flow projections were estimated based on historical experience, actual operating results and the Group's business plan.

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16. Other Financial Liabilities

(1) Other financial liabilities as of December 31, 2013 and 2012 are as follows:

(In thousands of won)

	2013		2012	
	Current	Non-current	Current	Non-current
Accrued expenses	₩ 10,331,451	-	4,368,144	-
Finance lease liabilities	251,606	418,998	243,558	680,645
Leasehold deposits received	1,998,695	1,353,910	1,697,865	1,697,000
Present value discount	(8,683)	(149,065)	-	(257,246)
Derivative financial liabilities	-	5,732,960	-	1,349,530
	₩ <u>12,573,069</u>	<u>7,356,803</u>	<u>6,309,567</u>	<u>3,469,929</u>

(2) Leasehold deposits received which were measured at present value as of December 31, 2013 and 2012 are as follows:

(In thousands of won)

	Effective interest rate (%)	Nominal values	Discounted present value	Present value discount
December 31, 2013	2.5~5.6	₩ 3,352,605	3,194,857	(157,748)
December 31, 2012	4.9~5.8	3,394,865	3,137,619	(257,246)

(3) Finance lease

① Finance lease contract

The Group makes the finance lease contract with IMAX Cop. and the related assets and liabilities are recorded in the consolidated financial statement.

② The asset related to finance lease contract as of December 31, 2013 and 2012 are as follows:

(In thousands of won)

	2013	2012
Acquisition costs	₩ 11,284,505	10,034,641
Accumulated depreciation	(7,051,207)	(5,856,507)
Carrying amount	₩ <u>4,233,298</u>	<u>4,178,134</u>

③ The present value and future minimum lease payments in accordance with the lease contract as of December 31, 2013 and 2012 are as follows:

(In thousands of won)

	2013			2012		
	Future minimum lease payments	Interest	Present value	Future minimum lease payments	Interest	Present value
Less than one year	₩ 284,678	(33,072)	251,606	288,939	(45,381)	243,558
One to five years	451,032	(32,034)	418,998	746,725	(66,080)	680,645
Total	₩ <u>735,710</u>	<u>(65,106)</u>	<u>670,604</u>	<u>1,035,664</u>	<u>(111,461)</u>	<u>924,203</u>

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17. Other Current Liabilities and Other Non-current Liabilities

(1) Other current liabilities and other non-current liabilities as of December 31, 2013 and 2012 are as follows:

	2013		2012	
	Current	Non-current	Current	Non-current
(In thousands of won)				
Deposit received	₩ 4,956,833	-	6,696,194	-
Value added tax withheld	5,553,218	-	4,905,702	-
Advance received	46,182,561	-	30,341,290	-
Unearned revenue	851,647	102,578	750,838	348,376
Liabilities for short-term employee benefits	15,156,069	-	14,282,004	-
Deferred revenues	-	9,990,978	-	12,230,337
Provision for mileage points	-	1,575,989	-	683,459
Provision for warranties	675,295	-	-	-
Other provision	-	4,600,000	-	-
	₩ 73,375,623	16,269,545	56,976,028	13,262,172

(2) Deferred revenues

The Company adopts customer loyalty program for promotion of theater business. The award credits are provided when the customers purchase the theater service and the award credit provided can be redeemed for the theater service.

The fair value of award credits not yet redeemed under the customer loyalty program as of December 31, 2013 and 2012 are ₩9,991 million and ₩12,230 million, respectively.

(3) Provision for mileage points

	2013	2012
(In thousands of won)		
Balance at the beginning of the year	₩ 683,459	466,526
Increase	3,066,709	1,907,520
Decrease	(2,174,179)	(1,690,587)
Balance at the end of the year	₩ 1,575,989	683,459

A provision for mileage points is estimated reasonably by considering the source of accumulated points, the ratio of cost of sales and utilization.

(4) Provision for warranties

	2013	2012
(In thousands of won)		
Balance at the beginning of the year	₩ -	-
Addition from business acquisition	236,706	-
Increase	728,927	-
Utilization	(290,338)	-
Balance at the end of the year	₩ 675,295	-

The Group accrues for the provision for warranties on its products sold. The provision includes the cost related to ordinary repair or unusual replacement during the warranty period and compensation cost for defects in export goods. The provision is estimated based on historical warranty data and the warranty period.



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18. Debt

The contract information of interest bearing debt measured at amortized cost as of December 31, 2013 and 2012 are as follows. The detail information of interest, exchange rate and liquidity risk are described in note 4.

(1) Debt as of December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>	<u>2013</u>	<u>2012</u>
<b>Current liabilities:</b>		
Local currency short-term borrowings	₩ 15,710,000	-
Foreign currency short-term borrowings	37,056,883	35,369,143
Debentures	99,914,976	49,930,974
Current portion of foreign currency long-term borrowings	61,207,400	-
	<u>213,889,259</u>	<u>85,300,117</u>
<b>Non-current liabilities:</b>		
Debentures	99,771,283	169,563,674
Local currency long-term borrowings	45,958,460	26,000,000
Foreign currency long-term borrowings	31,658,889	62,123,800
	<u>₩ 177,388,632</u>	<u>257,687,474</u>

(2) Short-term borrowings as of December 31, 2013 and 2012 are as follows:

① Local currency

<i>(In thousands of won)</i>				
<u>Lender</u>	<u>Purpose of borrowing</u>	<u>Interest rate (%)</u>	<u>2013</u>	<u>2012</u>
Korea Exim Bank	Working capital	5.63	₩ 3,110,000	-
Korea development bank	Working capital	4.95	4,100,000	-
Woori bank	Working capital	5.20	1,900,000	-
Woori bank	Working capital	5.20	100,000	-
Shinhan bank	Working capital	5.14	2,500,000	-
Shinhan bank	Working capital	5.27	2,000,000	-
Korea exchange bank	Working capital	4.85	2,000,000	-
			<u>₩ 15,710,000</u>	<u>-</u>

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18. Debt, Continued

(2) Short-term borrowings as of December 31, 2013 and 2012 are as follows ,continued:

② Foreign currency

(In thousands of won, except foreign currency)

Lender	Purpose of borrowing	Interest rate (%)	2013	2012
Hana Bank	Foreign investment	1.71	₩ 10,553,000 (USD 10,000,000)	-
Korea exchange bank	Working capital	6M HIBOR +1.70	12,472,648 (HKD 91,650,000)	12,664,197 (HKD 91,650,000)
The Hongkong and Shanghai Banking Corporation	Working capital	1M HIBOR +2.20	11,419,811 (HKD 83,913,665)	8,803,688 (HKD 63,711,738)
Star (HK) Industrial	Repurchase agreement	-	2,611,424 (RMB 15,000,000)	2,578,305 (RMB 15,000,000)
Woori bank	Working capital	2.10~2.71	-	11,247,763 (USD 10,501,110)
Sai Gon Cinema Co.,SJC	Working capital	-	-	75,190 (VND 1,460,000,000)
			₩ 37,056,883	35,369,143

(3) Debentures as of December 31, 2013 and 2012 are as follows:

Lender	Maturity date	Interest rate (%)	2013	2012
Daewoo Securities Co., Ltd.	2013.04.09	4.63	₩ -	30,000,000
Shinhan Investment Corp.	2013.10.27	3.95	-	20,000,000
Shinhan Investment Corp.	2014.02.28	4.69	50,000,000	50,000,000
Daewoo Securities Co., Ltd.	2014.11.24	4.12	50,000,000	50,000,000
Daewoo Securities Co., Ltd.	2015.04.09	5.40	40,000,000	40,000,000
Daewoo Securities Co., Ltd.	2015.06.22	3.75	30,000,000	30,000,000
Hanwha Investment & Securities Co., Ltd.	2016.10.25	3.21	30,000,000	-
			200,000,000	220,000,000
Less: discount			(313,741)	(505,352)
Less: current portion of long-term debentures			(99,914,976)	(49,930,974)
			₩ 99,771,283	169,563,674

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18. Debt, Continued

(4) Long-term borrowings as of December 31, 2013 and 2012 are as follows:

① Local currency

(In thousands of won)

Lender	Maturity date	Interest rate (%)		2013	2012
Korea Development Bank	2015.11.19	3.90	₩	5,000,000	5,000,000
Shinhan Bank	2015.11.09	3.78		10,000,000	10,000,000
Korea Exchange Bank	2015.11.09	3.26		8,000,000	8,000,000
Kookmin Bank	2015.11.19	3.92		3,000,000	3,000,000
Hyundai Securities Co., Ltd.	2016.10.14	2.92		20,000,000	-
				<u>46,000,000</u>	<u>26,000,000</u>
Less: discount				(41,540)	-
Less: current portion of long-term borrowings				-	-
			₩	<u>45,958,460</u>	<u>26,000,000</u>

② Foreign currency

(In thousands of won, except foreign currency)

Lender	Maturity date	Interest rate (%)		2013	2012
Korea Exim Bank	2014.07.25	LIBOR+1.95	₩	61,207,400	62,123,800
				(USD 58,000,000)	(USD 58,000,000)
Korea Exim Bank	2018.04.10	LIBOR +2.05		31,658,889	-
				(USD 30,000,000)	-
Less: current portion of long-term borrowings				61,207,400	-
				(USD 58,000,000)	-
			₩	<u>31,658,889</u>	<u>62,123,800</u>
				(USD 30,000,000)	(USD 58,000,000)

As of December 31, 2013, the Group enters into a foreign currency swap contract in accordance with risk management policy, in order to control the risk being reflected by changes in interest and exchange rate related to interest and principle payment of foreign currency borrowings (USD 58,000,000).

Details of currency swap contract as of December 31, 2013 are as follows:

(In thousands of won, except foreign currency)

Description	Bank	Notional amount	Agreed interest rate	Agreed exchange rate	Maturity date
Currency swap	Korea Exchange Bank	Buy USD 58,000,000 Sell ₩61,601,800	Buy 3M LIBOR+1.95 Sell 4.37%	₩1,062.10:USD 1	2014.07.25

As the above currency swap contract are not classified as a derivative hedging instruments, the Group recognizes loss on valuation of derivative financial instrument amounting to ₩632 million in profit or loss for the year ended December 31, 2013.

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**19. Employee Benefits**

(1) Employee benefits expenses for the years ended December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>	<u>2013</u>	<u>2012</u>
Wages and salaries	₩ 133,235,921	103,037,238
Expenses related to post-employment defined plans	8,655,904	5,113,545
Contributions to defined contribution plans	79,745	-
	<u>₩ 141,971,570</u>	<u>108,150,783</u>

(2) Total employee benefit liabilities as of December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>	<u>2013</u>	<u>2012</u>
Present value of defined benefit obligations	₩ 32,464,119	24,173,471
Fair value of plan assets	(26,090,188)	(14,863,532)
<b>Net defined benefit liability</b>	<u>6,373,931</u>	<u>9,309,939</u>
Liabilities for short-term employee benefits	15,156,069	14,282,004
Liabilities for long-term officer compensation expense	2,502,402	3,054,273
<b>Total employee benefit liabilities</b>	<u>₩ 24,032,402</u>	<u>26,646,216</u>

The Group's defined benefit plans are administrated by Woori Bank, Samsung Fire & Marine Insurance and etc. The principal of its plan assets are guaranteed and the annual yield of its plan assets is 2.59% for 2013.

These defined benefit plans expose the Group to actuarial risk, such as interest rate risk and market (investment) risk.

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19. Employee Benefits, Continued

(3) The following table shows reconciliation from the opening balances to the closing balances for net defined benefit liability and its components.

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2013	2012	2013	2012	2013	2012
<i>(In thousands of won)</i>						
<b>Balance at January 1</b>	₩ 24,173,471	17,397,591	(14,863,532)	(11,024,593)	9,309,939	6,372,998
<b>Included in profit or loss:</b>						
Current service cost	8,161,114	4,638,015	-	-	8,161,114	4,638,015
Interest cost (income)	1,025,349	948,735	(530,559)	(473,205)	494,790	475,530
Subtotal	9,186,463	5,586,750	(530,559)	(473,205)	8,655,904	5,113,545
<b>Included in other comprehensive income (loss)</b>						
Remeasurements loss (gain):						
- Actuarial loss (gain) arising from:						
- demographic assumptions	170,586	1,565,048	-	-	170,586	1,565,048
- financial assumptions	(335,512)	(1,848,237)	-	-	(335,512)	(1,848,237)
- experience adjustment	1,250,664	3,379,137	-	-	1,250,664	3,379,137
- Return on plan assets excluding interest income	-	-	3,512	41,461	3,512	41,461
Subtotal	1,085,738	3,095,948	3,512	41,461	1,089,250	3,137,409
<b>Other:</b>						
Contribution paid by the employer	-	-	(11,142,302)	(5,000,000)	(11,142,302)	(5,000,000)
Benefits paid	(3,040,702)	(3,126,783)	1,299,036	1,342,216	(1,741,666)	(1,784,567)
Transfer from affiliated companies	1,059,149	1,219,965	(856,343)	250,589	202,806	1,470,554
Subtotal	(1,981,553)	(1,906,818)	(10,699,609)	(3,407,195)	(12,681,162)	(5,314,013)
<b>Balance at December 31</b>	₩ 32,464,119	24,173,471	(26,090,188)	(14,863,532)	6,373,931	9,309,939

(4) Details of plan assets as of December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>		2013	2012
Deposit for severance benefit insurance	₩	26,087,779	14,860,425
Transfer to National Pension Fund		2,409	3,107
	₩	26,090,188	14,863,532

(5) Details of employee benefits expenses for the years ended December 31, 2013 and 2012 are follows:

<i>(In thousands of won)</i>		2013	2012
Cost of sales	₩	1,348,176	606,646
Selling, general and administrative expenses		7,387,474	4,506,899
	₩	8,735,650	5,113,545

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19. Employee Benefits, Continued

(6) Actuarial assumptions

① Principal actuarial assumptions as of December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Discount rate	4.00%~4.50%	3.75%~4.50%
Future salary growth	5.25%~5.50%	5.25%~5.50%

The Group determined the discount rate based on market returns of high-quality corporate bonds consistent with currencies and estimated payment terms of defined benefit obligations as of the reporting date.

At December 31, 2013, the weighted-average duration of the defined benefit obligation was from 8.6 years to 16 years.

② Reasonably possible changes at the reporting date to one of the relevant assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

<i>(In thousands of won)</i>	<u>Movement</u>	<u>Defined benefit obligation</u>
Discount rate	1% increase	₩ (1,847,856)
	1% decrease	1,423,239
Future salary growth	1% increase	1,478,619
	1% decrease	(1,845,523)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

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20. Commitments and Contingencies

(1) Borrowing agreements with financial institutions as of December 31, 2013 are as follows:

	Local Currency						Foreign Currency
	Overdraft	General	Bill discounting	Business purchase card	Trade finance loan	Loans on account receivables collateral	Overseas investment
<i>(In thousands of won, except foreign currency)</i>							
Korea exchange Bank	₩ 3,000,000	2,000,000	8,000,000	-	-	-	HKD 91,650,000
Woori Bank	3,000,000	-	-	10,000,000	-	-	USD 20,000,000
Shinhan Bank	-	17,000,000	-	10,000,000	3,500,000	-	-
Meritz Securities	-	-	30,000,000	-	-	-	-
Kookmin Bank	10,000,000	6,000,000	-	-	-	-	-
Korea Development Bank	-	10,000,000	-	-	-	-	-
Hana Bank	-	9,000,000	-	5,000,000	-	3,000,000	USD 10,000,000
Korea Exim Bank	-	10,000,000	-	-	-	-	USD 88,000,000
HSBC	-	-	-	-	-	-	RMB 70,000,000
Bank of China (Hong Kong) Limited.	-	-	-	-	-	-	HKD 30,000,000
	<u>₩ 16,000,000</u>	<u>54,000,000</u>	<u>38,000,000</u>	<u>25,000,000</u>	<u>3,500,000</u>	<u>3,000,000</u>	

(2) Payment guarantee

- ① As of December 31, 2013, Kookmin Bank provides a payment guarantee of up to ₩377 million to the Group in relation to the Group's obligation to Korea Airports Corporation regarding restoration on the interior of the rental property.
  - ② As of December 31, 2013, the Group is provided with payment guarantee of USD 2,550,000 from Hana bank in relation to the payment of purchase price of building located in Vietnam.
  - ③ The Group is provided with payment guarantee of ₩4,073 million from Seoul Guarantee Insurance Company related to the performance of contracts.
- (3) The Group made a leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 1<sup>st</sup> and transferred ₩160,094 million of leasehold deposits during 2012. Fees to be paid in the future for the use of buildings of which leasehold deposits were transferred are recognized as other payables of ₩8,694 million and long-term other payables of ₩29,656 million, respectively, as of December 31, 2013.
- (4) The Group has an outstanding purchase commitment for the acquisition of the leasehold deposit, which was transferred according to the leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 1<sup>st</sup> during 2012, at fair value in August 28, 2015. The Group holds interest rate swaps to hedge the risk of changes in the fair value of leasehold deposit at the time of repurchase and has recognized loss on valuation of derivative financial assets amounting to ₩3,752 million as expense in the comprehensive income statement.
- (5) During 2012, the Group agreed with the private investment company (the "Investor") to invest in PT Graha Layer Prima (the "PT GLP") which is a theater operator in Indonesia. The Group invested USD 15,250,000 in loans of PT GLP during 2012 and the Investor invested USD 15,250,000 in loans of PT GLP during 2013. Disclosing the detailed information on investment may cause adverse effect on the Group under the confidentiality agreement with the investor and PT GLP. As such, the Group does not disclose the specific information on investment details and plans.

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**21. Shareholders' Equity**

During 2013, the number of shares issued increased by 543,855 shares due to business combination. Share capital as of December 31, 2013 and 2012 are as follows:

<i>(In won, except share data)</i>	<u>2013</u>	<u>2012</u>
Number of shares authorized	100,000,000	100,000,000
Par value per share	₩ 500	500
Number of shares issued	<u>21,161,313</u>	<u>20,617,458</u>
Share capital	<u>₩ 10,580,656,500</u>	<u>10,308,729,000</u>

**22. Capital Surplus**

Capital surplus as of December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>	<u>2013</u>	<u>2012</u>
Additional paid-in capital	₩ 67,150,745	67,150,745
Gain on sales of treasury stock	<u>22,006,500</u>	<u>-</u>
	<u>₩ 89,157,245</u>	<u>67,150,745</u>

**23. Retained Earnings**

(1) Retained earnings as of December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>	<u>2013</u>	<u>2012</u>
Legal reserve	₩ 9,390,069	8,668,458
Voluntary reserve	8,410,000	8,410,000
Unappropriated retained earnings	<u>260,568,110</u>	<u>256,644,447</u>
	<u>₩ 278,368,179</u>	<u>273,722,905</u>

The Korean Commercial Code requires the Parent Company to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve can only be used for conservation of deficit or for capital transference by the resolution of general meeting of shareholders. In addition, when the total amount of legal reserve and voluntary reserve exceeds more than 1.5 times of the common stock, the Parent Company can reduce the legal reserve and the voluntary reserve within the scope of the amount that exceeds, by the resolution of general meeting of shareholders.

(2) Changes in retained earnings for the years ended December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>	<u>2013</u>	<u>2012</u>
Beginning balance	₩ 273,722,905	228,173,432
Dividends	(7,216,110)	(6,185,237)
Net income	12,682,158	54,152,709
Additional acquisition of interests in subsidiaries	-	16,720
Remeasurement loss of defined benefit plan	<u>(820,774)</u>	<u>(2,434,719)</u>
Ending balance	<u>₩ 278,368,179</u>	<u>273,722,905</u>



CJ CGV CO., LTD. AND SUBSIDIARIES  
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24. Other Capital

(1) Other capital as of December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>		<u>2013</u>	<u>2012</u>
Other capital surplus	₩	758,079	58,744
Capital adjustments		(5,360,536)	(3,713,719)
Accumulated other comprehensive loss		(1,260,209)	(1,930,357)
	₩	<u>(5,862,666)</u>	<u>(5,585,332)</u>

(2) Capital adjustments as of December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>		<u>2013</u>	<u>2012</u>
Loss on disposal of treasury stock	₩	-	(3,335,080)
Stock option		39,997	76,479
Other capital adjustments		(5,400,533)	(455,118)
	₩	<u>(5,360,536)</u>	<u>(3,713,719)</u>

(3) Share based payment

The Group can offer stock options to the employees who contributed to foundation, management and overseas operation by the approval of special meeting of shareholders or board of directors' meeting. The stock options have been offered twice and details are as follows:

① Terms and condition of stock options

*(In won, except for shares)*

<u>Date of grant</u>	<u>Method of grant</u>	<u>Total stock options granted</u>		<u>Compensation cost</u>	<u>Exercise price</u>	<u>Exercisable period</u>
2005.06.10	Equity-settled	31,800	₩	146,852,400	27,300	2007.06.10 ~ 2014.06.09
2006.03.13	Equity-settled	5,530	₩	39,799,410	25,700	2008.03.13 ~ 2015.03.12

② Changes in the number of stock options and weighted average exercise price for the year ended December 31, 2013 were as follows:

<i>(In won, except for shares)</i>		<u>Weighted average exercise price</u>	<u>The number of stock options</u>
Beginning of the year	₩	27,063	15,930
Exercise		27,300	(7,900)
End of the year	₩	<u>27,075</u>	<u>8,030</u>

CJ CGV CO., LTD. AND SUBSIDIARIES  
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24. Other Capital, Continued

(3) Share based payment, continued

- ③ The fair value at grant date are measured on the basis of Black-Scholes model and the data used for calculating fair value at grant date are as follows:

	<u>Phase 1</u>	<u>Phase 2</u>
Valuation method	Fair value approach	Fair value approach
Date of grant	2005.06.10	2006.03.13
Risk-free interest rate	3.65%	4.94%
Exercisable period expected	3 years	3 years
Expected variation of stock price	0.2672	0.3940
Expected dividend yield ratio	3.50%	2.00%

- (4) Accumulated other comprehensive income (loss) as of December 31, 2013 and 2012 are as follows:

*(In thousands of won)*

	<u>2013</u>	<u>2012</u>
Gain on valuation of available-for-sale financial assets	₩ 115,420	4,006
Loss on valuation of available-for-sale financial assets	-	(439,673)
Foreign currency translation difference for foreign operations	(986,447)	(886,637)
Change in equity of equity method investments	(389,182)	(608,053)
	<u>₩ (1,260,209)</u>	<u>(1,930,357)</u>

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CJ CGV CO., LTD. AND SUBSIDIARIES  
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**For the years ended December 31, 2013 and 2012**

**25. Selling, General and Administrative Expenses**

Details of selling, general and administrative expenses for the years ended December 31, 2013 and 2012 are as follows:

*(In thousands of won)*

	<u>2013</u>	<u>2012</u>
Salaries	₩ 116,944,589	91,860,610
Employee benefits	7,387,474	4,506,898
Other employee benefits	14,658,823	11,556,058
Office supplies	970,057	501,658
Conference	1,648,784	1,612,572
Events	1,445,847	1,378,400
Travel	6,940,177	5,591,278
Communications	3,427,975	2,821,685
Taxes and dues	3,208,235	2,912,195
Publication	1,817,649	1,411,891
Utility expenses	2,639,289	1,489,873
Research	1,610,351	1,447,937
Maintenance	2,864,459	2,672,818
Rent	75,116,974	63,670,300
Maintenance expenses for buildings	51,645,007	44,116,465
Entertainment	1,414,393	1,106,141
Supplies	4,972,963	6,563,823
Depreciation	8,757,336	8,249,743
Amortization	8,260,487	7,652,747
Insurance	1,365,274	1,105,994
Commission	68,224,567	58,204,453
Sales commission	78,658	64,773
Training	2,165,001	1,618,256
Freight	393,782	2,434
Advertising	9,025,344	11,407,750
Vehicles maintenance	1,208,563	931,975
Sales promotion	9,619,449	17,162,082
Provision for mileage	1,974,006	1,777,832
Ordinary development expenses	2,337,474	1,365,209
Bad debt expenses	233,373	44,422
Warranty expenses	35,906	-
Provision for product warranties	728,927	-
Miscellaneous	3,237,383	2,447,071
	<u>₩ 416,358,576</u>	<u>357,255,343</u>

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26. Nature of Expenses

Details of nature of expenses for the years ended December 31, 2013 and 2012 are as follows:

(In thousands of won)

	2013			2012		
	Cost of sales	Selling, general and administrative expenses	Total	Cost of sales	Selling, general and administrative expenses	Total
Changes in inventories	₩ 58,748,120	-	58,748,120	41,399,621	-	41,399,621
Employee benefits	17,639,507	124,332,063	141,971,570	11,783,275	96,367,508	108,150,783
Depreciation	46,975,917	8,757,336	55,733,253	38,113,916	8,249,743	46,363,659
Amortization	3,118,153	8,260,487	11,378,640	2,148,386	7,652,747	9,801,133
Other expenses	321,573,568	275,008,690	596,582,258	273,453,469	244,985,345	518,438,814
	₩ 448,055,265	416,358,576	864,413,841	366,898,667	357,255,343	724,154,010

27. Other Non-operating Income and Expenses

(1) Details of other non-operating income for years ended December 31, 2013 and 2012 were as follows:

(In thousands of won)

	2013	2012
Gain on disposal of property and equipment	₩ 30,221	8,500
Gain on disposal of other financial assets	-	26,623,686
Commission income	2,887,981	3,986,563
Rental income	128,621	97,289
Gain on unredeemed vouchers	3,682,239	4,525,357
Miscellaneous income	2,375,442	3,045,944
	₩ 9,104,504	38,287,339

(2) Details of other non-operating expenses for the years ended December 31, 2013 and 2012 were as follows:

(In thousands of won)

	2013	2012
Loss on sale of trade receivables	₩ 14,993	-
Other bad debt expenses	904,295	683,807
Loss on disposal of property and equipment	3,089,030	976,526
Loss on disposal of intangible assets	11,066	8,643
Loss on disposal of other financial assets	1,182,790	51,742
Loss on disposals of other inventories	591,978	13,033
Loss on impairment of intangible assets	9,551,103	-
Other provisions	4,600,000	-
Miscellaneous loss	468,102	741,088
Donations	3,623,063	1,142,540
	₩ 24,036,420	3,617,379

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28. Financial Instruments Income and Costs by Categories

- (1) Financial instruments income by categories for the years ended December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>	<u>2013</u>	<u>2012</u>
Interest income:		
Cash and cash equivalents	₩ 366,713	3,870,160
Loans and receivables	4,512,055	5,563,143
Foreign currency transaction gain:		
Loans and receivables	257,365	245,729
Available-for-sale financial assets	187,267	49,554
Financial liabilities recognized at amortized cost	254,151	128,223
Foreign currency translation gain:		
Cash and cash equivalents	33,765	-
Loans and receivables	244,636	43,654
Available-for-sale financial assets	-	35,116
Financial liabilities recognized at amortized cost	1,197,536	4,920,349
Gain on valuation of derivative financial assets	-	2,903
Gain on transaction of derivative financial assets	997	964
	<u>₩ 7,054,485</u>	<u>14,859,795</u>
<b>Other comprehensive income:</b>		
Gain on valuation of available-for-sale financial assets	₩ 756,680	975,024

- (2) Financial instruments costs by categories for the years ended December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>	<u>2013</u>	<u>2012</u>
Interest expense:		
Financial liabilities recognized at amortized cost	₩ 21,929,624	22,710,515
Foreign currency transaction loss:		
Loans and receivables	325,325	243,483
Available-for-sale financial assets	646,889	212,189
Financial liabilities recognized at amortized cost	113,898	45,517
Foreign currency translation loss:		
Cash and cash equivalents	711,534	-
Loans and receivables	743,106	531,175
Financial liabilities recognized at amortized cost	103,172	28,824
Loss on disposal of available-for-sale financial assets	701,198	3,968
Loss on valuation of derivative financial assets	4,384,196	5,556,598
Loss on transaction of derivative financial assets	5,784	-
	<u>₩ 29,664,726</u>	<u>29,332,269</u>
<b>Other comprehensive income:</b>		
Loss on valuation of available-for-sale financial assets	₩ 193,229	116

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29. Income Tax Expense

(1) The component of income tax expense for the years ended December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>	<u>2013</u>	<u>2012</u>
Current tax expense	₩ 8,820,825	13,760,292
Adjustment for prior years	736,660	(445,215)
Origination and reversal of temporary differences	(7,247,040)	9,238,062
Changes in deferred tax due to tax deficit	520,395	391,176
Income tax recognized in other comprehensive income	123,126	391,781
Total income tax expense	₩ <u>2,953,966</u>	<u>23,336,096</u>

(2) Income taxes recognized directly in other comprehensive income for the years ended December 31, 2013 and 2012 are as follow:

<i>(In thousands of won)</i>	<u>2013</u>		<u>2012</u>	
	<u>Other comprehensive income</u>	<u>Deferred tax assets (liabilities)</u>	<u>Other comprehensive income</u>	<u>Deferred tax assets (liabilities)</u>
Gain on valuation of available-for-sale financial assets	₩ 703,821	(140,371)	1,284,465	(309,557)
Remeasurement income (loss) of defined benefit plan	(1,089,250)	263,497	(3,137,409)	701,338
Change in equity of equity method investments	218,871	-	(1,355,119)	-
	₩ <u>(166,558)</u>	<u>123,126</u>	<u>(3,208,063)</u>	<u>391,781</u>

(3) Reconciliation of effective tax rate for the years ended December 31, 2013 and 2012 are as follows:

<i>(In thousands of won)</i>	<u>2013</u>	<u>2012</u>
Income before income taxes	₩ 15,085,811	78,320,102
Income tax expense	3,296,879	18,244,983
Adjustments:		
- Tax effect for non-deductible expense	1,322,696	73,774
- Tax effect for non-taxable income	(16,198)	-
- Tax credit	(23,178)	-
- Unrecognized deferred tax on temporary differences	(454,652)	679,295
- Adjustments for prior years	736,660	(445,215)
- Others	(1,908,241)	4,783,259
Income tax expenses	₩ <u>2,953,966</u>	<u>23,336,096</u>
Average effective tax rate	19.58%	29.80%

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29. Income Tax Expense, Continued

(4) Changes in deferred income tax assets (liabilities) for the year ended December 31, 2013 are as follows:

		2013		
		Temporary differences	Deferred tax assets (liabilities)	
		Ending balance	Beginning balance	Ending balance
<i>(In thousands of won)</i>				
Allowance for doubtful accounts	₩	4,527,256	1,207,309	1,066,352
Accrued retirement and severance benefits		25,834,168	3,599,917	6,249,183
Provision for retirement and severance benefits		(25,712,115)	(3,599,917)	(6,222,332)
Depreciation		(2,050,505)	(622,742)	(494,937)
Amortization		(708,563)	(78,746)	(173,154)
Accrued income		389,938	(103,748)	68,174
Goodwill		(7,495,530)	-	-
Impairment loss on property and equipment		573	1,633	139
Impairment loss on intangible assets		809,399	203,422	195,875
Provisions		1,694,584	185,338	410,089
Deferred revenues		9,990,978	2,657,378	2,417,817
Lands		(52,828,873)	(12,784,587)	(12,784,587)
Bad debt		9,526,605	1,924,392	2,305,438
Losses on valuation of available-for-sale financial assets		614,576	140,370	148,727
Trademarks		-	(2,362,525)	-
Other intangible assets		(2,020,924)	(563,186)	(505,231)
Investments in associates		1,355,122	(932,338)	(1,008,626)
Prepaid expenses		(73,901,311)	(18,610,849)	(17,884,117)
Present value discount		10,329,742	1,275,401	2,499,798
Unearned revenue		157,748	48,140	38,175
Other payables		39,972,351	9,878,620	9,638,287
Leasehold deposits		94,086	22,769	22,769
Loss on valuation of interest rate forward		4,979,123	297,123	1,204,948
Loss on valuation of interest rate swap		(2,136)	(702)	(517)
Loss on valuation of inventories		846,555	-	186,242
Foreign currency translation		32,205	-	7,085
Commission		1,458,630	-	352,988
Donation		12,000	-	2,904
Other provision		4,600,000	-	1,113,200
Taxes and dues		13,376	-	3,237
Others		779,931	-	171,586
	<b>Subtotal</b>	<u>(46,701,011)</u>	<u>(18,217,528)</u>	<u>(10,970,488)</u>
Tax loss carryforward		4,009,327	392,417	912,812
	<b>Total</b>	<u>₩ (42,691,684)</u>	<u>(17,825,111)</u>	<u>(10,057,676)</u>

Deferred tax assets of ₩927 million for temporary differences related to investments in subsidiaries were not recognized, as it is not probable the temporary differences will be reversed in the foreseeable future.

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29. Income Tax Expense, Continued

(5) Changes in deferred income tax assets (liabilities) for the year ended December 31, 2012 are as follows:

		2012				
		Temporary differences	Deferred tax assets (liabilities)			
		Ending balance	Beginning balance	Ending balance		
<i>(In thousands of won)</i>						
Allowance for doubtful accounts	₩	4,988,878	1,135,663	1,207,309		
Accrued retirement and severance benefits		14,875,689	2,549,843	3,599,917		
Provision for retirement and severance benefits		(14,875,689)	(2,549,842)	(3,599,917)		
Depreciation		(2,573,312)	(628,879)	(622,742)		
Amortization		(325,397)	(42,107)	(78,746)		
Accrued income		(432,734)	(14,895)	(103,748)		
Goodwill		(4,624,887)	-	-		
Impairment loss on property and equipment		6,749	5,940	1,633		
Impairment loss on intangible assets		840,585	265,014	203,422		
Provisions		765,859	125,542	185,338		
Deferred revenues		10,980,903	4,232,187	2,657,378		
Lands		(52,828,873)	(12,784,587)	(12,784,587)		
Bad debt		7,952,034	2,116,831	1,924,392		
Losses on valuation of available-for-sale financial assets		580,044	449,927	140,370		
Trademarks		(9,450,101)	(2,362,525)	(2,362,525)		
Other intangible assets		(1,489,175)	(650,118)	(563,186)		
Investments in associates		(459,549)	(827,460)	(932,338)		
Prepaid expenses		(76,904,333)	-	(18,610,849)		
Present value discount		5,270,250	-	1,275,401		
Unearned revenue		198,927	-	48,140		
Other payables		40,820,741	-	9,878,620		
Leasehold deposits		94,086	-	22,769		
Loss on valuation of interest rate forward		1,227,782	-	297,123		
Loss on valuation of interest rate swap		(2,903)	-	(702)		
		<b>Subtotal</b>				
			(75,364,426)	(8,979,466)	(18,217,528)	
Tax loss carryforward			2,304,648	783,593	392,417	
		<b>Total</b>	₩	(73,059,778)	(8,195,873)	(17,825,111)

Deferred tax assets of ₩1,382 million for temporary differences related to investments in subsidiaries were not recognized, as it is not probable the temporary differences will be reversed in the foreseeable future.

(6) As of December 31, 2013, tax effects of temporary difference were calculated by expected tax rate of the fiscal year when the temporary differences are expected to reverse.



CJ CGV CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

30. Earnings per share

(1) Basic earnings per share

- ① Basic earnings per share for the years ended December 31, 2013 and 2012 are calculated as follows:

<i>(In won, except share information)</i>	<u>2013</u>	<u>2012</u>
Profit attributable to owners of the Parent Company	₩ 12,682,157,780	54,152,709,116
Weighted average number of ordinary shares	<u>20,696,429</u>	<u>20,617,458</u>
Basic earnings per share	<u>₩ 613</u>	<u>2,626</u>

- ② Weighted average number of ordinary shares for the years ended December 31, 2013 and 2012 are calculated as follows:

<i>(In share)</i>	<u>2013</u>	<u>2012</u>
Ordinary shares at January 1	20,617,458	20,617,458
Effect of shares issued related to a business combination	289,063	-
Effect of treasury stock	(210,092)	-
Weighted average number of ordinary shares	<u>20,696,429</u>	<u>20,617,458</u>

(2) Diluted earnings per share

- ① Diluted earnings per share for the years ended December 31, 2013 and 2012 are calculated as follows:

<i>(In won, except share information)</i>	<u>2013</u>	<u>2012</u>
Basic profit attributable to owners of the Parent Company	₩ 12,682,157,780	54,152,709,116
Adjustment to profit	-	-
Diluted profit attributable to owners of the Parent Company	12,682,157,780	54,152,709,116
Diluted weighted average number of ordinary shares	<u>20,701,152</u>	<u>20,618,515</u>
Diluted earnings per share	<u>₩ 613</u>	<u>2,626</u>

- ② Diluted weighted average number of ordinary shares for the years ended December 31, 2013 and 2012 are as follows:

<i>(In share)</i>	<u>2013</u>	<u>2012</u>
Weighted average number of ordinary shares	20,696,429	20,617,458
Effect of stock options	4,723	1,057
Diluted weighted average number of ordinary shares	<u>20,701,152</u>	<u>20,618,515</u>

Average market price for calculation of diluted effect of stock option is calculated based on the end price of stock during the year.

CJ CGV CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

31. Related Parties

(1) Parent company and subsidiaries

- ① The Group's ultimate parent company is CJ Corp. and the Group's subsidiaries as of December 31, 2013 are as follows:

Location	Subsidiaries	
Korea	CJ 4DPlex Co., Ltd. Simuline Inc.	CJ 4DX (Beijing) Cinema Technology Co., Ltd. SIMULINE(HONG KONG) LIMITED SIMULINE(CHINA) LIMITED
United States	CJ Theater LA Holdings, Inc.	CJ CGV America LA LLC.
Hong Kong / China	CGI Holdings Ltd.	CJ CGV(Shanghai) Enterprise Management Co., Ltd. UVD Enterprise Ltd. Pan Jin CGV Cinema Co., Ltd. CJ CGV (Shang Hai) Film International Cineplex Co., Ltd. CJ CGV (Shen Yang) Film International Cineplex Co., Ltd. CJ CGV (Harbin) International Cinema Co., Ltd. Vietnam Cinema 1 Company Ltd. ShangHai C Media Co., Ltd. CGV (Changsha) Cinema Co., Ltd. YANTAI CGV CINEMA CO., LTD. CGV(BEIJING) INTERNATIONAL CINEMA CO., LTD. ZIBO CGV CINEMA CO., LTD. CGV (TianJin) Cinema Co., Ltd. CGV (HuaiAn) Cinema Co., Ltd. Liaoning CGV Cinema Co., Ltd. CGV (Tangshan) Cinema Co., Ltd. CGV (WuHan) Cinema Co., Ltd. Wuhu CGV Cinema Co., Ltd. CGV (Chengdu) Cinema Co., Ltd. CGV (Chongqing) Cinema Co., Ltd. YuYao CGV Cinema Co., Ltd.
British Virgin Islands / Vietnam	Envoy Media Partners Ltd.	Megastar Media Company

CJ CGV CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

31. Related Parties, Continued

(1) Parent company and subsidiaries, continued

② Related parties which have transactions or outstanding balances with the Group as of December 31, 2013 are as follows:

Relationship	Name
Associate Joint ventures	SSV Contents Investment Association Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd. Wuhan CJ XingXing Tiandi Cinema Co., Ltd. D-Cinema Korea Co., Ltd. Shanghai Shangying CGV Cinema Co., Ltd. CGV EMPIRE SDN. BHD CJ XingXing (TJ) International Cinema Co., Ltd. Zhongshan CJ Xingxing Cinema Co., Ltd. Ningbo Culture Plaza CJ Cinema Co., Ltd. CJ Xingxing (Shanghai) Cinema Co., Ltd. CJ Xingxing (FSH) Cinema Co., Ltd. Beijing CJ Xingxing Olympic International Cinema Co., Ltd.
Other related companies	CJ E&M Corp. CJ O Shopping Co., Ltd. CJ Systems Co., Ltd. CJ Worldis Co., Ltd. CJ N City Co., Ltd. CJ Olive Young Co., Ltd. CJ Powercast Inc. CJ Foodvill Co., Ltd. CJ Freshway Corporation JS Communications Co., Ltd. CJ Construction Co., Ltd. CJ Cheiljedang Corp. CJ Telenix Co., Ltd. Clip Service Co., Ltd. Orion Cinema Network Co., Ltd. Cinema Service Co., Ltd. CJ Korea Express Co., Ltd. ANI-PARK Co., Ltd. On Game Network Inc. CJ EDUCATIONS CORPORATION CJ Venture Investment CJ Hellovision Co., Ltd. CNI Leisure Co., Ltd. Joy Rent a Car Co., Ltd. CJ Mooter Inc. Art service Co. Ltd. MezzoMedia Inc. CJ Sea Food Co., Ltd. CJ MD1 Corp. CJ Hellovision Shil-La Co., Ltd. KOREA EXPRESS U.S.A. INC. KOREA EXPRESS TIANJIN CO., LTD. CJ CHINA CONSULTING., LTD. CJ America, Inc.

CJ CGV CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2013 and 2012

**31. Related Parties, Continued**

(1) Parent company and subsidiaries, continued

② Related parties which have transactions or outstanding balances with the Group as of December 31, 2013 are as follows, continued:

<b>Relationship</b>	<b>Name</b>
Other related companies	CJ Entertainment America L.L.C ImaginAsian Entertainment, Inc. CJ International Trading Corp. CJ China, Ltd. CJ E&M America, Inc.

CJ CGV CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

31. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2013 are summarized as follows:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Parent	CJ Corp.	₩ 32,887	728	-	-	-	3,085,783	2,889,950
Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	-	36,440	35,700	-
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	-	-	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.	92,161	-	-	-	-	-	-
	CJ XingXing (TJ) International Cinema Co., Ltd.	101,039	-	-	-	-	-	-
	Zhongshan CJ Xingxing Cinema Co., Ltd.	35,284	-	-	-	-	-	-
	Ningbo Culture Plaza CJ Cinema Co., Ltd.	17,371	-	-	-	-	-	-
	CJ Xingxing (Shanghai) Cinema Co., Ltd.	40,344	-	-	-	-	-	-
	CJ Xingxing (FSH) Cinema Co., Ltd.	52,540	-	-	-	-	-	-
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	40,416	-	-	-	-	-	-
	Beijing CJ Xingxing Olympic International Cinema Co. Ltd.	100,937	-	-	86,098	-	-	-
Other related companies	CJ E&M Corp.	2,850,606	2,389,881	62,251,716	1,089,207	-	2,900,591	-
	CJ O Shopping Co., Ltd.	327,365	3,148,606	-	13,978	-	78,590	-
	CJ Systems Co., Ltd.	1,303	64,186	372,706	3,160,664	2,376,719	21,934,985	-
	CJ Worldis Co., Ltd.	-	1,635	-	-	-	1,025	-
	CJ N City Co., Ltd.	2,816	68,043	-	-	-	421,198	-
	CJ Olive Young Co., Ltd.	140,079	2,788,948	-	-	-	252,738	-
	CJ Powercast Inc.	742,100	8,614	20,843	727,412	-	2,883,335	-
	CJ Foodvill Co., Ltd.	1,207,127	3,399,617	3,137,816	280,350	-	5,220,643	-
	CJ Freshway Corporation	19,078	337,067	22,354,459	38,600	-	2,831,787	-
	JS Communications Co., Ltd.	64,646,016	-	906,134	-	-	-	-
	CJ Construction Co., Ltd.	17,516	57,301	8,462	13,283,288	-	231,073	-
	CNI Leisure Co., Ltd.	-	-	475,108	-	-	-	-

CJ CGV CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

31. Related Parties, Continued

- (2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2013 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related companies	Joy Rent a Car Co., Ltd.	₩ -	-	257,050	-	-	-	-
	CJ Mooter Inc.	-	-	71,000	-	-	-	-
	CJ Cheiljedang Corp.	1,292,923	921,662	156,607	-	-	4,141,241	-
	Art service Co. Ltd.	-	-	-	-	-	4,194	-
	CJ Telenix Co., Ltd.	1,275	9,977	5,112	-	-	1,930,093	-
	Clip Service Co., Ltd.	1,500	-	-	-	-	-	-
	Orion Cinema Network Co., Ltd.	312,103	33,514	-	-	-	-	-
	Cinema Service Co., Ltd.	20,161	-	-	-	-	-	-
	CJ Korea Express Co., Ltd.	45,731	715,703	3,006	-	-	619,703	-
	ANI-PARK Co., Ltd.	-	5,878	-	-	-	-	-
	On Game Network Inc.	400	7,200	14,225	-	-	-	-
	CJ EDUCATIONS CORPORATION	552	1,678	-	-	-	111,321	-
	CJ Venture Investment	176	-	-	-	-	-	-
	CJ HelloVision Co., Ltd.	32,500	406,047	-	4,050	-	17,116	-
	MezzoMedia Inc.	-	-	13,000	-	-	-	-
	CJ Hellovision Shil-La Co., Ltd.	-	9,000	-	-	-	-	-
	KOREA EXPRESS U.S.A. INC.	-	304	-	-	-	-	-
	KOREA EXPRESS TIANJIN CO., LTD.	-	-	3,229	-	-	-	-
	CJ CHINA CONSULTING., LTD.	-	-	553,217	306,759	-	470,157	-
	CJ America, Inc.	-	2,168	-	-	-	-	-
	CJ Entertainment America L.L.C	5,475	-	512,708	-	-	-	-
	ImaginAsian Entertainment, Inc.	3,639	-	-	-	-	-	-
	CJ International Trading Corp.	-	-	125,356	-	-	-	-
	CJ China, Ltd.	-	-	-	-	-	102,481	-
	CJ E&M America, Inc.	-	-	13,717	2,572	-	1,289,801	-
		₩ 72,183,420	14,377,757	91,255,471	18,992,978	2,413,159	48,563,555	2,889,950

CJ CGV CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

31. Related Parties, Continued

(3) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2012 are summarized as follows:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Parent	CJ Corp.	₩ 50,195	346,285	-	-	-	2,607,681	2,477,100
Joint ventures	D-Cinema Korea Co., Ltd.	-	-	160,000	-	71,360	151,530	-
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	-	-	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.	86,093	-	-	-	-	3,984	-
	CJ XingXing (TJ) International Cinema Co., Ltd.	104,177	-	-	-	-	-	-
	CJ Xingxing (Shanghai) Cinema Co., Ltd.	38,398	-	-	-	-	-	-
	CJ Xingxing (FSH) Cinema Co., Ltd.	45,309	-	-	-	-	-	-
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	30,944	-	-	-	-	-	-
	Beijing CJ Xingxing Olympic International Cinema Co. Ltd.	68,451	-	-	-	-	-	-
Other related companies	CJ E&M Corp.	4,729,059	1,101,204	66,294,637	380,427	-	6,024,342	-
	CJ O Shopping Co., Ltd.	294,562	2,828,400	-	33,402	-	604,698	-
	CJ Systems Co., Ltd.	1,037	38,316	-	1,632,753	3,608,224	16,960,413	-
	CJ Worldis Co., Ltd.	-	1,225	-	-	-	2,983	-
	CJ N City Co., Ltd.	2,097	46,612	-	-	-	461,090	-
	CJ Olive Young Co., Ltd.	28,577	1,475,388	-	-	-	126,271	-
	CJ Powercast Inc.	560,837	9,212	6,800	354,153	12,760	2,336,598	-
	CJ Foodvill Co., Ltd.	1,297,230	1,918,699	3,489,515	398,496	80,000	3,628,145	-
	CJ Freshway Corporation	5,798	311,638	18,868,535	103,360	-	171,663	-
	JS Communications Co., Ltd.	58,063,133	-	-	-	-	546,417	-
	CJ Construction Co., Ltd.	13,987	45,242	7,309	4,200,000	-	153,468	-
	CNI Leisure Co., Ltd.	3,908	-	-	-	-	646,007	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	225,781	-
	CJ Mooter Inc.	-	-	-	-	-	86,000	-
	CJ Cheiljedang Corp.	174,053	1,983,452	56,900	-	-	3,386,475	-
	Art service Co. Ltd.	-	-	10,434	-	-	28,300	-

CJ CGV CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2013 and 2012

31. Related Parties, Continued

(3) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2012 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related companies	CJ Telenix Co., Ltd.	₩ 1,194	-	-	-	-	1,521,139	-
	Clip Service Co., Ltd.	-	-	-	-	-	203,721	-
	Orion Cinema Network Co., Ltd.	238,487	45,728	-	-	-	913,640	-
	Cinema Service Co., Ltd.	9,843	-	-	-	-	-	-
	CJ Korea Express Co., Ltd.	26,143	540,564	-	-	-	11,964	-
	ANI-PARK Co., Ltd.	-	38,841	-	-	-	-	-
	On Game Network Inc.	-	-	-	-	-	140,000	-
	CJ Hellovision Co., Ltd.	60,214	187,701	-	-	-	6,022	-
	MBARO Inc.	1,707	-	-	-	-	-	-
	Korea badoo television Inc.	-	-	-	-	-	100,000	-
	International Media Genius, INC.	-	-	-	-	-	50,000	-
	CJ NGC KOREA, INC.	-	-	-	-	-	50,000	-
	Simuline Inc.	-	-	8,827,736	728,183	-	481,887	-
	CJ America, Inc.	905	12,661	-	-	-	-	-
	CJ Entertainment America L.L.C	10,802	-	343,440	-	-	-	-
	CJ International Trading Corp	-	-	18,910	-	-	-	-
	CJ China, Ltd.	-	-	-	-	-	133,462	-
	CJ E&M America, Inc.	137	1,104	-	-	-	523,381	-
	CJ Bakery, Inc.	-	290	-	-	-	-	-
	CJ GLS America, Inc.	-	788	-	-	-	-	-
CJ Omni, Inc.	-	252	-	-	-	-	-	
		₩ 65,947,277	10,933,602	98,084,216	7,830,774	3,772,344	42,287,062	2,477,100



CJ CGV CO., LTD. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

31. Related Parties, Continued

(4) Account balances with related companies as of December 31, 2013 are summarized as follows:

(In thousands of won)

Relationship	Name	Trade Receivables	Deposits	Other Receivables	Trade payables	Deposits Received	Other liabilities
Parent	CJ Corp.	₩ 12,037	-	20,083	-	-	353,517
Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	-	-	35,079
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	474,633	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.	-	-	586,688	-	-	6,915
	CJ XingXing (TJ) International Cinema Co., Ltd.	63,615	-	-	-	-	-
	Zhongshan CJ Xingxing Cinema Co., Ltd.	36,385	-	-	-	-	-
	Ningbo Culture Plaza CJ Cinema Co., Ltd.	14,407	-	-	-	-	-
	CJ Xingxing (Shanghai) Cinema Co., Ltd.	20,891	-	-	-	-	-
	CJ Xingxing (FSH) Cinema Co., Ltd.	27,158	-	-	-	-	-
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	20,891	-	-	-	-	-
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	148,841	-	-	-	-	-
Other related companies	CJ E&M Corp.	1,521,671	-	1,651,463	3,677,497	613,120	1,019,871
	CJ Cheiljedang Corp.	79,495	389,929	401,523	5,476	-	806,994
	CJ Freshway Corporation	10,631	-	112,379	2,976,729	-	5,601,670
	CJ Foodvill Co., Ltd.	226,296	110,000	1,358,734	412,282	1,124,960	1,659,115
	CJ O Shopping Co., Ltd.	75,313	-	1,288,599	3,815	329,799	2,105,504
	CJ Worldis Co., Ltd.	-	-	401	-	-	11,957
	CJ Hellovision Co., Ltd.	120,103	-	275,062	80,379	-	59,782
	CJ Telenix Co., Ltd.	6,651	-	12,574	5,623	-	174,263
	CJ Olive Young Co., Ltd.	32,444	-	1,969,081	168,256	60,000	303,811
	CJ Powercast Inc.	311,900	-	9,475	7,365	-	620,653
	Art service Co. Ltd.	-	-	-	5,377	-	-
	CJ Systems Co., Ltd.	20,570,433	-	281,573	195	-	6,937,810
	CJ Construction Co., Ltd.	3,664	-	3,819,918	14,557	-	2,560,972
	CJ N City Co., Ltd.	2,161	-	1,056	-	-	64,942
	CJ Sea Food Co., Ltd.	7,064	-	872	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	24,596
	JS Communications Co., Ltd.	20,540,400	-	-	-	-	301,303
	CJ Mooter Inc.	-	-	-	-	-	13,200
	CNI Leisure Co., Ltd.	1,163	-	224	-	-	-
	CJ Korea Express Co., Ltd.	32,669	-	244,001	-	-	129,377
	CJ MD1 Corp.	2,888	-	872	-	-	-
	On Game Network Inc.	9,216	-	-	-	-	-
	CJ EDUCATIONS CORPORATION	531	-	1,768	-	-	212
	CJ Venture Investment	20	-	-	-	-	-
	MezzoMedia Inc.	-	-	-	14,300	-	-

CJ CGV CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2013 and 2012

31. Related Parties, Continued

(4) Account balances with related companies as of December 31, 2013 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities
Other related companies	CJ CHINA CONSULTING., LTD.	-	-	-	4,694	-	218,554
	CJ Entertainment America L.L.C	-	-	-	72,703	-	72,962
	CJ International Trading Corp.	-	-	-	17,922	-	5,580
	CJ E&M America, Inc.	8,751	-	-	-	-	1,434,720
		<u>₩ 43,907,689</u>	<u>499,929</u>	<u>12,510,979</u>	<u>7,467,170</u>	<u>2,127,879</u>	<u>24,523,359</u>

(5) Account balances with related companies as of December 31, 2012 are summarized as follows:

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities
Parent	CJ Corp.	₩ 1,388	-	99,833	-	-	293,765
Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	-	-	1,463
	CJ XingXing (TJ) International Cinema Co., Ltd.	-	-	11,426	-	-	-
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	68,752	-	-	-	-	28
Other related companies	CJ E&M Corp.	853,646	762,227	446,030	34,168,984	823,120	2,200,338
	CJ Cheiljedang Corp.	10,398	389,929	1,088,950	31,933	-	651,494
	CJ Freshway Corporation	777	-	86,001	3,013,967	-	4,419,771
	CJ Foodvill Co., Ltd.	142,197	120,000	791,043	681,070	1,124,960	2,445,005
	CJ O Shopping Co., Ltd.	39,062	-	811,942	-	330,000	2,753,111
	CJ Worldis Co., Ltd.	-	-	-	-	-	15,978
	CJ Hellovision Co., Ltd.	1,205	-	59,864	-	-	19,972
	CJ Telenix Co., Ltd.	153	-	191	-	-	198,265
	CJ Olive Young Co., Ltd.	10,421	-	858,221	-	-	447,426
	CJ Powercast Inc.	187,550	-	-	3,300	-	504,218
	Art service Co. Ltd.	-	-	-	2,742	-	-
	CJ Systems Co., Ltd.	14,861,712	-	280,867	-	-	7,046,617
	CJ Construction Co., Ltd.	1,082	-	3,791,833	-	-	1,531,635
	CJ N City Co., Ltd.	206	-	-	-	-	41,898
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	23,348
	JS Communications Co., Ltd.	16,691,473	-	10,500	-	-	186,704
	CJ Mooter Inc.	-	-	-	-	-	19,800
	CNI Leisure Co., Ltd.	534	-	-	-	-	2,440
	CJ Korea Express Co., Ltd.	3,885	-	193,043	-	-	10,497
	Clip Service Co., Ltd.	331,514	-	11,118	-	-	35,707
	Orion Cinema Network Co., Ltd.	-	-	12,568	-	-	682,000
	ANI-PARK Co., Ltd.	-	-	4,284	-	-	-
	CJ MD1 Corp.	-	-	20,894	-	-	-
	Simuline Inc.	-	-	-	1,972,740	-	56,527
	CJ America, Inc.	2,228	-	-	-	-	-

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31. Related Parties, Continued

- (5) Account balances with related companies as of December 31, 2012 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities
Other related companies	CJ Entertainment America L.L.C	₩ 11,124	-	-	-	-	235,023
	CJ International Trading Corp.	-	-	-	-	-	11,000
	CJ E&M America, Inc.	1,263	-	-	-	-	868,017
	CJ Omni, Inc.	240	-	-	-	-	-
		₩ 33,220,810	1,272,156	8,578,608	39,874,736	2,278,080	24,702,047

- (6) Key management personnel compensation for the years ended December 31, 2013 and 2012 are as follows:

(In thousands of won)

	2013	2012
Short-term employee benefits	₩ 5,427,092	3,953,845
Costs related to defined benefit plan	420,175	340,006
Long-term employee benefits	105,010	117,538

The Group defines key management personnel as officers that perform key management roles in planning, operating, and controlling with significant rights and obligations in each business unit.

- (7) Details of guarantees which the Group has provided for related companies as of December 31, 2013 are as follows:

(In thousands of won, except USD, HKD, RMB)

Related companies	Guarantee recipient	Guarantees	Guarantee type	Beneficiary
Joint venture	D-Cinema Korea Co., Ltd.	-	Performance guarantee	20th Century Fox Film Corporation
Executives and staff members	Executives and staff members	₩ 182,220 3,219,773	Guarantee on loans of employees	Hana Bank Shinhan Bank

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32. Merger

On June 21, 2013, the Parent Company merged with Primus Cinema Co., Ltd. which was one of its subsidiaries.

(1) Summary of companies and ratio of merger

Type	Name	Representative	Listed	Merger ratio
Existing company	CJ CGV Co., Ltd.	Seo, Jeong	KOSPI	-
Merged company	Primus Cinema Co., Ltd.	Yoon, Yong sun	-	1 : 0.6296806

(2) The Parent Company issued 543,855 shares for shareholders who were registered shareholders of the merged company.

(3) The merger were between subsidiaries under common control. Therefore, the Parent Company accounted for assets and liabilities at book value from the consolidated financial statements of CJ Corp. (an ultimate parent company).

(4) Condensed financial statement of the merged company as of June 21, 2013 and December 31, 2012 are as follows:

(In thousands of won)

		June 21, 2013	December 31, 2012
Current assets	₩	19,747,016	22,231,970
Non-current assets		12,825,168	13,036,857
Total assets	₩	32,572,184	35,268,827
Current liabilities	₩	7,547,964	11,349,452
Non-current liabilities		1,427,979	2,001,612
Total liabilities		8,975,943	13,351,064
Total equity		23,596,241	21,917,763
Total liabilities and equity	₩	32,572,184	35,268,827