

CJ CGV CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

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

We have audited the accompanying consolidated financial statements of CJ CGV Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 to the consolidated financial statements. As described in note 1, in an effort to expand to the Turkish market, the Group established Bosphorus Investment Co., Ltd., with a co-investor and through Bosphorus Investment Co., Ltd., the Group acquired 75.24% (effective equity interest of 39.25%) of the equity interest in MARS ENTERTAINMENT GROUP INC., a Turkish Company.

Other Matter

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

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 9, 2017

This report is effective as of March 9, 2017, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

As of December 31, 2016 and 2015

<i>(In won)</i>	<u>Note</u>	<u>2016</u>	<u>2015</u>
Assets			
Cash and cash equivalents	3,4,5 ₩	199,522,589,016	139,298,957,540
Trade receivables	4,7,32	150,854,266,269	116,797,735,069
Inventories	3,8	16,812,064,453	13,587,028,385
Other current financial assets	3,4,9,32	68,187,798,430	51,032,443,884
Other current assets	10	73,984,142,960	34,628,676,738
Assets held for sale	31	4,827,249,266	-
Current assets		<u>514,188,110,394</u>	<u>355,344,841,616</u>
Investments in equity method investees	3,11	48,425,312,634	77,223,209,458
Investment property	12,32	249,435,424	17,923,175,621
Property and equipment	3,6,13,15,32	912,625,242,320	676,417,558,645
Intangible assets	3,6,14,32	892,703,484,350	114,546,732,478
Deferred tax assets	3,29	6,022,051,193	7,456,972,299
Non-current trade receivables	4,7	978,817,089	597,121,638
Other non-current financial assets	3,4,9,32	67,234,000,698	71,664,239,440
Other non-current assets	10	99,346,559,408	96,403,575,562
Non-current assets		<u>2,027,584,903,116</u>	<u>1,062,232,585,141</u>
Total assets		₩ <u>2,541,773,013,510</u>	<u>1,417,577,426,757</u>

See accompanying notes to the consolidated financial statements.

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

As of December 31, 2016 and 2015

<i>(In won)</i>	<u>Note</u>	<u>2016</u>	<u>2015</u>
Liabilities			
Trade payables	4,32	₩ 117,029,866,413	84,234,647,119
Other payables	4,19,32	158,531,028,986	107,603,828,585
Short-term borrowings	4,17,32	212,500,661,160	67,056,728,854
Current portion of debentures	4,17	99,951,113,019	29,965,659,505
Current portion of long-term borrowings	4,17	36,799,431,283	29,012,276,801
Current tax liabilities		12,378,200,698	9,000,940,237
Other current financial liabilities	3,4,15,32	45,230,501,203	17,239,370,708
Other current liabilities	16,18	128,123,170,486	102,613,320,721
Liabilities held for sale	31	4,846,466,686	-
Current liabilities		<u>815,390,439,934</u>	<u>446,726,772,530</u>
Long-term debentures	4,17	149,691,445,956	249,417,548,705
Long-term borrowings	4,17	538,401,733,890	203,696,198,171
Long-term other payables	4,18,19	24,081,799,713	27,259,140,026
Employee benefits	3,18	7,501,373,591	7,842,888,645
Deferred tax liabilities	3,29	45,402,561,845	17,369,491,247
Other non-current financial liabilities	3,4,15,32	16,431,682,242	587,714,834
Other non-current liabilities	3,16,18	24,391,047,087	19,507,492,798
Non-current liabilities		<u>805,901,644,324</u>	<u>525,680,474,426</u>
Total liabilities		<u>1,621,292,084,258</u>	<u>972,407,246,956</u>
Shareholders' equity			
Common stock	1,3,20	10,580,656,500	10,580,656,500
Capital surplus	21	89,157,245,168	89,157,245,168
Retained earnings	22	329,860,688,120	327,849,152,834
Other capital	23	(56,013,492,591)	(6,507,991,013)
Equity attributable to owners of the Parent Company		<u>373,585,097,197</u>	<u>421,079,063,489</u>
Non-controlling interests	24	<u>546,895,832,055</u>	<u>24,091,116,312</u>
Total shareholders' equity		<u>920,480,929,252</u>	<u>445,170,179,801</u>
Total liabilities and shareholders' equity		₩ <u>2,541,773,013,510</u>	<u>1,417,577,426,757</u>

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2016 and 2015

<i>(In won)</i>	<u>Note</u>	<u>2016</u>	<u>2015</u>
Revenue	3,6,32 ₩	1,432,245,446,647	1,193,516,367,213
Cost of sales	26,32	<u>(702,646,843,981)</u>	<u>(601,527,701,894)</u>
Gross profit		729,598,602,666	591,988,665,319
Selling, general and administrative expenses	25,26,32	<u>(659,261,848,445)</u>	<u>(525,089,266,298)</u>
Operating profit		70,336,754,221	66,899,399,021
Finance income	3,28	20,712,526,454	25,976,558,835
Finance costs	3,28	(55,412,226,724)	(26,667,343,959)
Other non-operating income	27	10,920,331,949	11,234,413,271
Other non-operating expenses	27	(23,019,405,481)	(12,596,734,847)
Gain on investments in associates	11	4,701,723,561	8,492,268,185
Loss on investments in associates	11	<u>(10,275,697,567)</u>	<u>(551,892,055)</u>
Income before income tax		17,964,006,413	72,786,668,451
Income tax expense	3,29	<u>(12,342,346,129)</u>	<u>(20,587,429,934)</u>
Net income	6	<u>5,621,660,284</u>	<u>52,199,238,517</u>
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit plan	3,18	(4,090,353,588)	(1,749,745,648)
Taxes on items that will not be reclassified to profit or loss		<u>971,209,107</u>	<u>420,576,096</u>
Total items that will not be reclassified to profit or loss		(3,119,144,481)	(1,329,169,552)
Items that are or may be reclassified subsequently to profit or loss:			
Net changes in fair value of available-for-sale financial assets	9,28	1,173,898	(113,753,100)
Reclassified adjustment of available-for-sale financial assets		(271,553,100)	-
Change in equity of equity method investments	11	(65,412,628)	(37,450,377)
Foreign currency translation difference for foreign operations		<u>(134,817,643,443)</u>	<u>(2,709,245,246)</u>
Total items that are or may be reclassified subsequently to profit or loss:		<u>(135,153,435,273)</u>	<u>(2,860,448,723)</u>
Total comprehensive income	₩	<u><u>(132,650,919,470)</u></u>	<u><u>48,009,620,242</u></u>
Profit attributable to			
Owners of the Parent Company	₩	12,338,131,271	51,943,906,729
Non-controlling interests		<u>(6,716,470,987)</u>	<u>255,331,788</u>
	₩	<u>5,621,660,284</u>	<u>52,199,238,517</u>
Total comprehensive income			
Owners of the Parent Company	₩	(37,662,331,359)	47,638,440,922
Non-controlling interests		<u>(94,988,588,111)</u>	<u>371,179,320</u>
	₩	<u><u>(132,650,919,470)</u></u>	<u><u>48,009,620,242</u></u>
Earnings per share			
Basic earnings per share	3,30 ₩	583	2,455
Diluted earnings per share	3,30	583	2,455

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2016 and 2015

<i>(In won)</i>	<u>Common stock</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Other capital</u>	<u>Non-controlling interest</u>	<u>Total</u>
Balance at January 1, 2015	₩ 10,580,656,500	89,157,245,168	284,631,794,013	(2,444,515,401)	9,253,779,374	391,178,959,654
Total comprehensive income (loss)						
Net income	-	-	51,943,906,729	-	255,331,788	52,199,238,517
Net changes in fair value of available-for-sale financial assets	-	-	-	(122,071,380)	8,318,280	(113,753,100)
Remeasurements of the defined benefit plan	-	-	(1,320,088,358)	-	(9,081,194)	(1,329,169,552)
Change in equity of equity method investments	-	-	-	(37,450,377)	-	(37,450,377)
Foreign currency translation difference for foreign operations	-	-	-	(2,825,855,692)	116,610,446	(2,709,245,246)
Total	-	-	50,623,818,371	(2,985,377,449)	371,179,320	48,009,620,242
Transactions with owners of the Parent Company, recognized directly in equity						
Dividends	-	-	(7,406,459,550)	-	-	(7,406,459,550)
Change in ownership in subsidiary	-	-	-	(1,078,098,163)	(231,499,917)	(1,309,598,080)
Paid-in capital increase of subsidiaries	-	-	-	-	14,865,000,000	14,865,000,000
Dividends to non-controlling interests	-	-	-	-	(167,342,465)	(167,342,465)
Total	-	-	(7,406,459,550)	(1,078,098,163)	14,466,157,618	5,981,599,905
Balance at December 31, 2015	₩ 10,580,656,500	89,157,245,168	327,849,152,834	(6,507,991,013)	24,091,116,312	445,170,179,801
Balance at January 1, 2016	₩ 10,580,656,500	89,157,245,168	327,849,152,834	(6,507,991,013)	24,091,116,312	445,170,179,801
Total comprehensive income (loss)						
Net income (loss)	-	-	12,338,131,271	-	(6,716,470,987)	5,621,660,284
Net changes in fair value of available-for-sale financial assets	-	-	-	1,173,898	-	1,173,898
Reclassified adjustment of available-for-sale financial assets	-	-	-	(216,740,620)	(54,812,480)	(271,553,100)
Remeasurements of the defined benefit plan	-	-	(2,920,136,435)	-	(199,008,046)	(3,119,144,481)
Change in equity of equity method investments	-	-	-	(65,412,628)	-	(65,412,628)
Foreign currency translation difference for foreign operations	-	-	-	(46,799,346,845)	(88,018,296,598)	(134,817,643,443)
Total	-	-	9,417,994,836	(47,080,326,195)	(94,988,588,111)	(132,650,919,470)
Transactions with owners of the Parent Company, recognized directly in equity						
Dividends	-	-	(7,406,459,550)	-	-	(7,406,459,550)
Change in scope of consolidation	-	-	-	-	537,048,151,148	537,048,151,148
Change in ownership in subsidiary	-	-	-	(2,425,175,383)	2,425,175,383	-
Paid-in capital increase of subsidiaries	-	-	-	-	78,799,977,323	78,799,977,323
Dividends to non-controlling interests	-	-	-	-	(480,000,000)	(480,000,000)
Total	-	-	(7,406,459,550)	(2,425,175,383)	617,793,303,854	607,961,668,921
Balance at December 31, 2016	₩ 10,580,656,500	89,157,245,168	329,860,688,120	(56,013,492,591)	546,895,832,055	920,480,929,252

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2016 and 2015

(In won)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Net income	₩ 5,621,660,284	52,199,238,517
Adjustments for:		
Income tax expense	12,342,346,129	20,587,429,934
Expenses for employee	10,560,189,681	9,708,365,273
Depreciation	101,981,874,305	77,554,821,259
Amortization	30,729,378,506	31,324,703,230
Bad debt expenses	991,824,591	31,092,828
Other bad debt expenses (Reversal of allowance for other bad debt)	784,564,851	(35,693,042)
Foreign currency translation loss	13,774,780,811	4,960,667,888
Interest expense	35,579,283,716	18,896,561,143
Loss on disposal of inventories	-	26,678,760
Loss (reversal) of valuation of inventories	608,126,359	(1,129,285)
Loss on valuation of derivative financial assets	-	112,732,870
Loss on transaction of derivative financial assets	3,764,369,012	61,457,534
Loss on disposal of available-for-sale financial assets	2,625,328	497,145
Impairment losses on available-for-sale financial assets	-	10,084,672
Loss on disposal of other financial assets	-	98,121,381
Loss on disposal of property and equipment	1,263,094,165	6,219,886,382
Loss on disposal of investment property	1,366,851,551	-
Loss on disposal of intangible assets	9,987,175	403,903,751
Loss on investments in associates	10,275,697,567	551,892,055
Other non-cash expenses	9,352,857,051	8,466,396,997
Interest income	(3,463,328,123)	(3,050,858,287)
Foreign currency translation gain	(7,272,360,661)	(2,694,330,254)
Gain on transaction of short-term financial instruments	-	(433,703)
Gain on transaction of available-for-sale financial assets	(277,976,400)	-
Gain on valuation of derivative financial assets	(2,647,944,879)	(13,101,113,588)
Gain on transaction of derivative financial assets	(4,860,921,330)	(5,085,708,891)
Gain on disposal of property and equipment	(60,233,980)	(8,864,305)
Gain on disposal of investment property	(310,294,180)	-
Gain on investments in associates	(4,701,723,561)	(8,492,268,185)
Dividends	(28,815,347)	-
Gain on disposal of other financial assets	-	(1,398,931,638)
Other non-cash income	(536,065,735)	(80,982,819)
	<u>209,228,186,602</u>	<u>145,064,979,105</u>
Changes in assets and liabilities:		
Trade receivables	(17,986,001,730)	(8,430,985,442)
Other current financial assets	3,976,882,293	32,445,520,937
Other current assets	(33,902,419,549)	(5,488,643,377)
Inventories	(2,035,016,267)	(2,860,498,953)
Other non-current financial assets	-	856,371,229
Other non-current assets	(2,653,062,852)	(10,214,481,229)
Trade payables	23,938,392,582	(5,025,580,619)
Other payables	33,319,758,948	(7,579,642,529)
Other current financial liabilities	(4,574,013,435)	1,808,694,619
Other current liabilities	27,325,020,785	574,574,730
Long-term other payables	(3,600,959,758)	(1,759,636,246)
Other non-current financial liabilities	441,968,665	122,000,000
Other non-current liabilities	2,172,101,886	1,405,746,082
Payment of retirement and severance benefits	(3,136,149,721)	(2,576,928,652)
Severance benefits from affiliated companies	(127,681,165)	(15,927,304)
Employee benefit plan assets	(13,100,000,000)	(11,420,000,000)
	<u>₩ 10,058,820,682</u>	<u>(18,159,416,754)</u>

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2016 and 2015

(In won)

	<u>2016</u>	<u>2015</u>
Cash generated from operating activities	₩ 224,908,667,568	179,104,800,868
Interest received	3,669,143,254	4,172,915,389
Dividend received	4,507,818,414	1,820,801,634
Interest paid	(29,234,436,521)	(14,427,577,266)
Income taxes paid	(16,039,864,659)	(18,998,290,627)
Net cash from operating activities	<u>187,811,328,056</u>	<u>151,672,649,998</u>
Cash flows from investing activities		
Decrease of short-term financial assets	5,300,840,000	2,029,000,000
Decrease of long-term financial assets	733,310,000	-
Proceeds from disposal of investments in associates	13,382,022,791	-
Proceeds from disposal of available-for-sale financial assets	172,144,672	23,077,855
Proceeds from disposal of short-term financial assets	-	3,590,033,703
Decrease of other financial assets	14,347,860,089	15,983,417,808
Proceeds from disposal of property and equipment	879,471,628	28,237,747
Proceeds from disposal of investment property	16,831,747,000	-
Increase of short-term financial assets	(4,851,450,000)	(1,212,200,000)
Increase of long-term financial assets	(99,700,000)	(149,340,000)
Acquisition of available-for-sale financial assets	(4,919,770,000)	(1,023,675,000)
Increase of other financial assets	(11,742,462,535)	(38,735,616,795)
Acquisition of investments in joint venture	(406,858,929)	(157,043,929)
Acquisition of investments in associates	(30,367,629,247)	(1,873,152,413)
Acquisition of investments in subsidiaries	(624,905,032,608)	-
Acquisition of property and equipment	(191,326,707,690)	(191,928,346,397)
Acquisition of intangible assets	(18,381,748,613)	(13,885,300,638)
Net cash used in investing activities	<u>(835,353,963,442)</u>	<u>(227,310,908,059)</u>
Cash flows from financing activities		
Proceeds from issue of debentures	-	99,633,010,000
Proceeds from short-term borrowings	592,611,662,038	119,369,552,357
Proceeds from long-term borrowings	416,786,565,228	90,406,782,123
Proceeds from issue of hybrid instruments from subsidiary	78,799,977,323	14,865,000,000
Proceeds from additional paid-in capital from subsidiary	290,000,000,000	-
Repayment of debentures	(30,000,000,000)	(70,000,000,000)
Repayment of short-term borrowings	(458,198,433,207)	(112,596,487,522)
Repayment of current portion of long-term borrowings	(61,090,764,355)	(26,000,000,000)
Repayment of long-term borrowings	(114,942,598,828)	(48,966,203)
Dividends paid	(7,406,459,550)	(7,406,459,550)
Dividends to non-controlling interests	(480,000,000)	(120,000,000)
Others, net	(660,844,768)	(282,219,404)
Payment to non-controlling interests on capital transactions	-	(1,320,000,000)
Net cash from financing activities	<u>705,419,103,881</u>	<u>106,500,211,801</u>
Net increase in cash and cash equivalents	57,876,468,495	30,861,953,740
Cash and cash equivalents at January 1	139,298,957,540	108,793,088,420
Effect of exchange rate fluctuations on cash held	2,347,162,981	(356,084,620)
Cash and cash equivalents at December 31	<u>₩ 199,522,589,016</u>	<u>139,298,957,540</u>

See accompanying notes to the consolidated financial statements.

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

1. Reporting Entity

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

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and joint ventures.

As of December 31, 2016, the Group's major shareholders are as follows:

Shareholders	The number of shares	Ownership (%)
CJ Corp.	8,257,000	39.02
National pension service	1,318,310	6.23
Schroder Investment management Limited	1,331,678	6.29
Others	10,254,325	48.46
	21,161,313	100.00

(1) The list of subsidiaries as of December 31, 2016 and 2015 is as follows:

Parent Company	Subsidiaries	Location	Primary business	Effective ownership (%)		
				2016	2015	
CJ CGV Co., Ltd.	CJ 4DPlex Co., Ltd.(*)	Korea	Equipment manufacturing and retail	90.48	93.66	
	Simuline Inc.(*)	Korea	Equipment manufacturing	-	79.13	
	CJ CGV America, Inc.	USA	Foreign Investment	100.00	100.00	
	CGI Holdings Ltd.	Hong Kong	Foreign Investment	100.00	100.00	
	Envoy Media Partners Ltd.	British Virgin Island	Foreign Investment	100.00	100.00	
	Cross Junction Investment Co., Pte. Ltd.	Singapore	Foreign Investment	100.00	100.00	
	Crown Jade Company Pte. Ltd.	Singapore	Foreign Investment	100.00	100.00	
	Bosphorus Investment Co., Ltd.	Korea	Foreign Investment	52.23	-	
	IKT Holdings Limited	Hong Kong	Foreign Investment	100.00	-	
	Wisely Act Limited	Hong Kong	Foreign Investment	100.00	-	
	EWIGEN FRIEDEN LIMITED	Hong Kong	Foreign Investment	100.00	-	
	PT Graha Layar Prima Tbk.	Indonesia	Theater operation	51.00	-	
	Bosphorus Investment Co., Ltd.	MARS ENTERTAINMENT GROUP INC.	Turkey	Foreign Investment	39.29	-
	MARS ENTERTAINMENT GROUP INC.	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	Turkey	Theater operation	39.29	-
Wisely Act Limited	JAVA Investment Limited	Hong Kong	Foreign Investment	100.00	-	
	KSAMO Holdings Limited	Hong Kong	Foreign Investment	100.00	-	
	KTM Investment Limited	Hong Kong	Foreign Investment	100.00	-	
	APOLLON Investment Limited	Hong Kong	Foreign Investment	100.00	-	
EWIGEN FRIEDEN LIMITED	Beyond the limit Limited	Hong Kong	Foreign Investment	100.00	-	
	Coruscant Anglo Capital Limited	Hong Kong	Foreign Investment	100.00	-	
	Dickinson & Hansen Limited	Hong Kong	Foreign Investment	100.00	-	
	Great Golden China Limited	Hong Kong	Foreign Investment	100.00	-	
	CJ CGV America, Inc.	CJ CGV America LA, LLC.	USA	Theater operation	100.00	100.00
CGI Holdings Ltd.	UVD Enterprise Ltd.	Hong Kong	Theater operation	100.00	100.00	
	CJ CGV (Shanghai) Enterprise Management Co., Ltd.	China	Theater operation	100.00	100.00	
	Vietnam Cinema 1 Company Ltd.	Vietnam	Theater operation	80.00	80.00	

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

1. Reporting Entity, Continued

(1) The list of subsidiaries as of December 31, 2016 and 2015 are as follows, continued:

Parent Company	Subsidiaries	Location	Primary business	Effective ownership (%)	
				2016	2015
UVD Enterprise Ltd.	CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.	China	Theater operation	100.00	100.00
	PanJin CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.	China	Theater operation	100.00	100.00
	CJ CGV (Harbin) International Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Changsha) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	YANTAI CGV CINEMA CO., LTD.	China	Theater operation	100.00	100.00
	CGV (BEIJING) INTERNATIONAL CINEMA CO., LTD.	China	Theater operation	100.00	100.00
	ZIBO CGV CINEMA CO., LTD.	China	Theater operation	100.00	100.00
	CGV Orsun (Wuhan) Cinema Co., Ltd.	China	Theater operation	70.00	70.00
	Wuhu CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Tangshan) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Liaoning CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (HuaiAn) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (TianJin) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Chengdu) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Chongqing) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	YuYao CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV Tianhe (Wuhan) Cinema Co., Ltd.	China	Theater operation	70.00	70.00
	Jiangmen CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Jiangsu CGV Cinema Investment Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Changzhou) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Henan CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Qingdao) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	NEIMENGGU CGV CINEMA CO., LTD.	China	Theater operation	100.00	100.00
	DaLian CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CJ CGV (Hubei) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Xian) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Ganzhou CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Yanji CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CJ CGV (Sichuan) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Yunnan CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Fuzhou CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Zunyi CGV Cinema Co., Ltd.	China	Theater operation	100.00	-
Guangzhou CGV Cinema Co., Ltd.	China	Theater operation	100.00	-	
CGV (HaiKou) Cinema Co., Ltd.	China	Theater operation	100.00	-	
CJ CGV (Shanghai) Enterprise Management Co., Ltd.	ShangHai C Media Co., Ltd.	China	Advertising agency	100.00	100.00
Envoy Media Partners Ltd.	CJ CGV VIETNAM CO., LTD.	Vietnam	Theater operation	80.00	80.00
CJ 4DPlex Co., Ltd.	CJ 4DX (Beijing) Cinema Technology Co., Ltd.	China	Retail of equipment	90.48	93.66
	CJ 4DPLEX AMERICA, INC.	USA	Retail of equipment	90.48	93.66
	SIMULINE(HONG KONG) LIMITED	Hong Kong	Foreign Investment	90.48	79.13
	SIMULINE(CHINA) LIMITED	China	Retail of equipment	-	79.13
CJ 4DPLEX AMERICA, INC.	CJ 4DPLEX AMERICAS, LLC.	USA	Retail of equipment	90.48	93.66
PT Graha Layar Prima Tbk.	PT Graha Layar Mitra	Indonesia	Theater operation	50.91	-

(*) During 2016, CJ 4DPlex Co., Ltd. merged with Simuline Inc. As a result, the Group's equity interest in the subsidiary decreased to 90.48%.

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

1. Reporting Entity, Continued

(2) Changes in subsidiaries

1) The list of changes in subsidiaries for the year ended December 31, 2016 is as follows:

Subsidiaries	Reason
SIMULINE(CHINA) LIMITED	Liquidation
Bosphorus Investment Co., Ltd.	New investment
MARS ENTERTAINMENT GROUP INC.	Acceptance
MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	Acceptance
IKT Holdings Limited	Acceptance
Wisely Act Limited	Acceptance
JAVA Investment Limited	Acceptance
KSAMO Holdings Limited	Acceptance
KTM Investment Limited	Acceptance
APOLLON Investment Limited	Acceptance
Zunyi CGV Cinema Co., Ltd.	New investment
Guangzhou CGV Cinema Co., Ltd.	New investment
CGV (HaiKou) Cinema Co., Ltd.	New investment
PT Graha Layar Prima Tbk.	Purchase of additional equity interest
PT Graha Layar Mitra	Purchase of additional equity interest
EWIGEN FRIEDEN LIMITED	Acceptance
Beyond the Limit Limited	Acceptance
Coruscant Anglo Capital Limited	Acceptance
Dickinson & Hansen Limited	Acceptance
Great Golden China Limited	Acceptance
Simuline Inc.	Extinction by merger

2) The list of subsidiaries in which the Group additionally invested during 2016 is as follows:

(In thousands of won, except ratio)

Subsidiaries	Reason	Investment amount	Effective ownership (%)
CGV (BEIJING) INTERNATIONAL CINEMA CO., Ltd.	Additional paid-in capital	₩ 1,160,406	100.00
CGV (Qingdao) Cinema Co., Ltd.	Additional paid-in capital	2,341,560	100.00
CGV (Changsha) Cinema Co., Ltd.	Additional paid-in capital	1,194,196	100.00
CJ CGV (Hubei) Cinema Co., Ltd.	Additional paid-in capital	2,926,950	100.00
CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.	Additional paid-in capital	4,293,431	100.00
CJ CGV (Sichuan) Cinema Co., Ltd.	Additional paid-in capital	3,557,034	100.00
CJ CGV America LA, LLC.	Additional paid-in capital	1,042,630	100.00
	Reduction of capital	(1,975,910)	100.00
Crown Jade Company Pte. Ltd.	Additional paid-in capital	866,273	100.00
Ganzhou CGV Cinema Co., Ltd.	Additional paid-in capital	3,260,756	100.00
NEIMENGGU CGV CINEMA CO., Ltd.	Additional paid-in capital	1,756,170	100.00
UVD Enterprise Ltd.	Additional paid-in capital	39,857,076	100.00
Yunnan CGV Cinema Co., Ltd.	Additional paid-in capital	2,341,560	100.00

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

1. Reporting Entity, Continued

(2) Changes in subsidiaries, continued

- 2) The list of subsidiaries in which the Parent Company additionally invested during 2016 is as follows, continued:

(In thousands of won, except ratio)

Subsidiaries	Reason	Investment amount	Effective ownership (%)
CJ 4DX (Beijing) Cinema Technology Co., Ltd.	Additional paid-in capital	3,972,500	90.48
CGV (Xian) Cinema Co., Ltd.	Additional paid-in capital	1,102,530	100.00
Henan CGV Cinema Co., Ltd.	Additional paid-in capital	1,984,554	100.00
Jiangsu CGV cinema investment Co., Ltd.	Additional paid-in capital	1,102,530	100.00
CGV (Chongqing) Cinema Co., Ltd.	Additional paid-in capital	1,102,530	100.00
Bosphorus Investment Co., Ltd.	Additional paid-in capital	690,000	52.23
CJ 4DPLEX AMERICA, INC.	Additional paid-in capital	6,797,400	90.48
CJ 4DPLEX AMERICAS, LLC.	Additional paid-in capital	3,262,950	90.48
Jiangmen CGV cinema Co., Ltd.	Additional paid-in capital	1,215,474	100.00
Guangzhou CGV Cinema Co., Ltd.	Additional paid-in capital	1,215,474	100.00
Zunyi CGV Cinema Co., Ltd.	Additional paid-in capital	972,379	100.00
CGV (HaiKou) Cinema Co., Ltd.	Additional paid-in capital	1,215,474	100.00

(3) Business combination

- (i) Acquisition of MARS ENTERTAINMENT GROUP INC.

① General information

In an effort to expand to the Turkish market, the Group established Bosphorus Investment Co., Ltd., with a co-investor and acquired 52.17% of the equity interest in Bosphorus Investment Co., Ltd. On June 3, 2016, Bosphorus Investment Co., Ltd., acquired 75.24% (effective equity interest of 39.25%) of the equity interest in MARS ENTERTAINMENT GROUP INC. which is a theater operator including MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC. for ₩603,854 million. The Group classified the interest in MARS ENTERTAINMENT GROUP INC. as investment in subsidiary that it has de facto control over the investee through the board in accordance with the shareholder's agreement.

Taking control of MARS ENTERTAINMENT GROUP INC. will enable the Group to secure a quantitative and qualitative growth engine and to secure a strategic base for entry into Turkey's neighboring regions.

During 2016, the Group additionally invested to Bosphorus Investment Co., Ltd. As a result, the Group's equity interest in MARS ENTERTAINMENT GROUP INC. increased to 39.29%.

In the seven months to December 31, 2016 MARS ENTERTAINMENT GROUP INC. contributed revenue of ₩114,829 million and loss of ₩12,183 million. If the acquisition had occurred on January 1, 2016 management estimates that consolidated revenue would have been ₩207,772 million, and consolidated loss for the year would have been ₩9,413 million.

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

For the years ended December 31, 2016 and 2015

1. Reporting Entity, Continued

(3) Business combination, continued

(i) Acquisition of MARS ENTERTAINMENT GROUP INC., continued

② Identifiable assets acquired and liabilities assumed

Assets acquired and liabilities assumed of MARS ENTERTAINMENT GROUP INC. at the acquisition date that the Group have been recognized are as follows:

<i>(In thousands of won)</i>		<u>2016</u>
Cash and cash equivalents	₩	2,703,074
Trade receivables and other receivables		16,107,327
Property and equipment		110,929,988
Intangible assets		219,918,420
Other assets		<u>11,670,172</u>
Assets acquired		361,328,981
Trade payables and other payables		(11,206,309)
Borrowings		(73,275,472)
Other liabilities		<u>(139,791,088)</u>
Liabilities assumed		<u>(224,272,869)</u>
Total identifiable net assets	₩	<u>137,056,112</u>

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

<u>Assets acquired</u>	<u>Valuation technique</u>
Intangible assets	Multi-period excess earnings method: The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

③ Goodwill

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

<i>(In thousands of won)</i>		<u>2016</u>
Total consideration transferred	₩	603,853,675
Non-controlling interests(*)		198,763,525
Fair value of identifiable net assets		<u>(137,056,112)</u>
Goodwill	₩	<u>665,561,088</u>

(*) Non-controlling interests are measured at fair value by discounting the future cash flows.

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

1. Reporting Entity, Continued

(3) Business combination, continued

(ii) Acquisition of PT Graha Layar Prima Tbk.

① General information

During 2016, the Group additionally invested ₩28,994 million. As a result, the Group's equity interest in PT Graha Layar Prima Tbk. increased from 14.75% to 22.99%. As the Group also obtained equity interest of a company which is located in Hong Kong including PT Graha Layar Prima Tbk., the Group's equity interest increased to 51.00%. On December 31, 2016, the Group re-classified the interest in PT Graha Layar Prima Tbk. as investments in subsidiary from investments in equity method investee.

Taking control of PT Graha Layar Prima Tbk. will enable the Group to secure a quantitative and qualitative growth engine and to establish a foothold for expanding market share in Indonesia.

If the acquisition had occurred on January 1, 2016 management estimates that consolidated revenue would have been ₩50,009 million, and consolidated loss for the year would have been ₩2,595 million.

② Identifiable assets acquired and liabilities assumed

Assets acquired and liabilities assumed of PT Graha Layar Prima Tbk. at the acquisition date that the Group recognized are as follows:

<i>(In thousands of won)</i>		<u>2016</u>
Cash and cash equivalents	₩	23,419,165
Trade receivables and other receivables		7,305,404
Property and equipment		73,926,901
Intangible assets		297,084
Other assets		11,717,676
Assets acquired		<u>116,666,230</u>
Trade payables and other payables		(10,634,284)
Other liabilities		(7,459,612)
Liabilities assumed		<u>(18,093,896)</u>
Total identifiable net assets	₩	<u>98,572,334</u>

③ Goodwill

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

<i>(In thousands of won)</i>		<u>2016</u>
Total consideration transferred	₩	82,589,773
Non-controlling interests		48,300,388
Fair value of identifiable net assets		(98,572,334)
Goodwill	₩	<u>32,317,827</u>

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

1. Reporting Entity, Continued

(4) Financial information of subsidiaries

1) Financial information of subsidiaries as of and for the year ended December 31, 2016 was as follows:

(In thousands of won)

Subsidiaries	Asset	Liability	Equity	Revenue	Net profit or loss	Total comprehensive income (loss)
CJ 4DPlex Co., Ltd.	₩ 90,716,910	30,263,446	60,453,464	52,279,572	5,127,700	5,071,359
CJ 4DPlex Co., Ltd. (Formerly, Simuline Inc.)	-	-	-	37,587,948	1,113,981	1,092,313
SIMULINE(HONG KONG) LIMITED	12,244	108,611	(96,367)	-	(6,877)	(9,813)
SIMULINE(CHINA) LIMITED	-	-	-	-	-	464
CJ CGV America, Inc.	12,565,231	2,537,955	10,027,276	-	(58,531)	243,740
CGI Holdings Ltd.	373,510,423	189,423,190	184,087,233	339,089	(2,869,825)	2,555,306
CJ CGV America LA, LLC.	19,744,401	21,185,681	(1,441,280)	5,111,003	(3,148,685)	(3,227,738)
Envoy Media Partners Ltd.	61,513,681	639,786	60,873,895	-	2,094,827	3,954,143
UVD Enterprise Ltd.	299,006,799	5,341,944	293,664,855	709,641	(32,734)	8,954,937
CJ CGV (Shanghai) Enterprise Management Co., Ltd.	84,778,654	61,040,535	23,738,119	21,612,960	1,800,429	1,127,363
Vietnam Cinema 1 Company Ltd.	122,872	1,570,764	(1,447,892)	-	(668,205)	(696,609)
CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.	5,753,446	980,434	4,773,012	4,800,702	(195,578)	(341,567)
PanJin CGV Cinema Co., Ltd.	5,943,335	1,059,845	4,883,490	4,022,255	339,029	201,882
CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.	12,341,164	5,250,919	7,090,245	5,118,891	519,850	342,129
CJ CGV (Harbin) International Cinema Co., Ltd.	18,668,033	2,838,095	15,829,938	13,783,091	413,617	(53,633)
ShangHai C Media Co., Ltd.	1,527,157	2,281,909	(754,752)	4,973,264	742,198	782,301
CGV (Changsha) Cinema Co., Ltd.	18,322,166	4,600,767	13,721,399	15,626,765	993,640	607,084
YANTAI CGV CINEMA CO., Ltd.	7,762,532	1,704,842	6,057,690	4,199,876	(727,973)	(926,642)
CGV (BEIJING) INTERNATIONAL CINEMA CO., Ltd.	15,303,533	4,484,736	10,818,797	10,655,149	567,092	256,635
CJ CGV VIETNAM CO., LTD.	137,579,601	116,624,307	20,955,294	111,083,691	5,027,391	5,121,630
ZIBO CGV CINEMA CO., LTD.	2,567,406	1,842,298	725,108	1,338,681	(558,281)	(593,188)
CGV Orsun (Wuhan) Cinema Co., Ltd.	8,444,716	1,316,258	7,128,458	5,129,871	187,410	(22,973)
Wuhu CGV Cinema Co., Ltd.	3,739,095	644,074	3,095,021	2,016,402	(686,737)	(796,050)
CGV (Tangshan) Cinema Co., Ltd.	2,909,106	625,047	2,284,059	3,280,534	(392,412)	(470,407)
Liaoning CGV Cinema Co., Ltd.	5,121,933	1,027,684	4,094,249	3,521,023	(539,193)	(675,160)
CGV (HuaiAn) Cinema Co., Ltd.	3,850,506	446,159	3,404,347	3,548,906	281,921	185,949
CGV (TianJin) Cinema Co., Ltd.	10,968,458	2,817,025	8,151,433	8,117,352	(1,016,671)	(1,286,043)
CGV (Chengdu) Cinema Co., Ltd.	28,069,481	4,365,280	23,704,201	24,428,816	1,928,630	1,259,585
CGV (Chongqing) Cinema Co., Ltd.	9,971,524	4,735,459	5,236,065	4,339,538	(1,357,550)	(1,463,763)
CJ 4DX (Beijing) Cinema Technology Co., Ltd.	27,627,234	23,022,651	4,604,583	7,344,922	(1,235,847)	(1,211,182)
YuYao CGV Cinema Co., Ltd.	11,071,199	865,084	10,206,115	6,891,971	(146,682)	(457,605)
CGV TianHe (Wuhan) Cinema Co., Ltd.	6,472,353	868,284	5,604,069	5,218,787	144,441	(21,021)
Jiangmen CGV cinema Co., Ltd.	6,293,123	766,280	5,526,843	4,436,962	385,835	252,151

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

1. Reporting Entity, Continued

(4) Financial information of subsidiaries, continued

1) Financial information of subsidiaries as of and for the year ended December 31, 2016 was as follows, continued:

(In thousands of won)

Subsidiaries	Asset	Liability	Equity	Revenue	Net profit or loss	Total comprehensive income (loss)
Jiangsu CGV cinema investment Co., Ltd.	₩ 19,439,325	4,832,004	14,607,321	12,002,213	(693,010)	(1,066,379)
CGV (Changzhou) Cinema Co., Ltd.	2,764,929	347,487	2,417,442	1,681,287	(261,688)	(340,642)
Henan CGV Cinema Co., Ltd.	9,113,381	2,115,959	6,997,422	5,193,633	289,611	247,443
CGV (Qingdao) Cinema Co., Ltd.	14,398,852	4,549,120	9,849,732	10,434,966	623,203	346,160
CJ 4DPLEX AMERICA, INC.	8,377,668	1,679,698	6,697,970	-	(4,572,024)	(4,180,434)
CJ 4DPLEX AMERICAS, LLC.	9,000,357	3,905,930	5,094,427	2,105,790	(873,202)	(826,539)
NEIMENGGU CGV CINEMA CO., LTD.	5,605,058	1,420,758	4,184,300	2,923,368	(87,307)	(236,678)
Cross Junction Investment Co., Pte. Ltd.	9,266,955	14,412	9,252,543	-	321,687	604,326
DaLian CGV Cinema Co., Ltd.	8,450,263	1,853,017	6,597,246	7,933,266	(263,590)	(468,519)
CJ CGV (Hubei) Cinema Co., Ltd.	9,042,361	1,618,376	7,423,985	5,729,219	613,354	412,856
Crown Jade Company Pte. Ltd.	2,486,392	5,106	2,481,286	-	(7,465)	14,982
CGV (Xian) Cinema Co., Ltd.	11,932,197	3,546,677	8,385,520	9,318,625	418,386	263,126
Ganzhou CGV Cinema Co., Ltd.	9,392,851	1,689,374	7,703,477	6,548,148	(54,640)	(280,040)
Yanji CGV Cinema Co., Ltd.	4,568,977	793,164	3,775,813	4,015,595	582,059	481,918
CJ CGV (Sichuan) Cinema Co., Ltd.	10,431,810	4,008,503	6,423,307	5,302,117	(1,329,154)	(1,563,195)
Yunnan CGV Cinema Co., Ltd.	7,919,745	3,066,250	4,853,495	3,398,180	(1,089,570)	(1,263,652)
Fuzhou CGV Cinema Co., Ltd.	7,210,175	1,180,392	6,029,783	6,510,004	94,406	(85,051)
MARS ENTERTAINMENT GROUP INC.	116,448,163	4,229	116,443,934	-	(40,113)	(20,612,178)
MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	312,195,810	133,609,475	178,586,335	114,828,812	(12,142,961)	(36,489,369)
IKT Holdings Limited	39,035,231	20,882,316	18,152,915	-	255,098	921,245
Wisely Act Limited	11,903,811	36,818	11,866,993	-	(5,498)	430,840
JAVA Investment Limited	2,786,964	12,560	2,774,404	-	343,176	446,547
KSAMO Holdings Limited	3,761,055	11,056	3,749,999	-	464,991	604,717
KTM Investment Limited	3,900,508	12,279	3,888,229	-	482,091	626,967
APOLLON Investment Limited	3,134,913	13,883	3,121,030	-	386,381	502,668
Bosphorus Investment Co., Ltd.	606,021,850	-	606,021,850	-	(1,002,858)	(1,002,858)
Zunyi CGV Cinema Co., Ltd.	2,093,193	4,593	2,088,600	-	(9,275)	(54,559)
Guangzhou CGV Cinema Co., Ltd.	7,078,777	2,575,366	4,503,411	2,300,641	(73,368)	(224,403)
CGV (HaiKou) Cinema Co., Ltd.	3,554,686	12,186	3,542,500	-	(7,770)	(103,922)
PT Graha Layar Prima Tbk.	115,797,456	17,225,147	98,572,309	-	-	-
PT Graha Layar Mitra	882,859	868,749	14,110	-	-	-
EWIGEN FRIEDEN LIMITED	13,224,937	4,129	13,220,808	-	-	-
Beyond the limit Limited	5,250,869	3,350	5,247,519	-	-	-
Coruscant Anglo Capital Limited	4,995,574	3,350	4,992,224	-	-	-
Dickinson & Hansen Limited	5,208,257	3,350	5,204,907	-	-	-
Great Golden China Limited	5,272,108	3,350	5,268,758	-	-	-
	₩ 2,704,226,633	707,191,762	1,997,034,871	571,743,526	(9,612,840)	(43,139,046)

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

1. Reporting Entity, Continued

(4) Financial information of subsidiaries, continued

2) Financial information of subsidiaries as of and for the year ended December 31, 2015 was as follows:

(In thousands of won)

Subsidiaries	Asset	Liability	Equity	Revenue	Net profit or loss	Total comprehensive income (loss)
CJ 4DPlex Co., Ltd.	₩ 60,358,266	21,825,793	38,532,473	47,647,606	6,238,049	6,153,516
Simuline Inc.	24,223,170	7,911,260	16,311,910	31,429,595	(1,962,956)	(1,979,906)
SIMULINE(HONG KONG) LIMITED	15,745	102,299	(86,554)	-	(264,728)	(262,276)
SIMULINE(CHINA) LIMITED	365	-	365	21,210	(1,244)	(1,222)
CJ CGV America, Inc.	13,067,465	3,283,929	9,783,536	-	(51,787)	378,405
CGI Holdings Ltd.	303,427,318	121,895,391	181,531,927	331,015	(4,053,962)	4,380,997
CJ CGV America LA, LLC.	6,438,422	3,718,684	2,719,738	5,575,754	(2,503,403)	(2,344,669)
Envoy Media Partners Ltd.	57,540,217	620,465	56,919,752	1,254,947	3,157,520	6,603,042
UVD Enterprise Ltd.	251,931,564	7,078,722	244,852,842	633,952	(849,695)	9,252,738
CJ CGV (Shanghai) Enterprise Management Co., Ltd.	55,448,881	32,838,125	22,610,756	19,912,910	1,277,872	1,414,848
Vietnam Cinema 1 Company Ltd.	758,043	1,509,326	(751,283)	98,828	(1,779,255)	(1,783,872)
CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.	6,119,778	1,005,199	5,114,579	5,484,212	49,449	96,569
PanJin CGV Cinema Co., Ltd.	5,935,854	1,254,246	4,681,608	4,760,509	451,443	488,532
CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.	3,228,294	773,609	2,454,685	3,973,299	199,805	219,800
CJ CGV (Harbin) International Cinema Co., Ltd.	17,865,689	1,982,118	15,883,571	11,696,096	897,909	814,234
ShangHai C Media Co., Ltd.	307,059	1,844,112	(1,537,053)	1,788,485	(279,319)	(289,546)
CGV (Changsha) Cinema Co., Ltd.	15,546,455	3,626,336	11,920,119	9,250,030	848,857	642,867
YANTAI CGV CINEMA CO., Ltd.	8,031,913	1,047,581	6,984,332	2,910,417	(570,492)	(712,724)
CGV (BEIJING) INTERNATIONAL CINEMA CO., Ltd.	13,331,158	3,929,402	9,401,756	11,816,150	1,321,686	1,389,994
CJ CGV VIETNAM CO., LTD.	113,988,991	98,155,327	15,833,664	91,032,085	2,486,880	2,735,483
ZIBO CGV CINEMA CO., LTD.	3,016,400	1,698,104	1,318,296	1,397,698	(1,171,368)	(1,141,608)
CGV Orsun (Wuhan) Cinema Co., Ltd.	8,395,654	1,244,223	7,151,431	5,730,950	211,454	275,222
Wuhu CGV Cinema Co., Ltd.	4,486,822	595,751	3,891,071	2,744,109	(625,450)	(579,738)
CGV (Tangshan) Cinema Co., Ltd.	3,692,043	937,577	2,754,466	3,891,296	(399,340)	(367,626)
Liaoning CGV Cinema Co., Ltd.	5,708,662	939,253	4,769,409	3,966,064	(536,533)	(483,925)
CGV (HuaiAn) Cinema Co., Ltd.	4,128,701	910,303	3,218,398	2,446,352	(597,006)	(558,011)
CGV (TianJin) Cinema Co., Ltd.	13,392,924	3,955,448	9,437,476	3,624,111	(468,987)	(802,312)
CGV (Chengdu) Cinema Co., Ltd.	29,379,562	6,934,946	22,444,616	15,855,415	(1,141,738)	(1,306,443)
CGV (Chongqing) Cinema Co., Ltd.	7,533,862	1,936,564	5,597,298	2,943,303	(619,428)	(701,437)
CJ 4DX (Beijing) Cinema Technology Co., Ltd.	11,044,430	9,201,165	1,843,265	5,396,090	(810,413)	(781,110)

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

1. Reporting Entity, Continued

(4) Financial information of subsidiaries, continued

2) Financial information of subsidiaries as of and for the year ended December 31, 2015 was as follows, continued:

(In thousands of won)

Subsidiaries	Asset	Liability	Equity	Revenue	Net profit or loss	Total comprehensive income (loss)
YuYao CGV Cinema Co., Ltd.	₩ 13,551,812	2,888,092	10,663,720	4,869,354	(1,809,813)	(1,787,899)
CGV tianhe (wuhan) cinema Co., Ltd.	6,603,131	978,041	5,625,090	5,690,403	410,440	456,967
Jiangmen CGV cinema Co., Ltd.	5,015,377	956,159	4,059,218	4,527,143	(288,987)	(246,706)
Jiangsu CGV cinema investment Co., Ltd.	19,555,927	4,984,757	14,571,170	4,184,266	(1,596,478)	(1,790,974)
CGV (Changzhou) Cinema Co., Ltd.	3,322,307	564,223	2,758,084	1,546,692	(1,021,014)	(980,019)
Henan CGV Cinema Co., Ltd.	5,517,638	752,213	4,765,425	186,372	(90,542)	(351,016)
CGV (Qingdao) Cinema Co., Ltd.	9,847,201	2,685,189	7,162,012	5,689,207	67,440	(11,196)
CJ 4DPLEX AMERICA, INC.	5,147,170	1,066,166	4,081,004	-	(4,201,142)	(4,199,497)
CJ 4DPLEX AMERICAS, LLC.	3,580,625	922,609	2,658,016	765,275	(602,518)	(529,418)
NEIMENGGU CGV CINEMA CO., LTD.	3,545,440	880,632	2,664,808	3,763,061	(149,138)	(122,101)
Cross Junction Investment Co., Pte. Ltd.	8,680,427	32,210	8,648,217	-	397,164	923,023
DaLian CGV Cinema Co., Ltd.	9,089,716	2,023,951	7,065,765	5,173,545	(1,517,317)	(1,475,723)
CJ CGV (Hubei) Cinema Co., Ltd.	4,706,834	622,655	4,084,179	5,495,818	79,634	116,664
Crown Jade Company Pte. Ltd.	1,603,817	3,786	1,600,031	-	(10,205)	(17,335)
CGV (Xian) Cinema Co., Ltd.	9,021,104	2,001,240	7,019,864	3,202,203	(171,650)	(391,953)
Ganzhou CGV Cinema Co., Ltd.	6,898,507	2,175,746	4,722,761	1,432,923	(334,683)	(591,064)
Yanji CGV Cinema Co., Ltd.	4,387,168	1,093,273	3,293,895	709,763	(118,158)	(312,746)
CJ CGV (Sichuan) Cinema Co., Ltd.	6,115,854	1,686,386	4,429,468	779,555	(344,734)	(562,436)
Yunnan CGV Cinema Co., Ltd.	5,354,417	1,578,830	3,775,587	76,500	(11,023)	(251,830)
Fuzhou CGV Cinema Co., Ltd.	7,852,007	1,737,173	6,114,834	27,840	(50,051)	(254,131)
	<u>₩ 1,187,740,186</u>	<u>372,388,589</u>	<u>815,351,597</u>	<u>345,732,408</u>	<u>(12,908,955)</u>	<u>8,370,432</u>

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

For the years ended December 31, 2016 and 2015

1. Reporting Entity, Continued

(5) Non-controlling interest

① The table summarizes the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations as of December 31, 2016 and 2015 as follows:

(In thousands of won)

	2016					
	CJ 4DPlex Co., Ltd.	CJ CGV VIETNAM CO., LTD.	Bosphorus Investment Co., Ltd.	MARS ENTERTAIN MENT GROUP INC.	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	PT Graha Layar Prima Tbk.
Non-controlling interests' ownership(%)	9.52%	20.00%	47.77%	60.71%	60.71%	49.00%
Net assets	₩ 60,453,465	20,955,294	606,021,850	116,443,934	178,586,335	98,572,309
Carrying amount of NCI	20,530,288	4,191,059	393,341,096	21,428,379	56,456,752	48,300,432
Net income (loss)	5,127,700	5,027,391	(1,002,858)	(40,113)	(12,142,961)	-
Total comprehensive income (loss)	5,127,700	5,395,692	(1,002,858)	(20,612,178)	(36,489,369)	-
Net income (loss) allocated to NCI	488,157	1,005,478	(479,065)	(24,353)	(7,371,992)	-
Total comprehensive income (loss) allocated to NCI	488,157	1,079,138	(479,065)	(12,513,653)	(22,152,696)	-

(In thousands of won)

	2015	
	Simuline Inc.	CJ CGV VIETNAM CO., LTD.
Non-controlling interests' ownership(%)	20.87%	20.00%
Net assets	₩ 16,311,910	15,833,664
Carrying amount of NCI	15,201,880	3,422,899
Net income (loss)	(1,962,956)	2,486,880
Total comprehensive income (loss)	(1,979,906)	2,735,483
Net income (loss) allocated to NCI	(409,595)	497,376
Total comprehensive income (loss) allocated to NCI	(413,133)	545,790

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

For the years ended December 31, 2016 and 2015

1. Reporting Entity, Continued

(5) Non-controlling interest, continued

② Changes in material NCI for the years ended December 31, 2016 and 2015 are as follows:

(In thousands of won)

2016

		CJ 4DPlex Co., Ltd.	CJ CGV VIETNAM CO., LTD.	Bosphorus Investment Co., Ltd.	MARS ENTERTAIN MENT GROUP INC.	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	PT Graha Layar Prima Tbk.
NCI at the beginning of the year	₩	15,158,711	3,422,899	-	-	-	-
Net income (loss) allocated to NCI		488,157	1,005,478	(479,065)	(24,353)	(7,371,992)	-
Change in scope of consolidation		1,548,633	-	-	-	-	-
Others		3,334,787	(237,318)	393,820,161	21,452,732	63,828,744	48,300,432
NCI at the end of the year	₩	<u>20,530,288</u>	<u>4,191,059</u>	<u>393,341,096</u>	<u>21,428,379</u>	<u>56,456,752</u>	<u>48,300,432</u>

(In thousands of won)

2015

		Simuline Inc.	CJ CGV VIETNAM CO., LTD.
NCI at the beginning of the year	₩	1,065,511	2,620,942
Net income (loss) allocated to NCI		(409,595)	497,376
Others		14,545,964	304,581
NCI at the end of the year	₩	<u>15,201,880</u>	<u>3,422,899</u>

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

2. Basis of Preparation

(1) Statement of compliance

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

(2) Basis of measurement

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

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

(3) Functional and presentation currency

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

(4) Use of estimates and judgments

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

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

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

- Note 1 – consolidation: whether the Group has de facto control over an investee; and
- Note 12 – classification of investment property

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

- Note 14 – impairment test: key assumptions underlying recoverable amounts, including the recoverability of goodwill;
- Note 16 and 19 – provisions and contingencies: key assumptions about likelihood and magnitude of an outflow of resources;
- Note 18 - measurement of defined benefit obligations: key actuarial assumptions; and
- Note 29– recognition of deferred tax assets: availability of future taxable profit against which carryforward tax losses can be used.

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

2. Basis of Preparation, Continued

(5) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

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

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in 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 Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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

Note 4 – risk management

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

The consolidated financial statements were authorized for issue by the Board of Directors on February 9, 2017, which will be submitted for approval to the shareholders' meeting to be held on March 24, 2017.

3. Significant Accounting Policies

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(1) Operating segment

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

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

(2) Basis of consolidation

1) Business combination

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

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

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

2) Non-controlling interests

Non-controlling interests which provides a proportionate share of net assets at the time of liquidation, are measured at their proportionate share of the acquiree's identifiable net assets or at fair value with a choice on a combination-by-combination basis.

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(2) Basis of consolidation, continued

3) Subsidiaries

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

4) Loss of control

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

5) Interests in equity method investees

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

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

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

6) Transactions eliminated on consolidation

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

7) Business combination under common control

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(3) Cash and cash equivalents

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

(4) Inventories

The cost of inventories is based on the first-in first-out principle (equipment sales and manufacturing: specific identification or weighted-average method) and includes expenditures for acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Inventories are measured at the lower of cost and net realizable value. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(5) Non-derivative financial assets

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

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, continued

(iv) Available-for-sale financial assets

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

(v) De-recognition of financial assets

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

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

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

(vi) Offsetting between financial assets and financial liabilities

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

(6) Derivative financial instruments

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

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

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

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(7) Impairment of financial assets

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

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

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

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

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

(i) Financial assets measured at amortized cost

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

(ii) Financial assets carried at cost

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(7) Impairment of financial assets, continued

(iii) Available-for-sale financial assets

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

(8) Property and equipment

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

Subsequent to initial recognition, property and equipment 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 Group's property and equipment are as follows:

	<u>Useful lives (years)</u>
Buildings	40
Structures	5~20
Tools and equipment	5~10
Vehicles	4~5
Machinery	5

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(9) Intangible assets

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

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

	<u>Useful lives (years)</u>
Usage rights	15
Capitalized development costs	5, 10
Other intangible assets	1~20
Operation network	14

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.

(i) Research and development

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

(ii) Subsequent expenditures

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

(10) Government grants

Government grants are not recognized unless there is reasonable assurance that the Group will comply with the grant's conditions and that the grant will be received.

Government grants whose primary condition is that the Group purchase, construct or otherwise acquire long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense.

Government grants which are intended to compensate the Group for expenses incurred are deducted from the related expenses.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(11) Investment Property

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

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

Investment property, except for land, are depreciated on a straight-line basis over 50 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.

(12) Impairment of non-financial assets

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

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

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

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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3. Significant Accounting Policies, Continued

(13) Leases

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

(i) Finance leases

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

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

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

(ii) Operating leases

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

(iii) Determining whether an arrangement contains a lease

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

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(14) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

The Group recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036, 'Impairment of Assets'.

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

(15) Non-derivative financial liabilities

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

- (i) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.
- (ii) Other financial liabilities
Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.
- (iii) De-recognition of financial liabilities
The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

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

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

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

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

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(17) Provisions

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

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

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement 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.

(18) Foreign currencies

(i) Foreign currency transactions

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

CJ CGV CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(18) Foreign currencies, continued

(ii) Foreign operations

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

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

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

(iii) Translation of net investment in a foreign operation

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

(19) Equity capital

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

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

(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.

CJ CGV CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(20) Revenue, continued

(ii) Customer loyalty program

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

(iii) Rental income

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

(21) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, gains on foreign currency transactions, 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 Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, losses on foreign currency transactions, 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.

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(22) Income taxes, continued

(ii) Deferred tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

(23) Earnings per share

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

(24) New standards not yet adopted

The following new standards to existing standards have been published and are mandatory for the Group for annual periods beginning on or after January 1, 2018 and earlier application is permitted; however the Group has not early adopted them.

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For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(24) New standards not yet adopted, continued

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

On September 25, 2015, K-IFRS No. 1109 'Financial Instruments' was issued. K-IFRS No. 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The new standard replaces existing K-IFRS No. 1039 '*Financial Instruments: Recognition and Measurement.*' The Group currently plans to apply K-IFRS No. 1109 initially on January 1, 2018.

Changes in accounting policies resulting from the adoption of K-IFRS No. 1109 will generally be applied retrospectively, except for the exemption allowing not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Also, new hedge accounting requirements will generally be applied prospectively except for the accounting of time value of option.

Key characteristics of K-IFRS No. 1109 are a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics, an impairment loss model of financial instruments based on expected credit loss, extension of hedged items and hedging instruments that meet the criteria of hedging accounting, or changes in approach to assessing hedge effectiveness.

Adoption of K-IFRS No. 1109 generally requires an analysis of financial impact, establishment of accounting policy, development of accounting system, and stabilization of system as preliminary work. The actual impact of adopting the new standard on the Group's consolidated financial statements in annual period beginning after January 1, 2018 depends on the financial instruments that the Group holds and economic condition at that time as well as accounting elections and judgments that it will make in the future.

As of December 31, 2016, the Group has not revised its accounting processes and internal controls related to reporting financial instruments and has not performed a preliminary assessment of the potential impact of adoption of K-IFRS No. 1109. The Group plans to analyze the financial impact of adopting K-IFRS No. 1109 by the third quarter of 2017 and disclose the results on the consolidated financial statements for the year ending December 31, 2017. General potential impacts on the Group's consolidated financial statements for each of important items are as follows.

① Classification and measurement of financial assets

When the new K-IFRS No. 1109 is applied, the Group shall classify financial assets on the basis of the business model in which assets are managed and their cash flow characteristics. As it is shown on the following table, the financial assets are classified into three categories; amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit or loss (FVTPL). Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Business model (objective)	Contractual cash flow characteristics	
	Composed of principal and interest only	Others
To collect contractual cash flow	Amortized cost(*1)	
To collect contractual cash flow and sell financial assets	Fair value through other comprehensive income(*2)	Fair value through profit or loss
To sell financial assets	Fair value through profit or loss	

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For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(24) New standards not yet adopted, continued

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

① Classification and measurement of financial assets, continued

(*1) To eliminate or reduce an accounting mismatch, there can be designated as FVTPL.

(*2) For equity investments that are not held for trading, there can be designated as FVTOCI.

The criteria for measuring financial assets at amortized cost or FVTOCI under new K-IFRS No. 1109 are stricter than the criteria under existing K-IFRS No. 1039. Therefore, when the new standard is adopted, volatility in the Group's profits may increase as the financial assets that are measured at FVTPL increase.

As of December 31, 2016, the Group holds loans and receivables of ₩467,471 million, available-for-sale financial assets of ₩11,005 million, and financial assets at fair value through profit or loss of ₩8,302 million.

Under K-IFRS No. 1109, only the debt instruments whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and which are held within a business model whose objective is to collect contractual cash flows shall be measured at amortized cost. As of December 31, 2016, the Group measures loans and receivables of ₩467,471 million at amortized cost.

Under K-IFRS No. 1109, only the debt instruments whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and which are held within a business model whose objective is achieved by both collecting contractual cash flows and selling shall be measured at FVTOCI. As of December 31, 2016, the Group does not hold any financial assets that are measured at FVTOCI.

Under K-IFRS No. 1109, an entity may make an irrevocable choice at initial recognition to designate equity instruments that are not held for trading as at FVTOCI, and related comprehensive income shall not be subsequently recycled to profit or loss. As of December 31, 2016, the Group holds equity instruments of ₩11,005 million that are classified as available-for-sale financial assets, and none of unrealized valuation gain or loss related to available-for-sale financial assets has been recycled to profit or loss during 2016.

Under K-IFRS No. 1109, the debt instruments whose contractual cash flows are not composed of principal and interest or equity instruments that are not designated as FVTOCI shall be measured at FVTPL. As of December 31, 2016, the Group holds debt instruments of ₩8,302 million that are classified as financial assets at fair value through profit or loss.

② Classification and measurement of financial liability

Under new K-IFRS No. 1109, gain or loss on a financial liability that is designated as at FVTPL shall be presented as follows: the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income and this amount shall not be subsequently recycled to profit or loss. However, if recognizing fair value changes that are attributable to changes in the financial liability's credit risk as other comprehensive income would create or enlarge an accounting mismatch, all fair value changes shall be recognized in profit or loss.

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For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(24) New standards not yet adopted, continued

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

② Classification and measurement of financial liability, continued

As partial of profit or loss currently recognized under existing K-IFRS No. 1039 for fair value changes of financial liabilities designated as at FVTPL shall be presented as other comprehensive income, profit or loss related to valuation of financial liabilities may decrease.

As of December 31, 2016, the Group does not hold any financial liabilities that are measured at FVTPL.

③ Impairment: financial asset and contract asset

Under existing K-IFRS No. 1039, on the basis of incurred loss model, impairment loss is recognized when objective evidence indicates that impairment loss has incurred. However, under new K-IFRS No. 1109, impairment loss for debt instruments, loan commitment, and financial guarantee contracts measured at amortized cost or FVTOCI shall be recognized on the basis of expected credit loss (ECL) impairment model.

Under K-IFRS No. 1109, loss allowances are measured on the basis of 3 stages as it is shown on the table and are measured on either 12-month ECL or lifetime ECL based on increase of credit risk since the initial recognition of financial assets. Therefore, under No. 1109, credit loss may be recognized earlier than under the incurred loss model of No. 1039.

	Stages(*1)	Loss allowance
Stage 1	Credit risk has not increased significantly since initial recognition(*2)	12-month ECL: ECLs that result from possible default events within the 12 month after the reporting date
Stage 2	Credit risk has increased significantly since initial recognition	Lifetime ECL: ECLs that result from all possible default events over the expected life of a financial instrument
Stage 3	Credit has been impaired	

(*1) Lifetime ECL measurement always applies for trade receivables and contract assets related to the transaction under K-IFRS No. 1115 'Revenue from Contracts with Customers', without a significant financing component; an entity may choose to apply lifetime ECL policy also to measure loss allowances for trade receivables and contract assets with a significant financing component.

(*2) An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

Under K-IFRS No. 1109, only cumulative changes of lifetime ECLs are recognized as loss allowances for financial assets of which credit is impaired at the initial recognition.

As of December 31, 2016, the Group holds loans and receivables of ₩467,471 million and available-for-sale financial assets of ₩11,005 million. For these assets, loss allowances are measured at ₩8,149 million.

CJ CGV CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(24) New standards not yet adopted, continued

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

④ Hedge accounting

The new K-IFRS No. 1109 retains the mechanics of hedge accounting (fair value hedge, cash flow hedge and hedging on net investment in a foreign operation) which was defined in the existing guidance in K-IFRS No. 1039, but provides principle-based and less complex guidance in hedging which focuses on the risk management activities. More hedged items and hedging instruments would qualify for hedge accounting, more qualitative and forward-looking approach will be taken to assessing hedge effectiveness, and qualitative threshold (80~125%) is removed under K-IFRS No. 1109.

Certain transactions which were not qualified for the criteria for hedge accounting under the existing standard K-IFRS No. 1039 will be likely to qualify for hedge accounting under K-IFRS No. 1109, therefore, the volatility in the Group's profits or loss may decrease.

As of December 31, 2016, the Group does not hold assets, liabilities, firm commitments, and forecast transactions that are applied for hedge accounting.

When initially applying K-IFRS No. 1109, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of K-IFRS No. 1039 instead of the requirements in K-IFRS No. 1109.

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

On September 25, 2015, K-IFRS No. 1115 'Revenues from Contracts with Customers' was issued. K-IFRS No. 1115 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The new standard replaces existing revenue recognition guidance, including K-IFRS No. 1018 'Revenue', No. 1011 'Construction Contracts', No. 2031 'Revenue: Barter Transactions Involving Advertising Services', No. 2113 'Customer Loyalty Programmes', No. 2115 'Agreements for the Construction of Real Estate', No. 2118 'Transfers of Assets from Customers'. The Group plans to adopt K-IFRS No. 1115 in its separate financial statements for the year ending December 31, 2018, using the retrospective approach for comparative prior reporting periods in accordance with K-IFRS No. 1008 'Accounting Policies, Changes in Accounting Estimates and Errors'. The Group plans to use the practical expedients for completed contracts-i.e. the contracts that are completed as of January 1, 2017, are not restated.

Revenues are recognized based on the type of transactions such as sale of goods, rendering of services, interest income, royalty revenues, dividend income, and construction contract under existing K-IFRS No. 1018. However, under the new standard K-IFRS No. 1115, revenues are recognized using the 5-step revenue recognition model (① Identification of contracts → ② Identification of the performance obligations → ③ Determination of transaction price → ④ Allocation of the transaction price to the performance obligations → ⑤ Recognition of revenue upon the satisfaction of performance obligation) for all contract types.

As of December 31, 2016, the Group has not revised its accounting processes and internal controls related to reporting revenue and has not performed a preliminary assessment of the potential impact of adoption of K-IFRS No. 1115. The Group plans to analyze the financial impact of adopting K-IFRS No. 1115 by the third quarter of 2017 and disclose the results on the consolidated financial statements for the year ending December 31, 2017. Management believes the impact of the standards on the Group's consolidated financial statements is not significant.

CJ CGV CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2016 and 2015

4. Risk Management

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

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

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

(1) Financial risk management

1) Risk management framework

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

2) Credit risk

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

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

(i) Exposure to credit risk

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

Details of the Group's maximum exposure to credit risk as of December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	₩ 196,031,371	137,088,260
Trade receivables	151,833,083	117,394,857
Other financial assets	116,115,646	107,465,300
Derivative financial assets	8,301,623	8,677,290
	<u>₩ 472,281,723</u>	<u>370,625,707</u>

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2016 and 2015

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, 2016 and 2015 are as follows:

(In thousands of won)

		2016		
		Not overdue	Overdue, but not impaired	Impaired
Not past due	₩	251,231,607	-	857
0-3 months		-	9,182,823	1,114
4-6 months		-	2,787,130	3,400
7-12 months		-	1,280,485	12,474
Over one year		-	3,466,684	8,131,314
	₩	<u>251,231,607</u>	<u>16,717,122</u>	<u>8,149,159</u>

(In thousands of won)

		2015		
		Not overdue	Overdue, but not impaired	Impaired
Not past due	₩	217,027,344	-	2,038
0-3 months		-	5,425,484	4,931
4-6 months		-	283,867	7,400
7-12 months		-	704,577	37,549
Over one year		-	1,418,885	4,544,306
	₩	<u>217,027,344</u>	<u>7,832,813</u>	<u>4,596,224</u>

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

(iii) Guarantees

As described in note 19 (3) and 32 (7), the Group provides financial guarantees to subsidiaries, joint ventures and others. As a result, the Group is exposed to credit risk to the extent of payment guarantee.

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

For the years ended December 31, 2016 and 2015

4. Risk Management, Continued

(1) Financial risk management, continued

3) Liquidity risk

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

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

The contractual maturity of financial liabilities as of December 31, 2016 and 2015 including estimated interests payments and excluding the impact of netting agreements, are as follows:

(In thousands of won)

		2016				
		Book value	Contractual cash outflow	Less than one year	One to five years	
Trade payables	₩	117,029,866	117,029,866	117,029,866	-	-
Other payables(*)		156,997,479	156,997,479	156,997,479	-	-
Debentures		249,642,559	261,827,000	105,037,250	156,789,750	-
Short-term borrowings		212,500,661	216,558,615	216,558,615	-	-
Long-term borrowings		575,201,165	625,793,386	51,794,664	573,998,722	-
Long-term other payables(*)		23,403,738	56,924,525	-	22,995,160	33,929,365
Other current financial liabilities		45,230,501	48,138,849	48,138,849	-	-
Other non-current financial liabilities		16,431,682	19,875,447	-	19,875,447	-
	₩	<u>1,396,437,651</u>	<u>1,503,145,167</u>	<u>695,556,723</u>	<u>773,659,079</u>	<u>33,929,365</u>

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

The Group does not expect the above cash flows to be occurred in earlier period or to be materially different. As described in note 19 (3) and 32 (7), the Group provides subsidiaries and joint ventures with payment guarantee which is exposed to liquidity risk. The payment guarantee is not included in the book value or contractual cash outflow above.

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For the years ended December 31, 2016 and 2015

4. Risk Management, Continued

(1) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of won)

	Book value	2015			
		Contractual cash outflow	Less than one year	One to five years	Over five years
Trade payables	₩ 84,234,647	84,234,647	84,234,647	-	-
Other payables(*)	107,223,360	107,223,360	107,223,360	-	-
Debentures	279,383,209	299,022,000	37,195,000	261,827,000	-
Short-term borrowings	67,056,729	68,377,235	68,377,235	-	-
Long-term borrowings	232,708,475	249,301,787	34,243,485	181,197,531	33,860,771
Long-term other payables(*)	25,745,307	62,989,425	-	23,633,416	39,356,009
Other current financial liabilities	17,239,371	17,284,162	17,284,162	-	-
Other non-current financial liabilities	587,715	589,962	-	589,962	-
	₩ 814,178,813	889,022,578	348,557,889	467,247,909	73,216,780

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

4) Market risk

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

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

(i) Currency risk

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

The amount of the Group's exposure to currency risk as of December 31, 2016 and 2015 are as follows:

(In thousands of won)

	USD	2016			2015	
		VND	IDR	RMB, etc.	USD	RMB, etc.
Cash and cash equivalents	₩ 27,816,336	-	20,835,868	11,337	4,238,898	42,016
Trade and Other Receivables	44,716,774	1,751,862	-	6,018,306	17,851,042	7,801,445
Trade and Other Payables	(2,719,351)	(370,973)	-	(786,788)	(1,612,986)	(3,190)
Finance lease liabilities	(11,861,660)	-	-	-	-	-
Borrowings	(295,654,089)	-	-	(2,598,900)	(224,244,575)	(2,913,597)
Total exposure	(237,701,990)	1,380,889	20,835,868	2,643,955	(203,767,621)	4,926,674
Currency forwards	72,510,000	-	-	-	70,320,000	-
Net exposure	₩ (165,191,990)	1,380,889	20,835,868	2,643,955	(133,447,621)	4,926,674

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For the years ended December 31, 2016 and 2015

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, 2016 and 2015 are as follows:

		Average rate		Reporting date spot rate	
		2016	2015	2016	2015
(In won)					
USD	₩	1,160.50	1,131.49	1,208.50	1,172.00
VND		0.05	0.05	0.05	0.05
IDR		0.08	-	0.08	-
RMB		174.40	179.48	173.26	178.48

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, 2016 and 2015 are as follows:

		2016		2015	
		10% strengthening	10% weakening	10% strengthening	10% weakening
(In thousands of won)					
USD	Total exposure	₩ (23,770,199)	23,770,199	(20,376,762)	20,376,762
	Currency forwards	7,251,000	(7,251,000)	7,032,000	(7,032,000)
	Net exposure	(16,519,199)	16,519,199	(13,344,762)	13,344,762
VND		138,089	(138,089)	-	-
IDR		2,083,587	(2,083,587)	-	-
RMB, etc.		264,396	(264,396)	492,667	(492,667)

(ii) Interest rate risk

Carrying amount of interest-bearing financial instruments held by the Group as of December 31, 2016 and 2015 are as follows:

		2016	2015
(In thousands of won)			
Fixed rate instruments:			
	Financial assets	₩ 22,342,071	26,889,492
	Financial liabilities	(784,670,601)	(391,950,479)
		₩ (762,328,530)	(365,060,987)
Variable rate instruments:			
	Financial assets	₩ 195,595,742	136,153,411
	Financial liabilities	(368,679,114)	(217,909,343)
		₩ (173,083,372)	(81,755,932)

- Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (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. AND SUBSIDIARIES
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For the years ended December 31, 2016 and 2015

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, 2016 and 2015 are as follows:

(In thousands of won)

	2016		2015	
	0.5% Point increase	0.5% Point decrease	0.5% Point increase	0.5% Point decrease
Variable rate instruments	₩ (865,417)	865,417	(408,780)	408,780
Interest rate swap	330,000	(330,000)	80,000	(80,000)
Cash flow sensitivity, net	₩ (535,417)	535,417	(328,780)	328,780

(iii) Other market price risk

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

The following indicates effects on other comprehensive income (gain or loss on valuation of available-for-sale securities) arising from fluctuations in price of quoted equity instruments among the available-for-sale financial assets that the Group possess as of December 31, 2016 and 2015.

(In thousands of won)

	2016	2015
5% increase	₩ -	18,818
5% decrease	-	(18,818)

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2016 and 2015

4. Risk Management, Continued

(1) Financial risk management, continued

5) Fair values

(i) The carrying amount and fair value of financial assets and liabilities as of December 31, 2016 and 2015 are as follows:

(In thousands of won)

	2016						
	Carrying amount				Fair value		
	Designated at fair value	Loans and receivables	Available- for-sale	Other	Total	Level 2	Level 3
Financial assets measured at fair value							
Derivative financial assets(*3)	₩ 8,301,623	-	-	-	8,301,623	8,218,860	82,763
Financial assets not measured at fair value(*1)							
Cash and cash equivalents	-	199,522,589	-	-	199,522,589	-	-
Trade receivables	-	151,833,083	-	-	151,833,083	-	-
Available-for-sale: equity investments(*2)	-	-	11,004,530	-	11,004,530	-	-
Other financial assets	-	116,115,646	-	-	116,115,646	-	-
Subtotal	-	467,471,318	11,004,530	-	478,475,848	-	-
Total	₩ 8,301,623	467,471,318	11,004,530	-	486,777,471	8,218,860	82,763
Financial liabilities measured at fair value							
Derivative financial liabilities(*3)	₩ 110,926	-	-	-	110,926	110,926	-
Financial liabilities not measured at fair value(*1)							
Trade payables	-	-	-	117,029,866	117,029,866	-	-
Other payables(*4)	-	-	-	156,997,479	156,997,479	-	-
Borrowings and debentures	-	-	-	1,037,344,385	1,037,344,385	-	-
Long-term other payables	-	-	-	23,403,738	23,403,738	-	-
Other financial liabilities	-	-	-	61,551,257	61,551,257	-	-
Subtotal	-	-	-	1,396,326,725	1,396,326,725	-	-
Total	₩ 110,926	-	-	1,396,326,725	1,396,437,651	110,926	-

(*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 and a binomial model using the volatility of the share price. The Group recognized gain on valuation of derivative financial assets amounting to ₩83 million, in profit or loss for the year ended December 31, 2016.

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

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2016 and 2015

4. Risk Management, Continued

(1) Financial risk management, continued

5) Fair values, continued

(In thousands of won)

	2015						
	Carrying amount				Fair value		
	Designated at fair value	Loans and receivables	Available- for-sale	Other	Total	Level 1	Level 2
Financial assets measured at fair value							
Available-for-sale: equity instruments	₩ -	-	376,362	-	376,362	376,362	-
Derivative financial assets(*3)	8,677,290	-	-	-	8,677,290	-	8,677,290
Subtotal	8,677,290	-	376,362	-	9,053,652	376,362	8,677,290
Financial assets not measured at fair value(*1)							
Cash and cash equivalents	-	139,298,958	-	-	139,298,958	-	-
Trade receivables	-	117,394,857	-	-	117,394,857	-	-
Available-for-sale: equity investments(*2)	-	-	6,177,731	-	6,177,731	-	-
Other financial assets	-	107,465,300	-	-	107,465,300	-	-
Subtotal	-	364,159,115	6,177,731	-	370,336,846	-	-
Total	₩ 8,677,290	364,159,115	6,554,093	-	379,390,498	376,362	8,677,290
Financial liabilities measured at fair value							
Derivative financial liabilities(*3)	₩ 112,733	-	-	-	112,733	-	112,733
Financial liabilities not measured at fair value(*1)							
Trade payables	-	-	-	84,234,647	84,234,647	-	-
Other payables(*4)	-	-	-	107,223,360	107,223,360	-	-
Borrowings and debentures	-	-	-	579,148,413	579,148,413	-	-
Long-term other payables(*4)	-	-	-	25,745,307	25,745,307	-	-
Other financial liabilities	-	-	-	17,714,353	17,714,353	-	-
Subtotal	-	-	-	814,066,080	814,066,080	-	-
Total	₩ 112,733	-	-	814,066,080	814,178,813	-	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.

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

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4. Risk Management, Continued

(1) Financial risk management, continued

6) Transfers of financial asset

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

(In thousands of won)

<u>Type of continuing involvement</u>	<u>Maturity of continuing involvement</u>
	<u>Less than 2 years</u>
Put option	₩ 190,000,000

(2) Capital Management

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

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

(In thousands of won, except ratio)

	<u>2016</u>	<u>2015</u>
Total liabilities (a)	₩ 1,621,292,084	972,407,247
Total equity (b)	920,480,929	445,170,180
Cash and cash equivalents (c)	199,522,589	139,298,958
Borrowings and debentures (d)	1,037,344,385	579,148,413
Borrowings and debentures, net (e)=(d)-(c)	837,821,796	439,849,455
Liabilities to equity ratio (f)=(a)÷(b)	176%	218%
Net debt to equity ratio (g)=(e)÷(b)	91%	99%

5. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2016 and 2015 are as follows:

(In thousands of won)

	<u>2016</u>	<u>2015</u>
Cash on hand	₩ 3,491,218	2,210,698
Demand deposits	195,009,042	136,153,411
Other cash equivalents	1,022,329	934,849
	<u>₩ 199,522,589</u>	<u>139,298,958</u>

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2016 and 2015

6. Operating Segments

The Group has two reportable segments: multiplex cinemas operation and equipment sales and manufacturing. Financial information for each reportable segment for the years ended December 31, 2016 and 2015 was as follows:

(1) Segment results and geographical information

(In thousands of won)

	2016			2015		
	Cinema operation	Equipment sales and manufacturing	Total	Cinema operation	Equipment sales and manufacturing	Total
Revenues:						
Domestic	₩ 914,022,922	61,076,462	975,099,384	896,671,385	52,682,019	949,353,404
Foreign:						
USA	5,110,077	1,817,408	6,927,485	5,555,662	765,275	6,320,937
Turkey	114,828,812	-	114,828,812	-	-	-
China	217,767,751	6,591,365	224,359,116	143,448,795	3,298,463	146,747,258
Vietnam, etc.	111,030,650	-	111,030,650	91,094,768	-	91,094,768
	<u>1,362,760,212</u>	<u>69,485,235</u>	<u>1,432,245,447</u>	<u>1,136,770,610</u>	<u>56,745,757</u>	<u>1,193,516,367</u>
Net profit (loss)	5,756,311	(134,651)	5,621,660	53,597,875	(1,398,636)	52,199,239

(2) Revenue information

(In thousands of won)

	2016	2015
Admissions	₩ 914,869,399	759,853,497
Concession	226,991,766	175,287,473
Advertisement	138,989,165	108,614,052
Equipment sales and manufacturing	35,950,141	27,585,064
Others	115,444,976	122,176,281
	<u>₩ 1,432,245,447</u>	<u>1,193,516,367</u>

(3) Property and equipment and intangible assets

(In thousands of won)

	2016		2015	
	Property and equipment	Intangible assets	Property and equipment	Intangible assets
Domestic	₩ 427,035,281	46,498,778	425,897,616	52,419,906
Foreign	485,589,961	846,204,706	250,519,943	62,126,826
	<u>₩ 912,625,242</u>	<u>892,703,484</u>	<u>676,417,559</u>	<u>114,546,732</u>

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7. Trade Receivables

- (1) Trade receivables are presented on a net basis after deducting related allowance. As of December 31, 2016 and 2015, trade receivables and allowance for doubtful accounts are as follows:

	2016		2015	
	Current	Non-current	Current	Non-current
(In thousands of won)				
Trade receivables	₩ 154,111,158	978,817	117,371,288	597,122
Allowance for doubtful accounts	(3,256,892)	-	(573,553)	-
	₩ <u>150,854,266</u>	<u>978,817</u>	<u>116,797,735</u>	<u>597,122</u>

- (2) Changes in allowance for doubtful accounts for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
(In thousands of won)		
Balance at the beginning	₩ 573,553	1,033,062
Increase in allowance	991,825	31,093
Write-off	(13,620)	(483,776)
Change in scope of consolidation	2,023,027	-
Changes in exchange rates	(317,893)	(6,826)
Balance at the end	₩ <u>3,256,892</u>	<u>573,553</u>

8. Inventories

- (1) Inventories as of December 31, 2016 and 2015 are as follows:

	2016	2015
(In thousands of won)		
Merchandise	₩ 8,005,275	3,188,668
Finished goods	1,437,045	2,099,562
Work in process	1,382,377	1,564,057
Raw materials	6,270,876	7,099,646
Provision for valuation of inventories	(283,509)	(364,905)
	₩ <u>16,812,064</u>	<u>13,587,028</u>

- (2) Loss (reversal) of valuation of inventories for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
(In thousands of won)		
Loss (reversal) of valuation of inventories	₩ 608,126	(1,129)

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2016 and 2015

9. Other Financial Assets

(1) Other financial assets as of December 31, 2016 and 2015 are as follows:

(In thousands of won)

		2016		2015	
		Current	Non-current	Current	Non-current
Financial institution deposits	₩	21,771	586,700	470,733	644,610
Other receivables		22,680,274	4,034	21,606,476	4,271
Accrued revenues		419,551	-	323,825	-
Loans		22,320,300	-	25,787,650	-
Leasehold deposits		23,240,526	56,349,479	2,848,842	62,656,456
Present value discount		(494,624)	(9,012,365)	(5,082)	(6,872,481)
Derivative financial assets		-	8,301,623	-	8,677,290
Available-for-sale financial assets		-	11,004,530	-	6,554,093
	₩	<u>68,187,798</u>	<u>67,234,001</u>	<u>51,032,444</u>	<u>71,664,239</u>

(2) Other financial assets are presented on a net basis after deducting related allowance. As of December 31, 2016 and 2015, other financial assets and allowance for doubtful accounts are as follows:

(In thousands of won)

		2016		2015	
		Current	Non-current	Current	Non-current
Other financial assets	₩	71,146,119	69,167,947	53,146,501	73,572,853
Allowance for doubtful accounts:					
Other receivables		(2,834,442)	-	(2,072,966)	-
Accrued revenues		(102,639)	-	(20,211)	-
Loans		(21,240)	(1,933,946)	(20,880)	(1,908,614)
Subtotal of allowance for doubtful accounts		<u>(2,958,321)</u>	<u>(1,933,946)</u>	<u>(2,114,057)</u>	<u>(1,908,614)</u>
Other financial assets, net	₩	<u>68,187,798</u>	<u>67,234,001</u>	<u>51,032,444</u>	<u>71,664,239</u>

(3) Changes in allowance for doubtful accounts for the years ended December 31, 2016 and 2015 are as follows:

(In thousands of won)

		2016		2015	
		Current	Non-current	Current	Non-current
Balance at the beginning	₩	2,114,057	1,908,614	3,336,344	2,251,479
Increase in (reversal of) allowance		788,433	(3,868)	(74,268)	38,575
Write-off		(597,759)	-	(1,148,381)	(452,596)
Change in scope of consolidation		653,246	-	-	-
Other		344	29,200	362	71,156
Balance at the end	₩	<u>2,958,321</u>	<u>1,933,946</u>	<u>2,114,057</u>	<u>1,908,614</u>

(4) Leasehold deposit measured at present value as of December 31, 2016 and 2015 are as follows:

(In thousands of won)	Effective interest rate (%)	Nominal values	Discounted present value	Present value discount
December 31, 2016	1.4~5.6	₩ 79,590,005	70,083,016	(9,506,989)
December 31, 2015	1.8~5.6	₩ 65,505,298	58,627,735	(6,877,563)

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

For the years ended December 31, 2016 and 2015

9. Other Financial Assets, Continued

(5) Available-for-sale financial assets

① Available-for-sale financial assets as of December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	2016		2015	
	Acquisition cost	Book value	Acquisition cost	Book value
Equity securities:	10,823,806	11,004,530	6,468,208	6,554,093

② Changes in available-for-sale financial assets for the years ended December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	2016	2015
Balance at the beginning	₩ 6,554,093	5,480,874
Acquisitions	4,919,770	1,023,675
Disposals	(548,969)	(23,575)
Loss on valuation of available-for-sale financial assets	-	(155,344)
Gain on valuation of available-for-sale financial assets	1,174	41,591
Changes in exchange rates	78,462	186,872
Balance at the end	₩ 11,004,530	6,554,093

10. Other Current Assets and Other Non-current Assets

Other current assets and other non-current assets as of December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	2016		2015	
	Current	Non-current	Current	Non-current
Advance payments	₩ 42,907,002	-	15,325,075	1,000,000
Prepaid expenses	16,488,870	99,346,559	13,643,003	95,403,576
Prepaid value added tax	12,961,906	-	5,648,884	-
Prepaid taxes	1,626,365	-	11,715	-
	₩ 73,984,143	99,346,559	34,628,677	96,403,576

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

For the years ended December 31, 2016 and 2015

11. Investment in Equity Method Investees

(1) Investments in equity method investees as of December 31, 2016 and 2015 are as follows:

Company	Location	Primary business	Ownership (%)	
			2016	2015
Associate:				
SSV Contents Investment Association	Korea	Investment fund	35.52	35.52
PT Graha Layar Prima Tbk. (*)	Indonesia	Theater operation	-	14.75
CJ VIETNAM COMPANY LIMITED	Vietnam	Foreign Investment	25.00	25.00
Foshan XingXing CJ Cinema Co., Ltd.	China	Theater operation	20.00	20.00
IBK Finance Group Union Contents Investment Fund	Korea	Investment fund	25.00	25.00
Joint venture:				
D-Cinema Korea Co., Ltd.	Korea	Leasing service	50.00	50.00
CJ XingXing (TJ) International Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Myanmar Cineplex Co., Ltd.	Myanmar	Theater operation	50.00	50.00
ChangSha CJ XingXing Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Zhongshan CJ Xingxing Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Ningbo Culture Plaza CJ Cinema Co., Ltd.	China	Theater operation	45.00	45.00
CJ Xingxing (Shanghai) Cinema Co., Ltd.	China	Theater operation	49.00	49.00
CJ Xingxing (FSH) Cinema Co., Ltd.	China	Theater operation	49.00	49.00
CGV Empire SDN. BHD	Malaysia	Theater operation	25.00	25.00
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Shanghai Shangying CGV Cinema Co., Ltd.	China	Theater operation	50.00	50.00

(*) During 2016, the Group additionally invested ₩28,994 million. As a result, the Group's equity interest in PT Graha Layar Prima Tbk. increased from 14.75% to 22.99%. As the Group also obtained equity interest of a company which is located in Hong Kong including PT Graha Layar Prima Tbk., the Group's equity interest increased to 51.00%. On December 31, 2016, the Group re-classified the interest in PT Graha Layar Prima Tbk. as investments in subsidiary from investments in equity method investee.

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

For the years ended December 31, 2016 and 2015

11. Investment in Equity Method Investees, Continued

(2) Condensed financial information of associates and joint ventures as of and for the years ended December 31, 2016 and 2015 is as follows:

(In thousands of won)

	2016							
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net profit (loss)	Total comprehensive income (loss)	Dividends received
SSV Contents Investment Association	₩ 114,107	400,000	-	-	739,600	365,122	365,122	3,090,000
CJ VIETNAM COMPANY LIMITED	13,110,413	45,604,352	616,263	1,530,246	6,576,815	3,110,150	2,133,388	-
Foshan XingXing CJ Cinema Co., Ltd.	833,264	3,160,348	685,592	-	2,762,395	30,786	79,365	-
IBK Finance Group Union Contents Investment Fund	5,883,786	4,081,386	51,419	-	137,328	(26,593)	(26,593)	-
D-Cinema Korea Co., Ltd.	16,980,726	3,230,405	8,148,311	10,387,029	5,328,853	(1,775,072)	(1,775,072)	-
CJ XingXing (TJ) International Cinema Co., Ltd.	7,484,410	4,378,135	3,695,520	114,814	7,962,814	(138,259)	107,574	-
Myanmar Cineplex Co., Ltd.	1,920,998	3,082,326	1,109,673	-	4,402,914	567,230	712,714	-
ChangSha CJ XingXing Cinema Co., Ltd.	926,886	2,386,680	1,603,490	-	4,176,344	500,535	544,056	85,581
Zhongshan CJ Xingxing Cinema Co., Ltd.	1,093,543	3,138,635	841,058	-	4,528,058	705,715	806,643	352,272
Ningbo Culture Plaza CJ Cinema Co., Ltd.	4,180,618	6,389,592	3,039,077	-	7,945,703	511,258	920,596	1,050,935
CJ Xingxing (Shanghai) Cinema Co., Ltd.	3,782,303	1,715,083	1,190,772	-	4,600,344	1,023,501	1,150,087	479,375
CJ Xingxing (FSH) Cinema Co., Ltd.	2,810,753	1,579,429	636,960	-	2,681,573	352,706	466,507	207,036
CGV Empire SDN. BHD	28,604	914,838	3,121,168	-	-	(515,866)	(515,866)	-
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	3,357,087	1,151,144	944,300	-	3,115,196	285,802	399,024	288,175
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	9,518,463	1,533,508	3,867,646	-	7,492,732	1,804,983	2,051,267	1,171,974
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	16,745,787	7,162,832	12,500,388	-	11,785,866	797,855	1,144,379	495,545
Shanghai Shangying CGV Cinema Co., Ltd.	7,425,520	1,835,980	3,430,703	-	6,306,780	1,250,970	1,454,983	956,054
₩	<u>96,197,268</u>	<u>91,744,673</u>	<u>45,482,340</u>	<u>12,032,089</u>	<u>80,543,315</u>	<u>8,850,823</u>	<u>10,018,174</u>	<u>8,176,947</u>

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2016 and 2015

11. Investment in Equity Method Investees, Continued

(2) Condensed financial information of associates and joint ventures as of and for the years ended December 31, 2016 and 2015 is as follows, continued:

(In thousands of won)

	2015							
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net profit (loss)	Total comprehensive income (loss)	Dividends received
SSV Contents Investment Association	₩ 25,343,773	12,542,448	37,236	-	2,985,171	517,965	517,965	-
PT Graha Layar Prima Tbk. (*)	13,612,560	56,045,947	28,135,380	493,939	34,188,220	(3,275,148)	(4,550,355)	-
CJ VIETNAM COMPANY LIMITED	7,833,113	46,285,826	182,328	1,455,267	6,090,181	2,288,648	3,084,089	-
Foshan XingXing CJ Cinema Co., Ltd.	994,850	3,705,075	1,992,907	-	505,774	(268,880)	(408,744)	-
IBK Finance Group Union Contents Investment Fund	4,940,345	-	-	-	12,478	(59,654)	(59,654)	-
D-Cinema Korea Co., Ltd.	25,784,276	9,289,247	12,971,654	18,651,006	22,747,460	6,930,636	6,930,636	-
CJ XingXing (TJ) International Cinema Co., Ltd.	6,961,812	5,389,414	3,879,079	35,845	10,083,795	1,381,891	1,440,270	-
Myanmar Cineplex Co., Ltd.	1,002,049	2,493,827	837,688	-	2,524,398	23,105	(476,876)	-
ChangSha CJ XingXing Cinema Co., Ltd.	1,495,383	2,724,737	2,796,983	-	3,240,491	221,642	223,650	-
Zhongshan CJ Xingxing Cinema Co., Ltd.	1,281,376	3,552,026	1,347,008	-	6,374,762	744,096	765,648	-
Ningbo Culture Plaza CJ Cinema Co., Ltd.	5,768,827	7,368,482	3,511,285	-	9,933,509	1,009,075	1,084,132	-
CJ Xingxing (Shanghai) Cinema Co., Ltd.	3,432,284	1,918,986	988,923	-	5,212,446	1,087,647	1,117,211	103,418
CJ Xingxing (FSH) Cinema Co., Ltd.	3,111,285	1,727,191	912,721	-	3,554,801	469,742	505,756	131,613
CGV Empire SDN. BHD	5,595	929,201	2,638,884	-	-	(650,743)	(446,469)	-
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	4,007,691	1,081,883	1,123,631	-	4,145,942	656,018	693,031	192,874
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	12,177,026	1,264,924	5,424,542	-	9,450,033	2,752,942	2,804,834	945,185
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	14,543,591	7,704,796	10,306,703	-	13,466,589	1,756,745	1,842,347	-
Shanghai Shangying CGV Cinema Co., Ltd.	9,200,110	1,854,006	4,358,168	-	8,673,088	2,200,835	2,244,763	758,230
	₩ 141,495,946	165,878,016	81,445,120	20,636,057	143,189,138	17,786,562	17,312,234	2,131,320

(*) Net loss and total comprehensive loss of PT Graha Layar Prima Tbk. are the amount attributed to owners of the Parent Company on the consolidated statement of comprehensive income of PT Graha Layar Prima Tbk.

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

(3) The reconciliation of the investees' net assets to the carrying amount of the Group's interest in equity method investees as of December 31, 2016 and 2015 is as follows:

(In thousands of won)

				2016	
	Net assets	Owner-	Group's	Goodwill	Carrying
	(a)	ship (b)	share of		amount
			net assets		
			(axb)		
SSV Contents Investment Association	₩ 514,107	35.52%	182,597	-	182,597
CJ VIETNAM COMPANY LIMITED	56,568,256	25.00%	14,142,064	620,312	14,762,376
Foshan XingXing CJ Cinema Co., Ltd.	3,308,020	20.00%	661,604	-	661,604
IBK Finance Group Union Contents Investment Fund	9,913,753	25.00%	2,478,438	-	2,478,438
D-Cinema Korea Co., Ltd.	1,675,791	50.00%	837,896	-	837,896
CJ XingXing (TJ) International Cinema Co., Ltd.	8,052,211	49.00%	3,945,583	-	3,945,583
Myanmar Cineplex Co., Ltd.	3,893,651	50.00%	1,946,826	-	1,946,826
ChangSha CJ XingXing Cinema Co., Ltd.	1,710,076	49.00%	837,937	-	837,937
Zhongshan CJ Xingxing Cinema Co., Ltd.	3,391,120	49.00%	1,661,649	-	1,661,649
Ningbo Culture Plaza CJ Cinema Co., Ltd.	7,531,133	45.00%	3,389,010	-	3,389,010
CJ Xingxing (Shanghai) Cinema Co., Ltd.	4,306,614	49.00%	2,110,241	-	2,110,241
CJ Xingxing (FSH) Cinema Co., Ltd.	3,753,222	49.00%	1,839,079	-	1,839,079
CGV Empire SDN. BHD	(2,177,726)	25.00%	(544,432)	-	-
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	3,563,931	49.00%	1,746,326	-	1,746,326
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	7,184,325	49.00%	3,520,319	-	3,520,319
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	11,408,231	49.00%	5,590,033	-	5,590,033
Shanghai Shangying CGV Cinema Co., Ltd.	5,830,797	50.00%	2,915,399	-	2,915,399
	₩				<u>48,425,313</u>

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2016 and 2015

11. Investment in Equity Method Investees, Continued

(3) The reconciliation of the investees' net assets to the carrying amount of the Group's interest in equity method investees as of December 31, 2016 and 2015 is as follows, continued:

(In thousands of won)

	Net assets (a)	Owner- ship (b)	2015		
			Group's share of net assets (axb)	Goodwill	Carrying amount
SSV Contents Investment Association	₩ 37,848,985	35.52%	13,442,915	38,204	13,481,119
PT Graha Layar Prima Tbk. (*)	41,029,573	14.75%	6,053,342	9,113,504	15,166,846
CJ VIETNAM COMPANY LIMITED	52,481,344	25.00%	13,120,336	620,312	13,740,648
Foshan XingXing CJ Cinema Co., Ltd.	2,707,018	20.00%	541,404	-	541,404
IBK Finance Group Union Contents Investment Fund	4,940,345	25.00%	1,235,086	-	1,235,086
D-Cinema Korea Co., Ltd.	3,450,863	50.00%	1,725,432	-	1,725,432
CJ XingXing (TJ) International Cinema Co., Ltd.	8,436,302	49.00%	4,133,788	-	4,133,788
Myanmar Cineplex Co., Ltd.	2,658,188	50.00%	1,329,094	-	1,329,094
ChangSha CJ XingXing Cinema Co., Ltd.	1,423,137	49.00%	697,337	-	697,337
Zhongshan CJ Xingxing Cinema Co., Ltd.	3,486,394	49.00%	1,708,333	-	1,708,333
Ningbo Culture Plaza CJ Cinema Co., Ltd.	9,626,024	45.00%	4,331,711	-	4,331,711
CJ Xingxing (Shanghai) Cinema Co., Ltd.	4,362,347	49.00%	2,137,550	-	2,137,550
CJ Xingxing (FSH) Cinema Co., Ltd.	3,925,755	49.00%	1,923,620	-	1,923,620
CGV Empire SDN. BHD	(1,704,088)	25.00%	(426,022)	-	-
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	3,965,943	49.00%	1,943,312	-	1,943,312
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	8,017,408	49.00%	3,928,530	-	3,928,530
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	11,941,684	49.00%	5,851,425	-	5,851,425
Shanghai Shangying CGV Cinema Co., Ltd.	6,695,948	50.00%	3,347,974	-	3,347,974
	₩				<u>77,223,209</u>

(*) Net assets of PT Graha Layar Prima Tbk. are the amount attributed to owners of the Parent Company on the consolidated statement of financial position of PT Graha Layar Prima Tbk.

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

11. Investment in Equity Method Investees, Continued

(4) Changes in investments in equity method investees for the years ended December 31, 2016 and 2015 are as follows:

(In thousands of won)

	2016							Ending balance
	Acquisition cost	Beginning balance	Acquisition	Change in scope of consolidation	Transfer	Equity income (loss)	Others (*1)	
SSV Contents Investment Association(*2)	₩ -	13,481,119	-	-	-	129,681	(13,428,203)	182,597
PT Graha Layar Prima Tbk.	80,022,767	15,166,846	28,993,871	34,693,096	(73,040,261)	(568,507)	(5,245,045)	-
CJ VIETNAM COMPANY LIMITED	11,735,525	13,740,648	-	-	-	777,538	244,190	14,762,376
Foshan XingXing CJ Cinema Co., Ltd.(*3)	746,911	541,404	123,759	-	-	6,157	(9,716)	661,604
IBK Finance Group Union Contents Investment Fund(*4)	2,500,000	1,235,086	1,250,000	-	-	(6,648)	-	2,478,438
D-Cinema Korea Co., Ltd. CJ XingXing (TJ) International Cinema Co., Ltd.	1,500,000	1,725,432	-	-	-	(887,536)	-	837,896
Myanmar Cineplex Co., Ltd.(*5)	4,263,177	4,133,788	-	-	-	(67,747)	(120,458)	3,945,583
ChangSha CJ XingXing Cinema Co., Ltd.	2,001,324	1,329,094	406,859	-	-	283,615	(72,742)	1,946,826
Zhongshan CJ Xingxing Cinema Co., Ltd.	599,352	697,337	-	-	-	245,262	(104,662)	837,937
Ningbo Culture Plaza CJ Cinema Co., Ltd.	1,283,807	1,708,333	-	-	-	345,800	(392,484)	1,661,649
CJ Xingxing (Shanghai) Cinema Co., Ltd.	3,148,068	4,331,711	-	-	-	230,066	(1,172,767)	3,389,010
CJ Xingxing (FSH) Cinema Co., Ltd.	1,587,903	2,137,550	-	-	-	501,516	(528,825)	2,110,241
CGV Empire SDN. BHD	1,661,627	1,923,620	-	-	-	172,826	(257,367)	1,839,079
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	9,067	-	-	-	-	-	-	-
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	1,601,700	1,943,312	-	-	-	140,043	(337,029)	1,746,326
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	1,820,123	3,928,530	-	-	-	884,442	(1,292,653)	3,520,319
Shanghai Shangying CGV Cinema Co., Ltd.	5,297,164	5,851,425	-	-	-	390,949	(652,341)	5,590,033
	1,191,990	3,347,974	-	-	-	625,485	(1,058,060)	2,915,399
	<u>₩ 120,970,505</u>	<u>77,223,209</u>	<u>30,774,489</u>	<u>34,693,096</u>	<u>(73,040,261)</u>	<u>3,202,942</u>	<u>(24,428,162)</u>	<u>48,425,313</u>

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

(*2) During 2016, the Group received ₩13,390 million by recovering an investment and recognized loss on investments in associates amounting to ₩38 million in profit or loss for the year ended December 31, 2016. SSV Contents Investment Association is in liquidation as of December 31, 2016.

(*3) The Group participated in paid-in capital increase of Foshan XingXing CJ Cinema Co., Ltd. and purchased additional shares amounting to ₩124 million. There is no change in the Group's percentage of ownership.

(*4) The Group participated in paid-in capital increase of IBK Finance Group Union Contents Investment Fund and purchased additional shares amounting to ₩1,250 million. There is no change in the Group's percentage of ownership.

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11. Investment in Equity Method Investees, Continued

(4) Changes in investments in equity method investees for the years ended December 31, 2016 and 2015 are as follows, continued:

(*5) The Group participated in paid-in capital increase of Myanmar Cineplex Co., Ltd. and purchased additional shares amounting to ₩407 million. There is no change in the Group's percentage of ownership.

(In thousands of won)

	2015					
	Acquisition cost	Beginning balance	Acquisition	Equity income (loss)	Others (*1)	Ending balance
SSV Contents Investment Association	₩ 10,300,000	13,297,152	-	183,967	-	13,481,119
PT Graha Layar Prima Tbk.	16,335,800	15,838,185	-	(483,202)	(188,137)	15,166,846
CJ VIETNAM COMPANY LIMITED	11,735,525	12,969,626	-	572,162	198,860	13,740,648
Foshan XingXing CJ Cinema Co., Ltd.	623,152	-	623,152	(53,776)	(27,972)	541,404
IBK Finance Group Union Contents Investment Fund	1,250,000	-	1,250,000	(14,914)	-	1,235,086
D-Cinema Korea Co., Ltd.	1,500,000	-	-	1,725,432	-	1,725,432
CJ XingXing (TJ) International Cinema Co., Ltd.	4,263,177	3,428,056	-	677,127	28,605	4,133,788
Myanmar Cineplex Co., Ltd.	1,594,465	1,567,531	-	11,552	(249,989)	1,329,094
ChangSha CJ XingXing Cinema Co., Ltd.(*2)	599,352	430,705	157,044	108,605	983	697,337
Zhongshan CJ Xingxing Cinema Co., Ltd.	1,283,807	1,333,166	-	364,607	10,560	1,708,333
Ningbo Culture Plaza CJ Cinema Co., Ltd.	3,148,068	3,843,851	-	454,084	33,776	4,331,711
CJ Xingxing (Shanghai) Cinema Co., Ltd.	1,587,903	1,692,257	-	532,947	(87,654)	2,137,550
CJ Xingxing (FSH) Cinema Co., Ltd.	1,661,627	1,805,787	-	230,173	(112,340)	1,923,620
CGV Empire SDN. BHD	9,067	-	-	-	-	-
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	1,601,700	1,804,081	-	321,448	(182,217)	1,943,312
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	1,820,123	3,487,786	-	1,348,941	(908,197)	3,928,530
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	5,297,164	4,948,675	-	860,805	41,945	5,851,425
Shanghai Shangying CGV Cinema Co., Ltd.	1,191,990	2,974,549	-	1,100,418	(726,993)	3,347,974
	₩ 65,802,920	69,421,407	2,030,196	7,940,376	(2,168,770)	77,223,209

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

(*2) The Group participated in paid-in capital increase of ChangSha CJ XingXing Cinema Co., Ltd. and purchased additional shares amounting to ₩157 million. There is no change in the Group's percentage of ownership.

(5) The unrecognized equity loss during 2015 and the cumulative unrecognized equity losses, resulted from discontinuing application of the equity method, for the year ended December 31, 2016 are as follows:

(In thousands of won)	Unrecognized equity loss during 2016	Cumulative unrecognized equity losses
CGV Empire SDN. BHD	₩ 128,967	589,869

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12. Investment Property

(1) Investment property as of December 31, 2016 and 2015 are as follows:

(In thousands of won)

	2016			2015		
	Acquisition costs	Accumulated depreciation	Carrying amounts	Acquisition costs	Accumulated depreciation	Carrying amounts
Land	₩ 84,971	-	84,971	3,695,706	-	3,695,706
Buildings	184,004	(19,540)	164,464	16,586,202	(2,358,732)	14,227,470
	₩ 268,975	(19,540)	249,435	20,281,908	(2,358,732)	17,923,176

(2) Changes in investment property for the years ended December 31, 2016 and 2015 are as follows:

(In thousands of won)

	Land	Buildings	Total
Acquisition costs:			
Balance at January 1, 2015	₩ 3,695,706	16,586,202	20,281,908
Balance at December 31, 2015	3,695,706	16,586,202	20,281,908
Change in scope of consolidation	99,981	214,359	314,340
Disposals(*)	(3,695,706)	(16,586,202)	(20,281,908)
Change in exchange rates	(15,010)	(30,355)	(45,365)
Balance at December 31, 2016	84,971	184,004	268,975
Accumulated depreciation:			
Balance at January 1, 2015	-	(1,940,277)	(1,940,277)
Depreciation	-	(418,455)	(418,455)
Balance at December 31, 2015	-	(2,358,732)	(2,358,732)
Change in scope of consolidation	-	(16,138)	(16,138)
Depreciation	-	(39,356)	(39,356)
Disposals(*)	-	2,393,603	2,393,603
Change in exchange rates	-	1,083	1,083
Balance at December 31, 2016	-	(19,540)	(19,540)
Carrying amounts:			
Balance at January 1, 2015	₩ 3,695,706	14,645,925	18,341,631
Balance at December 31, 2015	₩ 3,695,706	14,227,470	17,923,176
Balance at December 31, 2016	₩ 84,971	164,464	249,435

(*) The Group disposed of investment property in Korea and recognized gain on disposal amounting to ₩310 million and loss on disposal amounting to ₩1,367 million in profit or loss for the year ended December 31, 2016.

(3) Profit and loss related to investment property for the years ended December 31, 2016 and 2015 are as follows:

(In thousands of won)

	2016	2015
Rental income	₩ 106,446	796,142
Rental cost (depreciation)	(39,356)	(418,455)
Gain on disposal of property and equipment	310,294	-
Loss on disposal of property and equipment	(1,366,852)	-

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13. Property and Equipment

(1) Changes in property and equipment for the year ended December 31, 2016 are as follows:

<i>(In thousands of won)</i>	<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Machinery</u>	<u>Vehicles</u>	<u>Tools</u>	<u>Construction -in-progress</u>	<u>Total</u>
Acquisition costs:								
Beginning balance	₩ 87,379,275	85,804,739	497,514,679	2,553,967	200,683	410,966,528	25,976,195	1,110,396,066
Acquisitions	-	-	22,514,949	-	580,032	53,615,407	105,870,681	182,581,069
Disposals	-	-	(3,210,754)	-	-	(6,092,490)	(1,148,591)	(10,451,835)
Change in scope of consolidation	-	-	137,513,255	-	150,341	168,473,940	4,969,844	311,107,380
Change in exchange rates	-	158,150	(13,343,173)	-	(46,510)	(20,059,388)	98,645	(33,192,276)
Others	-	-	55,747,959	(357,023)	-	20,801,535	(83,271,493)	(7,079,022)
Replacement of assets held for sale	-	-	-	-	-	(1,675,645)	(751,394)	(2,427,039)
Ending balance	<u>87,379,275</u>	<u>85,962,889</u>	<u>696,736,915</u>	<u>2,196,944</u>	<u>884,546</u>	<u>626,029,887</u>	<u>51,743,887</u>	<u>1,550,934,343</u>
Accumulated depreciation:								
Beginning balance	-	(17,638,420)	(144,987,475)	(795,699)	(95,058)	(268,262,575)	-	(431,779,227)
Depreciation	-	(2,219,112)	(41,729,405)	(473,369)	(102,514)	(57,478,419)	-	(102,002,819)
Disposals	-	-	2,509,976	-	-	5,310,615	-	7,820,591
Change in scope of consolidation	-	-	(44,192,669)	-	(104,375)	(82,251,650)	-	(126,548,694)
Change in exchange rates	-	(42,921)	5,195,816	-	13,145	9,343,381	-	14,509,421
Others	-	-	745	161,381	-	(7,154)	-	154,972
Replacement of assets held for sale	-	-	-	-	-	1,642,775	-	1,642,775
Ending balance	<u>-</u>	<u>(19,900,453)</u>	<u>(223,203,012)</u>	<u>(1,107,687)</u>	<u>(288,802)</u>	<u>(391,703,027)</u>	<u>-</u>	<u>(636,202,981)</u>
Accumulated impairment:								
Beginning balance	-	-	-	-	-	(1,489,280)	-	(1,489,280)
Disposals	-	-	-	-	-	47,260	-	47,260
Ending balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,442,020)</u>	<u>-</u>	<u>(1,442,020)</u>
Government Grants:								
Beginning balance	-	-	(710,000)	-	-	-	-	(710,000)
Acquisitions	-	-	-	-	-	(14,400)	-	(14,400)
Depreciation	-	-	60,000	-	-	300	-	60,300
Ending balance	<u>-</u>	<u>-</u>	<u>(650,000)</u>	<u>-</u>	<u>-</u>	<u>(14,100)</u>	<u>-</u>	<u>(664,100)</u>
Carrying amounts:								
Balance at December 31, 2015	₩ <u>87,379,275</u>	<u>68,166,319</u>	<u>351,817,204</u>	<u>1,758,268</u>	<u>105,625</u>	<u>141,214,673</u>	<u>25,976,195</u>	<u>676,417,559</u>
Balance at December 31, 2016	₩ <u>87,379,275</u>	<u>66,062,436</u>	<u>472,883,903</u>	<u>1,089,257</u>	<u>595,744</u>	<u>232,870,740</u>	<u>51,743,887</u>	<u>912,625,242</u>

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13. Property and Equipment, Continued

(2) Changes in property and equipment for the year ended December 31, 2015 are as follows:

<i>(In thousands of won)</i>	<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Machinery</u>	<u>Vehicles</u>	<u>Tools</u>	<u>Construction -in-progress</u>	<u>Total</u>
Acquisition costs:								
Beginning balance	₩ 87,379,275	85,479,200	401,910,723	2,313,093	103,500	339,619,032	36,108,929	952,913,752
Acquisitions	-	-	33,567,465	92,701	97,183	56,809,011	109,769,420	200,335,780
Disposals	-	-	(8,911,162)	-	-	(5,768,500)	(98,398)	(14,778,060)
Change in exchange rates	-	325,539	1,756,879	825	-	1,272,516	6,765	3,362,524
Others	-	-	69,190,774	147,348	-	19,034,469	(119,810,521)	(31,437,930)
Ending balance	<u>87,379,275</u>	<u>85,804,739</u>	<u>497,514,679</u>	<u>2,553,967</u>	<u>200,683</u>	<u>410,966,528</u>	<u>25,976,195</u>	<u>1,110,396,066</u>
Accumulated depreciation:								
Beginning balance	-	(15,359,469)	(117,425,830)	(398,692)	(52,087)	(229,005,151)	-	(362,241,229)
Depreciation	-	(2,214,237)	(31,328,849)	(487,748)	(42,971)	(43,122,562)	-	(77,196,367)
Disposals	-	-	3,993,251	-	-	4,264,804	-	8,258,055
Change in exchange rates	-	(64,714)	(228,003)	(61)	-	(401,497)	-	(694,275)
Others	-	-	1,956	90,802	-	1,831	-	94,589
Ending balance	<u>-</u>	<u>(17,638,420)</u>	<u>(144,987,475)</u>	<u>(795,699)</u>	<u>(95,058)</u>	<u>(268,262,575)</u>	<u>-</u>	<u>(431,779,227)</u>
Accumulated impairment:								
Beginning balance	-	-	-	-	-	(1,673,613)	-	(1,673,613)
Disposals	-	-	-	-	-	184,333	-	184,333
Ending balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,489,280)</u>	<u>-</u>	<u>(1,489,280)</u>
Government Grants:								
Beginning balance	-	-	(770,000)	-	-	-	-	(770,000)
Depreciation	-	-	60,000	-	-	-	-	60,000
Ending balance	<u>-</u>	<u>-</u>	<u>(710,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(710,000)</u>
Carrying amounts:								
Balance at								
December 31, 2014	₩ <u>87,379,275</u>	<u>70,119,731</u>	<u>283,714,893</u>	<u>1,914,401</u>	<u>51,413</u>	<u>108,940,268</u>	<u>36,108,929</u>	<u>588,228,910</u>
Balance at								
December 31, 2015	₩ <u>87,379,275</u>	<u>68,166,319</u>	<u>351,817,204</u>	<u>1,758,268</u>	<u>105,625</u>	<u>141,214,673</u>	<u>25,976,195</u>	<u>676,417,559</u>

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14. Intangible Assets

(1) Changes in intangible assets for the years ended December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>		Goodwill	Trademark right	Membership	Usage rights	Operation network	Others	Total
Acquisition costs:								
Balance at January 1, 2015	₩	56,294,080	10,325,824	6,226,020	11,390,663	-	84,021,479	168,258,066
Acquisitions		-	7,395	-	-	-	13,877,905	13,885,300
Disposals		(353,696)	-	-	(22,959)	-	(655,758)	(1,032,413)
Change in exchange rates		-	-	-	-	-	(11,084)	(11,084)
Others		-	1,469,181	-	279,650	-	29,965,750	31,714,581
Balance at December 31, 2015		55,940,384	11,802,400	6,226,020	11,647,354	-	127,198,292	212,814,450
Acquisitions		-	15,344	1,175,300	-	-	17,785,222	18,975,866
Disposals		-	(9,798)	-	-	-	(816,266)	(826,064)
Change in scope of consolidation(*)		697,878,915	-	-	-	199,625,857	31,262,141	928,766,913
Change in exchange rates		(99,921,611)	-	-	-	(29,970,107)	(5,475,848)	(135,367,566)
Others		-	70,104	-	-	-	7,194,294	7,264,398
Replacement of assets held for sale		-	-	-	-	-	(11,757,921)	(11,757,921)
Balance at December 31, 2016		653,897,688	11,878,050	7,401,320	11,647,354	169,655,750	165,389,914	1,019,870,076
Accumulated amortization and impairment:								
Balance at January 1, 2015		-	(9,450,101)	(790,217)	(8,049,608)	-	(49,261,119)	(67,551,045)
Amortization		-	-	-	(955,156)	-	(30,369,547)	(31,324,703)
Disposals		-	-	-	17,609	-	610,900	628,509
Change in exchange rates		-	-	-	-	-	(20,479)	(20,479)
Balance at December 31, 2015		-	(9,450,101)	(790,217)	(8,987,155)	-	(79,040,245)	(98,267,718)
Amortization		-	-	-	(989,975)	(11,193,789)	(18,545,615)	(30,729,379)
Disposals		-	-	-	-	-	816,077	816,077
Change in scope of consolidation		-	-	-	-	-	(10,672,496)	(10,672,496)
Change in exchange rates		-	-	-	-	1,216,526	1,804,110	3,020,636
Others		-	-	-	-	-	10,993	10,993
Replacement of assets held for sale		-	-	-	-	-	8,655,295	8,655,295
Balance at December 31, 2016		-	(9,450,101)	(790,217)	(9,977,130)	(9,977,263)	(96,971,881)	(127,166,592)
Carrying amounts:								
Balance at January 1, 2015	₩	56,294,080	875,723	5,435,803	3,341,055	-	34,760,360	100,707,021
Balance at December 31, 2015	₩	55,940,384	2,352,299	5,435,803	2,660,199	-	48,158,047	114,546,732
Balance at December 31, 2016	₩	653,897,688	2,427,949	6,611,103	1,670,224	159,678,487	68,418,033	892,703,484

(*) During 2016 the Group recognized goodwill as a business combination with MARS ENTERTAINMENT GROUP INC. amounting to ₩665,561 million. The Group also separately recognized identifiable intangible assets measured at fair value, which consist of operation network amounting to ₩199,626 million and others amounting to ₩9,498 million. In addition, during 2016 the Group recognized the business combination with PT Graha Layer Prima Tbk. as goodwill amounting to ₩32,317 million.

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14. Intangible Assets, Continued

(2) Impairment test

Goodwill and intangible assets that have indefinite useful lives are tested for impairment annually. The Group reviews the recoverable amount of CGU for those assets. The recoverable amount is determined on 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>CJ CGV</u>	<u>Simuline Inc.</u>	<u>UVD Enterprise Ltd.</u>	<u>CJ CGV VIETNAM CO., LTD.</u>	<u>MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.</u>
Discount rate	5.68	5.42	19.62	10.90	11.40
Terminal value growth rate	-	-	1.00	1.00	2.90

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

The future cash flows were estimated based on the nature of industry in which the Group operates for the next five years after 2016. The cash flow projections were estimated based on historical experience, actual operating results and the Group's business plan.

The estimated recoverable amount of CGU which the related goodwill has been allocated considering the Group's ownership exceeds its carrying amount by ₩2,073 million. Management has confirmed that if the terminal value growth rate declines by 0.02%, the estimated recoverable amount may be equal to the carrying amount. Management has adopted a terminal value growth rate that is below the long-term average growth rate of the country and industry for estimating the recoverable amount.

- (3) Total research and development cost recognized in profit or loss for the years ended December 31, 2016 and 2015 are ₩3,070 million and ₩1,966 million, respectively. They are recognized as Selling, general and administrative expenses in profit or loss for the years ended December 31, 2016 and 2015.

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15. Other Financial Liabilities

(1) Other financial liabilities as of December 31, 2016 and 2015 are as follows:

(In thousands of won)

	2016		2015	
	Current	Non-current	Current	Non-current
Accrued expenses	₩ 25,831,481	-	14,667,160	-
Finance lease liabilities	17,897,607	15,674,903	132,041	52,982
Leasehold deposits received	1,501,413	645,853	2,475,399	422,000
Present value discount	-	-	(35,229)	-
Derivative financial liabilities	-	110,926	-	112,733
	₩ 45,230,501	16,431,682	17,239,371	587,715

(2) Leasehold deposits received which were measured at present value as of December 31, 2016 and 2015 are as follows:

(In thousands of won)

	Effective interest rate (%)	Nominal values	Discounted present value	Present value discount
December 31, 2016	-	₩ 2,147,266	2,147,266	-
December 31, 2015	5.3	2,897,399	2,862,170	(35,229)

(3) Finance lease

① Finance lease contract

As of December 31, 2016 and 2015, the Group leases tools under a finance lease contract with IMAX Corp., and the related assets and liabilities are recorded in the consolidated financial statements.

② The assets related to finance lease contract as of December 31, 2016 and 2015 are as follows:

(In thousands of won)

	2016	2015
Acquisition costs	₩ 95,124,201	12,787,864
Accumulated depreciation	(51,559,039)	(10,271,862)
Carrying amount	₩ 43,565,162	2,516,002

③ The present value and future minimum lease payments in accordance with the lease contract as of December 31, 2016 and 2015 are as follows:

(In thousands of won)

	2016			2015		
	Future minimum lease payments	Interest	Present value	Future minimum lease payments	Interest	Present value
Less than one year	₩ 20,805,955	(2,908,348)	17,897,607	141,603	(9,562)	132,041
One to five years	19,118,668	(3,443,765)	15,674,903	55,229	(2,247)	52,982
	₩ 39,924,623	(6,352,113)	33,572,510	196,832	(11,809)	185,023

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16. Other Current Liabilities and Other Non-current Liabilities

- (1) Other current liabilities and other non-current liabilities as of December 31, 2016 and 2015 are as follows:

(In thousands of won)

	2016		2015	
	Current	Non-current	Current	Non-current
Deposit received	₩ 11,488,048	-	8,865,285	-
Value added tax withheld	7,427,038	-	6,581,526	-
Advance received	65,683,774	-	66,753,535	-
Unearned revenue	20,290,765	2,971,384	3,051,606	264,787
Liabilities for employee benefits	21,385,233	532,855	16,994,201	403,672
Deferred revenues	1,624,634	14,628,291	-	13,277,699
Provision for mileage points	-	908,951	-	961,335
Provision for warranties	223,678	-	202,633	-
Other provision	-	5,349,566	164,535	4,600,000
	₩ 128,123,170	24,391,047	102,613,321	19,507,493

- (2) Deferred revenues

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

The fair value of award credits not yet redeemed under the customer loyalty program as of December 31, 2016 and 2015 are ₩16,253 million and ₩13,278 million, respectively.

- (3) Provision for mileage points

(In thousands of won)

	2016	2015
Balance at the beginning of the year	₩ 961,335	943,591
Increase	3,688,475	2,958,245
Decrease	(3,428,137)	(2,940,501)
Replacement of liabilities held for sale	(312,722)	-
Balance at the end of the year	₩ 908,951	961,335

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.

- (4) Provision for warranties

(In thousands of won)

	2016	2015
Balance at the beginning of the year	₩ 202,633	76,913
Increase	178,719	200,915
Decrease	(157,674)	(75,195)
Balance at the end of the year	₩ 223,678	202,633

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

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2016 and 2015

17. Debt

The contract information of interest bearing debt measured at amortized cost as of December 31, 2016 and 2015 are as follows. The detailed information of interest, exchange rate and liquidity risk are described in note 4.

(1) Debt as of December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>		2016	2015
Current liabilities:			
Short-term borrowings			
Local currency short-term borrowings	₩	102,268,000	14,945,350
Foreign currency short-term borrowings		110,232,661	52,111,379
		<u>212,500,661</u>	<u>67,056,729</u>
Current portion of long-term borrowings			
Current portion of local currency long-term borrowings			
		1,814,024	20,222,288
Current portion of foreign currency long-term borrowings			
		34,985,407	8,789,989
		<u>36,799,431</u>	<u>29,012,277</u>
Current portion of long-term debentures			
		99,951,113	29,965,660
	₩	<u>349,251,205</u>	<u>126,034,666</u>
Non-current liabilities:			
Debentures			
	₩	149,691,446	249,417,549
Long-term borrowings			
Local currency long-term borrowings			
		321,801,019	26,913,994
Foreign currency long-term borrowings			
		216,600,715	176,782,204
		<u>538,401,734</u>	<u>203,696,198</u>
	₩	<u>688,093,180</u>	<u>453,113,747</u>

(2) Short-term borrowings as of December 31, 2016 and 2015 are as follows:

① Local currency

(In thousands of won)

Lender	Types of borrowing	Maturity date	Interest rate (%)		2016	2015
The Export-Import Bank of Korea	Overdraft	2017.06.23	3.94	₩	7,968,000	7,600,000
Korea Development Bank	Working capital	2017.12.15	3.71		4,100,000	4,100,000
Korea Development Bank	Overdraft	2017.10.13	Short-term limit loan interest rate + 2.35		200,000	10,000
Shinhan Bank(*)	Working capital	2017.11.23	CD + 0.8%		50,000,000	-
Shinhan Bank	Working capital	2016.07.08	11.64		-	940,000
KEB Hana Bank	Working capital	2016.05.01	5.80		-	1,000,000
Kookmin Bank	Purchase loan	2016.10.29	6.73		-	766,020
Kookmin Bank	Working capital	2016.10.29	6.66		-	529,330
Kookmin Bank	Facilities capital	2017.11.23	2.64		40,000,000	-
				₩	<u>102,268,000</u>	<u>14,945,350</u>

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17. Debt, Continued

(2) Short-term borrowings as of December 31, 2016 and 2015 are as follows, continued:

(*) As of December 31, 2016, the Group has entered into an interest swap contract in order to control the risk of being exposed to changes in interest rates on borrowings. As the interest swap contract is not classified as a hedging derivative instrument, the Group recognized gain on valuation of derivative financial instrument amounting to ₩13 million in profit or loss for the year ended December 31, 2016.

② Foreign currency

(In thousands of won, except foreign currency)

Lender	Purpose of borrowing	Maturity date	Interest rate (%)		2016	2015
HSBC	Working capital	2017.01.11 ~ 2017.01.19	1M Hibor + 1.75	₩	8,810,376 (HKD 56,538,380)	11,148,366 (HKD 73,727,703)
HSBC	Working capital	2016.04.02	4.90		-	1,461,600 (VND 28,000,000,000)
HSBC	Working capital	2017.01.02	11.70		22,283,300 (TRY 65,000,000)	-
KEB Hana Bank	Working capital	2017.07.21	3M HIBOR + 1.40		14,281,819 (HKD 91,650,000)	13,858,396 (HKD 91,650,000)
KEB Hana Bank	Working capital	2017.03.10	3M LIBOR + 1.80		2,430,948 (USD 2,000,000)	-
KEB Hana Bank	Working capital	2017.05.21	1M LIBOR + 0.70		2,537,850 (USD 2,100,000)	3,281,600 (USD 2,800,000)
Star (HK) Industrial	Repurchase agreement	2017.12.31	-		2,598,899 (RMB 15,000,000)	2,677,231 (RMB 15,000,000)
Shinhan Bank	Working capital	2017.10.13	3M LIBOR + 1.10		1,087,650 (USD 900,000)	351,600 (USD 300,000)
Shinhan Bank	Working capital	2017.01.25	3M MFC + 1.80		2,920,500 (VND 55,000,000,000)	7,830,000 (VND 150,000,000,000)
Shinhan Bank	Working capital	2017.01.20 ~ 2017.03.10	3M LIBOR + 1.20		8,508,318 (USD 7,000,000)	-
Shinhan Bank	Working capital	2017.10.31	3M LIBOR + 1.40		4,807,618 (USD 4,000,000)	-
Standard Chartered Bank Korea Limited	Working capital	2017.01.26	COF + 1.30		637,200 (VND 12,000,000,000)	3,027,600 (VND 58,000,000,000)
Woori Bank	Working capital	2017.01.27 ~ 2017.03.28	3M LIBOR + 1.25		15,603,891 (USD 12,837,700)	-
CJ America, Inc.	Working capital	2017.12.31	1.80		13,536,604 (USD 11,201,161)	-
Associates(*)	Working capital	2017.12.31	3.20		10,187,688 (RMB 58,800,000)	8,474,986 (RMB 47,484,232)
				₩	<u>110,232,661</u>	<u>52,111,379</u>

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

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For the years ended December 31, 2016 and 2015

17. Debt, Continued

(3) Debentures as of December 31, 2016 and 2015 are as follows:

(In thousands of won)

Lender	Maturity date	Interest rate (%)	2016	2015
Hanwha Investment & Securities Co., Ltd.	2016.10.25	3.21	₩ -	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	50,000,000
Mirae Asset Daewoo Co., Ltd	2020.11.27	2.54	50,000,000	50,000,000
			250,000,000	280,000,000
Less: discount			(357,441)	(616,791)
Less: current portion of long-term debentures			(99,951,113)	(29,965,660)
			₩ 149,691,446	249,417,549

(4) Long-term borrowings as of December 31, 2016 and 2015 are as follows:

① Local currency

(In thousands of won)

Lender	Maturity date	Interest rate (%)	2016	2015
Hyundai Securities Co., Ltd.	2016.10.14	2.92	₩ -	20,000,000
Shinhan Bank	2018.11.19	CD + 1.12%	10,000,000	10,000,000
Industrial & Commercial Bank of China	2019.10.25	2.50	30,000,000	-
Agricultural Bank of China	2019.10.25	2.50	30,000,000	-
Bank of China	2019.10.25	2.50	30,000,000	-
The Export-Import Bank of Korea	2021.11.22	2.43	200,000,000	-
Shinhan Capital Co., Ltd.	2017.01.25	4.40		
	~ 2019.03.25		1,363,864	1,148,034
Kookmin Bank(*)	2018.11.19	CD + 0.98%	16,000,000	16,000,000
Shinhan Capital Co., Ltd.	2017.01.25	5.06		
	~ 2019.04.25		6,590,371	-
			323,954,235	47,148,034
Less: discount			(339,192)	(11,752)
Less: current portion of long-term borrowings			(1,814,024)	(20,222,288)
			₩ 321,801,019	26,913,994

(*) As of December 31, 2016, the Group has entered into an interest swap contract in order to control the risk of being exposed to changes in interest rates on borrowings. As the interest swap contract is not classified as a hedging derivative instrument, the Group recognized gain on valuation of derivative financial instrument amounting to ₩2 million in profit or loss for the year ended December 31, 2016.

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

For the years ended December 31, 2016 and 2015

17. Debt, Continued

(4) Long-term borrowings as of December 31, 2016 and 2015 are as follows, continued:

② Foreign currency

(In thousands of won, except foreign currency)

Lender	Maturity date	Interest rate (%)		2016	2015
The Export-Import Bank of Korea(*)	2017.04.10 ~2019.01.10	3M LIBOR +2.09	₩	12,085,000 (USD 10,000,000)	11,720,000 (USD 10,000,000)
Korea Development Bank(*)	2017.07.09 ~2019.04.09	3M LIBOR +1.79		48,340,000 (USD 40,000,000)	46,880,000 (USD 40,000,000)
Korea Development Bank(*)	2020.10.28	3M LIBOR +1.79		12,085,000 (USD 10,000,000)	11,720,000 (USD 10,000,000)
Korea Development Bank	2018.06.12	3M LIBOR +1.73		3,605,714 (USD 3,000,000)	3,476,933 (USD 3,000,000)
Korea Development Bank	2020.11.01	3M LIBOR + 1.95		18,152,235 (USD 15,000,000)	17,648,820 (USD 15,000,000)
The Export-Import Bank of Korea	2017.01.10 ~2018.04.10	3M LIBOR +2.05		27,348,165 (USD 22,500,000)	35,159,954 (USD 30,000,000)
The Export-Import Bank of Korea	2019.12.17	3M LIBOR +1.68		24,309,480 (USD 20,000,000)	23,439,969 (USD 20,000,000)
The Export-Import Bank of Korea	2020.05.18	3M LIBOR +1.68		12,154,740 (USD 10,000,000)	11,719,985 (USD 10,000,000)
The Export-Import Bank of Korea	2020.12.16	3M LIBOR +1.95		24,309,480 (USD 20,000,000)	23,439,970 (USD 20,000,000)
Bank of America	2017.01.15 ~2018.12.15	2.88		275,872 (USD 228,276)	366,562 (USD 312,767)
Woori Bank	2020.03.31 ~2020.10.07	6.90		6,359,256 (VND 119,760,000,000)	-
Shinhan Bank	2021.04.08 ~2021.09.28	6.80		14,098,050 (VND 265,500,000,000)	-
HSBC	2019.10.19	1M HIBOR + 1.80		24,153,650 (HKD 155,000,000)	-
Korea Development Bank	2019.10.18	3M LIBOR + 1.69		24,309,480 (USD 20,000,000)	-
				251,586,122	185,572,193
Less: current portion of long-term borrowings				(34,985,407)	(8,789,989)
			₩	216,600,715	176,782,204

(*) As of December 31, 2016, the Group has entered into currency forward contracts in accordance with risk management policy, in order to control the risk of being exposed to changes in exchange rate related to principle payment of foreign currency borrowings.

Details of currency forward contracts as of December 31, 2016 are as follows:

(In won, except foreign currency)

Lender	Contractor	Notional amount	Currency forward rate	Maturity date
The Export-Import Bank of Korea	Standard Chartered	Buy USD 10,000,000	₩1,104.90	2019.01.10
Korea Development Bank	Bank Korea Limited	Buy USD 40,000,000	₩1,078.15	2019.04.09
		Buy USD 10,000,000	₩1,141.50	2020.10.28

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

For the years ended December 31, 2016 and 2015

17. Debt, Continued

(4) Long-term borrowings as of December 31, 2016 and 2015 are as follows, continued:

As the above currency forward contracts are not classified as a hedging derivative instrument, the Group recognized gain on valuation of derivative financial instrument amounting to ₩1,940 million, in profit or loss for the year ended December 31, 2016.

18. Employee Benefits

(1) Employee benefits expenses for the years ended December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>		<u>2016</u>	<u>2015</u>
Wages and salaries	₩	186,492,559	159,624,410
Expenses related to post-employment defined plans		10,560,190	9,708,365
	₩	<u>197,052,749</u>	<u>169,332,775</u>

(2) Total employee benefit liabilities as of December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>		<u>2016</u>	<u>2015</u>
Present value of defined benefit obligations	₩	61,420,822	50,131,145
Fair value of plan assets		(53,919,448)	(42,288,256)
Net defined benefit liability		<u>7,501,374</u>	<u>7,842,889</u>
Liabilities for short-term employee benefits		21,385,233	16,994,201
Liabilities for long-term employee benefits		532,855	403,672
Liabilities for long-term officer compensation expense		678,062	1,513,833
Total employee benefit liabilities	₩	<u>30,097,524</u>	<u>26,754,595</u>

The Group's defined benefit plans are administered by Woori Bank, Samsung Fire & Marine Insurance and others. The principal of its plan assets are guaranteed and the annual yield of its plan assets is 1.36% for 2016.

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

CJ CGV CO., LTD. AND SUBSIDIARIES
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18. Employee Benefits, Continued

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

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2016	2015	2016	2015	2016	2015
<i>(In thousands of won)</i>						
Balance at January 1	₩ 50,131,145	43,610,288	(42,288,256)	(33,212,655)	7,842,889	10,397,633
Change in scope of consolidation	1,479,522	-	-	-	1,479,522	-
Included in profit or loss:						
Current service cost	10,343,528	9,435,989	-	-	10,343,528	9,435,989
Interest cost (income)	1,415,342	1,263,535	(1,198,680)	(991,159)	216,662	272,376
	<u>11,758,870</u>	<u>10,699,524</u>	<u>(1,198,680)</u>	<u>(991,159)</u>	<u>10,560,190</u>	<u>9,708,365</u>
Included in other comprehensive income or loss:						
Remeasurements loss (gain):						
- Actuarial loss (gain) arising from:						
- demographic assumptions	410,179	(49,021)	-	-	410,179	(49,021)
- financial assumptions	554,927	(779,490)	-	-	554,927	(779,490)
- experience adjustment	2,555,095	2,246,507	-	-	2,555,095	2,246,507
- Return on plan assets excluding interest cost	-	-	546,037	331,750	546,037	331,750
	<u>3,520,201</u>	<u>1,417,996</u>	<u>546,037</u>	<u>331,750</u>	<u>4,066,238</u>	<u>1,749,746</u>
Other:						
Contribution paid by the employer	-	-	(13,100,000)	(11,420,000)	(13,100,000)	(11,420,000)
Benefits paid	(5,395,066)	(4,363,783)	2,258,916	1,786,854	(3,136,150)	(2,576,929)
Transfer from (to) affiliated companies	132,374	(1,232,880)	(260,055)	1,216,954	(127,681)	(15,926)
Replacement of liabilities held for sale	(122,590)	-	122,590	-	-	-
Change in exchange rates	(83,634)	-	-	-	(83,634)	-
	<u>(5,468,916)</u>	<u>(5,596,663)</u>	<u>(10,978,549)</u>	<u>(8,416,192)</u>	<u>(16,447,465)</u>	<u>(14,012,855)</u>
Balance at December 31	₩ <u>61,420,822</u>	<u>50,131,145</u>	<u>(53,919,448)</u>	<u>(42,288,256)</u>	<u>7,501,374</u>	<u>7,842,889</u>

(4) Details of plan assets as of December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	2016	2015
Deposit for severance benefit insurance	₩ 53,917,039	42,285,847
Transfer to National Pension Fund	2,409	2,409
	<u>₩ 53,919,448</u>	<u>42,288,256</u>

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18. Employee Benefits, Continued

(5) Actuarial assumptions

① Principal actuarial assumptions as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Discount rate	3.10% ~ 8.46%	3.10% ~ 3.30%
Future salary growth	4.02% ~ 10.00%	3.75% ~ 6.13%

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

At December 31, 2016, the weighted-average duration of the defined benefit obligation was 5.32 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	₩	(3,079,560)
	1% decrease		3,457,083
Future salary growth	1% increase		3,450,850
	1% decrease		(3,131,393)

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

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19. Commitments and Contingencies

(1) Borrowing agreements with financial institutions as of December 31, 2016 are as follows:

		Local Currency				Foreign Currency	
		Overdraft	General	Bill discounting	Business purchase card	Total	Overseas investment
KEB Hana Bank	₩	2,000,000	2,000,000	-	3,000,000	7,000,000	USD 14,000,000 HKD 91,650,000
Woori Bank		3,000,000	30,000,000	-	13,000,000	46,000,000	USD 20,000,000 VND 219,020,000,000
Shinhan Bank		-	15,000,000	50,000,000	10,000,000	75,000,000	USD 14,000,000 VND 640,000,000,000
Standard Chartered Bank Korea Limited		-	4,500,000	-	-	4,500,000	USD 10,000,000
Meritz Securities		-	-	30,000,000	-	30,000,000	-
Kookmin Bank		10,000,000	56,000,000	-	-	66,000,000	-
Citibank Korea		-	-	-	-	-	USD 10,000,000
Korea Development Bank		-	5,000,000	-	-	5,000,000	USD 88,000,000
The Export-Import Bank of Korea		-	14,000,000	200,000,000	-	214,000,000	USD 82,500,000 USD 30,000,000 RMB 66,785,000
HSBC		-	-	-	-	-	TRY 90,000,000
Bank of America		-	-	-	-	-	USD 15,000,000
IS Bank		-	-	-	-	-	TRY 30,000,000
Shinhan Capital Co., Ltd.		-	10,000,000	-	-	10,000,000	-
Bank of China		-	30,000,000	-	-	30,000,000	-
Agricultural Bank of China		-	30,000,000	-	-	30,000,000	-
Industrial & Commercial Bank of China		-	30,000,000	-	-	30,000,000	-
							USD 283,500,000 VND 859,020,000,000 HKD 91,650,000 RMB 66,785,000 TRY 120,000,000
	₩	<u>15,000,000</u>	<u>226,500,000</u>	<u>280,000,000</u>	<u>26,000,000</u>	<u>547,500,000</u>	

(2) As of December 31, 2016, the Group is involved in 11 lawsuits as a plaintiff for alleged damages of ₩1,903 million in aggregate, and 76 lawsuits as a defendant for alleged damages of ₩4,542 million in aggregate. In terms of the lawsuit as a defendant with Korean Film Producers Association, the Group partially lost the first trial (the amount of claim: ₩2,453 million), but won the case in the second trial which was held during January 2015. Currently, the third trial is in progress.

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

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19. Commitments and Contingencies, Continued

(3) Payment guarantee

① Details of guarantees which the Group has provided as of December 31, 2016 are as follows:

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

Companies	Guarantee recipient	Guarantees	Guarantee type	Beneficiary		
CJ CGV Co., Ltd.	CGI Holdings Ltd.	USD 20,000,000	Credit-line guarantee	Woori Bank Hong Kong		
		HKD 91,650,000		KEB Hana Bank		
		USD 10,000,000		Hong Kong		
		RMB 66,785,000		HSBC		
		USD 20,000,000		The Export-Import Bank of Korea		
		USD 72,500,000		Shinhan Bank Hong Kong		
		USD 10,000,000		Bank of America		
		USD 10,000,000		Korea Development Bank		
		USD 20,000,000		Shinhan Bank Vietnam		
		CJ CGV VIETNAM CO., LTD.		VND 640,000,000,000	VND 640,000,000,000	Standard Chartered Bank Vietnam
					USD 10,000,000	HSBC Vietnam
					USD 10,000,000	Korea Development Bank Vietnam
					USD 15,000,000	Woori Bank Vietnam
VND 219,020,000,000	KEB Hana Bank					
CJ CGV America, Inc. CJ 4DX (Beijing) Cinema Technology Co., Ltd. CJ 4DPLEX AMERICA, INC. MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC. PT Layer Persada CJ CGV America LA, LLC.	CJ CGV America, Inc. CJ 4DX (Beijing) Cinema Technology Co., Ltd. CJ 4DPLEX AMERICA, INC. MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC. PT Layer Persada CJ CGV America LA, LLC.	USD 4,000,000	Guarantee on lease contracts	Korea Development Bank		
		USD 3,000,000		Shinhan Bank USA		
		USD 4,000,000		Citibank Korea		
		USD 10,000,000		HSBC		
		TRY 90,000,000		IBK Capital, etc		
		80,000,000		KEB Hana Bank		
		USD 30,000,000		MADANG, LLC.		
		-				
CJ 4DPlex Co., Ltd.	CJ 4DPLEX AMERICAS, LLC.	USD 3,500,000	Payment fulfillment	KEB Hana Bank		

② The Group is provided with payment guarantee of ₩65,795 million from Seoul Guarantee Insurance Company related to the performance of contracts.

(4) The Group made a leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 2nd 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 ₩7,513 million and long-term other payables of ₩23,404 million, as of December 31, 2016.

(5) The Group has an outstanding purchase commitment for the acquisition of the leasehold deposit, which was transferred according to the leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 2nd during 2015, at fair value in August 28, 2018. The Group holds interest rate forwards to hedge the risk of changes in the fair value of leasehold deposit at the time of repurchase and has recognized gain on valuation of derivative financial assets amounting to ₩609 million as finance income in the statement of comprehensive income.

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19. Commitments and Contingencies, Continued

- (6) The Parent 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 CJ 4DPlex Co., Ltd. (formerly, Simuline Inc.,) a subsidiary of the Parent Company during 2015. According to the contract, the Parent 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.
- (7) The Parent Company has made a total return swap contract with the non-controlling shareholder of Bosphorus Investment Co., Ltd., a subsidiary of the Parent Company. According to the contract, the Parent Company should settle the difference derived from the change in the fair value of the interest of Bosphorus Investment Co., Ltd. owned by non-controlling shareholder, when the non-controlling shareholder sells this interest to a third-party.

20. Share Capital

Share capital as of December 31, 2016 and 2015 are as follows:

<i>(In won, except share data)</i>	<u>2016</u>	<u>2015</u>
Number of shares authorized	100,000,000	100,000,000
Par value per share	₩ 500	500
Number of shares issued	<u>21,161,313</u>	<u>21,161,313</u>
Share capital	<u>₩ 10,580,656,500</u>	<u>10,580,656,500</u>

21. Capital Surplus

Capital surplus as of December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Additional paid-in capital	₩ 67,150,745	67,150,745
Gain on sales of treasury stock	<u>22,006,500</u>	<u>22,006,500</u>
	<u>₩ 89,157,245</u>	<u>89,157,245</u>

22. Retained Earnings

(1) Retained earnings as of December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Legal reserve	₩ 11,612,007	10,871,361
Voluntary reserve	8,410,000	8,410,000
Unappropriated retained earnings	<u>309,838,681</u>	<u>308,567,792</u>
	<u>₩ 329,860,688</u>	<u>327,849,153</u>

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For the years ended December 31, 2016 and 2015

22. Retained Earnings, Continued

(1) Retained earnings as of December 31, 2016 and 2015 are as follows, continued:

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

(2) Changes in retained earnings for the years ended December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Beginning balance	₩ 327,849,153	284,631,794
Dividends	(7,406,460)	(7,406,460)
Net income	5,621,660	52,199,239
- Less: Non-controlling interests	6,716,471	(255,332)
Owners of the Parent Company	12,338,131	51,943,907
Remeasurement loss of defined benefit plan	(2,920,136)	(1,320,088)
Ending balance	<u>₩ 329,860,688</u>	<u>327,849,153</u>

23. Other Capital

(1) Other capital as of December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Other capital surplus	₩ 758,079	758,079
Capital adjustments	(9,932,111)	(7,506,936)
Accumulated other comprehensive income (loss)	(46,839,461)	240,866
	<u>₩ (56,013,493)</u>	<u>(6,507,991)</u>

(2) Capital adjustments as of December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Other capital adjustments	₩ (9,932,111)	(7,506,936)

(3) Accumulated other comprehensive income (loss) as of December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Gain (loss) on valuation of available-for-sale financial assets	₩ (146,716)	68,851
Foreign currency translation difference for foreign operations	(47,261,284)	(461,937)
Change in equity of equity method investments	568,539	633,952
	<u>₩ (46,839,461)</u>	<u>240,866</u>

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24. Hybrid Instruments

Hybrid instruments as of December 31, 2016 and 2015 are as follows:

(In thousands of won)

Subsidiaries		₩	Total face amount		Interest rate (%)	Maturity date	Right to request early redemption
			2016	2015			
CJ 4DPlex Co., Ltd. (formerly, Simuline Inc.,)	Unsigned non-guaranteed subordinated convertible bonds	₩	15,000,000	15,000,000	3.20%	2045.08.24	Procession
MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	Hybrid loan		80,000,000	-	4.70%	2046.10.27	Procession

As the Group has the right to exercise early redemption after certain periods of the issuance date, to extend the maturity under the same conditions at the date of maturity and to cease the payment of whole or partial interest without any restriction, it classified these hybrid instruments as equity. The Group recorded these hybrid instruments as non-controlling interest as the Group was substantially not obligated to pay the principal and interest of these hybrid instruments.

25. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2016 and 2015 are as follows:

(In thousands of won)

		2016	2015
Salaries	₩	171,223,448	142,397,318
Employee benefits		9,493,459	7,970,538
Other employee benefits		31,890,327	19,815,517
Supplies		10,380,277	10,208,137
Travel		8,284,165	7,478,639
Rent		151,393,388	109,854,622
Depreciation		5,929,476	5,862,136
Amortization		16,995,207	7,858,771
Advertising		18,423,659	14,822,255
Sales promotion		9,487,236	8,618,233
Maintenance expenses for buildings		85,645,264	66,453,285
Commission		95,664,552	88,829,527
Other expenses		44,451,390	34,920,288
	₩	<u>659,261,848</u>	<u>525,089,266</u>

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26. Nature of Expenses

Details of nature of expenses for the years ended December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>		<u>2016</u>	<u>2015</u>
Changes in inventories	₩	95,852,229	76,117,481
Salaries		186,492,559	159,624,410
Employee benefits		10,560,190	9,708,365
Other employee benefits		33,572,784	21,641,290
Supplies		10,752,551	10,208,137
Rent		152,102,307	111,388,658
Depreciation		101,981,874	77,554,821
Amortization		30,729,379	31,324,703
Maintenance expenses for buildings		85,736,842	66,917,356
Commission		99,496,028	90,823,523
Other expenses		555,546,129	472,247,043
Total(*)	₩	<u>1,362,822,872</u>	<u>1,127,555,787</u>

(*) The amount is the sum of cost of sales, selling, general and administrative expenses and development expenses (₩914,180 million) in the statement of comprehensive income.

27. Other Non-operating Income and Expenses

(1) Details of other non-operating income for the years ended December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>		<u>2016</u>	<u>2015</u>
Reversal of other bad debt expenses	₩	-	35,693
Gain on disposal of other financial assets		-	1,398,932
Reversal of other provisions		-	23,000
Gain on disposal of property and equipment		60,234	8,864
Gain on disposal of investment property		310,294	-
Commission income		970,789	650,517
Rental income		32,892	70,269
Miscellaneous income		9,546,123	9,047,138
	₩	<u>10,920,332</u>	<u>11,234,413</u>

(2) Details of other non-operating expenses for the years ended December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>		<u>2016</u>	<u>2015</u>
Other bad debt expenses	₩	784,565	-
Loss on disposal of property and equipment		1,263,094	6,219,886
Loss on disposal of intangible assets		9,987	403,904
Loss on disposal of investment property		1,366,852	-
Loss on disposal of other financial assets		-	98,121
Loss on disposal of inventories		-	26,679
Donations		3,364,966	2,832,553
Miscellaneous loss		16,229,941	3,015,592
	₩	<u>23,019,405</u>	<u>12,596,735</u>

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28. Financial Instruments Income and Costs by Categories

- (1) Financial instruments income by categories for the years ended December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Interest income:		
Cash and cash equivalents	₩ 1,981,128	1,801,860
Loans and receivables	1,482,200	1,248,998
Foreign currency transaction gain:		
Cash and cash equivalents	1,223,414	818,412
Loans and receivables	813,808	1,161,864
Financial liabilities recognized at amortized cost	123,958	63,838
Foreign currency translation gain:		
Cash and cash equivalents	1,803,177	1,015,327
Loans and receivables	1,670,746	993,166
Financial liabilities recognized at amortized cost	3,798,438	685,837
Dividends	28,815	-
Gain on disposal of short-term financial instruments	-	434
Gain on disposal of available-for-sale financial assets	277,976	-
Gain on valuation of derivative financial assets	2,647,945	13,101,114
Gain on transaction of derivative financial assets	4,860,921	5,085,709
	₩ <u>20,712,526</u>	<u>25,976,559</u>
Other comprehensive income:		
Gain on valuation of available-for-sale financial assets	₩ 1,174	-

- (2) Financial instruments costs by categories for the years ended December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Interest expense:		
Financial liabilities recognized at amortized cost	₩ 35,579,284	18,896,561
Foreign currency transaction loss:		
Cash and cash equivalents	1,658,419	66,733
Loans and receivables	478,589	2,418,920
Financial liabilities recognized at amortized cost	154,160	139,689
Foreign currency translation loss:		
Cash and cash equivalents	434,284	181,751
Loans and receivables	643,192	640,175
Financial liabilities recognized at amortized cost	12,697,305	4,138,742
Loss on disposal of available-for-sale financial assets	2,625	497
Impairment losses on available-for-sale financial assets	-	10,085
Loss on valuation of derivative financial assets	-	112,733
Loss on transaction of derivative financial assets	3,764,369	61,458
	₩ <u>55,412,227</u>	<u>26,667,344</u>
Other comprehensive income:		
Loss on valuation of available-for-sale financial assets	₩ -	113,753

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For the years ended December 31, 2016 and 2015

29. Income Tax Expense

- (1) The component of income tax expense for the years ended December 31, 2016 and 2015 are as follows:

(In thousands of won)

	<u>2016</u>	<u>2015</u>
Current tax expense	₩ 17,393,166	17,845,874
Adjustment for prior years	(1,656,714)	(585,952)
Origination and reversal of temporary differences	(4,730,581)	2,671,848
Changes in deferred tax due to tax deficit	534,276	(1,554,607)
Changes in deferred tax due to tax credits carryforward	(169,010)	1,789,691
Income tax recognized directly in equity	971,209	420,576
Total income tax expense	₩ <u>12,342,346</u>	<u>20,587,430</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 Group utilized current taxable income over the utilization threshold under Cash Reserve Taxation during 2016.

- (2) Income taxes recognized directly in other comprehensive income (loss) for the years ended December 31, 2016 and 2015 are as follows:

(In thousands of won)

	<u>2016</u>		<u>2015</u>	
	<u>Other comprehensive income (loss)</u>	<u>Deferred tax assets (liabilities)</u>	<u>Other comprehensive income (loss)</u>	<u>Deferred tax assets (liabilities)</u>
Gain (loss) on valuation of available-for-sale financial assets	₩ 1,174	-	(113,753)	-
Remeasurement loss of defined benefit plan	(4,090,354)	971,209	(1,749,746)	420,576
Change in equity of equity method investments	(65,413)	-	(37,450)	-
	₩ <u>(4,154,593)</u>	<u>971,209</u>	<u>(1,900,949)</u>	<u>420,576</u>

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29. Income Tax Expense, Continued

(3) Reconciliation of effective tax rate for the years ended December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Income before income taxes	₩ 17,964,006	72,786,668
Income tax expense using the Group's statutory tax rate	3,916,321	17,152,374
Adjustments:		
- Non-deductible expense	1,853,774	915,763
- Non-taxable income	(739,487)	(4,781)
- Tax credit	-	(34,143)
- Unrecognized deferred tax on temporary differences	282,936	1,771,815
- Adjustments for prior years	(1,656,714)	(585,952)
- Others	8,685,516	1,372,354
Income tax expenses	₩ <u>12,342,346</u>	<u>20,587,430</u>
Average effective tax rate	68.71%	28.28%

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29. Income Tax Expense, Continued

- (4) Changes in deferred income tax assets (liabilities) for the year ended December 31, 2016 are as follows:

(In thousands of won)

		2016		
		Temporary differences	Deferred tax assets (liabilities)	
		Ending balance	Beginning balance	Ending balance
Investments in associates	₩	(5,977,574)	(2,371,194)	(1,428,131)
Allowance for doubtful accounts		5,033,642	626,724	1,174,255
Accrued retirement and severance benefits		8,128,266	754,454	1,842,887
Depreciation		(12,612,246)	1,061,471	(2,718,294)
Amortization		7,786,113	1,214,828	1,671,262
Gain (loss) on valuation of derivative financial instruments		(1,924,096)	(1,045,692)	(465,631)
Loss on valuation of inventories		283,509	80,279	62,372
Impairment loss on intangible assets		790,219	191,233	191,233
Accrued income		(124,156)	(25,592)	(30,032)
Accrued expenses		5,868,400	204,041	931,778
Foreign currency translation		(133,473)	(25,631)	(29,364)
Goodwill		(2,870,644)	(694,696)	(694,696)
Lands		(50,520,278)	(12,784,587)	(12,225,907)
Other provision		4,750,000	1,113,200	1,149,500
Other intangible assets		(166,335,492)	(389,321)	(33,333,372)
Others		1,701,442	(1,542,086)	570,224
		(206,156,368)	(13,632,569)	(43,331,916)
Tax loss carryforward		14,168,470	3,750,644	3,216,369
Tax credits carryforward		-	3,500,734	830,238
		(191,987,898)	(6,381,191)	(39,285,309)
Unrecognized deferred tax assets(*)			(3,531,328)	(95,202)
	₩		(9,912,519)	(39,380,511)

- (*) Deferred tax assets of ₩95 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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29. Income Tax Expense, Continued

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

(In thousands of won)

		2015		
		Temporary differences	Deferred tax assets (liabilities)	
		Ending balance	Beginning balance	Ending balance
Investments in associates	₩	(11,420,288)	(1,004,326)	(2,371,194)
Allowance for doubtful accounts		2,593,248	1,005,827	626,724
Accrued retirement and severance benefits		3,429,338	628,944	754,454
Depreciation		7,653,467	479,538	1,061,471
Amortization		5,694,095	821,056	1,214,828
Gain (loss) on valuation of derivative financial instruments		(4,321,046)	(51,771)	(1,045,692)
Loss on valuation of inventories		364,905	80,528	80,279
Impairment loss on intangible assets		790,219	192,640	191,233
Accrued income		(107,237)	(28,168)	(25,592)
Accrued expenses		1,124,006	155,173	204,041
Foreign currency translation		(116,504)	(17,808)	(25,631)
Goodwill		(2,870,644)	(694,696)	(694,696)
Lands		(52,828,873)	(12,784,587)	(12,784,587)
Other provision		4,600,000	1,902,205	1,113,200
Other intangible assets		(1,557,285)	(447,276)	(389,321)
Others		(5,976,421)	456,545	(1,542,086)
		(52,949,020)	(9,306,176)	(13,632,569)
Tax loss carryforward		17,048,383	5,337,211	3,750,644
Tax credits carryforward		-	2,421,120	3,500,734
		(35,900,637)	(1,547,845)	(6,381,191)
Unrecognized deferred tax assets(*)			(5,457,742)	(3,531,328)
	₩		(7,005,587)	(9,912,519)

- (*) Deferred tax assets of ₩3,531 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, 2016, tax effects of temporary differences are calculated by expected tax rate of the fiscal year when the temporary differences are expected to reverse.
- (7) The aggregate amounts of deferred tax assets and liabilities as of December 31, 2016 and 2015 are as follows:

(In thousands of won)

		2016	2015
Deferred tax assets	₩	6,022,051	7,456,972
Deferred tax liabilities		(45,402,562)	(17,369,491)
	₩	(39,380,511)	(9,912,519)

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30. Earnings per Share

(1) Basic earnings per share

Basic earnings per share for the years ended December 31, 2016 and 2015 are calculated as follows:

<i>(In won, except share information)</i>	2016	2015
Profit attributable to owners of the Parent Company	₩ 12,338,131,271	51,943,906,729
Weighted average number of ordinary shares	21,161,313	21,161,313
Basic earnings per share	₩ 583	2,455

(2) Diluted earnings per share

As there were no dilutive potential ordinary shares for the years ended December 31, 2016 and 2015, the diluted earnings per share is equal to the basic earnings per share.

31. Disposal Group Held for Sale

The Group decided to hand over CJ ONE project to CJ Olivenetworks Co., Ltd. by decision of the Board of Directors on April 4, 2016, and the disposal is expected by January 2017.

Assets and liabilities held for sale as of December 31, 2016 are as follows:

(In thousands of won)

	2016
Property and equipment	₩ 784,264
Intangible assets	3,102,626
Other current financial assets	902,860
Other current assets	37,500
Assets held for sale	₩ 4,827,250
Other current financial liabilities	₩ 1,171,102
Other current liabilities	3,360,336
Employee benefits	2,307
Other non-current liabilities	312,722
Liabilities held for sale	₩ 4,846,467

Assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

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32. Related Parties

(1) Parent company and subsidiaries

① The Group's ultimate parent company is CJ Corp. and the Group's subsidiaries as of December 31, 2016 are as follows:

Location	Subsidiaries	
Korea / China United States / Hong Kong	CJ 4DPlex Co., Ltd.	CJ 4DX (Beijing) Cinema Technology Co., Ltd. CJ 4DPLEX AMERICA, INC. CJ 4DPLEX AMERICAS, LLC. SIMULINE(HONG KONG) LIMITED
United States Hong Kong / China	CJ CGV America, Inc. CGI Holdings Ltd.	CJ CGV America LA, LLC. 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. Guangzhou CGV Cinema Co., Ltd. Zunyi CGV Cinema Co., Ltd. CGV (HaiKou) Cinema Co., Ltd. CJ CGV VIETNAM CO., LTD.
British Virgin Islands / Vietnam Singapore	Envoy Media Partners Ltd. Cross Junction Investment Co., Pte. Ltd. Crown Jade Company Pte. Ltd.	- - -

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32. Related Parties, Continued

(1) Parent company and subsidiaries, continued

① The Group's ultimate parent company is CJ Corp. and the Group's subsidiaries as of December 31, 2016 are as follows, continued:

Location	Subsidiaries	
Korea / Turkey	Bosphorus Investment Co., Ltd.	MARS ENTERTAINMENT GROUP INC. MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.
Hong Kong	IKT Holdings Limited Wisely Act Limited	- JAVA Investment Limited KSAMO Holdings Limited KTM Investment Limited APOLLON Investment Limited
	EWIGEN FRIEDEN LIMITED	Beyond the limit Limited Coruscant Anglo Capital Limited Dickinson & Hansen Limited Great Golden China Limited
Indonesia	PT Graha Layar Prima Tbk.	PT Graha Layar Mitra

② Related parties which have transactions or outstanding balances with the Group as of December 31, 2016 are as follows:

Relationship	Name
Associates	SSV Contents Investment Association CJ VIETNAM COMPANY LIMITED Foshan XingXing CJ Cinema Co., Ltd. IBK Finance Group Union Contents Investment Fund
Joint ventures	D-Cinema Korea Co., Ltd. CJ XingXing (TJ) International Cinema Co., Ltd. Myanmar Cineplex Co., Ltd. ChangSha CJ XingXing Cinema Co., Ltd. Zhongshan CJ Xingxing Cinema Co., Ltd. Ningbo Culture Plaza CJ Cinema Co., Ltd. CJ Xingxing (Shanghai) Cinema Co., Ltd. CJ Xingxing (FSH) Cinema Co., Ltd. Wuhan CJ XingXing Tiandi Cinema Co., Ltd. Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd. Beijing CJ Xingxing Olympic International Cinema Co., Ltd. Shanghai Shangying CGV Cinema Co., Ltd.
Other related companies	CJ Cheiljedang Corp. CJ HealthCare Corporation CJ Freshway Corporation CJ Foodvill Co., Ltd. CJ Dondonfarm Co., Ltd. CJ Sea Food Co., Ltd. CJ O Shopping Co., Ltd. WON JI CJ Worldis Co., Ltd. CJ Hellovision Co., Ltd. CJ Telenix Co., Ltd. SUPERRACE

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32. Related Parties, Continued

(1) Parent company and subsidiaries, continued

② Related parties which have transactions or outstanding balances with the Group as of December 31, 2016 are as follows, continued:

Relationship	Name
Other related companies	CJ Korea Express Co., Ltd. CJ Powercast Inc. Art service Co., Ltd. Cinema Service Co., Ltd. CJ E&M Corp. MEZZOMEDIA Inc. Netmarble Games Corporation Studio Dragon Corporation K Valley Co., Ltd. CJ OliveNetworks Co., Ltd. CJ Construction Co., Ltd. CJ MD1 Corp. CJ Shenyang Feed Co., Ltd. CJ Qingdao Foods Co., Ltd. CJ FRESHWAY VIETNAM CO., LTD. CJ Vina Agri Co. Ltd. CJ VINA FOOD CO., LTD. Fides Food System Co., Ltd. CJ IMC CO., LTD. CJ GLS China (Shanghai) Ltd. CJ Korea Express Freight Vietnam Co., Ltd. SCJ TV Shopping Co., Ltd. CJ korea express U.S.A. Corporation CJ korea express TIANJIN Co., Ltd. KUMHO LOGISTICS SHANGHAI CO., LTD. CJ IMC VIETNAM CO., LTD. CJ Olive Young(Shanghai) Corporation CJ E&M Vietnam Co., Ltd. CJ E&M Hong Kong Limited (Formerly, FICCJM Asia Limited) CJ E&M America, Inc. CJ America, Inc. CJ China, Ltd. CJ Beijing Bakery Co., Ltd. CJ Bakery Vietnam Co., Ltd. CJ CHINA CONSULTING., LTD. CJ Entertainment America L.L.C CJ International Trading Corp. Joy Rent a Car Co., Ltd. CNI Leisure Co., Ltd. Timewise Investment CJ Korea express MEXICO SADE CV (Formerly, CJ GLS Central America, S.A.DE.CV) KOREA EXPRESS SHANGHAI CO., LTD. CJ DIGITAL MUSIC Corporation CJ-SC GLOBAL MILLING LLC CJ FOODS VIETNAM CO., LTD. SG Safety Corporation

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2016 and 2015

32. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2016 are summarized as follows:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Disposal of property and equipment	Disposal of intangible assets	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Parent	CJ Corp.	₩ 36,511	-	-	-	-	-	-	11,765	4,245,071	2,889,950
Associates	SSV Contents Investment Association	-	-	-	-	3,090,000	-	-	-	-	-
	Foshan XingXing CJ Cinema Co., Ltd.	108,654	-	-	-	-	13,520	-	-	110	-
	PT Graha Layar Prima Tbk.	611,573	-	-	-	-	-	-	-	-	-
	CJ VIETNAM COMPANY LIMITED	341	-	-	-	-	-	-	-	650,106	-
Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	-	-	-	-	-	392,350	-
	CJ XingXing (TJ) International Cinema Co., Ltd.	124,119	-	-	-	-	78,604	-	-	68,316	-
	ChangSha CJ XingXing Cinema Co., Ltd.	139,580	-	-	-	85,581	43,273	-	-	267	-
	Zhongshan CJ Xingxing Cinema Co., Ltd.	176,940	-	-	-	352,272	45,933	-	-	137	-
	Ningbo Culture Plaza CJ Cinema Co., Ltd.	221,246	-	-	-	1,050,935	76,968	-	-	246	-
	CJ Xingxing (Shanghai) Cinema Co., Ltd.	40,429	-	-	-	479,375	72,313	-	-	-	-
	CJ Xingxing (FSH) Cinema Co., Ltd.	46,599	-	-	-	207,036	23,066	-	-	34,158	-
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	40,475	-	-	-	288,175	43,639	-	-	512	-
	Shanghai Shangying CGV Xinzhuan Cinema Co., Ltd.	492,183	-	-	-	1,171,974	11,254	-	-	-	-
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	176,205	-	-	-	495,545	132,388	-	-	157,443	-
	Shanghai Shangying CGV Cinema Co., Ltd.	93,281	-	-	-	956,054	-	-	-	12,986	-
Other related companies	CJ Cheiljedang Corp.	328,418	3,023	-	-	-	33,878	-	-	5,819,588	-
	CJ HealthCare Corporation	375,275	-	-	-	-	-	-	-	2,160	-
	CJ Freshway Corporation	43,851	-	-	-	-	27,851,919	-	-	100,088	-
	CJ Foodvill Co., Ltd.	3,890,461	10,284	-	-	-	5,671,169	270,508	-	5,458,260	-
	CJ Dondonfarm Co., Ltd.	2,204	-	-	-	-	-	-	-	-	-
	CJ Sea Food Co., Ltd.	1,744	-	-	-	-	-	-	-	-	-
	WONJI	864	-	-	-	-	-	-	-	-	-
	CJ O Shopping Co., Ltd.	404,268	391,539	-	-	-	-	-	-	26,507	-
	CJ Worldis Co., Ltd.	1,024	115	-	-	-	-	-	-	545	-
	CJ Hellovision Co., Ltd.	55,990	60	-	-	-	-	-	-	69,828	-

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2016 and 2015

32. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2016 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Disposal of property and equipment	Disposal of intangible assets	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other-related companies	CJ Telenix Co., Ltd.	₩ 4,312	-	-	-	-	-	-	-	2,039,732	-
	SUPERRACE	60	-	-	-	-	-	-	-	900,000	-
	CJ Korea Express Co., Ltd.	74,637	-	-	-	-	617,998	55,581	-	531,821	-
	CJ Powercast Inc.	82,410,153	-	-	-	-	9,000	-	10,895	3,562,948	-
	Art service Co., Ltd.	111,042	-	-	-	-	-	-	-	-	-
	Cinema Service Co., Ltd.	865	-	-	-	-	1,889,732	-	-	-	-
	CJ E&M Corp.	2,776,567	18,165	-	16,831,747	-	52,224,455	-	71,000	1,440,647	-
	MEZZOMEDIA Inc.	2,634	-	-	-	-	-	-	-	23,000	-
	Netmarble Games Corporation	1,359	1	-	-	-	-	-	-	-	-
	K Valley Co., Ltd.	538	-	-	-	-	-	-	-	-	-
	Studio Dragon Corporation	3,263	-	-	-	-	-	-	-	-	-
	CJ OliveNetworks Co., Ltd.	735,723	19,154	-	-	-	312,595	459,517	7,055,476	28,385,653	-
	CJ Construction Co., Ltd.	63,917	-	51,450	-	-	16,583	-	-	619,948	-
	CJ MD1 Corp.	1,493	-	-	-	-	-	-	-	-	-
	CJ Shenyang Feed Co., Ltd.	-	430,483	-	-	-	-	-	-	-	-
	CJ Qingdao Foods Co., Ltd.	-	-	-	-	-	203,277	-	-	-	-
	CJ FRESHWAY VIETNAM CO., LTD.	558	-	-	-	-	-	-	-	-	-
	CJ Vina Agri Co. Ltd.	165	-	-	-	-	-	-	-	-	-
	CJ VINA FOOD CO., LTD.	65	-	-	-	-	-	-	-	-	-
	Fides Food System Co., Ltd.	22	-	-	-	-	-	-	-	-	-
CJ IMC CO., LTD.	-	-	-	-	-	15,740	331,629	-	-	-	
CJ GLS China (Shanghai) Ltd.	-	-	-	-	-	-	-	-	45,721	-	
CJ Korea Express Freight Vietnam Co., Ltd.	2,477	-	-	-	-	-	-	57,388	286	-	
CJ Korea express MEXICO SADE CV (Formerly, CJ GLS Central America, S.A.DE.CV)	-	-	-	-	-	-	-	-	37,848	-	
SCJ TV Shopping Co. Ltd.	-	-	-	-	-	-	-	272,967	-	-	
CJ korea express U.S.A. Corporation	-	-	-	-	-	-	-	-	21,591	-	
CJ korea express TIANJIN Co., Ltd.	-	-	-	-	-	-	-	-	717,585	-	

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

For the years ended December 31, 2016 and 2015

32. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2016 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Disposal of property and equipment	Disposal of intangible assets	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other-related companies	KUMHO LOGISTICS SHANGHAI CO., LTD.	₩ -	-	-	-	-	32,030	-	-	-	-
	KOREA EXPRESS SHANGHAI CO., LTD.	-	2,066	-	-	-	-	-	-	318	-
	CJ IMC VIETNAM CO., LTD.	33	-	-	-	-	-	-	-	16,361	-
	CJ Olive Young(Shanghai) Corporation	-	12,385	-	-	-	626,393	622,585	435,629	3,169,733	-
	CJ E&M Vietnam Co., Ltd.	28,778	-	-	-	-	200,869	-	-	-	-
	CJ E&M Hong Kong Limited (Formerly, FICCCJM Asia Limited)	-	-	-	-	-	-	-	-	60,929	-
	CJ E&M America, Inc.	464	-	-	-	-	-	-	-	3,637,808	-
	CJ America, Inc.	5,713	-	-	-	-	-	-	-	75,474	-
	CJ China, Ltd.	-	-	-	-	-	-	-	-	49,991	-
	CJ Beijing Bakery Co., Ltd.	-	83,187	-	-	-	24,280	-	-	-	-
	CJ Bakery Vietnam Co., Ltd.	10,430	-	-	-	-	35,731	-	-	7,272	-
	CJ CHINA CONSULTING., LTD.	-	-	-	-	-	-	-	-	681,177	-
	CJ Entertainment America L.L.C	-	-	-	-	-	-	-	-	20,361	-
	CJ International Trading Corp.	-	-	-	-	-	905,227	-	-	3,571	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	-	-	-	364,200	-
	CNI Leisure Co., Ltd.	324	-	-	-	-	-	-	-	-	-
	Timewise Investment	1,915	-	-	-	-	-	-	-	-	-
	CJ DIGITAL MUSIC Corporation	-	-	-	-	-	-	-	-	7,408	-
	CJ-SC GLOBAL MILLING LLC	13	-	-	-	-	-	-	-	-	-
	CJ FOODS VIETNAM CO., LTD.	24	-	-	-	-	-	-	-	-	-
	SG Safety Corporation	-	4,554	-	-	-	-	-	-	109,987	-
		₩ 93,649,779	975,016	51,450	16,831,747	8,176,947	91,211,834	2,070,175	7,584,765	63,570,048	2,889,950

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2016 and 2015

32. Related Parties, Continued

(3) 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	Dividends revenue	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
Associates	PT Graha Layar Prima Tbk.	1,339,673	2,640	-	-	-	-	-	-
	CJ VIETNAM COMPANY LIMITED	-	-	-	-	-	-	596,217	-
Joint ventures	Foshan XingXing CJ Cinema Co., Ltd.	254,587	-	-	1,691	-	-	-	-
	D-Cinema Korea Co., Ltd.	-	-	-	672,190	-	-	130,620	-
	CJ XingXing (TJ) International Cinema Co., Ltd.	116,849	-	-	22,236	-	-	34,468	-
	ChangSha CJ XingXing Cinema Co., Ltd.	40,278	-	-	9,934	-	-	-	-
	Zhongshan CJ Xingxing Cinema Co., Ltd.	177,247	-	-	16,358	-	-	-	-
	Ningbo Culture Plaza CJ Cinema Co., Ltd.	184,150	-	-	2,880	-	-	-	-
	CJ Xingxing (Shanghai) Cinema Co., Ltd.	136,749	-	103,418	23,780	-	-	3,537	-
	CJ Xingxing (FSH) Cinema Co., Ltd.	65,903	-	131,613	11,588	-	-	24,902	-
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	30,278	-	192,874	16,117	-	-	6,367	-
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	945,185	25,161	-	-	12,522	-
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	471,127	-	-	49,112	-	-	55,473	-
Shanghai Shangying CGV Cinema Co., Ltd.	139,525	-	758,230	20,931	-	-	13,417	-	
Other related companies	CJ Cheiljedang Corp.	176,838	469,704	-	85,254	-	-	5,719,817	-
	CJ HealthCare Corporation	30,350	33,713	-	-	-	-	7,884	-
	CJ Freshway Corporation	26,302	176,490	-	27,802,342	-	-	87,305	-
	CJ Foodvill Co., Ltd.	3,718,653	66,643	-	4,508,836	372,058	50,000	5,140,308	-
	CJ Dondonfarm Co., Ltd.	312	-	-	-	-	-	-	-
	CJ Sea Food Co., Ltd.	1,035	-	-	-	-	-	-	-
	CJ O Shopping Co., Ltd.	591,107	639,526	-	-	-	-	33,350	-
	CJ Worldis Co., Ltd.	2,087	345	-	-	-	-	1,255	-
CJ Hellovision Co., Ltd.	38,909	107	-	-	-	-	693	-	

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2016 and 2015

32. Related Parties, Continued

(3) 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	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related companies	CJ Telenix Co., Ltd.	₩ 5,547	23,950	-	-	-	-	1,910,694	-
	SUPERRACE	991	-	-	-	-	-	100,000	-
	CJ Korea Express Co., Ltd.	56,919	416,866	-	300,812	283,648	-	311,034	-
	CJ Powercast Inc.	525,948	20,254	-	6,387	14,800	145,920	3,295,585	-
	Art service Co., Ltd.	15,591	-	-	-	-	-	-	-
	Cinema Service Co., Ltd.	1,273	-	-	-	-	-	-	-
	CJ E&M Corp.	4,486,069	1,422,979	-	56,044,512	-	590,000	1,742,592	-
	MEZZOMEDIA Inc.	1,999	-	-	-	-	-	-	-
	Netmarble Games Corporation	654	1,794	-	-	-	-	-	-
	CJ OliveNetworks Co., Ltd.	473,985	421,847	-	22,180	515,161	5,872,561	24,970,794	-
	CJ Construction Co., Ltd.	20,719	31,319	-	20,687	-	-	1,348,829	-
	CJ MD1 Corp.	1,011	-	-	-	-	-	-	-
	CJ Shenyang Feed Co., Ltd.	-	6,634	-	-	-	-	-	-
	CJ Qingdao Foods Co., Ltd.	-	-	-	92,993	-	-	-	-
	Fides Food System Co., Ltd.	-	-	-	-	-	-	14,964	-
	CJ IMC CO., LTD.	-	-	-	135	253,767	-	-	-
	CJ Korea Express Freight Vietnam Co., Ltd.	-	-	-	-	179,468	-	-	-
	SCJ TV Shopping Co. Ltd.	-	1,224	-	-	-	-	116,099	-
	CJ korea express U.S.A. Corporation	-	-	-	-	37,058	-	6,748	-
	CJ korea express TIANJIN Co., Ltd.	-	-	-	29,051	-	-	264,098	-
	KUMHO LOGISTICS SHANGHAI CO., LTD.	-	-	-	42,762	50,473	-	90,420	-
	KOREA EXPRESS SHANGHAI CO., LTD.	-	-	-	-	-	-	43,912	-
	CJ Olive Young(Shanghai) Corporation	-	-	-	77,768	963,847	2,323,032	1,326,369	-
	CJ E&M Tianjin Co., Ltd.	149,164	-	-	-	-	-	-	-
	CJ E&M Vietnam Co., Ltd.	-	19,572	-	10,478	-	-	-	-
	Shanghai Yiheya Media Co., Ltd.	-	-	-	-	-	-	4,480	-

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32. Related Parties, Continued

(3) 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	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related companies	ImaginAsian Entertainment, Inc.	₩ -	15,105	-	-	-	-	-	-
	CJ E&M America, Inc.	-	-	-	-	-	-	3,833,288	-
	CJ America, Inc.	-	-	-	-	-	-	382	-
	CJ China, Ltd.	-	-	-	-	-	-	139,448	-
	CJ Beijing Bakery Co., Ltd.	-	2,142	-	25,610	-	-	-	-
	CJ Bakery Vietnam Co., Ltd.	-	-	-	39,286	-	-	7,912	-
	CJ CHINA CONSULTING., LTD.	-	-	-	-	-	-	342,780	-
	CJ Entertainment America L.L.C	-	-	-	110,045	-	-	27,539	-
	CJ International Trading Corp.	-	-	-	706,984	-	-	92,304	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	-	251,953	-
	CNI Leisure Co., Ltd.	3,199	-	-	-	-	-	560,266	-
	JS Communications Co., Ltd.	79,030,734	-	-	-	-	15,000	613,440	-
Timewise Investment	200	-	-	-	-	-	-	-	
		₩ <u>92,357,042</u>	<u>3,772,854</u>	<u>2,131,320</u>	<u>90,798,100</u>	<u>2,670,280</u>	<u>9,006,128</u>	<u>56,970,265</u>	<u>2,889,950</u>

CJ CGV CO., LTD. AND SUBSIDIARIES
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32. Related Parties, Continued

(4) Account balances with related companies as of December 31, 2016 are summarized as follows:

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Loans	Other receivables	Trade payables	Deposits received	Other liabilities	Borrowings
Parent	CJ Corp.	₩ 3,314	-	-	40	1,716	-	468,025	-
Associates	Foshan XingXing CJ Cinema Co., Ltd.	105,813	-	-	20	-	-	251	-
	CJ VIETNAM COMPANY LIMITED	-	-	-	3	-	-	-	-
Joint ventures	CJ XingXing (TJ) International Cinema Co., Ltd.	18,699	-	-	166,732	-	-	82,371	2,037,538
	ChangSha CJ XingXing Cinema Co., Ltd.	-	-	-	6,647	-	-	3,680	-
	Zhongshan CJ Xingxing Cinema Co., Ltd.	1,235	-	-	302	-	-	825	-
	Ningbo Culture Plaza CJ Cinema Co., Ltd.	-	-	-	6,501	-	-	4,786	-
	CJ Xingxing (Shanghai) Cinema Co., Ltd.	-	-	-	142	-	-	833	-
	CJ Xingxing (FSH) Cinema Co., Ltd.	-	-	-	356	-	-	148	1,018,769
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	-	-	-	429	-	-	348	-
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	-	1,171,974	-	-	-	-
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	11,955	-	-	124,664	-	-	73,242	7,131,381
	Myanmar Cineplex Co., Ltd.	-	-	-	483,400	-	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.	-	-	-	960,636	-	-	-	-
Other related companies	CJ Cheiljedang Corp.	84,634	-	-	492,765	2,886	-	1,353,949	-
	CJ HealthCare Corporation	86,658	-	-	24,393	-	-	344	-
	CJ Freshway Corporation	66,007	-	-	100,055	9,231,828	-	15,444	-
	CJ Foodvill Co., Ltd.	202,351	110,000	-	1,517,261	862,994	870,000	4,551,209	-
	CJ Dondonfarm Co., Ltd.	181	-	-	-	-	-	-	-
	CJ Sea Food Co., Ltd.	173	-	-	-	-	-	-	-
	WON JI	1,951	-	-	162	-	-	-	-
	CJ O Shopping Co., Ltd.	39,172	-	-	2,146,137	-	-	2,797,404	-
	CJ Worldis Co., Ltd.	-	-	-	996	-	-	93,406	-

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

For the years ended December 31, 2016 and 2015

32. Related Parties, Continued

(4) Account balances with related companies as of December 31, 2016 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Loans	Other receivables	Trade payables	Deposits received	Other liabilities	Borrowings
Other related companies	CJ Hellovision Co., Ltd.	₩ 110,718	-	-	192,032	-	-	14,526	-
	CJ Telenix Co., Ltd.	16,870	-	-	24,170	-	-	201,450	-
	CJ Korea Express Co., Ltd.	52,637	-	-	242,924	97,962	-	133,997	-
	CJ Powercast Inc.	33,042,157	-	-	18,029	-	-	741,580	-
	Art service Co., Ltd.	3,245	-	-	59	-	-	-	-
	CJ E&M Corp.	1,060,979	380,635	-	1,222,658	10,199,860	-	620,449	-
	MEZZOMEDIA Inc.	4,859	-	-	765	-	-	-	-
	K Valley Co., Ltd.	1,274	-	-	198	-	-	-	-
	Studio Dragon Corporation	1,001	-	-	60	-	-	-	-
	CJ OliveNetworks Co., Ltd.	28,211,294	-	-	2,744,245	174,659	60,000	10,527,223	-
	CJ Construction Co., Ltd.	8,272	-	-	5,074,268	-	-	1,080,378	-
	CJ MD1 Corp.	2,085	-	-	252	-	-	-	-
	CJ Shenyang Feed Co., Ltd.	-	-	-	6,370	-	-	-	-
	CJ Qingdao Foods Co., Ltd.	-	-	-	-	29,448	-	1,005	-
	CJ FRESHWAY VIETNAM CO., LTD.	568	-	-	-	-	-	-	-
	CJ Vina Agri Co. Ltd.	158	-	-	-	-	-	-	-
	CJ VINA FOOD CO., LTD.	75	-	-	-	-	-	-	-
	Fides Food System Co., Ltd.	17	-	-	-	-	-	-	-
	CJ Korea Express Freight Vietnam Co., Ltd.	602	-	-	-	16,075	-	-	-
	SCJ TV Shopping Co. Ltd.	-	-	-	-	113,507	-	-	-
	CJ korea express U.S.A. Corporation	-	-	-	-	-	-	8,882	-
	KUMHO LOGISTICS SHANGHAI CO., LTD.	-	-	-	-	-	-	46,390	-
	KOREA EXPRESS SHANGHAI CO., LTD.	-	-	5,053,085	-	-	-	-	-
	CJ Olive Young(Shanghai) Corporation	-	-	1,351,828	2,794	11,019	-	37,567	-
	CJ E&M Vietnam Co., Ltd.	14,254	-	-	-	45,185	-	-	-

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

For the years ended December 31, 2016 and 2015

32. Related Parties, Continued

(4) Account balances with related companies as of December 31, 2016 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Loans	Other receivables	Trade payables	Deposits received	Other liabilities	Borrowings
Other related companies	CJ E&M America, Inc.	₩ -	-	-	-	-	-	433,528	-
	CJ America, Inc.	1,269	-	-	2,538	-	-	-	13,536,604
	CJ Beijing Bakery Co., Ltd.	-	-	-	7,455,887	164,919	-	-	-
	CJ Bakery Vietnam Co., Ltd.	-	-	-	10,652	-	-	2,342	-
	CJ International Trading Corp.	-	-	-	-	-	-	84,607	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	-	56,604	-
	Timewise Investment	153	-	-	131	-	-	-	-
	CJ IMC VIETNAM CO., LTD.	20	-	-	-	-	-	-	-
	CJ DIGITAL MUSIC Corporation	-	-	-	-	35,701	-	6,975	-
	CJ FOODS VIETNAM CO., LTD.	-	-	-	18	-	-	-	-
	SG Safety Corporation	-	-	-	-	-	-	36,393	-
		₩ <u>63,154,650</u>	<u>490,635</u>	<u>6,404,913</u>	<u>24,201,665</u>	<u>20,987,759</u>	<u>930,000</u>	<u>23,480,161</u>	<u>23,724,292</u>

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

For the years ended December 31, 2016 and 2015

32. Related Parties, Continued

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

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Loans	Other receivables	Trade payables	Deposits received	Other liabilities	Borrowings
Parent	CJ Corp.	₩ 5,278	-	-	557	-	-	387,388	-
Associates	PT Graha Layar Prima Tbk.	1,803,063	-	-	949,761	-	-	-	-
	CJ VIETNAM COMPANY LIMITED	-	-	-	-	-	-	3,890	-
	Foshan XingXing CJ Cinema Co., Ltd.	296,130	-	-	-	-	-	-	-
Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	-	-	-	113,925	-
	CJ XingXing (TJ) International Cinema Co., Ltd.	-	-	-	-	-	-	-	2,098,925
	Ningbo Culture Plaza CJ Cinema Co., Ltd.	414,946	-	-	-	-	-	-	-
	CJ Xingxing (FSH) Cinema Co., Ltd.	-	-	-	-	-	-	-	1,049,462
	CGV EMPIRE SDN. BHD	-	-	-	26,423	-	-	-	-
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	-	933,624	-	-	-	-
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	348,581	-	-	-	-	-	-	5,326,599
	Shanghai Shangying CGV Cinema Co., Ltd.	9,442	-	-	748,956	-	-	-	-
Other related companies	CJ Cheiljedang Corp.	113,891	389,929	-	433,298	479	-	1,230,399	-
	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	1,306,753	-
	CJ Worldis Co., Ltd.	-	-	-	551	-	-	5,598	-
	CJ Hellovision Co., Ltd.	15,518	-	-	212,736	-	-	42,796	-

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

For the years ended December 31, 2016 and 2015

32. Related Parties, Continued

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

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Loans	Other receivables	Trade payables	Deposits received	Other liabilities	Borrowings
Other related companies	CJ Telenix Co., Ltd.	₩ 22,881	-	-	11,519	-	-	194,274	-
	SUPERRACE	285	-	-	88	-	-	-	-
	CJ Korea Express Co., Ltd.	61,250	-	-	240,191	59,216	-	16,265	-
	CJ Powercast Inc.	184,557	-	-	6,238	-	-	333,240	-
	Art service Co., Ltd.	625	-	-	594	-	-	-	-
	CJ E&M Corp.	481,300	-	-	725,683	7,981,276	613,120	1,170,047	-
	MEZZOMEDIA Inc.	2,459	-	-	648	-	-	1,350	-
	Netmarble Games Corporation	-	-	-	618	-	-	-	-
	CJ OliveNetworks Co., Ltd.	27,911,167	-	-	1,634,306	38,609	60,000	8,380,648	-
	CJ Construction Co., Ltd.	8,625	-	-	3,800,357	-	-	1,138,722	-
	CJ MD1 Corp.	1,786	-	-	558	-	-	-	-
	CJ Shenyang Feed Co., Ltd.	-	-	17,001,359	-	-	-	-	-
	CJ Qingdao Foods Co., Ltd.	-	-	-	-	13,062	-	-	-
	Fides Food System Co., Ltd.	-	-	-	-	-	-	10,963	-
	CJ IMC CO., LTD.	-	-	-	-	-	-	112,488	-
	CJ Korea Express Freight Vietnam Co., Ltd.	-	-	-	-	-	-	34,324	-
	SCJ TV Shopping Co. Ltd.	-	-	-	-	-	-	82,047	-
	CJ korea express U.S.A. Corporation	-	-	-	-	-	-	38,385	-
	CJ korea express TIANJIN Co., Ltd.	-	-	-	-	-	-	113,643	-
	KUMHO LOGISTICS SHANGHAI CO., LTD.	-	-	-	-	-	-	43,861	-
	CJ Olive Young(Shanghai) Corporation	-	-	-	-	-	69,190	34,287	-
	CJ E&M Vietnam Co., Ltd.	16,978	-	-	-	-	10,600	-	-
	Shanghai Yiheya Media Co., Ltd.	-	-	-	-	-	-	4,722	-
	ImaginAsian Entertainment, Inc.	15,646	-	-	-	-	-	-	-
	CJ E&M America, Inc.	-	-	-	-	-	-	728,106	-

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

For the years ended December 31, 2016 and 2015

32. Related Parties, Continued

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

(In thousands of won)

<u>Relationship</u>	<u>Name</u>	<u>Trade receivables</u>	<u>Deposits</u>	<u>Loans</u>	<u>Other receivables</u>	<u>Trade payables</u>	<u>Deposits received</u>	<u>Other liabilities</u>	<u>Borrowings</u>
Other related companies	CJ America, Inc.	₩ 2,813	-	-	-	-	-	6,451	-
	CJ Beijing Bakery Co., Ltd.	-	-	-	-	225	-	-	-
	CJ Bakery Vietnam Co., Ltd.	94	-	-	-	-	-	-	-
	CJ Entertainment America L.L.C	-	-	-	-	53,055	-	501	-
	CJ International Trading Corp.	-	-	-	-	79,114	-	45,801	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	-	24,802	-
	CNI Leisure Co., Ltd.	1,267	-	-	198	-	-	74,859	-
	JS Communications Co., Ltd.	25,334,652	-	-	-	-	-	159,548	-
	Timewise Investment	72	-	-	-	-	-	-	-
		₩ <u>57,360,305</u>	<u>499,929</u>	<u>17,001,359</u>	<u>12,138,804</u>	<u>19,829,951</u>	<u>1,863,120</u>	<u>17,834,326</u>	<u>8,474,986</u>

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

For the years ended December 31, 2016 and 2015

32. Related Parties, Continued

- (6) Key management personnel compensation for the years ended December 31, 2016 and 2015 are as follows:

(In thousands of won)

		<u>2016</u>	<u>2015</u>
Short-term employee benefits	₩	3,452,046	1,813,119
Costs related to defined benefit plan		285,395	209,904
Long-term employee benefits		58,045	47,201
	₩	<u>3,795,486</u>	<u>2,070,224</u>

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

- (7) Details of guarantees which the Group has provided for related companies as of December 31, 2016 are as follows:

(In thousands of won)

<u>Related companies</u>	<u>Guarantee recipient</u>		<u>Guarantees</u>	<u>Guarantee type</u>	<u>Beneficiary</u>
Joint venture	D-Cinema Korea Co., Ltd.		-	Performance guarantee	20th Century Fox Film Corporation
Executives and staff members	Executives and staff members	₩	272,350	Guarantee on loans of employees	KEB Hana Bank Shinhan Bank
			3,422,840		