

CJ CGV CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

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

We have audited the accompanying consolidated financial statements of CJ CGV Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determined is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgments, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Other Matter

The accompanying consolidated statement of financial position of the Group as of December 31, 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, were audited by us in accordance with the previous auditing standards generally accepted in the Republic of Korea.

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 6, 2015

This report is effective as of March 6, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

As of December 31, 2014 and 2013

<i>(In won)</i>	<u>Note</u>	<u>2014</u>	<u>2013</u>
Assets			
Cash and cash equivalents	3,4,5	₩ 108,793,088,420	85,976,456,074
Trade receivables	3,4,7,31	105,723,894,536	79,868,794,977
Inventories	3,8	11,050,981,230	11,837,729,219
Other current financial assets	3,4,9,31	49,138,421,261	39,864,904,123
Other current assets	10	30,593,202,829	21,890,289,274
Current assets		<u>305,299,588,276</u>	<u>239,438,173,667</u>
Investments in equity method investees	3,11	69,421,406,919	35,008,199,421
Investment property	12	18,341,630,615	18,605,209,338
Property and equipment	3,6,13,15,31	588,228,910,012	507,660,703,073
Intangible assets	3,6,14,31	100,707,021,414	107,151,244,746
Deferred tax assets	3,28	5,083,684,457	1,252,294,147
Non-current trade receivables	3,4,7	619,253,853	-
Other non-current financial assets	3,4,9,31	79,044,009,330	99,446,165,754
Other non-current assets	10	88,173,418,016	90,612,963,926
Non-current assets		<u>949,619,334,616</u>	<u>859,736,780,405</u>
Total assets		<u>₩ 1,254,918,922,892</u>	<u>1,099,174,954,072</u>

See accompanying notes to the consolidated financial statements.

CJ CGV CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position, Continued

As of December 31, 2014 and 2013

<i>(In won)</i>	<u>Note</u>	<u>2014</u>	<u>2013</u>
Liabilities			
Trade payables	3,4,31	₩ 89,245,121,665	67,214,724,825
Other payables	3,4,19,31	101,168,239,891	86,224,329,437
Short-term borrowings	3,4,17	58,551,340,893	52,766,882,990
Current portion of debentures	3,4,17	69,967,953,722	99,914,976,219
Current portion of long-term borrowings	3,4,17	26,000,000,000	61,207,400,000
Current tax liabilities	28	10,459,225,953	1,784,482,601
Other current financial liabilities	3,4,15	16,855,041,850	12,573,068,536
Other current liabilities	16	101,547,435,341	73,375,623,081
Current liabilities		<u>473,794,359,315</u>	<u>455,061,487,689</u>
Long-term debentures	3,4,17	179,537,621,372	99,771,282,445
Long-term borrowings	3,4,17	133,138,817,386	77,617,349,204
Long-term other payables	3,4,19	32,765,743,372	46,782,188,417
Employee benefits	3,18	10,397,633,680	6,373,930,652
Deferred tax liabilities	3,28	12,089,271,099	11,309,970,213
Other non-current financial liabilities	3,4,15	1,688,870,745	7,356,803,791
Other non-current liabilities	16	20,327,646,269	16,269,544,925
Non-current liabilities		<u>389,945,603,923</u>	<u>265,481,069,647</u>
Total liabilities		<u>863,739,963,238</u>	<u>720,542,557,336</u>
Shareholders' equity			
Common stock	1,3,20	10,580,656,500	10,580,656,500
Capital surplus	21	89,157,245,168	89,157,245,168
Retained earnings	22	284,631,794,013	278,368,178,892
Other capital	23	(2,444,515,401)	(5,862,665,769)
Equity attributable to owners of the Parent Company		<u>381,925,180,280</u>	<u>372,243,414,791</u>
Non-controlling interests		<u>9,253,779,374</u>	<u>6,388,981,945</u>
Total shareholders' equity		<u>391,178,959,654</u>	<u>378,632,396,736</u>
Total liabilities and shareholders' equity		<u>₩ 1,254,918,922,892</u>	<u>1,099,174,954,072</u>

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2014 and 2013

<i>(In won)</i>	<u>Note</u>	<u>2014</u>	<u>2013</u>
Revenue	3,6,31 ₩	1,039,295,973,405	915,929,692,131
Cost of sales	25,31	(526,886,681,964)	(448,055,266,044)
Gross profit		<u>512,409,291,441</u>	<u>467,874,426,087</u>
Selling, general and administrative expenses	24,25,31	(460,326,563,013)	(416,358,575,550)
Operating profit		<u>52,082,728,428</u>	<u>51,515,850,537</u>
Finance income	17,27	19,696,253,025	7,054,485,495
Finance costs	17,19,27	(32,330,491,482)	(29,664,725,883)
Other non-operating income	26	9,198,204,260	9,104,504,160
Other non-operating expenses	26	(18,443,787,199)	(24,036,419,898)
Gain on investments in associates	11	4,573,023,126	2,231,704,783
Loss on investments in associates	11	(208,779,780)	(1,119,587,701)
Income before income taxes		<u>34,567,150,378</u>	<u>15,085,811,493</u>
Income tax expense	28	(18,547,301,179)	(2,953,966,264)
Net income	6	<u>16,019,849,199</u>	<u>12,131,845,229</u>
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit plan	3,18	(3,924,236,072)	(1,089,249,888)
Taxes on items that will not be reclassified to profit or loss		880,819,143	263,496,543
Total items that will not be reclassified to profit or loss		<u>(3,043,416,929)</u>	<u>(825,753,345)</u>
Items that are or may be reclassified subsequently to profit or loss:			
Net changes in fair value of available-for-sale financial assets	9,27	110,843,753	703,821,424
Change in equity of equity method investments	11	1,060,584,591	218,870,537
Foreign currency translation difference for foreign operations		3,580,269,369	(201,150,708)
Taxes on items that are or may be reclassified subsequently to profit or loss		-	(140,370,584)
Total items that are or may be reclassified subsequently to profit or loss:		<u>4,751,697,713</u>	<u>581,170,669</u>
Total comprehensive income	₩	<u>17,728,129,983</u>	<u>11,887,262,553</u>
Profit attributable to			
Owners of the Parent Company	₩	16,657,220,156	12,682,157,780
Non-controlling interests		(637,370,957)	(550,312,551)
	₩	<u>16,019,849,199</u>	<u>12,131,845,229</u>
Total comprehensive income			
Owners of the Parent Company	₩	18,156,526,878	12,531,532,686
Non-controlling interests		(428,396,895)	(644,270,133)
	₩	<u>17,728,129,983</u>	<u>11,887,262,553</u>
Earnings per share			
Basic earnings per share	3,29 ₩	787	613
Diluted earnings per share	3,29	787	613

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2014 and 2013

<i>(In won)</i>	<u>Common stock</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Other capital</u>	<u>Non-controlling interest</u>	<u>Total</u>
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Balance at January 1, 2013	₩	10,308,729,000	67,150,745,209	273,722,904,651	(5,585,331,888)	2,399,587,085	347,996,634,057
Total comprehensive income (loss)							
Net income (loss)		-	-	12,682,157,780	-	(550,312,551)	12,131,845,229
Net changes in fair value of available-for-sale financial assets		-	-	-	551,087,231	12,363,609	563,450,840
Remeasurements of the defined benefit plan		-	-	(820,773,239)	-	(4,980,106)	(825,753,345)
Change in equity of equity method investments		-	-	-	218,870,537	-	218,870,537
Foreign currency translation difference for foreign operations		-	-	-	(99,809,623)	(101,341,085)	(201,150,708)
Total		-	-	11,861,384,541	670,148,145	(644,270,133)	11,887,262,553
Transactions with owners of the Parent Company, recognized directly in equity							
Increase (decrease) from merger		271,927,500	(271,927,500)	-	-	-	-
Dividends		-	-	(7,216,110,300)	-	-	(7,216,110,300)
Disposal of treasury stock		-	22,278,427,459	-	3,335,079,911	-	25,613,507,370
Exercise of stock options		-	-	-	(252,800,000)	-	(252,800,000)
Acquisition of subsidiary		-	-	-	-	2,660,140,636	2,660,140,636
Additional acquisition of investments in subsidiary		-	-	-	(4,029,761,937)	1,973,524,357	(2,056,237,580)
Total		271,927,500	22,006,499,959	(7,216,110,300)	(947,482,026)	4,633,664,993	18,748,500,126
Balance at December 31, 2013	₩	<u>10,580,656,500</u>	<u>89,157,245,168</u>	<u>278,368,178,892</u>	<u>(5,862,665,769)</u>	<u>6,388,981,945</u>	<u>378,632,396,736</u>
Balance at January 1, 2014		10,580,656,500	89,157,245,168	278,368,178,892	(5,862,665,769)	6,388,981,945	378,632,396,736
Total comprehensive income (loss)							
Net income (loss)		-	-	16,657,220,156	-	(637,370,957)	16,019,849,199
Net changes in fair value of available-for-sale financial assets		-	-	-	75,502,393	35,341,360	110,843,753
Remeasurements of the defined benefit plan		-	-	(2,987,145,485)	-	(56,271,444)	(3,043,416,929)
Change in equity of equity method investments		-	-	-	1,060,584,591	-	1,060,584,591
Foreign currency translation difference for foreign operations		-	-	-	3,350,365,223	229,904,146	3,580,269,369
Total		-	-	13,670,074,671	4,486,452,207	(428,396,895)	17,728,129,983
Transactions with owners of the Parent Company, recognized directly in equity							
Dividends		-	-	(7,406,459,550)	-	-	(7,406,459,550)
Exercise of stock options		-	-	-	(164,840,000)	-	(164,840,000)
Acquisition of subsidiaries		-	-	-	-	241,786,350	241,786,350
Paid-in capital increase of subsidiaries		-	-	-	-	1,319,229,402	1,319,229,402
Change in ownership in subsidiary		-	-	-	(903,461,839)	1,732,178,572	828,716,733
Total		-	-	(7,406,459,550)	(1,068,301,839)	3,293,194,324	(5,181,567,065)
Balance at December 31, 2014	₩	<u>10,580,656,500</u>	<u>89,157,245,168</u>	<u>284,631,794,013</u>	<u>(2,444,515,401)</u>	<u>9,253,779,374</u>	<u>391,178,959,654</u>

See accompanying notes to the consolidated financial statements.

CJ CGV CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(In won)

		<u>2014</u>	<u>2013</u>
Cash flows from operating activities			
Net income	₩	16,019,849,199	12,131,845,229
Adjustments for:			
Income tax expense		18,547,301,179	2,953,966,264
Expenses for employee		11,167,630,252	8,735,649,742
Depreciation		63,791,923,755	55,733,253,080
Amortization		18,682,710,868	11,378,639,600
Bad debt expenses		743,345,694	233,372,719

<i>(In won)</i>	<u>2014</u>	<u>2013</u>
Other bad debt expenses	327,261,587	904,295,032
Foreign currency translation loss	3,452,096,415	1,557,811,957
Interest expense	20,184,228,365	21,929,623,620
Loss on disposal of inventories	-	591,978,404
Loss on (reversal of) valuation of inventories	(43,463,301)	143,798,438
Loss on valuation of derivative financial assets	6,057,430,821	4,384,195,913
Loss on transaction of derivative financial assets	1,282,594,440	5,784,110
Loss on disposal of available-for-sale financial assets	4,013,814	701,198,354
Loss on disposal of other financial assets	866,119,688	1,182,790,199
Loss on disposal of property and equipment	3,648,228,327	3,089,030,181
Loss on disposal of intangible assets	4,652,188,766	11,065,663
Impairment losses on intangible assets	-	9,551,103,093
Loss on disposal of trade receivables	-	14,993,065
Loss on disposal of investments in associates	208,779,780	1,119,587,701
Other non-cash expenses	11,007,394,795	12,894,826,402
Interest income	(3,311,753,161)	(4,878,768,170)
Foreign currency translation gain	(1,417,509,673)	(1,475,937,179)
Gain on valuation of short-term financial Instruments	(213,277,718)	-
Gain on valuation of derivative financial assets	(11,877,544,646)	-
Gain on transaction of derivative financial assets	(1,554,164)	(997,260)
Gain on disposal of property and equipment	(603,451,840)	(30,220,600)
Gain on disposal of investments in associates	(4,573,023,126)	(2,231,704,783)
Other non-cash income	(501,720,446)	(119,800,018)
	<u>142,079,950,471</u>	<u>128,379,535,527</u>
Changes in assets and liabilities:		
Trade receivables	(26,309,725,609)	(29,621,731,861)
Other current financial assets	(7,711,373,555)	(1,566,965,689)
Other current assets	(8,224,073,487)	(2,998,701,404)
Inventories	198,388,793	(3,496,268,473)
Other non-current assets	(3,494,091,410)	(1,114,959,631)
Trade payables	21,593,515,760	(15,304,076,025)
Other payables	29,730,929,818	12,965,749,896
Other current financial liabilities	(27,294,950)	3,680,615,655
Other current liabilities	15,102,566,363	(1,354,951,603)
Long-term other payables	(2,958,453,004)	(1,312,336,890)
Other non-current financial liabilities	189,000,000	(106,000,000)
Other non-current liabilities	843,421,290	(1,739,071,505)
Payment of retirement and severance benefits	(2,358,598,619)	(1,821,411,363)
Severance benefits from affiliated companies	120,435,323	202,805,563
Employee benefit plan assets	(8,830,000,000)	(11,142,301,670)
	<u>₩ 7,864,646,713</u>	<u>(54,729,605,000)</u>

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2014 and 2013

<i>(In won)</i>	<u>2014</u>	<u>2013</u>
Cash generated from operating activities	₩ 165,964,446,383	85,781,775,756
Interest received	2,434,960,230	5,997,969,011
Dividend received	1,154,621,660	-
Interest paid	(20,149,528,797)	(14,889,122,674)
Income taxes paid	(9,921,896,935)	(15,393,797,714)
Net cash from operating activities	<u>139,482,602,541</u>	<u>61,496,824,379</u>

<i>(In won)</i>	2014	2013
Cash flows from investing activities		
Decrease of short-term financial assets	10,048,950,000	1,475,900,000
Decrease of long-term financial assets	-	318,000,000
Proceeds from disposal of available-for-sale financial assets	98,956,474	294,567,406
Decrease of other financial assets	6,403,867,543	2,889,650,595
Proceeds from disposal of property and equipment	2,032,212,854	3,544,013,134
Proceeds from disposal of intangible assets	-	3,989,974
Inflow from acquisition of subsidiaries	-	3,987,456,302
Increase of short-term financial assets	(302,500,000)	(375,000,000)
Increase of long-term financial assets	(326,540,000)	(621,620,000)
Acquisition of available-for-sale financial assets	(102,970,288)	(2,781,540,000)
Increase of other financial assets	(25,275,352,190)	(32,329,113,981)
Acquisition of investments in subsidiaries	-	(10,903,600,000)
Acquisition of investments in joint venture	(2,036,772,580)	(455,342,379)
Acquisition of investments in associates	(12,207,008,383)	-
Acquisition of property and equipment	(145,829,844,229)	(159,558,288,740)
Acquisition of intangible assets	(13,726,227,538)	(13,076,817,434)
Net cash used in investing activities	<u>(181,223,228,337)</u>	<u>(207,587,745,123)</u>
Cash flows from financing activities		
Proceeds from issue of debentures	149,559,200,000	29,878,474,852
Proceeds from short-term borrowings	175,945,154,381	196,474,106,039
Proceeds from long-term borrowings	76,921,897,714	63,399,119,764
Disposal of treasury stock	-	25,613,507,370
Proceeds from non-controlling interests on capital transactions	2,034,040,320	1,138,146,500
Repayment of debentures	(100,000,000,000)	(50,000,000,000)
Repayment of short-term borrowings	(175,471,564,348)	(187,116,142,798)
Repayment of current portion of long-term borrowings	(61,207,400,000)	-
Repayment of long-term borrowings	(16,716,954)	(10,600,000,000)
Dividends paid	(7,406,459,550)	(7,216,110,300)
Exercise of stock options	(164,840,000)	(252,800,000)
Others, net	(274,800,526)	(265,138,086)
Payment to non-controlling interests on capital transactions	(1,280,914,000)	(12,078,646,624)
Net cash from financing activities	<u>58,637,597,037</u>	<u>48,974,516,717</u>
Net increase (decrease) in cash and cash equivalents	16,896,971,241	(97,116,404,027)
Cash and cash equivalents at January 1	85,976,456,074	183,140,936,425
Effect of exchange rate fluctuations on cash held	5,919,661,105	(48,076,324)
Cash and cash equivalents at December 31	<u>₩ 108,793,088,420</u>	<u>85,976,456,074</u>

See accompanying notes to the consolidated financial statements.

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity

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

On June 21, 2013, the Parent Company merged with Primus Cinema Co., Ltd., which was one of its subsidiaries. As of December 31, 2014, the Group’s major shareholders are as follows:

Shareholders	The number of shares	Ownership (%)
CJ Corp.	8,257,000	39.02
National pension service	2,830,537	13.38
Korea Investment Management Co., Ltd.	2,323,949	10.98
Others	7,749,827	36.62
	21,161,313	100.00

(1) The list of subsidiaries as of December 31, 2014 and 2013 is as follows:

Parent Company	Subsidiaries	Location	Primary business	Effective ownership (%)	
				2014	2013
CJ CGV Co., Ltd.	CJ 4DPlex Co., Ltd.(*1)	Korea	Retail of equipment	93.66	93.42
	Simuline Inc.(*1)	Korea	Equipment manufacturing	70.35	64.89
	CJ CGV America, Inc.(*3) (formerly, CJ Theater LA Holdings Inc.)	USA	Theater operation	100.00	100.00
	CGI Holdings Ltd.	Hong Kong	Theater operation	100.00	100.00
	Envoy Media Partners Ltd.	British Virgin Island	Theater operation	100.00	100.00
	Cross Junction Investment Co., Pte. Ltd.	Singapore	Foreign Investment	100.00	-
	Crown Jade Company Pte. Ltd.	Singapore	Foreign Investment	100.00	-
Simuline Inc.	SIMULINE(HONG KONG) LIMITED(*1)	Hong Kong	Equipment manufacturing	70.35	64.89
	SIMULINE(CHINA) LIMITED(*1)	China	Equipment manufacturing	70.35	64.89
CJ Theater LA Holdings Inc. (formerly, CJ Theater LA Holdings Inc.)	CJ CGV AMERICA LA, LLC.	USA	Theater operation	100.00	100.00
CGI Holdings Ltd.	UVD Enterprise Ltd.	Hong Kong	Theater operation	100.00	100.00
	CJ CGV(Shanghai) Enterprise Management Co., Ltd.	China	Theater operation	100.00	100.00
	Vietnam Cinema 1 Company Ltd.	Vietnam	Theater operation	80.00	80.00
UVD Enterprise Ltd.	CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.	China	Theater operation	100.00	100.00
	PanJin CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.	China	Theater operation	100.00	100.00
	CJ CGV (Harbin) International Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Changsha) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	YANTAI CGV CINEMA CO., LTD.	China	Theater operation	100.00	100.00
	CGV (BEIJING) INTERNATIONAL CINEMA CO., LTD.	China	Theater operation	100.00	100.00
	ZIBO CGV CINEMA CO., LTD.	China	Theater operation	100.00	100.00
	CGV Orsun (WuHan) Cinema Co., Ltd.(*2,3) (formerly, CGV(WuHan) Cinema Co., Ltd.)	China	Theater operation	70.00	100.00
	Wuhu CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00

1. Reporting Entity, Continued

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(1) The list of subsidiaries as of December 31, 2014 and 2013 are as follows, continued:

Parent Company	Subsidiaries	Location	Primary business	Effective ownership (%)		
				2014	2013	
UVD Enterprise Ltd.	CGV (Tangshan) Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
	Liaoning CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
	CGV (HuaiAn) Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
	CGV (Chengdu) Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
	CGV (Chongqing) Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
	YuYao CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
	CGV tianhe (wuhan) cinema Co., Ltd.	China	Theater operation	70.00	-	
	Jiangmen CGV cinema Co., Ltd.	China	Theater operation	100.00	-	
	Jiangsu CGV cinema Investment Co., Ltd.	China	Theater operation	100.00	-	
	CGV (changzhou) cinema Co., Ltd.	China	Theater operation	100.00	-	
	Henan CGV Cinema Co., Ltd.	China	Theater operation	100.00	-	
	CGV (Qingdao) Cinema Co., Ltd.	China	Theater operation	100.00	-	
	NEIMENGGU CGV CINEMA CO., LTD.	China	Theater operation	100.00	-	
	DaLian CGV Cinema Co., Ltd.	China	Theater operation	100.00	-	
	CJ CGV (Hubei) Cinema Co., Ltd.	China	Theater operation	100.00	-	
	CJ CGV(Shanghai) Enterprise Management Co., Ltd.	ShangHai C Media Co., Ltd.	China	Theater operation	100.00	100.00
	Envoy Media Partners Ltd.	CJ CGV VIETNAM CO., LTD. (*3) (formerly, Megastar Media Company)	Vietnam	Theater operation	80.00	80.00
CJ 4DPlex Co., Ltd.	CJ 4DX (Beijing) Cinema Technology Co., Ltd.(*1)	China	Retail of equipment	93.66	93.42	
	CJ 4DPLEX AMERICA, INC.(*1)	USA	Retail of equipment	93.66	-	
CJ 4DPLEX AMERICA, INC.	CJ 4DPLEX AMERICAS, LLC.(*1)	USA	Retail of equipment	93.66	-	

(*1) During 2014, the Group additionally obtained the stock of Simuline Inc. amounting to ₩1,281 million.

As a result, the Group's interest in Simuline Inc. and its subsidiaries increased from 64.89% to 70.35%.

Also the Group additionally obtained the stock of CJ 4DPlex Co., Ltd. amounting to ₩329 million. As a result, the Group's interest in CJ 4DPlex Co., Ltd. and its subsidiaries increased from 93.42% to 93.66%.

(*2) During 2014, the Group disposed a portion of the stock of CGV Orsun (WuHan) Cinema Co., Ltd.

As a result, the Group's interest in CGV Orsun (WuHan) Cinema Co., Ltd. decreased from 100% to 70%.

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

Before	After
CJ Theater LA Holdings Inc.	CJ CGV America, Inc.
Megastar Media Company	CJ CGV VIETNAM CO., LTD.
CGV(WuHan) Cinema Co., Ltd.	CGV Orsun (Wuhan) Cinema Co., Ltd.

1. Reporting Entity, Continued

(2) Changes in subsidiaries

1) The list of subsidiaries that were newly included in consolidation for the year ended December 31, 2014 is as follows:

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

For the years ended December 31, 2014 and 2013

(In thousands of won, except ratio)

<u>Subsidiaries</u>	<u>Reason</u>	<u>Dates of establishment and additional capital injections</u>	<u>Investment amount</u>	<u>Effective ownership (%)</u>
CGV TianHe (WuHan) Cinema Co., Ltd.	New investment	2014-02-25	564,168	70.00
		2014-05-08	1,786,376	70.00
		2014-07-23	1,292,123	70.00
Jiangmen CGV Cinema Co., Ltd.	New investment	2014-02-11	3,143,223	100.00
		2014-06-18	1,607,738	100.00
Jiangsu CGV Cinema Investment Co., Ltd.	New investment	2014-02-25	805,955	100.00
		2014-07-23	2,742,464	100.00
		2014-11-19	1,547,364	100.00
CGV (Changzhou) Cinema Co., Ltd.	New investment	2014-01-14	580,287	100.00
		2014-06-25	1,837,415	100.00
		2014-12-22	1,392,628	100.00
Henan CGV Cinema Co., Ltd.	New investment	2014-03-12	709,240	100.00
CGV (Qingdao) Cinema Co., Ltd.	New investment	2014-03-12	1,044,517	100.00
CJ 4DPLEX AMERICA, INC.	New investment	2014-02-28	3,214,050	93.66
		2014-08-06	1,205,770	93.66
CJ 4DPLEX AMERICAS, LLC.	New investment	2014-03-14	1,923,840	93.66
NEIMENGGU CGV CINEMA CO., LTD.	New investment	2014-06-18	404,231	100.00
		2014-09-17	556,931	100.00
		2014-11-19	1,896,626	100.00
Cross Junction Investment Co., Pte. Ltd.	New investment	2014-06-25	5,134,121	100.00
		2014-12-23	2,192,600	100.00
DaLian CGV Cinema Co., Ltd.	New investment	2014-04-16	903,396	100.00
		2014-09-17	1,244,657	100.00
		2014-12-22	4,238,672	100.00
CJ CGV (Hubei) Cinema Co., Ltd.	New investment	2014-09-17	776,328	100.00
		2014-12-18	3,253,885	100.00
Crown Jade Company Pte. Ltd.	New investment	2014-11-14	1,648,500	100.00
		2014-11-27	22,023	100.00

1. Reporting Entity, Continued

(2) Changes in subsidiaries, continued

2) The list of subsidiaries in which the Parent Company additionally invested during 2014 is as follows:

(In thousands of won, except ratio)

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

For the years ended December 31, 2014 and 2013

Subsidiaries	Reason	Dates of additional capital injections	Investment amount	Effective ownership (%)
CGI Holdings Limited.	Additional paid-in capital	2014-04-09	13,587,000	100.00
		2014-04-16	13,435,563	100.00
		2014-05-07	13,302,000	100.00
		2014-06-17	13,160,500	100.00
CJ 4DX (Beijing) Cinema Technology Co., Ltd.	Additional paid-in capital	2014-04-03	1,624,454	93.66
YuYao CGV Cinema Co., Ltd.	Additional paid-in capital	2014-02-11	2,686,515	100.00
		2014-05-21	1,786,376	100.00
		2014-06-25	1,612,842	100.00
		2014-12-22	2,674,729	100.00
CGV (Chengdu) Cinema Co., Ltd.	Additional paid-in capital	2014-05-21	3,118,501	100.00
		2014-11-19	1,818,153	100.00
CGV (HuaiAn) Cinema Co., Ltd.	Additional paid-in capital	2014-12-22	1,353,944	100.00
ZIBO CGV CINEMA CO., LTD.	Additional paid-in capital	2014-06-25	928,915	100.00
CJ CGV (Harbin) International Cinema Co., Ltd.	Additional paid-in capital	2014-06-25	2,613,212	100.00
CJ CGV America LA, LLC.	Additional paid-in capital	2014-06-16	2,130,240	100.00
		2014-07-16	840,480	100.00
CJ CGV(Shanghai) Enterprise Management Co., Ltd.	Additional paid-in capital	2014-07-28	4,654,753	100.00
		2014-12-22	2,666,937	100.00
UVD Enterprise Ltd.	Additional paid-in capital	2014-02-24	8,222,455	100.00
		2014-03-18	1,753,757	100.00
		2014-04-16	903,396	100.00
		2014-05-20	6,691,252	100.00
		2014-06-25	9,004,353	100.00
		2014-07-21	4,034,587	100.00
		2014-09-15	2,577,917	100.00
		2014-11-18	2,831,455	100.00
		2014-12-19	12,913,858	100.00

1. Reporting Entity, Continued

(3) Financial information of subsidiaries

1) Financial information of subsidiaries as of and for the year ended December 31, 2014 was as follows:

(In thousands of won)

Subsidiaries	Asset	Liability	Equity	Revenue	Net profit or loss	Total comprehensive
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CJ CGV CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

							income (loss)
CJ 4DPlex Co., Ltd.	₩	52,662,096	20,283,139	32,378,957	34,397,335	358,704	358,704
Simuline Inc.		18,836,572	15,242,413	3,594,159	22,392,533	(3,810,861)	(3,810,861)
SIMULINE(HONG KONG) LIMITED		207,366	91,680	115,686	-	(12,231)	(12,231)
SIMULINE(CHINA) LIMITED		65,252	63,666	1,586	36,892	(52,946)	(52,946)
CJ CGV America, Inc. (formerly, CJ Theater LA Holdings Inc.)		10,218,808	3,191,076	7,027,732	-	(26,245)	(26,245)
CGI Holdings Ltd.		189,917,279	70,986,086	118,931,193	308,040	(8,345,792)	(8,411,655)
CJ CGV America LA, LLC.		5,845,358	2,863,141	2,982,217	4,193,879	(2,472,855)	(2,472,855)
Envoy Media Partners Ltd.		51,067,890	751,180	50,316,710	1,031,733	1,920,797	1,920,797
UVD Enterprise Ltd.		141,390,039	6,947,268	134,442,771	387,880	(597,695)	(597,695)
CJ CGV (Shanghai) Enterprise Management Co., Ltd.		33,042,238	14,069,175	18,973,063	14,429,499	691,179	691,179
Vietnam Cinema 1 Company Ltd.		1,739,617	707,028	1,032,589	108,769	(175,346)	(175,346)
CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.		6,149,596	1,131,587	5,018,009	4,376,993	(51,755)	(51,755)
Pan Jin CGV Cinema Co., Ltd.		5,400,486	1,207,409	4,193,077	3,754,184	392,109	392,109
CJ CGV (Shanghai) Film International Cineplex Co., Ltd.		3,097,228	862,344	2,234,884	3,000,586	(60,570)	(60,570)
CJ CGV(Harbin) International Cinema Co., Ltd.		14,136,094	4,963,947	9,172,147	6,103,694	325,184	325,184
ShangHai C Media Co., Ltd.		1,905,024	3,152,532	(1,247,508)	2,431,158	(830,877)	(830,877)
CGV (Changsha) Cinema Co., Ltd.		5,325,146	999,734	4,325,412	3,626,330	(456,296)	(456,296)
YANTAI CGV CINEMA CO., Ltd. CGV (BEIJING) INTERNATIONAL CINEMA CO., Ltd.		4,399,449	1,116,877	3,282,572	3,195,434	(127,144)	(127,144)
CJ CGV VIETNAM CO., LTD. (formerly, Megastar Media Company)		11,006,177	2,994,415	8,011,762	7,516,897	492,652	492,652
ZIBO CGV CINEMA CO., LTD.		82,577,888	69,473,177	13,104,711	70,214,649	4,453,493	4,630,200
CGV Orsun (WuHan) Cinema Co., Ltd. (formerly, CGV (WuHan) Cinema Co., Ltd.)		3,148,460	688,556	2,459,904	72,487	(345,784)	(345,784)
Wuhu CGV Cinema Co., Ltd.		8,569,370	1,693,161	6,876,209	4,493,921	217,250	217,250
CGV (Tangshan) Cinema Co., Ltd.		5,110,345	639,536	4,470,809	2,321,887	(708,637)	(708,637)
Liaoning CGV Cinema Co., Ltd.		4,198,559	1,076,467	3,122,092	2,346,427	(974,651)	(974,651)
CGV (HuaiAn) Cinema Co., Ltd.		6,247,411	994,077	5,253,334	2,479,503	(534,833)	(534,833)
CGV (TianJin) Cinema Co., Ltd.		3,842,862	66,454	3,776,408	-	(5,818)	(5,818)
		3,411,838	1,408,108	2,003,730	1,766,753	(1,122,159)	(1,122,159)

1. Reporting Entity, Continued

(3) Financial information of subsidiaries, continued

1) Financial information of subsidiaries as of and for the year ended December 31, 2014 was as follows, continued:

(In thousands of won)

Subsidiaries	Asset	Liability	Equity	Revenue	Net profit or loss	Total comprehensive income (loss)
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CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

CGV (Chengdu) Cinema Co., Ltd.	₩	15,087,911	3,792,763	11,295,148	4,826,406	(967,834)	(967,834)
CGV (Chongqing) Cinema Co., Ltd.		4,464,347	971,627	3,492,720	2,350,916	(548,500)	(548,500)
CJ 4DX (Beijing) Cinema Technology Co., Ltd.		8,645,833	6,021,457	2,624,376	4,273,632	(930,912)	(930,912)
YuYao CGV Cinema Co., Ltd.		12,491,721	3,578,415	8,913,306	819,770	(812,930)	(812,930)
CGV tianhe (wuhan) cinema Co., Ltd.		6,755,945	1,587,823	5,168,122	729,905	(274,582)	(274,582)
Jiangmen CGV cinema Co., Ltd.		5,408,313	1,102,388	4,305,925	865,461	(548,251)	(548,251)
Jiangsu CGV cinema investment Co., Ltd.		6,422,916	1,634,100	4,788,816	127,149	(360,417)	(360,417)
CGV (changzhou) cinema Co., Ltd.		5,169,588	1,431,484	3,738,104	6,670	(161,002)	(161,002)
Henan CGV Cinema Co., Ltd.		714,570	407	714,163	-	(1,361)	(1,361)
CGV (Qingdao) Cinema Co., Ltd.		1,051,495	-	1,051,495	-	(2,268)	(2,268)
CJ 4DPLEX AMERICA, INC.		4,000,244	1,598,477	2,401,767	-	(1,995,837)	(1,995,837)
CJ 4DPLEX AMERICAS, LLC.		2,247,819	818,384	1,429,435	276,155	(526,155)	(526,155)
NEIMENGGU CGV CINEMA CO., LTD.		4,115,208	1,333,180	2,782,028	10,777	(71,722)	(71,722)
Cross Junction Investment Co., Pte. Ltd.		7,725,193	-	7,725,193	-	(2,092)	(2,092)
DaLian CGV Cinema Co., Ltd.		6,392,395	73,750	6,318,645	-	(72,994)	(72,994)
CJ CGV (Hubei) Cinema Co., Ltd.		4,292,609	325,095	3,967,514	-	(16,940)	(16,940)
Crown Jade Company Pte. Ltd.		1,617,159	1,649	1,615,510	-	(214)	(214)
	₩	<u>770,121,714</u>	<u>251,935,232</u>	<u>518,186,482</u>	<u>209,274,304</u>	<u>(19,155,138)</u>	<u>(19,044,294)</u>

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

(In thousands of won)

Subsidiaries	Asset	Liability	Equity	Revenue	Net profit or loss	Total comprehensive income (loss)
CJ 4DPlex Co., Ltd.	₩ 46,193,458	13,904,129	32,289,329	36,739,850	(6,923,890)	(6,906,957)
Simuline Inc.	20,447,684	12,910,436	7,537,248	30,614,909	332,925	315,571
SIMULINE(HONG KONG) LIMITED	202,814	79,452	123,362	-	(9,584)	(9,584)
SIMULINE(CHINA) LIMITED	88,740	33,253	55,487	18,764	(133,855)	(133,855)
CJ CGV America, Inc. (formerly, CJ Theater LA Holdings Inc.)	6,773,397	43	6,773,354	-	(204)	(204)
CGI Holdings Ltd.	126,760,022	58,546,819	68,213,203	320,174	(15,619,409)	(15,546,091)
CJ CGV America LA, LLC.	5,496,889	3,216,409	2,280,480	4,231,312	(1,259,468)	(1,259,468)

1. Reporting Entity, Continued

(3) Financial information of subsidiaries, continued

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

(In thousands of won)

Subsidiaries	Asset	Liability	Equity	Revenue	Net profit or loss	Total comprehensive income (loss)
Envoy Media Partners Ltd.	₩ 47,584,594	1,202,030	46,382,564	942,145	998,493	998,493
UVD Enterprise Ltd.	86,487,998	5,661,171	80,826,827	324,077	(331,761)	(331,761)

CJ CGV CO., LTD. AND SUBSIDIARIES

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CJ CGV (Shanghai) Enterprise Management Co., Ltd.	15,074,351	4,444,538	10,629,813	15,547,528	1,474,578	1,474,578
Vietnam Cinema 1 Company Ltd.	1,549,383	366,154	1,183,229	56,341	(120,897)	(120,897)
CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.	7,032,711	2,033,049	4,999,662	4,255,004	(750,570)	(750,570)
Pan Jin CGV Cinema Co., Ltd.	4,915,442	1,180,960	3,734,482	3,632,441	(13,607)	(13,607)
CJ CGV (Shanghai) Film International Cineplex Co., Ltd.	3,024,183	754,334	2,269,849	2,652,773	(337,822)	(337,822)
CJ CGV (Harbin) International Cinema Co., Ltd.	6,753,059	796,534	5,956,525	4,191,961	266,242	266,242
ShangHai C Media Co., Ltd.	444,904	826,982	(382,078)	896,435	(220,313)	(220,313)
CGV (Changsha) Cinema Co., Ltd.	5,689,072	965,470	4,723,602	1,016,711	(725,944)	(725,944)
YANTAI CGV CINEMA CO., Ltd.	4,761,982	1,398,152	3,363,830	2,226,924	(816,655)	(816,655)
CGV (BEIJING) INTERNATIONAL CINEMA CO., Ltd.	10,435,894	3,025,130	7,410,764	2,945,976	(717,950)	(717,950)
CJ CGV VIETNAM CO., LTD. (formerly, Megastar Media Company)	61,479,917	53,101,968	8,377,949	57,287,672	(2,346,278)	(2,295,818)
ZIBO CGV CINEMA CO., LTD.	1,804,357	15,820	1,788,537	-	(26,051)	(26,051)
CGV (WuHan) Cinema Co., Ltd.	8,635,333	2,086,173	6,549,160	404,784	(376,193)	(376,193)
Wuhu CGV Cinema Co., Ltd.	5,793,246	669,478	5,123,768	909,632	(852,339)	(852,339)
CGV (Tangshan) Cinema Co., Ltd.	4,273,628	206,897	4,066,731	8,834	(239,677)	(239,677)
Liaoning CGV Cinema Co., Ltd.	7,079,142	1,361,903	5,717,239	446,060	(749,819)	(749,819)
CGV (HuaiAn) Cinema Co., Ltd.	2,470,911	52,464	2,418,447	-	(8,130)	(8,130)
CGV (TianJin) Cinema Co., Ltd.	3,198,910	83,096	3,115,814	2,102	(135,265)	(135,265)
CGV (Chengdu) Cinema Co., Ltd.	7,428,154	352,003	7,076,151	5,857	(309,044)	(309,044)
CGV (Chongqing) Cinema Co., Ltd.	5,238,173	1,237,430	4,000,743	254,581	(299,911)	(299,911)
CJ 4DX (Beijing) Cinema Technology Co., Ltd.	3,376,001	1,471,799	1,904,202	1,314,390	(216,182)	(216,182)
YuYao CGV Cinema Co., Ltd.	824,437	28,906	795,531	-	(5,159)	(5,159)
₩	511,318,786	172,012,982	339,305,804	171,247,237	(30,473,739)	(30,350,382)

2. Basis of Preparation

(1) Statement of compliance

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

(2) Basis of measurement

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

- 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

The financial statements of the parent and each subsidiary are prepared in functional currency of the respective operation. These consolidated financial statements are presented in Korean won, which is the Parent Company's functional currency and the currency of the primary economic environment in which the Group operates.

(4) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

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

Note 12 – 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 14 – impairment test: key assumptions underlying recoverable amounts, including the recoverability of goodwill;

Note 16 and 19 – provisions and contingencies: key assumptions about likelihood and magnitude of an outflow of resources;

Note 18 - measurement of defined benefit obligations: key actuarial assumptions; and

Note 28 – recognition of deferred tax assets: availability of future taxable profit against which carryforward tax losses can be used.

2. Basis of Preparation, Continued

(5) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair 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 used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

the valuation techniques as follows:

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

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

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

Note 4 – risk management

- (6) Certain accounts of the prior year's consolidated statements of financial position 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.

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2. Basis of Preparation, Continued

(7) Changes in accounting policies

Except for the following new standards and amendments to standards with a date of initial application of January 1, 2014, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

1) Offsetting Financial Assets and Financial Liabilities (Amendments to K-IFRS No. 1032)

The amendments to K-IFRS No. 1032, 'Offsetting Financial Assets and Financial Liabilities' require that a financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- (i) currently has a legally enforceable right to set off the recognised amounts; and
- (ii) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

According to the amendments, the right to set off should not be contingent on a future event, and legally enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

The amendments also state that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.

The Group retrospectively applied the amendments in accordance with the transitional requirements of K-IFRS No. 1032, and there has been no impact on the consolidated financial statements of the Group.

2) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to K-IFRS No. 1036)

The amendments to K-IFRS No. 1036 'Impairment of Assets' require the disclosure of information about the recoverable amount for an individual asset or a cash-generating unit, for which an impairment loss has been recognized or reversed during the period.

The Group retrospectively applied the amendments in accordance with the transitional requirements of K-IFRS No.1036, and there has been no significant impact on the consolidated financial statements of the Group.

3) K-IFRS No. 2121, 'Levies'

K-IFRS No. 2121 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognized when that minimum activity threshold is reached. On the other hand, an entity shall recognize an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The interpretation clarifies that even if the Group has an opportunity to avoid substantive liability, it shall not recognize obligation to pay a levy until obligating event occurs.

The Group retrospectively applied this interpretation in accordance with the transitional requirements of K-IFRS No. 2121, and there has been no impact on the consolidated financial statements of the Group.

2. Basis of Preparation, Continued

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

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The consolidated financial statements were authorized for issue by the Board of Directors on February 5, 2015, which will be submitted for approval to the shareholders' meeting to be held on March 20, 2015.

3. Significant Accounting Policies

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

(1) Operating segment

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

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

(2) Basis of consolidation

1) Business combination

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

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

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

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

3. Significant Accounting Policies, Continued

(2) Basis of consolidation, continued

2) Non-controlling interests

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

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

3) Subsidiaries

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

4) Loss of control

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

5) Interests in equity method investees

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

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

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

6) Transactions eliminated on consolidation

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

7) Business combination under common control

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

3. Significant Accounting Policies, Continued

(3) Cash and cash equivalents

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

(4) Inventories

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The cost of inventories is based on the first-in first-out principle (equipment sales and manufacturing: specific identification or weighted-average method) 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. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(5) Non-derivative financial assets

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

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

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

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

(ii) Held-to-maturity investments

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

(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.

3. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, continued

(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 are measured at cost.

(v) De-recognition of financial assets

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

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

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

(vi) Offsetting between financial assets and financial liabilities

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

(6) Derivative financial instruments

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

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria has been met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
 - (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
 - (c) the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.
- Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

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3. Significant Accounting Policies, Continued

(7) Impairment of financial assets

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

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

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

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

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

(i) Financial assets measured at amortized cost

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

(ii) Financial assets carried at cost

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

3. Significant Accounting Policies, Continued

(7) Impairment of financial assets, continued

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(iii) Available-for-sale financial assets

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

(8) Property and equipment

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

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

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

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

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

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

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

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

3. Significant Accounting Policies, Continued

(9) Intangible assets

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

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

	<u>Useful lives (years)</u>
Usage rights	12, 15
Capitalized development costs	5, 7, 10
Other intangible assets	1~10

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

(i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(ii) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

(10) Investment Property

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

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

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

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

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3. Significant Accounting Policies, Continued

(11) Impairment of non-financial assets

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

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

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

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

(12) Leases

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

(i) Finance leases

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

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

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

3. Significant Accounting Policies, Continued

(12) Leases, continued

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- (ii) Operating leases
Payments made under operating leases (net of incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease. Incentives received under operating leases are recognized over period of the lease by being deducted from payment made under operating leases.
- (iii) Determining whether an arrangement contains a lease
Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

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

(13) Non-derivative financial liabilities

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

- (i) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.
- (ii) Other financial liabilities
Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

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

3. Significant Accounting Policies, Continued

(14) 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

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

(ii) Retirement benefits: defined benefit plans

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

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

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

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

(15) Provisions

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

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

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

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

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

3. Significant Accounting Policies, Continued

(16) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities 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.

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Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

(ii) Foreign operations

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

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

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

(iii) Translation of net investment in a foreign operation

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

(17) Equity capital

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

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

3. Significant Accounting Policies, Continued

(18) Share-based payment transactions

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

For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair

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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.

(19) Revenue

(i) Recognition of revenues

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

(ii) Customer loyalty program

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

(iii) Rental income

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

(20) 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.

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3. Significant Accounting Policies, Continued

(21) Income taxes

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

(22) Earnings per share

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

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3. Significant Accounting Policies, Continued

(23) New amendment not yet adopted

The following new amendment to existing standard has been published and is mandatory for the Group for annual periods beginning after January 1, 2014, and the Group has not early adopted it. Management believes the impact of the amendment on the Group's consolidated financial statements is not significant.

1) K-IFRS No. 1019 'Employee Benefits' – Employee contributions

Amendments to K-IFRS No. 1019 introduced a practical expedient to accounting for defined benefit plan, when employees or third parties pay contributions if certain criteria are met. According to the amendments, the entity is permitted to recognize those contributions as a reduction of the service cost in the period in which the related service is rendered, instead of forecast future contributions from employees or third parties and attribute them to periods or service as negative benefits. This amendment is mandatory for annual periods beginning on or after July 1, 2014, with early adoption permitted.

4. Risk Management

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

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

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

(1) Financial risk management

1) Risk management framework

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

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

2) Credit risk

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

4. Risk Management, Continued

(1) Financial risk management, continued

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2) Credit risk, continued

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

(i) Exposure to credit risk

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

Details of the Group's maximum exposure to credit risk as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>		<u>2014</u>	<u>2013</u>
Cash and cash equivalents	₩	104,926,822	83,854,057
Short-term financial instruments		3,536,200	2,611,350
Available-for-sale financial assets		-	32,248,145
Trade receivables		106,343,148	79,868,795
Other financial assets		112,266,934	98,891,672
Derivative financial assets		6,898,422	303,591
	₩	<u>333,971,526</u>	<u>297,777,610</u>

(ii) Impairment losses

The aging and impairment losses of loans and receivables, except for cash and cash equivalents, as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>		<u>2014</u>		
		<u>Not overdue</u>	<u>Overdue, but not impaired</u>	<u>Impaired</u>
Not past due	₩	209,768,275	-	-
0-3 months		-	6,048,055	56,660
4-6 months		-	1,374,914	206,904
7-12 months		-	1,346,481	346,249
Over one year		-	72,357	6,011,072
	₩	<u>209,768,275</u>	<u>8,841,807</u>	<u>6,620,885</u>

<i>(In thousands of won)</i>		<u>2013</u>		
		<u>Not overdue</u>	<u>Overdue, but not impaired</u>	<u>Impaired</u>
Not past due	₩	172,018,312	-	-
0-3 months		-	4,240,526	-
4-6 months		-	1,913,984	-
7-12 months		-	233,319	-
Over one year		-	354,326	6,977,445
	₩	<u>172,018,312</u>	<u>6,742,155</u>	<u>6,977,445</u>

4. Risk Management, Continued

(1) Financial risk management, continued

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For the years ended December 31, 2014 and 2013

2) Credit risk, continued

(ii) Impairment losses, continued

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

(iii) Guarantees

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

3) Liquidity risk

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

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

The contractual maturity of financial liabilities as of December 31, 2014 and 2013 including estimated interests payments and excluding the impact of netting agreements, are as follows:

(In thousands of won)

		2014				
		Book value	Contractual cash outflow	Less than one year	One to five years	Over five years
Trade payables	₩	89,245,122	89,245,122	89,245,122	-	-
Other payables(*)		100,811,404	100,811,404	100,811,404	-	-
Debentures		249,505,575	266,885,750	76,607,500	190,278,250	-
Short-term borrowings		58,551,341	59,614,467	59,614,467	-	-
Long-term borrowings		159,138,817	167,799,865	29,169,922	138,629,943	-
Long-term other payables(*)		31,506,353	57,673,999	-	24,403,321	33,270,678
Other current financial liabilities		16,855,041	16,876,879	16,876,879	-	-
Other non-current financial liabilities		1,688,871	1,810,537	-	1,810,537	-
	₩	<u>707,302,524</u>	<u>760,718,023</u>	<u>372,325,294</u>	<u>355,122,051</u>	<u>33,270,678</u>

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

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4. Risk Management, Continued

(1) Financial risk management, continued

3) Liquidity risk, continued

The Group doesn't expect the above cash flows to be occurred in earlier period or to be materially different. As described in note 19 (3) and 31 (7), the Group provides joint ventures and executives and staff members with payment guarantee which is exposed to liquidity risk. The payment guarantee is not included in the book value or contractual cash outflow above.

(In thousands of won)

		2013				
		Book value	Contractual cash outflow	Less than one year	One to five years	Over five years
Trade payables	₩	67,214,725	67,214,725	67,214,725	-	-
Other payables(*)		84,241,329	84,241,329	84,241,329	-	-
Debentures		199,686,259	210,462,750	106,894,250	103,568,500	-
Short-term borrowings		52,766,883	53,942,019	53,942,019	-	-
Long-term borrowings		138,824,749	144,305,590	64,199,059	80,106,531	-
Long-term other payables(*)		45,904,637	72,437,012	-	40,459,917	31,977,095
Other current financial liabilities		12,573,069	12,614,824	12,614,824	-	-
Other non-current financial liabilities		7,356,803	7,537,902	-	7,537,902	-
	₩	<u>608,568,454</u>	<u>652,756,151</u>	<u>389,106,206</u>	<u>231,672,850</u>	<u>31,977,095</u>

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

4) Market risk

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

The Group limits the exposure to currency risk and interest rate risk by the currency swap/forward and interest swap contracts related to borrowings.

4. Risk Management, Continued

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For the years ended December 31, 2014 and 2013

(1) Financial risk management, continued

4) Market risk, continued

(i) Currency risk

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

The amount of the Group's exposure to currency risk as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

	2014			2013		
	USD	VND	RMB, etc.	USD	VND	RMB, etc.
Cash and cash equivalents	₩ 3,485,077	4,185,983	38,605,064	7,920,819	4,199,386	27,228,628
Other receivables	15,807,847	21,641,304	39,940,965	12,297,441	17,306,858	23,781,539
Other payables	(3,692,600)	(15,010,113)	(30,057,418)	(3,214,115)	(11,885,086)	(13,329,423)
Finance lease liabilities	(436,426)	-	-	(670,604)	-	-
Borrowings	(117,036,296)	(8,995,000)	(19,100,310)	(103,419,289)	-	(26,503,883)
Total exposure	(101,872,398)	1,822,174	29,388,301	(87,085,748)	9,621,158	11,176,861
Currency swaps/forwards	54,960,000	-	-	61,207,400	-	-
Net exposure	₩ (46,912,398)	1,822,174	29,388,301	(25,878,348)	9,621,158	11,176,861

Significant exchange rates applied during the years are as follows:

(In won)

	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
USD	₩ 1,053.22	1,095.04	1,099.20	1,055.30
RMB	170.93	178.10	176.81	174.09
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, 2014 and 2013 are as follows:

(In thousands of won)

	2014		2013	
	10% strengthening	10% weakening	10% strengthening	10% weakening
USD Total exposure	₩ (10,187,240)	10,187,240	(8,708,575)	8,708,575
Currency swaps/forwards	5,496,000	(5,496,000)	6,120,740	(6,120,740)
Net exposure	(4,691,240)	4,691,240	(2,587,835)	2,587,835
VND	182,217	(182,217)	962,116	(962,116)
RMB, etc.	2,938,830	(2,938,830)	1,117,686	(1,117,686)

4. Risk Management, Continued

(1) Financial risk management, continued

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For the years ended December 31, 2014 and 2013

4) Market risk, continued

(ii) Interest rate risk

Carrying amount of interest-bearing financial instruments held by the Group as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Fixed rate:		
Financial assets	₩ 9,781,637	2,039,925
Financial liabilities	(338,573,817)	(280,328,428)
	<u>₩ (328,792,180)</u>	<u>(278,288,503)</u>
Variable rate:		
Financial assets	₩ 103,917,822	82,661,081
Financial liabilities	(167,125,146)	(147,358,748)
	<u>₩ (63,207,324)</u>	<u>(64,697,667)</u>

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

- 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, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>		<u>2013</u>	
	<u>0.5% Point increase</u>	<u>0.5% Point decrease</u>	<u>0.5% Point increase</u>	<u>0.5% Point decrease</u>
Variable rate instruments	₩ (316,037)	316,037	(240,988)	240,988
Interest rate swap	40,000	(40,000)	306,037	(306,037)
Cash flow sensitivity, net	<u>₩ (276,037)</u>	<u>276,037</u>	<u>65,049</u>	<u>(65,049)</u>

(iii) Other market price risk

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

The following indicates effects on other comprehensive income (gain or loss on valuation of available-for-sale securities) arising from fluctuations in price of quoted equity instruments among the available-for-sale financial assets that the Group possess as of December 31, 2014 and 2013.

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
5% increase	₩ 16,412	7,224
5% decrease	(16,412)	(7,224)

4. Risk Management, Continued

(1) Financial risk management, continued

5) Fair values

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- (i) The carrying amount and fair value of financial assets and liabilities as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

	2014							
	Carrying amount					Fair value		
	Designated at fair value	Loans and receivables	Available- for-sale	Other	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value								
Financial assets held for trading	₩ 3,536,200	-	-	-	3,536,200	-	3,536,200	-
Available-for-sale: equity instruments	-	-	328,240	-	328,240	328,240	-	-
Derivative financial assets(*3)	6,898,422	-	-	-	6,898,422	-	6,898,422	-
Subtotal	10,434,622	-	328,240	-	10,762,862	328,240	10,434,622	-
Financial assets not measured at fair value(*1)								
Cash and cash equivalents	-	108,793,088	-	-	108,793,088	-	-	-
Trade receivables	-	106,343,148	-	-	106,343,148	-	-	-
Available-for-sale: equity investments(*2)	-	-	5,152,634	-	5,152,634	-	-	-
Available-for-sale: debt investments	-	-	-	-	-	-	-	-
Other financial assets	-	112,266,934	-	-	112,266,934	-	-	-
Subtotal	-	327,403,170	5,152,634	-	332,555,804	-	-	-
Total	₩ 10,434,622	327,403,170	5,480,874	-	343,318,666	328,240	10,434,622	-
Financial liabilities measured at fair value								
Derivative financial liabilities(*3)	₩ 6,055,294	-	-	-	6,055,294	-	6,055,294	-
Financial assets not measured at fair value(*1)								
Trade payables	-	-	-	89,245,122	89,245,122	-	-	-
Other payables	-	-	-	100,811,404	100,811,404	-	-	-
Borrowings and debentures	-	-	-	467,195,733	467,195,733	-	-	-
Long-term other payables	-	-	-	31,506,353	31,506,353	-	-	-
Other financial liabilities	-	-	-	12,488,618	12,488,618	-	-	-
Subtotal	-	-	-	701,247,230	701,247,230	-	-	-
Total	₩ 6,055,294	-	-	701,247,230	707,302,524	-	6,055,294	-

(*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 values, continued

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(In thousands of won)

	2013							
	Carrying amount					Fair value		
	Designated at fair value	Loans and receivables	Available- for-sale	Other	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value								
Financial assets held for trading	₩ 2,611,350	-	-	-	2,611,350	-	2,611,350	-
Available-for-sale: equity investments	-	-	144,488	-	144,488	144,488	-	-
Derivative financial assets(*3)	303,591	-	-	-	303,591	-	2,136	301,455
Subtotal	<u>2,914,941</u>	<u>-</u>	<u>144,488</u>	<u>-</u>	<u>3,059,429</u>	<u>144,488</u>	<u>2,613,486</u>	<u>301,455</u>
Financial assets not measured at fair value(*1)								
Cash and cash equivalents	-	85,976,456	-	-	85,976,456	-	-	-
Trade receivables	-	79,868,795	-	-	79,868,795	-	-	-
Available-for-sale: equity investments(*2)	-	-	5,111,824	-	5,111,824	-	-	-
Available-for-sale: debt investments	-	-	32,248,145	-	32,248,145	-	-	-
Other financial assets	-	98,891,672	-	-	98,891,672	-	-	-
Subtotal	<u>-</u>	<u>264,736,923</u>	<u>37,359,969</u>	<u>-</u>	<u>302,096,892</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	₩ <u>2,914,941</u>	<u>264,736,923</u>	<u>37,504,457</u>	<u>-</u>	<u>305,156,321</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	-	-	-	67,214,725	67,214,725	-	-	-
Other payables	-	-	-	84,241,329	84,241,329	-	-	-
Borrowings and debentures	-	-	-	391,277,891	391,277,891	-	-	-
Long-term other payables	-	-	-	45,904,637	45,904,637	-	-	-
Other financial liabilities	-	-	-	14,196,912	14,196,912	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>602,835,494</u>	<u>602,835,494</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	₩ <u>5,732,960</u>	<u>-</u>	<u>-</u>	<u>602,835,494</u>	<u>608,568,454</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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

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4. Risk Management, Continued

(1) Financial risk management, continued

6) Transfers of financial asset

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

(In thousands of won)

<u>Type of continuing involvement</u>		<u>Maturity of continuing involvement</u>
		<u>Less than 1 year</u>
Put option (note 19 (4))	₩	160,094,086

(2) Capital Management

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

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

(In thousands of won, except ratio)

		<u>2014</u>	<u>2013</u>
Total liabilities	₩	863,739,963	720,542,557
Total equity		391,178,960	378,632,397
Cash and cash equivalents		108,793,088	85,976,456
Borrowings and debentures		467,195,733	391,277,891
Borrowings and debentures, net		358,402,645	305,301,435
Liabilities to equity ratio		221%	190%
Net debt to equity ratio		92%	81%

5. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

		<u>2014</u>	<u>2013</u>
Cash on hand	₩	3,866,266	2,122,399
Demand deposits		103,917,822	82,661,081
Other cash equivalents		1,009,000	1,192,976
	₩	<u>108,793,088</u>	<u>85,976,456</u>

The amount of cash and cash equivalents that are restricted to withdrawal is ₩3,497 million as of December 31, 2014.

6. Operating Segments

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The Group has two reportable segments: multiplex cinemas operation and equipment sales and manufacturing. Financial information for each reportable segment for the years ended December 31, 2014 and 2013 was as follows:

(1) Segment results and geographical information

(In thousands of won)

	2014			2013		
	Cinema Operation	Equipment sales and manufacturing	Total	Cinema Operation	Equipment sales and manufacturing	Total
Revenues:						
Domestic	₩ 878,720,592	21,725,813	900,446,405	805,234,065	22,407,910	827,641,975
Foreign:						
USA	4,422,341	-	4,422,341	4,138,823	-	4,138,823
China	61,425,763	2,716,632	64,142,395	25,540,706	1,268,792	26,809,498
Vietnam, etc.	70,284,832	-	70,284,832	57,339,396	-	57,339,396
	₩ 1,014,853,528	24,442,445	1,039,295,973	892,252,990	23,676,702	915,929,692
Net profit (loss)	₩ 21,934,381	(5,914,532)	16,019,849	18,856,665	(6,724,820)	12,131,845

(2) Revenue information

(In thousands of won)

	2014	2013
Admissions	₩ 684,127,278	579,104,483
Concession	164,130,262	151,933,258
Advertisement	91,919,950	85,886,661
Equipment sales and manufacturing	24,442,445	23,676,702
Others	74,676,038	75,328,588
	₩ 1,039,295,973	915,929,692

(3) Property and equipment and intangible assets

(In thousands of won)

	2014		2013	
	Property and equipment	Intangible assets	Property and equipment	Intangible assets
Domestic	₩ 418,193,640	92,716,293	406,445,639	100,737,458
Foreign	170,035,270	7,990,728	101,215,064	6,413,787
	₩ 588,228,910	100,707,021	507,660,703	107,151,245

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7. Trade Receivables

- (1) Trade receivables are presented on a net basis after deducting related allowance. As of December 31, 2014 and 2013, trade receivables and allowance for doubtful accounts are as follows:

<i>(In thousands of won)</i>	2014		2013
	Current	Non-current	Current
Trade receivables	₩ 106,756,956	619,254	81,637,916
Allowance for doubtful accounts	(1,033,062)	-	(1,769,121)
	₩ <u>105,723,894</u>	<u>619,254</u>	<u>79,868,795</u>

- (2) Changes in allowance for doubtful accounts for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014	2013
Balance at the beginning	₩ 1,769,121	377,930
Change in scope of consolidation	-	1,394,882
Increase in allowance	743,346	233,373
Write-off	(1,480,552)	(235,500)
Changes in exchange rates	1,147	(1,564)
Balance at the end	₩ <u>1,033,062</u>	<u>1,769,121</u>

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

8. Inventories

- (1) Inventories as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014	2013
Merchandise	₩ 3,251,866	1,278,085
Finished goods	961,538	2,053,912
Work in process	573,716	1,470,459
Raw materials	6,629,895	7,881,828
Provision for valuation of inventories	(366,034)	(846,555)
	₩ <u>11,050,981</u>	<u>11,837,729</u>

- (2) (Reversal of) loss on valuation of inventories for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014	2013
(Reversal of) loss on valuation of inventories	₩ (43,463)	143,798

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9. Other Financial Assets

(1) Other financial assets as of December 31, 2014 and 2013 are as follows:

(In thousands of won)		2014		2013	
		Current	Non-current	Current	Non-current
Financial assets held for trading	₩	3,536,200	-	2,611,350	-
Financial institution deposits		1,047,294	737,820	10,052,871	1,229,280
Other receivables		34,846,656	-	23,733,759	-
Accrued revenues		218,432	-	359,458	-
Loans		215,623	7,794,400	173,116	303,030
Leasehold deposits		3,964,648	73,007,404	3,041,627	72,014,462
Present value discount		(8,856)	(9,556,487)	(107,277)	(11,908,654)
Derivative financial assets		5,318,424	1,579,998	-	303,591
Available-for-sale financial assets		-	5,480,874	-	37,504,457
	₩	<u>49,138,421</u>	<u>79,044,009</u>	<u>39,864,904</u>	<u>99,446,166</u>

(2) Other financial assets are presented on a net basis after deducting related allowance. As of December 31, 2014 and 2013, other financial assets and allowance for doubtful accounts are as follows:

(In thousands of won)		2014		2013	
		Current	Non-current	Current	Non-current
Other financial assets	₩	52,474,765	81,295,488	42,897,691	101,621,703
Allowance for doubtful accounts :					
Other receivables		(3,203,810)	-	(3,015,253)	-
Accrued revenues		(17,534)	-	(17,534)	-
Loans		(115,000)	(2,251,479)	-	(2,175,537)
Subtotal of allowance for doubtful accounts		<u>(3,336,344)</u>	<u>(2,251,479)</u>	<u>(3,032,787)</u>	<u>(2,175,537)</u>
Other financial assets, net	₩	<u>49,138,421</u>	<u>79,044,009</u>	<u>39,864,904</u>	<u>99,446,166</u>

(3) Changes in allowance for doubtful accounts for the years ended December 31, 2014 and 2013 are as follows:

(In thousands of won)		2014		2013	
		Current	Non-current	Current	Non-current
Balance at the beginning	₩	3,032,787	2,175,537	5,641,137	4,282,939
Increase in (reversal of) allowance		304,000	23,262	1,261,409	(357,114)
Write-off		(1,210)	-	(3,869,759)	(1,731,329)
Other		767	52,680	-	(18,959)
Balance at the end	₩	<u>3,336,344</u>	<u>2,251,479</u>	<u>3,032,787</u>	<u>2,175,537</u>

(4) Leasehold deposit measured at present value as of December 31, 2014 and 2013 are as follows:

(In thousands of won)		Effective interest rate (%)	Nominal values	Discounted	Present value
				present value	discount
December 31, 2014		2.2~6.8	₩ 76,972,052	67,406,709	(9,565,343)
December 31, 2013		2.5~8.0	75,056,089	63,040,158	(12,015,931)

9. Other Financial Assets, Continued

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(5) Available-for-sale financial assets

① Available-for-sale financial assets as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014		2013	
	Acquisition cost	Book value	Acquisition cost	Book value
Equity securities:				
Phuong Nam Cultural Joint Stock Company	₩ 389,402	328,240	389,402	144,488
Foshan Property Investment Company	2,578,306	2,652,234	2,578,306	2,611,424
Multiplex Series No.1, LLC.	400	400	400	400
Banks Foundation for Young Entrepreneurs Cultural Contents Investment Association	2,500,000	2,500,000	2,500,000	2,500,000
Debt securities	-	-	32,248,145	32,248,145
	₩ <u>5,468,108</u>	<u>5,480,874</u>	<u>37,716,253</u>	<u>37,504,457</u>

② Changes in available-for-sale financial assets for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014	2013
Balance at the beginning	₩ 37,504,457	22,382,170
Acquisitions	102,970	18,995,340
Disposals	(16,316,770)	(309,530)
Loss on valuation of available-for-sale financial assets	(65,863)	(254,920)
Gain on valuation of available-for-sale financial assets	176,707	123,778
Others(*)	(16,034,345)	(3,385,424)
Changes in exchange rates	113,718	(46,957)
Balance at the end	₩ <u>5,480,874</u>	<u>37,504,457</u>

(*) During 2012, the Group agreed with a private investment company (the "Investor") to invest in PT Graha Laya Prima Tbk. (the "PT GLP") which is a theater operator in Indonesia and invested USD 15,250,000 in the convertible loans of PT GLP. During 2014, as PT GLP was listed on the Indonesia Exchange, the Group exercised the conversion right and obtained ownership of 14.75% and reclassified the carrying amounts of available-for-sale financial assets to investments in associates.

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

10. Other Current Assets and Other Non-current Assets

Other current assets and other non-current assets as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014	2013
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		Current	Non-current	Current	Non-current
Advance payments	₩	10,736,809	1,000,000	6,174,687	1,800,000
Allowance for doubtful accounts		(66,004)	-	(66,004)	-
Prepaid expenses		14,901,781	87,173,418	13,466,259	88,812,964
Prepaid value added tax		5,013,474	-	1,048,356	-
Prepaid taxes		7,143	-	1,266,991	-
	₩	<u>30,593,203</u>	<u>88,173,418</u>	<u>21,890,289</u>	<u>90,612,964</u>

11. Investment in Equity Method Investees

(1) Investments in equity method investees as of December 31, 2014 and 2013 are as follows:

Company	Location	Primary business	Ownership (%)	
			2014	2013
Associate:				
SSV Contents Investment Association	Korea	Investment fund	35.52	35.52
PT Graha Layar Prima Tbk.(*1)	Indonesia	Theater operation	14.75	-
Maritime Tower Co., Ltd. (*2)	Vietnam	Foreign Investment	25.00	-
Joint venture:				
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	China	Theater operation	49.00	49.00
CJ XingXing (TJ) International Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Ningbo Culture Plaza CJ Cinema Co., Ltd.	China	Theater operation	45.00	45.00
D-Cinema Korea Co., Ltd.	Korea	Leasing service	50.00	50.00
Shanghai Shangying CGV Cinema Co., Ltd.	China	Theater operation	50.00	50.00
CJ Xingxing (Shanghai) Cinema Co., Ltd.	China	Theater operation	49.00	49.00
CJ Xingxing (FSH) Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Zhongshan CJ Xingxing Cinema Co., Ltd.	China	Theater operation	49.00	49.00
CGV Empire SDN. BHD	Malaysia	Theater operation	25.00	25.00
ChangSha CJ XingXing Cinema Co., Ltd. (*3)	China	Theater operation	49.00	-
Myanmar Cineplex Co., Ltd. (*4)	Myanmar	Theater operation	50.00	-

(*1) Although the Group owns less than 20%, the Group determined that it has significant influence over it through the board of directors. Therefore, the Group classified the interest in PT Graha Layar Prima Tbk. as investments in associates.

(*2) During 2014, the Group newly acquired 25% of the equity interest in Maritime Tower Co., Ltd. for ₩11,736 million.

(*3) During 2014, the Group newly acquired 49% of the equity interest in ChangSha CJ XingXing Cinema Co., Ltd. for ₩442 million.

(*4) During 2014, the Group newly acquired 50% of the equity interest in Myanmar Cineplex Co., Ltd. for ₩1,594 million.

11. Investment in Equity Method Investees, Continued

(2) Condensed financial information of associates and joint ventures as of and for the years ended December 31, 2014 and 2013 is as follows:

(In thousands of won)

2014

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	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net profit (loss)	Total comprehensive income (loss)	Dividends received
SSV Contents Investment Association	₩ 17,848,777	19,482,243	-	-	3,872,856	2,702,714	2,702,714	-
PT Graha Layar Prima Tbk.	31,451,226	31,192,598	16,219,778	844,613	24,635,727	(1,074,270)	(1,074,270)	-
Maritime Tower Co., Ltd.	4,093,813	47,221,470	494,341	1,423,687	2,757,377	1,239,224	1,239,224	-
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	10,218,726	1,448,911	4,549,707	-	7,794,564	2,027,506	2,027,506	606,701
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	1,970,428	2,851,372	1,140,003	-	3,547,083	428,827	428,827	237,568
CJ XingXing (TJ) International Cinema Co., Ltd.	3,045,640	7,644,436	3,617,868	76,176	9,675,035	628,626	628,626	-
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	2,912,472	10,321,645	3,134,780	-	9,727,600	163,348	163,348	-
Ningbo Culture Plaza CJ Cinema Co., Ltd.	3,604,082	8,241,671	3,303,861	-	8,791,394	1,173,123	1,173,123	-
D-Cinema Korea Co., Ltd.	27,204,079	21,225,435	13,278,891	38,630,396	22,791,538	453,718	453,718	-
Shanghai Shangying CGV Cinema Co., Ltd.	8,303,906	1,683,985	4,038,793	-	6,938,387	1,593,942	1,593,942	558,441
CJ Xingxing (Shanghai) Cinema Co., Ltd.	1,502,433	3,097,079	1,145,927	-	3,259,114	143,365	143,365	47,358
CJ Xingxing (FSH) Cinema Co., Ltd.	1,175,800	3,284,236	774,757	-	2,731,701	278,219	278,219	162,822
Zhongshan CJ Xingxing Cinema Co., Ltd.	1,213,945	3,950,740	2,443,938	-	4,455,074	367,683	367,683	-
CGV Empire SDN. BHD	5,760	725,364	1,988,743	-	-	(626,285)	(626,285)	-
ChangSha CJ XingXing Cinema Co., Ltd.	223,049	919,454	263,513	-	-	(26,159)	(26,159)	-
Myanmar Cineplex Co., Ltd.	3,676,376	-	541,314	-	322,287	(74,937)	(74,937)	-
	₩ 118,450,512	163,290,639	56,936,214	40,974,872	111,299,737	9,398,644	9,398,644	1,612,890

(In thousands of won)

		2013						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net profit (loss)	Total comprehensive income (loss)	Dividends received
SSV Contents Investment Association	₩ 14,634,969	20,151,757	158,420	-	1,410,653	(2,135,813)	(2,135,813)	-
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	7,446,475	1,808,644	3,117,947	-	7,221,018	1,348,198	1,348,198	474,633
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	3,309,149	1,510,371	1,144,955	-	3,628,384	389,173	389,173	-
CJ XingXing (TJ) International Cinema Co., Ltd.	2,345,939	7,884,123	3,866,857	115,044	7,742,480	(408,386)	(408,386)	-
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	3,951,461	8,669,164	2,843,022	-	8,971,025	649,351	649,351	-
Ningbo Culture Plaza CJ Cinema Co., Ltd.	2,497,896	6,326,771	2,647,567	-	5,782,794	427,597	427,597	-
D-Cinema Korea Co., Ltd.	32,446,489	39,056,310	17,182,568	58,253,722	24,156,582	2,301,793	2,301,793	-
Shanghai Shangying CGV Cinema Co., Ltd.	6,193,357	1,899,916	2,782,303	-	6,466,401	1,224,005	1,224,005	586,688
CJ Xingxing (Shanghai) Cinema Co., Ltd.	1,552,237	2,421,871	621,985	-	3,352,029	396,555	396,555	-
CJ Xingxing (FSH) Cinema Co., Ltd.	2,796,828	2,072,918	1,188,686	-	3,847,725	129,548	129,548	-
Zhongshan CJ Xingxing Cinema Co., Ltd.	1,557,282	2,757,390	2,010,261	-	1,675,513	(328,361)	(328,361)	-
CGV Empire SDN. BHD	24,714	312,858	996,255	-	-	(463,066)	(463,066)	-
	₩ 78,756,796	94,872,093	38,560,826	58,368,766	74,254,604	3,530,594	3,530,594	1,061,321

11. Investment in Equity Method Investees, Continued

(3) The reconciliation of the investees' net assets to the carrying amount of the Group's interest in equity method investees as of December 31, 2014 and 2013 is as follows:

(In thousands of won)

		2014		
Net assets (a)	Owner-ship (b)	Group's share of net assets	Goodwill	Carrying amount

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				(a×b)		
SSV Contents Investment Association	₩	37,331,020	35.52%	13,258,948	38,204	13,297,152
PT Graha Layar Prima Tbk.		45,579,433	14.75%	6,724,611	9,113,574	15,838,185
Maritime Tower Co., Ltd.		49,397,255	25.00%	12,349,314	620,312	12,969,626
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.		7,117,930	49.00%	3,487,786	-	3,487,786
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.		3,681,797	49.00%	1,804,081	-	1,804,081
CJ XingXing (TJ) International Cinema Co., Ltd.		6,996,032	49.00%	3,428,056	-	3,428,056
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.		10,099,337	49.00%	4,948,675	-	4,948,675
Ningbo Culture Plaza CJ Cinema Co., Ltd.		8,541,892	45.00%	3,843,851	-	3,843,851
D-Cinema Korea Co., Ltd.		(3,479,773)	50.00%	(1,739,887)	-	-
Shanghai Shangying CGV Cinema Co., Ltd.		5,949,098	50.00%	2,974,549	-	2,974,549
CJ Xingxing (Shanghai) Cinema Co., Ltd.		3,453,585	49.00%	1,692,257	-	1,692,257
CJ Xingxing (FSH) Cinema Co., Ltd.		3,685,279	49.00%	1,805,787	-	1,805,787
Zhongshan CJ Xingxing Cinema Co., Ltd.		2,720,747	49.00%	1,333,166	-	1,333,166
CGV Empire SDN. BHD		(1,257,619)	25.00%	(314,405)	-	-
ChangSha CJ XingXing Cinema Co., Ltd.		878,990	49.00%	430,705	-	430,705
Myanmar Cineplex Co., Ltd.		3,135,062	50.00%	1,567,531	-	1,567,531
	₩					<u>69,421,407</u>

(In thousands of won)

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

11. Investment in Equity Method Investees, Continued

(4) Changes in investments in equity method investees for the years ended December 31, 2014 and 2013 are as follows:

(In thousands of won)

2014					
Acquisition cost	Beginning balance	Acquisition	Equity income (loss)	Others (*1)	Ending balance

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SSV Contents Investment Association	₩	10,300,000	12,337,223	-	959,929	-	13,297,152
PT Graha Layar Prima Tbk.		16,335,800	-	16,335,800	(158,494)	(339,121)	15,838,185
Maritime Tower Co., Ltd.		11,735,525	-	11,735,525	309,806	924,295	12,969,626
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.		1,820,123	3,007,214	-	993,478	(512,906)	3,487,786
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.		1,601,700	1,800,537	-	210,125	(206,581)	1,804,081
CJ XingXing (TJ) International Cinema Co., Ltd.		4,263,177	3,061,598	-	308,027	58,431	3,428,056
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.		5,297,164	4,791,025	-	80,041	77,609	4,948,675
Ningbo Culture Plaza CJ Cinema Co., Ltd.(*2)		3,148,068	2,779,695	471,483	527,905	64,768	3,843,851
D-Cinema Korea Co., Ltd.		1,500,000	-	-	-	-	-
Shanghai Shangying CGV Cinema Co., Ltd.		1,191,990	2,655,485	-	796,971	(477,907)	2,974,549
CJ Xingxing (Shanghai) Cinema Co., Ltd.		1,587,903	1,642,540	-	70,249	(20,532)	1,692,257
CJ Xingxing (FSH) Cinema Co., Ltd.		1,661,627	1,803,720	-	136,327	(134,260)	1,805,787
Zhongshan CJ Xingxing Cinema Co., Ltd.		1,283,807	1,129,162	-	180,165	23,839	1,333,166
CGV Empire SDN. BHD		9,067	-	-	-	-	-
ChangSha CJ XingXing Cinema Co., Ltd.		442,308	-	442,308	(12,818)	1,215	430,705
Myanmar Cineplex Co., Ltd.		1,594,465	-	1,594,465	(37,468)	10,534	1,567,531
	₩	<u>63,772,724</u>	<u>35,008,199</u>	<u>30,579,581</u>	<u>4,364,243</u>	<u>(530,616)</u>	<u>69,421,407</u>

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

(*2) The Group participated in paid-in capital increase of Ningbo Culture Plaza CJ Cinema Co., Ltd. and purchased additional shares amounting to ₩471 million. There is no change in the Group's percentage of ownership.

11. Investment in Equity Method Investees, Continued

(4) Changes in investments in equity method investees for the years ended December 31, 2014 and 2013 are as follows, continued:

(In thousands of won)

		2013					
		Acquisition cost	Beginning balance	Acquisition	Equity income (loss)	Others (*1)	Ending balance
SSV Contents Investment Association	₩	10,300,000	13,095,805	-	(758,582)	-	12,337,223

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

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

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

- (5) The unrecognized equity loss (income) during 2014 and the cumulative unrecognized equity losses, resulted from discontinuing application of the equity method, for the year ended December 31, 2014 are as follows:

<i>(In thousands of won)</i>	<u>Unrecognized equity loss (income) during 2014</u>	<u>Cumulative unrecognized equity losses</u>
D-Cinema Korea Co., Ltd.	₩ (226,859)	1,739,886
CGV Empire SDN. BHD	156,571	298,216
	₩ (70,288)	2,038,102

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12. Investment Property

(1) Investment property as of December 31, 2014 and 2013 are as follows:

	2014			2013		
	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	16,586,202	(1,940,277)	14,645,925	16,433,132	(1,523,629)	14,909,503
	₩ 20,281,908	(1,940,277)	18,341,631	20,128,838	(1,523,629)	18,605,209

(2) Changes in investment property for the years ended December 31, 2014 and 2013 are as follows:

(In thousands of won)	Land	Buildings	Total
Acquisition costs:			
Balance at January 1, 2013	₩ 3,695,706	16,433,132	20,128,838
Balance at December 31, 2013	3,695,706	16,433,132	20,128,838
Others(*)	-	153,070	153,070
Balance at December 31, 2014	3,695,706	16,586,202	20,281,908
Accumulated depreciation:			
Balance at January 1, 2013	-	(1,109,476)	(1,109,476)
Depreciation	-	(414,153)	(414,153)
Balance at December 31, 2013	-	(1,523,629)	(1,523,629)
Depreciation	-	(416,648)	(416,648)
Balance at December 31, 2014	-	(1,940,277)	(1,940,277)
Carrying amounts:			
Balance at January 1, 2013	₩ 3,695,706	15,323,656	19,019,362
Balance at December 31, 2013	₩ 3,695,706	14,909,503	18,605,209
Balance at December 31, 2014	₩ 3,695,706	14,645,925	18,341,631

(*) Capitalized expenditure of ₩153 million was transferred from construction-in-progress.

(3) Profit and loss related to investment property for the year ended December 31, 2014 and 2013 are as follows:

(In thousands of won)	2014	2013
Rental income	₩ 747,432	747,432
Rental cost (depreciation)	(416,648)	(414,153)

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13. Property and Equipment

(1) Changes in property and equipment for the year ended December 31, 2014 are as follows:

<i>(In thousands of won)</i>		Land	Buildings	Structures	Machinery	Vehicles	Tools	Construction -in-progress	Total
Acquisition costs:									
Beginning balance	₩	87,379,275	85,287,163	334,472,741	970,317	161,696	294,304,862	33,728,043	836,304,097
Acquisitions		-	-	23,637,532	763,798	24,300	42,672,071	86,164,136	153,261,837
Disposals		-	-	(22,243,742)	(127,439)	(82,496)	(12,026,164)	-	(34,479,841)
Change in exchange rates		-	192,037	2,806,422	1,267	-	1,929,216	475,224	5,404,166
Others		-	-	63,237,770	705,150	-	12,739,047	(84,258,474)	(7,576,507)
Ending balance		<u>87,379,275</u>	<u>85,479,200</u>	<u>401,910,723</u>	<u>2,313,093</u>	<u>103,500</u>	<u>339,619,032</u>	<u>36,108,929</u>	<u>952,913,752</u>
Accumulated depreciation:									
Beginning balance		-	(13,124,806)	(110,887,805)	(81,057)	(115,502)	(201,928,620)	-	(326,137,790)
Depreciation		-	(2,200,367)	(25,667,968)	(350,310)	(19,080)	(35,197,551)	-	(63,435,276)
Disposals		-	-	19,446,282	32,809	82,495	8,792,410	-	28,353,996
Change in exchange rates		-	(34,296)	(316,673)	(134)	-	(671,390)	-	(1,022,493)
Others		-	-	334	-	-	-	-	334
Ending balance		<u>-</u>	<u>(15,359,469)</u>	<u>(117,425,830)</u>	<u>(398,692)</u>	<u>(52,087)</u>	<u>(229,005,151)</u>	<u>-</u>	<u>(362,241,229)</u>
Accumulated impairment:									
Beginning balance		-	-	-	-	-	(1,675,602)	-	(1,675,602)
Disposals		-	-	-	-	-	1,989	-	1,989
Ending balance		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,673,613)</u>	<u>-</u>	<u>(1,673,613)</u>
Contribution for construction:									
Beginning balance		-	-	(830,000)	-	-	-	-	(830,000)
Depreciation		-	-	60,000	-	-	-	-	60,000
Ending balance		<u>-</u>	<u>-</u>	<u>(770,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(770,000)</u>
Carrying amounts:									
Balance at									
December 31, 2013	₩	<u>87,379,275</u>	<u>72,162,357</u>	<u>222,754,936</u>	<u>889,260</u>	<u>46,194</u>	<u>90,700,640</u>	<u>33,728,043</u>	<u>507,660,705</u>
Balance at									
December 31, 2014	₩	<u>87,379,275</u>	<u>70,119,731</u>	<u>283,714,893</u>	<u>1,914,401</u>	<u>51,413</u>	<u>108,940,268</u>	<u>36,108,929</u>	<u>588,228,910</u>

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13. Property and Equipment, Continued

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

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

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14. Intangible Assets

(1) Changes in intangible assets for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>		Goodwill	Trademark right	Membership	Usage rights	Others	Total
Acquisition costs:							
Balance at January 1, 2013	₩	50,801,569	9,817,188	6,226,020	12,278,033	46,360,556	125,483,366
Acquisitions		10,139,716	-	-	14,400	13,068,417	23,222,533
Disposals		-	-	-	-	(49,067)	(49,067)
Additions from transactions with entities under common control		-	8,140	-	-	5,951,621	5,959,761
Change in exchange rates		-	-	-	-	(1,890,200)	(1,890,200)
Others		-	72,071	-	222,320	4,115,152	4,409,543
Balance at December 31, 2013		60,941,285	9,897,399	6,226,020	12,514,753	67,556,479	157,135,936
Acquisitions		-	2,820	-	-	9,313,029	9,315,849
Disposals		-	-	-	(1,172,090)	-	(1,172,090)
Change in exchange rates		-	-	-	-	151,245	151,245
Others(*)		(4,647,205)	425,605	-	48,000	7,001,737	2,828,137
Balance at December 31, 2014		56,294,080	10,325,824	6,226,020	11,390,663	84,021,479	168,258,066
Accumulated depreciation and impairment:							
Balance at January 1, 2013		-	-	(689,215)	(7,070,140)	(16,635,774)	(24,395,129)
Amortization		-	-	-	(1,088,823)	(10,289,817)	(11,378,640)
Impairment		-	(9,450,101)	(101,002)	-	-	(9,551,103)
Disposals		-	-	-	-	34,011	34,011
Additions from transactions with entities under common control		-	-	-	-	(4,916,885)	(4,916,885)
Change in exchange rates		-	-	-	-	67,508	67,508
Others		-	-	-	-	155,547	155,547
Balance at December 31, 2013		-	(9,450,101)	(790,217)	(8,158,963)	(31,585,410)	(49,984,691)
Amortization		-	-	-	(1,057,752)	(17,624,959)	(18,682,711)
Disposals		-	-	-	1,167,107	-	1,167,107
Change in exchange rates		-	-	-	-	(51,761)	(51,761)
Balance at December 31, 2014		-	(9,450,101)	(790,217)	(8,049,608)	(49,261,119)	(67,551,045)
Carrying amounts:							
Balance at January 1, 2013	₩	50,801,569	9,817,188	5,536,805	5,207,893	29,724,782	101,088,237
Balance at December 31, 2013	₩	60,941,285	447,298	5,435,803	4,355,790	35,971,069	107,151,245
Balance at December 31, 2014	₩	56,294,080	875,723	5,435,803	3,341,055	34,760,360	100,707,021

(*) During 2014, as the Group had to end business at the CGV Gimpo airport site due to the lessor's demand. As a result, the Group derecognized the goodwill which had been acquired in a business combination with CGV CINEMA Co., Ltd., who had operated the CGV Gimpo airport site at the time of acquisition, and recognized loss on disposal of intangible assets.

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14. Intangible Assets, Continued

(2) Impairment test

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

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

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

<i>(In percent)</i>	<u>CJ CGV</u>	<u>Simuline Inc.</u>	<u>CJ 4DPlex Co., Ltd.</u>	<u>UVD Enterprise Ltd.</u>	<u>CJ CGV VIETNAM CO., LTD. (formerly, Megastar Media Company)</u>	<u>Vietnam Cinema 1 Company Ltd.</u>
Discount rate	3.69%	4.42%	6.60%	16.69%	11.81%	15.24%
Terminal value growth rate	0.00%	0.00%	0.00%	3.00%	0.00%	0.00%

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

The future cash flows were estimated based on the nature of industry in which the Group operates for the next five years after 2014. The cash flow projections were estimated based on historical experience, actual operating results and the Group's business plan.

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15. Other Financial Liabilities

(1) Other financial liabilities as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014		2013	
	Current	Non-current	Current	Non-current
Accrued expenses	₩ 9,025,029	-	10,331,451	-
Finance lease liabilities	263,561	172,864	251,606	418,998
Leasehold deposits received	1,575,475	1,544,960	1,998,695	1,353,910
Present value discount	(60)	(93,211)	(8,683)	(149,065)
Derivative financial liabilities	5,991,036	64,258	-	5,732,960
	₩ 16,855,041	1,688,871	12,573,069	7,356,803

(2) Leasehold deposits received which were measured at present value as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	Effective interest rate (%)	Nominal values	Discounted present value	Present value discount
December 31, 2014	5.0~5.3	₩ 3,120,435	3,027,164	(93,271)
December 31, 2013	2.5~5.6	3,352,605	3,194,857	(157,748)

(3) Finance lease

① Finance lease contract

As of December 31, 2014 and 2013, the Group leases tools under a finance lease contract with IMAX Corp., and the related assets and liabilities are recorded in the consolidated financial statements.

② The assets related to finance lease contract as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014		2013	
Acquisition costs	₩	12,787,864		11,284,505
Accumulated depreciation		(8,641,994)		(7,051,207)
Carrying amount	₩	4,145,870		4,233,298

③ The present value and future minimum lease payments in accordance with the lease contract as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	2014			2013		
	Future minimum lease payments	Interest	Present value	Future minimum lease payments	Interest	Present value
Less than one year	₩ 285,339	(21,778)	263,561	284,678	(33,072)	251,606
One to five years	201,319	(28,455)	172,864	451,032	(32,034)	418,998
Total	₩ 486,658	(50,233)	436,425	735,710	(65,106)	670,604

16. Other Current Liabilities and Other Non-current Liabilities

(1) Other current liabilities and other non-current liabilities as of December 31, 2014 and 2013 are as follows:

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(In thousands of won)

	2014		2013	
	Current	Non-current	Current	Non-current
Deposit received	₩ 16,895,074	-	4,956,833	-
Value added tax withheld	7,438,167	-	5,553,218	-
Advance received	61,093,077	-	46,182,561	-
Unearned revenue	925,298	341,779	851,647	102,578
Liabilities for short-term employee benefits	15,118,906	-	15,156,069	-
Deferred revenues	-	11,181,923	-	9,990,978
Provision for mileage points	-	943,591	-	1,575,989
Provision for warranties	76,913	-	675,295	-
Other provision	-	7,860,353	-	4,600,000
	₩ <u>101,547,435</u>	<u>20,327,646</u>	<u>73,375,623</u>	<u>16,269,545</u>

(2) Deferred revenues

The Group 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, 2014 and 2013 are ₩11,182 million and ₩9,991 million, respectively.

(3) Provision for mileage points

(In thousands of won)

	2014	2013
Balance at the beginning of the year	₩ 1,575,989	683,459
Increase	2,932,186	3,066,709
Decrease	(3,564,584)	(2,174,179)
Balance at the end of the year	₩ <u>943,591</u>	<u>1,575,989</u>

A provision for mileage points is estimated reasonably by considering the source of accumulated points, the fair value of cost to be provided, expected collection rate and time.

(4) Provision for warranties

(In thousands of won)

	2014	2013
Balance at the beginning of the year	₩ 675,295	-
Addition from business acquisition	-	236,706
Increase	-	728,927
Utilization	(598,382)	(290,338)
Balance at the end of the year	₩ <u>76,913</u>	<u>675,295</u>

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

17. Debt

The contract information of interest bearing debt measured at amortized cost as of December 31, 2014 and 2013 are as follows. The detail information of interest, exchange rate and liquidity risk are described in note 4.

(1) Debt as of December 31, 2014 and 2013 are as follows:

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<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Current liabilities:		
Short-term borrowings		
Local currency short-term borrowings	₩ 26,585,198	15,710,000
Foreign currency short-term borrowings	31,966,143	37,056,883
	<u>58,551,341</u>	<u>52,766,883</u>
Current portion of long-term borrowings		
Current portion of local currency long-term borrowings	26,000,000	-
Current portion of foreign currency long-term borrowings	-	61,207,400
	<u>26,000,000</u>	<u>61,207,400</u>
Current portion of long-term debentures	69,967,954	99,914,976
	<u>₩ 154,519,295</u>	<u>213,889,259</u>
Non-current liabilities:		
Debentures	₩ 179,537,621	99,771,283
Long-term borrowings		
Local currency long-term borrowings	19,973,354	45,958,460
Foreign currency long-term borrowings	113,165,463	31,658,889
	<u>133,138,817</u>	<u>77,617,349</u>
	<u>₩ 312,676,438</u>	<u>177,388,632</u>

(2) Short-term borrowings as of December 31, 2014 and 2013 are as follows:

① Local currency

(In thousands of won)

<u>Lender</u>	<u>Purpose of borrowing</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>2014</u>	<u>2013</u>
Korea Exim Bank	Overdraft	2015.06.23	5.63	₩ 6,800,000	3,110,000
Korea Development Bank	Working capital	2015.12.15	4.97	4,100,000	4,100,000
Korea Development Bank	Overdraft	2015.08.22	4.83	641,000	-
Hana Bank	Overdraft	2015.11.22	4.52	3,000,000	-
Woori Bank	Working capital	2015.10.27	5.41	2,000,000	2,000,000
Korea Exchange Bank	Working capital	2015.12.14	5.42	2,000,000	2,000,000
Shinhan Bank	Working capital	2015.03.17			
		~2015.12.14	4.92~5.15	4,350,000	4,500,000
Hana Bank	Working capital	2015.11.01			
		~2015.11.03	4.95~5.03	2,200,000	-
Kookmin Bank	Purchase loan	2015.10.29	5.03~5.08	1,494,198	-
				<u>₩ 26,585,198</u>	<u>15,710,000</u>

17. Debt, Continued

(2) Short-term borrowings as of December 31, 2014 and 2013 are as follows, continued:

② Foreign currency

(In thousands of won, except foreign currency)

<u>Lender</u>	<u>Purpose of borrowing</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>2014</u>	<u>2013</u>
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Hana Bank	Foreign investment	2014.02.27	1.71	₩	10,553,000
					(USD 10,000,000)
The Hongkong and Shanghai Banking Corporation	Working capital	2014.04.07 ~2014.04.17	1M HIBOR +2.20		11,419,811
					(HKD 83,913,665)
Korea Exchange Bank	Working capital	2015.07.24	6M HIBOR +1.70		12,986,805
				(HKD 91,650,000)	12,472,648
Star (HK) Industrial	Repurchase agreement	2015.12.31	-		2,652,234
				(RMB 15,000,000)	2,611,423
Hana Bank	Working capital	2015.01.12	1M LIBOR + 0.70		3,187,680
				(USD 2,900,000)	-
Shinhan Bank	Working capital	2015.10.13	1.43		681,504
				(USD 620,000)	-
Shinhan Bank	Working capital	2015.09.30	4.4~5.8		8,995,000
				(VND 175,000,000,000)	-
Associates(*)	Working capital	2015.08.26	3.20		3,461,271
				(RMB 19,576,218)	-
CJ Sa Asia Pte. Ltd.	Working capital	2015.12.31	-		1,649
				(USD 1,500)	-
				₩	<u>31,966,143</u>
					<u>37,056,883</u>

(*) The Group borrowed from five of its associates including Beijing CJ Xingxing Olympic International Cinema Co., Ltd.

(3) Debentures as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

Lender	Maturity date	Interest rate (%)	2014	2013
Shinhan Investment Corp.	2014.02.28	4.69	₩ -	50,000,000
Daewoo Securities Co., Ltd.	2014.11.24	4.12	-	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	30,000,000
Shinhan Investment Corp.	2017.02.18	3.19	50,000,000	-
Hanwha Investment & Securities Co., Ltd.	2017.11.07	2.31	50,000,000	-
Hanwha Investment & Securities Co., Ltd.	2019.11.07	2.51	50,000,000	-
			<u>250,000,000</u>	<u>200,000,000</u>
Less: discount			(494,425)	(313,741)
Less: current portion of long-term debentures			(69,967,954)	(99,914,976)
			₩ <u>179,537,621</u>	<u>99,771,283</u>

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17. Debt, Continued

(4) Long-term borrowings as of December 31, 2014 and 2013 are as follows:

① Local currency

(In thousands of won)

Lender	Maturity date	Interest rate (%)	2014	2013
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	20,000,000
			46,000,000	46,000,000
Less: discount			(26,646)	(41,540)
Less: current portion of long-term borrowings			(26,000,000)	-
			₩ 19,973,354	45,958,460

(*) As of December 31, 2014, the Group has entered into an interest swap contract in order to control the risk being exposed to changes in interest rates on borrowings. As the interest swap contract are not classified as a hedging derivative instrument, the Group recognized loss on valuation of derivative financial instrument amounting to ₩46 million in profit or loss for the year ended December 31, 2014.

② Foreign currency

(In thousands of won, except foreign currency)

Lender	Maturity date	Interest rate (%)	2014	2013
Korea Exim Bank	2014.07.25	3M LIBOR ₩ +1.95	-	61,207,400 (USD 58,000,000)
Korea Exim Bank	2019.01.10	3M LIBOR +2.09	10,992,000 (USD 10,000,000)	-
Korea Development Bank	2019.06.17	3M LIBOR +1.79	43,968,000 (USD 40,000,000)	-
Korea Development Bank	2016.06.12	3M LIBOR +1.73	3,245,701 (USD 3,000,000)	-
Korea Exim Bank	2018.04.10	3M LIBOR +2.05	32,975,857 (USD 30,000,000)	31,658,889 (USD 30,000,000)
Korea Exim Bank	2019.12.17	HIBOR +2.2	21,983,905 (USD 20,000,000)	-
			113,165,463 (USD 103,000,000)	92,866,289 (USD 88,000,000)
Less: current portion of long-term borrowings			-	(61,207,400) (USD 58,000,000)
			₩ 113,165,463 (USD 103,000,000)	31,658,889 (USD 30,000,000)

17. Debt, Continued

(4) Long-term borrowings as of December 31, 2014 and 2013 are as follows, continued:

CJ CGV CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2014 and 2013

As of December 31, 2014, the Group has entered into currency forward contracts in accordance with risk management policy, in order to control the risk being exposed to changes in exchange rate related to principle payment of foreign currency borrowings.

Details of currency forward contracts as of December 31, 2014 are as follows:

(In won, except foreign currency)

<u>Lender</u>	<u>Contractor</u>	<u>Notional amount</u>		<u>Currency forward rate</u>	<u>Maturity date</u>
Korea Exim Bank	Standard	Buy	USD 10,000,000	₩1,104.90	2019.01.10
Korea Development Bank	Chartered Bank	Buy	USD 40,000,000	₩1,078.15	2019.04.09

As the above currency forward contracts are not classified as a hedging derivative instrument, the Group recognized loss and gain on valuation of derivative financial instrument amounting to ₩64 and ₩701 million, respectively, in profit or loss for the year ended December 31, 2014.

18. Employee Benefits

(1) Employee benefits expenses for the years ended December 31, 2014 and 2013 are as follows:

(In thousands of won)

	<u>2014</u>	<u>2013</u>
Wages and salaries	₩ 150,347,945	134,412,249
Expenses related to post-employment defined plans	11,167,630	8,655,904
Contributions to defined contribution plans	-	79,745
	<u>₩ 161,515,575</u>	<u>143,147,898</u>

(2) Total employee benefit liabilities as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

	<u>2014</u>	<u>2013</u>
Present value of defined benefit obligations	₩ 43,610,288	32,464,119
Fair value of plan assets	(33,212,655)	(26,090,188)
Net defined benefit liability	<u>10,397,633</u>	<u>6,373,931</u>
Liabilities for short-term employee benefits	15,118,906	15,156,069
Liabilities for long-term officer compensation expense	1,259,391	2,502,402
Total employee benefit liabilities	<u>₩ 26,775,930</u>	<u>24,032,402</u>

The Group's defined benefit plans are administered by Woori Bank, Samsung Fire & Marine Insurance and others. The principal of its plan assets are guaranteed and the annual yield of its plan assets is 2.59% for 2014.

These defined benefit plans expose the Group to actuarial risk, such as interest rate risk and market (investment) risk. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

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18. Employee Benefits, Continued

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

		Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
		2014	2013	2014	2013	2014	2013
<i>(In thousands of won)</i>							
Balance at January 1	₩	32,464,119	24,173,471	(26,090,188)	(14,863,532)	6,373,931	9,309,939
Included in profit or loss:							
Current service cost		10,722,149	8,161,114	-	-	10,722,149	8,161,114
Interest cost (income)		1,444,780	1,025,349	(999,299)	(530,559)	445,481	494,790
		<u>12,166,929</u>	<u>9,186,463</u>	<u>(999,299)</u>	<u>(530,559)</u>	<u>11,167,630</u>	<u>8,655,904</u>
Included in other comprehensive income (loss):							
Remeasurements loss (gain):							
- Actuarial loss (gain) arising from:							
- demographic assumptions		683,115	170,586	-	-	683,115	170,586
- financial assumptions		3,399,854	(335,512)	-	-	3,399,854	(335,512)
- experience adjustment		(499,067)	1,250,664	-	-	(499,067)	1,250,664
- Return on plan assets excluding interest cost		-	-	340,334	3,512	340,334	3,512
		<u>3,583,902</u>	<u>1,085,738</u>	<u>340,334</u>	<u>3,512</u>	<u>3,924,236</u>	<u>1,089,250</u>
Other:							
Contribution paid by the employer		-	-	(8,830,000)	(11,142,302)	(8,830,000)	(11,142,302)
Benefits paid		(4,623,270)	(3,040,702)	2,264,671	1,299,036	(2,358,599)	(1,741,666)
Transfer from (to) affiliated companies		18,608	1,059,149	101,827	(856,343)	120,435	202,806
		<u>(4,604,662)</u>	<u>(1,981,553)</u>	<u>(6,463,502)</u>	<u>(10,699,609)</u>	<u>(11,068,164)</u>	<u>(12,681,162)</u>
Balance at December 31	₩	<u>43,610,288</u>	<u>32,464,119</u>	<u>(33,212,655)</u>	<u>(26,090,188)</u>	<u>10,397,633</u>	<u>6,373,931</u>

(4) Details of plan assets as of December 31, 2014 and 2013 are as follows:

		2014	2013
<i>(In thousands of won)</i>			
Deposit for severance benefit insurance	₩	33,210,246	26,087,779
Transfer to National Pension Fund		2,409	2,409
	₩	<u>33,212,655</u>	<u>26,090,188</u>

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18. Employee Benefits, Continued

(5) Actuarial assumptions

① Principal actuarial assumptions as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Discount rate	3.25%~3.75%	4.00%~4.50%
Future salary growth	5.25%~6.25%	5.25%~5.50%

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

At December 31, 2014, the weighted-average duration of the defined benefit obligation was from 9.5 years to 14.1 years.

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

<i>(In thousands of won)</i>	<u>Movement</u>	<u>Defined benefit obligation</u>
Discount rate	1% increase	₩ (2,361,871)
	1% decrease	2,652,234
Future salary growth	1% increase	2,640,833
	1% decrease	(2,396,701)

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

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For the years ended December 31, 2014 and 2013

19. Commitments and Contingencies

(1) Borrowing agreements with financial institutions as of December 31, 2014 are as follows:

(In thousands of won,
except foreign currency)

	Local Currency						Foreign Currency
	Overdraft	General	Bill discounting	Business purchase card	Purchase loan	Loans on account receivables collateral	Overseas investment
Korea Exchange Bank	₩ 3,000,000	2,000,000	8,000,000	-	-	-	HKD 91,650,000
Woori Bank	3,000,000	2,000,000	-	13,000,000	-	-	USD 20,000,000
Shinhan Bank	-	20,100,000	-	10,000,000	-	-	USD 4,000,000
Standard Chartered Bank	-	-	-	-	-	-	VND 210,000,000,000
Meritz Securities	-	-	30,000,000	-	-	-	USD 10,000,000
Kookmin Bank	10,000,000	6,000,000	-	-	1,500,000	-	-
Korea Development Bank	-	10,000,000	-	-	-	-	USD 43,000,000
Hana Bank	-	8,000,000	-	3,000,000	-	3,000,000	USD 14,000,000
Korea Exim Bank	-	14,000,000	-	-	-	-	USD 60,000,000
HSBC	-	-	-	-	-	-	RMB 132,000,000
							HKD 91,650,000
							USD 151,000,000
							VND 210,000,000,000
	₩ 16,000,000	62,100,000	38,000,000	26,000,000	1,500,000	3,000,000	RMB 132,000,000

(2) As of December 31, 2014, the Group is involved in 3 lawsuits as plaintiff for alleged damages of ₩1,084 million in aggregate, and 7 lawsuits as defendant for alleged damages of ₩10,673 million in aggregate. In terms of the lawsuit as defendant with Korean Film Producers Association, the Group partially lost the first trial (the amount of claim: ₩2,453 million), but won the case in the second trial which was held during January 2015. Currently, the third trial is in progress.

Except for the above-mentioned case, the Group believes that although the outcome of these legal actions is uncertain, they would not ultimately result in a material unfavorable effect on the Group's financial position, operating results or cash flows.

(3) Payment guarantee

- ① As of December 31, 2014, Kookmin Bank provides a payment guarantee of ₩377 million to the Group in relation to the Group's obligation to Korea Airports Corporation regarding restoration on the interior of the rental property.
- ② The Group is provided with payment guarantee of ₩3,940 million from Seoul Guarantee Insurance Company related to the performance of contracts.
- ③ During 2014, the Group has entered into a stock purchase agreement with THEA Partners LLC. (the "THEA") to purchase the shares owned by THEA for USD 11,355,000 on or before December 31, 2017. The Group has measured the fair value of the stock purchase agreement based on Black-Scholes model and recognized gain on valuation of derivative financial assets amounting to ₩879 million in the comprehensive income statement. Also, the Group provides a payment guarantee of up to USD 12,675,000 and ₩3,067 million in relation to borrowings of THEA.

19. Commitments and Contingencies, Continued

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- (4) The Group 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 ₩9,231 million and long-term other payables of ₩31,506 million, respectively, as of December 31, 2014.
- (5) The Group has an outstanding purchase commitment for the acquisition of the leasehold deposit, which was transferred according to the leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 1st during 2012, at fair value in August 28, 2015. The Group holds interest rate forwards to hedge the risk of changes in the fair value of leasehold deposit at the time of repurchase and has recognized gain on valuation of derivative financial assets amounting to ₩10,298 million as finance income in the comprehensive income statement.
- (6) During 2012, the Group agreed with a private investment company (the "Investor") to invest in PT Graha Layer Prima Tbk. (the "PT GLP") which is a theater operator in Indonesia. The Group invested USD 15,250,000 in the convertible loan of PT GLP during 2012 and the Investor invested USD 15,250,000 in the convertible loan of PT GLP during 2013. The Group acquired the stock of PT GLP by exercising the conversion right and reclassified the convertible loan to investments in associates during 2014. Disclosing the detailed information on investment may cause adverse effect on the Group under the confidentiality agreement with the investor and PT GLP. As such, the Group does not disclose the specific information on investment details and plans.
- (7) The Group entered into a currency forward contract, in order to control the risk being exposed to changes in exchange rate related to foreign currency trade receivables. The currency forward contract not past due as of December 31, 2014, is as follows:

(In USD)

Contractor	Contract date	Maturity date	Amount	Forward rate
Kookmin Bank	2014-08-07	2015-01-23	USD 121,680.50	₩1,041.2

As the currency forward contract are not classified as a derivative as hedging instruments, the Group recognized loss on valuation of derivative financial instrument amounting to ₩7 million in profit or loss for the year ended December 31, 2014.

20. Shareholders' Equity

Share capital as of December 31, 2014 and 2013 are as follows:

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<i>(In won, except share data)</i>	<u>2014</u>	<u>2013</u>
Number of shares authorized	100,000,000	100,000,000
Par value per share	₩ 500	500
Number of shares issued	<u>21,161,313</u>	<u>21,161,313</u>
Share capital	<u>₩ 10,580,656,500</u>	<u>10,580,656,500</u>

21. Capital Surplus

Capital surplus as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Additional paid-in capital	₩ 67,150,745	67,150,745
Gain on sales of treasury stock	<u>22,006,500</u>	<u>22,006,500</u>
	<u>₩ 89,157,245</u>	<u>89,157,245</u>

22. Retained Earnings

(1) Retained earnings as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Legal reserve	₩ 10,130,715	9,390,069
Voluntary reserve	8,410,000	8,410,000
Unappropriated retained earnings	<u>266,091,079</u>	<u>260,568,110</u>
	<u>₩ 284,631,794</u>	<u>278,368,179</u>

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

(2) Changes in retained earnings for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Beginning balance	₩ 278,368,179	273,722,905
Dividends	(7,406,460)	(7,216,110)
Net income	16,657,220	12,682,158
Remeasurement loss of defined benefit plan	(2,987,145)	(820,774)
Ending balance	<u>₩ 284,631,794</u>	<u>278,368,179</u>

23. Other Capital

(1) Other capital as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
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Other capital surplus	₩	758,079	758,079
Capital adjustments		(6,428,838)	(5,360,536)
Accumulated other comprehensive income (loss)		3,226,244	(1,260,209)
	₩	<u>(2,444,515)</u>	<u>(5,862,666)</u>

(2) Capital adjustments as of December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>		<u>2014</u>	<u>2013</u>
Stock option	₩	-	39,997
Other capital adjustments		(6,428,838)	(5,400,533)
	₩	<u>(6,428,838)</u>	<u>(5,360,536)</u>

(3) Share based payment

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

① Terms and condition of stock options

(In won, except for shares)

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

② Changes in the number of stock options and weighted average exercise price for the year ended December 31, 2014 are as follows:

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

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23. Other Capital, Continued

(3) Share based payment, continued

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

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

(4) Accumulated other comprehensive income (loss) as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

	<u>2014</u>	<u>2013</u>
Gain on valuation of available-for-sale financial assets	₩ 190,922	115,420
Foreign currency translation difference for foreign operations	2,363,920	(986,447)
Change in equity of equity method investments	671,402	(389,182)
	<u>₩ 3,226,244</u>	<u>(1,260,209)</u>

24. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2014 and 2013 are as follows:

(In thousands of won)

	<u>2014</u>	<u>2013</u>
Salaries	₩ 125,036,199	116,944,589
Employee benefits	9,111,369	7,387,474
Other employee benefits	17,225,518	14,658,823
Travel	5,517,910	6,940,177
Rent	92,142,339	75,116,974
Maintenance expenses for buildings	58,503,167	51,645,007
Supplies	8,282,898	4,972,963
Depreciation	9,008,745	8,757,336
Amortization	8,987,891	8,260,487
Commission	75,644,020	68,224,567
Sales promotion	7,980,733	11,593,455
Other expenses	42,885,774	41,856,724
	<u>₩ 460,326,563</u>	<u>416,358,576</u>

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25. Nature of Expenses

Details of nature of expenses for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Changes in inventories	₩ 68,976,908	58,748,120
Salaries	150,347,945	134,412,249
Employee benefits	11,167,630	8,735,649
Other employee benefits	18,151,092	15,452,627
Travel	5,583,988	6,940,177
Rent	92,617,916	75,395,817
Maintenance expenses for buildings	58,503,167	51,645,007
Supplies	8,282,898	4,972,963
Depreciation	63,791,923	55,733,253
Amortization	18,682,711	11,378,639
Commission	106,502,406	93,977,695
Sales promotion	7,980,733	11,593,455
Other expenses	379,188,371	335,726,218
Total(*)	₩ 989,777,688	864,711,869

(*) The amount is the sum of cost of sales, selling, general and administrative expenses and development expenses in the comprehensive income statement.

26. Other Non-operating Income and Expenses

(1) Details of other non-operating income for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Gain on disposal of property and equipment	₩ 603,452	30,221
Commission income	1,047,684	2,887,981
Rental income	76,983	128,621
Miscellaneous income	7,470,085	6,057,681
	₩ 9,198,204	9,104,504

(2) Details of other non-operating expenses for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Loss on sale of trade receivables	₩ -	14,993
Other bad debt expenses	327,262	904,295
Loss on disposal of property and equipment	3,648,228	3,089,030
Loss on disposal of intangible assets	4,652,189	11,066
Loss on disposal of other financial assets	866,120	1,182,790
Loss on disposal of inventories	-	591,978
Loss on impairment of intangible assets	-	9,551,103
Other provisions	-	4,600,000
Donations	2,989,577	3,623,063
Miscellaneous loss	5,960,411	468,102
	₩ 18,443,787	24,036,420

27. Financial Instruments Income and Costs by Categories

(1) Financial instruments income by categories for the years ended December 31, 2014 and 2013 are as follows:

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<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Interest income:		
Cash and cash equivalents	₩ 2,125,279	366,713
Loans and receivables	1,186,474	4,512,055
Foreign currency transaction gain:		
Cash and cash equivalents	548,137	-
Loans and receivables	542,717	257,365
Available-for-sale financial assets	-	187,267
Financial liabilities recognized at amortized cost	1,783,759	254,151
Foreign currency translation gain:		
Cash and cash equivalents	642,368	33,765
Loans and receivables	573,743	244,636
Financial liabilities recognized at amortized cost	201,399	1,197,536
Gain on valuation of short-term financial Instruments	213,278	-
Gain on valuation of derivative financial assets	11,877,545	-
Gain on transaction of derivative financial assets	1,554	997
	₩ <u>19,696,253</u>	<u>7,054,485</u>
Other comprehensive income:		
Gain on valuation of available-for-sale financial assets	₩ 176,707	756,680

(2) Financial instruments costs by categories for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Interest expense:		
Financial liabilities recognized at amortized cost	₩ 20,184,228	21,929,624
Foreign currency transaction loss:		
Cash and cash equivalents	84,360	-
Loans and receivables	605,257	325,325
Available-for-sale financial assets	-	646,889
Financial liabilities recognized at amortized cost	660,511	113,898
Foreign currency translation loss:		
Cash and cash equivalents	262,283	711,534
Loans and receivables	270,175	743,106
Financial liabilities recognized at amortized cost	2,919,638	103,172
Loss on disposal of available-for-sale financial assets	4,014	701,198
Loss on valuation of derivative financial assets	6,057,431	4,384,196
Loss on transaction of derivative financial assets	1,282,594	5,784
	₩ <u>32,330,491</u>	<u>29,664,726</u>
Other comprehensive income:		
Loss on valuation of available-for-sale financial assets	₩ 65,863	193,229

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For the years ended December 31, 2014 and 2013

28. Income Tax Expense

(1) The component of income tax expense for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Current tax expense	₩ 15,907,826	8,820,825
Adjustment for prior years	4,810,745	736,660
Origination and reversal of temporary differences	20,827	(7,247,040)
Changes in deferred tax due to tax deficit	(1,283,225)	520,395
Changes in deferred tax due to tax credits carryforward	(1,789,691)	-
Income tax recognized directly in equity	880,819	123,126
Total income tax expense	₩ <u>18,547,301</u>	<u>2,953,966</u>

(2) Income taxes recognized directly in other comprehensive income (loss) for the years ended December 31, 2014 and 2013 are as follow:

<i>(In thousands of won)</i>	<u>2014</u>		<u>2013</u>	
	<u>Other comprehensive income (loss)</u>	<u>Deferred tax assets (liabilities)</u>	<u>Other comprehensive income (loss)</u>	<u>Deferred tax assets (liabilities)</u>
Gain on valuation of available-for-sale financial assets	₩ 110,844	-	703,821	(140,371)
Remeasurement loss of defined benefit plan	(3,924,236)	880,819	(1,089,250)	263,497
Change in equity of equity method investments	1,060,585	-	218,871	-
	₩ <u>(2,752,807)</u>	<u>880,819</u>	<u>(166,558)</u>	<u>123,126</u>

(3) Reconciliation of effective tax rate for the years ended December 31, 2014 and 2013 are as follows:

<i>(In thousands of won)</i>	<u>2014</u>	<u>2013</u>
Income before income taxes	₩ 34,567,150	15,085,811
Income tax expense	7,903,250	3,296,879
Adjustments:		
- Non-deductible expense	1,260,787	1,322,696
- Non-taxable income	(93,124)	(16,198)
- Tax credit	(609,181)	(23,178)
- Unrecognized deferred tax on temporary differences	2,571,868	(454,652)
- Current-year tax deficit for which no deferred tax asset is recognized	3,141,174	-
- Adjustments for prior years	4,810,745	736,660
- Others	(438,218)	(1,908,241)
Income tax expenses	₩ <u>18,547,301</u>	<u>2,953,966</u>
Average effective tax rate	22.86%	19.58%

CJ CGV CO., LTD. AND SUBSIDIARIES
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28. Income Tax Expense, Continued

(4) Changes in deferred income tax assets (liabilities) for the year ended December 31, 2014 are as follows:

(In thousands of won)

		2014		
		Temporary differences	Deferred tax assets (liabilities)	
		Ending balance	Beginning balance	Ending balance
Investments in associates	₩	(5,648,682)	(81,436)	(1,004,326)
Allowance for doubtful accounts		4,181,182	1,066,352	1,005,827
Accrued retirement and severance benefits		2,808,086	26,852	628,944
Depreciation		3,888,886	(494,937)	479,538
Amortization		3,855,121	(173,154)	821,056
Gain (loss) on valuation of derivative financial assets		(213,928)	1,204,431	(51,771)
Loss on valuation of inventories		366,035	186,242	80,528
Impairment loss on property and equipment		2	139	-
Impairment loss on intangible assets		796,035	195,875	192,640
Accrued income		(122,233)	(28,276)	(28,168)
Accrued expenses		843,405	65,124	155,173
Foreign currency translation		(80,945)	7,085	(17,808)
Goodwill		(2,870,644)	(1,813,918)	(694,696)
Lands		(52,828,873)	(12,784,587)	(12,784,587)
Other provision		7,860,353	1,113,200	1,902,205
Other intangible assets		(1,789,105)	(505,231)	(447,276)
Others		2,135,757	159,023	456,545
		(36,819,548)	(11,857,216)	(9,306,176)
Tax loss carryforward		24,245,916	912,812	5,337,211
Tax credits carryforward		-	-	2,421,120
		(12,573,632)	(10,944,404)	(1,547,845)
Unrecognizes deferred tax assets(*)		-	886,728	(5,457,742)
	₩	-	(10,057,676)	(7,005,587)

(*) Deferred tax assets of ₩5,458 million for temporary differences related to investments in subsidiaries and associates were not recognized, as it is not probable that the temporary differences will be reversed in the foreseeable future.

28. Income Tax Expense, Continued

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

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

For the years ended December 31, 2014 and 2013

(In thousands of won)

		2013		
		Temporary differences	Deferred tax assets (liabilities)	
		Ending balance	Beginning balance	Ending balance
Investments in associates	₩	1,355,122	449,503	(81,436)
Allowance for doubtful accounts		4,527,256	1,207,309	1,066,352
Accrued retirement and severance benefits		122,053	-	26,852
Depreciation		(2,050,505)	(622,742)	(494,937)
Amortization		(708,563)	(78,746)	(173,154)
Gain (loss) on valuation of derivative financial assets		4,976,986	296,421	1,204,431
Loss on valuation of inventories		846,555	-	186,242
Impairment loss on property and equipment		573	1,633	139
Impairment loss on intangible assets		809,399	203,422	195,875
Accrued income		(121,107)	(128,397)	(28,276)
Accrued expenses		413,825	-	65,124
Foreign currency translation		32,205	-	7,085
Goodwill		(7,495,530)	(1,119,223)	(1,813,918)
Lands		(52,828,873)	(12,784,587)	(12,784,587)
Other provision		4,600,000	-	1,113,200
Other intangible assets		(2,020,924)	(563,186)	(505,231)
Others		840,518	(4,816,316)	159,023
	Subtotal	(46,701,011)	(17,954,909)	(11,857,216)
Tax loss carryforward		4,009,326	392,417	912,812
Tax credits carryforward		-	-	-
	Subtotal	(42,691,684)	(17,562,492)	(10,944,404)
Unrecognizes deferred tax assets(*)		-	(262,619)	886,728
	Total	₩	(17,825,111)	(10,057,676)

(*) Deferred tax liabilities of ₩887 million for temporary differences related to investments in subsidiaries and associates were not recognized, as it is not probable that the temporary differences will be reversed in the foreseeable future.

- (6) As of December 31, 2014, tax effects of temporary differences were calculated by expected tax rate of the fiscal year when the temporary differences are expected to reverse.
- (7) The aggregate amounts of deferred tax assets and liabilities as of December 31, 2014 and 2013 are as follows:

(In thousands of won)

		2014	2013
Deferred tax assets	₩	13,480,787	5,823,863
Deferred tax liabilities		(20,486,374)	(15,881,539)
	₩	(7,005,587)	(10,057,676)

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2014 and 2013

29. Earnings per share

(1) Basic earnings per share

- ① Basic earnings per share for the years ended December 31, 2014 and 2013 are calculated as follows:

<i>(In won, except share information)</i>	<u>2014</u>	<u>2013</u>
Profit attributable to owners of the Parent Company	₩ 16,657,220,156	12,682,157,780
Weighted average number of ordinary shares	<u>21,161,313</u>	<u>20,696,429</u>
Basic earnings per share	₩ <u>787</u>	<u>613</u>

- ② Weighted average number of ordinary shares for the years ended December 31, 2014 and 2013 are as follows:

<i>(In share)</i>	<u>2014</u>	<u>2013</u>
Ordinary shares at January 1	21,161,313	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	<u>21,161,313</u>	<u>20,696,429</u>

(2) Diluted earnings per share

- ① Diluted earnings per share for the years ended December 31, 2014 and 2013 are calculated as follows:

<i>(In won, except share information)</i>	<u>2014</u>	<u>2013</u>
Basic profit attributable to owners of the Parent Company	₩ 16,657,220,156	12,682,157,780
Adjustment to profit	<u>-</u>	<u>-</u>
Diluted profit attributable to owners of the Parent Company	16,657,220,156	12,682,157,780
Diluted weighted average number of ordinary shares	<u>21,162,962</u>	<u>20,701,152</u>
Diluted earnings per share	₩ <u>787</u>	<u>613</u>

- ② Diluted weighted average number of ordinary shares for the years ended December 31, 2014 and 2013 are as follows:

<i>(In share)</i>	<u>2014</u>	<u>2013</u>
Weighted average number of ordinary shares	21,161,313	20,696,429
Effect of stock options	<u>1,649</u>	<u>4,723</u>
Diluted weighted average number of ordinary shares	<u>21,162,962</u>	<u>20,701,152</u>

The average market value of the Group's shares for the purpose of calculating the dilutive effect of stock options was based on the quoted market price at the end of the year.

30. Unconsolidated structured entity

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

Detail of unconsolidated structured entity which the Group sponsors as of December 31, 2014 is as follows:

(In thousands of won)

<u>Name</u>	<u>Form of involvement</u>	<u>Type of returns</u>	<u>Carrying amount of transferred assets</u>
THEA Partners L.L.C	Payment Guarantee	-	-

During 2014, the Group entered into a stock purchase agreement with THEA Partners LLC. (the "THEA") to purchase the shares owned by THEA. The Group has provided payment guarantee of up to USD 12,675,000 and ₩3,067 million in relation to the borrowings of THEA.

As the Group does not hold any ownership interests in this entity, and does not have rights to affect the returns from these shares, the Group did not classify this entity as a subsidiary.

31. Related Parties

(1) Parent company and subsidiaries

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

- ① The Group's ultimate parent company is CJ Corp. and the Group's subsidiaries as of December 31, 2014 are as follows:

Location	Subsidiaries	
Korea	CJ 4DPlex Co., Ltd.	CJ 4DX (Beijing) Cinema Technology Co., Ltd. CJ 4DPLEX AMERICA, INC. CJ 4DPLEX AMERICAS, LLC.
	Simuline Inc.	SIMULINE(HONG KONG) LIMITED SIMULINE(CHINA) LIMITED
United States	CJ CGV America, Inc. (formerly, 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 Orsun (WuHan) Cinema Co., Ltd. (formerly, 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. CGV TianHe (WuHan) Cinema Co., Ltd. Jiangmen CGV Cinema Co., Ltd. Jiangsu CGV Cinema Investment Co., Ltd. CGV (Changzhou) Cinema Co., Ltd. Henan CGV Cinema Co., Ltd. CGV (Qingdao) Cinema Co., Ltd. NEIMENGGU CGV CINEMA CO., LTD. DaLian CGV Cinema Co., Ltd. CJ CGV (Hubei) Cinema Co., Ltd. CJ CGV VIETNAM CO., LTD. (formerly, Megastar Media Company)
British Virgin Islands / Vietnam	Envoy Media Partners Ltd.	
Singapore/ Myanmar	Cross Junction Investment Co., Pte. Ltd.	-
	Crown Jade Company Pte. Ltd.	-

31. Related Parties, Continued

- (1) Parent company and subsidiaries, continued

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- ② Related parties which have transactions or outstanding balances with the Group as of December 31, 2014 are as follows:

Relationship	Name
Associates	SSV Contents Investment Association PT Graha Layar Prima Tbk. Maritime Tower Co., Ltd.
Joint ventures	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd. Wuhan CJ XingXing Tiandi Cinema Co., Ltd. CJ XingXing (TJ) International Cinema Co., Ltd. Beijing CJ Xingxing Olympic International Cinema Co., Ltd. Ningbo Culture Plaza CJ Cinema Co., Ltd. D-Cinema Korea Co., Ltd. Shanghai Shangying CGV Cinema Co., Ltd. CJ Xingxing (Shanghai) Cinema Co., Ltd. CJ Xingxing (FSH) Cinema Co., Ltd. Zhongshan CJ Xingxing Cinema Co., Ltd. CGV EMPIRE SDN. BHD ChangSha CJ XingXing Cinema Co., Ltd. Myanmar Cineplex Co., Ltd.
Other related companies	CJ E&M Corp. CJ Cheiljedang Corp. CJ Freshway Corporation CJ Foodvill Co., Ltd. CJ O Shopping Co., Ltd. CJ Worldis Co., Ltd. CJ Hellovision Co., Ltd. CJ HelloVision Honam Broadcasting Co., Ltd. CJ Hellovision Daegu Suseong Broadcasting Co., Ltd. CJ Telenix Co., Ltd. CJ Powercast Inc. Art service Co., Ltd. CJ OliveNetworks Co., Ltd. CJ Construction Co., Ltd. CJ Sea Food Co., Ltd. Joy Rent a Car Co., Ltd. JS Communications Co., Ltd. CNI Leisure Co., Ltd. CJ Korea Express Co., Ltd. CJ EDUCATIONS CORPORATION CJ HealthCare Corporation CJ Venture Investment Cinema Service Co., Ltd. CJ Entertainment America LLC. CJ Beijing Bakery Co., Ltd. CJ E&M America, Inc. CJ Qingdao Foods Co., Ltd. CJ korea express TIANJIN Co., Ltd. KUMHO LOGISTICS SHANGHAI CO., LTD. CJ International Trading Co., Ltd. CJ China, Ltd.

31. Related Parties, Continued

- (1) Parent company and subsidiaries, continued

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For the years ended December 31, 2014 and 2013

- ② Related parties which have transactions or outstanding balances with the Group as of December 31, 2014 are as follows, continued:

Relationship	Name
Other related companies	CJ E&M Tianjin Co., Ltd. CJ CHINA CONSULTING., LTD. KOREA EXPRESS SHANGHAI CO., LTD. CJ America, Inc. KOREA EXPRESS U.S.A. INC.

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31. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2014 are summarized as follows:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Parent	CJ Corp.	₩ 45,786	-	-	-	9,246	-	3,534,711	2,889,950
Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	-	-	-	436,820	-
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	606,701	-	-	-	81,277	-
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	301,208	-	237,577	-	-	-	38,042	-
	Shanghai Shangying CGV Cinema Co., Ltd.	-	-	558,441	-	-	-	64,643	-
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	357,613	-	-	-	-	-	96,333	-
	CJ Xingxing (Shanghai) Cinema Co., Ltd.	120,469	-	-	-	-	-	20,244	-
	Ningbo Culture Plaza CJ Cinema Co., Ltd.	61,302	-	-	-	-	-	7,094	-
	CJ XingXing (TJ) International Cinema Co., Ltd.	310,684	-	-	-	-	-	14,406	-
	CJ Xingxing (FSH) Cinema Co., Ltd.	172,917	-	-	-	-	-	11,085	-
	Zhongshan CJ Xingxing Cinema Co., Ltd.	29,136	-	-	-	-	-	1,560	-
	CGV EMPIRE SDN. BHD	176,176	-	-	-	-	-	-	-
	PT Graha Layar Prima Tbk.	-	1,062,708	-	-	-	-	-	-
	Maritime Tower Co., Ltd.	-	-	-	135,250	-	-	-	-
Other related companies	CJ E&M Corp.	5,033,517	2,489,389	-	70,837,523	58,000	-	2,273,403	-
	CJ Cheiljedang Corp.	158,484	817,993	-	93,707	-	-	5,492,663	-
	CJ Freshway Corporation	12,664	351,256	-	27,782,197	-	-	94,540	-
	CJ Foodvill Co., Ltd.	2,164,876	4,291,143	-	4,430,103	291,698	-	5,557,107	-
	CJ O Shopping Co., Ltd.	334,184	4,045,632	-	-	32,020	-	117,242	-
	CJ Worldis Co., Ltd.	-	4,526	-	-	-	-	2,400	-
	CJ HelloVision Co., Ltd.	27,463	723,685	-	-	-	-	12,907	-
	CJ HelloVision Honam Broadcasting Co., Ltd.	471	-	-	-	-	-	-	-
	CJ Hellovision Daegu Suseong Broadcasting Co., Ltd.	739	-	-	-	-	-	-	-
	CJ Telenix Co., Ltd.	2,386	31,411	-	19,561	-	-	1,894,987	-
	CJ Powercast Inc.	648,835	27,292	-	6,800	108,389	-	2,858,656	-
	Art service Co., Ltd.	-	48,017	-	-	-	-	-	-

31. Related Parties, Continued

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2014 and 2013

- (2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2014 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related companies	CJ OliveNetworks Co., Ltd.	₩ 189,807	2,355,071	-	1,227,212	4,362,265	121,282	23,775,207	-
	CJ Construction Co., Ltd.	9,297	58,538	-	15,655	3,277,700	-	312,421	-
	CJ Sea Food Co., Ltd.	344	-	-	-	-	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	234,136	-	-	-	-
	JS Communications Co., Ltd.	68,875,374	-	-	735,144	-	88,400	-	-
	CNI Leisure Co., Ltd.	1,626	-	-	502,423	-	-	-	-
	CJ Korea Express Co., Ltd.	53,419	660,647	-	9,353	523,500	-	366,244	-
	CJ EDUCATIONS CORPORATION	40,814	578	-	-	-	-	-	-
	CJ HealthCare Corporation	4,790	60,803	-	-	-	-	946	-
	CJ Entertainment America LLC.	1,978	-	-	4,773	-	-	5,461	-
	CJ Beijing Bakery Co., Ltd.	-	-	-	12,537	-	-	-	-
	CJ E&M America, Inc.	-	-	-	-	-	-	2,016,243	-
	CJ Qingdao Foods Co., Ltd.	-	-	-	105,605	-	-	6,411	-
	CJ korea express TIANJIN Co., Ltd.	-	-	-	27,286	-	-	285,206	-
	KUMHO LOGISTICS SHANGHAI CO., LTD.	-	-	-	53,492	-	-	32,091	-
	CJ International Trading Co., Ltd.	-	-	-	339,932	-	-	49,003	-
	CJ Venture Investment	80	-	-	-	-	-	-	-
	Cinema Service Co., Ltd.	-	492	-	-	-	-	-	-
	CJ China, Ltd.	-	-	-	-	-	-	117,460	-
	CJ E&M Tianjin Co., Ltd.	339,609	-	-	-	-	-	-	-
	CJ CHINA CONSULTING., LTD.	-	-	-	299,366	527,311	-	1,825,908	-
	KOREA EXPRESS U.S.A. INC.	-	-	-	-	13,028	-	-	-
		₩ <u>79,476,048</u>	<u>17,029,181</u>	<u>1,402,719</u>	<u>106,872,055</u>	<u>9,203,157</u>	<u>209,682</u>	<u>51,402,721</u>	<u>2,889,950</u>

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

For the years ended December 31, 2014 and 2013

31. Related Parties, Continued

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

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Parent	CJ Corp.	₩ 32,887	728	-	-	-	3,085,783	2,889,950
Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	-	36,440	35,700	-
	Shanghai Shangying CGV Cinema Co., Ltd.	92,161	-	-	-	-	-	-
	CJ XingXing (TJ) International Cinema Co., Ltd.	101,039	-	-	-	-	-	-
	Zhongshan CJ Xingxing Cinema Co., Ltd.	35,284	-	-	-	-	-	-
	Ningbo Culture Plaza CJ Cinema Co., Ltd.	17,371	-	-	-	-	-	-
	CJ Xingxing (Shanghai) Cinema Co., Ltd.	40,344	-	-	-	-	-	-
	CJ Xingxing (FSH) Cinema Co., Ltd.	52,540	-	-	-	-	-	-
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	40,416	-	-	-	-	-	-
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	100,937	-	-	86,098	-	-	-
Other related companies	CJ E&M Corp.	2,850,606	2,389,881	62,251,716	1,089,207	-	2,900,591	-
	CJ O Shopping Co., Ltd.	327,365	3,148,606	-	13,978	-	78,590	-
	CJ Worldis Co., Ltd.	-	1,635	-	-	-	1,025	-
	CJ N City Co., Ltd.	2,816	68,043	-	-	-	421,198	-
	CJ OliveNetworks Co., Ltd.	141,382	2,853,134	372,706	3,160,664	2,376,719	22,187,723	-
	CJ Powercast Inc.	742,100	8,614	20,843	727,412	-	2,883,335	-
	CJ Foodvill Co., Ltd.	1,207,127	3,399,617	3,137,816	280,350	-	5,220,643	-
	CJ Freshway Corporation	19,078	337,067	22,354,459	38,600	-	2,831,787	-
	JS Communications Co., Ltd.	64,646,016	-	906,134	-	-	-	-
	CJ Construction Co., Ltd.	17,516	57,301	8,462	13,283,288	-	231,073	-
	CNI Leisure Co., Ltd.	-	-	475,108	-	-	-	-

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

For the years ended December 31, 2014 and 2013

31. Related Parties, Continued

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

(In thousands of won)

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

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

For the years ended December 31, 2014 and 2013

31. Related Parties, Continued

(4) Account balances with related companies as of December 31, 2014 are summarized as follows:

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities
Parent	CJ Corp.	₩ 2,988	-	4,159	-	-	367,010
Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	-	-	79,893
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	594,067	-	-	-
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	-	-	241,942	-	-	779,732
	Shanghai Shangying CGV Cinema Co., Ltd.	-	-	546,813	-	-	-
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	55,652	-	-	-	-	1,039,643
	CJ Xingxing (Shanghai) Cinema Co., Ltd.	54,915	-	-	-	-	433,185
	Ningbo Culture Plaza CJ Cinema Co., Ltd.	339,777	-	-	-	-	-
	CJ XingXing (TJ) International Cinema Co., Ltd.	-	-	-	-	-	519,821
	CJ Xingxing (FSH) Cinema Co., Ltd.	-	-	-	-	-	693,095
	CGV EMPIRE SDN. BHD	175,872	-	3,405	-	-	-
	PT Graha Layar Prima Tbk.	-	-	1,678,948	-	-	-
	Maritime Tower Co., Ltd.	-	-	-	2,474	-	-
Other related companies	CJ E&M Corp.	615,119	-	683,039	7,911,379	613,120	600,460
	CJ Cheiljedang Corp.	129,403	389,929	385,097	614	-	1,153,112
	CJ Freshway Corporation	1,498	-	98,059	10,034,921	-	11,515
	CJ Foodvill Co., Ltd.	308,911	110,000	973,344	1,415,079	1,124,960	1,066,118
	CJ O Shopping Co., Ltd.	90,727	-	1,175,973	-	329,995	1,624,150
	CJ Worldis Co., Ltd.	-	-	569	-	-	21,572
	CJ Hellovision Co., Ltd.	9,119	-	219,212	-	-	49,892
	CJ HelloVision Honam Broadcasting Co., Ltd.	139	-	40	-	-	-
	CJ Telenix Co., Ltd.	155	-	9,143	21,517	-	151,721
	CJ Powercast Inc.	212,960	-	7,944	-	-	353,536
	Art service Co., Ltd.	-	-	13,362	-	-	-
	CJ OliveNetworks Co., Ltd.	31,582,321	-	1,554,704	210,169	60,000	5,501,586
	CJ Construction Co., Ltd.	1,076	-	3,797,167	5,260	-	1,021,898
	CJ Sea Food Co., Ltd.	70	-	40	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	24,621
	JS Communications Co., Ltd.	20,276,165	-	-	-	-	278,511
	CJ Korea Express Co., Ltd.	6,421	-	185,491	-	-	353,014
	CJ EDUCATIONS CORPORATION	113	-	1,158	-	-	-
	CJ HealthCare Corporation	999	-	22,539	-	-	49
	CJ America, Inc.	-	-	-	-	-	623
	CJ Entertainment America LLC.	-	-	-	50,062	-	-
	CJ Beijing Bakery Co., Ltd.	-	-	-	5,296	-	-
	CJ E&M America, Inc.	-	-	-	-	-	1,018,849

31. Related Parties, Continued

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

For the years ended December 31, 2014 and 2013

(4) Account balances with related companies as of December 31, 2014 are summarized as follows, continued:

(In thousands of won)

Relationship	Name		Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities
Other related companies	CJ Qingdao Foods Co., Ltd.	₩	-	-	-	8,495	-	-
	CJ korea express TIANJIN Co., Ltd.		-	-	-	-	-	88,972
	KUMHO LOGISTICS SHANGHAI CO., LTD.		-	-	-	33,240	-	-
	KOREA EXPRESS SHANGHAI CO., LTD.		-	-	-	3,739	-	-
	CJ International Trading Co., Ltd.		-	-	-	64,266	-	30,451
	CJ CHINA CONSULTING., LTD.		-	-	-	374,592	-	178,197
	CJ Venture Investment		80	-	-	-	-	-
		₩	53,864,480	499,929	12,196,215	20,141,103	2,128,075	17,441,226

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

(In thousands of won)

Relationship	Name		Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities	
Parent	CJ Corp.	₩	12,037	-	20,083	-	-	353,517	
Joint ventures	D-Cinema Korea Co., Ltd.		-	-	-	-	-	35,079	
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.		-	-	474,633	-	-	-	
	Shanghai Shangying CGV Cinema Co., Ltd.		-	-	586,688	-	-	6,915	
	CJ XingXing (TJ) International Cinema Co., Ltd.		63,615	-	-	-	-	-	
	Zhongshan CJ Xingxing Cinema Co., Ltd.		36,385	-	-	-	-	-	
	Ningbo Culture Plaza CJ Cinema Co., Ltd.		14,407	-	-	-	-	-	
	CJ Xingxing (Shanghai) Cinema Co., Ltd.		20,891	-	-	-	-	-	
	CJ Xingxing (FSH) Cinema Co., Ltd.		27,158	-	-	-	-	-	
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.		20,891	-	-	-	-	-	
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.		148,841	-	-	-	-	-	
	Other related companies	CJ E&M Corp.		1,521,671	-	1,651,463	3,677,497	613,120	1,019,871
		CJ Cheiljedang Corp.		79,495	389,929	401,523	5,476	-	806,994
		CJ Freshway Corporation		10,631	-	112,379	8,551,761	-	26,638
CJ Foodvill Co., Ltd.			226,296	110,000	1,358,734	1,189,078	1,124,960	882,319	
CJ O Shopping Co., Ltd.			75,313	-	1,288,599	3,815	329,799	2,105,504	
CJ Worldis Co., Ltd.			-	-	401	-	-	11,957	
CJ Hellovision Co., Ltd.			120,103	-	275,062	80,379	-	59,782	
CJ Telenix Co., Ltd.		6,651	-	12,574	5,623	-	174,263		

31. Related Parties, Continued

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

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

For the years ended December 31, 2014 and 2013

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities
Other related companies	CJ Telenix Co., Ltd.	₩ 6,651	-	12,574	5,623	-	174,263
	CJ Powercast Inc.	311,900	-	9,475	7,365	-	620,653
	Art service Co. Ltd.	-	-	-	5,377	-	-
	CJ Construction Co., Ltd.	3,664	-	3,819,918	14,557	-	2,560,972
	CJ N City Co., Ltd.	2,161	-	1,056	-	-	64,942
	CJ Sea Food Co., Ltd.	7,064	-	872	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	24,596
	JS Communications Co., Ltd.	20,540,400	-	-	-	-	301,303
	CJ Mooter Inc.	-	-	-	-	-	13,200
	CNI Leisure Co., Ltd.	1,163	-	224	-	-	-
	CJ Korea Express Co., Ltd.	32,669	-	244,001	-	-	129,377
	CJ MD1 Corp.	2,888	-	872	-	-	-
	On Game Network Inc.	9,216	-	-	-	-	-
	CJ EDUCATIONS CORPORATION	531	-	1,768	-	-	212
	CJ Venture Investment	20	-	-	-	-	-
	MezzoMedia Inc.	-	-	-	14,300	-	-
	CJ CHINA CONSULTING., LTD.	-	-	-	4,694	-	218,554
	CJ Entertainment America L.L.C	-	-	-	72,703	-	72,962
	CJ International Trading Corp.	-	-	-	17,922	-	5,580
	CJ E&M America, Inc.	8,751	-	-	-	-	1,434,720
		₩ <u>43,907,689</u>	<u>499,929</u>	<u>12,510,979</u>	<u>13,818,998</u>	<u>2,127,879</u>	<u>18,171,531</u>

(6) Key management personnel compensation for the years ended December 31, 2014 and 2013 are as follows:

(In thousands of won)

	2014	2013
Short-term employee benefits	₩ 2,020,924	5,427,092
Costs related to defined benefit plan	192,099	420,175
Long-term employee benefits	155,827	105,010
	₩ <u>2,368,850</u>	<u>5,952,277</u>

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

(7) Details of guarantees which the Group has provided for related companies as of December 31, 2014 are as follows:

(In thousands of won)

Related companies	Guarantee recipient	Guarantees	Guarantee type	Beneficiary
Joint venture	D-Cinema Korea Co., Ltd.	-	Performance guarantee	20th Century Fox Film Corporation
Executives and staff members	Executives and staff members	₩ 96,855 3,669,604	Guarantee on loans of employees	Hana Bank Shinhan Bank