

CJ CGV CO., LTD.

Separate Financial Statements

**December 31, 2016 and 2015**

(With Independent Auditors' Report Thereon)

## Contents

	<b>Page</b>
<b>Independent Auditors' Report</b>	1
Separate Statements of Financial Position	3
Separate Statements of Comprehensive Income	5
Separate Statements of Changes in Equity	6
Separate Statements of Cash Flows	7
Notes to the Separate Financial Statements	9

## Independent Auditors' Report

Based on a report originally issued in Korean

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

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

### **Management's Responsibility for the Separate Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2016 and 2015 and its separate financial performance and its separate 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 10 to the separate financial statements. As described in note 10, in an effort to expand to the Turkish market, the Company established Bosphorus Investment Co., Ltd., with a co-investor and through Bosphorus Investment Co., Ltd., the Company 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 separate 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 separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

As of December 31, 2016 and 2015

(In won)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>Assets</b>			
Cash and cash equivalents	3,4,5 ₩	92,623,820,365	75,408,470,266
Trade receivables	3,4,6,30	85,147,435,993	77,584,671,617
Inventories	3,7	4,156,843,153	3,785,316,827
Other current financial assets	3,4,8,30	36,851,245,861	13,826,076,365
Other current assets	9	21,660,171,958	18,223,040,735
Assets held for sale	29	4,827,249,266	-
<b>Current assets</b>		<u>245,266,766,596</u>	<u>188,827,575,810</u>
Investments in equity method investees	3,10	838,149,165,620	445,702,970,042
Investment property	3,11	-	17,923,175,621
Property and equipment	3,12,14	419,606,868,518	419,832,416,139
Intangible assets	3,13	20,497,198,298	23,419,917,002
Other non-current financial assets	3,4,8,30	41,396,950,973	47,378,523,391
Other non-current assets	9	74,701,808,640	73,165,508,679
<b>Non-current assets</b>		<u>1,394,351,992,049</u>	<u>1,027,422,510,874</u>
<b>Total assets</b>	₩	<u>1,639,618,758,645</u>	<u>1,216,250,086,684</u>

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.  
 Separate 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>
<b>Liabilities</b>			
Trade payables	3,4,30	₩ 66,419,988,870	61,531,698,082
Other payables	3,4,18,30	123,331,192,724	73,486,073,193
Short-term borrowings	3,4,16	90,000,000,000	-
Current portion of long-term borrowings and debentures	3,4,16	116,567,988,019	49,953,907,613
Current tax liabilities	27	11,627,180,522	8,455,200,275
Other current financial liabilities	3,4,14,30	5,866,621,672	4,536,450,406
Other current liabilities	15	80,169,061,042	83,643,030,765
Liabilities held for sale	29	4,846,466,686	-
<b>Current liabilities</b>		<u>498,828,499,535</u>	<u>281,606,360,334</u>
Long-term debentures	3,4,16	149,691,445,956	249,417,548,705
Long-term borrowings	3,4,16	371,553,933,412	96,320,000,000
Long-term other payables	3,4,18	24,081,799,713	27,259,140,026
Employee benefits	3,17	5,372,341,680	4,994,479,811
Deferred tax liabilities	3,27	9,172,077,287	14,586,691,524
Other non-current financial liabilities	3,4,14,30	12,134,375,680	1,509,042,014
Other non-current liabilities	15	19,756,989,638	18,663,693,206
<b>Non-current liabilities</b>		<u>591,762,963,366</u>	<u>412,750,595,286</u>
<b>Total liabilities</b>		<u>1,090,591,462,901</u>	<u>694,356,955,620</u>
<b>Shareholders' equity</b>			
Common stock	1,3,19	10,580,656,500	10,580,656,500
Capital surplus	20	89,157,245,168	89,157,245,168
Retained earnings	21	453,882,185,297	426,748,020,617
Other capital	22	(4,592,791,221)	(4,592,791,221)
<b>Total shareholders' equity</b>		<u>549,027,295,744</u>	<u>521,893,131,064</u>
<b>Total liabilities and shareholders' equity</b>	₩	<u>1,639,618,758,645</u>	<u>1,216,250,086,684</u>

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.  
 Separate 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	3,30	₩ 914,597,444,504	896,776,508,108
Cost of sales	24,30	<u>(428,583,091,407)</u>	<u>(431,868,611,575)</u>
<b>Gross profit</b>		486,014,353,097	464,907,896,533
Selling, general and administrative expenses	23,24,30	<u>(424,022,496,330)</u>	<u>(393,353,145,013)</u>
<b>Operating profit</b>		61,991,856,767	71,554,751,520
Finance income	26	11,882,865,770	22,481,523,208
Finance costs	26	(25,317,260,067)	(18,190,486,278)
Other non-operating income	25	9,290,536,176	9,263,308,456
Other non-operating expenses	25	(13,840,182,030)	(8,352,618,031)
Gain on disposal of investments in equity method investees	10	<u>3,090,000,000</u>	-
<b>Income before income tax</b>		47,097,816,616	76,756,478,875
Income tax expense	3,27	<u>(9,829,508,536)</u>	<u>(19,053,187,074)</u>
<b>Net income</b>		<u>37,268,308,080</u>	<u>57,703,291,801</u>
<b>Other comprehensive income (loss)</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of the defined benefit plan	3,17	(3,598,527,507)	(1,619,638,836)
Taxes on items that will not be reclassified to profit or loss	27	<u>870,843,657</u>	<u>391,952,598</u>
<b>Total items that will not be reclassified to profit or loss</b>		<u>(2,727,683,850)</u>	<u>(1,227,686,238)</u>
<b>Total comprehensive income</b>	₩	<u>34,540,624,230</u>	<u>56,475,605,563</u>
<b>Earnings per share</b>			
Basic earnings per share	3,28	₩ 1,761	2,727
Diluted earnings per share	3,28	1,761	2,727

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.  
 Separate 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>Total</u>
<b>Balance at January 1, 2015</b>	₩ 10,580,656,500	89,157,245,168	377,678,874,604	(4,592,791,221)	472,823,985,051
<b>Total comprehensive income (loss)</b>					
Net income	-	-	57,703,291,801	-	57,703,291,801
Remeasurements of the defined benefit plan	-	-	(1,227,686,238)	-	(1,227,686,238)
<b>Total</b>	-	-	56,475,605,563	-	56,475,605,563
<b>Transactions with owners of the Company, recognized directly in equity</b>					
Dividends	-	-	(7,406,459,550)	-	(7,406,459,550)
<b>Total</b>	-	-	(7,406,459,550)	-	(7,406,459,550)
<b>Balance at December 31, 2015</b>	₩ <u>10,580,656,500</u>	<u>89,157,245,168</u>	<u>426,748,020,617</u>	<u>(4,592,791,221)</u>	<u>521,893,131,064</u>
<b>Balance at January 1, 2016</b>	₩ 10,580,656,500	89,157,245,168	426,748,020,617	(4,592,791,221)	521,893,131,064
<b>Total comprehensive income (loss)</b>					
Net income	-	-	37,268,308,080	-	37,268,308,080
Remeasurements of the defined benefit plan	-	-	(2,727,683,850)	-	(2,727,683,850)
<b>Total</b>	-	-	34,540,624,230	-	34,540,624,230
<b>Transactions with owners of the Company, recognized directly in equity</b>					
Dividends	-	-	(7,406,459,550)	-	(7,406,459,550)
<b>Total</b>	-	-	(7,406,459,550)	-	(7,406,459,550)
<b>Balance at December 31, 2016</b>	₩ <u>10,580,656,500</u>	<u>89,157,245,168</u>	<u>453,882,185,297</u>	<u>(4,592,791,221)</u>	<u>549,027,295,744</u>

See accompanying notes to the separate financial statements.



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

For the years ended December 31, 2016 and 2015

(In won)

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Net income	₩ 37,268,308,080	57,703,291,801
Adjustments for:		
Income tax expense	9,829,508,536	19,053,187,074
Bad debt expenses (Reversal of allowance for bad debt)	(19,524,497)	23,361,755
Other bad debt expenses	95,225,363	78,084,968
Expenses for employee	9,275,320,801	8,554,199,340
Depreciation	53,189,639,805	50,282,425,797
Amortization	6,801,647,833	22,886,055,926
Foreign currency translation loss	2,216,321,519	4,086,294,780
Interest expense	19,268,919,249	13,843,019,840
Loss on valuation of derivative financial assets	-	112,732,870
Loss on transaction of derivative financial assets	3,733,074,536	61,457,534
Loss on disposal of available-for-sale financial assets	2,598,568	447,740
Loss on disposal of other financial assets	-	98,121,381
Loss on disposal of property and equipment	949,904,108	4,854,582,161
Loss on disposal of investment property	1,366,851,551	-
Loss on disposal of intangible assets	9,987,175	5,351,739
Other non-cash expenses	9,116,697,184	8,109,247,893
Interest income	(1,773,748,900)	(2,262,043,783)
Dividend income	(2,445,018,190)	(1,896,288,880)
Gain on valuation of derivative financial assets	(2,647,944,879)	(13,101,113,588)
Gain on transaction of derivative financial assets	(4,860,690,983)	(5,083,907,299)
Foreign currency translation gain	(4,016,825)	(51,998,973)
Gain on disposal of property and equipment	(31,391,834)	(8,242,724)
Gain on disposal of investment property	(310,294,180)	-
Gain on disposal of investments in equity method investees	(3,090,000,000)	-
Gain on disposal of other financial assets	-	(1,398,931,638)
Other non-cash income	(537,308,069)	(80,982,819)
	<u>100,135,757,871</u>	<u>108,165,061,094</u>
Changes in assets and liabilities:		
Trade receivables	(6,586,912,314)	(2,276,389,366)
Other current financial assets	(2,730,060,012)	27,261,762,726
Other current assets	(8,373,538,809)	(974,320,493)
Inventories	(371,526,326)	(452,226,067)
Other non-current assets	1,388,561,962	860,642,387
Trade payables	4,888,006,460	(10,776,018,252)
Other payables	53,565,955,519	(8,317,845,221)
Long-term other payables	(3,600,959,758)	(1,759,173,026)
Other current financial liabilities	(401,133,600)	(271,390,000)
Other non-current financial liabilities	221,000,000	122,000,000
Other current liabilities	(78,405,347)	(4,606,444,418)
Other non-current liabilities	1,202,488,489	1,465,087,143
Payment of retirement and severance benefits	(2,492,985,264)	(2,351,748,695)
Severance benefits from affiliated companies	21,115,465	(12,859,577)
Employee benefit plan assets	(10,000,000,000)	(11,100,000,000)
	<u>₩ 26,651,606,465</u>	<u>(13,188,922,859)</u>

See accompanying notes to the separate financial statements.

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

For the years ended December 31, 2016 and 2015

(In won)

	<b>2016</b>	<b>2015</b>
<b>Cash generated from operating activities</b>	₩ 164,055,672,416	152,679,430,036
Interest received	874,477,806	1,142,324,977
Dividends received	1,886,535,336	1,547,533,373
Interest paid	(13,699,548,652)	(9,665,793,627)
Income taxes paid	(11,201,298,869)	(15,789,866,474)
<b>Net cash from operating activities</b>	<u>141,915,838,037</u>	<u>129,913,628,285</u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of available-for-sale financial assets	170,931,432	22,102,260
Proceeds from disposal of investments in associates	13,382,022,791	-
Decrease of other financial assets	4,736,277,067	13,113,998,663
Proceeds from disposal of property and equipment	541,146,764	12,592,465
Proceeds from disposal of investment property	16,831,747,000	-
Acquisition of available-for-sale financial assets	(4,918,530,000)	(1,022,650,000)
Acquisition of investments in associates	(30,243,870,254)	(1,250,000,000)
Acquisition of investments in subsidiaries	(372,502,325,324)	(62,050,362,800)
Increase of other financial assets	(4,383,350,930)	(14,501,929,732)
Acquisition of property and equipment	(69,073,628,743)	(84,301,232,765)
Acquisition of intangible assets	(1,173,603,423)	(276,761,199)
<b>Net cash used in investing activities</b>	<u>(446,633,183,620)</u>	<u>(150,254,243,108)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of debentures	-	99,633,010,000
Proceeds from short-term borrowings	340,000,000,000	-
Proceeds from long-term borrowings	340,000,000,000	37,312,000,000
Repayment of debentures	(30,000,000,000)	(70,000,000,000)
Repayment of short-term borrowings	(250,000,000,000)	-
Repayment of current portion of long-term borrowings	(20,000,000,000)	(26,000,000,000)
Repayment of long-term borrowings	(50,000,000,000)	-
Dividends paid	(7,406,459,550)	(7,406,459,550)
Others, net	(660,844,768)	(282,219,404)
<b>Net cash from financing activities</b>	<u>321,932,695,682</u>	<u>33,256,331,046</u>
<b>Net increase in cash and cash equivalents</b>	17,215,350,099	12,915,716,223
Cash and cash equivalents at January 1	75,408,470,266	62,494,305,669
Effect of exchange rate fluctuations on cash held	-	(1,551,626)
<b>Cash and cash equivalents at December 31</b>	<u>₩ 92,623,820,365</u>	<u>75,408,470,266</u>

See accompanying notes to the separate financial statements.

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

For the years ended December 31, 2016 and 2015

**1. Reporting Entity**

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

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

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

**2. Basis of Preparation**

(1) Statement of compliance

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

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

(2) Basis of measurement

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

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

(3) Functional and presentation currency

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

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

**For the years ended December 31, 2016 and 2015**

**2. Basis of Preparation, Continued**

(4) Use of estimates and judgments

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

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

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

Note 11 – classification of investment property

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

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

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

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

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

(5) Measurement of fair values

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

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

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

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

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

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

**For the years ended December 31, 2016 and 2015**

**2. Basis of Preparation, Continued**

- (5) Measurement of fair values, continued

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

Note 4 –risk management

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

The separate financial statements were authorized for issue by the Board of Directors on February 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 Company in preparation of its separate financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements.

- (1) Operating segments

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

- (2) Business combination under common control

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

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

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

- (4) Cash and cash equivalents

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

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

**For the years ended December 31, 2016 and 2015**

**3. Significant Accounting Policies, Continued**

(5) Inventories

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

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

(6) Non-derivative financial assets

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

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale financial assets

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

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

**For the years ended December 31, 2016 and 2015**

**3. Significant Accounting Policies, Continued**

(6) Non-derivative financial assets, continued

(v) De-recognition of financial assets

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

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

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

(vi) Offsetting between financial assets and financial liabilities

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

(7) Derivative financial instruments

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

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

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

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

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

**For the years ended December 31, 2016 and 2015**

**3. Significant Accounting Policies, Continued**

(8) Impairment of financial assets

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

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

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

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

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

(i) Financial assets measured at amortized cost

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

(ii) Financial assets carried at cost

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



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

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(8) Impairment of financial assets, continued

(iii) Available-for-sale financial assets

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

(9) Property and equipment

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

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

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

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

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

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

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

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.  
Notes to the Separate Financial Statements

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(10) Intangible assets

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

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

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

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

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

(11) Government grants

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

Government grants whose primary condition is that the Company 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 Company for expenses incurred are deducted from the related expenses.

(12) Investment property

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

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

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

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

**For the years ended December 31, 2016 and 2015**

**3. Significant Accounting Policies, Continued**

(12) Investment property, continued

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

(13) Impairment of non-financial assets

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

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

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

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

(14) Leases

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

(i) Finance leases

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

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

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

**For the years ended December 31, 2016 and 2015**

**3. Significant Accounting Policies, Continued**

(14) Leases, continued

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

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

(15) 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 Company 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).

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

**For the years ended December 31, 2016 and 2015**

**3. Significant Accounting Policies, Continued**

(16) Non-derivative financial liabilities

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

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

(17) Employee benefits

- (i) Short-term employee benefits  
Short-term employee benefits are employee benefits that are expected to be settled within 12 months after the end of the annual reporting period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.
- (ii) Other long-term employee benefits  
Other long-term employee benefits include employee benefits that are expected to be settled beyond 12 months after the end of the annual reporting period in which the employees render the related service. The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit of loss in the period in which they arise.
- (iii) Retirement benefits: defined benefit plans  
The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of plan assets.

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

**For the years ended December 31, 2016 and 2015**

**3. Significant Accounting Policies, Continued**

(17) Employee benefits, continued

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

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

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

(18) Provisions

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

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

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

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

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

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

**For the years ended December 31, 2016 and 2015**

**3. Significant Accounting Policies, Continued**

(19) Foreign currencies

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

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

(20) Equity capital

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

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

(21) Revenue

(i) Recognition of revenues

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

(ii) Customer loyalty program

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

(iii) Rental income

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

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

**For the years ended December 31, 2016 and 2015**

**3. Significant Accounting Policies, Continued**

(22) Finance income and finance costs

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

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

(23) Income taxes

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

(i) Current tax

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

(ii) Deferred tax

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

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

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



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

For the years ended December 31, 2016 and 2015

**3. Significant Accounting Policies, Continued**

(23) Income taxes, continued

(ii) Deferred tax, continued

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

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

(24) Earnings per share

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

(25) New standards not yet adopted

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

(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 Company 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 Company's separate financial statements in annual period beginning after January 1, 2018 depends on the financial instruments that the Company holds and economic condition at that time as well as accounting elections and judgments that it will make in the future.

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

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(25) New standards not yet adopted, continued

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

As of December 31, 2016, the Company 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 Company plans to analyze the financial impact of adopting K-IFRS No. 1109 by the third quarter of 2017 and disclose the results on the separate financial statements for the year ending December 31, 2017. General potential impacts on the Company's separate 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 Company 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.

<u>Business model (objective)</u>	<u>Contractual cash flow characteristics</u>	
	<u>Composed of principal and interest only</u>	<u>Others</u>
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	

(\*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 Company's profits may increase as the financial assets that are measured at FVTPL increase.

As of December 31, 2016, the Company holds loans and receivables of ₩239,472 million, available-for-sale financial assets of ₩8,246 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 Company measures loans and receivables of ₩239,472 million at amortized cost.

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

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(25) New standards not yet adopted, continued

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

① Classification and measurement of financial assets, continued

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 Company 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 Company holds equity instruments of ₩8,246 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 Company 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.

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 Company 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.

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

For the years ended December 31, 2016 and 2015

3. Significant Accounting Policies, Continued

(25) New standards not yet adopted, continued

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

③ Impairment: financial asset and contract asset, continued

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.

	<b>Stages(*1)</b>	<b>Loss allowance</b>
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 Company holds loans and receivables of ₩239,472 million and available-for-sale financial assets of ₩8,246 million. For these assets, loss allowances are measured at ₩3,570 million.

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 Company's profits or loss may decrease.

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

**For the years ended December 31, 2016 and 2015**

**3. Significant Accounting Policies, Continued**

(25) New standards not yet adopted, continued

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

④ Hedge accounting, continued

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

When initially applying K-IFRS No. 1109, the Company 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 Company 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 Company 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 Company 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 Company plans to analyze the financial impact of adopting K-IFRS No. 1115 by the third quarter of 2017 and disclose the results on the separate financial statements for the year ending December 31, 2017. Management believes the impact of the standard on the Company's separate financial statements is not significant.

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

For the years ended December 31, 2016 and 2015

**4. Risk Management**

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

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

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

(1) Financial risk management

1) Risk management framework

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

2) Credit risk

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

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

(i) Exposure to credit risk

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

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

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	₩ 90,712,618	73,875,076
Trade receivables	85,147,436	77,584,672
Other financial assets	61,701,074	49,026,810
Derivative financial assets	8,301,623	8,677,290
	<u>₩ 245,862,751</u>	<u>209,163,848</u>

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

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:

		<b>2016</b>		
<i>(In thousands of won)</i>		<b>Not overdue</b>	<b>Overdue, but not impaired</b>	<b>Impaired</b>
Not past due	₩	142,927,845	-	857
0-3 months		-	3,528,516	1,114
4-6 months		-	277,531	3,400
7-12 months		-	114,618	12,474
Over one year		-	-	3,552,026
	₩	<u>142,927,845</u>	<u>3,920,665</u>	<u>3,569,871</u>
		<b>2015</b>		
<i>(In thousands of won)</i>		<b>Not overdue</b>	<b>Overdue, but not impaired</b>	<b>Impaired</b>
Not past due	₩	123,640,578	-	2,038
0-3 months		-	2,024,864	4,931
4-6 months		-	25,517	7,400
7-12 months		-	107,560	37,549
Over one year		-	812,962	3,455,872
	₩	<u>123,640,578</u>	<u>2,970,903</u>	<u>3,507,790</u>

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

(iii) Guarantees

As described in note 30 (7), the Company provides financial guarantees to subsidiaries and others. As a result, the Company is exposed to credit risk to the extent of payment guarantee.

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

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

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

(In thousands of won)

	Book value	Contractual cash outflow	2016		
			Less than one year	One to five years	Over five years
Trade payables	₩ 66,419,989	66,419,989	66,419,989	-	-
Other payables	123,331,193	123,331,193	123,331,193	-	-
Short-term borrowings	90,000,000	91,267,014	91,267,014	-	-
Debentures	249,642,559	261,827,000	105,037,250	156,789,750	-
Long-term borrowings	388,170,808	422,573,552	26,154,303	396,419,249	-
Long-term other payables(*)	23,403,738	56,924,525	-	22,995,160	33,929,365
Other current financial liabilities	5,866,622	5,896,081	5,896,081	-	-
Other non-current financial liabilities	12,134,376	12,163,030	-	3,305,532	8,857,498
	<u>₩ 958,969,285</u>	<u>1,040,402,384</u>	<u>418,105,830</u>	<u>579,509,691</u>	<u>42,786,863</u>

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

The Company does not expect the above cash flows to be occurred in earlier period or to be materially different. As described in note 30 (7), the Company provides subsidiaries and others with payment guarantee which is exposed to liquidity risk. The payment guarantee is not included in the book value or contractual cash outflow above.



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

For the years ended December 31, 2016 and 2015

4. Risk Management, Continued

(1) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of won)

		2015				
		Book value	Contractual cash outflow	Less than one year	One to five years	Over five years
Trade payables	₩	61,531,698	61,531,698	61,531,698	-	-
Other payables		73,486,073	73,486,073	73,486,073	-	-
Debentures		279,383,209	299,022,000	37,195,000	261,827,000	-
Long-term borrowings		116,308,248	122,707,353	22,239,776	100,467,577	-
Long-term other payables(*)		25,745,307	62,989,425	-	23,633,416	39,356,009
Other current financial liabilities		4,536,450	4,581,241	4,581,241	-	-
Other non-current financial liabilities		1,509,042	1,511,289	-	1,511,289	-
	₩	<u>562,500,027</u>	<u>625,829,079</u>	<u>199,033,788</u>	<u>387,439,282</u>	<u>39,356,009</u>

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

4) Market risk

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

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

(i) Currency risk

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

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

(In thousands of won)

		2016			2015	
		USD	RMB	VND	USD	RMB
Cash and cash equivalents	₩	-	-	-	-	6,903
Trade and Other Receivables		298,002	2,214,702	356,678	1,347,468	1,682,580
Trade and Other Payables		(14,622)	(867)	-	-	-
Finance lease liabilities		(623,680)	-	-	(185,023)	-
Borrowings		(72,510,000)	-	-	(70,320,000)	-
Total exposure		(72,850,300)	2,213,835	356,678	(69,157,555)	1,689,483
Currency forwards		72,510,000	-	-	70,320,000	-
Net exposure	₩	<u>(340,300)</u>	<u>2,213,835</u>	<u>356,678</u>	<u>1,162,445</u>	<u>1,689,483</u>

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

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	1208.50	1,172.00
RMB		174.40	179.48	173.26	178.48
VND		0.05	-	0.05	-

Assuming that other variables such as interest rates do not change, the impact of changes in exchange rates of the won against foreign currencies on the profit or loss for the years ended December 31, 2016 and 2015 are as follows:

			2016		2015	
			10% strengthening	10% weakening	10% strengthening	10% weakening
(In thousands of won)						
USD	Total exposure	₩	(7,285,030)	7,285,030	(6,915,755)	6,915,755
	Currency forwards		7,251,000	(7,251,000)	7,032,000	(7,032,000)
	Net exposure		(34,030)	34,030	116,245	(116,245)
RMB			221,384	(221,384)	168,948	(168,948)
VND			35,668	(35,668)	-	-

(ii) Interest rate risk

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

			2016	2015
(In thousands of won)				
Fixed rate instruments:				
	Financial assets	₩	-	-
	Financial liabilities		(664,958,768)	(332,800,097)
		₩	(664,958,768)	(332,800,097)
Variable rate instruments:				
	Financial assets	₩	90,265,989	72,940,227
	Financial liabilities		(148,510,000)	(96,320,000)
		₩	(58,244,011)	(23,379,773)

- Fair value sensitivity analysis for fixed rate instruments

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

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

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	₩	(291,220)	291,220	(116,899)	116,899
Interest rate swaps		330,000	(330,000)	80,000	(80,000)
Cash flow sensitivity, net	₩	<u>38,780</u>	<u>(38,780)</u>	<u>(36,899)</u>	<u>36,899</u>

(iii) Other market price risk

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

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

For the years ended December 31, 2016 and 2015

4. Risk Management, Continued

(1) Financial risk management, continued

5) Fair value

(i) The carrying amount and fair value of financial assets and liabilities as of December 31, 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
<b>Financial assets measured at fair value</b>							
Derivative financial assets(*3)	₩ 8,301,623	-	-	-	8,301,623	8,218,860	82,763
<b>Financial assets not measured at fair value(*1)</b>							
Cash and cash equivalents	-	92,623,820	-	-	92,623,820	-	-
Trade receivables	-	85,147,436	-	-	85,147,436	-	-
Available-for-sale: equity investments(*2)	-	-	8,245,500	-	8,245,500	-	-
Other financial assets	-	61,701,074	-	-	61,701,074	-	-
<b>Subtotal</b>	-	239,472,330	8,245,500	-	247,717,830	-	-
<b>Total</b>	₩ 8,301,623	239,472,330	8,245,500	-	256,019,453	8,218,860	82,763
<b>Financial liabilities measured at fair value</b>							
Derivative financial liabilities(*3)	₩ 110,926	-	-	-	110,926	110,926	-
<b>Financial liabilities not measured at fair value(*1)</b>							
Trade payables	-	-	-	66,419,989	66,419,989	-	-
Other payables	-	-	-	123,331,193	123,331,193	-	-
Borrowings and debentures	-	-	-	727,813,367	727,813,367	-	-
Long-term other payables(*4)	-	-	-	23,403,738	23,403,738	-	-
Other financial liabilities	-	-	-	17,890,072	17,890,072	-	-
<b>Subtotal</b>	-	-	-	958,858,359	958,858,359	-	-
<b>Total</b>	₩ 110,926	-	-	958,858,359	958,969,285	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 Company recognized gain on valuation of derivative financial assets amounting to ₩83 million, in profit or loss for the year ended December 31, 2016.

(\*4) Long-term other payables related to long-term officer compensation expense are not included.

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

For the years ended December 31, 2016 and 2015

4. Risk Management, Continued

(1) Financial risk management, continued

5) Fair value, continued

(In thousands of won)

	2015					Fair value Level 2
	Carrying amount					
	Designated at fair value	Loans and receivables	Available- for-sale	Other	Total	
<b>Financial assets measured at fair value</b>						
Derivative financial assets(*3)	₩ 8,677,290	-	-	-	8,677,290	8,677,290
<b>Financial assets not measured at fair value(*1)</b>						
Cash and cash equivalents	-	75,408,470	-	-	75,408,470	-
Trade receivables	-	77,584,672	-	-	77,584,672	-
Available-for-sale: equity investments(*2)	-	-	3,500,500	-	3,500,500	-
Other financial assets	-	49,026,809	-	-	49,026,809	-
<b>Subtotal</b>	-	202,019,951	3,500,500	-	205,520,451	-
<b>Total</b>	₩ 8,677,290	202,019,951	3,500,500	-	214,197,741	8,677,290
<b>Financial liabilities measured at fair value</b>						
Derivative financial liabilities(*3)	₩ 112,733	-	-	-	112,733	112,733
<b>Financial liabilities not measured at fair value(*1)</b>						
Trade payables	-	-	-	61,531,698	61,531,698	-
Other payables	-	-	-	73,486,073	73,486,073	-
Borrowings and debentures	-	-	-	395,691,457	395,691,457	-
Long-term other payables(*4)	-	-	-	25,745,307	25,745,307	-
Other financial liabilities	-	-	-	5,932,759	5,932,759	-
<b>Subtotal</b>	-	-	-	562,387,294	562,387,294	-
<b>Total</b>	₩ 112,733	-	-	562,387,294	562,500,027	112,733

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

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

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

(\*4) Long-term other payables related to long-term officer compensation expense are not included.

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

For the years ended December 31, 2016 and 2015

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

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

(In thousands of won, except ratio)

	<u>2016</u>	<u>2015</u>
Total liabilities (a)	₩ 1,090,591,463	694,356,956
Total equity (b)	549,027,296	521,893,131
Cash and cash equivalents (c)	92,623,820	75,408,470
Borrowings and debentures (d)	727,813,367	395,691,457
Borrowings and debentures, net (e)=(d)-(c)	635,189,547	320,282,987
Liabilities to equity ratio (f)=(a) ÷ (b)	199%	133%
Net debt to equity ratio (g)=(e) ÷ (b)	116%	61%

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	₩ 1,911,202	1,533,394
Demand deposits	89,690,289	72,940,227
Other cash equivalents	1,022,329	934,849
	<u>₩ 92,623,820</u>	<u>75,408,470</u>

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

**For the years ended December 31, 2016 and 2015**

**6. 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:

<i>(In thousands of won)</i>		<u>2016</u>	<u>2015</u>
Trade receivables	₩	85,560,568	78,030,948
Allowance for doubtful accounts		(413,132)	(446,276)
	₩	<u>85,147,436</u>	<u>77,584,672</u>

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

<i>(In thousands of won)</i>		<u>2016</u>	<u>2015</u>
Balance at the beginning	₩	446,276	893,395
Increase in (reversal of) allowance		(19,524)	23,362
Write-off		(13,620)	(470,481)
Balance at the end	₩	<u>413,132</u>	<u>446,276</u>

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

**7. Inventories**

The Company has not recognized any loss on valuation or reversal of loss on valuation of inventories for the years ended December 31, 2016 and 2015. Inventories as of December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>		<u>2016</u>	<u>2015</u>
Merchandise	₩	1,560,732	1,184,854
Raw materials		2,596,111	2,600,463
	₩	<u>4,156,843</u>	<u>3,785,317</u>

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

For the years ended December 31, 2016 and 2015

8. 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
Deposits for opening checking accounts ₩	-	586,700	-	11,000
Other receivables	15,268,452	-	12,715,027	-
Accrued revenues	54,391	-	106,838	-
Leasehold deposits	22,023,027	29,155,799	1,009,293	39,586,582
Present value discount	(494,624)	(4,892,671)	(5,082)	(4,396,849)
Derivative financial assets	-	8,301,623	-	8,677,290
Available-for-sale financial assets	-	8,245,500	-	3,500,500
₩	<u>36,851,246</u>	<u>41,396,951</u>	<u>13,826,076</u>	<u>47,378,523</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 ₩	39,340,839	42,364,097	15,916,576	48,349,537
Allowance for doubtful accounts:				
Other receivables	(2,086,954)	-	(2,072,966)	-
Accrued revenues	(102,639)	-	(17,534)	-
Loans	-	(967,146)	-	(971,014)
Subtotal of allowance for doubtful accounts	<u>(2,189,593)</u>	<u>(967,146)</u>	<u>(2,090,500)</u>	<u>(971,014)</u>
Other financial assets, net ₩	<u>36,851,246</u>	<u>41,396,951</u>	<u>13,826,076</u>	<u>47,378,523</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 ₩	2,090,500	971,014	3,196,927	932,439
Increase in (reversal of) allowance	99,093	(3,868)	39,510	38,575
Write-off	-	-	(1,145,937)	-
Balance at the end ₩	<u>2,189,593</u>	<u>967,146</u>	<u>2,090,500</u>	<u>971,014</u>

(4) Leasehold deposits 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	₩ 51,178,826	45,791,531	(5,387,295)
December 31, 2015	1.8~5.6	₩ 40,595,875	36,193,944	(4,401,931)



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

For the years ended December 31, 2016 and 2015

8. 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:

(In thousands of won)

	2016		2015	
	Acquisition cost	Book value	Acquisition cost	Book value
Equity securities	₩ 8,245,500	8,245,500	3,500,500	3,500,500

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

(In thousands of won)

	2016	2015
Balance at the beginning	₩ 3,500,500	2,500,400
Acquisitions	4,918,530	1,022,650
Disposals	(173,530)	(22,550)
Balance at the end	₩ 8,245,500	3,500,500

9. 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:

(In thousands of won)

	2016		2015	
	Current	Non-current	Current	Non-current
Advance payments	₩ 7,526,068	-	5,688,147	1,000,000
Prepaid expenses	14,134,104	74,701,809	12,534,894	72,165,509
	₩ 21,660,172	74,701,809	18,223,041	73,165,509

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

For the years ended December 31, 2016 and 2015

10. Investment in Equity

Investments in equity as of December 31, 2016 and 2015 are as follows:

(In thousands of won)

Company	Location	Primary business	2016		2015	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
<b>Subsidiaries:</b>						
CJ 4DPlex Co., Ltd.(*1)	Korea	Equipment manufacturing and retail	90.48	₩ 71,807,062	93.66	₩ 51,193,486
Simuline Inc.(*1)	Korea	Equipment manufacturing	-	-	79.13	20,613,576
Bosphorus Investment Co., Ltd.(*2)	Korea	Foreign Investment	52.23	323,634,731	-	-
CGI Holdings Ltd.	Hong Kong	Foreign Investment	100.00	223,135,932	100.00	223,135,932
Envoy Media Partners Ltd.	British Virgin Islands	Foreign Investment	100.00	89,138,767	100.00	89,138,767
CJ CGV America, Inc.	USA	Foreign Investment	100.00	8,379,760	100.00	8,379,760
Cross Junction Investment Co., Pte. Ltd.	Singapore	Foreign Investment	100.00	7,326,721	100.00	7,326,721
Crown Jade Company Pte. Ltd.(*3)	Singapore	Foreign Investment	100.00	2,536,796	100.00	1,670,523
IKT Holdings Limited(*4)	Hong Kong	Foreign Investment	100.00	22,129,145	-	-
Wisely Act Limited(*5)	Hong Kong	Foreign Investment	100.00	12,651,369	-	-
EWIGEN FRIEDEN LIMITED(*6)	Hong Kong	Foreign Investment	100.00	13,220,808	-	-
PT Graha Layer Prima Tbk.(*7)	Indonesia	Theater operation	22.99	45,329,670	-	-
<b>Associates:</b>						
PT Graha Layar Prima Tbk.(*7)	Indonesia	Theater operation	-	-	14.75	16,335,800
SSV Contents Investment Association(*8)	Korea	Investment fund	35.52	-	35.52	10,300,000
CJ VIETNAM COMPANY LIMITED	Vietnam	Real estate investment	25.00	11,735,525	25.00	11,735,525
IBK Finance Group Union Contents Investment Fund(*9)	Korea	Investment fund	25.00	2,500,000	25.00	1,250,000
<b>Joint ventures:</b>						
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	China	Theater operation	49.00	1,820,123	49.00	1,820,123
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	China	Theater operation	49.00	1,601,700	49.00	1,601,700
D-Cinema Korea Co., Ltd.	Korea	Leasing Service	50.00	-	50.00	-
Shanghai Shangying CGV Cinema Co., Ltd.	China	Theater operation	50.00	1,191,990	50.00	1,191,990
CGV EMPIRE SDN. BHD	Malaysia	Theater operation	25.00	9,067	25.00	9,067
				₩ 838,149,166		₩ 445,702,970

(\*1) During 2016, CJ 4DPlex Co., Ltd. merged with Simuline Inc. As a result, the Company's equity interest in the subsidiary decreased to 90.48%.

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

For the years ended December 31, 2016 and 2015

**10. Investment in Equity, continued**

- (\*2) In an effort to expand to the Turkish market, the Company established Bosphorus Investment Co., Ltd., with a co-investor and acquired 52.23% of the equity interest in Bosphorus Investment Co., Ltd. for ₩323,635 million. 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 Company 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.
- (\*3) During 2016, the Company additionally invested ₩866 million.
- (\*4) During 2016, the Company newly acquired 100% of the equity interest in IKT Holdings Limited for ₩22,129 million.
- (\*5) During 2016, the Company newly acquired 100% of the equity interest in Wisely Act Limited for ₩12,651 million.
- (\*6) During 2016, the Company newly acquired 100% of the equity interest in EWIGEN FRIEDEN LIMITED for ₩13,220 million.
- (\*7) During 2016, the Company additionally invested ₩28,994 million. As a result, the Company's equity interest in the subsidiary increased to 22.99%. Although the Company owns less than 50%, the Company determined that it has de facto control over PT Graha Layar Prima Tbk. through the interest owned by subsidiaries. Therefore, the Company classified the interest in PT Graha Layar Prima Tbk. as investments in subsidiary. PT Graha Layar Prima Tbk. was listed on the Indonesia Exchange(IDX) and the Company's share in the total market capitalization is ₩77,587 million.
- (\*8) During 2016, SSV Contents Investment Association is in liquidation and the Company recognized gain on disposal of investments in equity method investees amounting to ₩3,090 million by recovering a part of the liquidation value.
- (\*9) During 2016, the Company additionally invested ₩1,250 million.

**11. 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	₩ -	-	-	3,695,706	-	3,695,706
Buildings	-	-	-	16,586,202	(2,358,732)	14,227,470
	₩ -	-	-	20,281,908	(2,358,732)	17,923,176

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

**For the years ended December 31, 2016 and 2015**

**11. Investment Property, Continued**

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

*(In thousands of won)*

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b>Acquisition costs</b>			
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
Disposals(*)	(3,695,706)	(16,586,202)	(20,281,908)
Balance at December 31, 2016	-	-	-
<b>Accumulated depreciation</b>			
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)
Depreciation	-	(34,871)	(34,871)
Disposals(*)	-	2,393,603	2,393,603
Balance at December 31, 2016	-	-	-
<b>Carrying amounts</b>			
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	₩ -	-	-

(\*) The Company disposed of entire investment property 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)*

	<u>2016</u>	<u>2015</u>
Rental income	₩ 106,446	796,142
Rental cost (depreciation)	(34,871)	(418,455)
Gain on disposal of investment property	310,294	-
Loss on disposal of investment property	(1,366,852)	-

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

For the years ended December 31, 2016 and 2015

12. Property and Equipment

Changes in property and equipment for the years ended December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Vehicles</b>	<b>Tools</b>	<b>Construction -in-progress</b>	<b>Total</b>
<b>Acquisition costs:</b>							
Balance at January 1, 2015	₩ 87,379,275	80,628,633	296,414,261	-	254,877,860	13,864,965	733,164,994
Acquisitions	-	-	1,229,448	97,183	22,994,941	61,437,962	85,759,534
Disposals	-	-	(8,714,653)	-	(3,470,336)	(73,252)	(12,258,241)
Others	-	-	36,095,829	-	2,493,025	(61,510,636)	(22,921,782)
Balance at							
December 31, 2015	87,379,275	80,628,633	325,024,885	97,183	276,895,490	13,719,039	783,744,505
Acquisitions	-	-	873,421	306,973	20,505,404	38,578,709	60,264,507
Disposals	-	-	(3,029,706)	-	(5,046,349)	(1,091,539)	(9,167,594)
Others	-	-	24,301,847	-	2,813,785	(31,735,594)	(4,619,962)
Replacement of assets held for sale	-	-	-	-	(1,675,645)	(751,394)	(2,427,039)
Balance at							
December 31, 2016	87,379,275	80,628,633	347,170,447	404,156	293,492,685	18,719,221	827,794,417
<b>Accumulated depreciation:</b>							
Balance at January 1, 2015	-	(14,502,537)	(106,547,556)	-	(197,883,415)	-	(318,933,508)
Depreciation	-	(2,014,396)	(22,259,976)	(22,271)	(25,627,328)	-	(49,923,971)
Disposals	-	-	3,866,435	-	3,278,236	-	7,144,671
Balance at							
December 31, 2015	-	(16,516,933)	(124,941,097)	(22,271)	(220,232,507)	-	(361,712,808)
Depreciation	-	(2,014,396)	(24,129,419)	(60,109)	(27,011,145)	-	(53,215,069)
Disposals	-	-	2,509,976	-	4,700,105	-	7,210,081
Others	-	-	746	-	(7,153)	-	(6,407)
Replacement of assets held for sale	-	-	-	-	1,642,775	-	1,642,775
Balance at							
December 31, 2016	-	(18,531,329)	(146,559,794)	(82,380)	(240,907,925)	-	(406,081,428)
<b>Accumulated impairment:</b>							
Balance at January 1, 2015	-	-	-	-	(1,673,614)	-	(1,673,614)
Disposals	-	-	-	-	184,333	-	184,333
Balance at							
December 31, 2015	-	-	-	-	(1,489,281)	-	(1,489,281)
Disposals	-	-	-	-	47,261	-	47,261
Balance at							
December 31, 2016	-	-	-	-	(1,442,020)	-	(1,442,020)
<b>Government grants:</b>							
Balance at January 1, 2015	-	-	(770,000)	-	-	-	(770,000)
Depreciation	-	-	60,000	-	-	-	60,000
Balance at							
December 31, 2015	-	-	(710,000)	-	-	-	(710,000)
Acquisitions	-	-	-	-	(14,400)	-	(14,400)
Depreciation	-	-	60,000	-	300	-	60,300
Balance at							
December 31, 2016	-	-	(650,000)	-	(14,100)	-	(664,100)
<b>Carrying amounts:</b>							
Balance at January 1, 2015	₩ 87,379,275	66,126,096	189,096,705	-	55,320,831	13,864,965	411,787,872
Balance at							
December 31, 2015	₩ 87,379,275	64,111,700	199,373,788	74,912	55,173,702	13,719,039	419,832,416
Balance at							
December 31, 2016	₩ 87,379,275	62,097,304	199,960,653	321,776	51,128,640	18,719,221	419,606,869

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

For the years ended December 31, 2016 and 2015

13. 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>	<b>Goodwill</b>	<b>Trademark right</b>	<b>Membership</b>	<b>Usage rights</b>	<b>Others</b>	<b>Total</b>
<b>Acquisition costs:</b>						
Balance at January 1, 2015	₩ 4,820,619	242,769	6,226,021	11,390,663	40,502,066	63,182,138
Acquisitions	-	4,219	-	-	272,543	276,762
Disposals	-	-	-	(22,959)	(55,245)	(78,204)
Others	-	273,307	-	279,650	22,368,825	22,921,782
Balance at December 31, 2015	4,820,619	520,295	6,226,021	11,647,354	63,088,189	86,302,478
Acquisitions	-	15,344	1,175,300	-	467,077	1,657,721
Disposals	-	(9,798)	-	-	(816,266)	(826,064)
Others	-	70,104	-	-	5,252,723	5,322,827
Replacement of assets held for sale	-	-	-	-	(11,757,921)	(11,757,921)
Balance at December 31, 2016	4,820,619	595,945	7,401,321	11,647,354	56,233,802	80,699,041
<b>Accumulated amortization:</b>						
Balance at January 1, 2015	-	-	-	(8,049,608)	(30,823,649)	(38,873,257)
Amortization	-	-	-	(955,156)	(21,930,900)	(22,886,056)
Disposals	-	-	-	17,609	55,243	72,852
Balance at December 31, 2015	-	-	-	(8,987,155)	(52,699,306)	(61,686,461)
Amortization	-	-	-	(989,975)	(5,811,673)	(6,801,648)
Disposals	-	-	-	-	816,077	816,077
Others	-	-	-	-	10,994	10,994
Replacement of assets held for sale	-	-	-	-	8,655,295	8,655,295
Balance at December 31, 2016	-	-	-	(9,977,130)	(49,028,613)	(59,005,743)
<b>Accumulated impairment:</b>						
Balance at January 1, 2015	-	-	(790,217)	-	(405,883)	(1,196,100)
Balance at December 31, 2015	-	-	(790,217)	-	(405,883)	(1,196,100)
Balance at December 31, 2016	-	-	(790,217)	-	(405,883)	(1,196,100)
<b>Carrying amounts:</b>						
Balance at January 1, 2015	₩ 4,820,619	242,769	5,435,804	3,341,055	9,272,534	23,112,781
Balance at December 31, 2015	₩ 4,820,619	520,295	5,435,804	2,660,199	9,983,000	23,419,917
Balance at December 31, 2016	₩ 4,820,619	595,945	6,611,104	1,670,224	6,799,306	20,497,198

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

For the years ended December 31, 2016 and 2015

**13. Intangible Assets, Continued**

(2) Impairment test

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

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

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

<i>(In percent)</i>	<u>2016</u>	<u>2015</u>
Discount rate	5.68	4.09
Terminal value growth rate	-	-

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

The future cash flows were estimated based on the nature of industry in which the Company operates for five years after 2016. The future cash flows after five years were estimated based on 0% of terminal growth rate. The cash flow projections were estimated based on historical experience, actual operating results and the Company's business plan.

**14. Other Financial Liabilities**

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

<i>(In thousands of won)</i>	<u>2016</u>		<u>2015</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Accrued expenses	₩ 4,215,157	10,989,745	1,964,239	921,327
Finance lease liabilities	232,976	390,705	132,041	52,982
Leasehold deposits received	1,418,489	643,000	2,475,399	422,000
Present value discount	-	-	(35,229)	-
Derivative financial liabilities	-	110,926	-	112,733
	<u>₩ 5,866,622</u>	<u>12,134,376</u>	<u>4,536,450</u>	<u>1,509,042</u>

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

<i>(In thousands of won)</i>	<u>Effective interest rate (%)</u>	<u>Nominal values</u>	<u>Discounted present value</u>	<u>Present value discount</u>
December 31, 2016	-	₩ 2,061,489	2,061,489	-
December 31, 2015	5.3	₩ 2,897,399	2,862,170	(35,229)

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

For the years ended December 31, 2016 and 2015

14. Other Financial Liabilities, Continued

(3) Finance lease

① Finance lease contract

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

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

<i>(In thousands of won)</i>		<u>2016</u>	<u>2015</u>
Acquisition costs	₩	13,490,732	12,787,864
Accumulated depreciation		(11,523,218)	(10,271,862)
Carrying amount	₩	<u>1,967,514</u>	<u>2,516,002</u>

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:

<i>(In thousands of won)</i>		<u>2016</u>			<u>2015</u>		
		<u>Future minimum lease payments</u>	<u>Interest</u>	<u>Present value</u>	<u>Future minimum lease payments</u>	<u>Interest</u>	<u>Present value</u>
Less than one year	₩	262,435	(29,459)	232,976	141,603	(9,562)	132,041
One to five years		419,359	(28,654)	390,705	55,229	(2,247)	52,982
	₩	<u>681,794</u>	<u>(58,113)</u>	<u>623,681</u>	<u>196,832</u>	<u>(11,809)</u>	<u>185,023</u>



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

For the years ended December 31, 2016 and 2015

**15. 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	₩ 8,481,071	-	8,362,175	-
Value added tax withheld	7,210,479	-	5,773,978	-
Advance received	50,112,853	-	53,674,275	-
Unearned revenue	331,391	9,067	268,592	9,067
Liabilities for employee benefits	14,033,267	457,202	15,564,011	403,672
Deferred revenues	-	13,631,770	-	12,689,619
Provision for mileage points	-	908,951	-	961,335
Other provision	-	4,750,000	-	4,600,000
	₩ <u>80,169,061</u>	<u>19,756,990</u>	<u>83,643,031</u>	<u>18,663,693</u>

- (2) Deferred revenues

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

The fair value of award credits not yet redeemed under the customer loyalty program as of December 31, 2016 and 2015 are ₩13,631 million and ₩12,690 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	₩ <u>908,951</u>	<u>961,335</u>

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

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

For the years ended December 31, 2016 and 2015

16. Debt

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

(In thousands of won)

	<u>2016</u>	<u>2015</u>
<b>Current liabilities:</b>		
Debentures	₩ 99,951,113	29,965,660
Short-term borrowings	90,000,000	-
Current portion of local currency long-term borrowings	-	19,988,248
Current portion of foreign currency long-term borrowings	16,616,875	-
	<u>206,567,988</u>	<u>49,953,908</u>
<b>Non-current liabilities:</b>		
Debentures	149,691,446	249,417,549
Local currency long-term borrowings	315,660,808	26,000,000
Foreign currency long-term borrowings	55,893,125	70,320,000
	<u>₩ 521,245,379</u>	<u>345,737,549</u>

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

(In thousands of won)

<u>Lender</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>2016</u>	<u>2015</u>
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
			<u>250,000,000</u>	<u>280,000,000</u>
Less: discount			(357,441)	(616,791)
Less: current portion of long-term debentures			(99,951,113)	(29,965,660)
			<u>₩ 149,691,446</u>	<u>249,417,549</u>

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

(In thousands of won)

<u>Lender</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>2016</u>	<u>2015</u>
Shinhan Bank(*)	2017.11.23	CD + 0.8	₩ 50,000,000	-
Kookmin Bank	2017.11.23	2.64	40,000,000	-
			<u>₩ 90,000,000</u>	<u>-</u>

(\*) As of December 31, 2016, the Company 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 Company recognized gain on valuation of derivative financial instrument amounting to ₩13 million in profit or loss for the year ended December 31, 2016.

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

For the years ended December 31, 2016 and 2015

16. Debt, Continued

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

(In thousands of won)

<u>Lender</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>2016</u>	<u>2015</u>
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
Kookmin Bank(*)	2018.11.19	CD + 0.98	16,000,000	16,000,000
Bank of China	2019.10.25	2.50	30,000,000	-
Agricultural Bank of China	2019.10.25	2.50	30,000,000	-
Industrial & Commercial 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	-
			<u>316,000,000</u>	<u>46,000,000</u>
Less: discount			(339,192)	(11,752)
Less: current portion of long-term borrowings			-	(19,988,248)
			<u>₩ 315,660,808</u>	<u>26,000,000</u>

(\*) As of December 31, 2016, the Company 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 Company recognized gain on valuation of derivative financial instrument amounting to ₩2 million in profit or loss for the year ended December 31, 2016.

(5) Foreign currency long-term borrowings as of December 31, 2016 and 2015 are as follows:

(In thousands of won, except foreign currency)

<u>Lender</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>2016</u>	<u>2015</u>
The Export-Import Bank of Korea	2019.01.10	3M LIBOR + 2.09 ₩	12,085,000 (USD 10,000,000)	11,720,000 (USD 10,000,000)
Korea Development Bank	2019.04.09	3M LIBOR + 1.79	48,340,000 (USD 40,000,000)	46,880,000 (USD 40,000,000)
	2020.10.28	3M LIBOR	12,085,000	11,720,000
		+ 1.79	(USD 10,000,000)	(USD 10,000,000)
			<u>72,510,000</u>	<u>70,320,000</u>
			<u>(USD 60,000,000)</u>	<u>(USD 60,000,000)</u>
Less: current portion of long-term borrowings			(16,616,875) (USD 13,750,000)	-
			<u>₩ 55,893,125</u>	<u>70,320,000</u>
			<u>(USD 46,250,000)</u>	<u>(USD 60,000,000)</u>

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

For the years ended December 31, 2016 and 2015

16. Debt, Continued

- (5) Foreign currency long-term borrowings as of December 31, 2016 and 2015 are as follows, continued:

As of December 31, 2016, the Company has entered into currency forward contracts in accordance with the risk management policy, in order to control the risk of being reflected by changes in exchange rate related to payment of foreign currency borrowings.

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

(In won, except foreign currency)

<u>Lender</u>	<u>Contractor</u>	<u>Notional amount</u>	<u>Currency forward rate</u>	<u>Maturity date</u>
The Export-Import Bank of Korea	Standard Chartered Bank Korea	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

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

17. Employee Benefits

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

(In thousands of won)

	<u>2016</u>	<u>2015</u>
Wages and salaries	₩ 129,237,609	115,941,709
Expenses related to post-employment defined plans	9,275,321	8,554,199
	<u>₩ 138,512,930</u>	<u>124,495,908</u>

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

(In thousands of won)

	<u>2016</u>	<u>2015</u>
Present value of defined benefit obligations	₩ 55,516,850	46,546,789
Fair value of plan assets	(50,144,508)	(41,552,309)
<b>Net defined benefit liability</b>	<u>5,372,342</u>	<u>4,994,480</u>
Liabilities for short-term employee benefits	14,033,267	15,564,011
Liabilities for long-term employee benefits	457,202	403,672
Liabilities for long-term officer compensation expense	678,062	1,513,833
<b>Total employee benefit liabilities</b>	<u>₩ 20,540,873</u>	<u>22,475,996</u>

The Company's defined benefit plans are administered by Woori Bank, Samsung Fire & Marine Insurance and others. The principal of its plan assets are guaranteed and the annual yield of its plan assets is 1.70% for 2016.

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

**For the years ended December 31, 2016 and 2015**

**17. Employee Benefits, Continued**

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

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

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

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2016	2015	2016	2015	2016	2015
<i>(In thousands of won)</i>						
<b>Balance at January 1</b>	₩ 46,546,789	41,052,140	(41,552,309)	(32,766,890)	4,994,480	8,285,250
<b>Included in profit or loss:</b>						
Current service cost	9,165,591	8,356,918	-	-	9,165,591	8,356,918
Interest cost (income)	1,287,623	1,172,871	(1,177,893)	(975,590)	109,730	197,281
	<u>10,453,214</u>	<u>9,529,789</u>	<u>(1,177,893)</u>	<u>(975,590)</u>	<u>9,275,321</u>	<u>8,554,199</u>
<b>Included in other comprehensive income or loss:</b>						
Remeasurements loss (gain):						
- Actuarial loss (gain) arising from:						
- demographic assumptions	-	(54,919)	-	-	-	(54,919)
- financial assumptions	592,392	(860,393)	-	-	592,392	(860,393)
- experience adjustment	2,444,201	2,210,787	-	-	2,444,201	2,210,787
- Return on plan assets excluding interest income	-	-	537,818	324,164	537,818	324,164
	<u>3,036,593</u>	<u>1,295,475</u>	<u>537,818</u>	<u>324,164</u>	<u>3,574,411</u>	<u>1,619,639</u>
<b>Other:</b>						
Contribution paid by the employer	-	-	(10,000,000)	(11,100,000)	(10,000,000)	(11,100,000)
Benefits paid	(4,678,326)	(4,100,803)	2,185,341	1,749,054	(2,492,985)	(2,351,749)
Transfer from (to) affiliated companies	281,170	(1,229,812)	(260,055)	1,216,953	21,115	(12,859)
Replacement of liabilities held for sale	(122,590)	-	122,590	-	-	-
	<u>(4,519,746)</u>	<u>(5,330,615)</u>	<u>(7,952,124)</u>	<u>(8,133,993)</u>	<u>(12,471,870)</u>	<u>(13,464,608)</u>
<b>Balance at December 31</b>	₩ <u>55,516,850</u>	<u>46,546,789</u>	<u>(50,144,508)</u>	<u>(41,552,309)</u>	<u>5,372,342</u>	<u>4,994,480</u>

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

	2016	2015
<i>(In thousands of won)</i>		
Deposit for severance benefit insurance	₩ 50,142,099	41,549,900
Transfer to National Pension Fund	2,409	2,409
	<u>₩ 50,144,508</u>	<u>41,552,309</u>

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

For the years ended December 31, 2016 and 2015

17. 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%	3.10%
Future salary growth	6.61%	6.13%

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

At December 31, 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	₩ (2,640,887)
	1% decrease	2,945,206
Future salary growth	1% increase	2,942,183
	1% decrease	(2,687,450)

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.

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

For the years ended December 31, 2016 and 2015

18. Commitments and Contingencies

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

(In thousands of won,  
except foreign currency)

		Local Currency				Foreign Currency	
		Overdraft	General	Bill discounting	Business purchase card	Total	Overseas investment
KEB Hana Bank	₩	2,000,000	-	-	3,000,000	5,000,000	-
Woori Bank		3,000,000	30,000,000	-	13,000,000	46,000,000	-
Shinhan Bank		-	15,000,000	50,000,000	10,000,000	75,000,000	-
Meritz Securities		-	-	30,000,000	-	30,000,000	-
Kookmin Bank		10,000,000	56,000,000	-	-	66,000,000	-
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	-
Korea Development Bank		-	-	-	-	-	USD 50,000,000
The Export-Import Bank of Korea		-	-	200,000,000	-	200,000,000	USD 10,000,000
	₩	<u>15,000,000</u>	<u>191,000,000</u>	<u>280,000,000</u>	<u>26,000,000</u>	<u>512,000,000</u>	<u>USD 60,000,000</u>

(2) As of December 31, 2016, the Company is involved in 5 lawsuits as a plaintiff for alleged damages of ₩1,406 million in aggregate, and 11 lawsuits as a defendant for alleged damages of ₩3,969 million in aggregate. In terms of the lawsuit as a defendant with Korean Film Producers Association, the Company partially lost the first trial (the amount of claim: ₩2,453 million), but won the case in the second trial which was held during January 2015. Currently, the third trial is in progress.

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

(3) Payment guarantee

- ① The Company is provided with payment guarantee of ₩50,454 million from Seoul Guarantee Insurance Company related to the performance of contracts.
- ② Details of guarantees which the Company has provided to others as of December 31, 2016 are as follows:

Guarantee recipient	Guarantees	Guarantee type	Beneficiary
PT Layer Persada	USD 30,000,000	Credit-line Guarantee	KEB Hana Bank

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

For the years ended December 31, 2016 and 2015

**18. Commitments and Contingencies, Continued**

- (4) The Company made a leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 2<sup>nd</sup> and transferred ₩190,000 million of leasehold deposits during 2015. Fees to be paid in the future for the use of buildings of which leasehold deposits were transferred are recognized as other payables of ₩7,513 million and long-term other payables of ₩23,404 million, as of December 31, 2016.
- (5) The Company has an outstanding purchase commitment for the acquisition of the leasehold deposit, which was transferred according to the leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 2<sup>nd</sup> during 2015, at fair value in August 28, 2018. The Company holds interest rate forwards to hedge the risk of changes in the fair value of leasehold deposit at the time of repurchase and has recognized gain on valuation of derivative financial assets amounting to ₩609 million as finance income in the statement of comprehensive income.
- (6) The Company has made a total return swap contract with the acquirer of non-guaranteed and subordinated convertible bonds (total face amount of ₩15,000 million) issued by CJ 4DPlex Co., Ltd. (formerly, Simuline Inc.), a subsidiary of the Company during 2015. According to the contract, the Company should settle the difference derived from the change in the fair value of these convertible bonds when the acquirer sells these convertible bonds to a third-party at the third anniversary date of issuance date.
- (7) The Company has made a total return swap contract with the non-controlling shareholder of Bosphorus Investment Co., Ltd., a subsidiary of the Company. According to the contract, the 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.

**19. 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>

**20. 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>



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

**For the years ended December 31, 2016 and 2015**

**21. 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	433,860,178	407,466,660
	<u>₩ 453,882,185</u>	<u>426,748,021</u>

The Korean Commercial Code requires the Company to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve can only be used for conservation of deficit or for capital transference by the resolution of general meeting of shareholders. In addition, when the total amount of legal reserve and voluntary reserve exceeds common stock by more than 1.5 times, the 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	₩ 426,748,021	377,678,875
Net income	37,268,308	57,703,292
Dividends	(7,406,460)	(7,406,460)
Remeasurement loss of defined benefit plan	(2,727,684)	(1,227,686)
Ending balance	<u>₩ 453,882,185</u>	<u>426,748,021</u>

(3) Separate statements of appropriation of 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>
I. Unappropriated retained earnings		
Balance at beginning of year	₩ 399,319,554	350,991,054
Net income	37,268,308	57,703,292
Remeasurement loss of defined benefit plan	(2,727,684)	(1,227,686)
Balance at end of year before appropriation	<u>433,860,178</u>	<u>407,466,660</u>
II. Appropriation of retained earnings		
Legal reserve	(740,646)	(740,646)
Dividends:		
70% on par value at ₩350 per share in 2016 and 2015	<u>(7,406,460)</u>	<u>(7,406,460)</u>
III. Unappropriated retained earnings to be carried over to subsequent year	<u>₩ 425,713,072</u>	<u>399,319,554</u>

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

**For the years ended December 31, 2016 and 2015**

**22. 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	₩ 58,743	58,743
Capital adjustments	(4,185,686)	(4,185,686)
Accumulated other comprehensive loss	(465,848)	(465,848)
	<u>₩ (4,592,791)</u>	<u>(4,592,791)</u>

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

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Other capital adjustments	₩ (4,185,686)	(4,185,686)

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

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Loss on valuation of available-for-sale financial assets	₩ (465,848)	(465,848)

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

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

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Salaries	₩ 120,158,070	104,862,999
Employee benefits	8,535,475	7,426,010
Other employee benefits	14,149,343	11,419,802
Supplies	6,737,494	9,262,685
Rent	93,382,321	84,036,239
Depreciation	2,628,923	3,177,529
Amortization	4,989,395	6,496,168
Advertising	10,083,706	6,557,055
Sales promotion	9,044,628	8,606,116
Maintenance expenses for buildings	58,888,437	54,164,349
Commission	75,174,312	76,672,635
Other expenses	20,250,392	20,671,558
	<u>₩ 424,022,496</u>	<u>393,353,145</u>

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

**For the years ended December 31, 2016 and 2015**

**24. 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	₩ 49,694,267	46,803,304
Salaries	129,237,609	115,941,709
Employee benefits	9,275,321	8,554,199
Other employee benefits	15,167,283	12,665,939
Supplies	6,737,494	9,262,685
Rent	93,382,321	84,036,239
Depreciation	53,189,640	50,282,426
Amortization	6,801,648	22,886,056
Maintenance expenses for buildings	58,888,437	54,164,349
Commission	78,612,336	80,718,492
Other expenses	351,619,231	339,906,359
<b>Total(*)</b>	<u>₩ 852,605,587</u>	<u>825,221,757</u>

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

**25. 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>
Gain on disposal of other financial assets	₩ -	1,398,932
Reversal of other provisions	-	23,000
Gain on disposal of property and equipment	31,392	8,243
Gain on disposal of investment property	310,294	-
Commission income	1,665,918	1,030,345
Rental income	32,892	70,269
Miscellaneous income	7,250,040	6,732,519
	<u>₩ 9,290,536</u>	<u>9,263,308</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	₩ 95,225	78,085
Loss-on-disposal-of-property-and equipment	949,904	4,854,582
Loss on disposal of intangible assets	9,987	5,352
Loss on disposal of investment property	1,366,852	-
Loss on disposal of other financial assets	-	98,121
Donations	3,352,720	2,817,334
Miscellaneous loss	8,065,494	499,144
	<u>₩ 13,840,182</u>	<u>8,352,618</u>

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

For the years ended December 31, 2016 and 2015

**26. 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	₩ 907,395	1,172,664
Loans and receivables	866,354	1,089,380
Foreign currency transaction gain:		
Loans and receivables	99,390	58,841
Financial liabilities recognized at amortized cost	52,056	27,329
Foreign currency translation gain:		
Loans and receivables	4,017	51,999
Dividend income	2,445,018	1,896,289
Gain on valuation of derivative financial assets	2,647,945	13,101,114
Gain on transaction of derivative financial assets	4,860,691	5,083,907
	₩ <u>11,882,866</u>	<u>22,481,523</u>

- (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	₩ 19,268,919	13,843,020
Foreign currency transaction loss:		
Loans and receivables	29,793	12,437
Financial liabilities recognized at amortized cost	66,553	74,095
Foreign currency translation loss:		
Cash and cash equivalents	-	1,552
Loans and receivables	4,127	25,250
Financial liabilities recognized at amortized cost	2,212,194	4,059,493
Loss on disposal of available-for-sale financial assets	2,599	448
Loss on valuation of derivative financial assets	-	112,733
Loss on transaction of derivative financial assets	3,733,075	61,458
	₩ <u>25,317,260</u>	<u>18,190,486</u>

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

**For the years ended December 31, 2016 and 2015**

**27. Income Tax Expense**

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

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Current tax expense	₩ 16,029,994	14,655,811
Adjustment for prior years	(1,656,714)	(585,952)
Origination and reversal of temporary differences	(5,414,615)	4,591,375
Income tax recognized directly in equity	870,844	391,953
Total income tax expense	<u>₩ 9,829,509</u>	<u>19,053,187</u>

In accordance with Cash Reserve Taxation which is effective for the three years from January 1, 2015 to December 31, 2017, if utilization of current taxable income for facility investment, increase in employee's salary, or dividend distribution does not reach the required level, Cash Reserve Tax is additionally imposed. Estimation of the income tax expense at year-end involves estimation of taxable income, as well as facility investment, salary increases and dividend distributions for the future periods subject to Cash Reserve Taxation, hence uncertainty on estimation of income tax expense exists as the actual amounts may differ from these estimates. The Company utilized current taxable income over the utilization threshold under Cash Reserve Taxation during 2016.

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

<i>(In thousands of won)</i>	<u>2016</u>		<u>2015</u>	
	<u>Other comprehensive loss</u>	<u>Deferred tax assets (liabilities)</u>	<u>Other comprehensive loss</u>	<u>Deferred tax assets (liabilities)</u>
Remeasurement loss of defined benefit plan	₩ (3,598,528)	870,844	(1,619,639)	391,953

- (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	₩ 47,097,817	76,756,479
Income tax using the Company's statutory tax rate	10,935,672	18,113,068
Adjustments:		
- Non-deductible expense	1,708,812	815,381
- Unrecognized deferred tax on temporary differences	(348,286)	-
- Adjustments for prior years	(1,656,714)	(585,952)
- Change in temporary differences	40,550	794,341
- Others	(850,525)	(83,651)
Income tax expenses	<u>₩ 9,829,509</u>	<u>19,053,187</u>
Average effective tax rate	20.87%	24.82%

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

For the years ended December 31, 2016 and 2015

27. 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
Allowance for doubtful accounts	₩	2,505,688	618,303	606,377
Depreciation		(2,425,598)	(559,360)	(586,995)
Amortization		(1,894,689)	(416,612)	(458,514)
Accrued income		(123,542)	(21,994)	(29,897)
Goodwill		(2,870,644)	(694,696)	(694,696)
Impairment loss on property and equipment		2	-	-
Impairment loss on intangible assets		790,220	191,233	191,233
Provisions		1,221,673	232,644	295,646
Deferred revenues		13,631,769	3,070,887	3,298,887
Lands		(50,520,278)	(12,784,587)	(12,225,907)
Equity method investments		1,500,000	363,000	363,000
Bad debt		7,952,034	1,924,392	1,924,392
Prepaid expenses		(62,369,884)	(16,648,889)	(15,093,512)
Present value discount		5,387,295	1,056,742	1,303,726
Unearned revenue		-	8,525	-
Other payables		30,916,644	8,044,955	7,481,828
Gain (loss) on valuation of interest rate forward		(2,021,502)	(341,698)	(489,204)
Gain (loss) on valuation of interest rate swap		97,407	27,281	23,572
Gain (loss) on valuation of separable embedded derivatives		-	(731,277)	-
Gain (loss) on valuation of available-for-sale financial assets		614,577	148,728	148,728
Other provision		4,750,000	1,113,200	1,149,500
Taxes and dues		13,376	3,237	3,237
Consent dividend		5,023,558	379,909	1,215,701
Long-term employee benefits		435,392	97,689	105,365
Accrued retirement and severance benefits		58,503,482	10,717,437	14,157,842
Provision for retirement and severance benefits		(56,245,050)	(10,717,437)	(13,611,302)
Impairment losses on advance payments		232,460	-	56,255
Accrued expenses		4,123,822	-	997,965
		(40,771,788)	(14,918,388)	(9,866,773)
Unrecognized deferred tax liabilities(*)			331,696	694,696
	₩		(14,586,692)	(9,172,077)

(\*) Deferred tax liabilities of ₩695 million for temporary differences related to goodwill were not recognized, as it is not probable that the temporary differences will be reversed in the foreseeable future.

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

For the years ended December 31, 2016 and 2015

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

(\*) Deferred tax liabilities of ₩332 million for temporary differences related to investments in subsidiaries and associates were not recognized, as it is not probable that the temporary differences will be reversed in the foreseeable future.

(6) As of December 31, 2016, tax effects of temporary differences are calculated by the expected tax rate of the fiscal period when the temporary differences are expected to reverse.

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

**For the years ended December 31, 2016 and 2015**

**27. Income Tax Expense, Continued**

(7) The aggregate amounts of deferred tax assets and liabilities as of December 31, 2016 and 2015 are as follows:

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Deferred tax assets	₩ 33,323,254	27,635,162
Deferred tax liabilities	(42,495,331)	(42,221,854)
	<u>₩ (9,172,077)</u>	<u>(14,586,692)</u>

**28. 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>	<u>2016</u>	<u>2015</u>
Net income attributable to ordinary shares	₩ 37,268,308,080	57,703,291,801
Weighted average number of ordinary shares	21,161,313	21,161,313
Basic earnings per share	<u>₩ 1,761</u>	<u>2,727</u>

(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.

**29. Disposal Group Held for Sale**

The Company decided to hand over CJ ONE project to CJ Olive Networks 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:

<i>((In thousands of won)</i>	<u>2016</u>
Property, plant and equipment	₩ 784,264
Intangible assets	3,102,626
Other current financial assets	902,860
Other current assets	37,500
Assets held for sale	<u>₩ 4,827,250</u>
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	<u>₩ 4,846,467</u>

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



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

For the years ended December 31, 2016 and 2015

30. Related Parties

(1) Parent company and subsidiaries

① The Company's ultimate controlling company is CJ Corp. and the Company's subsidiaries as of December 31, 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.
British Virgin Islands / Vietnam Singapore	Envoy Media Partners Ltd. Cross Junction Investment Co., Pte. Ltd. Crown Jade Company Pte. Ltd.	CJ CGV VIETNAM CO., LTD. - -

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

For the years ended December 31, 2016 and 2015

**30. Related Parties, Continued**

(1) Parent company and subsidiaries, continued

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

<b>Location</b>	<b>Subsidiaries</b>	
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

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

For the years ended December 31, 2016 and 2015

**30. Related Parties, Continued**

(1) Parent company and subsidiaries, continued

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

<b>Relationship</b>	<b>Name</b>
Associates	SSV Contents Investment Association CJ VIETNAM COMPANY LIMITED
Joint ventures	IBK Finance Group Union Contents Investment Fund Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd. Wuhan CJ XingXing Tiandi Cinema Co., Ltd. D-Cinema Korea Co., Ltd. Shanghai Shangying CGV Cinema Co., Ltd.
Other related companies	CGV EMPIRE SDN. BHD CJ Cheiljedang Corp. CJ HealthCare Corporation CJ Freshway Corporation CJ Foodvill Co., Ltd. CJ Dondonfarm Co., Ltd. CJ Sea Food Co., Ltd. WON JI CJ O Shopping Co., Ltd. CJ Worldis Co., Ltd. CJ Hellovision Co., Ltd. CJ Telenix Co., Ltd. SUPERRACE CJ Korea Express Co., Ltd. CJ Powercast Inc. Art service Co., Ltd. Cinema Service Co., Ltd. CJ E&M Corp. MEZZOMEDIA Inc. Netmarble Games Corporation K Valley Co., Ltd. Studio Dragon Corporation CJ Digitalmusic Corporation CJ OliveNetworks Co., Ltd. CJ Construction Co., Ltd. CJ MD1 Corp. Joy Rent a Car Co., Ltd. CNI Leisure Co., Ltd. Timewise Investment SG Safety Corporation

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2016 and 2015

30. 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 investment property	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Parent	CJ Corp.	₩ 36,511	-	-	-	-	-	-	11,765	4,055,840	2,889,950
Subsidiaries	CJ 4DPlex Co., Ltd.	96,569	6,190	-	-	-	1,938,299	1,334,136	-	1,789,464	-
	CJ 4DPLEX AMERICA, INC.	-	6,422	-	-	-	-	-	-	-	-
	CJ 4DX (Beijing) Cinema Technology Co., Ltd.	-	10,764	-	-	-	-	-	-	-	-
	CJ CGV (Shanghai) Enterprise Management Co., Ltd.	-	87,245	-	-	-	-	-	-	873	-
	CJ CGV VIETNAM CO., LTD.	377,434	110,714	-	-	-	-	-	-	-	-
	CJ CGV America, Inc.	-	11,069	-	-	-	-	-	-	-	-
	CGI Holdings Ltd.	-	427,347	-	-	-	-	-	-	-	-
	CJ CGV America LA, LLC.	13,274	-	-	-	-	12	-	-	914	-
	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	-	128,292	-	-	-	-	-	-	-	-
	Joint ventures	D-Cinema Korea Co., Ltd.	-	-	-	-	-	-	-	-	392,350
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.		-	-	-	-	288,175	-	-	-	-	-
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.		-	-	-	-	1,171,974	-	-	-	-	-
Shanghai Shangying CGV Cinema Co., Ltd.		-	-	-	-	956,054	-	-	-	-	-
Other related companies	CJ Cheiljedang Corp.	328,418	3,023	-	-	-	22,170	-	-	5,634,660	-
	CJ HealthCare Corporation	375,275	-	-	-	-	-	-	-	2,160	-
	CJ Freshway Corporation	43,851	-	-	-	-	27,851,919	-	-	99,088	-
	CJ Foodvill Co., Ltd.	3,890,461	10,284	-	-	-	5,671,169	270,508	-	5,454,557	-

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2016 and 2015

30. 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 investment property	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related companies	CJ Dondonfarm Co., Ltd.	₩ 2,204	-	-	-	-	-	-	-	-	-
	CJ Sea Food Co., Ltd.	1,744	-	-	-	-	-	-	-	-	-
	WON JI	864	-	-	-	-	-	-	-	-	-
	CJ O Shopping Co., Ltd.	404,268	391,539	-	-	-	-	-	-	23,189	-
	CJ Worldis Co., Ltd.	1,024	115	-	-	-	-	-	-	545	-
	CJ Hellovision Co., Ltd.	55,990	60	-	-	-	-	-	-	18,000	-
	CJ Telenix Co., Ltd.	4,312	-	-	-	-	-	-	-	2,039,732	-
	SUPERRACE	60	-	-	-	-	-	-	-	900,000	-
	CJ Korea Express Co., Ltd.	74,637	-	-	-	-	-	55,581	-	88,321	-
	CJ Powercast Inc.	82,410,153	-	-	-	-	3,300	-	10,895	3,529,956	-
	Art service Co., Ltd.	111,042	-	-	-	-	-	-	-	-	-
	Cinema Service Co., Ltd.	865	-	-	-	-	1,889,732	-	-	-	-
	CJ E&M Corp.	2,775,474	18,165	-	16,831,747	-	51,784,419	-	71,000	1,410,647	-
	MEZZOMEDIA Inc.	2,634	-	-	-	-	-	-	-	23,000	-
	Netmarble Games Corporation	1,359	1	-	-	-	-	-	-	-	-
	K Valley Co., Ltd.	538	-	-	-	-	-	-	-	-	-
	Studio Dragon Corporation	1,309	1,954	-	-	-	-	-	-	-	-
	CJ Digitalmusic Corporation	-	-	-	-	-	-	-	-	6,340	-
	CJ OliveNetworks Co., Ltd.	735,723	6,165	-	-	-	282,166	459,517	7,055,476	27,190,422	-
	CJ Construction Co., Ltd.	63,917	-	51,450	-	-	14,619	-	-	612,585	-
	CJ MD1 Corp.	1,493	-	-	-	-	-	-	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	-	-	-	345,716	-
	CNI Leisure Co., Ltd.	324	-	-	-	-	-	-	-	-	-
	Timewise Investment	1,915	-	-	-	-	-	-	-	-	-
	SG Safety Corporation	-	4,554	-	-	-	-	-	-	95,432	-
		₩ 91,813,642	1,223,903	51,450	16,831,747	2,416,203	89,457,805	2,119,742	7,149,136	53,713,791	2,889,950

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2016 and 2015

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

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2016 and 2015

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

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

For the years ended December 31, 2016 and 2015

30. 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	Other receivables	Trade payables	Deposits received	Other liabilities
Parent	CJ Corp.	₩ 3,314	-	40	-	-	453,513
Subsidiaries	CJ 4DPlex Co., Ltd.	18,908	-	7,016	455,894	-	840,341
	CJ CGV (Shanghai) Enterprise Management Co., Ltd.	85,808	-	-	-	-	-
	CJ CGV VIETNAM CO., LTD.	356,678	-	-	-	-	-
	CJ CGV America LA, LLC.	-	-	-	-	-	2,645
	IKT Holdings Limited	-	-	25,027	-	-	-
	Wisely Act Limited	-	-	25,839	-	-	-
	JAVA Investment Limited	-	-	2,959	-	-	-
	KSAMO Holdings Limited	-	-	1,464	-	-	-
	KTM Investment Limited	-	-	2,215	-	-	-
	APOLLON Investment Limited	-	-	3,810	-	-	-
	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	-	-	133,598	-	-	-
Joint ventures	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	1,171,974	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.	-	-	956,054	-	-	-
Other related companies	CJ Cheiljedang Corp.	84,634	-	492,765	-	-	1,295,645
	CJ HealthCare Corporation	86,658	-	24,393	-	-	344
	CJ Freshway Corporation	66,007	-	100,055	9,231,828	-	15,344
	CJ Foodvill Co., Ltd.	202,351	110,000	1,517,261	862,994	870,000	4,551,195
	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	-	-	2,762,387
	CJ Worldis Co., Ltd.	-	-	996	-	-	93,091
	CJ Hellovision Co., Ltd.	110,718	-	192,032	-	-	13,300
	CJ Telenix Co., Ltd.	16,870	-	24,170	-	-	201,450
	CJ Korea Express Co., Ltd.	52,637	-	242,924	-	-	76,080
	CJ Powercast Inc.	33,042,157	-	18,029	-	-	738,912
	Art service Co., Ltd.	3,245	-	59	-	-	-
	CJ E&M Corp.	1,060,979	380,635	1,222,658	10,199,944	-	619,439
	MEZZOMEDIA Inc.	4,859	-	765	-	-	-
	K Valley Co., Ltd.	1,274	-	198	-	-	-
	Studio Dragon Corporation	1,001	-	60	-	-	-
	CJ Digitalmusic Corporation	-	-	-	-	-	40,326
	CJ OliveNetworks Co., Ltd.	28,211,294	-	2,744,245	-	60,000	10,412,616
	CJ Construction Co., Ltd.	8,272	-	5,074,268	-	-	1,080,108
	CJ MD1 Corp.	2,085	-	252	-	-	-
	Timewise Investment	153	-	131	-	-	-
	SG Safety Corporation	-	-	-	-	-	15,274
		₩ 63,461,379	490,635	16,131,556	20,750,660	930,000	23,212,010



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

For the years ended December 31, 2016 and 2015

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

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

For the years ended December 31, 2016 and 2015

30. Related Parties, Continued

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

<i>(In thousands of won)</i>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	₩ 1,156,426	959,783
Costs related to defined benefit plan	101,654	87,721
Long-term employee benefits	58,045	47,201
	<u>₩ 1,316,125</u>	<u>1,094,705</u>

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

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

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

<u>Related companies</u>	<u>Guarantee recipient</u>	<u>Guarantees</u>	<u>Guarantee type</u>	<u>Beneficiary</u>
Subsidiaries	CGI Holdings Ltd.	USD 20,000,000	Credit-line guarantee	Woori Bank Hong Kong
		HKD 91,650,000		KEB Hana Bank Hong Kong
		USD 10,000,000		HSBC
		RMB 66,785,000		The Export-Import Bank of Korea
		USD 20,000,000		Shinhan Bank Hong Kong
		USD 72,500,000		Korea Development Bank
		USD 10,000,000		Bank of America
		USD 20,000,000		Shinhan Bank Vietnam
		USD 10,000,000		Standard Chartered Bank Vietnam
		USD 10,000,000		HSBC Vietnam
	CJ CGV Vietnam Co., Ltd.	VND 640,000,000,000	Korea Development Bank Vietnam	
		USD 10,000,000	Woori Bank Vietnam	
		USD 10,000,000	KEB Hana Bank	
		USD 15,000,000	Korea Development Bank Vietnam	
CJ CGV America, Inc.	VND 219,020,000,000	Woori Bank Vietnam		
	USD 4,000,000	KEB Hana Bank		
	USD 3,000,000	Korea Development Bank		
	USD 4,000,000	Shinhan Bank USA		
	USD 10,000,000	CITIBANK Korea		
	TRY 90,000,000	HSBC		
MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC	80,000,000	IBK Capital, etc.		
		MADANG, LLC.		
CJ CGV America LA, LLC.		- Guarantee on lease contracts		
		- Performance guarantee		
Joint venture	D-Cinema Korea Co., Ltd.		20th Century Fox Film Corporation	
Executives and staff members	Executives and staff members	₩ 272,350	Guarantee on loans of employees	KEB Hana Bank
		3,422,840		Shinhan Bank