

CJ CGV CO., LTD.

Separate Financial Statements

**December 31, 2015 and 2014**

(With Independent Auditors' Report Thereon)

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## Independent Auditors' Report

Based on a report originally issued in Korean

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

We have audited the accompanying separate financial statements of CJ CGV Co., Ltd. (the "Company"), which comprise the separate statements of financial position as at December 31, 2015 and 2014, the separate 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 Separate Financial Statements**

Management is responsible for the preparation and fair presentation of these separate 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 separate 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2015 and 2014 and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

### **Other Matter**

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



*KPMG Samjong Accounting Corp.*

KPMG Samjong Accounting Corp.  
Seoul, Korea  
February 29, 2016

This report is effective as of February 29, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

As of December 31, 2015 and 2014

<i>(In won)</i>	<u>Note</u>	<u>2015</u>	<u>2014</u>
<b>Assets</b>			
Cash and cash equivalents	3,4,5 ₩	75,408,470,266	62,494,305,669
Trade receivables	3,4,6	77,584,671,617	75,326,331,022
Inventories	3,7	3,785,316,827	3,333,090,760
Other current financial assets	3,4,8,29	13,826,076,365	29,722,702,206
Other current assets	9	18,223,040,735	18,386,769,553
<b>Current assets</b>		<u>188,827,575,810</u>	<u>189,263,199,210</u>
Investments in equity method investees	3,10	445,702,970,042	382,402,607,242
Investment property	3,11,30	17,923,175,621	18,341,630,615
Property and equipment	3,12,14,29	419,832,416,139	411,787,872,334
Intangible assets	3,13,29	23,419,917,002	23,112,780,691
Other non-current financial assets	3,4,8,29	47,378,523,391	48,192,651,665
Other non-current assets	9	73,165,508,679	77,210,613,854
<b>Non-current assets</b>		<u>1,027,422,510,874</u>	<u>961,048,156,401</u>
<b>Total assets</b>	₩	<u>1,216,250,086,684</u>	<u>1,150,311,355,611</u>

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.

Separate Statements of Financial Position, Continued

As of December 31, 2015 and 2014

<i>(In won)</i>	<u>Note</u>	<u>2015</u>	<u>2014</u>
<b>Liabilities</b>			
Trade payables	3,4,29	₩ 61,531,698,082	72,307,716,334
Other payables	3,4,18,29	73,486,073,193	74,233,635,338
Current portion of long-term borrowings and debentures	3,4,16	49,953,907,613	95,967,953,722
Current tax liabilities	27	8,455,200,275	10,175,206,802
Other current financial liabilities	3,4,14,29	4,536,450,406	9,349,665,088
Other current liabilities	15	83,643,030,765	88,272,290,018
<b>Current liabilities</b>		<u>281,606,360,334</u>	<u>350,306,467,302</u>
Long-term debentures	3,4,16	249,417,548,705	179,537,621,372
Long-term borrowings	3,4,16	96,320,000,000	74,933,354,216
Long-term other payables	3,4,18	27,259,140,026	32,765,287,043
Employee benefits	3,17	4,994,479,811	8,285,249,907
Deferred tax liabilities	3,27	14,586,691,524	9,995,316,995
Other non-current financial liabilities	3,4,14,29	1,509,042,014	1,633,910,745
Other non-current liabilities	15	18,663,693,206	20,030,162,980
<b>Non-current liabilities</b>		<u>412,750,595,286</u>	<u>327,180,903,258</u>
<b>Total liabilities</b>		<u>694,356,955,620</u>	<u>677,487,370,560</u>
<b>Shareholders' equity</b>			
Common stock	1,3,19	10,580,656,500	10,580,656,500
Capital surplus	20	89,157,245,168	89,157,245,168
Retained earnings	21	426,748,020,617	377,678,874,604
Other capital	22	(4,592,791,221)	(4,592,791,221)
<b>Total shareholders' equity</b>		<u>521,893,131,064</u>	<u>472,823,985,051</u>
<b>Total liabilities and shareholders' equity</b>	₩	<u>1,216,250,086,684</u>	<u>1,150,311,355,611</u>

See accompanying notes to the separate financial statements.

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

For the years ended December 31, 2015 and 2014

<i>(In won)</i>	<u>Note</u>	<u>2015</u>	<u>2014</u>
Revenue	3,29	₩ 896,776,508,108	864,501,521,411
Cost of sales	24,29	<u>(431,868,611,575)</u>	<u>(423,972,682,338)</u>
<b>Gross profit</b>		464,907,896,533	440,528,839,073
Selling, general and administrative expenses	23,24,29	<u>(393,353,145,013)</u>	<u>(369,084,822,799)</u>
<b>Operating profit</b>		71,554,751,520	71,444,016,274
Finance income	26,29	22,481,523,208	17,743,819,422
Finance costs	26	(18,190,486,278)	(27,711,503,134)
Other non-operating income	25	9,263,308,456	6,680,206,869
Other non-operating expenses	25	<u>(8,352,618,031)</u>	<u>(16,532,588,092)</u>
<b>Income before income tax</b>		76,756,478,875	51,623,951,339
Income tax expense	3,27	<u>(19,053,187,074)</u>	<u>(18,349,825,909)</u>
<b>Net income</b>		<u>57,703,291,801</u>	<u>33,274,125,430</u>
<b>Other comprehensive income (loss)</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of the defined benefit plan	3,17	(1,619,638,836)	(3,485,635,970)
Taxes on items that will not be reclassified to profit or loss	27	<u>391,952,598</u>	<u>843,523,905</u>
<b>Total items that will not be reclassified to profit or loss</b>		<u>(1,227,686,238)</u>	<u>(2,642,112,065)</u>
<b>Total comprehensive income</b>		<u>₩ 56,475,605,563</u>	<u>30,632,013,365</u>
<b>Earnings per share</b>			
Basic earnings per share	3,28	₩ 2,727	1,572
Diluted earnings per share	3,28	2,727	1,572

See accompanying notes to the separate financial statements.

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

For the years ended December 31, 2015 and 2014

<i>(In won)</i>	<u>Common Stock</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Other capital</u>	<u>Total</u>
<b>Balance at January 1, 2014</b>	₩ 10,580,656,500	89,157,245,168	354,453,320,789	(4,427,951,221)	449,763,271,236
<b>Total comprehensive income (loss)</b>					
Net income	-	-	33,274,125,430	-	33,274,125,430
Remeasurements of the defined benefit plan	-	-	(2,642,112,065)	-	(2,642,112,065)
<b>Total</b>	-	-	<u>30,632,013,365</u>	-	<u>30,632,013,365</u>
<b>Transactions with owners of the Company, recognized directly in equity</b>					
Dividends	-	-	(7,406,459,550)	-	(7,406,459,550)
Exercise of stock options	-	-	-	(164,840,000)	(164,840,000)
<b>Total</b>	-	-	<u>(7,406,459,550)</u>	<u>(164,840,000)</u>	<u>(7,571,299,550)</u>
<b>Balance at December 31, 2014</b>	₩ <u>10,580,656,500</u>	<u>89,157,245,168</u>	<u>377,678,874,604</u>	<u>(4,592,791,221)</u>	<u>472,823,985,051</u>
<b>Balance at January 1, 2015</b>	₩ 10,580,656,500	89,157,245,168	377,678,874,604	(4,592,791,221)	472,823,985,051
<b>Total comprehensive income (loss)</b>					
Net income	-	-	57,703,291,801	-	57,703,291,801
Remeasurements of the defined benefit plan	-	-	(1,227,686,238)	-	(1,227,686,238)
<b>Total</b>	-	-	<u>56,475,605,563</u>	-	<u>56,475,605,563</u>
<b>Transactions with owners of the Company, recognized directly in equity</b>					
Dividends	-	-	(7,406,459,550)	-	(7,406,459,550)
<b>Total</b>	-	-	<u>(7,406,459,550)</u>	-	<u>(7,406,459,550)</u>
<b>Balance at December 31, 2015</b>	₩ <u>10,580,656,500</u>	<u>89,157,245,168</u>	<u>426,748,020,617</u>	<u>(4,592,791,221)</u>	<u>521,893,131,064</u>

See accompanying notes to the separate financial statements.



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

For the years ended December 31, 2015 and 2014

(In won)

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities</b>		
Net income	₩ 57,703,291,801	33,274,125,430
Adjustments for:		
Income tax expense	19,053,187,074	18,349,825,909
Bad debt expenses	23,361,755	670,061,304
Other bad debt expenses	78,084,968	188,611,091
Expenses for employee	8,554,199,340	10,270,815,446
Depreciation	50,282,425,797	48,862,680,630
Amortization	22,886,055,926	12,724,840,419
Foreign currency translation loss	4,086,294,780	2,900,332,200
Interest expense	13,843,019,840	17,278,900,419
Loss on valuation of derivative financial assets	112,732,870	6,050,263,118
Loss on transaction of derivative financial assets	61,457,534	1,246,535,332
Loss on disposal of available-for-sale financial assets	447,740	4,013,814
Loss on disposal of other financial assets	98,121,381	866,119,688
Loss on disposal of property and equipment	4,854,582,161	2,891,056,745
Loss on disposal of intangible assets	5,351,739	4,652,188,766
Other non-cash expenses	8,109,247,893	10,988,931,524
Interest income	(2,262,043,783)	(2,772,576,617)
Dividend income	(1,896,288,880)	(1,402,718,321)
Gain on valuation of derivative financial assets	(13,101,113,588)	(11,877,544,646)
Gain on transaction of derivative financial assets	(5,083,907,299)	-
Foreign currency translation gain	(51,998,973)	(29,191,255)
Gain on disposal of property and equipment	(8,242,724)	(603,311,776)
Gain on disposal of other financial assets	(1,398,931,638)	-
Other non-cash income	(80,982,819)	(64,135,930)
	<u>108,165,061,094</u>	<u>121,195,697,860</u>
Changes in assets and liabilities:		
Trade receivables	(2,276,389,366)	(12,897,441,207)
Other current financial assets	27,261,762,726	(4,963,640,476)
Other current assets	(974,320,493)	(2,472,618,268)
Inventories	(452,226,067)	(844,101,093)
Other non-current assets	860,642,387	1,839,505,703
Trade payables	(10,776,018,252)	14,378,391,121
Other payables	(8,317,845,221)	3,903,696,890
Long-term other payables	(1,759,173,026)	(2,958,894,157)
Other current financial liabilities	(271,390,000)	(441,906,140)
Other non-current financial liabilities	122,000,000	189,000,000
Other current liabilities	(4,606,444,418)	24,857,689,828
Other non-current liabilities	1,465,087,143	558,381,852
Payment of retirement and severance benefits	(2,351,748,695)	(2,228,238,768)
Severance benefits from affiliated companies	(12,859,577)	67,157,374
Employee benefit plan assets	(11,100,000,000)	(8,500,000,000)
	<u>₩ (13,188,922,859)</u>	<u>10,486,982,659</u>

See accompanying notes to the separate financial statements.

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

For the years ended December 31, 2015 and 2014

<i>(In won)</i>	<u>2015</u>	<u>2014</u>
<b>Cash generated from operating activities</b>	₩ 152,679,430,036	164,956,805,949
Interest received	1,142,324,977	1,557,216,818
Dividends received	1,547,533,373	991,799,782
Interest paid	(9,665,793,627)	(12,522,530,075)
Income taxes paid	(15,789,866,474)	(8,908,932,158)
<b>Net cash from operating activities</b>	<u>129,913,628,285</u>	<u>146,074,360,316</u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of available-for-sale financial assets	22,102,260	98,956,474
Decrease of other financial assets	13,113,998,663	3,284,650,471
Proceeds from disposal of property and equipment	12,592,465	638,091,367
Acquisition of available-for-sale financial assets	(1,022,650,000)	(102,970,288)
Acquisition of investments in associates	(1,250,000,000)	(11,735,525,000)
Acquisition of investments in subsidiaries	(62,050,362,800)	(64,092,071,200)
Increase of other financial assets	(14,501,929,732)	(10,298,019,971)
Acquisition of property and equipment	(84,301,232,765)	(69,744,524,964)
Acquisition of intangible assets	(276,761,199)	(133,204,149)
<b>Net cash used in investing activities</b>	<u>(150,254,243,108)</u>	<u>(152,084,617,260)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of debentures	99,633,010,000	149,559,200,000
Proceeds from short-term borrowings	-	40,000,000,000
Proceeds from long-term borrowings	37,312,000,000	52,103,000,000
Repayment of debentures	(70,000,000,000)	(100,000,000,000)
Repayment of short-term borrowings	-	(50,553,000,000)
Repayment of current portion of long-term borrowings	(26,000,000,000)	(61,207,400,000)
Dividends paid	(7,406,459,550)	(7,406,459,550)
Exercise of stock options	-	(164,840,000)
Others, net	(282,219,404)	(274,800,526)
<b>Net cash from financing activities</b>	<u>33,256,331,046</u>	<u>22,055,699,924</u>
<b>Net increase in cash and cash equivalents</b>	12,915,716,223	16,045,442,980
Cash and cash equivalents at January 1	62,494,305,669	46,450,199,176
Effect of exchange rate fluctuations on cash held	(1,551,626)	(1,336,487)
<b>Cash and cash equivalents at December 31</b>	<u>₩ 75,408,470,266</u>	<u>62,494,305,669</u>

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.  
Notes to the Separate Financial Statements

For the years ended December 31, 2015 and 2014

**1. Reporting Entity**

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

As of December 31, 2015, the Company's major shareholders are as follows:

<u>Shareholders</u>	<u>The number of shares</u>	<u>Ownership (%)</u>
CJ Corp.	8,257,000	39.02
National pension service	2,494,213	11.79
Others	10,410,100	49.19
	<u>21,161,313</u>	<u>100.00</u>

**2. Basis of Preparation**

(1) Statement of compliance

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

These financial statements are separate financial statements prepared in accordance with K-IFRS No. 1027, 'Separate Financial Statements' presented by a parent, an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost.

(2) Basis of measurement

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

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

(3) Functional and presentation currency

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

CJ CGV CO., LTD.  
Notes to the Separate Financial Statements

**For the years ended December 31, 2015 and 2014**

**2. Basis of Preparation, Continued**

(4) Use of estimates and judgments

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

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

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

Note 11 – classification of investment property

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

Note 13 – impairment test: key assumptions underlying recoverable amounts, including the recoverability of goodwill;

Note 15 and 18 – provisions and contingencies: key assumptions about likelihood and magnitude of an outflow of resources;

Note 17 – measurement of defined benefit obligations: key actuarial assumptions; and

Note 27 – recognition of deferred tax assets: availability of future taxable profit against which carryforward tax losses can be used.

(5) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant 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 Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

CJ CGV CO., LTD.  
Notes to the Separate Financial Statements

**For the years ended December 31, 2015 and 2014**

**2. Basis of Preparation, Continued**

- (5) Measurement of fair values, continued

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

Note 4 –risk management

- (6) Authorization date for issuance of the separate financial statements

The separate financial statements were authorized for issue by the Board of Directors on February 4, 2016, which will be submitted for approval to the shareholders' meeting to be held on March 18, 2016.

**3. Significant Accounting Policies**

The significant accounting policies applied by the Company in preparation of its separate financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements.

- (1) Operating segments

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

- (2) Business combination under common control

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

- (3) Subsidiaries and equity-accounted investees in the separate financial statements

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

- (4) Cash and cash equivalents

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

CJ CGV CO., LTD.  
Notes to the Separate Financial Statements

**For the years ended December 31, 2015 and 2014**

**3. Significant Accounting Policies, Continued**

(5) Inventories

The cost of inventories is based on the first-in first-out principle, and includes expenditures for acquiring the inventories, 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.

(6) Non-derivative financial assets

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

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale financial assets

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

CJ CGV CO., LTD.  
Notes to the Separate Financial Statements

**For the years ended December 31, 2015 and 2014**

**3. Significant Accounting Policies, Continued**

(6) Non-derivative financial assets, continued

(v) De-recognition of financial assets

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

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

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

(vi) Offsetting between financial assets and financial liabilities

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

(7) Derivative financial instruments

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

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

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

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

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**3. Significant Accounting Policies, Continued**

(8) Impairment of financial assets

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

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

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

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

If financial assets have objective evidence that they are impaired, impairment losses 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 Company can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost

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



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For the years ended December 31, 2015 and 2014

**3. Significant Accounting Policies, Continued**

(8) Impairment of financial assets, continued

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be 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 shall be reversed, with the amount of the reversal recognized in profit or loss.

(9) Property and equipment

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

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

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

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

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

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

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

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

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For the years ended December 31, 2015 and 2014

**3. Significant Accounting Policies, Continued**

(10) Intangible assets

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

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

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

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

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

(11) Investment property

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

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

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

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

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**For the years ended December 31, 2015 and 2014**

**3. Significant Accounting Policies, Continued**

(12) Impairment of non-financial assets

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

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

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

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

(13) Leases

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

(i) Finance leases

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

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

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**For the years ended December 31, 2015 and 2014**

**3. Significant Accounting Policies, Continued**

(13) Leases, continued

- (i) Finance leases, continued  
The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. The Company reviews to determine whether the leased asset may be impaired.
- (ii) Operating leases  
Payments made under operating leases (net of incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease. Incentives received under operating leases are recognized over period of the lease by being deducted from payment made under operating leases.
- (iii) Determining whether an arrangement contains a lease  
Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

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

(14) Non-derivative financial liabilities

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

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

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**For the years ended December 31, 2015 and 2014**

**3. Significant Accounting Policies, Continued**

(14) Non-derivative financial liabilities, continued

(ii) Other financial liabilities

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

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

(15) Employee benefits

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits.

Other long-term employee benefits include employee benefits that are expected to be settled beyond 12 months after the end of the annual reporting period in which the employees render the related service. The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

(iii) Retirement benefits: defined benefit plans

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

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

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

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Notes to the Separate Financial Statements

**For the years ended December 31, 2015 and 2014**

**3. Significant Accounting Policies, Continued**

(15) Employee benefits, continued

(iii) Retirement benefits: defined benefit plans, continued

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

(16) Provisions

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

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

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

(17) Foreign currencies

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

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**3. Significant Accounting Policies, Continued**

(18) Equity capital

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

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

(19) Share-based payment transactions

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

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

(20) Revenue

(i) Recognition of revenues

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

(ii) Customer loyalty program

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

(iii) Rental income

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

CJ CGV CO., LTD.  
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**For the years ended December 31, 2015 and 2014**

**3. Significant Accounting Policies, Continued**

(21) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, gains on foreign currency transactions, and gains on foreign currency translation of monetary items. 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 Company'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, and losses on foreign currency translation of monetary items. Borrowing costs are recognized in profit or loss using the effective interest method.

(22) Income taxes

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

(i) Current tax

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

(ii) Deferred tax

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

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

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



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**3. Significant Accounting Policies, Continued**

(22) Income taxes, continued

(ii) Deferred tax, continued

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.

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

(23) Earnings per share

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

(24) New amendment not yet adopted

The following new amendments to existing standard have been published and are mandatory for the Company for annual periods beginning after January 1, 2015, and the Company has not early adopted them.

Management believes the impact of the amendments on the Company's separate financial statements is not significant.

(i) K-IFRS No. 1109 'Financial Instruments'

K-IFRS No. 1109, published in December 2015, replaces the existing guidance in K-IFRS No. 1039, Financial Instruments: Recognition and Measurement. K-IFRS 1109 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from K-IFRS No. 1039. K-IFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) K-IFRS No. 1115 'Revenue from Contracts with Customers'

K-IFRS No. 1115, published in January 2016, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including K-IFRS No. 1018, Revenue, K-IFRS No. 1011, Construction Contracts and K-IFRS No. 2113, Customer Loyalty Programmes. K-IFRS No. 1115 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) K-IFRS No. 1027 'Separate Financial Statements'

Amendments to K-IFRS No. 1027 introduced equity accounting as a third option in the entity's separate financial statements, in addition to the existing cost and fair value options. This amendment is effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

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4. Risk Management

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

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

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

(1) Financial risk management

1) Risk management framework

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

2) Credit risk

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

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

(i) Exposure to credit risk

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

Details of the Company's maximum exposure to credit risk as of December 31, 2015 and 2014 are as follows:

*(In thousands of won)*

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	₩ 73,875,076	60,836,319
Trade receivables	77,584,672	75,326,331
Other financial assets	49,026,810	68,516,532
Derivative financial assets	8,677,290	6,898,422
	<u>₩ 209,163,848</u>	<u>211,577,604</u>

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**For the years ended December 31, 2015 and 2014**

**4. Risk Management, Continued**

(1) Financial risk management, continued

2) Credit risk, continued

(ii) Impairment losses

The aging and impairment losses of loans and receivables, except for cash and cash equivalents, as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<b>2015</b>		
	<b>Not overdue</b>	<b>Overdue, but not impaired</b>	<b>Impaired</b>
Not past due	₩ 123,640,578	-	2,038
0-3 months	-	2,024,864	4,931
4-6 months	-	25,517	7,400
7-12 months	-	107,560	37,549
Over one year	-	812,963	3,455,872
	<u>₩ 123,640,578</u>	<u>2,970,904</u>	<u>3,507,790</u>
<i>(In thousands of won)</i>	<b>2014</b>		
	<b>Not overdue</b>	<b>Overdue, but not impaired</b>	<b>Impaired</b>
Not past due	₩ 140,991,019	-	-
0-3 months	-	1,570,684	56,660
4-6 months	-	282,738	206,904
7-12 months	-	969,719	346,249
Over one year	-	28,703	4,412,948
	<u>₩ 140,991,019</u>	<u>2,851,844</u>	<u>5,022,761</u>

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

(iii) Guarantees

As described in note 18 (3) and note 29 (7), the Company provides financial guarantees to subsidiaries and others. As a result, the Company is exposed to credit risk to the extent of payment guarantee.

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**For the years ended December 31, 2015 and 2014**

**4. Risk Management, Continued**

(1) Financial risk management, continued

3) Liquidity risk

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

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

The contractual maturity of financial liabilities as of December 31, 2015 and 2014, including estimated interest payments and excluding the impact of netting agreements, are as follows:

*(In thousands of won)*

	Book value	Contractual cash outflow	2015		
			Less than one year	One to five years	Over five years
Trade payables	₩ 61,531,698	61,531,698	61,531,698	-	-
Other payables	73,486,073	73,486,073	73,486,073	-	-
Debentures	279,383,209	299,022,000	37,195,000	261,827,000	-
Long-term borrowings	116,308,248	122,707,353	22,239,776	100,467,577	-
Long-term other payables(*)	25,745,307	61,435,592	-	22,079,583	39,356,009
Other current financial liabilities	4,536,450	4,581,241	4,581,241	-	-
Other non-current financial liabilities	1,509,042	1,511,289	-	1,511,289	-
	<u>₩ 562,500,027</u>	<u>624,275,246</u>	<u>199,033,788</u>	<u>385,885,449</u>	<u>39,356,009</u>

(\*) Long-term other payables related to long-term officer compensation expense are not included.

The Company does not expect the above cash flows to be occurred in earlier period or to be materially different. As described in note 18 (3) and 29 (7), the Company provides subsidiaries and others with payment guarantee which is exposed to liquidity risk. The payment guarantee is not included in the book value or contractual cash outflow above.

CJ CGV CO., LTD.  
Notes to the Separate Financial Statements

For the years ended December 31, 2015 and 2014

4. Risk Management, Continued

(1) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of won)

	Book value	2014			
		Contractual cash outflow	Less than one year	One to five years	Over five years
Trade payables	₩ 72,307,716	72,307,716	72,307,716	-	-
Other payables	74,233,635	74,233,635	74,233,635	-	-
Debentures	249,505,575	266,885,750	76,607,500	190,278,250	-
Long-term borrowings	100,933,354	105,894,936	27,953,236	77,941,700	-
Long-term other payables(*)	31,505,896	57,673,999	-	24,403,321	33,270,678
Other current financial liabilities	9,349,665	9,371,503	9,371,503	-	-
Other non-current financial liabilities	1,633,911	1,755,577	-	1,755,577	-
	₩ 539,469,752	588,123,116	260,473,590	294,378,848	33,270,678

(\*) Long-term other payables related to long-term officer compensation expense are not included.

4) Market risk

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

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

(i) Currency risk

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

The amount of the Company's exposure to currency risk as of December 31, 2015 and 2014 are as follows:

(In thousands of won)

		2015		2014	
		USD	RMB	USD	RMB
Cash and cash equivalents	₩	-	6,903	5,174	6,573
Other receivables		1,347,468	1,682,580	801,992	1,382,822
Finance lease liabilities		(185,023)	-	(436,425)	-
Borrowings		(70,320,000)	-	(54,960,000)	-
Total exposure		(69,157,555)	1,689,483	(54,589,259)	1,389,395
Currency forwards		70,320,000	-	54,960,000	-
Net exposure	₩	1,162,445	1,689,483	370,741	1,389,395

CJ CGV CO., LTD.  
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For the years ended December 31, 2015 and 2014

4. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk, continued

(i) Currency risk, continued

Significant exchange rates applied during the years ended December 31, 2015 and 2014 are as follows:

		Average rate		Reporting date spot rate	
		2015	2014	2015	2014
(In won)					
USD	₩	1,131.49	1,053.22	1,172.00	1,099.20
RMB		179.48	169.92	178.48	176.81

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, 2015 and 2014 are as follows:

			2015		2014	
			10% strengthening	10% weakening	10% strengthening	10% weakening
(In thousands of won)						
USD	Total exposure	₩	(6,915,755)	6,915,755	(5,458,926)	5,458,926
	Currency forwards		7,032,000	(7,032,000)	5,496,000	(5,496,000)
	Net exposure		116,245	(116,245)	37,074	(37,074)
RMB			168,948	(168,948)	138,940	(138,940)

(ii) Interest rate risk

Carrying amount of interest-bearing financial instruments held by the Company as of December 31, 2015 and 2014 are as follows:

			2015	2014
(In thousands of won)				
Fixed rate instruments:				
	Financial assets	₩	-	100,000
	Financial liabilities		(332,840,097)	(318,634,393)
		₩	(332,840,097)	(318,534,393)
Variable rate instruments:				
	Financial assets	₩	72,940,227	59,827,319
	Financial liabilities		(96,320,000)	(72,960,000)
		₩	(23,379,773)	(13,132,681)

- Fair value sensitivity analysis for fixed rate instruments

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

CJ CGV CO., LTD.  
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For the years ended December 31, 2015 and 2014

**4. Risk Management, Continued**

(1) Financial risk management, continued

4) Market risk, continued

(ii) Interest rate risk, continued

- Cash flow 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, 2015 and 2014 are as follows:

*(In thousands of won)*

	2015		2014	
	0.5% Point increase	0.5% Point decrease	0.5% Point increase	0.5% Point decrease
Variable rate instruments	₩ (116,899)	116,899	(65,663)	65,663
Interest rate swaps	80,000	(80,000)	40,000	(40,000)
Cash flow sensitivity, net	₩ (36,899)	36,899	(25,663)	25,663

(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.

CJ CGV CO., LTD.  
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For the years ended December 31, 2015 and 2014

4. Risk Management, Continued

(1) Financial risk management, continued

5) Fair value

(i) The carrying amount and fair value of financial assets and liabilities as of December 31, 2015 and 2014 are as follows:

(In thousands of won)

	2015					Fair value Level 2
	Carrying amount				Total	
	Designated at fair value	Loans and receivables	Available- for-sale	Other		
<b>Financial assets measured at fair value</b>						
Derivative financial assets(*3)	₩ 8,677,290	-	-	-	8,677,290	8,677,290
<b>Financial assets not measured at fair value(*1)</b>						
Cash and cash equivalents	-	75,408,470	-	-	75,408,470	-
Trade receivables	-	77,584,672	-	-	77,584,672	-
Available-for-sale: equity investments(*2)	-	-	3,500,500	-	3,500,500	-
Other financial assets	-	49,026,810	-	-	49,026,810	-
<b>Subtotal</b>	-	202,019,952	3,500,500	-	205,520,452	-
<b>Total</b>	₩ 8,677,290	202,019,952	3,500,500	-	214,197,742	8,677,290
<b>Financial liabilities measured at fair value</b>						
Derivative financial liabilities(*3)	₩ 112,733	-	-	-	112,733	112,733
<b>Financial liabilities not measured at fair value(*1)</b>						
Trade payables	-	-	-	61,531,698	61,531,698	-
Other payables	-	-	-	73,486,073	73,486,073	-
Borrowings and debentures	-	-	-	395,691,457	395,691,457	-
Long-term other payables	-	-	-	25,745,307	25,745,307	-
Other financial liabilities	-	-	-	5,932,759	5,932,759	-
<b>Subtotal</b>	-	-	-	562,387,294	562,387,294	-
<b>Total</b>	₩ 112,733	-	-	562,387,294	562,500,027	112,733

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

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

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



CJ CGV CO., LTD.  
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For the years ended December 31, 2015 and 2014

4. Risk Management, Continued

(1) Financial risk management, continued

5) Fair value, continued

(In thousands of won)

	2014					Fair value Level 2
	Carrying amount					
	Designated at fair value	Loans and receivables	Available- for-sale	Other	Total	
<b>Financial assets measured at fair value</b>						
Derivative financial assets(*3)	₩ 6,898,422	-	-	-	6,898,422	6,898,422
<b>Financial assets not measured at fair value(*1)</b>						
Cash and cash equivalents	-	62,494,306	-	-	62,494,306	-
Trade receivables	-	75,326,331	-	-	75,326,331	-
Available-for-sale: equity investments(*2)	-	-	2,500,400	-	2,500,400	-
Other financial assets	-	68,516,532	-	-	68,516,532	-
<b>Subtotal</b>	-	206,337,169	2,500,400	-	208,837,569	-
<b>Total</b>	₩ 6,898,422	206,337,169	2,500,400	-	215,735,991	6,898,422
<b>Financial liabilities measured at fair value</b>						
Derivative financial liabilities(*3)	₩ 6,048,127	-	-	-	6,048,127	6,048,127
<b>Financial liabilities not measured at fair value(*1)</b>						
Trade payables	-	-	-	72,307,716	72,307,716	-
Other payables	-	-	-	74,233,635	74,233,635	-
Borrowings and debentures	-	-	-	350,438,929	350,438,929	-
Long-term other payables	-	-	-	31,505,896	31,505,896	-
Other financial liabilities	-	-	-	4,935,449	4,935,449	-
<b>Subtotal</b>	-	-	-	533,421,625	533,421,625	-
<b>Total</b>	₩ 6,048,127	-	-	533,421,625	539,469,752	6,048,127

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

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

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

CJ CGV CO., LTD.  
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For the years ended December 31, 2015 and 2014

**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 Less than 3 year</u>
Put-option	₩ 190,000,000

(2) Capital Management

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

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

*(In thousands of won, except ratio)*

	<u>2015</u>	<u>2014</u>
Total liabilities (a)	₩ 694,356,956	677,487,371
Total equity (b)	521,893,131	472,823,985
Cash and cash equivalents (c)	75,408,470	62,494,306
Borrowings and debentures (d)	395,691,457	350,438,929
Borrowings and debentures, net (e)=(d)-(c)	320,282,987	287,944,623
Liabilities to equity ratio (f)=(a) ÷ (b)	133%	143%
Net debt to equity ratio (g)=(e) ÷ (b)	61%	61%

**5. Cash and Cash Equivalents**

Cash and cash equivalents as of December 31, 2015 and 2014 are as follows:

*(In thousands of won)*

	<u>2015</u>	<u>2014</u>
Cash on hand	₩ 1,533,394	1,657,987
Demand deposits	72,940,227	59,827,319
Other cash equivalents	934,849	1,009,000
	<u>₩ 75,408,470</u>	<u>62,494,306</u>

CJ CGV CO., LTD.  
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For the years ended December 31, 2015 and 2014

**6. Trade Receivables**

- (1) Trade receivables are presented on a net basis after deducting related allowance. As of December 31, 2015 and 2014, trade receivables and allowance for doubtful accounts are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
Trade receivables	₩ 78,030,948	76,219,726
Allowance for doubtful accounts	(446,276)	(893,395)
	₩ <u>77,584,672</u>	<u>75,326,331</u>

- (2) Changes in allowance for doubtful accounts for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
Balance at the beginning	₩ 893,395	354,746
Increase in allowance	23,362	670,061
Write-off	(470,481)	(131,412)
Balance at the end	₩ <u>446,276</u>	<u>893,395</u>

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

**7. Inventories**

The Company has not recognized any loss on valuation or reversal of loss on valuation of inventories for the years ended December 31, 2015 and 2014. Inventories as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
Merchandise	₩ 1,184,854	712,507
Raw materials	2,600,462	2,620,584
	₩ <u>3,785,316</u>	<u>3,333,091</u>

CJ CGV CO., LTD.  
Notes to the Separate Financial Statements

**For the years ended December 31, 2015 and 2014**

**8. Other Financial Assets**

(1) Other financial assets as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<b>2015</b>		<b>2014</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Deposits for opening checking accounts ₩	-	11,000	-	11,000
Other receivables	12,715,027	-	21,453,661	-
Accrued revenues	106,838	-	74,008	-
Loans	-	-	-	100,000
Leasehold deposits	1,009,293	39,586,582	2,885,466	53,347,446
Present value discount	(5,082)	(4,396,849)	(8,857)	(9,346,192)
Derivative financial assets	-	8,677,290	5,318,424	1,579,998
Available-for-sale financial assets	-	3,500,500	-	2,500,400
₩	<u>13,826,076</u>	<u>47,378,523</u>	<u>29,722,702</u>	<u>48,192,652</u>

(2) Other financial assets are presented on a net basis after deducting related allowance. As of December 31, 2015 and 2014, other financial assets and allowance for doubtful accounts are as follows:

<i>(In thousands of won)</i>	<b>2015</b>		<b>2014</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Other financial assets	₩ 15,916,576	48,349,537	32,919,629	49,125,091
Allowance for doubtful accounts:				
Other receivables	(2,072,966)	-	(3,179,393)	-
Accrued revenues	(17,534)	-	(17,534)	-
Loans	-	(971,014)	-	(932,439)
Subtotal of allowance for doubtful accounts	<u>(2,090,500)</u>	<u>(971,014)</u>	<u>(3,196,927)</u>	<u>(932,439)</u>
Other financial assets, net	₩ <u>13,826,076</u>	<u>47,378,523</u>	<u>29,722,702</u>	<u>48,192,652</u>

(3) Changes in allowance for doubtful accounts for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<b>2015</b>		<b>2014</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Balance at the beginning	₩ 3,196,927	932,439	3,032,787	909,177
Increase in allowance	39,510	38,575	165,350	23,262
Write-off	(1,145,937)	-	(1,210)	-
Balance at the end	₩ <u>2,090,500</u>	<u>971,014</u>	<u>3,196,927</u>	<u>932,439</u>

(4) Leasehold deposits measured at present value as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<b>Effective interest rate (%)</b>	<b>Nominal values</b>	<b>Discounted present value</b>	<b>Present value discount</b>
December 31, 2015	1.8~5.6	₩ 40,595,875	36,193,944	(4,401,931)
December 31, 2014	2.2~6.8	56,232,912	46,877,863	(9,355,049)

CJ CGV CO., LTD.  
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For the years ended December 31, 2015 and 2014

**8. Other Financial Assets, Continued**

(5) Available-for-sale financial assets

① Available-for-sale financial assets as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<b>2015</b>		<b>2014</b>	
	<b>Acquisition cost</b>	<b>Book value</b>	<b>Acquisition cost</b>	<b>Book value</b>
Equity securities	₩ 3,500,500	3,500,500	2,500,400	2,500,400

② Changes in available-for-sale financial assets for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<b>2015</b>	<b>2014</b>
Balance at the beginning	₩ 2,500,400	34,748,545
Acquisitions	1,022,650	102,970
Disposals	(22,550)	(16,316,770)
Others(*)	-	(16,034,345)
Balance at the end	₩ <u>3,500,500</u>	<u>2,500,400</u>

(\*) During 2012, the Company 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 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 Company 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.

**9. Other Current Assets and Other Non-current Assets**

Other current assets and other non-current assets as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<b>2015</b>		<b>2014</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Advance payments	₩ 5,754,151	1,000,000	7,680,515	1,000,000
Allowance for doubtful accounts	(66,004)	-	(66,004)	-
Prepaid expenses	12,534,894	72,165,509	10,772,259	76,210,614
	₩ <u>18,223,041</u>	<u>73,165,509</u>	<u>18,386,770</u>	<u>77,210,614</u>

CJ CGV CO., LTD.  
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10. Investment in Equity

Investments in equity as of December 31, 2015 and 2014 are as follows:

(In thousands of won)

Company	Location	Primary business	2015		2014	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
<b>Subsidiaries:</b>						
CJ 4DPlex Co., Ltd.	Korea	Retail of equipment	93.66	₩ 51,193,486	93.66	₩ 51,193,486
Simuline Inc.(*1)	Korea	Equipment manufacturing	79.13	20,613,576	70.35	19,293,576
CGI Holdings Ltd.(*2)	Hong Kong	Theater operation	100.00	223,135,932	100.00	164,782,969
Envoy Media Partners Ltd.	British Virgin Islands	Theater operation	100.00	89,138,767	100.00	89,138,767
CJ CGV America, Inc. (*3)	USA	Theater operation	100.00	8,379,760	100.00	6,002,360
Cross Junction Investment Co., Pte. Ltd.	Singapore	Foreign Investment	100.00	7,326,721	100.00	7,326,721
Crown Jade Company Pte. Ltd.	Singapore	Foreign Investment	100.00	1,670,523	100.00	1,670,523
<b>Associates:</b>						
SSV Contents Investment Association	Korea	Investment fund	35.52	10,300,000	35.52	10,300,000
PT Graha Layar Prima Tbk. (*4)	Indonesia	Theater operation	14.75	16,335,800	14.75	16,335,800
CJ VIETNAM COMPANY LIMITED (*5) (formerly, Maritime Tower Co., Ltd.)	Vietnam	Real estate investment	25.00	11,735,525	25.00	11,735,525
IBK Financial Group Union Contents Investment Fund (*6)	Korea	Investment fund	25.00	1,250,000	-	-
<b>Joint ventures:</b>						
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	China	Theater operation	49.00	1,820,123	49.00	1,820,123
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	China	Theater operation	49.00	1,601,700	49.00	1,601,700
D-Cinema Korea Co., Ltd.	Korea	Leasing Service	50.00	-	50.00	-
Shanghai Shangying CGV Cinema Co., Ltd.	China	Theater operation	50.00	1,191,990	50.00	1,191,990
CGV EMPIRE SDN. BHD	Malaysia	Theater operation	25.00	9,067	25.00	9,067
				₩ <u>445,702,970</u>		₩ <u>382,402,607</u>

(\*1) During 2015, the Company additionally acquired 8.78% of the equity interest in Simuline Inc. for ₩1,320 million.

(\*2) During 2015, the Company additionally invested ₩58,353 million.

(\*3) During 2015, the Company additionally invested ₩2,377 million.

(\*4) Although the Company owns less than 20%, the Company determined that it has significant influence over the associate through the board of directors. Therefore, the Company classified the interest in PT Graha Layar Prima Tbk. as investments in associates.

(\*5) During 2015, Maritime Tower Co., Ltd. changed its name to CJ VIETNAM COMPANY LIMITED.

(\*6) During 2015, the Company newly acquired 25% of the equity interest in IBK Financial Group Union Contents Investment Fund for ₩1,250 million

CJ CGV CO., LTD.  
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11. Investment Property

(1) Investment property as of December 31, 2015 and 2014 are as follows:

(In thousands of won)

	2015			2014		
	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	(2,358,732)	14,227,470	16,586,202	(1,940,277)	14,645,925
	₩ <u>20,281,908</u>	<u>(2,358,732)</u>	<u>17,923,176</u>	<u>20,281,908</u>	<u>(1,940,277)</u>	<u>18,341,631</u>

(2) Changes in investment property for the years ended December 31, 2015 and 2014 are as follows:

(In thousands of won)

		Land	Buildings	Total
<b>Acquisition costs</b>				
Balance at January 1, 2014	₩	3,695,706	16,433,132	20,128,838
Others(*)		-	153,070	153,070
Balance at December 31, 2014		<u>3,695,706</u>	<u>16,586,202</u>	<u>20,281,908</u>
Balance at December 31, 2015		<u>3,695,706</u>	<u>16,586,202</u>	<u>20,281,908</u>
<b>Accumulated depreciation</b>				
Balance at January 1, 2014		-	(1,523,629)	(1,523,629)
Depreciation		-	(416,648)	(416,648)
Balance at December 31, 2014		-	<u>(1,940,277)</u>	<u>(1,940,277)</u>
Depreciation		-	(418,455)	(418,455)
Balance at December 31, 2015		-	<u>(2,358,732)</u>	<u>(2,358,732)</u>
<b>Carrying amounts</b>				
Balance at January 1, 2014	₩	<u>3,695,706</u>	<u>14,909,503</u>	<u>18,605,209</u>
Balance at December 31, 2014	₩	<u>3,695,706</u>	<u>14,645,925</u>	<u>18,341,631</u>
Balance at December 31, 2015	₩	<u>3,695,706</u>	<u>14,227,470</u>	<u>17,923,176</u>

(\*) During 2014, capitalized expenditure of ₩153 million was transferred from construction-in-progress.

(3) Profit and loss related to investment property for the years ended December 31, 2015 and 2014 are as follows:

(In thousands of won)

		2015	2014
Rental income	₩	796,142	747,432
Rental cost (depreciation)		(418,455)	(416,648)

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12. Property and Equipment

Changes in property and equipment for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Vehicles</b>	<b>Tools</b>	<b>Construction -in-progress</b>	<b>Total</b>
<b>Acquisition costs:</b>							
Balance at January 1, 2014 ₩	87,379,275	80,628,633	277,768,346	82,496	236,835,702	16,384,347	699,078,799
Acquisitions	-	-	1,377,792	-	20,327,008	50,856,776	72,561,576
Disposals	-	-	(22,078,202)	(82,496)	(7,570,962)	-	(29,731,660)
Others	-	-	39,346,325	-	5,286,112	(53,376,158)	(8,743,721)
Balance at							
December 31, 2014	87,379,275	80,628,633	296,414,261	-	254,877,860	13,864,965	733,164,994
Acquisitions	-	-	1,229,448	97,183	22,994,941	61,437,962	85,759,534
Disposals	-	-	(8,714,653)	-	(3,470,336)	(73,252)	(12,258,241)
Others	-	-	36,095,829	-	2,493,025	(61,510,636)	(22,921,782)
Balance at							
December 31, 2015	87,379,275	80,628,633	325,024,885	97,183	276,895,490	13,719,039	783,744,505
<b>Accumulated depreciation:</b>							
Balance at January 1, 2014	-	(12,488,142)	(104,764,552)	(82,495)	(179,906,743)	-	(297,241,932)
Depreciation	-	(2,014,395)	(21,184,354)	-	(25,307,283)	-	(48,506,032)
Disposals	-	-	19,401,350	82,495	7,330,611	-	26,814,456
Balance at							
December 31, 2014	-	(14,502,537)	(106,547,556)	-	(197,883,415)	-	(318,933,508)
Depreciation	-	(2,014,396)	(22,259,976)	(22,271)	(25,627,328)	-	(49,923,971)
Disposals	-	-	3,866,435	-	3,278,236	-	7,144,671
Balance at							
December 31, 2015	-	(16,516,933)	(124,941,097)	(22,271)	(220,232,507)	-	(361,712,808)
<b>Accumulated impairment:</b>							
Balance at January 1, 2014	-	-	-	-	(1,675,603)	-	(1,675,603)
Disposals	-	-	-	-	1,989	-	1,989
Balance at							
December 31, 2014	-	-	-	-	(1,673,614)	-	(1,673,614)
Disposals	-	-	-	-	184,333	-	184,333
Balance at							
December 31, 2015	-	-	-	-	(1,489,281)	-	(1,489,281)
<b>Contribution for construction:</b>							
Balance at January 1, 2014	-	-	(830,000)	-	-	-	(830,000)
Depreciation	-	-	60,000	-	-	-	60,000
Balance at							
December 31, 2014	-	-	(770,000)	-	-	-	(770,000)
Depreciation	-	-	60,000	-	-	-	60,000
Balance at							
December 31, 2015	-	-	(710,000)	-	-	-	(710,000)
<b>Carrying amounts:</b>							
Balance at January 1, 2014 ₩	87,379,275	68,140,491	172,173,794	1	55,253,356	16,384,347	399,331,264
Balance at							
December 31, 2014 ₩	87,379,275	66,126,096	189,096,705	-	55,320,831	13,864,965	411,787,872
Balance at							
December 31, 2015 ₩	87,379,275	64,111,700	199,373,788	74,912	55,173,702	13,719,039	419,832,416



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**13. Intangible Assets**

(1) Changes in intangible assets for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<b>Goodwill</b>	<b>Trademark right</b>	<b>Membership</b>	<b>Usage rights</b>	<b>Others</b>	<b>Total</b>
<b>Acquisition costs:</b>						
Balance at January 1, 2014	₩ 9,467,824	37,007	6,226,021	12,514,753	32,675,507	60,921,112
Acquisitions	-	-	-	-	133,204	133,204
Disposals	-	-	-	(1,172,090)	-	(1,172,090)
Others(*)	(4,647,205)	205,762	-	48,000	7,693,355	3,299,912
Balance at December 31, 2014	4,820,619	242,769	6,226,021	11,390,663	40,502,066	63,182,138
Acquisitions	-	4,219	-	-	272,543	276,762
Disposals	-	-	-	(22,959)	(55,245)	(78,204)
Others	-	273,307	-	279,650	22,368,825	22,921,782
Balance at December 31, 2015	4,820,619	520,295	6,226,021	11,647,354	63,088,189	86,302,478
<b>Accumulated amortization:</b>						
Balance at January 1, 2014	-	-	-	(8,158,963)	(19,156,561)	(27,315,524)
Amortization	-	-	-	(1,057,752)	(11,667,088)	(12,724,840)
Disposals	-	-	-	1,167,107	-	1,167,107
Balance at December 31, 2014	-	-	-	(8,049,608)	(30,823,649)	(38,873,257)
Amortization	-	-	-	(955,156)	(21,930,900)	(22,886,056)
Disposals	-	-	-	17,609	55,243	72,852
Balance at December 31, 2015	-	-	-	(8,987,155)	(52,699,306)	(61,686,461)
<b>Accumulated impairment:</b>						
Balance at January 1, 2014	-	-	(790,217)	-	(405,883)	(1,196,100)
Balance at December 31, 2014	-	-	(790,217)	-	(405,883)	(1,196,100)
Balance at December 31, 2015	-	-	(790,217)	-	(405,883)	(1,196,100)
<b>Carrying amounts:</b>						
Balance at January 1, 2014	₩ 9,467,824	37,007	5,435,804	4,355,790	13,113,063	32,409,488
Balance at December 31, 2014	₩ 4,820,619	242,769	5,435,804	3,341,055	9,272,534	23,112,781
Balance at December 31, 2015	₩ 4,820,619	520,295	5,435,804	2,660,199	9,983,000	23,419,917

(\*) During 2014, as the Company had to end business at the CGV Gimpo airport site due to the lessor's demand. As a result, the Company 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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**13. Intangible Assets, Continued**

(2) Impairment test

Goodwill and intangible assets that have indefinite useful lives are tested for impairment annually. The Company reviews the recoverable amount of CGU for those assets. The recoverable amount is determined on the 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 the related industry.

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

<i>(In percent)</i>	<u>2015</u>	<u>2014</u>
Discount rate	4.09	3.69
Terminal value growth rate	-	-

The discount rate was a post-tax measure based on the rate of 3-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

The future cash flows were estimated based on the nature of industry in which the Company operates for five years after 2015. The future cash flows after five years were estimated based on 0% of terminal growth rate. The cash flow projections were estimated based on historical experience, actual operating results and the Company's business plan.

**14. Other Financial Liabilities**

(1) Other financial liabilities as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>		<u>2014</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Accrued expenses	₩ 1,964,239	921,327	1,545,506	-
Finance lease liabilities	132,041	52,982	263,561	172,864
Leasehold deposits received	2,475,399	422,000	1,556,789	1,490,000
Present value discount	(35,229)	-	(60)	(93,211)
Derivative financial liabilities	-	112,733	5,983,869	64,258
	<u>₩ 4,536,450</u>	<u>1,509,042</u>	<u>9,349,665</u>	<u>1,633,911</u>

(2) Leasehold deposits received which were measured at present value as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>Effective interest rate (%)</u>	<u>Nominal values</u>	<u>Discounted present value</u>	<u>Present value discount</u>
December 31, 2015	5.3	₩ 2,897,399	2,862,170	(35,229)
December 31, 2014	5.0~5.3	3,046,789	2,953,518	(93,271)

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**14. Other Financial Liabilities, Continued**

(3) Finance lease

① Finance lease contract

As of December 31, 2015 and 2014, the Company leases tools under a finance lease contract with IMAX Corp., and the related assets and liabilities are recorded in the separate financial statements.

② The assets related to the finance lease contract as of December 31, 2015 and 2014 are as follows:

*(In thousands of won)*

		<u>2015</u>	<u>2014</u>
Acquisition costs	₩	12,787,864	12,787,864
Accumulated depreciation		(10,271,862)	(8,641,994)
Carrying amount	₩	<u>2,516,002</u>	<u>4,145,870</u>

③ The present value and future minimum lease payments in accordance with the lease contract as of December 31, 2015 and 2014 are as follows:

*(In thousands of won)*

		<u>2015</u>			<u>2014</u>		
		<u>Future minimum lease payments</u>	<u>Interest</u>	<u>Present value</u>	<u>Future minimum lease payments</u>	<u>Interest</u>	<u>Present value</u>
Less than one year	₩	141,603	(9,562)	132,041	285,339	(21,778)	263,561
One to five years		55,229	(2,247)	52,982	201,319	(28,455)	172,864
	₩	<u>196,832</u>	<u>(11,809)</u>	<u>185,023</u>	<u>486,658</u>	<u>(50,233)</u>	<u>436,425</u>

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**15. Other Current Liabilities and Other Non-current Liabilities**

- (1) Other current liabilities and other non-current liabilities as of December 31, 2015 and 2014 are as follows:

(In thousands of won)

	2015		2014	
	Current	Non-current	Current	Non-current
Deposit received	₩ 8,362,175	-	16,605,716	-
Value added tax withheld	5,773,978	-	7,339,474	-
Advance received	53,674,275	-	49,780,572	-
Unearned revenue	268,592	9,067	66,255	44,296
Liabilities for employee benefits	15,564,011	403,672	14,480,273	-
Deferred revenues	-	12,689,619	-	11,181,923
Provision for mileage points	-	961,335	-	943,591
Other provision	-	4,600,000	-	7,860,353
	₩ 83,643,031	18,663,693	88,272,290	20,030,163

- (2) Deferred revenues

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

The fair value of award credits not yet redeemed under the customer loyalty program as of December 31, 2015 and 2014 are ₩12,690 million and ₩11,182 million, respectively.

- (3) Provision for mileage points

(In thousands of won)

	2015	2014
Balance at the beginning of the year	₩ 943,591	1,575,989
Increase	2,958,245	2,932,186
Decrease	(2,940,501)	(3,564,584)
Balance at the end of the year	₩ 961,335	943,591

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

CJ CGV CO., LTD.  
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16. Debt

The contract information of interest bearing debt measured at amortized cost as of December 31, 2015 and 2014 are as follows. The detailed information of interest, exchange rate and liquidity risk are described in note 4.

(1) Debt as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
<b>Current liabilities:</b>		
Debentures	₩ 29,965,660	69,967,954
Current portion of local currency long-term borrowings	19,988,248	26,000,000
	<u>49,953,908</u>	<u>95,967,954</u>
<b>Non-current liabilities:</b>		
Debentures	249,417,549	179,537,621
Local currency long-term borrowings	26,000,000	19,973,354
Foreign currency long-term borrowings	70,320,000	54,960,000
	<u>₩ 345,737,549</u>	<u>254,470,975</u>

(2) Debentures as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<b>Maturity date</b>	<b>Interest rate (%)</b>	<b>2015</b>	<b>2014</b>
<b>Lender</b>				
Daewoo Securities Co., Ltd.	2015.04.09	5.40	₩ -	40,000,000
Daewoo Securities Co., Ltd.	2015.06.22	3.75	-	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	50,000,000
Hanwha Investment & Securities Co., Ltd.	2017.11.07	2.31	50,000,000	50,000,000
Hanwha Investment & Securities Co., Ltd.	2019.11.07	2.51	50,000,000	50,000,000
Hana Financial Investment Co., Ltd.	2018.04.14	1.93	50,000,000	-
Daewoo Securities Co., Ltd.	2020.11.27	2.54	50,000,000	-
			<u>280,000,000</u>	<u>250,000,000</u>
Less: discount			(616,791)	(494,425)
Less: current portion of long-term debentures			(29,965,660)	(69,967,954)
			<u>₩ 249,417,549</u>	<u>179,537,621</u>

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**For the years ended December 31, 2015 and 2014**

**16. Debt, Continued**

(3) Local currency long-term borrowings as of December 31, 2015 and 2014 are as follows:

*(In thousands of won)*

<b>Lender</b>	<b>Maturity date</b>	<b>Interest rate (%)</b>	<b>2015</b>	<b>2014</b>
Korea Development Bank	2015.11.19	3.90	₩ -	5,000,000
Shinhan Bank	2015.11.09	2.76	-	10,000,000
Hana Bank	2015.11.09	2.24	-	8,000,000
Kookmin Bank	2015.11.19	3.92	-	3,000,000
Hyundai Securities Co., Ltd.	2016.10.14	2.92	20,000,000	20,000,000
Shinhan Bank	2018.11.19	2.70	10,000,000	-
Kookmin Bank(*)	2018.11.19	2.86	16,000,000	-
			<u>46,000,000</u>	<u>46,000,000</u>
Less: discount			(11,752)	(26,646)
Less: current portion of long-term borrowings			(19,988,248)	(26,000,000)
			<u>₩ 26,000,000</u>	<u>19,973,354</u>

(\*) As of December 31, 2015, the Company 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 is not classified as a hedging derivative instrument, the Company recognized loss on valuation of derivative financial instrument amounting to ₩113 million in profit or loss for the year ended December 31, 2015.

(4) Foreign currency long-term borrowings as of December 31, 2015 and 2014 are as follows:

*(In thousands of won, except foreign currency)*

<b>Lender</b>	<b>Maturity date</b>	<b>Interest rate (%)</b>	<b>2015</b>	<b>2014</b>
The Export-Import Bank of Korea	2019.01.10	3M LIBOR	₩ 11,720,000	10,992,000
		+ 2.09	(USD 10,000,000)	(USD 10,000,000)
Korea Development Bank	2019.04.09	3M LIBOR	46,880,000	43,968,000
		+ 1.79	(USD 40,000,000)	(USD 40,000,000)
	2020.10.28	3M LIBOR	11,720,000	-
		+ 1.79	(USD 10,000,000)	-
			70,320,000	54,960,000
			(USD 60,000,000)	(USD 50,000,000)
Less: current portion of long-term borrowings			-	-
			<u>₩ 70,320,000</u>	<u>54,960,000</u>
			(USD 60,000,000)	(USD 50,000,000)

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**16. Debt, Continued**

- (4) Foreign currency long-term borrowings as of December 31, 2015 and 2014 are as follows, continued:

As of December 31, 2015, the Company has entered into currency forward contracts in accordance with the risk management policy, in order to control the risk being reflected by changes in exchange rate related to payment of foreign currency borrowings.

Details of currency forward contracts as of December 31, 2015 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>
The Export-Import Bank of Korea	Standard Chartered Bank	Buy USD 10,000,000	₩1,104.90	2019.01.10
Korea Development Bank		Buy USD 40,000,000	₩1,078.15	2019.04.09
		Buy USD 10,000,000	₩1,141.50	2020.10.28

As the above currency forward contracts are not classified as a hedging derivative instrument, the Company recognized gain on valuation of derivative financial instrument amounting to ₩3,607 million, in profit or loss for the year ended December 31, 2015.

**17. Employee Benefits**

- (1) Employee benefits expenses for the years ended December 31, 2015 and 2014 are as follows:

*(In thousands of won)*

	<u>2015</u>	<u>2014</u>
Wages and salaries	₩ 117,187,846	116,346,929
Expenses related to post-employment defined plans	8,554,199	10,270,815
	<u>₩ 125,742,045</u>	<u>126,617,744</u>

- (2) Total employee benefit liabilities as of December 31, 2015 and 2014 are as follows:

*(In thousands of won)*

	<u>2015</u>	<u>2014</u>
Present value of defined benefit obligations	₩ 46,546,789	41,052,140
Fair value of plan assets	(41,552,309)	(32,766,890)
<b>Net defined benefit liability</b>	<u>4,994,480</u>	<u>8,285,250</u>
Liabilities for short-term employee benefits	15,564,011	14,480,273
Liabilities for long-term employee benefits	403,672	-
Liabilities for long-term officer compensation expense	1,513,833	1,259,391
<b>Total employee benefit liabilities</b>	<u>₩ 22,475,996</u>	<u>24,024,914</u>

The Company'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 2.97% for 2015.

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**17. Employee Benefits, Continued**

(2) Total employee benefit liabilities as of December 31, 2015 and 2014 are as follows, continued:

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

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

<i>(In thousands of won)</i>	<b>Defined benefit obligations</b>		<b>Fair value of plan assets</b>		<b>Net defined benefit liability</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Balance at January 1</b>	₩ 41,052,140	31,137,767	(32,766,890)	(25,947,887)	8,285,250	5,189,880
<b>Included in profit or loss:</b>						
Current service cost	8,356,918	9,874,118	-	-	8,356,918	9,874,118
Interest cost (income)	1,172,871	1,390,272	(975,590)	(993,575)	197,281	396,697
	<u>9,529,789</u>	<u>11,264,390</u>	<u>(975,590)</u>	<u>(993,575)</u>	<u>8,554,199</u>	<u>10,270,815</u>
<b>Included in other comprehensive income or loss:</b>						
Remeasurements loss (gain):						
- Actuarial loss (gain) arising from:						
- demographic assumptions	(54,919)	683,114	-	-	(54,919)	683,114
- financial assumptions	(860,393)	3,282,441	-	-	(860,393)	3,282,441
- experience adjustment	2,210,787	(818,529)	-	-	2,210,787	(818,529)
- Return on plan assets excluding interest income	-	-	324,164	338,610	324,164	338,610
	<u>1,295,475</u>	<u>3,147,026</u>	<u>324,164</u>	<u>338,610</u>	<u>1,619,639</u>	<u>3,485,636</u>
<b>Other:</b>						
Contribution paid by the employer	-	-	(11,100,000)	(8,500,000)	(11,100,000)	(8,500,000)
Benefits paid	(4,100,803)	(4,462,373)	1,749,054	2,234,135	(2,351,749)	(2,228,238)
Transfer from (to) affiliated companies	(1,229,812)	(34,670)	1,216,953	101,827	(12,859)	67,157
	<u>(5,330,615)</u>	<u>(4,497,043)</u>	<u>(8,133,993)</u>	<u>(6,164,038)</u>	<u>(13,464,608)</u>	<u>(10,661,081)</u>
<b>Balance at December 31</b>	₩ <u>46,546,789</u>	<u>41,052,140</u>	<u>(41,552,309)</u>	<u>(32,766,890)</u>	<u>4,994,480</u>	<u>8,285,250</u>

(4) Details of plan assets as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<b>2015</b>	<b>2014</b>
Deposit for severance benefit insurance	₩ 41,549,900	32,764,481
Transfer to National Pension Fund	2,409	2,409
	<u>₩ 41,552,309</u>	<u>32,766,890</u>



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**17. Employee Benefits, Continued**

(5) Actuarial assumptions

① Principal actuarial assumptions as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Discount rate	3.10%	3.25%
Future salary growth	6.13%	6.25%

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

At December 31, 2015, the weighted-average duration of the defined benefit obligation was 5.03 years.

② Reasonably possible changes at the reporting date to one of the relevant actuarial 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	₩	(2,360,232)
	1% decrease		2,634,820
Future salary growth	1% increase		2,631,826
	1% decrease		(2,401,569)

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

**18. Commitments and Contingencies**

(1) Borrowing agreement with financial institutions as of December 31, 2015 are as follows:

*(In thousands of won,  
except foreign currency)*

	<u>Local Currency</u>					<u>Foreign Currency</u>
	<u>Overdraft</u>	<u>General</u>	<u>Bill discounting</u>	<u>Business purchase card</u>	<u>Total</u>	<u>Overseas investment</u>
Hana Bank	₩ 2,000,000	-	8,000,000	3,000,000	13,000,000	-
Woori Bank	3,000,000	-	-	13,000,000	16,000,000	-
Shinhan Bank	-	15,000,000	-	10,000,000	25,000,000	-
Meritz Securities	-	-	30,000,000	-	30,000,000	-
Kookmin Bank	10,000,000	3,000,000	-	-	13,000,000	-
Korea Development Bank	-	5,000,000	-	-	5,000,000	USD 50,000,000
The Export-Import Bank of Korea	-	-	-	-	-	USD 10,000,000
	<u>₩ 15,000,000</u>	<u>23,000,000</u>	<u>38,000,000</u>	<u>26,000,000</u>	<u>102,000,000</u>	<u>USD 60,000,000</u>

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**18. Commitments and Contingencies, Continued**

- (2) As of December 31, 2015, the Company is involved in 6 lawsuits as plaintiff for alleged damages of ₩1,623 million in aggregate, and 10 lawsuits as defendant for alleged damages of ₩5,705 million in aggregate. In terms of the lawsuit as defendant with Korean Film Producers Association, the Company 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 Company believes that although the outcome of these legal actions is uncertain, they would not ultimately result in a material unfavorable effect on the Company's financial position, operating results or cash flows.

- (3) Payment guarantee

① The Company is provided with payment guarantee of ₩40,476 million from Seoul Guarantee Insurance Company related to the performance of contracts.

② During 2014, the Company 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 Company 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 ₩2,142 million in the statement of comprehensive income. Also, the Company provides a payment guarantee of up to USD 12,675,000 and ₩3,067 million in relation to borrowings of THEA.

- (4) In accordance with an outstanding purchase commitment for the acquisition of the leasehold deposit, which was transferred according to the leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 1<sup>st</sup>, the Company repurchased the leasehold deposit of ₩160,000 million at fair value. The Company exercised the interest rate forwards held to hedge the risk of changes in the fair value of leasehold deposit at the time of repurchase and recognized gain on transaction of derivative financial assets amounting to ₩5,040 million as financial income on the consolidated statements of comprehensive income.

- (5) The Company made a leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 2<sup>nd</sup> and transferred ₩190,000 million of leasehold deposits during 2015. Fees to be paid in the future for the use of buildings of which leasehold deposits were transferred are recognized as other payables of ₩7,538 million and long-term other payables of ₩25,705 million, respectively, as of December 31, 2015.

- (6) The Company 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 2<sup>nd</sup> during 2015, at fair value in August 28, 2018. The Company 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 ₩1,412 million as finance income in the statement of comprehensive income.

- (7) During 2012, the Company 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 Company 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. During 2014, the Company acquired the stock of PT GLP by exercising the conversion right and reclassified the convertible loan to investments in associates. Disclosing the detailed information on investment may cause an adverse effect on the Company under the confidentiality agreement with the investor and PT GLP. As such, the Company does not disclose the specific information on investment details and plans.

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**18. Commitments and Contingencies, Continued**

(8) The Company has made a total return swap contract with the acquirer of non-guaranteed and subordinated convertible bonds (total face amount of ₩15,000 million) issued by Simuline Inc., a subsidiary of the Company. According to the contract, the Company should settle the difference derived from the change in the fair value of these convertible bonds when the acquirer sells these convertible bonds to a third-party at the third anniversary date of issuance date.

**19. Share Capital**

Share capital as of December 31, 2015 and 2014 are as follows:

<i>(In won, except share data)</i>	<u>2015</u>	<u>2014</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>

**20. Capital Surplus**

Capital surplus as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</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>

**21. Retained Earnings**

(1) Retained earnings as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
Legal reserve	₩ 10,871,361	10,130,715
Voluntary reserve	8,410,000	8,410,000
Unappropriated retained earnings	<u>407,466,660</u>	<u>359,138,160</u>
	<u>₩ 426,748,021</u>	<u>377,678,875</u>

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

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**21. Retained Earnings, continued**

(2) Changes in retained earnings for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
Beginning balance	₩ 377,678,875	354,453,321
Net income	57,703,292	33,274,126
Dividends	(7,406,460)	(7,406,460)
Remeasurement loss of defined benefit plan	(1,227,686)	(2,642,112)
Ending balance	₩ <u>426,748,021</u>	<u>377,678,875</u>

(3) Separate statements of appropriation of retained earnings for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
I. Unappropriated retained earnings		
Balance at beginning of year	₩ 350,991,054	328,506,146
Net income	57,703,292	33,274,126
Remeasurement loss of defined benefit plan	(1,227,686)	(2,642,112)
Balance at end of year before appropriation	<u>407,466,660</u>	<u>359,138,160</u>
II. Appropriation of retained earnings		
Legal reserve	(740,646)	(740,646)
Dividends:		
70% on par value at ₩350 per share in 2015 and 2014	<u>(7,406,460)</u>	<u>(7,406,460)</u>
III. Unappropriated retained earnings to be carried over to subsequent year	₩ <u>399,319,554</u>	<u>350,991,054</u>

**22. Other Capital**

(1) Other capital as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
Other capital surplus	₩ 58,743	58,743
Capital adjustments	(4,185,686)	(4,185,686)
Accumulated other comprehensive loss	(465,848)	(465,848)
	₩ <u>(4,592,791)</u>	<u>(4,592,791)</u>

(2) Capital adjustments as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
Other capital adjustments	₩ (4,185,686)	(4,185,686)

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**For the years ended December 31, 2015 and 2014**

**22. Other Capital, Continued**

(3) Accumulated other comprehensive losses as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>		<u>2015</u>	<u>2014</u>
Loss on valuation of available-for-sale financial assets	₩	(465,848)	(465,848)

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

Details of selling, general and administrative expenses for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>		<u>2015</u>	<u>2014</u>
Salaries	₩	104,862,999	96,415,278
Employee benefits		7,426,010	8,650,427
Other employee benefits		11,419,802	10,751,817
Supplies		9,262,685	7,605,271
Rent		84,036,239	77,194,127
Depreciation		3,177,529	3,605,079
Amortization		6,496,168	8,163,120
Advertising		6,557,055	4,148,343
Sales promotion		8,606,116	7,911,111
Maintenance expenses for buildings		54,164,349	56,307,372
Commission		76,672,635	68,412,095
Other expenses		20,671,558	19,920,783
	₩	<u>393,353,145</u>	<u>369,084,823</u>

**24. Nature of Expenses**

Details of nature of expenses for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>		<u>2015</u>	<u>2014</u>
Changes in inventories	₩	46,803,304	43,267,814
Salaries		115,941,709	114,982,473
Employee benefits		8,554,199	10,270,815
Other employee benefits		12,665,939	12,627,389
Supplies		9,262,685	7,605,271
Rent		84,036,239	77,194,127
Depreciation		50,282,426	48,862,681
Amortization		22,886,056	12,724,840
Maintenance expenses for buildings		54,164,349	56,307,372
Commission		80,718,492	72,621,783
Other expenses		339,906,359	336,592,940
<b>Total(*)</b>	₩	<u>825,221,757</u>	<u>793,057,505</u>

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

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**25. Other Non-operating Income and Expenses**

(1) Details of other non-operating income for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
Reversal of other provisions	₩ 23,000	-
Gain on disposal of other financial assets	1,398,932	-
Gain on disposal of property and equipment	8,243	603,312
Commission income	1,030,345	1,215,044
Rental income	70,269	76,983
Miscellaneous income	6,732,519	4,784,868
	<u>₩ 9,263,308</u>	<u>6,680,207</u>

(2) Details of other non-operating expenses for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
Other bad debt expenses	₩ 78,085	188,611
Loss on disposal of other financial assets	98,121	866,120
Loss on disposal of property and equipment	4,854,582	2,891,057
Loss on disposal of intangible assets	5,352	4,652,189
Miscellaneous loss	499,144	4,946,831
Donations	2,817,334	2,987,780
	<u>₩ 8,352,618</u>	<u>16,532,588</u>

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**26. Financial Instruments Income and Costs by Categories**

(1) Financial instruments income by categories for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
Interest income:		
Cash and cash equivalents	₩ 1,172,664	1,539,527
Loans and receivables	1,089,380	1,233,050
Dividend income	1,896,289	1,402,718
Foreign currency transaction gain:		
Loans and receivables	58,841	19,547
Financial liabilities recognized at amortized cost	27,329	1,642,241
Foreign currency translation gain:		
Loans and receivables	51,999	29,191
Gain on valuation of derivative financial assets	13,101,114	11,877,545
Gain on transaction of derivative financial assets	5,083,907	-
	₩ <u>22,481,523</u>	<u>17,743,819</u>

(2) Financial instruments costs by categories for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
Interest expense:		
Financial liabilities recognized at amortized cost	₩ 13,843,020	17,278,901
Foreign currency transaction loss:		
Cash and cash equivalents	-	948
Loans and receivables	12,437	77,324
Financial liabilities recognized at amortized cost	74,095	153,186
Foreign currency translation loss:		
Cash and cash equivalents	1,552	1,336
Loans and receivables	25,250	24,566
Financial liabilities recognized at amortized cost	4,059,493	2,874,430
Loss on valuation of derivative financial assets	112,733	6,050,263
Loss on transaction of derivative financial assets	61,458	1,246,535
Loss on disposal of available-for-sale financial assets	448	4,014
	₩ <u>18,190,486</u>	<u>27,711,503</u>

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For the years ended December 31, 2015 and 2014

27. Income Tax Expense

- (1) The component of income tax expense for the years ended December 31 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
Current tax expense	₩ 14,655,811	12,657,927
Adjustment for prior years	(585,952)	4,810,745
Origination and reversal of temporary differences	4,591,375	37,630
Income tax recognized directly in equity	391,953	843,524
Total income tax expense	₩ <u>19,053,187</u>	<u>18,349,826</u>

In accordance with Cash Reserve Taxation which is effective for the three years from January 1, 2015 to December 31, 2017, if utilization of current taxable income for facility investment, increase in employee's salary, or dividend distribution does not reach the required level, Cash Reserve Tax is additionally imposed. Estimation of the income tax expense at year-end involves estimation of taxable income, as well as facility investment, salary increases and dividend distributions for the future periods subject to Cash Reserve Taxation, hence uncertainty on estimation of income tax expense exists as the actual amounts may differ from these estimates. The Company utilized current taxable income over the utilization threshold under Cash Reserve Taxation during 2015.

- (2) Income taxes recognized directly in other comprehensive income for the years ended December 31, 2015 and 2014 are as follow:

<i>(In thousands of won)</i>	<u>2015</u>		<u>2014</u>	
	<u>Other comprehensive income</u>	<u>Deferred tax assets (liabilities)</u>	<u>Other comprehensive income</u>	<u>Deferred tax assets (liabilities)</u>
Remeasurement loss of defined benefit plan	₩ 1,619,639	(391,953)	3,485,636	(843,524)

- (3) Reconciliation of effective tax rate for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
Income before income taxes	₩ 76,756,479	51,623,951
Income tax using the Company's statutory tax rate	18,113,068	12,030,996
Adjustments:		
- Non-deductible expense	815,381	389,370
- Non-taxable income	-	(55,828)
- Unrecognized deferred tax on temporary differences	-	1,077,833
- Adjustments for prior years	(585,952)	4,810,745
- Change in temporary differences	794,341	-
- Others	(83,651)	96,710
Income tax expenses	₩ <u>19,053,187</u>	<u>18,349,826</u>
Average effective tax rate	24.82%	35.55%



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**27. Income Tax Expense, Continued**

(4) Changes in deferred income tax assets (liabilities) for the year ended December 31, 2015 are as follows:

(In thousands of won)

		<b>2015</b>		
		<b>Temporary differences</b>	<b>Deferred tax assets (liabilities)</b>	
		<b>Ending balance</b>	<b>Beginning balance</b>	<b>Ending balance</b>
Allowance for doubtful accounts	₩	2,554,971	945,631	618,303
Depreciation		(2,311,404)	(482,489)	(559,360)
Amortization		(1,721,540)	(297,779)	(416,612)
Accrued income		(90,884)	(14,049)	(21,994)
Goodwill		(2,870,644)	(694,696)	(694,696)
Impairment loss on property and equipment		2	-	-
Impairment loss on intangible assets		790,220	192,640	191,233
Provisions		961,335	228,350	232,644
Deferred revenues		12,689,619	2,706,025	3,070,887
Lands		(52,828,873)	(12,784,587)	(12,784,587)
Equity method investments		1,500,000	363,000	363,000
Bad debt		7,952,034	2,305,438	1,924,392
Prepaid expenses		(68,797,063)	(17,229,801)	(16,648,889)
Present value discount		4,366,701	2,225,747	1,056,742
Unearned revenue		35,228	38,175	8,525
Other payables		33,243,617	9,797,941	8,044,955
Leasehold deposits		-	46,969	-
Gain (loss) on valuation of interest rate forward		(1,411,973)	(1,287,059)	(341,698)
Gain (loss) on valuation of interest rate swap		112,733	10,722	27,281
Gain (loss) on valuation of separable embedded derivatives		(3,021,805)	1,224,566	(731,277)
Gain (loss) on valuation of available-for-sale financial assets		614,577	148,728	148,728
Commission		-	167,044	-
Other provision		4,600,000	1,902,205	1,113,200
Taxes and dues		13,376	3,237	3,237
Consent dividend		1,569,873	-	379,909
Long-term employee benefits		403,672	-	97,689
Accrued retirement and severance benefits		44,286,932	8,726,566	10,717,437
Provision for retirement and severance benefits		(44,286,932)	(8,603,746)	(10,717,437)
Tax loss carryforward		-	34,209	-
		<u>(61,646,228)</u>	<u>(10,327,013)</u>	<u>(14,918,388)</u>
Unrecognized deferred tax assets(*)			331,696	331,696
	₩		<u>(9,995,317)</u>	<u>(14,586,692)</u>

(\*) Deferred tax assets of ₩332 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.

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**27. Income Tax Expense, Continued**

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

(In thousands of won)

		<b>2014</b>		
		<b>Temporary differences</b>	<b>Deferred tax assets (liabilities)</b>	
		<b>Ending balance</b>	<b>Beginning balance</b>	<b>Ending balance</b>
Allowance for doubtful accounts	₩	3,907,567	773,917	945,631
Depreciation		(1,993,757)	(482,083)	(482,489)
Amortization		(1,230,493)	(189,976)	(297,779)
Accrued income		(58,054)	(17,951)	(14,049)
Goodwill		(2,870,644)	(1,813,919)	(694,696)
Impairment loss on property and equipment		2	138	-
Impairment loss on intangible assets		796,035	195,875	192,640
Provisions		943,591	410,090	228,350
Deferred revenues		11,181,923	2,417,816	2,706,025
Lands		(52,828,873)	(12,784,587)	(12,784,587)
Equity method investments		1,500,000	363,000	363,000
Bad debt		9,526,605	2,305,438	2,305,438
Prepaid expenses		(71,197,526)	(17,884,118)	(17,229,801)
Present value discount		9,197,301	2,499,797	2,225,747
Unearned revenue		157,747	38,175	38,175
Other payables		40,487,360	9,573,163	9,797,941
Leasehold deposits		194,086	22,769	46,969
Profit (loss) on valuation of interest rate forward		(5,318,424)	1,204,947	(1,287,059)
Profit (loss) on valuation of interest rate swap		44,306	(516)	10,722
Profit (loss) on valuation of separable embedded derivatives		5,060,191	-	1,224,566
Profit (loss) on valuation of available-for-sale financial assets		614,577	148,728	148,728
Commission		690,266	352,988	167,044
Donation		-	2,904	-
Other provision		7,860,353	1,113,200	1,902,205
Taxes and dues		13,376	3,237	3,237
Accrued retirement and severance benefits		36,060,192	6,222,332	8,726,566
Provision for retirement and severance benefits		(35,552,671)	(6,222,332)	(8,603,746)
Tax loss carryforward		141,358	338,362	34,209
		<u>(42,673,606)</u>	<u>(11,408,606)</u>	<u>(10,327,013)</u>
Unrecognized deferred tax assets(*)			<u>1,450,919</u>	<u>331,696</u>
	₩		<u>(9,957,687)</u>	<u>(9,995,317)</u>

(\*) Deferred tax assets of ₩332 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, 2015, tax effects of temporary differences are calculated by the expected tax rate of the fiscal period when the temporary differences are expected to reverse.

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**27. Income Tax Expense, Continued**

(7) The aggregate amounts of deferred tax assets and liabilities as of December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>	<u>2015</u>	<u>2014</u>
Deferred tax assets	₩ 27,635,162	30,704,194
Deferred tax liabilities	(42,221,854)	(40,699,511)
	<u>₩ (14,586,692)</u>	<u>(9,995,317)</u>

**28. Earnings per Share**

(1) Basic earnings per share

Basic earnings per share for the years ended December 31, 2015 and 2014 are calculated as follows:

<i>(In won, except share information)</i>	<u>2015</u>	<u>2014</u>
Net income attributable to ordinary shares	₩ 57,703,291,801	33,274,125,430
Weighted average number of ordinary shares	21,161,313	21,161,313
Basic earnings per share	<u>₩ 2,727</u>	<u>1,572</u>

(2) Diluted earnings per share

① Diluted earnings per share for the years ended December 31, 2015 and 2014 are calculated as follows:

<i>(In won, except share information)</i>	<u>2015</u>	<u>2014</u>
Adjusted net income attributable to ordinary shares	₩ 57,703,291,801	33,274,125,430
Diluted weighted average number of ordinary shares	21,161,313	21,162,962
Diluted earnings per share	<u>₩ 2,727</u>	<u>1,572</u>

② Diluted weighted average number of ordinary shares for the years ended December 31, 2015 and 2014 are as follows:

<i>(In share)</i>	<u>2015</u>	<u>2014</u>
Weighted average number of ordinary shares	21,161,313	21,161,313
Effect of stock options	-	1,649
Diluted weighted average number of ordinary shares	<u>21,161,313</u>	<u>21,162,962</u>

The average market value of the Company'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.

CJ CGV CO., LTD.  
Notes to the Separate Financial Statements

**For the years ended December 31, 2015 and 2014**

**29. Related Parties**

(1) Parent company and subsidiaries

① The Company's ultimate controlling company is CJ Corp. and the Company's subsidiaries as of December 31, 2015 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.	CJ CGV America LA LLC.
Hong Kong / China	CGI Holdings Ltd.	CJ CGV (Shanghai) Enterprise Management Co., Ltd. UVD Enterprise Ltd. PanJin 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. 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. CGV (Xian) Cinema Co., Ltd. Ganzhou CGV Cinema Co., Ltd. Yanji CGV Cinema Co., Ltd. CJ CGV (Sichuan) Cinema Co., Ltd. Yunnan CGV Cinema Co., Ltd. Fuzhou CGV Cinema Co., Ltd.
British Virgin Islands / Vietnam	Envoy Media Partners Ltd.	CJ CGV VIETNAM CO., LTD.
Singapore	Cross Junction Investment Co., Pte. Ltd.	-
	Crown Jade Company Pte. Ltd.	-

CJ CGV CO., LTD.  
Notes to the Separate Financial Statements

For the years ended December 31, 2015 and 2014

29. Related Parties, Continued

(1) Parent company and subsidiaries, continued

② Related parties which have transactions or outstanding balances with the Company as of December 31, 2015 are as follows:

Relationship	Name
Associates	SSV Contents Investment Association PT Graha Layar Prima Tbk. CJ VIETNAM COMPANY LIMITED (formerly, Maritime Tower Co., Ltd.)
Joint ventures	IBK Financial Group Union Contents Investment Fund Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd. Wuhan CJ XingXing Tiandi Cinema Co., Ltd. D-Cinema Korea Co., Ltd. Shanghai Shangying CGV Cinema Co., Ltd.
Other related companies	CGV EMPIRE SDN. BHD CJ Cheiljedang Corp. CJ HealthCare Corporation CJ Freshway Corporation CJ Foodvill Co., Ltd. CJ Dondonfarm Co., Ltd. CJ Sea Food Co., Ltd. WON JI CJ O Shopping Co., Ltd. CJ Worldis Co., Ltd. CJ Hellovision Co., Ltd. CJ Telenix Co., Ltd. SUPERRACE CJ Korea Express Co., Ltd. CJ Powercast Inc. Art service Co., Ltd. CJ E&M Corp. MEZZOMEDIA Inc. Netmarble Games Corporation CJ OliveNetworks Co., Ltd. CJ Construction Co., Ltd. CJ MD1 Corp. Joy Rent a Car Co., Ltd. CNI Leisure Co., Ltd. JS Communications Co., Ltd. Timewise Investment Cinema Service Co., Ltd. CJ Bakery Vietnam Co., Ltd.

CJ CGV CO., LTD.  
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For the years ended December 31, 2015 and 2014

29. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2015 are summarized as follows:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid	
Parent	CJ Corp.	₩ 41,080	-	-	-	-	9,615	3,686,200	2,889,950	
Subsidiaries	CJ 4DPlex Co., Ltd.	6,470	-	-	1,057,232	2,870,134	-	1,422,124	-	
	Simuline Inc.	98,653	-	-	-	-	-	-	-	
	CJ 4DPLEX AMERICA, INC.	-	8,026	-	-	-	-	-	-	
	CJ 4DX (Beijing) Cinema Technology Co., Ltd.	-	10,149	-	-	-	-	-	-	
	CJ CGV VIETNAM CO., LTD.	-	49,368	-	-	-	-	-	-	
	CJ CGV America, Inc.	-	10,648	-	-	-	-	-	-	
	CJ CGV AMERICA LA, LLC.	-	-	-	-	-	-	20,092	-	
	CGI Holdings Ltd.	-	301,728	-	-	-	-	-	-	
	Associates	PT Graha Layar Prima Tbk.	67,345	-	-	-	-	-	-	-
	Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	672,190	-	-	130,620	-
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.		-	-	192,874	-	-	-	-	-	
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.		-	-	945,185	-	-	-	-	-	
Shanghai Shangying CGV Cinemia Co., Ltd.		-	-	758,230	-	-	-	-	-	
Other related companies		CJ Cheiljedang Corp.	176,838	469,704	-	78,505	-	-	5,642,318	-
	CJ HealthCare Corporation	30,350	33,713	-	-	-	-	7,884	-	
	CJ Freshway Corporation	26,302	176,490	-	27,802,042	-	-	87,005	-	
	CJ Foodvill Co., Ltd.	3,718,653	66,643	-	4,508,836	372,058	50,000	5,137,355	-	
	CJ Dondonfarm Co., Ltd.	312	-	-	-	-	-	-	-	

CJ CGV CO., LTD.  
Notes to the Separate Financial Statements

For the years ended December 31, 2015 and 2014

29. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2015 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related companies	CJ Sea Food Co., Ltd.	₩ 1,035	-	-	-	-	-	-	-
	CJ O Shopping Co., Ltd.	591,107	639,526	-	-	-	-	32,650	-
	CJ Worldis Co., Ltd.	2,087	345	-	-	-	-	1,255	-
	CJ Hellovision Co., Ltd.	38,910	107	-	-	-	-	693	-
	CJ Telenix Co., Ltd.	5,547	23,950	-	-	-	-	1,910,694	-
	SUPERRACE	991	-	-	-	-	-	100,000	-
	CJ Korea Express Co., Ltd.	56,919	416,866	-	250	283,648	-	44,648	-
	CJ Powercast Inc.	525,948	20,254	-	3,900	14,800	145,920	3,249,812	-
	Art service Co., Ltd.	15,591	-	-	-	-	-	-	-
	Cinema Service Co., Ltd.	1,273	-	-	-	-	-	-	-
	CJ E&M Corp.	4,486,069	1,422,979	-	55,337,344	-	590,000	1,742,592	-
	MEZZOMEDIA Inc.	1,999	-	-	-	-	-	-	-
	Netmarble Games Corporation	654	1,794	-	-	-	-	-	-
	CJ OliveNetworks Co., Ltd.	473,985	402,746	-	-	501,613	5,872,561	24,002,624	-
	CJ Construction Co., Ltd.	20,719	31,319	-	18,751	-	-	1,332,919	-
	CJ MD1 Corp.	1,011	-	-	-	-	-	-	-
	CJ Bakery Vietnam Co., Ltd.	-	-	-	4,099	-	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	-	206,942	-
	CNI Leisure Co., Ltd.	3,199	-	-	-	-	-	560,266	-
	JS Communications Co., Ltd.	79,030,734	-	-	-	-	15,000	613,440	-
Timewise Investment	200	-	-	-	-	-	-	-	
	₩	<u>89,423,981</u>	<u>4,086,355</u>	<u>1,896,289</u>	<u>89,483,149</u>	<u>4,042,253</u>	<u>6,683,096</u>	<u>49,932,133</u>	<u>2,889,950</u>

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2015 and 2014

29. Related Parties, Continued

(3) 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	Dividend income	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
Subsidiaries	CJ 4DPlex Co., Ltd.	6,819	-	-	1,273,533	69,406	-	1,239,100	-
	CGI Holdings Ltd.	-	158,982	-	-	-	-	-	-
	Simuline Inc.	112,104	-	-	-	-	-	-	-
	CJ 4DX (Beijing) Cinema Technology Co., Ltd.	-	5,328	-	-	-	-	-	-
	CJ CGV America, Inc.	-	4,975	-	-	-	-	-	-
	CJ 4DPLEX AMERICA, INC.	-	86	-	-	-	-	-	-
	CJ CGV VIETNAM CO., LTD.	-	4,753	-	-	-	-	-	-
Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	-	-	-	436,820	-
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	606,701	-	-	-	-	-
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	-	-	237,577	-	-	-	-	-
	Shanghai Shangying CGV Cinemia Co., Ltd.	-	-	558,441	-	-	-	-	-
	CGV EMPIRE SDN. BHD	176,176	-	-	-	-	-	-	-
Other related companies	CJ E&M Corp.	5,033,517	2,489,389	-	70,311,315	58,000	-	2,262,814	-
	CJ O Shopping Co., Ltd.	334,184	4,045,632	-	-	32,020	-	114,442	-
	CJ OliveNetworks Co., Ltd.	189,807	2,355,071	-	613,614	4,360,898	104,791	23,118,083	-
	CJ Worldis Co., Ltd.	-	4,526	-	-	-	-	2,400	-
	CJ Powercast Inc.	648,835	27,292	-	-	108,389	-	2,833,921	-
	CJ Foodvill Co., Ltd.	2,164,876	4,291,143	-	4,430,103	291,698	-	5,552,770	-



CJ CGV CO., LTD.

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For the years ended December 31, 2015 and 2014

29. Related Parties, Continued

(3) 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	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related companies	CJ Freshway Corporation	₩ 12,664	351,256	-	27,782,197	-	-	94,540	-
	JS Communications Co., Ltd.	68,875,374	-	-	735,144	-	88,400	-	-
	CJ Construction Co., Ltd.	9,297	58,538	-	15,218	3,277,700	-	297,803	-
	CNI Leisure Co., Ltd.	1,626	-	-	502,423	-	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	234,136	-	-	-	-
	CJ Cheiljedang Corp.	158,484	817,993	-	89,318	-	-	5,372,643	-
	Art service Co., Ltd.	-	48,017	-	-	-	-	-	-
	CJ Telenix Co., Ltd.	2,386	31,411	-	19,561	-	-	1,894,987	-
	Cinema Service Co., Ltd.	-	492	-	-	-	-	-	-
	CJ Korea Express Co., Ltd.	53,419	660,647	-	-	523,500	-	36,005	-
	CJ EDUCATIONS CORPORATION	40,814	578	-	-	-	-	-	-
	CJ Hellovision Co., Ltd.	27,463	723,685	-	-	-	-	12,457	-
	CJ HelloVision Honam Broadcasting Co., Ltd.	471	-	-	-	-	-	-	-
	CJ Hellovision Daegu Suseong Broadcasting Co., Ltd.	739	-	-	-	-	-	-	-
	CJ Sea Food Co., Ltd.	344	-	-	-	-	-	-	-
	CJ HealthCare Corporation	4,790	60,803	-	-	-	-	946	-
	CJ Venture Investment	80	-	-	-	-	-	-	-
		₩ <u>77,900,055</u>	<u>16,140,597</u>	<u>1,402,719</u>	<u>106,006,562</u>	<u>8,730,857</u>	<u>193,191</u>	<u>46,804,442</u>	<u>2,889,950</u>

CJ CGV CO., LTD.  
Notes to the Separate Financial Statements

For the years ended December 31, 2015 and 2014

29. Related Parties, Continued

(4) Account balances with related companies as of December 31, 2015 are summarized as follows:

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities
Parent	CJ Corp.	₩ 5,278	-	557	-	-	387,388
Subsidiaries	CJ 4DPlex Co., Ltd.	2,060	-	354	136,745	-	1,958,947
	Simuline Inc.	9,014	-	297	-	-	-
	CJ CGV VIETNAM CO., LTD.	-	-	18,019	-	-	-
Associates	PT Graha Layar Prima Tbk.	70,320	-	879,441	-	-	-
Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	-	-	113,925
	CGV EMPIRE SDN. BHD	-	-	26,423	-	-	-
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	933,624	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.	-	-	748,956	-	-	-
Other related companies	CJ Cheiljedang Corp.	113,891	389,929	433,298	479	-	1,217,496
	CJ HealthCare Corporation	31,232	-	27,643	-	-	392
	CJ Freshway Corporation	25,070	-	98,870	10,389,900	-	20,146
	CJ Foodvill Co., Ltd.	201,003	110,000	1,134,230	1,135,225	860,000	1,973,705
	CJ Dondonfarm Co., Ltd.	228	-	5	-	-	-
	CJ Sea Food Co., Ltd.	4,612	-	1,047	-	-	-
	WON JI	1,989	-	288	-	-	-
	CJ O Shopping Co., Ltd.	42,865	-	1,149,817	-	330,000	1,275,266
	CJ Worldis Co., Ltd.	-	-	551	-	-	4,988
	CJ Hellovision Co., Ltd.	15,518	-	212,736	-	-	40,924
	CJ Telenix Co., Ltd.	22,881	-	11,519	-	-	194,274
	SUPERRACE	285	-	88	-	-	-
	CJ Korea Express Co., Ltd.	61,250	-	237,794	-	-	2,635
	CJ Powercast Inc.	184,557	-	6,238	-	-	326,535
	Art service Co., Ltd.	625	-	594	-	-	-
	CJ E&M Corp.	481,300	-	725,683	7,908,622	613,120	1,168,937
	MEZZOMEDIA Inc.	2,459	-	648	-	-	1,350
	Netmarble Games Corporation	-	-	618	-	-	-
	CJ OliveNetworks Co., Ltd.	27,900,860	-	1,634,306	-	60,000	8,291,698
	CJ Construction Co., Ltd.	8,625	-	3,800,357	-	-	1,136,852
CJ MD1 Corp.	1,786	-	558	-	-	-	
Joy Rent a Car Co., Ltd.	-	-	-	-	-	20,776	
CNI Leisure Co., Ltd.	1,267	-	198	-	-	74,859	
JS Communications Co., Ltd.	25,334,652	-	-	-	-	159,548	
Timewise Investment	72	-	-	-	-	-	
		₩ 54,523,699	499,929	12,084,757	19,570,971	1,863,120	18,370,641

CJ CGV CO., LTD.  
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For the years ended December 31, 2015 and 2014

29. Related Parties, Continued

(5) 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
Subsidiaries	CJ 4DPlex Co., Ltd.	473	-	-	543,249	-	106,218
	Simuline Inc.	9,315	-	-	-	-	-
Associates	PT Graha Layar Prima Tbk.	-	-	812,961	-	-	-
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	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.	-	-	546,813	-	-	-
	CGV EMPIRE SDN. BHD	175,872	-	3,405	-	-	-
Other related companies	CJ E&M Corp.	615,119	-	683,039	7,911,379	613,120	599,430
	CJ Cheiljedang Corp.	129,403	389,929	385,097	584	-	1,124,523
	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	1,593,269
	CJ Worldis Co., Ltd.	-	-	569	-	-	21,357
	CJ Hellovision Co., Ltd.	9,119	-	219,212	-	-	48,587
	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	-	-	351,171
	Art service Co., Ltd.	-	-	13,362	-	-	-
	CJ OliveNetworks Co., Ltd.	31,582,321	-	1,554,704	162,850	60,000	5,425,402
	CJ Construction Co., Ltd.	1,076	-	3,797,167	5,260	-	1,020,008
	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	-	-	316,027
	CJ EDUCATIONS CORPORATION	113	-	1,158	-	-	-
	CJ HealthCare Corporation	999	-	22,539	-	-	49
	CJ Venture Investment	80	-	-	-	-	-
		<u>53,423,924</u>	<u>499,929</u>	<u>11,330,228</u>	<u>20,094,839</u>	<u>2,128,075</u>	<u>12,585,430</u>

CJ CGV CO., LTD.  
Notes to the Separate Financial Statements

**For the years ended December 31, 2015 and 2014**

**29. Related Parties, Continued**

- (6) Key management personnel compensation for the years ended December 31, 2015 and 2014 are as follows:

<i>(In thousands of won)</i>		<u>2015</u>	<u>2014</u>
Short-term employee benefits	₩	959,783	1,236,716
Costs related to defined benefit plan		87,721	119,303
Long-term employee benefits		47,201	51,879
	₩	<u>1,094,705</u>	<u>1,407,898</u>

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

- (7) Details of guarantees which the Company has provided for related companies as of December 31, 2015 are as follows:

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

<u>Related companies</u>	<u>Guarantee recipient</u>	<u>Guarantees</u>	<u>Guarantee type</u>	<u>Beneficiary</u>	
Subsidiaries	CGI Holdings Ltd.	USD 20,000,000	Credit line guarantee	Woori Bank Hong Kong	
		HKD 91,650,000		Hana Bank Hong Kong	
		USD 10,000,000		HSBC	
		RMB 132,000,000		The Export-Import Bank of Korea	
		USD 80,000,000		Shinhan Bank Hong Kong	
	CJ CGV VIETNAM CO., LTD.	VND 210,000,000,000		Shinhan Bank Vietnam	
		USD 10,000,000		Standard Chartered Bank Vietnam	
		USD 10,000,000		HSBC Vietnam	
		USD 15,000,000		Korea Development Bank Vietnam	
				Hana Bank	
CJ CGV America, Inc. CJ 4DX (Beijing) Cinema Technology Co., Ltd. CJ 4DPLEX AMERICA, INC. CJ CGV America LA LLC.	USD 4,000,000		Hana Bank		
	USD 3,000,000		Korea Development Bank		
	USD 4,000,000		Shinhan Bank USA		
		- Guarantee on lease contracts	MADANG, LLC.		
		- Performance guarantee	20th Century Fox Film Corporation		
Joint venture	D-Cinema Korea Co., Ltd.				
Executives and staff members	Executives and staff members	₩	54,605	Guarantee on loans of employees	Hana Bank
			3,691,965		Shinhan Bank

**30. Subsequent events**

According to the resolution of the Board of Directors on February 4, 2016, the Company sold its investment property to CJ E&M Corp. on February 12, 2016.