CJ CGV CO., LTD.

Separate 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 separate statements of financial position of CJ CGV Co., Ltd. (the "Company") as of December 31, 2013 and 2012, and the related separate 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 separate financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these separate 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 separate financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate 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 separate financial statements referred to above present fairly, in all material respects, the financial position of the Company 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 separate 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 30 to the separate financial statements, on June 21, 2013, the Company merged with Primus Cinema Co., Ltd., which was one of the Company's subsidiaries. The ratio of merger was 1:0.6296806 and assets acquired and liabilities assumed by the Company were ₩32,572 million and ₩8,976 million, respectively.

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 separate 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.
Separate Statements of Financial Position

As of December 31, 2013 and 2012

(In thousands of won)	Note		2013	2012
Assets				
Cash and cash equivalents	*3,4,5*	₩	46,450,199	149,167,788
Trade receivables	*3,4,6*		63,099,255	47,172,200
Inventories	*3,7*		2,488,990	2,188,027
Other current financial assets	*3,4,8,29*		18,903,777	13,556,220
Other current assets	*9*		14,602,029	11,392,828
Current assets			145,544,250	223,477,063
Investments in equity method investees	*3,10*		290,239,211	220,823,060
Investment property	*3,11*		18,605,209	19,019,362
Property and equipment	*3,12*		399,331,264	347,233,307
Intangible assets	*3,13*		32,409,488	32,420,109
Other non-current financial assets	*2,3,4,8,29*		82,054,487	51,955,170
Other non-current assets	*9*		84,337,909	85,401,966
Non-current assets			906,977,568	756,852,974
Total assets		₩	1,052,521,818	980,330,037

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.
Separate Statements of Financial Position, Continued

As of December 31, 2013 and 2012

(In thousands of won)	Note		2013	2012
Liabilities				
Trade payables	*3,4,29*	₩	50,801,119	65,995,822
Other payables	*3,4,29*		80,358,177	77,570,208
Short-term borrowings	*3,4,16*		10,553,000	-
Current tax liabilities	*27*		1,615,467	7,104,820
Current portion of long-term borrowings and debentures	*3,4,16*		161,122,376	49,930,974
Other current financial liabilities	*3,4,14,29*		3,654,512	3,635,411
Other current liabilities	*15*		63,420,959	53,614,538
Current liabilities			371,525,610	257,851,773
Long-term debentures	*3,4,16*		99,771,283	169,563,674
Long-term borrowings	*3,4,16*		45,958,460	88,123,800
Long-term other payables	*3,4*		46,782,188	36,708,014
Employee benefits	*3,17*		5,189,880	7,898,232
Deferred tax liabilities	*3,27*		9,957,687	14,384,128
Other non-current financial liabilities	*3,4,14,29*		7,303,894	4,904,710
Other non-current liabilities	*15*		16,269,545	12,294,938
Non-current liabilities			231,232,937	333,877,496
Total liabilities			602,758,547	591,729,269
Shareholders' equity				
Common stock	*1,3,19*		10,580,656	10,308,729
Capital surplus	*20*		89,157,245	67,150,745
Retained earnings	*21*		354,453,321	318,734,907
Other capital	*22*		(4,427,951)	(7,593,613)
Total shareholders' equity			449,763,271	388,600,768
Total liabilities and shareholders' equity		₩	1,052,521,818	980,330,037

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.
Separate Statements of Comprehensive Income

For the years ended December 31, 2013 and 2012

(In thousands of won, except earnings per share)	Note		2013	2012
Revenue	*3,29*	₩	773,009,383	664,525,317
Cost of sales	*17,24,29*		(369,928,344)	(301,688,104)
Gross profit			403,081,039	362,837,213
Selling, general and administrative expenses	*17,23,24,29*		(334,935,686)	(290,588,482)
Operating profit			68,145,353	72,248,731
Finance income	*26*		5,565,836	13,562,874
Finance costs	*26*		(22,712,303)	(24,527,150)
Loss on investments in associates	*10*		-	(793,226)
Other non-operating income	*25*		8,271,179	37,802,917
Other non-operating expenses	*25*		(13,559,144)	(3,224,271)
Income before income taxes			45,710,921	95,069,875
Income tax expense	*3,27*		(2,632,625)	(22,324,928)
Net income			43,078,296	72,744,947
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss:				
Remeasurements of the defined benefit plan	*3,17*		(1,088,829)	(2,898,089)
Taxes on items that will not be reclassified to profit or loss			263,497	701,338
Total items that will not be reclassified to profit or loss			(825,332)	(2,196,751)
Items that are or may be reclassified subsequently to profit or loss:				
Net changes in fair value of available-for-sale financial assets	*8,26*		(34,532)	1,279,160
Taxes on items that are or may be reclassified subsequently to profit or loss			8,357	(309,557)
Total items that are or may be reclassified subsequently to profit or loss:			(26,175)	969,603
Total comprehensive income		₩	42,226,789	71,517,799
Earnings per share (in won)				
Basic earnings per share	*3,28*	₩	2,081	3,528
Diluted earnings per share	*3,28*		2,081	3,528

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.
Separate Statements of Changes in Equity

For the years ended December 31, 2013 and 2012

(In thousands of won)		Common Stock	Capital surplus	Retained earnings	Other capital	Total
Balance at January 1, 2012	₩	10,308,729	67,150,745	254,371,948	(8,424,566)	323,406,856
Total comprehensive income (loss)						
Net income		-	-	72,744,947	-	72,744,947
Net changes in fair value of available-for-sale financial assets		-	-	-	969,604	969,604
Remeasurements of the defined benefit plan		-	-	(2,196,752)	-	(2,196,752)
Total		-	-	70,548,195	969,604	71,517,799
Transactions with owners of the Company, recognized directly in equity						
Dividends		-	-	(6,185,237)	-	(6,185,237)
Exercise of stock options		-	-	-	(138,650)	(138,650)
Total		-	-	(6,185,237)	(138,650)	(6,323,887)
Balance at December 31, 2012	₩	10,308,729	67,150,745	318,734,906	(7,593,612)	388,600,768
Balance at January 1, 2013	₩	10,308,729	67,150,745	318,734,906	(7,593,612)	388,600,768
Total comprehensive income (loss)						
Net income		-	-	43,078,296	-	43,078,296
Net changes in fair value of available-for-sale financial assets		-	-	-	(26,175)	(26,175)
Remeasurements of the defined benefit plan		-	-	(825,332)	-	(825,332)
Total		-	-	42,252,964	(26,175)	42,226,789
Transactions with owners of the Company, recognized directly in equity						
Increase(decrease) from the merger		271,927	(271,927)	681,561	109,556	791,117
Dividends		-	-	(7,216,110)	-	(7,216,110)
Disposal of treasury stock		-	22,278,427	-	3,335,080	25,613,507
Exercise of stock options		-	-	-	(252,800)	(252,800)
Total		271,927	22,006,500	(6,534,549)	3,191,836	18,935,714
Balance at December 31, 2013	₩	10,580,656	89,157,245	354,453,321	(4,427,951)	449,763,271

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.
Separate Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(In thousands of won)		**2013**	**2012**
Cash flows from operating activities			
Net income	₩	43,078,296	72,744,947
Adjustments for:			
Income tax expense		2,632,625	22,324,928
Bad debt expenses		212,317	44,422
Other bad debt expenses		904,295	683,807
Expenses for employee		7,963,921	4,622,691
Depreciation		43,877,968	35,927,812
Amortization		7,496,094	7,087,594
Foreign currency translation loss		8,653	97,816
Interest expense		18,070,120	18,855,456
Loss on disposal of inventories		-	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 other financial assets		1,182,790	51,742
Loss on disposal of available-for-sale financial assets		235,350	3,968
Loss on disposal of investments in associates		-	793,226
Loss on disposal of property and equipment		2,819,805	945,351
Loss on disposal of intangible assets		11,065	8,643
Impairment losses on intangible assets		101,002	-
Transfer to provision		5,498,536	225,274
Other expenses, net		6,870,355	6,778,383
Interest income		(3,394,673)	(7,678,887)
Dividend income		(1,056,383)	(970,532)
Gain on disposal of other financial assets		-	(26,623,686)
Foreign currency translation gain		(989,637)	(4,839,037)
Gain on valuation of derivative financial assets		-	(2,903)
Gain on transaction of derivative financial assets		(997)	(964)
Gain on disposal of property and equipment		(28,448)	(6,700)
Other income, net		(106,248)	(119,394)
		96,698,490	63,778,641
Changes in assets and liabilities:			
Trade receivables		(14,848,525)	(4,025,969)
Other current financial assets		(1,632,112)	2,665,767
Other current assets		(1,378,646)	(491,705)
Inventories		(202,415)	(420,189)
Other non-current assets		(33,871)	(618,382)
Trade payables		(18,153,891)	20,497,504
Other payables		(11,803,799)	(11,772,802)
Long-term other payables		(1,312,337)	2,568,096
Other current financial liabilities		19,330	346,660
Other non-current financial liabilities		(106,000)	1,930,000
Other current liabilities		9,126,985	15,672,875
Other non-current liabilities		(1,994,494)	(6,497,607)
Payment of retirement and severance benefits		(1,296,655)	(1,278,134)
Severance benefits from affiliated companies		(37,106)	1,137,930
Employee benefit plan assets		(11,000,000)	(5,000,000)
	₩	(54,653,536)	14,714,044

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.
Separate Statements of Cash Flows, Continued

For the years ended December 31, 2013 and 2012

(In thousands of won)		2013	2012
Cash generated from operating activities	₩	85,123,250	151,237,632
Interest received		2,712,859	2,464,303
Dividends received		-	970,531
Interest paid		(13,362,455)	(17,794,532)
Income taxes paid		(12,276,565)	(12,371,091)
Net cash from operating activities		62,197,089	124,506,843
Cash flows from investing activities			
Inflow from merger		17,168,765	-
Proceeds from disposal of available-for-sale financial assets		294,567	103,222
Proceeds from disposal of investments in associates		-	1,206,774
Decrease of other financial assets		2,398,202	158,779,522
Proceeds from disposal of property and equipment		799,946	1,158,441
Proceeds from disposal of intangible assets		-	57
Receipt of contributions for construction		-	900,000
Acquisition of available-for-sale financial assets		(2,781,540)	(16,141,935)
Increase of other financial assets		(24,878,053)	(17,265,889)
Acquisition of investments in subsidiaries		(91,548,486)	(22,488,338)
Acquisition of property and equipment		(93,350,024)	(59,139,285)
Acquisition of intangible assets		(1,346,932)	(2,532,558)
Net cash from (used in) investing activities		(193,243,555)	44,580,011
Cash flows from financing activities			
Proceeds from issue of debentures		29,878,475	29,875,108
Proceeds from short-term borrowings		40,603,000	30,000,000
Proceeds from long-term borrowings		30,558,460	26,000,000
Disposal of treasury stock		25,613,507	-
Repayment of debentures		(50,000,000)	(100,000,000)
Repayment of short-term borrowings		(30,000,000)	(46,000,000)
Repayment of current portion of long-term borrowings		-	(10,000,000)
Repayment of long-term borrowings		(10,600,000)	-
Dividends paid		(7,216,110)	(6,185,237)
Exercise of stock options		(252,800)	(138,650)
Others, net		(263,825)	(267,954)
Net cash from (used in) financing activities		28,320,707	(76,716,733)
Net increase (decrease) in cash and cash equivalents		(102,725,759)	92,370,121
Cash and cash equivalents at January 1		149,167,788	56,823,732
Effect of exchange rate fluctuations on cash held		8,170	(26,065)
Cash and cash equivalents at December 31	₩	46,450,199	149,167,788

See accompanying notes to the separate financial statements.

For the years ended December 31, 2013 and 2012

1. Reporting Entity

CJ CGV Co., Ltd. (the "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 Company was listed on the Korea Exchange.

The Company merged with Primus Cinema Co., Ltd. on June 21, 2013. As of December 31, 2013, the Company'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
	21,161,313	100.00

2. Basis of Preparation

(1) Statement of compliance

The separate 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*.

These financial statements are separate financial statements prepared in accordance with K-IFRS No. 1027, 'Separate Financial Statements' presented by a parent, an investor in an associate or a venture in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

(2) Basis of measurement

The separate 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 separate financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Company operates.

2. Basis of Preparation, Continued

(4) Use of estimates and judgments

The preparation of the separate 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 separate financial statements is included in the following note:

Note 11 – 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 13 – impairment test
Note 15 and 18 – provisions and contingencies
Note 17 – measurement of defined benefit obligations
Note 27 – recognition of deferred tax asset

(5) Measurement of fair values

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

The Company 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.

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 Company 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 Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

2. Basis of Preparation, Continued

(5) Measurement of fair values, continued

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 separate financial 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 shareholders' 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 Company has consistently applied the accounting policies to all periods presented in these separate financial statements.

1) Joint arrangements

Under K-IFRS No. 1111, 'Joint Arrangements', the Company has classified its interests in joint arrangements as either joint operations or joint ventures. When making this assessment, the Company 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 Company 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 Company.

2) 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 Company has included additional disclosures in note 4.

In accordance with the transition provisions of K-IFRS No. 1113, the Company 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 Company's assets and liabilities.

2. Basis of Preparation, Continued

(7) Changes in accounting policies, continued

3) Post-employment defined benefit plans, continued

As a result of the amendment to K-IFRS No. 1019, 'Employee Benefits', the Company 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 Company 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 Company 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 Company did not retrospective apply this change in accounting policy to the prior year financial statements.

4) Presentation of Financial Statements

As a result of the amendments to K-IFRS No. 1001 'Presentation of Financial Statements', the Company has modified the presentation of items of other comprehensive income in its separate 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 separate financial statements

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

(1) Operating segments

The Company presents the disclosures related to operating segments in the consolidated financial statements in accordance with K-IFRS No. 1108, 'Operating Segments'. Therefore, the Company does not present them separately in these separate financial statements.

(2) 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 Company recognizes the difference between the consideration transferred in a business combination and net assets acquired as capital surplus.

3. Significant Accounting Policies, Continued

(3) Associates and jointly controlled entities in the separate financial statements

These separate financial statements are prepared and presented in accordance with K-IFRS No. 1027, 'Separate Financial Statements'. The Company applied the cost method to investments in subsidiaries and associates in accordance with K-IFRS No. 1027. Dividends from a subsidiary or associate are recognized in profit or loss when the right to receive the dividend is established.

(4) 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.

(5) 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.

(6) Non-derivative financial assets

The Company 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 Company recognizes financial assets in the separate statement of financial position when the Company 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 Company 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.

3. Significant Accounting Policies, Continued

(6) 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 Company 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 Company neither transfers nor retains all the risks and rewards of ownership of the financial asset, the Company derecognize the financial asset if the Company has not retained control and the Company continues to recognize the financial asset to the extent of its continuing involvement in the financial assets if the Company has retained control.

If the Company retains substantially all the risks and rewards of ownership of the transferred financial assets, the Company 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 separate statement of financial position only when the Company 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.

(7) 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 have 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.

3. Significant Accounting Policies, Continued

(8) 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 Company 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.

3. Significant Accounting Policies, Continued

(8) 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.

(9) 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 Company's property and equipment are as follows:

	Useful lives (years)
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.

3. Significant Accounting Policies, Continued

(10) 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, this intangible asset is determined as having indefinite useful lives and not amortized.

	Useful lives (years)
Usage rights	12, 15
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.

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.

(11) Borrowing costs

The Company 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 Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company 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 Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company 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 Company 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 Company capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

3. Significant Accounting Policies, Continued

(12) 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 Company 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.

(13) Impairment of non-financial assets

The carrying amounts of the Company'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 Company estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Company 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.

3. Significant Accounting Policies, Continued

(14) Leases

The Company classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Company 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 Company recognizes as finance lease assets and finance lease liabilities in its separate 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 Company reviews to determine whether the leased asset may be impaired.

(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 Company 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 Company concludes for a financial lease that it is impracticable to separate the payments reliably, the Company 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.

3. Significant Accounting Policies, Continued

(15) Non-derivative financial liabilities

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

(16) 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 Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Retirement benefits: defined benefit plans
The Company'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 Company, 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.

3. Significant Accounting Policies, Continued

(16) Employee benefits, continued

(ii) Retirement benefits: defined benefit plans, continued

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 Company 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 Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(17) Provisions

Provisions are recognized when the Company 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.

3. Significant Accounting Policies, Continued

(18) Foreign currencies

Transactions in foreign currencies are translated to the functional currencies of the Company 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.

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. 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.

(19) 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 Company 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 Company acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

(20) Share-based payment transactions

For equity-settled share-based payment transactions, if the Company cannot reliably estimate the fair value of the goods or services received, the Company 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 Company measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Company 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.

3. Significant Accounting Policies, Continued

(21) 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 Company 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 Company 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.

(22) 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.

3. Significant Accounting Policies, Continued

(23) 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. A deferred tax liability is recognized for all taxable temporary differences.

The Company 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 Company 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 Company 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 Company 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 Company recognizes additional tax arising from dividends payment upon dividends payable is recognized.

3. Significant Accounting Policies, Continued

(24) Earnings per share

The 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 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.

(25) New amendment not yet adopted

The following new amendment to existing standard has been published and is mandatory for the Company for annual periods beginning after January 1, 2013, and the Company has not early adopted it. Management believes the impact of the amendment on the Company'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 Company has exposure to the following risks from its use of financial instruments:

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

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

(1) Financial risk management

1) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. The Company, 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 Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

4. Risk Management, Continued

(1) Financial risk management, continued

2) Credit risk

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

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

(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 Company's maximum exposure to credit risk as of December 31, 2013 and 2012 are as follows:

(In thousands of won)		**2013**	**2012**
Cash and cash equivalents	₩	44,815,845	147,417,193
Available-for-sale financial assets		32,248,145	16,034,345
Trade receivables		63,099,255	47,172,200
Other financial assets		65,906,128	45,503,953
Derivative financial assets		303,591	304,357
	₩	206,372,964	256,432,048

4. Risk Management, Continued

(1) Financial risk management, continued

2) Credit risk, continued

(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:

		2013		
(In thousands of won)		**Not overdue**	**Overdue, but not impaired**	**Impaired**
Not past due	₩	124,248,146	-	-
0-3 months		-	2,592,051	-
4-6 months		-	1,861,387	-
7-12 months		-	199,249	-
Over one year		-	104,550	4,296,710
	₩	124,248,146	4,757,237	4,296,710

		2012		
(In thousands of won)		**Not overdue**	**Overdue, but not impaired**	**Impaired**
Not past due	₩	85,800,714	-	-
0-3 months		-	3,484,153	-
4-6 months		-	65,117	-
7-12 months		-	326,169	-
Over one year		-	3,000,000	5,711,670
	₩	85,800,714	6,875,439	5,711,670

The Company 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.

(iii) Guarantees
As described in note 29 (7), the Company provides financial guarantees to subsidiaries and others. As a result, the Company is exposed to credit risk to the extent of payment guarantee.

3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

The Company monitors cash flow requirements with the extended plans and short-term strategies. The Company ensures that it has sufficient cash on demand to meet expected operational expenses.

4. Risk Management, Continued

(1) Financial risk management, continued

3) Liquidity risk, continued

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.

① December 31, 2013

(In thousands of won)		**Book value**	**Contractual cash outflow**	**Less than one year**	**One to five years**	**Over five years**
Trade payables	₩	50,801,119	50,801,119	50,801,119	-	-
Other payables(*)		78,375,177	78,375,177	78,375,177	-	-
Short-term borrowings		10,553,000	10,584,017	10,584,017	-	-
Debentures		199,686,259	210,462,750	106,894,250	103,568,500	-
Long-term borrowings		107,165,860	110,023,967	63,186,226	46,837,741	-
Long-term other payables(*)		45,904,637	72,437,011	-	40,459,916	31,977,095
Other current financial liabilities		3,654,512	3,696,267	3,696,267	-	-
Other non-current financial liabilities		7,303,894	7,484,992	-	7,484,992	-
	₩	503,444,458	543,865,300	313,537,056	198,351,149	31,977,095

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

The Company doesn't expect the above cash flows to be occurred in earlier period or to be materially different. As described in note 29 (7), the Company provides subsidiaries and others with payment guarantee which is exposed to liquidity risk. The payment guarantee is not included in the book value or contractual cash outflow above.

② December 31, 2012

(In thousands of won)		**Book value**	**Contractual cash outflow**	**Less than one year**	**One to five years**	**Over five years**
Trade payables	₩	65,995,822	65,995,822	65,995,822	-	-
Other payables		77,570,208	77,570,208	77,570,208	-	-
Debentures		219,494,648	236,748,250	59,174,500	177,573,750	-
Long-term borrowings		88,123,800	95,126,774	3,672,319	91,454,455	-
Long-term other payables(*)		33,248,927	64,423,546	-	27,371,029	37,052,517
Other current financial liabilities		3,635,411	3,680,792	3,680,792	-	-
Other non-current financial liabilities		4,904,710	5,593,255	-	5,593,255	-
	₩	492,973,526	549,138,647	210,093,641	301,992,489	37,052,517

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

4. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk

Market risk is the risk that changes in market prices will affect the value or 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.

The Company limits the exposure to currency risk and interest rate risk by the currency swap contract related to USD borrowings.

(i) Currency risk

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

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

(In thousands of won)		2013		2012	
		USD	**RMB, etc.**	**USD**	**RMB, etc.**
Cash and cash equivalents	₩	-	13,419	-	256,750
Other receivables		580,592	-	951,789	-
Finance lease liabilities		(670,604)	-	(924,203)	-
Borrowings		(71,760,400)	-	(62,123,800)	-
Total exposure		(71,850,412)	13,419	(62,096,214)	256,750
Currency swaps		61,207,400	-	62,123,800	-
Net exposure	₩	(10,643,012)	13,419	27,586	256,750

Significant exchange rates applied during the year are as follows.

(In won)		Average rate		Reporting date spot rate	
		2013	**2012**	**2013**	**2012**
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.

(In thousands of won)			2013		2012	
			10% strengthening	**10% weakening**	**10% strengthening**	**10% weakening**
USD	Total exposure	₩	(7,185,041)	7,185,041	(6,209,621)	6,209,621
	Currency swaps		6,120,740	(6,120,740)	6,212,380	(6,212,380)
	Net exposure		(1,064,301)	1,064,301	2,759	(2,759)
RMB, etc.			1,342	(1,342)	25,675	(25,675)

4. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk, continued

(ii) Interest rate risk

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

(In thousands of won)		2013	2012
Fixed rate instruments:			
Financial assets	₩	300,000	-
Financial liabilities		(287,218,428)	(280,362,048)
	₩	(286,918,428)	(280,362,048)
Variable rate instruments:			
Financial assets	₩	43,622,869	146,311,708
Financial liabilities		(69,207,400)	(70,123,800)
	₩	(25,584,531)	76,187,908

- Fair value sensitivity analysis for fixed rate instruments
  The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company 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.

- 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	₩	(127,923)	127,923	380,940	(380,940)
Currency swaps		306,037	(306,037)	310,619	(310,619)
Cash flow sensitivity, net	₩	178,114	(178,114)	691,559	(691,559)

(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.

4. Risk Management, Continued

(1) Financial risk management, continued

5) Fair value

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 2	Level 3
Financial assets measured at fair value								
Derivative financial assets(*3)	₩	303,591	-	-	-	303,591	2,136	301,455
Financial assets not measured at fair value(*1)								
Cash and cash equivalents		-	46,450,199	-	-	46,450,199		
Trade receivables		-	63,099,255	-	-	63,099,255		
Available-for-sale: equity investments(*2)		-	-	2,500,400	-	2,500,400		
Available-for-sale: debt investments		-	-	32,248,145	-	32,248,145		
Other financial assets		-	65,906,128	-	-	65,906,128		
Subtotal			175,455,582	34,748,545	-	210,204,127		
Total	₩	303,591	175,455,582	34,748,545	-	210,507,718		
Financial liabilities measured at fair value								
Derivative financial liabilities(*3)	₩	5,732,960	-	-	-	5,732,960	5,732,960	-
Financial liabilities not measured at fair value(*1)								
Trade payables		-	-	-	50,801,119	50,801,119		
Other payables		-	-	-	78,375,177	78,375,177		
Borrowings and debentures		-	-	-	317,405,119	317,405,119		
Long-term other payables		-	-	-	45,904,637	45,904,637		
Other financial liabilities		-	-	-	5,225,446	5,225,446		
Subtotal		-	-	-	497,711,498	497,711,498		
Total	₩	5,732,960	-	-	497,711,498	503,444,458		

(*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.

4. Risk Management, Continued

(1) Financial risk management, continued

5) Fair value, 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 2	Level 3
Financial assets measured at fair value								
Available-for-sale: equity investments	₩	-	-	3,668,333	-	3,668,333	28,020	3,640,313
Derivative financial assets(*3)		304,357	-	-	-	304,357	2,902	301,455
Subtotal		304,357	-	3,668,333	-	3,972,690	30,922	3,941,768
Financial assets not measured at fair value(*1)								
Cash and cash equivalents		-	149,167,788	-	-	149,167,788		
Trade receivables		-	47,172,200	-	-	47,172,200		
Available-for-sale: equity investments(*2)		-	-	400	-	400		
Available-for-sale: debt investments		-	-	16,034,345	-	16,034,345		
Other financial assets		-	45,503,953	-	-	45,503,953		
Subtotal		-	241,843,941	16,034,745	-	257,878,686		
Total	₩	304,357	241,843,941	19,703,078	-	261,851,376		
Financial liabilities measured at fair value								
Derivative financial liabilities(*3)	₩	1,349,531	-	-	-	1,349,531	1,349,531	-
Financial liabilities not measured at fair value(*1)								
Trade payables		-	-	-	65,995,822	65,995,822		
Other payables		-	-	-	77,570,208	77,570,208		
Borrowings and debentures		-	-	-	307,618,448	307,618,448		
Long-term other payables		-	-	-	33,248,927	33,248,927		
Other financial liabilities		-	-	-	7,190,590	7,190,590		
Subtotal		-	-	-	491,623,995	491,623,995		
Total	₩	1,349,531	-	-	491,623,995	492,973,526		

(*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.

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)

Type of Continuing involvement		**Maturity of continuing involvement**
		1~3 years
Put-option	₩	160,094,086

(2) Capital Management

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

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

(In thousands of won, except ratio)		**2013**	**2012**
Total liabilities	₩	602,758,547	591,729,269
Total equity		449,763,271	388,600,768
Cash and cash equivalents		46,450,199	149,167,788
Borrowings and debentures		317,405,119	307,618,449
Borrowings and debentures, net		270,954,920	158,450,661
Liabilities to equity ratio		134%	152%
Net debt to equity ratio		60%	41%

5. Cash and Cash Equivalents

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

(In thousands of won)		**2013**	**2012**
Cash on hand	₩	1,634,354	1,750,595
Demand deposits		43,622,869	146,311,708
Other cash equivalents		1,192,976	1,105,485
	₩	46,450,199	149,167,788

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

6. Trade Receivables

(1) Trade receivables are presented on a net basis after deducting related allowance. As of December 31, 2013 and 2013, trade receivables and allowance for doubtful accounts are as follows:

(In thousands of won)		2013	2012
Trade receivables	₩	63,454,001	47,283,311
Allowance for doubtful accounts		(354,746)	(111,111)
	₩	63,099,255	47,172,200

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

(In thousands of won)		2013	2012
Balance at the beginning	₩	111,111	66,689
Business combination		266,819	-
Increase in allowance		212,317	44,422
Write-off		(235,501)	-
Balance at the end	₩	354,746	111,111

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

7. Inventories

The Company 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:

(In thousands of won)		2013	2012
Merchandise	₩	500,565	440,922
Raw materials		1,988,425	1,747,105
	₩	2,488,990	2,188,027

8. Other Financial Assets

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

(In thousands of won)		2013		2012	
		Current	**Non-current**	**Current**	**Non-current**
Other receivables	₩	16,274,970	-	12,985,608	-
Accrued revenues		90,134	-	546,522	-
Loans		-	300,000	-	-
Leasehold deposits		2,645,951	58,373,964	24,090	37,405,911
Present value discount		(107,278)	(11,682,613)	-	(5,469,177)
Derivative financial assets		-	303,591	-	304,357
Deposits for opening checking accounts		-	11,000	-	11,000
Available-for-sale financial assets		-	34,748,545	-	19,703,079
	₩	18,903,777	82,054,487	13,556,220	51,955,170

(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:

(In thousands of won)		2013		2012	
		Current	**Non-current**	**Current**	**Non-current**
Other financial assets	₩	21,936,564	82,963,664	18,040,488	53,071,461
Allowance for doubtful accounts :					
Other receivables		(3,015,253)	-	(4,466,734)	-
Accrued revenues		(17,534)	-	(17,534)	-
Loans		-	(909,177)	-	(1,116,291)
Subtotal of allowance for doubtful accounts		(3,032,787)	(909,177)	(4,484,268)	(1,116,291)
Other financial assets, net	₩	18,903,777	82,054,487	13,556,220	51,955,170

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

(In thousands of won)		2013		2012	
		Current	**Non-current**	**Current**	**Non-current**
Balance at the beginning	₩	4,484,268	1,116,291	4,723,131	619,198
Business combination		1,156,869	1,881,329	-	-
Increase in allowance		1,261,409	(357,114)	186,714	497,093
Write-off		(3,869,759)	(1,731,329)	(425,577)	-
Balance at the end	₩	3,032,787	909,177	4,484,268	1,116,291

(4) Leasehold deposit 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	2.5~8.0	₩	61,019,915	49,230,024	(11,789,891)
December 31, 2012	2.9~11.5		37,430,001	31,960,824	(5,469,177)

8. 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		2,500,400	2,500,400	4,000,400	3,640,714
Debt securities		32,248,145	32,248,145	16,034,345	16,034,345
	₩	34,748,545	34,748,545	20,283,122	19,703,079

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

(In thousands of won)		2013	2012
Balance at the beginning	₩	19,703,078	2,389,173
Acquisitions		18,995,340	16,141,935
Disposals		(309,530)	(107,190)
Gain (loss) on valuation of available-for-sale financial assets		(254,919)	1,279,161
Others(*)		(3,385,424)	-
Balance at the end	₩	34,748,545	19,703,079

(*) During 2013, the Company acquired 325,070 common shares and 33,160 preferred shares of Simuline Inc. As a result, the Company obtained the control over Simuline Inc. and reclassified exiting carrying amounts of available-for-sale financial assets to investments in subsidiaries.

9. 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	₩	3,557,279	1,800,000	1,969,379	1,500,000
Allowance for doubtful accounts		(66,004)	-	(29,000)	-
Prepaid expenses		11,110,754	82,537,909	9,452,449	83,901,966
	₩	14,602,029	84,337,909	11,392,828	85,401,966

10. Investment in Equity

Investments in equity as of December 31, 2013 and 2012 are as follows:

(In thousands of won)

Company	Location	Primary business	2013 Ownership (%)	2013 Carrying amount	2012 Ownership (%)	2012 Carrying amount
Subsidiaries:						
Primus Cinema Co., Ltd.(*1)	Korea	Theater operation	-	₩ -	100.00	₩ 25,517,758
CJ 4DPlex Co., Ltd.(*2)	Korea	Retail of equipment	93.03	50,864,635	92.72	34,174,997
Simuline Inc.(*3)	Korea	Equipment manufacturing	64.89	18,012,662	-	-
CGI Holdings Ltd.(*4)	Hong Kong	Theater operation	100.00	111,297,906	100.00	59,421,306
Envoy Media Partners Ltd.(*5)	British Virgin Islands	Theater operation	100.00	89,138,767	94.40	80,783,758
CJ Theater LA Holdings Inc.	USA	Theater operation	100.00	6,002,360	100.00	6,002,360
Associates:						
SSV Contents Investment Association(*6)	Korea	Investment fund	35.52	10,300,000	35.52	10,300,000
Joint ventures:						
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	China	Theater operation	49.00	1,820,123	49.00	1,820,123
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	China	Theater operation	49.00	1,601,700	49.00	1,601,700
D-Cinema Korea Co., Ltd.	Korea	Leasing Service	50.00	-	50.00	-
Shanghai Shangying CGV Cinema Co., Ltd.	China	Theater operation	50.00	1,191,990	50.00	1,191,990
CGV EMPIRE SDN. BHD	Malaysia	Theater operation	25.00	9,068	25.00	9,068
				₩ 290,239,211		₩ 220,823,060

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

(*2) During 2013, the Company additionally invested ₩16,690 million. As a result, the Company's interest in CJ 4DPlex Co., Ltd. increased from 92.72% to 93.03%.

(*3) During 2013, the Company 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 Company reclassified existing carrying amounts of available-for-sale financial assets to investments in subsidiaries. Subsequent to the acquisition, the Company acquired additional common shares of ₩3,334 million and convertible preferred shares of ₩390 million. As the Company exercised the conversion option, the Company's interest in Simuline Inc. increased to 64.89%.

(*4) During 2013, the Company invested additionally ₩51,877 million.

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

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

11. 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
	₩	20,128,838	(1,523,629)	18,605,209	20,128,838	(1,109,476)	19,019,362

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

(In thousands of won)		**Land**	**Buildings**	**Total**
Acquisition costs				
Balance at January 1, 2012	₩	-	-	-
Others(*)		3,695,706	16,433,132	20,128,838
Balance at December 31, 2012 and 2013		3,695,706	16,433,132	20,128,838
Accumulated depreciation				
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		-	(1,523,629)	(1,523,629)
Carrying amounts				
Balance at January 1, 2012	₩	-	-	-
Balance at December 31, 2012	₩	3,695,706	15,323,656	19,019,362
Balance at December 31, 2013	₩	3,695,706	14,909,503	18,605,209

(*) 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 are as follows:

(In thousands of won)		**2013**
Rental income	₩	747,432
Rental cost (depreciation)		(414,153)

12. Property and Equipment

Changes in property and equipment for the years ended December 31, 2013 and 2012 are as follows:

(In thousands of won)		Land	Buildings	Structures	Vehicles	Tools	Construction -in-progress	Total
Acquisition costs:								
Balance at January 1, 2012	₩	84,602,863	74,598,988	181,985,854	82,496	176,462,181	15,647,717	533,380,099
Acquisitions		2,763,515	7,704,344	6,830,645	-	17,982,115	29,343,240	64,623,859
Disposals		-	-	(1,102,459)	-	(1,089,486)	(511,958)	(2,703,903)
Others		(3,676,711)	(16,433,132)	33,323,277	-	2,517,948	(38,767,846)	(23,036,464)
Balance at December 31, 2012		83,689,667	65,870,200	221,037,317	82,496	195,872,758	5,711,153	572,263,591
Acquisitions		1,709,608	6,838,433	2,089,396	-	29,247,560	46,698,899	86,583,896
Disposals		-	-	(4,196,960)	-	(1,887,163)	(169,540)	(6,253,663)
Others		1,980,000	7,920,000	30,129,060	-	3,105,074	(35,967,765)	7,166,369
Business Combination		-	-	28,709,533	-	10,497,473	111,600	39,318,606
Balance at December 31, 2013		87,379,275	80,628,633	277,768,346	82,496	236,835,702	16,384,347	699,078,799
Accumulated depreciation:								
Balance at January 1, 2012		-	(9,942,287)	(50,480,141)	(82,495)	(128,150,181)	-	(188,655,104)
Depreciation		-	(1,737,560)	(14,441,364)	-	(19,517,299)	-	(35,696,223)
Disposals		-	-	393,399	-	668,449	-	1,061,848
Others		-	867,886	-	-	-	-	867,886
Balance at December 31, 2012		-	(10,811,961)	(64,528,106)	(82,495)	(146,999,031)	-	(222,421,593)
Depreciation		-	(1,676,181)	(18,248,834)	-	(23,598,800)	-	(43,523,815)
Disposals		-	-	1,507,521	-	1,112,855	-	2,620,376
Business Combination		-	-	(23,495,133)	-	(10,421,767)	-	(33,916,900)
Balance at December 31, 2013		-	(12,488,142)	(104,764,552)	(82,495)	(179,906,743)	-	(297,241,932)
Accumulated impairment:								
Balance at January 1, 2012		-	-	-	-	(1,718,691)	-	(1,718,691)
Balance at December 31, 2012		-	-	-	-	(1,718,691)	-	(1,718,691)
Disposals		-	-	-	-	43,088	-	43,088
Balance at December 31, 2013		-	-	-	-	(1,675,603)	-	(1,675,603)
Contribution for construction:								
Balance at January 1, 2012		-	-	-	-	-	-	-
Acquisitions		-	-	(900,000)	-	-	-	(900,000)
Depreciation		-	-	10,000	-	-	-	10,000
Balance at December 31, 2012		-	-	(890,000)	-	-	-	(890,000)
Depreciation		-	-	60,000	-	-	-	60,000
Balance at December 31, 2013		-	-	(830,000)	-	-	-	(830,000)
Carrying amounts:								
Balance at January 1, 2012	₩	84,602,863	64,656,701	131,505,713	1	46,593,309	15,647,717	343,006,304
Balance at December 31, 2012	₩	83,689,667	55,058,239	155,619,211	1	47,155,036	5,711,153	347,233,307
Balance at December 31, 2013	₩	87,379,275	68,140,491	172,173,794	1	55,253,356	16,384,347	399,331,264

13. Intangible Assets

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

(In thousands of won)		Goodwill	Trademark right	Membership	Usage rights	Others	Total
Acquisition costs:							
Balance at January 1, 2012	₩	6,597,180	10,963	5,132,453	11,969,820	23,330,343	47,040,759
Acquisitions		-	-	503,568	-	2,028,990	2,532,558
Disposals		-	-	-	(19,387)	(13,360)	(32,747)
Others		-	-	-	327,600	2,580,026	2,907,626
Balance at December 31, 2012		6,597,180	10,963	5,636,021	12,278,033	27,925,999	52,448,196
Acquisitions		-	-	-	14,400	1,332,532	1,346,932
Disposals		-	-	-	-	(45,077)	(45,077)
Business Combination		2,870,644	22,208	590,000	-	1,066,176	4,549,028
Others		-	3,836	-	222,320	2,395,877	2,622,033
Balance at December 31, 2013		9,467,824	37,007	6,226,021	12,514,753	32,675,507	60,921,112
Accumulated depreciation:							
Balance at January 1, 2012		-	-	-	(6,026,062)	(5,843,379)	(11,869,441)
Amortization		-	-	-	(1,054,823)	(6,032,771)	(7,087,594)
Disposals		-	-	-	10,745	13,301	24,046
Balance at December 31, 2012		-	-	-	(7,070,140)	(11,862,849)	(18,932,989)
Amortization		-	-	-	(1,088,823)	(6,407,271)	(7,496,094)
Disposals		-	-	-	-	34,011	34,011
Business Combination		-	-	-	-	(920,452)	(920,452)
Balance at December 31, 2013		-	-	-	(8,158,963)	(19,156,561)	(27,315,524)
Accumulated impairment:							
Balance at January 1, 2012		-	-	(689,215)	-	(405,883)	(1,095,098)
Impairment		-	-	-	-	-	-
Balance at December 31, 2012		-	-	(689,215)	-	(405,883)	(1,095,098)
Impairment		-	-	(101,002)	-	-	(101,002)
Balance at December 31, 2013		-	-	(790,217)	-	(405,883)	(1,196,100)
Carrying amounts:							
Balance at January 1, 2012	₩	6,597,180	10,963	4,443,238	5,943,758	17,081,081	34,076,220
Balance at December 31, 2012	₩	6,597,180	10,963	4,946,806	5,207,893	15,657,267	32,420,109
Balance at December 31, 2013	₩	9,467,824	37,007	5,435,804	4,355,790	13,113,063	32,409,488

13. Intangible Assets, Continued

(2) Impairment test

Goodwill and intangible assets that have indefinite useful lives are tested for impairment annually. The Company 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.

(In percent)	**2013**	**2012**
Discount rate	3.87	4.91
Terminal value growth rate	-	-
Budgeted EBITDA growth rate (average of next five years)	5.07	6.91

The discount rate was a post-tax measure based on the rate of 3-year 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 Company operates for five years after 2013. The future cash flows after five years were estimated based on 0% of terminal growth rate. The cash flow projections were estimated based on historical experience, actual operating results and the Company's business plan.

14. 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	₩	1,412,894	-	1,704,208	-
Finance lease liabilities		251,606	418,998	243,559	680,644
Leasehold deposits received		1,998,695	1,301,000	1,687,644	3,497,000
Present value discount		(8,683)	(149,064)	-	(622,465)
Derivative financial liabilities		-	5,732,960	-	1,349,531
	₩	3,654,512	7,303,894	3,635,411	4,904,710

(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	₩	3,299,695	3,141,948	(157,747)
December 31, 2012	4.9~5.8		5,184,644	4,562,179	(622,465)

14. Other Financial Liabilities, Continued

(3) Finance lease

① Finance lease contract
The Company makes the finance lease contract with IMAX Cop. and the related assets and liabilities are recorded in the separate financial statement.

② The assets 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	₩	4,233,298	4,178,134

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	₩	735,710	(65,106)	670,604	1,035,664	(111,461)	924,203

15. 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:

(In thousands of won)		**2013**		**2012**	
		Current	**Non-current**	**Current**	**Non-current**
Deposit received	₩	4,401,344	-	5,882,853	-
Value added tax withheld		5,219,315	-	4,560,856	-
Advance received		39,851,818	-	28,717,205	-
Unearned revenue		243,649	102,578	722,400	643,435
Liabilities for short-term employee benefits		13,704,832	-	13,731,224	-
Deferred revenues		-	9,990,978	-	10,980,903
Provision for mileage points		-	1,575,989	-	670,600
Other provision		-	4,600,000	-	-
	₩	63,420,958	16,269,545	53,614,538	12,294,938

15. Other Current Liabilities and Other Non-current Liabilities, Continued

(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 ₩10,981 million, respectively.

(3) Provision for mileage points

(In thousands of won)		2013	2012
Balance at the beginning of the year	₩	670,600	445,326
Business combination		6,852	-
Increase		3,062,581	1,892,063
Utilization		(2,164,044)	(1,666,789)
Balance at the end of the year	₩	1,575,989	670,600

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

16. 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:

(In thousands of won)		2013	2012
Current liabilities:			
Foreign currency short-term borrowings	₩	10,553,000	-
Debentures		99,914,976	49,930,974
Current portion of foreign currency long-term borrowings		61,207,400	-
		171,675,376	49,930,974
Non-current liabilities:			
Debentures		99,771,283	169,563,674
Local currency long-term borrowings		45,958,460	26,000,000
Foreign currency long-term borrowings		-	62,123,800
	₩	145,729,743	257,687,474

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

(In thousands of won)

Lender	Purpose of borrowing	Maturity date	Interest rate (%)		2013	2012
Hana Bank	Foreign investment	2014.02.27	1.71	₩	10,553,000 (USD 10,000,000)	-

16. Debt, Continued

(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

(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	-
				46,000,000	26,000,000
Less: discount				(41,540)	-
Less: current portion of long-term borrowings				-	-
			₩	45,958,460	26,000,000

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 (USD 58,000,000)	62,123,800 (USD 58,000,000)
Less: current portion of long-term borrowings				61,207,400 (USD 58,000,000)	-
			₩	-	62,123,800 (USD 58,000,000)

16. Debt, Continued

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

② Foreign currency, continued

As of December 31, 2013, the Company 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	Buy	3M LIBOR+1.95	₩1,062.10:USD 1	2014.07.25
		Sell	₩61,601,800	Sell	4.37%		

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

17. Employee Benefits

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

(In thousands of won)		2013	2012
Wages and salaries	₩	101,857,037	82,578,341
Expenses related to post-employment defined plans		7,963,921	4,622,691
	₩	109,820,958	87,201,032

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

(In thousands of won)		2013	2012
Present value of defined benefit obligations	₩	31,137,767	22,506,692
Fair value of plan assets		(25,947,887)	(14,608,460)
Net defined benefit liability		5,189,880	7,898,232
Liabilities for short-term employee benefits		13,704,832	13,731,224
Liabilities for long-term officer compensation expense		2,502,402	3,054,273
Total employee benefit liabilities	₩	21,397,114	24,683,729

The Company'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 Company to actuarial risk, such as interest rate risk and market (investment) risk.

17. 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.

(In thousands of won)		Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
		2013	2012	2013	2012	2013	2012
Balance at January 1	₩	22,506,692	16,131,745	(14,608,460)	(10,614,090)	7,898,232	5,517,655
Included in profit or loss:							
Current service cost		7,511,805	4,189,001	-	-	7,511,805	4,189,001
Interest cost (income)		977,663	886,370	(525,547)	(452,680)	452,116	433,690
Subtotal		8,489,468	5,075,371	(525,547)	(452,680)	7,963,921	4,622,691
Included in other comprehensive income (loss)							
Remeasurements loss (gain):							
- Actuarial loss (gain) arising from:							
- demographic assumptions		173,984	1,565,048	-	-	173,984	1,565,048
- financial assumptions		(339,371)	(1,848,237)	-	-	(339,371)	(1,848,237)
- experience adjustment		1,250,704	3,149,603	-	-	1,250,704	3,149,603
- Return on plan assets excluding interest income		-	-	3,512	31,675	3,512	31,675
Subtotal		1,085,317	2,866,414	3,512	31,675	1,088,829	2,898,089
Other:							
Contribution paid by the employer		-	-	(11,000,000)	(5,000,000)	(11,000,000)	(5,000,000)
Benefits paid		(2,489,162)	(2,397,336)	1,192,508	1,119,202	(1,296,654)	(1,278,134)
Business combination		726,215	-	(153,556)	-	572,659	-
Transfer from affiliated companies		819,237	830,498	(856,344)	307,433	(37,107)	1,137,931
Subtotal		(943,710)	(1,566,838)	(10,817,392)	(3,573,365)	(11,761,102)	(5,140,203)
Balance at December 31	₩	31,137,767	22,506,692	(25,947,887)	(14,608,460)	5,189,880	7,898,232

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

(In thousands of won)		2013	2012
Deposit for severance benefit insurance	₩	25,945,478	14,605,353
Transfer to National Pension Fund		2,409	3,107
	₩	25,947,887	14,608,460

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

(In thousands of won)		2013	2012
Cost of sales	₩	1,228,108	558,309
Selling, general and administrative expenses		6,735,813	4,064,382
	₩	7,963,921	4,622,691

17. Employee Benefits, Continued

(6) Actuarial assumptions

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

	2013	2012
Discount rate	4.00%	3.75%
Future salary growth	5.50%	5.50%

The Company 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 8.6 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.

(In thousands of won)	Movement		Defined benefit obligation
Discount rate	1% increase	₩	(1,746,181)
	1% decrease		1,305,696
Future salary growth	1% increase		1,360,552
	1% decrease		(1,741,602)

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.

18. Commitments and Contingencies

(1) Facilities contracts with financial institutions as of December 31, 2013 are as follows:

(In thousands of won, except foreign currency)	Local Currency					Foreign Currency
	Overdraft	General	Bill discounting	Business purchase card	Total	Overseas investment
Korea exchange Bank	₩ 2,000,000	-	8,000,000	-	10,000,000	-
Woori Bank	3,000,000	-	-	8,000,000	11,000,000	-
Shinhan Bank	-	15,000,000	-	10,000,000	25,000,000	-
Meritz Securities	-	-	30,000,000	-	30,000,000	-
Kookmin Bank	10,000,000	3,000,000	-	-	13,000,000	
Korea Development Bank	-	5,000,000	-	-	5,000,000	
Korea Exim Bank	-	-	-	-	-	USD 58,000,000
Hana Bank	-	3,000,000		5,000,000	8,000,000	USD 10,000,000
	₩ 15,000,000	26,000,000	38,000,000	23,000,000	102,000,000	USD 68,000,000

18. Commitments and Contingencies, Continued

(2) Payment guarantee

① As of December 31, 2013, Kookmin Bank provides a payment guarantee of up to ₩377 million to the Company in relation to the Company's obligation to Korea Airports Corporation regarding restoration on the interior of the rental property.

② As of December 31, 2013, the Company 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 Company is provided with payment guarantee of ₩3,820 million from Seoul Guarantee Insurance Company related to the performance of contracts.

(3) The Company made a leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 1st 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 Company has a 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 1st during 2012, at fair value in August 28, 2015. The Company 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 Company 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 Company 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 Company under the confidentiality agreement with the investor and PT GLP. As such, the Company does not disclose the specific information on investment details and plans.

19. 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:

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

For the years ended December 31, 2013 and 2012

20. Capital Surplus

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

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

21. Retained Earnings

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

(In thousands of won)		2013	2012
Legal reserve	₩	9,390,069	8,668,458
Voluntary reserve		8,410,000	8,410,000
Unappropriated retained earnings		336,653,252	301,656,449
	₩	354,453,321	318,734,907

The Korean Commercial Code requires the 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 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:

(In thousands of won)		2013	2012
Beginning balance	₩	318,734,907	254,371,948
Business combination		681,560	-
Net income		43,078,296	72,744,947
Dividends		(7,216,110)	(6,185,237)
Remeausrement loss of defined benefit plan		(825,332)	(2,196,751)
Ending balance	₩	354,453,321	318,734,907

21. Retained Earnings, Continued

(3) Separate statements of appropriation of retained earnings for the years ended December 31, 2013 and 2012 are as follows:

(In thousands of won)		2013	2012
I. Unappropriated retained earnings			
Balance at beginning of year	₩	293,718,728	231,108,253
Business combination		681,560	-
Net income		43,078,296	72,744,947
Remeasurement loss of defined benefit plan		(825,332)	(2,196,751)
Balance at end of year before appropriation		336,653,252	301,656,449
II. Appropriation of retained earings			
Legal reserve		(740,646)	(721,611)
Dividends:			
70% on par value at ₩350 per share in 2013 and 2012		(7,406,460)	(7,216,110)
III. Unappropriated retained earnings to be carried over to subsequent year	₩	328,506,146	293,718,728

22. Other Capital

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

(In thousands of won)		2013	2012
Capital adjustments	₩	(4,020,846)	(7,153,939)
Accumulated other comprehensive loss		(465,848)	(439,674)
Other capital surplus		58,743	-
	₩	(4,427,951)	(7,593,613)

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

(In thousands of won)		2013	2012
Loss on disposal of treasury stock	₩	-	(3,335,080)
Stock option		39,997	76,479
Other capital adjustments		(4,060,843)	(3,895,338)
	₩	(4,020,846)	(7,153,939)

For the years ended December 31, 2013 and 2012

22. Other Capital, Continued

(3) Share based payment

The Company can offer stock options to the employees who contributed to foundation, management and oversea 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)

Date of grant	Method of grant	Total stock options granted		Compensation cost		Exercise price	Exercisable period
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 option and weighted average exercise price for the year ended December 31, 2013 were as follows:

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

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:

	Phase 1	Phase 2
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 losses as of December 31, 2013 and 2012 are as follows:

(In thousands of won)		2013	2012
Loss on valuation of available-for-sale financial assets	₩	(465,848)	(439,674)

23. 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)		2013	2012
Salaries	₩	88,955,362	72,451,837
Employee benefits		6,735,813	4,064,382
Other employee benefits		9,833,865	7,125,883
Supplies		4,254,229	5,637,171
Entertainment		644,345	552,412
Office supplies		265,846	370,339
Publication		1,358,897	1,131,495
Travel		2,916,822	2,790,430
Communications		2,777,549	2,211,907
Vehicles maintenance		559,759	412,328
Rent		65,219,670	53,926,269
Depreciation		3,381,580	2,745,047
Amortization		7,473,897	7,087,594
Bad debt expense		212,317	44,422
Maintenance		1,531,394	2,081,961
Insurance		979,496	761,622
Taxes and dues		2,094,522	1,972,981
Miscellaneous		2,245,885	1,348,842
Advertising		5,270,222	9,513,348
Sales promotion		11,244,912	18,379,145
Research		1,558,928	1,408,826
Training		1,881,666	1,348,247
Events		1,341,771	1,237,539
Conference		1,311,422	1,173,888
Maintenance expenses for buildings		49,500,455	40,008,996
Commission		61,385,062	50,801,571
	₩	334,935,686	290,588,482

24. 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	₩	40,405,426	-	40,405,426	30,720,041	-	30,720,041
Employee benefits		14,129,783	95,691,175	109,820,958	10,684,813	76,516,219	87,201,032
Depreciation		40,496,387	3,381,580	43,877,967	33,182,766	2,745,047	35,927,813
Amortization		22,197	7,473,897	7,496,094	-	7,087,594	7,087,594
Other expenses		274,874,552	228,389,034	503,263,586	227,100,484	204,239,622	431,340,106
	₩	369,928,345	334,935,686	704,864,031	301,688,104	290,588,482	592,276,586

25. 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	₩	28,448	6,700
Gain on disposal of other financial assets		-	26,623,686
Commission income		2,991,561	3,902,166
Rental income		128,621	142,237
Gain on unredeemed vouchers		3,682,238	4,525,357
Miscellaneous income		1,440,311	2,602,771
	₩	8,271,179	37,802,917

(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
Other bad debt expenses	₩	904,295	683,807
Loss on disposal of property and equipment		2,819,805	945,351
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		-	13,033
Loss on impairment of intangible assets		101,002	-
Other provision		4,600,000	-
Miscellaneous loss		320,737	379,155
Donations		3,619,449	1,142,540
	₩	13,559,144	3,224,271

For the years ended December 31, 2013 and 2012

26. 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:

(In thousands of won)		2013	2012
Interest income:			
Cash and cash equivalents	₩	2,256,664	2,807,288
Loans and receivables		1,138,009	4,871,599
Dividend income		1,056,383	970,532
Foreign currency transaction gain:			
Loans and receivables		-	70,551
Financial liabilities recognized at amortized cost		124,145	-
Foreign currency translation gain:			
Cash and cash equivalents		8,259	-
Loans and receivables		4,938	511
Financial liabilities recognized at amortized cost		976,440	4,838,526
Gain on valuation of derivative financial assets		-	2,903
Gain on transaction of derivative financial assets		997	964
	₩	5,565,835	13,562,874
Other comprehensive income:			
Gain on valuation of available-for-sale financial assets	₩	-	969,603

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

(In thousands of won)		2013	2012
Interest expense:			
Financial liabilities recognized at amortized cost	₩	18,070,120	18,855,456
Foreign currency transaction loss:			
Loans and receivables		-	10,000
Financial liabilities recognized at amortized cost		8,200	3,312
Foreign currency translation loss:			
Cash and cash equivalents		89	-
Loans and receivables		8,564	97,816
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		235,350	3,968
	₩	22,712,303	24,527,150
Other comprehensive cost:			
Loss on valuation of available-for-sale financial assets	₩	26,175	-

27. Income Tax Expense

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

(In thousands of won)		2013	2012
Current tax expense	₩	6,050,553	13,145,314
Adjustment for prior years		736,660	(445,216)
Origination and reversal of temporary differences		(4,426,441)	9,233,049
Income tax recognized in other comprehensive income		271,853	391,781
Total income tax expense	₩	2,632,625	22,324,928

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

(In thousands of won)		2013		2012	
		Other comprehensive income	**Deferred tax assets (liabilities)**	**Other comprehensive income**	**Deferred tax assets (liabilities)**
Gain on valuation of available-for-sale financial assets	₩	34,532	(8,357)	1,279,160	(309,557)
Remeasurement income (loss) of defined benefit plan		1,088,829	(263,496)	(2,898,089)	701,338
	₩	1,123,361	(271,853)	(1,618,929)	391,781

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

(In thousands of won)		2013	2012
Income before income taxes	₩	45,710,921	95,069,875
Income tax using the Company's statutory tax rate		10,600,043	22,146,910
Adjustments:			
- Tax effect for non-deductible expense		754,647	73,774
- Tax effect for non-taxable income		(69,926)	-
- Tax credit		(23,178)	-
- Unrecognized deferred tax on temporary differences		(5,754,866)	-
- Adjustments for prior years		736,660	(445,216)
- Tax effect for merger reserve and succession of accumulated deficit		(2,002,932)	-
- Others		(1,607,823)	549,460
Income tax expenses	₩	2,632,625	22,324,928
Average effective tax rate		5.76%	23.48%

27. Income Tax Expense, Continued

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

		2013		
		Temporary differences	Deferred tax assets (liabilities)	
(In thousands of won)		Ending balance	Beginning balance	Ending balance
Allowance for doubtful accounts	₩	3,198,003	1,207,309	773,917
Accrued retirement and severance benefits		25,712,115	3,599,917	6,222,332
Provision for retirement and severance benefits		(25,712,115)	(3,599,916)	(6,222,332)
Depreciation		(1,992,081)	(622,741)	(482,083)
Amortization		(785,025)	(78,746)	(189,976)
Accrued income		(74,180)	(128,397)	(17,951)
Goodwill		(7,495,531)	(1,119,223)	(1,813,919)
Impairment loss on property and equipment		573	1,633	138
Impairment loss on intangible assets		809,399	203,422	195,875
Provisions		1,694,584	185,338	410,090
Deferred revenues		9,990,978	2,657,378	2,417,816
Lands		(52,828,873)	(12,784,587)	(12,784,587)
Equity method investments		1,500,000	5,673,994	363,000
Bad debt		9,526,605	1,924,392	2,305,438
Losses on valuation of available-for-sale financial assets		614,577	140,371	148,728
Prepaid expenses		(73,901,311)	(18,610,849)	(17,884,118)
Present value discount		10,329,742	1,275,400	2,499,797
Unearned revenue		157,747	48,140	38,175
Other payables		39,558,526	9,878,619	9,573,163
Leasehold deposits		94,086	22,769	22,769
Loss on valuation of interest rate forward		4,979,123	297,123	1,204,947
Loss on valuation of interest rate swap		(2,137)	(702)	(516)
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
		(48,541,189)	(9,829,356)	(11,746,968)
Tax loss carryforward		1,398,191	-	338,362
Subtotal		(47,142,998)	(9,829,356)	(11,408,606)
Excluded from deferred tax assets(*)			(4,554,772)	1,450,919
Total	₩		(14,384,128)	(9,957,687)

(*) Deferred tax assets of ₩1,451 million for temporary differences related to investments in subsidiaries and associates were not recognized, as it is not probable the temporary differences will be reversed in the foreseeable future.

27. Income Tax Expense, Continued

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

		2012		
		Temporary differences	**Deferred tax assets (liabilities)**	
(In thousands of won)		**Ending balance**	**Beginning balance**	**Ending balance**
Allowance for doubtful accounts	₩	4,988,878	1,135,663	1,207,309
Accrued retirement and severance benefits		14,875,689	2,549,842	3,599,917
Provision for retirement and severance benefits		(14,875,689)	(2,549,841)	(3,599,916)
Depreciation		(2,573,312)	(628,879)	(622,741)
Amortization		(325,396)	(42,107)	(78,746)
Accrued income		(530,567)	(26,611)	(128,397)
Goodwill		(4,624,887)	(1,119,223)	(1,119,223)
Impairment loss on property and equipment		6,749	5,939	1,631
Impairment loss on intangible assets		840,585	265,014	203,422
Provisions		765,859	125,542	185,339
Deferred revenues		10,980,903	4,232,188	2,657,378
Lands		(52,828,873)	(12,784,587)	(12,784,587)
Equity method investments		23,446,257	5,673,995	5,673,995
Bad debt		7,952,034	2,116,831	1,924,392
Losses on valuation of available-for-sale financial assets		580,045	449,927	140,370
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	-	9,878,619
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)
Subtotal		(40,617,175)	(596,307)	(9,829,356)
Excluded from deferred tax assets(*)			(4,554,772)	(4,554,772)
Total	₩		(5,151,079)	(14,384,128)

(*) Deferred tax assets of ₩4,555 million for temporary differences related to investments in subsidiaries and associates 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 are calculated by expected tax rate of the fiscal period when the temporary differences are expected to reverse.

(7) The aggregate amounts of deferred tax assets and liabilities as of December 31, 2013 and 2012 are as follows:

(In thousands of won)		**2013**	**2012**
Deferred tax assets	₩	27,623,877	21,441,810
Deferred tax liabilities		(37,581,564)	(35,825,938)
	₩	(9,957,687)	(14,384,128)

For the years ended December 31, 2013 and 2012

28. 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:

(In won, except share information)		2013	2012
Net income attributable to ordinary shares	₩	43,078,296,035	72,744,947,405
Weighted average number of ordinary shares		20,696,429	20,617,458
Basic earnings per share	₩	2,081	3,528

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

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

(2) Diluted earnings per share

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

(In won, except share information)		2013	2012
Adjusted net income attributable to ordinary shares	₩	43,078,296,035	72,744,947,405
Diluted weighted average number of ordinary shares		20,701,152	20,618,515
Diluted earnings per share	₩	2,081	3,528

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

(In share)	2013	2012
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	20,701,152	20,618,515

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

29. Related Parties

(1) Parent company and subsidiaries

① The Company's ultimate parent company is CJ Corp. and the Company'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

29. Related Parties, Continued

(1) Parent company and subsidiaries, continued

② The Company's associates, joint ventures and other related companies as of December 31, 2013 are as follows:

Relationship	Name
Associate	SSV Contents Investment Association
Joint ventures	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
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

29. 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	Dividend income	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
Subsidiaries	Primus Cinema Co., Ltd.		390,338	885,715	-	22,336	-	-	-	-
	CJ 4DPlex Co., Ltd.		10,735	-	-	826,604	3,714,780	-	1,397,020	-
	CGI Holdings Ltd.		-	159,165	-	-	-	-	-	-
	Simuline Inc.		33,597	-	-	-	-	-	776	-
Joint ventures	D-Cinema Korea Co., Ltd.		-	-	-	-	-	36,440	35,570	-
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.		-	-	472,424	-	-	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.		-	-	583,959	-	-	-	-	-
Other related companies	CJ E&M Corp.		2,844,962	2,387,380	-	60,077,370	1,089,207	-	2,897,440	-
	CJ O Shopping Co., Ltd.		327,365	3,148,606	-	-	13,978	-	75,490	-
	CJ Systems Co., Ltd.		1,303	64,186	-	-	2,954,161	2,320,424	21,102,961	-
	CJ Worldis Co., Ltd.		-	1,635	-	-	-	-	1,025	-
	CJ N City Co., Ltd.		2,816	68,043	-	-	-	-	421,179	-
	CJ Olive Young Co., Ltd.		140,079	2,788,948	-	-	-	-	252,738	-
	CJ Powercast Inc.		742,100	8,614	-	20,843	727,412	-	2,433,175	-
	CJ Foodvill Co., Ltd.		1,207,127	3,399,617	-	3,136,234	280,350	-	5,220,643	-
	CJ Freshway Corporation		19,078	337,067	-	21,860,446	38,600	-	2,831,787	-
	JS Communications Co., Ltd.		64,646,016	-	-	906,134	-	-	-	-
	CJ Construction Co., Ltd.		17,516	57,301	-	8,080	13,283,288	-	224,364	-
	CNI Leisure Co., Ltd.		-	-	-	475,108	-	-	-	-
	Joy Rent a Car Co., Ltd.		-	-	-	251,917	-	-	-	-
	CJ Mooter Inc.		-	-	-	71,000	-	-	-	-

29. 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	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related companies	CJ Cheiljedang Corp.	₩ 961,383	921,662	-	114,745	-	-	4,083,221	-
	Art service Co. Ltd.	-	-	-	-	-	-	4,194	-
	CJ Telenix Co., Ltd.	1,275	9,977	-	5,112	-	-	1,894,599	-
	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	-	2,830	-	-	20,019	-
	ANI-PARK Co., Ltd.	-	5,878	-	-	-	-	-	-
	On Game Network Inc.	400	7,200	-	14,225	-	-	-	-
	CJ EDUCATIONS CORPORATION	552	1,678	-	-	-	-	97,713	-
	CJ Venture Investment	176	-	-	-	-	-	-	-
	CJ Hellovision Co., Ltd.	32,500	406,047	-	-	-	-	15,302	-
	MezzoMedia Inc.	-	-	-	13,000	-	-	-	-
		₩ 71,791,700	15,408,664	1,056,383	87,805,984	22,101,776	2,356,864	46,094,999	2,889,950

29. 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	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Parent	CJ Corp.	₩ 50,195	346,285	-	-	-	-	2,595,669	2,477,100
Subsidiaries	Primus Cinema Co., Ltd.	1,843,771	451,646	-	181,051	6,740,961	-	82,869	-
	CJ 4DPlex Co., Ltd.	16,767	-	-	420,234	1,848,799	-	528,485	-
	CGI Holdings Ltd.	-	42,441	-	-	-	-	-	-
Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	160,000	-	71,360	151,060	-
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	444,691	-	-	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.	-	-	525,841	-	-	-	-	-
Other related companies	CJ E&M Corp.	4,694,998	1,101,170	-	60,186,983	380,427	-	6,022,042	-
	CJ O Shopping Co., Ltd.	294,562	2,828,400	-	-	33,402	-	545,643	-
	CJ Systems Co., Ltd.	1,037	38,316	-	-	1,574,759	3,608,224	16,113,229	-
	CJ Worldis Co., Ltd.	-	1,225	-	-	-	-	545	-
	CJ N City Co., Ltd.	2,097	46,612	-	-	-	-	458,347	-
	CJ Olive Young Co., Ltd.	28,577	1,475,388	-	-	-	-	126,271	-
	CJ Powercast Inc.	560,837	-	-	6,800	341,352	12,760	1,976,860	-
	CJ Foodvill Co., Ltd.	1,297,230	1,918,699	-	3,489,515	398,496	80,000	3,626,465	-
	CJ Freshway Corporation	5,798	311,638	-	17,893,494	103,360	-	165,695	-
	JS Communications Co., Ltd.	56,856,750	-	-	-	-	-	521,357	-
	CJ Construction Co., Ltd.	13,987	45,242	-	6,300	4,200,000	-	150,932	-
	CNI Leisure Co., Ltd.	3,908	-	-	-	-	-	646,007	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	-	214,640	-
	CJ Mooter Inc.	-	-	-	-	-	-	86,000	-
	CJ Cheiljedang Corp.	174,053	1,983,452	-	54,631	-	-	3,287,994	-

29. 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	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related companies	Art service Co. Ltd.	₩	-	-	-	10,434	-	-	28,300	-
	CJ Telenix Co., Ltd.		1,194	-	-	-	-	-	1,450,657	-
	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	-	-	-	-	6,060	-
	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 badook television Inc.		-	-	-	-	-	-	100,000	-
	International Media Genius, INC.		-	-	-	-	-	-	50,000	-
	CJ NGC KOREA, INC.		-	-	-	-	-	-	50,000	-
		₩	66,182,155	11,403,348	970,532	82,409,442	15,621,556	3,772,344	40,248,510	2,477,100

29. 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	-	-	352,883
Subsidiaries	CJ 4DPlex Co., Ltd.		1,984	-	19,486	63,203	-	1,367,205
	Simuline Inc.		9,473	-	96	-	-	-
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	-	-	-
Other related companies	CJ E&M Corp.		1,521,671	-	1,651,463	3,677,497	613,120	1,017,594
	CJ Cheiljedang Corp.		79,495	389,929	401,523	5,336	-	792,351
	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	-	329,799	2,075,328
	CJ Worldis Co., Ltd.		-	-	401	-	-	11,647
	CJ Hellovision Co., Ltd.		120,103	-	275,062	80,379	-	59,658
	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	-	619,448
	Art service Co. Ltd.		-	-	-	5,377	-	-
	CJ Systems Co., Ltd.		20,570,433	-	281,573	-	-	6,595,955
	CJ Construction Co., Ltd.		3,664	-	3,819,918	14,557	-	2,560,432
	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.		-	-	-	-	-	23,100
	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	-	-	-
	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	-	-
		₩	43,578,207	499,929	12,530,561	7,430,904	2,127,879	23,629,196

For the years ended December 31, 2013 and 2012

29. Related Parties, Continued

(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
Subsidiaries	Primus Cinema Co., Ltd.		228,914	-	71,799	16,133	1,838,730	5,571,144
	CJ 4DPlex Co., Ltd.		2,614	-	228	290,540	-	157,036
Joint ventures	D-Cinema Korea Co., Ltd.		-	-	-	-	-	1,408
Other related companies	CJ E&M Corp.		853,646	762,227	446,030	31,272,601	823,120	2,199,803
	CJ Cheiljedang Corp.		10,398	389,929	1,088,950	31,933	-	638,452
	CJ Freshway Corporation		777	-	86,001	2,905,882	-	4,192,022
	CJ Foodvill Co., Ltd.		142,197	120,000	791,043	681,070	1,124,960	2,443,325
	CJ O Shopping Co., Ltd.		39,062	-	811,942	-	330,000	2,736,868
	CJ Worldis Co., Ltd.		-	-	-	-	-	14,788
	CJ Hellovision Co., Ltd.		1,205	-	59,864	-	-	19,972
	CJ Telenix Co., Ltd.		153	-	191	-	-	191,878
	CJ Olive Young Co., Ltd.		10,421	-	858,221	-	-	447,426
	CJ Powercast Inc.		187,550	-	-	3,300	-	436,155
	Art service Co. Ltd.		-	-	-	2,742	-	-
	CJ Systems Co., Ltd.		13,882,795	-	280,867	-	-	6,938,282
	CJ Construction Co., Ltd.		1,082	-	3,791,833	-	-	1,530,795
	CJ N City Co., Ltd.		206	-	-	-	-	41,898
	Joy Rent a Car Co., Ltd.		-	-	-	-	-	23,348
	JS Communications Co., Ltd.		16,249,891	-	10,500	-	-	179,786
	CJ Mooter Inc.		-	-	-	-	-	19,800
	CNI Leisure Co., Ltd.		534	-	-	-	-	2,440
	CJ Korea Express Co., Ltd.		3,885	-	193,043	-	-	10,486
	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	-	-	-
		₩	31,948,232	1,272,156	8,639,209	35,204,201	4,116,810	28,808,584

(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	₩	2,438,963	3,300,451
Costs related to defined benefit plan		378,544	238,997
Long-term employee benefits		105,010	117,538

The Company 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.

29. Related Parties, Continued

(7) Details of guarantees which the Company 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
Subsidiary	CGI Holdings Ltd.		USD 20,000,000	Credit line guarantee	Woori Bank Hong Kong
			HKD 91,650,000		KEB Hong Kong
			RMB 70,000,000		HSBC
			HKD 30,000,000		Bank of China (Hong Kong) Limited
			USD 30,000,000		Korea Exim Bank
	CJ CGV America LA LLC.		-	Guarantee on lease contracts	MADANG, LLC.
Joint venture	D-Cinema Korea Co., Ltd.		-	Performance guarantee	20th Century Fox Film Corporation
Executives and staff members	Executives and staff members	₩	182,220	Guarantee on loans of employees	Hana Bank
			3,219,773		Shinhan Bank

30. Merger

On June 21, 2013, the Company merged with Primus Cinema Co., Ltd.

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

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

30. Merger, Continued

(4) Condensed financial statements 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

(5) If the merger had occurred on January 1, 2013, it is estimated that revenue and operating profit of the Company would have been ₩793,550 million and ₩69,425 million, respectively.