

CJ CGV CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
CJ CGV CO., LTD.:

We have audited the accompanying consolidated financial statements of CJ CGV CO., LTD. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

서식 있음: 글꼴: Univers 45 Light

삭제 됨: income

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

삭제 됨: on

Other Matter

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

KPMG Samjong Accounting Corp.
Seoul, Korea
March 12, 2017

This report is effective as of March 12, 2018, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

As of December 31, 2017 and 2016

<i>(In won)</i>	<u>Note</u>	<u>2017</u>	<u>2016</u>
Assets			
Cash and cash equivalents	4,5,6	₩ 132,572,270,858	199,522,589,016
Trade receivables	5,8,32	170,830,944,269	150,854,266,269
Inventories	4,9	17,886,274,593	16,812,064,453
Other current financial assets	4,5,10,32	56,482,780,303	68,187,798,430
Other current assets	11	79,836,242,314	73,984,142,960
Assets held for sale		-	4,827,249,266
Current assets		<u>457,608,512,337</u>	<u>514,188,110,394</u>
Investments in equity method investees	4,12	46,602,218,895	48,425,312,634
Investment property	7,13,32	43,195,517,671	249,435,424
Property and equipment	4,7,14,16,32	1,001,983,720,050	912,625,242,320
Intangible assets	4,7,15,32	727,736,094,592	892,703,484,350
Deferred tax assets	4,30	10,170,761,240	6,022,051,193
Non-current trade receivables	5,8	26,348,457,418	978,817,089
Other non-current financial assets	4,5,10,32	43,897,319,739	67,234,000,698
Other non-current assets	11	102,558,243,959	99,346,559,408
Non-current assets		<u>2,002,492,333,564</u>	<u>2,027,584,903,116</u>
Total assets	₩	<u>2,460,100,845,901</u>	<u>2,541,773,013,510</u>

See accompanying notes to the consolidated financial statements.

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

As of December 31, 2017 and 2016

<i>(In won)</i>	<u>Note</u>	<u>2017</u>	<u>2016</u>
Liabilities			
Trade payables	5,32	₩ 117,985,997,458	117,029,866,413
Other payables	5,20,32	203,475,319,293	155,092,991,532
Short-term borrowings	5,18,32	254,686,821,989	212,500,661,160
Current portion of debentures	5,18	49,981,429,067	99,951,113,019
Current portion of long-term borrowings	5,18	80,157,039,353	36,799,431,283
Current tax liabilities		8,995,520,480	12,378,200,698
Other current financial liabilities	4,5,16,32	26,535,284,090	45,054,053,495
Other current liabilities	17,19	126,534,137,392	131,737,655,648
Liabilities held for sale		-	4,846,466,686
Current liabilities		<u>868,351,549,122</u>	<u>815,390,439,934</u>
Long-term debentures	5,18	149,742,164,474	149,691,445,956
Long-term borrowings	5,18	512,182,725,914	538,401,733,890
Long-term other payables	5,19,20	29,218,978,335	23,403,737,767
Employee benefits	4,19	5,446,226,332	7,501,373,591
Deferred tax liabilities	4,30	30,090,305,557	45,402,561,845
Other non-current financial liabilities	4,5,16,32	64,308,496,934	16,431,682,242
Other non-current liabilities	4,17,19	23,097,837,990	25,069,109,033
Non-current liabilities		<u>814,086,735,536</u>	<u>805,901,644,324</u>
Total liabilities		<u>1,682,438,284,658</u>	<u>1,621,292,084,258</u>
Shareholders' equity			
Common stock	1,4,21	10,580,656,500	10,580,656,500
Capital surplus	22	89,157,245,168	89,157,245,168
Retained earnings	23	319,944,353,479	329,860,688,120
Other capital	24	(111,696,942,295)	(56,013,492,591)
Equity attributable to owners of the Parent Company		<u>307,985,312,852</u>	<u>373,585,097,197</u>
Non-controlling interests	25	<u>469,677,248,391</u>	<u>546,895,832,055</u>
Total shareholders' equity		<u>777,662,561,243</u>	<u>920,480,929,252</u>
Total liabilities and shareholders' equity	₩	<u>2,460,100,845,901</u>	<u>2,541,773,013,510</u>

See accompanying notes to the consolidated financial statements.

CJ CGV CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive **Loss**

For the years ended December 31, 2017 and 2016

(In won)	Note	2017	2016
Revenue	4,7,32	₩ 1,714,387,173,382	1,432,245,446,647
Cost of sales	27,32	(847,114,730,834)	(702,646,843,981)
Gross profit		<u>867,272,442,548</u>	<u>729,598,602,666</u>
Selling, general and administrative expenses	26,27,32	(781,029,549,068)	(659,261,848,445)
Operating profit		<u>86,242,893,480</u>	<u>70,336,754,221</u>
Finance income	4,29	25,257,049,378	20,712,526,454
Finance costs	4,29	(109,202,929,283)	(55,412,226,724)
Other non-operating income	28	24,431,794,526	10,920,331,949
Other non-operating expenses	28	(19,887,522,711)	(23,019,405,481)
Gain on investments in associates	12	5,003,937,375	4,701,723,561
Loss on investments in associates	12	(299,497,477)	(10,275,697,567)
Income before income tax		<u>11,545,725,288</u>	<u>17,964,006,413</u>
Income tax expense	4,30	(1,509,356,486)	(12,342,346,129)
Net income	7	<u>10,036,368,802</u>	<u>5,621,660,284</u>
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit plan	4,19	(1,635,688,287)	(4,090,353,588)
Taxes on items that will not be reclassified to profit or loss		299,430,442	971,209,107
Total items that will not be reclassified to profit or loss		<u>(1,336,257,845)</u>	<u>(3,119,144,481)</u>
Net changes in fair value of available-for-sale financial assets	10,29	-	1,173,898
Reclassified adjustment of available-for-sale financial assets		146,715,660	(271,553,100)
Change in equity of equity method investments	12	(3,624,422,473)	(65,412,628)
Foreign currency translation difference for foreign operations		(149,417,657,924)	(134,817,643,443)
Total items that are or may be reclassified subsequently to profit or loss:		<u>(152,895,364,737)</u>	<u>(135,153,435,273)</u>
Total comprehensive loss		<u>₩ (144,195,253,780)</u>	<u>(132,650,919,470)</u>
Profit attributable to			
Owners of the Parent Company	₩	(1,402,536,047)	12,338,131,271
Non-controlling interests		11,438,904,849	(6,716,470,987)
	₩	<u>10,036,368,802</u>	<u>5,621,660,284</u>
Total comprehensive loss			
Owners of the Parent Company	₩	(58,193,324,795)	(37,662,331,359)
Non-controlling interests		(86,001,928,985)	(94,988,588,111)
	₩	<u>(144,195,253,780)</u>	<u>(132,650,919,470)</u>
Earnings per share			
Basic earnings per share	4,31	₩ (66)	583
Diluted earnings per share		(66)	583

삭제됨: (loss)

삭제됨: (loss)

삭제됨: income

삭제됨: income

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2017 and 2016

(In won)		Common stock	Capital surplus	Retained earnings	Other capital	Non-controlling interest	Total
Balance at January 1, 2016	₩	10,580,656,500	89,157,245,168	327,849,152,834	(6,507,991,013)	24,091,116,312	445,170,179,801
Total comprehensive income (loss)							
Net income (loss)		-	-	12,338,131,271	-	(6,716,470,987)	5,621,660,284
Net changes in fair value of available-for-sale financial assets		-	-	-	1,173,898	-	1,173,898
Reclassified adjustment of available-for-sale financial assets		-	-	-	(216,740,620)	(54,812,480)	(271,553,100)
Remeasurements of the defined benefit plan		-	-	(2,920,136,435)	-	(199,008,046)	(3,119,144,481)
Change in equity of equity method investments		-	-	-	(65,412,628)	-	(65,412,628)
Foreign currency translation difference for foreign operations		-	-	-	(46,799,346,845)	(88,018,296,598)	(134,817,643,443)
Total		-	-	9,417,994,836	(47,080,326,195)	(94,988,588,111)	(132,650,919,470)
Transactions with owners of the Parent Company, recognized directly in equity							
Dividends		-	-	(7,406,459,550)	-	-	(7,406,459,550)
Change in scope of consolidation		-	-	-	-	537,048,151,148	537,048,151,148
Change in ownership in subsidiary		-	-	-	(2,425,175,383)	2,425,175,383	-
Paid-in capital increase of subsidiaries		-	-	-	-	78,799,977,323	78,799,977,323
Dividends to non-controlling interests		-	-	-	-	(480,000,000)	(480,000,000)
Total		-	-	(7,406,459,550)	(2,425,175,383)	617,793,303,854	607,961,668,921
Balance at December 31, 2016	₩	10,580,656,500	89,157,245,168	329,860,688,120	(56,013,492,591)	546,895,832,055	920,480,929,252
Balance at January 1, 2017	₩	10,580,656,500	89,157,245,168	329,860,688,120	(56,013,492,591)	546,895,832,055	920,480,929,252
Total comprehensive income (loss)							
Net income (loss)		-	-	(1,402,536,047)	-	11,438,904,849	10,036,368,802
Reclassified adjustment of available-for-sale financial assets		-	-	-	146,715,660	-	146,715,660
Remeasurements of the defined benefit plan		-	-	(1,107,339,044)	-	(228,918,801)	(1,336,257,845)
Change in equity of equity method investments		-	-	-	(3,624,422,473)	-	(3,624,422,473)
Foreign currency translation difference for foreign operations		-	-	-	(52,205,742,891)	(97,211,915,033)	(149,417,657,924)
Total		-	-	(2,509,875,091)	(55,683,449,704)	(97,440,833,834)	(144,195,253,780)
Transactions with owners of the Parent Company, recognized directly in equity							
Dividends		-	-	(7,406,459,550)	-	(634,242,914)	(8,040,702,464)
Change in scope of consolidation		-	-	-	-	13,624,040,592	13,624,040,592
Dividends to non-controlling interests		-	-	-	-	(4,206,452,357)	(4,206,452,357)
Total		-	-	(7,406,459,550)	-	8,783,345,321	1,376,885,771
Balance at December 31, 2017	₩	10,580,656,500	89,157,245,168	319,944,353,479	(111,696,942,295)	469,677,248,391	777,662,561,243

See accompanying notes to the consolidated financial statements.

CJ CGV CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016

(In won)		2017	2016
Cash flows used in operating activities			
Net income(loss)	₩	10,036,368,802	5,621,660,284
Adjustments for:			
Income tax expense		1,509,356,486	12,342,346,129
Defined benefit plan related expenses		12,647,067,919	10,560,189,681
Depreciation		130,963,607,376	101,981,874,305
Amortization		38,430,443,899	30,729,378,506

삭제됨: Expenses for employee

<i>(In won)</i>	2017	2016
Bad debt expenses	3,191,056,402	991,824,591
Other bad debt expenses	77,067,685	784,564,851
Foreign currency translation loss	6,829,828,095	13,774,780,811
Interest expense	38,587,926,878	35,579,283,716
Loss of valuation of inventories	560,450,419	608,126,359
Loss on valuation of derivative financial assets	61,704,591,237	-
Loss on transaction of derivative financial assets	257,897,020	3,764,369,012
Loss on disposal of available-for-sale financial assets	297,189,146	2,625,328
Loss on disposal of other financial assets	2,606,938,458	-
Loss on disposal of property and equipment	3,821,307,521	1,263,094,165
Loss on disposal of investment property	-	1,366,851,551
Loss on disposal of intangible assets	625,348,731	9,987,175
Loss on investments in associates	299,497,477	10,275,697,567
Loss on impairment of tangible assets	4,018,507,700	-
Loss on impairment of intangible assets	6,051,792	-
Other non-cash expenses	8,389,081,081	9,352,857,051
Interest income	(4,394,832,950)	(3,463,328,123)
Foreign currency translation gain	(10,189,838,922)	(7,272,360,661)
Gain on transaction of available-for-sale financial assets	-	(277,976,400)
Gain on valuation of derivative financial assets	(8,862,575,665)	(2,647,944,879)
Gain on transaction of derivative financial assets	(126,599,633)	(4,860,921,330)
Gain on disposal of property and equipment	(58,286,028)	(60,233,980)
Gain on disposal of intangible assets	(16,514,434)	-
Gain on disposal of investment property	-	(310,294,180)
Gain on investments in associates	(5,003,937,375)	(4,701,723,561)
Gain on disposal of other financial assets	(12,210,549)	-
Dividends	(64,187,340)	(28,815,347)
Gain on disposal of assets held for sale	(2,112,423,542)	-
Other non-cash income	(3,688,107,480)	(536,065,735)
	<u>280,293,701,404</u>	<u>209,228,186,602</u>
Changes in assets and liabilities:		
Trade receivables	(56,354,200,172)	(17,986,001,730)
Other current financial assets	(4,492,356,778)	3,976,882,293
Other current assets	(26,402,719,471)	(33,902,419,549)
Inventories	(2,712,256,326)	(2,035,016,267)
Other non-current financial assets	320,211,274	-
Other non-current assets	(5,585,467,824)	(2,653,062,852)
Trade payables	7,268,860,764	23,938,392,582
Other payables	57,829,571,978	33,319,758,948
Other current financial liabilities	3,684,493,021	(4,574,013,435)
Other current liabilities	(19,138,804,674)	27,325,020,785
Long-term other payables	(1,487,663,666)	(3,600,959,758)
Other non-current financial liabilities	6,405,330,164	441,968,665
Other non-current liabilities	(2,578,274,715)	2,172,101,886
Payment of retirement and severance benefits	(3,482,637,236)	(3,136,149,721)
Severance benefits from affiliated companies	150,103,682	(127,681,165)
Employee benefit plan assets	(12,800,000,000)	(13,100,000,000)
	<u>₩ (59,375,809,979)</u>	<u>10,058,820,682</u>

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2017 and 2016

<i>(In won)</i>	<u>2017</u>	<u>2016</u>
Cash generated from operating activities	₩ 230,954,260,227	224,908,667,568
Interest received	5,590,968,012	3,669,143,254
Dividend received	6,026,164,216	4,507,818,414
Interest paid	(32,080,688,964)	(29,234,436,521)
Income taxes paid	(16,147,826,528)	(16,039,864,659)
Net cash from operating activities	194,342,876,963	187,811,328,056
Cash flows from investing activities		
Decrease of short-term financial assets	4,731,000,000	5,300,840,000
Decrease of long-term financial assets	-	733,310,000
Proceeds from disposal of investments in associates	36,630,510	13,382,022,791
Proceeds from disposal of available-for-sale financial assets	3,198,887,644	172,144,672
Decrease of other financial assets	48,449,917,559	14,347,860,089
Proceeds from disposal of property and equipment	191,276,986	879,471,628
Proceeds from disposal of intangible assets	15,005,512,904	-
Proceeds from disposal of investment property	-	16,831,747,000
Proceeds from disposal of assets for held	2,302,454,311	-
Increase of short-term financial assets	(4,731,000,000)	(4,851,450,000)
Increase of long-term financial assets	-	(99,700,000)
Acquisition of available-for-sale financial assets	(2,594,590,722)	(4,919,770,000)
Increase of other financial assets	(16,960,253,914)	(11,742,462,535)
Acquisition of investments in joint venture	(1,797,549,393)	(406,858,929)
Acquisition of investments in associates	-	(30,367,629,247)
Acquisition of investments in subsidiaries	-	(624,905,032,608)
Acquisition of property and equipment	(278,238,231,785)	(191,326,707,690)
Acquisition of intangible assets	(12,221,946,810)	(18,381,748,613)
Acquisition of investment property	(43,278,469,475)	-
Net cash used in investing activities	(285,906,362,185)	(835,353,963,442)
Cash flows from financing activities		
Proceeds from issuance of debentures	49,899,460,000	-
Proceeds from short-term borrowings	377,638,838,484	592,611,662,038
Proceeds from long-term borrowings	82,891,307,317	416,786,565,228
Proceeds from issue of hybrid instruments from subsidiary	-	78,799,977,323
Proceeds from additional paid-in capital from subsidiary	13,578,226,244	290,000,000,000
Repayment of debentures	(100,000,000,000)	(30,000,000,000)
Repayment of short-term borrowings	(318,213,020,595)	(458,198,433,207)
Repayment of current portion of long-term borrowings	(33,597,085,000)	(61,090,764,355)
Repayment of long-term borrowings	(1,742,621,557)	(114,942,598,828)
Dividends paid	(8,040,702,464)	(7,406,459,550)
Dividends to non-controlling interests	(4,206,452,285)	(480,000,000)
Others, net	(22,163,144,717)	(660,844,768)
Net cash used in financing activities	36,044,805,427	705,419,103,881
Net increase(decrease) in cash and cash equivalents	(55,518,679,795)	57,876,468,495
Cash and cash equivalents at January 1	199,522,589,016	139,298,957,540
Effect of exchange rate fluctuations on cash held	(11,431,638,363)	2,347,162,981
Cash and cash equivalents at December 31	₩ 132,572,270,858	199,522,589,016

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2017 and 2016

1. Reporting Entity

(1) Overview of the Parent Company

CJ CGV CO., LTD. (the "Parent Company") was established for the purpose of being engaged in operating multiplex cinemas and screening films and its head office is located in Hangang Dae-ro, Seoul, Republic of Korea. On December 24, 2004, the Parent Company was listed on the Korea Exchange.

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

As of December 31, 2017, the Group's major shareholders are as follows:

Shareholders	The number of shares	Ownership (%)
CJ Corp.	8,257,000	39.02
National pension service	2,168,061	10.25
Schroder Investment management Limited	1,543,015	7.29
Others	9,193,237	43.44
	21,161,313	100.00

(2) The list of subsidiaries as of December 31, 2017 and 2016 is as follows:

Parent Company	Subsidiaries	Location	Primary business	Effective ownership (%)	
				2017	2016
CJ CGV Co., Ltd.	CJ 4DPlex Co., Ltd.	Korea	Equipment manufacturing and retail	90.48	90.48
	CJ CGV America, Inc.	USA	Foreign Investment	100.00	100.00
	CGI Holdings Ltd.	Hong Kong	Foreign Investment	100.00	100.00
	Envoy Media Partners Ltd.	British Virgin Island	Foreign Investment	100.00	100.00
	Cross Junction Investment Co., Pte. Ltd.	Singapore	Foreign Investment	100.00	100.00
	Crown Jade Company Pte. Ltd.	Singapore	Foreign Investment	100.00	100.00
	Bosphorus Investment Co., Ltd.	Korea	Foreign Investment	52.23	52.23
	IKT Holdings Limited(*1)	Hong Kong	Foreign Investment	100.00	100.00
	Wisely Act Limited(*1)	Hong Kong	Foreign Investment	-	100.00
	EWIGEN FRIEDEN LIMITED(*1)	Hong Kong	Foreign Investment	-	100.00
	PT Graha Layar Prima Tbk.	Indonesia	Theater operation	51.00	51.00
	Pebblestone CGV private Real Estate Investment Trust No.1	Korea	Real estate investment	51.47	-
	Bosphorus Investment Co., Ltd.	MARS ENTERTAINMENT GROUP INC.	Turkey	Foreign Investment	39.29
MARS ENTERTAINMENT GROUP INC.	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	Turkey	Theater operation	39.29	39.29
Wisely Act Limited(*1)	JAVA Investment Limited	Hong Kong	Foreign Investment	-	100.00
	KSAMO Holdings Limited	Hong Kong	Foreign Investment	-	100.00
	KTM Investment Limited	Hong Kong	Foreign Investment	-	100.00
EWIGEN FRIEDEN LIMITED(*1)	APOLLON Investment Limited	Hong Kong	Foreign Investment	-	100.00
	Beyond the limit Limited	Hong Kong	Foreign Investment	-	100.00
	Coruscant Anglo Capital Limited	Hong Kong	Foreign Investment	-	100.00
	Dickinson & Hansen Limited	Hong Kong	Foreign Investment	-	100.00
	Great Golden China Limited	Hong Kong	Foreign Investment	-	100.00
CJ CGV America, Inc.	CJ CGV America LA, LLC.	USA	Theater operation	100.00	100.00

1. Reporting Entity, Continued

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

For the years ended December 31, 2017 and 2016

(2) The list of subsidiaries as of December 31, 2017 and 2016 are as follows, continued:

Parent Company	Subsidiaries	Location	Primary business	Effective ownership (%)	
				2017	2016
CGI Holdings Ltd.	UVD Enterprise Ltd.	Hong Kong	Theater operation	100.00	100.00
	CJ CGV (Shanghai) Enterprise Management Co., Ltd.	China	Theater operation	100.00	100.00
UVD Enterprise Ltd.	Vietnam Cinema 1 Company Ltd.	Vietnam	Theater operation	-	80.00
	CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.	China	Theater operation	100.00	100.00
	PanJin CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.	China	Theater operation	100.00	100.00
	CJ CGV (Harbin) International Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Changsha) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	YANTAI CGV CINEMA CO., LTD.	China	Theater operation	100.00	100.00
	CGV (BEIJING) INTERNATIONAL CINEMA CO., LTD.	China	Theater operation	100.00	100.00
	ZIBO CGV CINEMA CO., LTD.	China	Theater operation	100.00	100.00
	CGV Orsun (Wuhan) Cinema Co., Ltd.	China	Theater operation	70.00	70.00
	Wuhu CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Tangshan) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Liaoning CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (HuaiAn) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (TianJin) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Chengdu) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Chongqing) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	YuYao CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV Tianhe (Wuhan) Cinema Co., Ltd.	China	Theater operation	70.00	70.00
	Jiangmen CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Jiangsu CGV Cinema Investment Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Changzhou) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Henan CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Qingdao) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	NEIMENGGU CGV CINEMA CO., LTD.	China	Theater operation	100.00	100.00
	DaLian CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CJ CGV (Hubei) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
CGV (Xian) Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
Ganzhou CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
Yanji CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
CJ CGV (Sichuan) Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
Yunnan CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
Fuzhou CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
Zunyi CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
Guangzhou CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
CGV (HaiKou) Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
Qinghai CGV Cinema Co., Ltd.	China	Theater operation	100.00	-	
CGV (Shanghai) Cinema Co., Ltd.	China	Theater operation	100.00	-	
CGV (SuZhou) Cinema Co., Ltd.	China	Theater operation	100.00	-	
CGV (NanChang) Cinema Co., Ltd.	China	Theater operation	100.00	-	
CJ CGV (Shanghai) Enterprise Management Co., Ltd.	ShangHai C Media Co., Ltd.(*2)	China	Advertising agency	58.00	100.00
Envoy Media Partners Ltd.	CJ CGV VIETNAM CO., LTD.	Vietnam	Theater operation	80.00	80.00
CJ 4DPlex Co., Ltd.	CJ 4DX (Beijing) Cinema Technology Co., Ltd.	China	Retail of equipment	90.48	90.48
	CJ 4DPLEX AMERICA, INC.	USA	Retail of equipment	90.48	90.48
	SIMULINE(HONG KONG) LIMITED	Hong Kong	Foreign Investment	90.48	90.48

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1. Reporting Entity, Continued

(2) The list of subsidiaries as of December 31, 2017 and 2016 are as follows, continued:

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

For the years ended December 31, 2017 and 2016

Parent Company	Subsidiaries	Location	Primary business	Effective ownership (%)	
				2017	2016
CJ 4DPLEX AMERICA, INC.	CJ 4DPLEX AMERICAS, LLC.	USA	Retail of equipment	90.48	90.48
PT Graha Layar Prima Tbk.	PT Graha Layar Mitra	Indonesia	Theater operation	50.91	50.91

(*1) During the year ended December 31, 2017, IKT Holdings Limited had a merger with Wisley Act Limited and EWIGEN FRIEDEN LIMITED.

(*2) During the year ended December 31, 2017, the ownership percentage has decreased due to the increase of paid-in capital of the subsidiary which the company has not participated.

(3) Changes in subsidiaries

1) Changes in consolidated subsidiaries during the year ended December 31, 2017 is as follows:

Subsidiaries	Reason
Pebblestone CGV private Real Estate Investment Trust No.1	Newly established
Qinghai CGV Cinema Co., Ltd.	Newly established
CGV (ShangHai) Cinema Co., Ltd.	Newly established
CGV (SuZhou) Cinema Co., Ltd.	Newly established
CGV (NanChang) Cinema Co., Ltd.	Newly established
Wisely Act Limited	Dissolution due to merger
EWIGEN FRIEDEN LIMITED	Dissolution due to merger
JAVA Investment Limited	Dissolution due to merger
KSAMO Holdings Limited	Dissolution due to merger
KTM Investment Limited	Dissolution due to merger
APOLLON Investment Limited	Dissolution due to merger
Beyond the limit Limited	Dissolution due to merger
Coruscant Anglo Capital Limited	Dissolution due to merger
Dickinson & Hansen Limited	Dissolution due to merger
Great Golden China Limited	Dissolution due to merger
<u>Vietnam Cinema 1 Company Ltd.</u>	Liquidation

삭제됨: current year

삭제됨: current year

삭제됨: share dectead

서식 있음: 들어쓰기: 내어쓰기: 3.54 글자, 왼쪽 4.51 글자, 첫 줄: -3.54 글자

삭제됨: external paid-in-capital increase.

서식 있음: 글꼴: (한글) 바탕체

삭제됨: The list of c

삭제됨: for

삭제됨: Investment

서식 있음: 글꼴: Univers 45 Light

삭제됨: investment

삭제됨: New investment

삭제됨: New investment

삭제됨: New investment

삭제됨: Extinction by

서식 있음: 글꼴: Univers 45 Light

삭제됨: Extinction by merger

삭제됨: Extinction by merger

삭제됨: Extinction by merger

삭제됨: Extinction by merger

삭제됨: Extinction by merger

삭제됨: Extinction by merger

삭제됨: Extinction by merger

삭제됨: Extinction by merger

삭제됨: Extinction by merger

1. Reporting Entity, Continued

(3) Changes in subsidiaries, continued

삭제됨: .

서식 있음: 들어쓰기: 왼쪽: 0 cm, 첫 줄: 0 글자

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

For the years ended December 31, 2017 and 2016

2) The list of subsidiaries in which the Group additionally invested during 2017 is as follows:

(In thousands of won, except ratio)

Subsidiaries	Reason	Investment amount	Effective ownership (%)
CGV (BEIJING) INTERNATIONAL CINEMA CO., Ltd.	Additional paid-in capital	₩ 1,160,406	100.00
CGV (Qingdao) Cinema Co., Ltd.	Additional paid-in capital	2,341,560	100.00
CGV (Changsha) Cinema Co., Ltd.	Additional paid-in capital	1,194,196	100.00
CJ CGV (Hubei) Cinema Co., Ltd.	Additional paid-in capital	2,926,950	100.00
CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.	Additional paid-in capital	4,293,431	100.00
CJ CGV (Sichuan) Cinema Co., Ltd.	Additional paid-in capital	3,557,034	100.00
CJ CGV America LA, LLC.	Additional paid-in capital	1,042,630	100.00
	Reduction of capital	(1,975,910)	100.00
Crown Jade Company Pte. Ltd.	Additional paid-in capital	866,273	100.00
Ganzhou CGV Cinema Co., Ltd.	Additional paid-in capital	3,260,756	100.00
NEIMENGGU CGV CINEMA CO., Ltd.	Additional paid-in capital	1,756,170	100.00
UVD Enterprise Ltd.	Additional paid-in capital	39,857,076	100.00
Yunnan CGV Cinema Co., Ltd.	Additional paid-in capital	2,341,560	100.00
CJ 4DX (Beijing) Cinema Technology Co., Ltd.	Additional paid-in capital	3,972,500	90.48
CGV (Xian) Cinema Co., Ltd.	Additional paid-in capital	1,102,530	100.00
Henan CGV Cinema Co., Ltd.	Additional paid-in capital	1,984,554	100.00
Jiangsu CGV cinema investment Co., Ltd.	Additional paid-in capital	1,102,530	100.00
CGV (Chongqing) Cinema Co., Ltd.	Additional paid-in capital	1,102,530	100.00
Bosphorus Investment Co., Ltd.	Additional paid-in capital	690,000	52.23
CJ 4DPLEX AMERICA, INC.	Additional paid-in capital	6,797,400	90.48
CJ 4DPLEX AMERICAS, LLC.	Additional paid-in capital	3,262,950	90.48
Jiangmen CGV cinema Co., Ltd.	Additional paid-in capital	1,215,474	100.00
Guangzhou CGV Cinema Co., Ltd.	Additional paid-in capital	1,215,474	100.00
Zunyi CGV Cinema Co., Ltd.	Additional paid-in capital	972,379	100.00
CGV (HaiKou) Cinema Co., Ltd.	Additional paid-in capital	1,215,474	100.00

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1. Reporting Entity, Continued

(4) Financial information of subsidiaries

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

For the years ended December 31, 2017 and 2016

1) Financial information of subsidiaries as of and for the year ended December 31, 2017 was as follows:

(In thousands of won)

Subsidiaries	Asset	Liability	Equity	Revenue	Net profit or loss	Total comprehensive income (loss)
CJ 4DPlex Co., Ltd.	₩ 107,393,261	49,311,232	58,082,029	69,064,385	(1,835,075)	(1,891,435)
SIMULINE(HONG KONG) LIMITED	5,078	103,620	(98,542)	-	(14,586)	(2,175)
CJ CGV America, Inc.	26,882,308	18,084,514	8,797,794	-	(97,023)	(1,229,482)
CGI Holdings Ltd.	344,252,544	186,814,170	157,438,374	329,155	(5,025,278)	(26,648,859)
CJ CGV America LA, LLC.	15,804,936	10,685,537	5,119,399	8,994,828	(9,192,766)	(8,546,061)
Envoy Media Partners Ltd.	56,028,542	131,934	55,896,608	-	2,035,638	(4,977,287)
UVD Enterprise Ltd.	304,943,350	88,995	304,854,355	700,552	5,606,839	(32,223,252)
CJ CGV (Shanghai) Enterprise Management Co., Ltd.	104,338,136	81,563,354	22,774,782	20,351,597	361,542	(963,337)
CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.	5,789,503	926,231	4,863,272	4,489,297	357,473	90,260
PanJin CGV Cinema Co., Ltd.	4,802,425	988,132	3,814,293	2,900,793	101,764	(118,573)
CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.	10,393,722	3,079,338	7,314,384	10,942,154	624,459	224,139
CJ CGV (Harbin) International Cinema Co., Ltd.	16,254,871	2,152,180	14,102,691	12,756,959	752,559	(58,339)
ShangHai C Media Co., Ltd.	1,339,205	867,381	471,824	4,965,587	825,263	848,350
CGV (Changsha) Cinema Co., Ltd.	21,411,140	5,355,382	16,055,758	17,647,643	681,686	(67,122)
YANTAI CGV CINEMA CO., LTD.	6,584,581	1,167,972	5,416,609	4,599,580	(314,284)	(641,081)
CGV (BEIJING) INTERNATIONAL CINEMA CO., LTD.	14,012,581	4,118,023	9,894,558	13,009,854	632,197	91,447
CJ CGV VIETNAM CO., LTD.	145,227,020	120,344,257	24,882,763	130,639,196	6,526,314	3,927,469
ZIBO CGV CINEMA CO., LTD.	2,025,450	1,818,067	207,383	1,154,008	(488,623)	(517,725)
CGV Orsun (Wuhan) Cinema Co., Ltd.	8,100,251	1,087,521	7,012,730	4,749,432	498,713	103,024
Wuhu CGV Cinema Co., Ltd.	3,146,023	611,727	2,534,296	2,059,744	(398,115)	(560,725)
CGV (Tangshan) Cinema Co., Ltd.	2,522,627	1,122,878	1,399,749	2,065,098	(775,261)	(884,310)
Liaoning CGV Cinema Co., Ltd.	4,573,401	1,061,067	3,512,334	3,319,374	(363,085)	(581,915)
CGV (HuaiAn) Cinema Co., Ltd.	3,717,263	326,933	3,390,330	3,201,427	178,878	(14,017)
CGV (TianJin) Cinema Co., Ltd.	10,225,636	1,895,255	8,330,381	9,614,809	645,766	178,948
CGV (Chengdu) Cinema Co., Ltd.	27,760,815	4,089,942	23,670,873	25,487,121	1,311,277	(33,328)
CGV (Chongqing) Cinema Co., Ltd.	21,196,191	10,622,640	10,573,551	8,373,900	(1,052,417)	(1,513,566)
CJ 4DX (Beijing) Cinema Technology Co., Ltd.	49,261,074	29,466,894	19,794,180	43,375,068	10,616,028	10,102,797
YuYao CGV Cinema Co., Ltd.	19,139,065	4,466,171	14,672,894	9,103,102	(502,989)	(1,163,495)
CGV TianHe (Wuhan) Cinema Co., Ltd.	5,918,724	812,507	5,106,217	4,141,095	39,735	(259,996)
Jiangmen CGV cinema Co., Ltd.	7,299,073	772,861	6,526,212	3,530,479	206,220	(145,593)

1. Reporting Entity, Continued

(4) Financial information of subsidiaries, continued

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

For the years ended December 31, 2017 and 2016

1) Financial information of subsidiaries as of and for the year ended December 31, 2017 was as follows, continued:

(In thousands of won)

Subsidiaries	Asset	Liability	Equity	Revenue	Net profit or loss	Total comprehensive income (loss)
Jiangsu CGV cinema investment Co., Ltd.	₩ 19,963,350	3,801,408	16,161,942	15,592,390	753,162	(162,822)
CGV (Changzhou) Cinema Co., Ltd.	2,745,060	284,282	2,460,778	2,338,917	181,552	43,336
Henan CGV Cinema Co., Ltd.	9,252,674	1,120,001	8,132,673	7,004,214	349,153	(33,381)
CGV (Qingdao) Cinema Co., Ltd.	12,942,004	3,613,802	9,328,202	15,483,857	614,558	84,863
CJ 4DPLEX AMERICA, INC.	7,436,466	6,659,491	776,975	-	(5,447,886)	(5,920,995)
CJ 4DPLEX AMERICAS, LLC.	8,694,891	3,980,382	4,714,509	2,830,179	209,012	(379,918)
NEIMENGGU CGV CINEMA CO., LTD.	5,986,276	2,230,842	3,755,434	3,190,367	(201,362)	(428,866)
Cross Junction Investment Co., Pte. Ltd.	8,499,906	4,464	8,495,442	-	308,798	(757,101)
DaLian CGV Cinema Co., Ltd.	7,676,839	1,122,927	6,553,912	7,518,552	330,097	(43,334)
CJ CGV (Hubei) Cinema Co., Ltd.	21,032,036	7,074,305	13,957,731	9,119,789	327,154	(229,322)
Crown Jade Company Pte. Ltd.	3,651,806	4,644	3,647,162	-	(8,607)	(149,201)
CGV (Xian) Cinema Co., Ltd.	13,428,075	5,049,627	8,378,448	11,766,998	468,701	(7,072)
Ganzhou CGV Cinema Co., Ltd.	9,304,747	1,519,459	7,785,288	8,483,555	520,943	81,811
Yanji CGV Cinema Co., Ltd.	3,973,414	575,646	3,397,768	3,569,884	230,873	37,151
CJ CGV (Sichuan) Cinema Co., Ltd.	17,088,933	10,697,512	6,391,421	8,056,552	331,940	(31,886)
Yunnan CGV Cinema Co., Ltd.	6,661,225	1,775,963	4,885,262	5,174,026	307,977	31,767
Fuzhou CGV Cinema Co., Ltd.	6,463,553	618,542	5,845,011	5,775,242	261,264	(73,510)
MARS ENTERTAINMENT GROUP INC.	96,302,194	1,100	96,301,094	-	(11,935)	(20,142,840)
MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	247,653,754	96,901,563	150,752,191	210,922,741	7,310,242	(24,107,692)
IKT Holdings Limited	40,175,114	14,454	40,160,660	-	(72,726)	(3,988,080)
Bosphorus Investment Co., Ltd.	605,702,180	-	605,702,180	-	(319,670)	(319,670)
Zunyi CGV Cinema Co., Ltd.	3,728,250	470,541	3,257,709	-	(56,385)	(197,357)
Guangzhou CGV Cinema Co., Ltd.	15,556,395	5,562,477	9,993,918	6,714,415	218,526	(228,063)
CGV (HaiKou) Cinema Co., Ltd.	4,312,151	1,400,414	2,911,737	776,219	(444,386)	(630,763)
PT Graha Layar Prima Tbk.	136,234,670	48,553,548	87,681,122	71,631,141	1,176,599	(10,891,187)
PT Graha Layar Mitra	745,130	511,157	233,973	244,475	215,828	219,863
Pebblestone CGV private Real Estate Investment Trust No.1	64,538,411	37,643,659	26,894,752	4,360,965	892,012	892,012
Qinghai CGV Cinema Co., Ltd.	1,161,127	38,016	1,123,111	-	(539)	(15,611)
CGV (Shanghai) Cinema Co., Ltd.	4,188,096	2,046,311	2,141,785	-	(41,581)	(72,323)
CGV (SuZhou) Cinema Co., Ltd.	5,855,206	2,468,599	3,386,607	841,337	143,112	27,536
CGV (NanChang) Cinema Co., Ltd.	5,391,448	2,249,715	3,141,733	2,788	(98,018)	(65,705)

1. Reporting Entity, Continued

(4) Financial information of subsidiaries, continued

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

For the years ended December 31, 2017 and 2016

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

(In thousands of won)

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

1. Reporting Entity, Continued

(4) Financial information of subsidiaries, continued

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

(In thousands of won)

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

1. Reporting Entity, Continued

(5) Non-controlling interest

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- ① The table summarizes the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations as of December 31, 2017 and 2016 as follows:

(In thousands of won)

	2017					
	CJ 4DPlex Co., Ltd.	CJ CGV VIETNAM CO., LTD.	Bosphorus Investment Co., Ltd.	MARS ENTERTAINMENT GROUP INC.	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	PT Graha Layar Prima Tbk.
Non-controlling interests' ownership(%)	9.52%	20.00%	47.77%	60.71%	60.71%	49.00%
Net assets	₩ 58,082,029	24,882,763	605,702,180	96,301,094	150,752,191	87,681,122
Carrying amount of NCI	20,353,218	4,987,550	333,822,311	9,200,517	41,821,997	42,963,700
Net income (loss)	(1,835,075)	6,526,314	(319,670)	(11,935)	7,310,242	1,176,599
Total comprehensive income (loss)	(1,891,435)	3,927,469	(319,670)	(20,142,840)	(24,107,692)	(10,891,187)
Net income (loss) allocated to NCI	305,301	1,305,263	(152,706)	(7,246)	8,164,500	577,592
Total comprehensive income (loss) allocated to NCI	(180,065)	785,494	(152,706)	(12,228,718)	(10,909,328)	(5,346,484)

(In thousands of won)

	2016					
	CJ 4DPlex Co., Ltd.	CJ CGV VIETNAM CO., LTD.	Bosphorus Investment Co., Ltd.	MARS ENTERTAINMENT GROUP INC.	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	PT Graha Layar Prima Tbk.
Non-controlling interests' ownership(%)	9.52%	20.00%	47.77%	60.71%	60.71%	49.00%
Net assets	₩ 60,453,464	20,955,294	606,021,850	116,443,934	178,586,335	98,572,309
Carrying amount of NCI	20,530,288	4,191,059	393,341,096	21,428,379	56,456,752	48,300,432
Net income (loss)	5,127,700	5,027,391	(1,002,858)	(40,113)	(12,142,961)	-
Total comprehensive income (loss)	5,071,359	5,121,630	(1,002,858)	(20,612,178)	(36,489,369)	-
Net income (loss) allocated to NCI	488,157	1,005,478	(479,065)	(24,353)	(7,371,992)	-
Total comprehensive income (loss) allocated to NCI	488,157	1,079,138	(479,065)	(12,513,653)	(22,152,696)	-

1. Reporting Entity, Continued

- (5) Non-controlling interest, continued

- ② Changes in material NCI for the years ended December 31, 2017 and 2016 are as follows:

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(In thousands of won)

2017

		CJ 4DPlex Co., Ltd.	CJ CGV VIETNAM CO., LTD.	Bosphorus Investment Co., Ltd.	MARS ENTERTAIN MENT GROUP INC.	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	PT Graha Layar Prima Tbk.
NCI at the beginning of the year	₩	20,530,288	4,191,059	393,341,096	21,428,379	56,456,752	48,300,432
Net income (loss) allocated to NCI		305,301	1,305,263	(152,706)	(7,246)	8,164,500	577,592
Others		(482,371)	(508,772)	(59,366,079)	(12,220,616)	(22,799,255)	(5,914,324)
NCI at the end of the year	₩	20,353,218	4,987,550	333,822,311	9,200,517	41,821,997	42,963,700

(In thousands of won)

2016

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

2. Basis of Preparation

(1) Statement of compliance

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

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(2) Basis of measurement

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

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

(3) Functional and presentation currency

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

(4) Use of estimates and judgments

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

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

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

- Note 1 – consolidation: whether the Group has de facto control over an investee; and
- Note 13 – 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 15 – impairment test: key assumptions underlying recoverable amounts, including the recoverability of goodwill;
- Note 17 and 20 – provisions and contingencies: key assumptions about likelihood and magnitude of an outflow of resources;
- Note 19 - measurement of defined benefit obligations: key actuarial assumptions; and
- Note 30– recognition of deferred tax assets: availability of future taxable profit against which carryforward tax losses can be used.

2. Basis of Preparation, Continued

(5) Measurement of fair values

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

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party

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

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

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

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

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

Note 5 – risk management

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

The consolidated financial statements were authorized for issue by the Board of Directors on February 8, 2018, which will be submitted for approval to the shareholders' meeting to be held on March 28, 2018.

3. Change in Accounting Policies

The Group applies the same accounting policies for the current and prior year's consolidated financial statements, except for the application of the first revised standard, effective from January 1, 2017, as explained below.

(1) Statement of Cash flow

The Group adopted the amendments to K-IFRS No. 1007 'States of Cash Flow' from the fiscal year beginning on January 1, 2017.

The Standard requires disclosure of the following changes to the liabilities related to cash flows that are classified as financing activities or to be classified as financing activities in the future:

- Changes arising from the financial cash flows
- Changes arising from the acquisition or loss of control of a subsidiary or other business
- Exchange rate effect

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- Changes in fair value
- Other changes

The amendments to K-IFRS No. 1007 do not have to provide comparative information for the prior period when applying for the first time. The Group has disclosed its disclosure requirements in its annual consolidated financial statements for the year ended December 31, 2017.

(2) Income Tax

The Group applies the amendments to K-IFRS No. 1012, 'Income Tax', effective from January 1, 2017.

This standard specified the accounting method of deferred tax of debt securities measured by its fair value through stating that debt securities measured by fair value should compute temporary difference using the difference between book value and tax base value of the debt securities regardless of expected collection method.

When reviewing the realizability of deferred tax asset, if there's sufficient evidence that it's probable that the part of company's asset is to be collected at a value exceeding book value, collection price may be included in the probable future estimated taxable income. In addition, future taxable income estimates are calculated using the amount before considering the deduction (deductible) effect arising from the diminishing effect of temporary differences

The Group did not revise the prior consolidated financial statements by retrospectively implementing the amended accounting policies because the impact to the consolidated financial statements were insignificant.

4. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. Except for change in accounting polices summarized in note 3, The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

4. Significant Accounting Policies, Continued

(1) Operating segment

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

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

(2) Basis of consolidation

1) Business combination

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

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

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

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

2) Non-controlling interests

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

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

4. Significant Accounting Policies, Continued

(2) Basis of consolidation, continued

3) Subsidiaries

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

4) Loss of control

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

5) Interests in equity method investees

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

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

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

6) Transactions eliminated on consolidation

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

7) Business combination under common control

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

4. Significant Accounting Policies, Continued

(3) Cash and cash equivalents

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

(4) Inventories

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

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

(5) Non-derivative financial assets

The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-

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sale financial assets. The Group recognizes financial assets in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, continued

(iv) Available-for-sale financial assets

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

(v) De-recognition of financial assets

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

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

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

(vi) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to offset the

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recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(6) Derivative financial instruments

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

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

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

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

4. Significant Accounting Policies, Continued

(7) Impairment of financial assets

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

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

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

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

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

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Group can recognize impairment losses directly or establish a provision to cover impairment losses. If,

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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.

4. Significant Accounting Policies, Continued

(7) Impairment of financial assets, continued

(iii) Available-for-sale financial assets

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

(8) Property and equipment

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

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

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

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

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

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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.

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.

4. Significant Accounting Policies, Continued

(9) Intangible assets

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

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

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

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

(i) Research and development

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

(ii) Subsequent expenditures

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

(10) Government grants

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

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

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

4. Significant Accounting Policies, Continued

(11) Investment Property

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

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

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

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

(12) Impairment of non-financial assets

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

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

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

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss

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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.

4. Significant Accounting Policies, Continued

(13) Leases

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

(i) Finance leases

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

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

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

(ii) Operating leases

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

(iii) Determining whether an arrangement contains a lease

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

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

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For the years ended December 31, 2017 and 2016

4. Significant Accounting Policies, Continued

(14) Non-current assets held for sale

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

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

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

(15) Non-derivative financial liabilities

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

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

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

(ii) Other financial liabilities

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

(iii) De-recognition of financial liabilities

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

4. Significant Accounting Policies, Continued

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For the years ended December 31, 2017 and 2016

(16) Employee benefits

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits

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

(iii) Retirement benefits: defined benefit plans

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

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

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

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

4. Significant Accounting Policies, Continued

(17) Provisions

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

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

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

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

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

(18) Foreign currencies

(i) Foreign currency transactions

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

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

4. Significant Accounting Policies, Continued

(18) Foreign currencies, continued

(ii) Foreign operations

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

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

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

(iii) Translation of net investment in a foreign operation

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

(19) Equity capital

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

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

(20) Revenue

(i) Recognition of revenues

Revenue from film screening is recognized when the movies are screened, and revenue from sale of goods is recognized when the goods are sold, and revenue of advertisement is recognized when the rendering of 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.

4. Significant Accounting Policies, Continued

(20) Revenue, continued

(ii) Customer loyalty program

For customer loyalty program, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits ("points") and the other components of the sale. The Group supplies all of the awards, in respect of rendering film screening services. The amount allocated to the points is estimated by reference to the fair value of the film screening service for which they could be redeemed. The fair value of the service is estimated taking into account the expected redemption rate and

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the timing of such expected redemptions. Such amount is deferred and revenue is recognized only when the points are redeemed and the Group has fulfilled its obligations to supply the film screening service. The amount of revenue recognized in those circumstances is based on the number of points that have been redeemed in exchange for service, relative to the total number of points that is expected to be redeemed.

(iii) Equipment Revenue

The Group entered into an agreement of which a part of film screening revenue arising from movie screening from cinemas with 4D equipments installed is received and according to the agreement, the amount to be received by the Group among customer's movie screening revenue is recognized as revenue in relation to this agreement.

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(iv) Rental income

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

(21) Finance income and finance costs

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

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

(22) Income taxes

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

(i) Current tax

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

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4. Significant Accounting Policies, Continued

(22) Income taxes, continued

(ii) Deferred tax

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

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

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

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

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

(23) Earnings per share

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

(24) New standards not yet adopted

The following new standards to existing standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2017 and earlier application is permitted; however the Group has not early adopted them.

삭제됨: on or

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4. Significant Accounting Policies, Continued

(24) New standards not yet adopted, continued

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

K-IFRS No. 1109 'Financial Instruments' states requirements for recognizing and measuring parts of contracts for trading financial assets, financial liabilities and non-financial items. It replaces existing guidance in K-IFRS No. 1039 'Financial Instruments: Recognition and Measurement'. The actual impact of adopting the new standard on the consolidated financial statements in fiscal year beginning on January 1, 2018 depends on the financial instruments that the Group holds and economic condition at that time as well as accounting elections and judgments of Group in the future.

삭제됨: after

① Classification and measurement of financial assets

K-IFRS No. 1109 contains new method of classification and measurement for financial asset that reflects business model for the management and the contractual cash flow of financial assets.

K-IFRS No. 1109 contains three main categories of financial assets measured in the amortized cost, FVTOCI, and FVTPL. This standard has deleted the categories of current business accounting standards under K-IFRS No. 1039 of available-for-sale financial assets, held-to-maturity financial assets, loans, and receivables.

According to K-IFRS No. 1109, if a 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.

The Group's equity instrument classified as available-for-sale instrument as of December 31, 2017 is ₩10,552 million. According to K-IFRS No. 1109, the Group will measure this investment in FVTOCI. Therefore, all changes in profit and loss of fairvalue change will be reported as OCI and loss on impairment recognized as current profit and loss and profit and loss at disposal will not be reclassified. As a result of preliminary impact assessment, the Group determined that impact of new classification requirement on consolidated financial statements is insignificant.

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삭제됨: g

② Impairment: Financial asset and Contract asset

K-IFRS No. 1109 supersedes K-IFRS No. 1039 "Incurred loss model" with the forward-looking "Expected Credit Loss model" (ECL). The expected credit loss model will require a substantial judgment on how economic factors impact the ECLs, which will be determined by the probability weighted standard.

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삭제됨: change for

The new impairment model will apply to debt instruments and contract assets measured at the amortized cost or FVTOCI, excluding investments in equity instruments.

In accordance with K-IFRS No. 1109, the loss allowance is measured according to one of the following criteria :

- Estimated credit loss for 12 months : Expected credit loss that result from possible default events within the 12 month after the reporting date.
- Expected credit loss over the entire period: Expected credit loss that result from all possible default events over the expected life of a financial instrument.

4. Significant Accounting Policies, Continued

(24) New Standards not yet adopted, continued

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

② Impairment: Financial asset and Contract asset, continued

If the risk of credit loss of financial instruments has increased significantly from the initial recognition, provision for loss is measured (a) based on the amount of expected credit losses over the entire term at the end of the reporting period and if the risk of credit loss of financial instruments has not increased significantly from the initial recognition, provision for loss is measured (b) based on the amount of expected credit losses for the 12-month. (c) The Group may consider that the financial asset's credit risk has not increased significantly from the initial recognition at the end of the reporting period. However, for the account receivables or contract assets, which do not have significant financial components, loss for provision is always measured see (a) above.

As of December 31, 2017, the Group has financial instruments measured at amortized cost amounting to ₩421,376 million of trade receivables and other receivables and has recognized loss allowances amounting to ₩10,554 million. The Group is in the process of assessing the impact of the adoption of K-IFRS No. 1109 on consolidated financial statements, and is evaluating the volatility of net income due to the implementation of the new standard.

③ Classification of financial liability

K-IFRS No. 1109 maintains most of existing requirements on classification of financial liabilities in K-IFRS No. 1039.

However, every fair value change of liabilities classified as current FVTPL financial liability is recognized as current profit/loss. On the other hand, under K-IFRS No.1109, this fair value change is generally presented as follows:

- Fair value change from credit risk of liability: OCI
- Other fair value change: Profit/loss

④ Hedge accounting

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

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

As of December 31, 2017, there are no transactions for risk management activities that did not meet the hedging requirements under K-IFRS No. 1039, which would meet the requirements of hedge accounting of K-IFRS No. 1109.

4. Significant Accounting Policies, Continued

(24) New Standards not yet adopted, continued

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

삭제됨: ②
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서식 있음: 목록 단락, 번호 매기기 + 수준:1 + 번호 스타일: ①, ②, ③ ... + 시작 번호: 2 + 맞춤: 왼쪽 + 맞춤 위치: 2.12 cm + 들여쓰기 위치: 2.76 cm, 탭: 6.45 글자, 오른쪽 + 9.37 글자(없음)
서식 있음: 들여쓰기: 왼쪽: 2.83 cm, 줄 간격: 1 줄
서식 있음
삭제됨: after the first implementation
서식 있음
삭제됨: at amount which credit loss is expected for the entire term
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삭제됨: after the first implementation... provision for loss is measured
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For the years ended December 31, 2017 and 2016

⑤ Disclosure

K-IFRS No. 1109 requires wide scope of new disclosures, especially in relation to hedge accounting, credit risk, and expected credit loss. The Group's evaluation includes the analysis for identifying differences from the current process and is in the process of making changes of the system and control as necessary for the adoption.

⑥ Transition

The Group will use the practical expedient that allows not to revise the comparative information in relation to the measurement change including classification and impairment. Change in book value of financial asset and liability arising from implementing new K-IFRS No. 1109 is generally recognized as retained earnings as of January 1, 2018. Based on the facts and circumstances that are present on the initial implementation, the following evaluations should be made :

- √ Determination of a business model for the classification of financial assets
- √ Designation FVTPL or retracting prior designation for specific financial asset/liabilities
- √ Designation of FVTOCI for equity method investments that are not for short-term trades

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

K-IFRS No. 1115 'Revenue from Contract with Customers' sets up a comprehensive framework to determine the level of recognition of the revenue, the status of the revenue recognition, and the timing of the revenue recognition. 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 Programs', No. 2115 'Agreements for the Construction of Real Estate', No. 2118 'Transfers of Assets from Customers'.

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.

The Group organized a task force team to prepare for the implementation of new K-IFRS No. 1115 by analyzing group's revenue structure and maintaining internal control process. As of December 31, 2017, the group is evaluating the impact of new standard on consolidated financial statements. For each important factors of this standard, the general impact that may be on the consolidated financial statements of the group are as follows:

4. Significant Accounting Policies, Continued

(24) New Standards not yet adopted, continued

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

① Accounting for Customer Loyalty System

Current revenue in relation to customer loyalty system operated by Group is allocated to stet store sales and incentive points ('points') using residual value method. In other words, consideration of transaction

삭제됨: ⑤

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is allocated based on the fair value of points and then remaining consideration is allocated to movie or store sales. Consideration allocated to point is deferred and recognized as revenue on collection or expiration of points. In K-IFRS No. 1115, point and service or goods provided is to be allocated based on its relative stand-alone selling price. As a result, smaller portion of the consideration will be allocated to the point and deferred amount of revenue may decrease.

삭제됨: compare to consideration of transaction

② Accounting for unused movie tickets, gift cards

The Group recognizes revenue at the point of time when there is no obligation to refund due to expiration of movie tickets and gift cards. In accordance with K-IFRS No. 1115, the Group recognizes revenue expected amount for rights not to be exercised based on customers pattern of exercising rights before expiration of movie tickets, gift cards if it is expected to obtain contractual right not be exercised by customers.

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③ Identification of performance obligation

The Group provides 4DX equipment sales, maintenance service, 4DX contents based on the contracts with customers. When K-IFRS No. 1115 is applied, equipment sales, maintenance, contents providing are identified as separately identifiable performance obligations. Amount of revenue and timing may change depending on the transaction price allocated to performance obligation and whether same performance obligation is satisfied at a point of time or over time.

삭제됨: is performing

삭제됨: providing through

④ Allocation of transaction price

When K-IFRS No. 1115 is applied, the group allocates transaction price to performance obligations identified from one contract based on relative stand-alone selling price. To allocate transaction price to each performance obligation based on relative stand-alone selling price, the Group will measure stand-alone selling price of goods or services of performance obligation when contract begins and allocate transaction price proportionally to this stand-alone selling price. If, discounted amount exists in a contract, this discount amount is also allocated proportionally to contractual performance obligation.

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The Group is planning to implement K-IFRS No. 1115 as of fiscal year beginning on January 1, 2018, but initial implementation of accumulated impact will be recognized as retained earnings on January 1, 2018.

삭제됨: after

(iii) K-IFRS No. 1116 'Leases'

K-IFRS No. 1116 'Leases' is providing single accounting model for recognizing lease related asset and liability on financial statements for lease users. Lease user should recognize lease asset that denotes the right to use underlying asset and recognize lease liability that denotes the obligation for payment of lease fees. Recognition of lease may be exempted for the short-term lease and lease with minor underlying asset. Accounting for the lessor is similar to the existing standard of classifying lease in to financing lease and operating lease. This standard is mandatorily implemented for the fiscal year beginning as of January 1, 2019, and the impact of implementation of this standard on financial statement cannot be measured as of December 31, 2017.

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5. Risk Management

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

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

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

(1) Financial risk management

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1) Risk management framework

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

2) Credit risk

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

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

(i) Exposure to credit risk

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

Details of the Group's maximum exposure to credit risk as of December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	₩ 127,257,251	196,031,371
Trade receivables	197,179,402	151,833,083
Other financial assets	81,070,404	116,115,646
Derivative financial assets	8,757,696	8,301,623
	<u>₩ 414,264,753</u>	<u>472,281,723</u>

5. 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, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>	<u>2017</u>		
	<u>Not overdue</u>	<u>Overdue, but not impaired</u>	<u>Impaired</u>
Not past due	₩ 234,816,671	-	-

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0-3 months	-	26,455,571	-
4-6 months	-	8,655,548	2
7-12 months	-	3,657,272	3,490
Over one year	-	4,664,743	10,550,197
	₩	<u>234,816,671</u>	<u>43,433,134</u>
			<u>10,553,689</u>

(In thousands of won)

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

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

(iii) Guarantees

As described in note 20 (1) and note 32 (5), the Group provides financial guarantees to subsidiaries and others. As a result, the Group is exposed to credit risk to the extent of payment guarantee. The Group's maximum exposure to credit risk from financial guarantee contracts as of current and prior year end is ₩32,142 million and ₩35,160 million, respectively.

5. Risk Management, Continued

(1) Financial risk management, continued

3) Liquidity risk

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

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

The contractual maturity of financial liabilities as of December 31, 2017 and 2016 including estimated

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For the years ended December 31, 2017 and 2016

interests payments and excluding the impact of netting agreements, are as follows:

		2017				
		Book value	Contractual cash outflow	Less than one year	One to five years	Over five years
<i>(In thousands of won)</i>						
Trade payables	₩	117,985,997	117,985,997	117,985,997	-	-
Other payables(*)		202,115,745	202,115,745	202,115,745	-	-
Debentures		199,723,593	210,503,075	54,543,350	155,959,725	-
Short-term borrowings		254,686,822	259,134,365	259,134,365	-	-
Long-term borrowings		592,339,765	615,545,957	97,378,120	518,167,837	-
Long-term other payables		29,218,978	50,790,502	-	22,013,772	28,776,730
Other current financial liabilities		26,535,284	26,740,026	26,740,026	-	-
Other non-current financial liabilities		64,308,497	68,207,477	-	66,907,889	1,299,588
	₩	<u>1,486,914,681</u>	<u>1,551,023,144</u>	<u>757,897,603</u>	<u>763,049,223</u>	<u>30,076,318</u>

(*) Other payables related to reserve for restoration are not included.

The Group does not expect the above cash flows to be occurred in earlier period or to be materially different.

5. Risk Management, Continued

(1) Financial risk management, continued

3) Liquidity risk, continued

		2016				
		Book value	Contractual cash outflow	Less than one year	One to five years	Over five years
<i>(In thousands of won)</i>						
Trade payables	₩	117,029,866	117,029,866	117,029,866	-	-
Other payables(*)		153,559,442	153,559,442	153,559,442	-	-
Debentures		249,642,559	261,827,000	105,037,250	156,789,750	-
Short-term borrowings		212,500,661	216,558,615	216,558,615	-	-
Long-term borrowings		575,201,165	625,793,386	51,794,664	573,998,722	-
Long-term other payables		23,403,738	56,924,525	-	22,995,160	33,929,365
Other current financial liabilities		45,054,053	47,962,401	47,962,401	-	-
Other non-current financial liabilities		16,431,682	19,875,447	-	19,875,447	-

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For the years ended December 31, 2017 and 2016

financial liabilities	₩	<u>1,392,823,166</u>	<u>1,499,530,682</u>	<u>691,942,238</u>	<u>773,659,079</u>	<u>33,929,365</u>
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(*) Other payables related to reserve for restoration are not included.

4) Market risk

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

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

(i) Currency risk

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

The amount of the Group's exposure to currency risk as of December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>		2017			
		USD	VND	IDR	RMB, etc.
Cash and cash equivalents	₩	14,409,525	-	18,772	190,257
Trade and Other					
Receivables		36,184,592	1,531,555	-	3,162,195
Trade and Other Payables		(20,821,278)	-	-	(884,184)
Finance lease liabilities		(614,433)	-	-	-
Borrowings		(238,851,879)	-	-	-
Total exposure		<u>(209,693,473)</u>	<u>1,531,555</u>	<u>18,772</u>	<u>2,468,268</u>
Currency forwards		49,552,250	-	-	-
Net exposure	₩	<u>(160,141,223)</u>	<u>1,531,555</u>	<u>18,772</u>	<u>2,468,268</u>

5. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk, continued

(i) Currency risk, continued

<i>(In thousands of won)</i>		2016			
		USD	VND	IDR	RMB, etc.
Cash and cash equivalents	₩	27,816,336	-	20,835,868	11,337
Trade and Other					
Receivables		44,716,774	1,751,862	-	6,018,306
Trade and Other Payables		(2,719,351)	(370,973)	-	(786,788)
Finance lease liabilities		(11,861,660)	-	-	-
Borrowings		(295,654,089)	-	-	(2,598,900)
Total exposure		<u>(237,701,990)</u>	<u>1,380,889</u>	<u>20,835,868</u>	<u>2,643,955</u>
Currency forwards		72,510,000	-	-	-
Net exposure	₩	<u>(165,191,990)</u>	<u>1,380,889</u>	<u>20,835,868</u>	<u>2,643,955</u>

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Significant exchange rates applied during the years ended December 31, 2017 and 2016 are as follows:

(In won)		Average rate		Reporting date spot rate	
		2017	2016	2017	2016
		USD	₩	1,130.84	1,160.50
VND		0.0498	0.0519	0.0472	0.0531
IDR		0.0845	0.0872	0.0790	0.0898
RMB		167.46	174.40	163.65	173.26

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, 2017 and 2016 are as follows:

(In thousands of won)			2017		2016	
			10% strengthening	10% weakening	10% strengthening	10% weakening
			USD	Total exposure	₩ (20,969,347)	20,969,347
	Currency forwards	4,955,225	(4,955,225)	7,251,000	(7,251,000)	
	Net exposure	(16,014,122)	16,014,122	(16,519,199)	16,519,199	
VND		153,156	(153,156)	138,089	(138,089)	
IDR		1,877	(1,877)	2,083,587	(2,083,587)	
RMB, etc.		246,827	(246,827)	264,396	(264,396)	

5. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk, continued

(ii) Interest rate risk

Carrying amount of interest-bearing financial instruments held by the Group as of December 31, 2017 and 2016 are as follows:

(In thousands of won)		2017	2016
Fixed rate instruments:			
Financial assets	₩	15,701,649	22,342,071
Financial liabilities		(802,211,130)	(784,670,601)
	₩	<u>(786,509,481)</u>	<u>(762,328,530)</u>
Variable rate instruments:			
Financial assets	₩	128,158,559	195,584,742
Financial liabilities		(350,407,523)	(368,679,114)
	₩	<u>(222,248,964)</u>	<u>(173,094,372)</u>

- Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging

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instruments under a fair value hedge accounting model. Therefore, the change in interest rates would not affect profit or loss.

- 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, 2017 and 2016 are as follows:

(In thousands of won)

	2017		2016	
	0.5% Point increase	0.5% Point decrease	0.5% Point increase	0.5% Point decrease
Variable rate instruments	₩ (1,111,245)	1,111,245	(865,417)	865,417
Interest rate swap	243,440	(243,440)	330,000	(330,000)
Cash flow sensitivity, net	₩ (867,805)	867,805	(535,417)	535,417

(iii) Other market price risk

Market price risk arises from available-for-sale financial assets and equity-linked-derivatives 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.

5. Risk Management, Continued

(1) Financial risk management, continued

5) Fair values

(i) The carrying amount and fair value of financial assets and liabilities as of December 31, 2017 and 2016 are as follows:

(In thousands of won)

	2017					Fair value	
	Designated at fair value	Loans and receivables	Available-for-sale	Other	Total	Level 2	Level 3
Financial assets measured at fair value							
Derivative financial assets(*3)	₩ 8,757,696	-	-	-	8,757,696	275,031	8,482,665
Financial assets not measured at fair value(*1)							
Cash and cash equivalents	-	132,572,271	-	-	132,572,271	-	-
Trade receivables	-	197,179,402	-	-	197,179,402	-	-
Available-for-sale: equity investments(*2)	-	-	10,552,000	-	10,552,000	-	-
Other financial assets	-	81,070,403	-	-	81,070,403	-	-
Subtotal	-	410,822,076	10,552,000	-	421,374,076	-	-
Total	₩ 8,757,696	410,822,076	10,552,000	-	430,131,772	275,031	8,482,665

Financial liabilities measured at fair value

Derivative financial liabilities(*4) ₩ 53,739,023 - - - 53,739,023 2,522,182 51,216,841

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For the years ended December 31, 2017 and 2016

Financial liabilities not measured at fair value(*1)

Trade payables	-	-	-	117,985,997	117,985,997	-	-
Other payables	-	-	-	202,115,745	202,115,745	-	-
Borrowings and debentures	-	-	-	1,046,750,181	1,046,750,181	-	-
Long-term other payables	-	-	-	29,218,978	29,218,978	-	-
Other financial liabilities	-	-	-	37,104,758	37,104,758	-	-
Subtotal	-	-	-	1,433,175,659	1,433,175,659	-	-
Total	₩	53,739,023	-	-	1,433,175,659	1,486,914,682	2,522,182
							51,216,841

(*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 which 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 instrument is measured based on binomial model using Hull & White model and volatility of stock price. As of December 31, 2017, gain on valuation of derivative instruments classified as level 3 amounting to ₩ 8,483 million is recognized as financial income in the consolidated statements of comprehensive income.

(*4) Fair value of derivative instrument is measured based on binomial model using discounted cash flow model and volatility of stock price using current forward exchange rate. As of December 31, 2017, loss on valuation of derivative instruments classified as level 3 amounting to ₩ 51,300 million is recognized as financial expense in consolidated statements of comprehensive income.

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5. Risk Management, Continued

(1) Financial risk management, continued

5) Fair values, continued

(In thousands of won)

	2016						
	Carrying amount				Fair value		
	Designated at fair value	Loans and receivables	Available-for-sale	Other	Total	Level 2	Level 3
Financial assets measured at fair value							
Derivative financial assets(*3)	₩	8,301,623	-	-	-	8,218,860	82,763
Financial assets not measured at fair value(*1)							
Cash and cash equivalents	-	199,522,589	-	-	199,522,589	-	-
Trade receivables	-	151,833,083	-	-	151,833,083	-	-
Available-for-sale: equity investments(*2)	-	-	11,004,530	-	11,004,530	-	-
Other financial assets	-	116,115,646	-	-	116,115,646	-	-
Subtotal	-	467,471,318	11,004,530	-	478,475,848	-	-
Total	₩	8,301,623	467,471,318	11,004,530	486,777,471	8,218,860	82,763
Financial liabilities measured at fair value							
Derivative financial liabilities(*3)	₩	110,926	-	-	110,926	110,926	-
Financial liabilities not measured at fair value(*1)							
Trade payables	-	-	-	117,029,866	117,029,866	-	-
Other payables	-	-	-	153,559,442	153,559,442	-	-
Borrowings and debentures	-	-	-	1,037,344,385	1,037,344,385	-	-

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Long-term other payables	-	-	-	23,403,738	23,403,738	-	-
Other financial liabilities	-	-	-	61,374,809	61,374,809	-	-
Subtotal	-	-	-	<u>1,392,712,240</u>	<u>1,392,712,240</u>	-	-
Total	₩	110,926	-	<u>1,392,712,240</u>	<u>1,392,823,166</u>	<u>110,926</u>	-

- (*1) As the carrying amounts of financial assets and liabilities are reasonable approximation of fair values, their fair values are not disclosed.
- (*2) As equity investments **which** 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 instrument is measured based on binomial model using discounted cash flow model and volatility of stock price using current forward exchange rate. As of current year end, gain on valuation of derivative instruments classified as level 3 amounting ₩ 83 million is recognized as financial income in profit or loss.

삭제됨: a

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

5. Risk Management, Continued

(1) Financial risk management, continued

6) Transfers of financial asset

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

(In thousands of won)

Type of continuing involvement	Maturity of continuing involvement	
	Less than 1 years	
Put option	₩	190,000,000

(2) Capital Management

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

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

(In thousands of won, except ratio)

	2017	2016
Total liabilities (a)	₩ 1,682,438,285	1,621,292,084
Total equity (b)	777,662,561	920,480,929
Cash and cash equivalents (c)	132,572,271	199,522,589
Borrowings and debentures (d)	1,046,750,181	1,037,344,385
Borrowings and debentures, net (e)=(d)-(c)	914,177,910	837,821,796
Liabilities to equity ratio (f)=(a)÷(b)	216%	176%
Net debt to equity ratio (g)=(e)÷(b)	118%	91%

6. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2017 and 2016 are as follows:

(In thousands of won)

	2017	2016
Cash on hand	₩ 5,315,020	3,491,218
Demand deposits	126,420,959	195,009,042
Other cash equivalents	836,292	1,022,329
	₩ 132,572,271	199,522,589

7. Operating Segments

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For the years ended December 31, 2017 and 2016

The Group has two reportable segments: multiplex cinemas operation and equipment sales and manufacturing. Financial information for each reportable segment for the years ended December 31, 2017 and 2016 was as follows:

(1) Reporting Segments

(In thousands of won)

		2017			
		Cinema operation	Equipment sales and manufacturing	Consolidation adjustment	Total
Totoal revenue	₩	1,639,820,908	115,269,632	(40,703,367)	1,714,387,173
Internal revenue		(27,374,014)	(13,329,353)	40,703,367	-
Net revenue		1,612,446,894	101,940,279	-	1,714,387,173
Depreciation of fixed asset		143,784,105	12,182,795	13,427,151	169,394,051
Operating income		86,698,628	12,233,257	(12,688,992)	86,242,893

(In thousands of won)

		2016			
		Cinema operation	Equipment sales and manufacturing	Consolidation adjustment	Total
Totoal revenue	₩	1,387,022,740	99,318,232	(54,095,525)	1,432,245,447
Internal revenue		(24,262,528)	(29,832,997)	54,095,525	-
Net revenue		1,362,760,212	69,485,235	-	1,432,245,447
Depreciation of fixed asset		111,166,058	11,287,104	10,258,091	132,711,253
Operating income		77,231,574	2,821,013	(9,715,833)	70,336,754

(2) Regional profit or loss

(In thousands of won)

		2017							
		Domestic	China	Turkey	Vietnam	Indonesia	USA, etc.	Consolidation Adjustment	Total
Totoal revenue	₩	1,005,551,054	323,941,303	210,922,741	130,639,196	71,875,616	12,160,630	(40,703,367)	1,714,387,173
Internal revenue		(15,533,120)	(24,307,204)	(5,725)	(44,479)	-	(812,839)	40,703,367	-
Net revenue		990,017,934	299,634,099	210,917,016	130,594,717	71,875,616	11,347,791	-	1,714,387,173
Depreciation of fixed asset		72,726,912	38,054,328	18,062,512	11,428,509	12,499,646	3,194,993	13,427,151	169,394,051
Operating income		48,610,618	21,741,913	14,250,524	11,124,844	1,514,702	1,689,284	(12,688,992)	86,242,893

7. Operating Segments, Continued

(2) Regional profit or loss, continued

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For the years ended December 31, 2017 and 2016

(In thousands of won)

		2016					
		Domestic	China	Vietnam	USA, etc.	Consolidation Adjustment	Total
Totoal revenue	₩	1,004,464,965	247,697,982	111,083,691	123,094,334	(54,095,525)	1,432,245,447
Internal revenue		(29,365,580)	(24,044,068)	(53,041)	(632,836)	54,095,525	-
Net revenue		975,099,385	223,653,914	111,030,650	122,461,498	-	1,432,245,447
Depreciation of fixed asset		68,138,937	30,912,616	8,650,452	14,751,157	10,258,091	132,711,253
Operating income		70,475,798	(67,608)	11,312,517	(1,668,120)	(9,715,833)	70,336,754

(3) Service profit or loss

(In thousands of won)

		2017	2016
Admissions	₩	1,042,960,221	914,869,399
Concession		274,338,590	226,991,766
Advertisement		166,254,299	138,989,165
Equipment sales and manufacturing		69,756,875	35,950,141
Others		161,077,188	115,444,976
	₩	1,714,387,173	1,432,245,447

(4) Property and equipment and intangible assets

(In thousands of won)

		2017						
		Domestic	China	Turkey	Vietnam	Indoneia	USA, etc.	Total
Tangible asset(*)	₩	524,702,007	218,101,846	82,545,602	104,152,522	91,538,635	24,138,626	1,045,179,238
Intangible asset		42,969,154	14,152,862	601,078,388	40,459,667	28,942,502	133,522	727,736,095
Total	₩	567,671,161	232,254,708	683,623,990	144,612,189	120,481,137	24,272,148	1,772,915,333

(*) Amount includes investment property.

(In thousands of won)

		2016						
		Domestic	China	Turkey	Vietnam	Indoneia	USA, etc.	Total
Tangible asset(*)	₩	427,035,281	193,819,384	94,730,234	96,515,399	73,926,901	26,847,479	912,874,678
Intangible asset		46,498,778	29,096,179	742,919,985	41,533,263	32,614,911	40,368	892,703,484
Total	₩	473,534,059	222,915,563	837,650,219	138,048,662	106,541,812	26,887,847	1,805,578,162

(*) Amount includes investment property.

8. Trade Receivables

(1) Trade receivables are presented on a net basis after deducting related allowance. As of December 31, 2017 and

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For the years ended December 31, 2017 and 2016

2016, trade receivables and allowance for doubtful accounts are as follows:

<i>(In thousands of won)</i>	2017		2016	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 176,754,278	26,348,457	154,111,158	978,817
Allowance for doubtful accounts	(5,923,334)	-	(3,256,892)	-
	₩ <u>170,830,944</u>	<u>26,348,457</u>	<u>150,854,266</u>	<u>978,817</u>

(2) Changes in allowance for doubtful accounts for the years ended December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>		2017	2016
Balance at the beginning	₩	3,256,892	573,553
Increase in allowance		3,191,056	991,825
Write-off		(41,105)	(13,620)
Change in scope of consolidation		-	2,023,027
Changes in exchange rates		(483,509)	(317,893)
Balance at the end	₩	<u>5,923,334</u>	<u>3,256,892</u>

9. Inventories

(1) Inventories as of December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>		2017	2016
Merchandise	₩	8,975,607	8,005,275
Finished goods		2,093,339	1,437,045
Work in process		881,951	1,382,377
Raw materials		6,779,337	6,270,876
Provision for valuation of inventories		(843,959)	(283,509)
	₩	<u>17,886,275</u>	<u>16,812,064</u>

(2) Loss of valuation of inventories for the years ended December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>		2017	2016
Loss of valuation of inventories	₩	560,450	608,126

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10. Other Financial Assets

(1) Other financial assets as of December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>	2017		2016	
	Current	Non-current	Current	Non-current
Financial institution deposits	₩ 19,352	1,737,600	21,771	586,700
Other receivables	30,151,354	4,034	22,680,274	4,034
Accrued revenues	744,128	-	419,551	-
Loans	15,682,297	-	22,320,300	-
Leasehold deposits	1,403,300	40,206,767	23,240,526	56,349,479
Present value discount	(316)	(8,878,112)	(494,624)	(9,012,365)
Derivative financial assets	8,482,665	275,031	-	8,301,623
Available-for-sale financial assets	-	10,552,000	-	11,004,530
	₩ <u>56,482,780</u>	<u>43,897,320</u>	<u>68,187,798</u>	<u>67,234,001</u>

(2) Other financial assets are presented on a net basis after deducting related allowance. As of December 31, 2017 and 2016, other financial assets and allowance for doubtful accounts are as follows:

<i>(In thousands of won)</i>	2017		2016	
	Current	Non-current	Current	Non-current
Other financial assets	₩ 59,288,869	45,721,586	71,146,119	69,167,947
Allowance for doubtful accounts:				
Other receivables	(2,705,254)	-	(2,834,442)	-
Accrued revenues	(100,835)	-	(102,639)	-
Loans	-	(1,824,266)	(21,240)	(1,933,946)
Subtotal of allowance for doubtful accounts	<u>(2,806,089)</u>	<u>(1,824,266)</u>	<u>(2,958,321)</u>	<u>(1,933,946)</u>
Other financial assets, net	₩ <u>56,482,780</u>	<u>43,897,320</u>	<u>68,187,798</u>	<u>67,234,001</u>

(3) Changes in allowance for doubtful accounts for the years ended December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>	2017		2016	
	Current	Non-current	Current	Non-current
Balance at the beginning	₩ 2,958,321	1,933,946	2,114,057	1,908,614
Increase in (reversal of) allowance	77,068	-	788,433	(3,868)
Write-off	(145,505)	-	(597,759)	-
Change in scope of consolidation	-	-	653,246	-
Other	(83,795)	(109,680)	344	29,200
Balance at the end	₩ <u>2,806,089</u>	<u>1,824,266</u>	<u>2,958,321</u>	<u>1,933,946</u>

(4) Leasehold deposit measured at present value as of December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>	Effective interest rate (%)	₩	Nominal values	Discounted present value	Present value discount
December 31, 2017	1.4~6.6	₩	41,610,067	32,731,639	(8,878,428)
December 31, 2016	1.4~5.6	₩	79,590,005	70,083,016	(9,506,989)

10. Other Financial Assets, Continued

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For the years ended December 31, 2017 and 2016

(5) Available-for-sale financial assets

① Available-for-sale financial assets as of December 31, 2017 and 2016 are as follows:

		2017		2016	
		Acquisition cost	Book value	Acquisition cost	Book value
Equity securities:	₩	10,552,000	10,552,000	10,823,806	11,004,530

② Changes in available-for-sale financial assets for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Balance at the beginning	₩	11,004,530	6,554,093
Acquisitions		3,094,591	4,919,770
Disposals		(3,320,791)	(548,969)
Gain on valuation of available-for-sale financial assets		-	1,174
Changes in exchange rates		(226,330)	78,462
Balance at the end	₩	10,552,000	11,004,530

11. Other Current Assets and Other Non-current Assets

Other current assets and other non-current assets as of December 31, 2017 and 2016 are as follows:

		2017		2016	
		Current	Non-current	Current	Non-current
Advance payments	₩	43,850,092	-	42,907,002	-
Prepaid expenses		16,638,892	102,558,244	16,488,870	99,346,559
Prepaid value added tax		19,314,772	-	12,736,330	-
	₩	79,803,756	102,558,244	72,132,202	99,346,559

12. Investment in Equity Method Investees

(1) Investments in equity method investees as of December 31, 2017 and 2016 are as follows:

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Company	Location	Primary business	Ownership (%)	
			2017	2016
Associate:				
SSV Contents Investment Association(*)	Korea	Investment fund	-	35.52
CJ VIETNAM COMPANY LIMITED	Vietnam	Foreign Investment	25.00	25.00
Foshan XingXing CJ Cinema Co., Ltd.	China	Theater operation	20.00	20.00
IBK Finance Group Union Contents Investment Fund	Korea	Investment fund	25.00	25.00
Joint venture:				
D-Cinema Korea Co., Ltd.	Korea	Leasing service	50.00	50.00
CJ XingXing (TJ) International Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Myanmar Cineplex Co., Ltd.	Myanmar	Theater operation	50.00	50.00
ChangSha CJ XingXing Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Zhongshan CJ Xingxing Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Ningbo Culture Plaza CJ Cinema Co., Ltd.	China	Theater operation	45.00	45.00
CJ Xingxing (Shanghai) Cinema Co., Ltd.	China	Theater operation	49.00	49.00
CJ Xingxing (FSH) Cinema Co., Ltd.	China	Theater operation	49.00	49.00
CGV Empire SDN. BHD	Malaysia	Theater operation	25.00	25.00
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Shanghai Shangying CGV Cinema Co., Ltd.	China	Theater operation	50.00	50.00

(*) During the year ended December 31, 2017, ₩37 million of gain on disposal of equity investment was recognized for the liquidated value due to completion of SSV Contents Investment Association's liquidation.

삭제됨: current year

삭제됨: investment in

삭제됨: disposal

삭제됨: at collection of

12. Investment in Equity Method Investees, Continued

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(2) Condensed financial information of associates and joint ventures as of and for the years ended December 31, 2017 and 2016 is as follows:

(In thousands of won)

	2017							
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net profit (loss)	Total comprehensive income (loss)	Dividends received
SSV Contents Investment Association	₩ -	-	-	-	-	-	-	36,631
CJ VIETNAM COMPANY LIMITED	14,495,100	39,159,563	4,808,114	1,410,628	6,546,903	3,431,038	(2,217,476)	1,524,720
Foshan XingXing CJ Cinema Co., Ltd.	694,359	3,010,394	629,925	-	2,513,131	(50,868)	138,732	-
IBK Finance Group Union Contents Investment Fund	5,070,717	5,289,873	51,664	-	1,005,845	395,173	395,173	-
D-Cinema Korea Co., Ltd.	10,851,613	723,558	4,794,394	5,683,633	2,395,383	(578,648)	(578,648)	-
CJ XingXing (TJ) International Cinema Co., Ltd.	9,045,581	3,669,316	3,935,740	-	8,260,772	1,200,892	1,300,365	-
Myanmar Cineplex Co., Ltd.	2,951,420	6,154,671	1,107,476	724,028	7,042,555	513,800	1,117,393	-
ChangSha CJ XingXing Cinema Co., Ltd.	772,296	2,012,080	1,192,555	-	3,867,161	408,606	438,344	211,410
Zhongshan CJ Xingxing Cinema Co., Ltd.	906,612	2,511,646	615,381	-	3,180,212	200,401	213,807	298,071
Ningbo Culture Plaza CJ Cinema Co., Ltd.	3,117,588	5,788,304	2,179,459	2,160	6,720,162	43,623	431,433	205,301
CJ Xingxing (Shanghai) Cinema Co., Ltd.	3,617,661	1,776,939	888,850	-	4,305,979	1,332,698	1,436,913	432,296
CJ Xingxing (FSH) Cinema Co., Ltd.	2,814,811	1,316,583	657,283	-	2,581,973	232,215	342,719	148,972
CGV Empire SDN. BHD	4,195	886,429	3,142,407	-	-	(122,374)	(133,205)	-
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	3,246,861	741,529	712,770	-	2,212,818	154,242	109,665	118,978
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	7,501,096	1,166,736	2,172,930	-	6,403,138	1,262,129	1,221,621	771,214
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	11,966,690	5,748,278	5,607,820	-	12,497,547	2,052,182	2,385,478	336,990
Shanghai Shangying CGV Cinema Co., Ltd.	5,888,728	1,498,006	2,119,613	-	4,880,498	835,210	791,230	545,409

12. Investment in Equity Method Investees, Continued

(2) Condensed financial information of associates and joint ventures as of and for the years ended December 31, 2017 and 2016 is as follows, continued:

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(In thousands of won)

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

12. Investment in Equity Method Investees, Continued

삭제됨: .

(3) The reconciliation of the investees' net assets to the carrying amount of the Group's interest in equity method investees as of December 31, 2017 and 2016 is as follows:

(In thousands of won)

Net assets (a)	Owner-	2017		
		Group's	Goodwill	Carrying

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		ship (b)	share of net assets (a×b)		amount
SSV Contents Investment Association	₩	-	35.52%	-	-
CJ VIETNAM COMPANY LIMITED		47,435,921	25.00%	11,858,980	620,312 12,479,292
Foshan XingXing CJ Cinema Co., Ltd.		3,074,828	20.00%	614,966	- 614,966
IBK Finance Group Union Contents Investment Fund		10,308,926	25.00%	2,577,232	- 2,577,232
D-Cinema Korea Co., Ltd.		1,097,144	50.00%	548,572	- 548,572
CJ XingXing (TJ) International Cinema Co., Ltd.		8,779,157	49.00%	4,301,787	- 4,301,787
Myanmar Cineplex Co., Ltd.		7,274,587	50.00%	3,637,293	- 3,637,293
ChangSha CJ XingXing Cinema Co., Ltd.		1,591,821	49.00%	779,992	- 779,992
Zhongshan CJ Xingxing Cinema Co., Ltd.		2,802,877	49.00%	1,373,410	- 1,373,410
Ningbo Culture Plaza CJ Cinema Co., Ltd.		6,724,273	45.00%	3,025,923	- 3,025,923
CJ Xingxing (Shanghai) Cinema Co., Ltd.		4,505,750	49.00%	2,207,818	- 2,207,818
CJ Xingxing (FSH) Cinema Co., Ltd.		3,474,111	49.00%	1,702,314	- 1,702,314
CGV Empire SDN. BHD		(2,251,783)	25.00%	(562,946)	- -
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.		3,275,620	49.00%	1,605,054	- 1,605,054
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.		6,494,902	49.00%	3,182,502	- 3,182,502
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.		12,107,148	49.00%	5,932,503	- 5,932,503
Shanghai Shangying CGV Cinema Co., Ltd.	₩	5,267,121	50.00%	2,633,561	- 2,633,561
					<u>46,602,219</u>

12. Investment in Equity Method Investees, Continued

(3) The reconciliation of the investees' net assets to the carrying amount of the Group's interest in equity method investees as of December 31, 2017 and 2016 is as follows, continued:

(In thousands of won)

	2016			
Net assets (a)	Owner-	Group's	Goodwill	Carrying

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

12. Investment in Equity Method Investees, Continued

(4) Changes in investments in equity method investees for the years ended December 31, 2017 and 2016 are as follows:

(In thousands of won)

	2017				
Acquisition cost	Beginning balance	Acquisition	Equity income (loss)	Others (*1)	Ending balance

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SSV Contents Investment Association(*2)	₩	-	182,597	-	-	(182,597)	-
CJ VIETNAM COMPANY LIMITED		11,735,525	14,762,376	-	857,759	(3,140,843)	12,479,292
Foshan XingXing CJ Cinema Co., Ltd.		746,911	661,604	-	(10,173)	(36,465)	614,966
IBK Finance Group Union Contents Investment Fund		2,500,000	2,478,438	-	98,794	-	2,577,232
D-Cinema Korea Co., Ltd. CJ XingXing (TJ) International Cinema Co., Ltd.		1,500,000	837,896	-	(289,324)	-	548,572
Myanmar Cineplex Co., Ltd.(*3)		4,263,177	3,945,583	-	588,437	(232,233)	4,301,787
ChangSha CJ XingXing Cinema Co., Ltd.		3,798,873	1,946,826	1,797,549	256,900	(363,982)	3,637,293
Zhongshan CJ Xingxing Cinema Co., Ltd.		599,352	837,937	-	200,217	(258,162)	779,992
Ningbo Culture Plaza CJ Cinema Co., Ltd.		1,283,807	1,661,649	-	98,197	(386,436)	1,373,410
CJ Xingxing (Shanghai) Cinema Co., Ltd.		3,148,068	3,389,010	-	19,630	(382,717)	3,025,923
CJ Xingxing (FSH) Cinema Co., Ltd.		1,587,903	2,110,241	-	653,022	(555,445)	2,207,818
CGV Empire SDN. BHD		1,661,627	1,839,079	-	113,785	(250,550)	1,702,314
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.		9,067	-	-	-	-	-
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.		1,601,700	1,746,326	-	75,579	(216,851)	1,605,054
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.		1,820,123	3,520,319	-	618,443	(956,260)	3,182,502
Shanghai Shangying CGV Cinema Co., Ltd.		5,297,164	5,590,033	-	1,005,569	(663,099)	5,932,503
		1,191,990	2,915,399	-	417,605	(699,443)	2,633,561
	₩	42,745,287	48,425,313	1,797,549	4,704,440	(8,325,083)	46,602,219

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

(*2) During the year ended December 31, 2017, ₩37 million of gain on disposal of equity investment was recognized for the liquidated value due to completion of SSV Contents Investment Association's liquidation.

(*3) During the year ended December 31, 2017, acquired additional ₩1,798 million by participating in paid-in capital increase of Myanmar Cineplex Co., Ltd.

삭제됨 : current year

삭제됨 : investment in e

삭제됨 : disposal

삭제됨 : at collection of

삭제됨 : current

12. Investment in Equity Method Investees, Continued

(4) Changes in investments in equity method investees for the years ended December 31, 2017 and 2016 are as follows, continued:

(In thousands of won)

		2016							
		Acquisition cost	Beginning balance	Acquisition	Change in scope of consolidation	Transfer	Equity income (loss)	Others (*1)	Ending balance
SSV Contents Investment Association(*2)	₩	-	13,481,119	-	-	-	129,681	(13,428,203)	182,597
PT Graha Layar Prima Tbk. CJ VIETNAM COMPANY LIMITED		80,022,767	15,166,846	28,993,871	34,693,096	(73,040,261)	(568,507)	(5,245,045)	-
		11,735,525	13,740,648	-	-	-	777,538	244,190	14,762,376

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Foshan XingXing CJ Cinema Co., Ltd.(*3)	746,911	541,404	123,759	-	-	6,157	(9,716)	661,604
IBK Finance Group Union Contents Investment Fund(*4)	2,500,000	1,235,086	1,250,000	-	-	(6,648)	-	2,478,438
D-Cinema Korea Co., Ltd. CJ XingXing (TJ) International Cinema Co., Ltd.	1,500,000	1,725,432	-	-	-	(887,536)	-	837,896
Myanmar Cineplex Co., Ltd.(*5)	4,263,177	4,133,788	-	-	-	(67,747)	(120,458)	3,945,583
ChangSha CJ XingXing Cinema Co., Ltd.	2,001,324	1,329,094	406,859	-	-	283,615	(72,742)	1,946,826
Zhongsan CJ Xingxing Cinema Co., Ltd.	599,352	697,337	-	-	-	245,262	(104,662)	837,937
Ningbo Culture Plaza CJ Cinema Co., Ltd.	1,283,807	1,708,333	-	-	-	345,800	(392,484)	1,661,649
CJ Xingxing (Shanghai) Cinema Co., Ltd.	3,148,068	4,331,711	-	-	-	230,066	(1,172,767)	3,389,010
CJ Xingxing (FSH) Cinema Co., Ltd.	1,587,903	2,137,550	-	-	-	501,516	(528,825)	2,110,241
CGV Empire SDN. BHD	1,661,627	1,923,620	-	-	-	172,826	(257,367)	1,839,079
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	9,067	-	-	-	-	-	-	-
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	1,601,700	1,943,312	-	-	-	140,043	(337,029)	1,746,326
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	1,820,123	3,928,530	-	-	-	884,442	(1,292,653)	3,520,319
Shanghai Shangying CGV Cinema Co., Ltd.	5,297,164	5,851,425	-	-	-	390,949	(652,341)	5,590,033
	1,191,990	3,347,974	-	-	-	625,485	(1,058,060)	2,915,399
₩	120,970,505	77,223,209	30,774,489	34,693,096	(73,040,261)	3,202,942	(24,428,162)	48,425,313

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

(*2) During the year ended December 31, 2016, the Group received ₩13,390 million and recovered the investment and recognized loss on investments in associates amounting to ₩38 million which is included in profit or loss for the year ended December 31, 2016.

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

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

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

12. Investment in Equity Method Investees, Continued

(5) The unrecognized equity loss during 2016 and the cumulative unrecognized equity losses, resulted from discontinuing application of the equity method, for the year ended December 31, 2017 are as follows:

(In thousands of won)		Unrecognized equity loss during 2017	Cumulative unrecognized equity losses
CGV Empire SDN. BHD	₩	30,593	620,462

삭제됨: prior year

삭제됨: by recovering an

삭제됨:

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2017 and 2016

13. Investment Property

(1) Investment property as of December 31, 2017 and 2016 are as follows:

		2017			2016		
		Acquisition costs	Accumulated depreciation	Carrying amounts	Acquisition costs	Accumulated depreciation	Carrying amounts
Land	₩	28,211,636	-	28,211,636	84,971	-	84,971
Buildings		15,287,808	(303,926)	14,983,882	184,004	(19,540)	164,464
	₩	43,499,444	(303,926)	43,195,518	268,975	(19,540)	249,435

(2) Changes in investment property for the years ended December 31, 2017 and 2016 are as follows:

		Land	Buildings	Total
Acquisition costs:				
Balance at January 1, 2016	₩	3,695,706	16,586,202	20,281,908
Change in consolidation scope		99,981	214,359	314,340
Amount disposed		(3,695,706)	(16,586,202)	(20,281,908)
Foreign currency translation adjustment		(15,010)	(30,355)	(45,365)
Balance at December 31, 2016		84,971	184,004	268,975
Amount acquired		28,141,355	15,137,114	43,278,469
Other increase(decrease)		-	(1,986)	(1,986)
Change in exchange rates		(14,690)	(31,324)	(46,014)
Balance at December 31, 2017		28,211,636	15,287,808	43,499,444
Accumulated depreciation:				
Balance at January 1, 2016		-	(2,358,732)	(2,358,732)
Change in consolidation scope		-	(16,138)	(16,138)
Depreciation		-	(39,356)	(39,356)
Amount disposed		-	2,393,603	2,393,603
Foreign currency translation adjustment		-	1,083	1,083
Balance at December 31, 2016		-	(19,540)	(19,540)
Depreciation		-	(289,779)	(289,779)
Other increase(decrease)		-	1,985	1,985
Change in exchange rates		-	3,408	3,408
Balance at December 31, 2017		-	(303,926)	(303,926)
Carrying amounts:				
Balance at January 1, 2016	₩	3,695,706	14,227,470	17,923,176
Balance at December 31, 2016	₩	84,971	164,464	249,435
Balance at December 31, 2017	₩	28,211,636	14,983,882	43,195,518

(3) Profit and loss related to investment property for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Rental income	₩	588,249	106,446
Rental cost (depreciation)		(289,779)	(39,356)
Gain on disposal of property and equipment		-	310,294
Loss on disposal of property and equipment		-	(1,366,852)

14. Property and Equipment

(1) Changes in property and equipment for the year ended December 31, 2017 were as follows:

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(In thousands of won)	Land	Buildings	Structures	Machinery	Vehicles	Tools	Construction -in-progress	Total
Acquisition costs:								
Beginning balance	₩ 87,379,275	85,962,889	696,736,915	2,196,944	884,546	626,029,887	51,743,887	1,550,934,343
Acquisitions	15,064,672	12,965,659	35,590,582	16,615	-	63,096,332	165,607,182	292,341,042
Disposals	-	-	(11,891,146)	-	(58,816)	(21,411,891)	(1,126,755)	(34,488,608)
Change in exchange rates	-	(642,178)	(40,752,191)	-	(60,566)	(40,383,804)	(2,894,095)	(84,732,834)
Others	-	-	106,494,365	(161,781)	44,202	48,969,931	(163,772,492)	(8,425,775)
Ending balance	<u>102,443,947</u>	<u>98,286,370</u>	<u>786,178,525</u>	<u>2,051,778</u>	<u>809,366</u>	<u>676,300,455</u>	<u>49,557,727</u>	<u>1,715,628,168</u>
Accumulated depreciation:								
Beginning balance	-	(19,900,453)	(223,203,012)	(1,107,687)	(288,802)	(391,703,027)	-	(636,202,981)
Depreciation	-	(2,456,220)	(51,459,469)	(443,975)	(95,485)	(76,282,653)	-	(130,737,802)
Disposals	-	-	8,495,803	-	58,173	20,408,457	-	28,962,433
Change in exchange rates	-	175,862	10,850,923	280,184	14,016	19,461,397	-	30,782,382
Others	-	-	-	-	-	(606,054)	-	(606,054)
Ending balance	-	<u>(22,180,811)</u>	<u>(255,315,755)</u>	<u>(1,271,478)</u>	<u>(312,098)</u>	<u>(428,721,880)</u>	-	<u>(707,802,022)</u>
Accumulated impairment:								
Beginning balance	-	-	-	-	-	(1,442,020)	-	(1,442,020)
Impairment	-	-	(3,642,396)	-	-	(376,111)	-	(4,018,507)
Disposals	-	-	-	-	-	9,002	-	9,002
Change in exchange rates	-	-	191,454	-	-	19,770	-	211,224
Ending balance	-	-	<u>(3,450,942)</u>	-	-	<u>(1,789,359)</u>	-	<u>(5,240,301)</u>
Government Grants:								
Beginning balance	-	-	(650,000)	-	-	(14,100)	-	(664,100)
Others	-	-	-	-	-	(2,000)	-	(2,000)
Depreciation	-	-	60,000	-	-	3,975	-	63,975
Ending balance	-	-	<u>(590,000)</u>	-	-	<u>(12,125)</u>	-	<u>(602,125)</u>
Carrying amounts:								
Balance at								
December 31, 2016	₩ <u>87,379,275</u>	<u>66,062,436</u>	<u>472,883,903</u>	<u>1,089,257</u>	<u>595,744</u>	<u>232,870,740</u>	<u>51,743,887</u>	<u>912,625,242</u>
Balance at								
December 31, 2017	₩ <u>102,443,947</u>	<u>76,105,559</u>	<u>526,821,828</u>	<u>780,300</u>	<u>497,268</u>	<u>245,777,091</u>	<u>49,557,727</u>	<u>1,001,983,720</u>

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14. Property and Equipment, Continued

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

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

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15. Intangible Assets

(1) Changes in intangible assets for the years ended December 31, 2017 and 2016 are as follows:

(In thousands of won)	Goodwill	Trademark right	Membership	Usage rights	Operation network	Others	Total
Acquisition costs:							
Balance at January 1, 2016	₩ 55,940,384	11,802,400	6,226,020	11,647,354	-	127,198,292	212,814,450
Acquisitions	-	15,344	1,175,300	-	-	17,785,222	18,975,866
Disposals	-	(9,798)	-	-	-	(816,266)	(826,064)
Change in scope of consolidation(*)	697,878,915	-	-	-	199,625,857	31,262,141	928,766,913
Change in exchange rates	(99,921,611)	-	-	-	(29,970,107)	(5,475,848)	(135,367,566)
Others	-	70,104	-	-	-	7,194,294	7,264,398
Replacement of assets held for sale	-	-	-	-	-	(11,757,921)	(11,757,921)
Balance at December 31, 2016	653,897,688	11,878,050	7,401,320	11,647,354	169,655,750	165,389,914	1,019,870,076
Acquisitions	-	455	-	33,920	-	11,964,740	11,999,115
Disposals	-	-	-	(2,500)	-	(1,721,978)	(1,724,478)
Change in exchange rates	(101,679,939)	-	-	-	(29,331,708)	(6,925,518)	(137,937,165)
Others	-	56,025	-	52,600	-	(8,369,849)	(8,261,224)
Balance at December 31, 2017	552,217,749	11,934,530	7,401,320	11,731,374	140,324,042	160,337,309	883,946,324
Accumulated amortization and impairment:							
Balance at January 1, 2016	-	(9,450,101)	(790,217)	(8,987,155)	-	(79,040,245)	(98,267,718)
Amortization	-	-	-	(989,975)	(8,174,190)	(21,565,214)	(30,729,379)
Disposals	-	-	-	-	-	816,077	816,077
Change in scope of consolidation	-	-	-	-	-	(10,672,496)	(10,672,496)
Change in exchange rates	-	-	-	-	888,360	2,132,276	3,020,636
Others	-	-	-	-	-	10,993	10,993
Replacement of assets held for sale	-	-	-	-	-	8,655,295	8,655,295
Balance at December 31, 2016	-	(9,450,101)	(790,217)	(9,977,130)	(7,285,830)	(99,663,314)	(127,166,592)
Amortization	-	-	-	(993,507)	(11,313,205)	(26,123,732)	(38,430,444)
Disposals	-	-	-	2,285	-	1,096,148	1,098,433
Loss on impairment	-	-	-	-	-	(6,052)	(6,052)
Change in exchange rates	-	-	-	-	2,242,245	3,224,856	5,467,101
Others	-	-	-	-	-	2,827,325	2,827,325
Balance at December 31, 2017	-	(9,450,101)	(790,217)	(10,968,352)	(16,356,790)	(118,644,769)	(156,210,229)
Carrying amounts:							
Balance at January 1, 2016	₩ 55,940,384	2,352,299	5,435,803	2,660,199	-	48,158,047	114,546,732
Balance at December 31, 2016	₩ 653,897,688	2,427,949	6,611,103	1,670,224	162,369,920	65,726,600	892,703,484
Balance at December 31, 2017	₩ 552,217,749	2,484,429	6,611,103	763,022	123,967,252	41,692,540	727,736,095

(*) During the year ended December 31, 2016, the Group recognized goodwill resulting from the business combination with MARS ENTERTAINMENT GROUP INC. amounting to ₩665,561 million. The Group also separately recognized identifiable intangible assets measured at fair value, which consist of operation network amounting to ₩199,626 million and others amounting to ₩9,498 million. In addition, the Group recognized the goodwill in relation to the business combination with PT Graha Layer Prima Tbk. amounting to ₩32,317 million.

삭제됨: as a

삭제됨: during 2016

삭제됨: the business combination with

삭제됨: as goodwill

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

For the years ended December 31, 2017 and 2016

15. Intangible Assets, Continued

(2) Impairment test

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

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

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

<i>(In percent)</i>	<u>CJ CGV VIETNAM CO., LTD.</u>	<u>MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.(*)</u>
Discount rate	11.30	13.30
Terminal value growth rate	1.00	2.90

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

The future cash flows were estimated based on the nature of industry in which the Group operates for the next five years after 2017. The cash flow projections were estimated based on historical experience, actual operating results and the Group's business plan.

(*) The estimated recoverable amount of CGU which the related goodwill has been allocated considering the Group's ownership exceeds its carrying amount by ₩3,259 million. Management has confirmed that if the terminal value growth rate declines by 0.13%, the estimated recoverable amount may be equal to the carrying amount. Management has adopted a terminal value growth rate that is below the long-term average growth rate of the country and industry for estimating the recoverable amount.

- (3) Total research and development cost recognized in profit or loss during the years ended December 31, 2017 and 2016 are ₩2,801 million and ₩3,070 million, respectively. They are recognized as selling, general and administrative expenses in profit or loss.

삭제됨: for

삭제됨: S

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

For the years ended December 31, 2017 and 2016

16. Other Financial Liabilities

(1) Other financial liabilities as of December 31, 2017 and 2016 are as follows:

	2017		2016	
	Current	Non-current	Current	Non-current
<i>(In thousands of won)</i>				
Accrued expenses	₩ 18,522,751	-	25,655,033	-
Finance lease liabilities	5,614,836	9,369,214	17,897,607	15,674,903
Leasehold deposits received	967,087	2,630,870	1,501,413	645,853
Derivative financial liabilities	1,430,610	52,308,413	-	110,926
	₩ 26,535,284	64,308,497	45,054,053	16,431,682

(2) Finance lease

① Finance lease contract

As of December 31, 2017 and 2016, the Group leases tools under a finance lease contract with IMAX Corp., and the related assets and liabilities are recorded in the consolidated financial statements.

② The assets related to finance lease contract as of December 31, 2017 and 2016 are as follows:

	2017		2016	
<i>(In thousands of won)</i>				
Acquisition costs	₩	92,941,152		95,124,201
Accumulated depreciation		(55,228,690)		(51,559,039)
Carrying amount	₩	37,712,462		43,565,162

③ The present value and future minimum lease payments in accordance with the lease contract as of December 31, 2017 and 2016 are as follows:

	2017			2016		
	Future minimum lease payments	Interest	Present value	Future minimum lease payments	Interest	Present value
<i>(In thousands of won)</i>						
Less than one year	₩ 7,250,187	(1,635,352)	5,614,835	20,805,955	(2,908,348)	17,897,607
One to five years	10,767,488	(1,398,274)	9,369,214	19,118,668	(3,443,765)	15,674,903
	₩ 18,017,675	(3,033,626)	14,984,049	39,924,623	(6,352,113)	33,572,510

17. Other Current Liabilities and Other Non-current Liabilities

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

For the years ended December 31, 2017 and 2016

(1) Other current liabilities and other non-current liabilities as of December 31, 2017 and 2016 are as follows:

(In thousands of won)

	2017		2016	
	Current	Non-current	Current	Non-current
Deposit recieved	₩ 7,876,830	-	11,488,048	-
Value added tax withheld	8,112,989	-	7,427,038	-
Advance received	72,867,587	-	65,683,774	-
Unearned revenue	17,246,155	4,108,179	20,290,765	2,971,384
Liabilities for employee benefits	18,309,835	1,654,950	24,999,719	1,210,917
Deferred revenues	1,348,018	13,263,848	1,624,634	14,628,291
Dividends payable	497,260	-	-	-
Provision for points	-	1,886,569	-	908,951
Provision for warranties	125,463	-	223,678	-
Other provision	150,000	2,184,292	-	5,349,566
	₩ 126,534,137	23,097,838	131,737,656	25,069,109

(2) Deferred revenues

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

삭제됨: the

삭제됨: and so on

The fair value of award credits not yet redeemed under the customer loyalty program as of December 31, 2017 and 2016 are ₩14,612 million and ₩16,253 million, respectively.

18. Borrowings and Debentures

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

For the years ended December 31, 2017 and 2016

(1) Debt as of December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>		<u>2017</u>	<u>2016</u>
Current liabilities:			
Short-term borrowings			
Local currency short-term borrowings	₩	120,036,250	102,268,000
Foreign currency short-term borrowings		134,650,572	110,232,661
		<u>254,686,822</u>	<u>212,500,661</u>
Current portion of long-term borrowings			
Current portion of local currency			
long-term borrowings		28,333,345	1,814,024
Current portion of foreign currency			
long-term borrowings		51,823,694	34,985,407
		<u>80,157,039</u>	<u>36,799,431</u>
Current portion of long-term debentures			
		49,981,429	99,951,113
	₩	<u>384,825,290</u>	<u>349,251,205</u>
Non-current liabilities:			
Debentures			
	₩	149,742,164	149,691,446
Long-term borrowings			
Local currency long-term borrowings			
		342,900,812	321,801,019
Foreign currency long-term borrowings			
		169,281,914	216,600,715
		<u>512,182,726</u>	<u>538,401,734</u>
	₩	<u>661,924,890</u>	<u>688,093,180</u>

(2) Short-term borrowings as of December 31, 2017 and 2016 are as follows:

① Local currency

(In thousands of won)

Lender	Types of borrowing	Maturity date	Interest rate (%)		2017	2016
Shinhan Bank	CP	2018.11.23	CD + 1.00	₩	50,000,000	50,000,000
Kookmin Bank	Facilities capital	2017.05.23	2.74		40,000,000	40,000,000
NH Bank	Working capital	2018.08.28	MOR + 2.60		5,000,000	-
SC Bank	Working capital	2018.09.01	CD + 2.80		4,036,250	-
Korea Development Bank	Overdraft	2018.10.13	Short-term limit loan interest rate + 2.35		5,000,000	200,000
Korea Development Bank	Working capital	2017.12.15	3.71		-	4,100,000
The Export-Import Bank of Korea	Export Loan	2018.06.25	4.05		14,000,000	7,968,000
KEB Hana Bank	Working capital	2018.06.25	FTP + 2.63		2,000,000	-
				₩	<u>120,036,250</u>	<u>102,268,000</u>

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 서식 있음: 양쪽, 수준 1, 들여쓰기: 왼쪽 0 글자, 첫 줄: 0 글자, 간격 단락 뒤: 0 pt, 줄 간격: 최소 12 pt, 단락의 첫 줄이나 마지막 줄 분리 허용, 한글과 영어 간격을 자동으로 조절하지 않음, 한글과 숫자 간격을 자동으로 조절하지 않음, 눈금에 맞추지 않음, 탭: 1.94 글자, 왼쪽
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18. Borrowings and Debentures, Continued

(2) Short-term borrowings as of December 31, 2017 and 2016 are as follows, continued.

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

For the years ended December 31, 2017 and 2016

② Foreign currency

(In thousands of won, except foreign currency)

Lender	Purpose of borrowing	Maturity date	Interest rate (%)	2017	2016
HSBC	Working capital	2017.04.18	1M HIBOR + 1.75	₩ -	8,810,376
HSBC	Working capital	2017.07.03	14.30	-	(HKD 56,538,380)
CJ America, Inc.	Working capital	2018.12.29	2.55	2,571,360	13,536,604
Shinhan Bank	Working capital	2018.10.13	3M LIBOR + 1.10	(USD 2,400,000)	(USD 11,201,161)
Shinhan Bank	Working capital	2018.10.31	3M LIBOR + 1.40	4,178,460	1,087,650
Standard Chartered Bank Korea Limited	Overdraft	2018.01.25 ~ 2018.02.14	3.10 ~ 3.60	(VND 103,000,000,000)	-
KEB Hana Bank	Working capital	2018.05.21	1M LIBOR + 0.70	4,285,600	2,537,850
Bank of America	Working capital	2018.01.18	1M HIBOR + 1.40	(USD 4,000,000)	(USD 2,100,000)
Bank of America	Working capital	2018.01.11	1M HIBOR + 1.50	7,746,147	-
KEB Hana Bank	Working capital	2018.07.19	1M HIBOR + 1.50	(HKD 56,512,344)	-
KEB Hana Bank	Working capital	2018.07.20	3M HIBOR + 1.40	13,707,000	14,281,819
Woori Bank	Working capital	2018.01.30	3M LIBOR + 1.25	(HKD 91,650,000)	(HKD 91,650,000)
KEB Hana Bank	Working capital	2017.03.10	3M LIBOR + 1.80	18,410,373	15,603,891
KEB Hana Bank	Working capital	2018.02.22 ~ 2018.03.09	3M LIBOR + 1.70	(USD 17,219,700)	(USD 12,837,700)
Star (HK) Industrial	Repurchase agreement	2017.12.31	-	7,270,193	2,430,948
Shinhan Bank	Working capital	2017.01.25	3M MFC + 1.80	(USD 6,800,000)	(USD 2,000,000)
Shinhan Bank	Working capital	2018.01.09 ~ 2018.01.19	3M LIBOR + 1.20	-	2,598,899
Standard Chartered Bank Korea Limited	Working capital	2017.01.26	COF + 1.30	2,920,500	(RMB 15,000,000)
Bank of the West	Working capital	2018.12.18	2.30	(VND 55,000,000,000)	2,920,500
HSBC	Facilities capital	2018.10.07	Revolving Loan	5,058,985	8,508,318
Citibank NA, Indonesia	Working capital	2018.01.08	8.40	(USD 4,731,800)	(USD 7,000,000)
Associates(*)	Working capital	2018.12.31	3.20	(IDR 132,887,500,000)	637,200
				9,622,620	10,187,688
				(RMB 58,800,000)	(RMB 58,800,000)
				₩	
				134,650,572	110,232,661

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

18. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2017 and 2016 are as follows:

(In thousands of won)

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CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2017 and 2016

Lender	Maturity date	Interest rate (%)	2017	2016
Shinhan Investment Corp.	2017.02.18	3.19	₩ -	50,000,000
Hanwha Investment & Securities Co., Ltd.	2017.11.07	2.31	-	50,000,000
Hanwha Investment & Securities Co., Ltd.	2019.11.07	2.51	50,000,000	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
KB Securities	2020.10.20	2.91	30,000,000	-
KB Securities	2022.10.20	3.34	20,000,000	-
			<u>200,000,000</u>	<u>250,000,000</u>
Less: discount			(276,407)	(357,441)
Less: current portion of long-term debentures			(49,981,429)	(99,951,113)
			<u>₩ 149,742,164</u>	<u>149,691,446</u>

(4) Long-term borrowings as of December 31, 2017 and 2016 are as follows:

① Local currency

(In thousands of won)

Lender	Maturity date	Interest rate (%)	2017	2016
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
Industrial & Commercial Bank of China	2019.10.25	2.50	30,000,000	30,000,000
Agricultural Bank of China	2019.10.25	2.50	30,000,000	30,000,000
Bank of China	2019.10.25	2.50	30,000,000	30,000,000
The Export-Import Bank of Korea	2021.11.22	2.43	200,000,000	200,000,000
Shinhan Capital Co., Ltd.	2018.07.25	4.40		
	~ 2019.03.25		1,085,755	1,363,864
Shinhan Capital Co., Ltd.	2019.02.25	5.06		
	~ 2019.04.25		5,365,297	6,590,371
KEXIM Bank, Korea	2020.12.07	3.37	17,049,385	-
National Federation of Fisheries Cooperative	2023.04.26	3.50		
			<u>32,000,000</u>	<u>-</u>
			<u>371,500,437</u>	<u>323,954,235</u>
Less: discount			(266,280)	(339,192)
Less: current portion of long-term borrowings			(28,333,345)	(1,814,024)
			<u>₩ 342,900,812</u>	<u>321,801,019</u>

(*) As of December 31, 2017, the Group has entered into an interest swap contract in order to control the risk of being exposed to changes in interest rates on borrowings. As the interest swap contract is not classified as a hedging derivative instrument, the Group recognized gain on valuation of derivative financial instrument amounting to ₩90 million in profit or loss for the year ended December 31, 2017.

18. Borrowings and Debentures, Continued

(4) Long-term borrowings as of December 31, 2017 and 2016 are as follows, continued:

② Foreign currency

(In thousands of won, except foreign currency)

서식 있음: 번호 매기기 + 수준:1 + 번호 스타일: 1, 2, 3, ... + 시작 번호: 2 + 맞춤: 왼쪽 + 맞춤 위치: 0.75 cm + 들여쓰기 위치: 1.38 cm

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

For the years ended December 31, 2017 and 2016

Lender	Maturity date	Interest rate (%)		2017	2016
NH Bank	2020.09.28	3M LIBOR + 1.80	₩	15,823,361 (USD 14,800,000)	-
The Export-Import Bank of Korea	2018.04.11	3M LIBOR + 2.05		8,018,595 (USD 7,500,000)	-
The Export-Import Bank of Korea(*1)	2018.01.09 ~2019.01.10	3M LIBOR + 2.09		6,696,250 (USD 6,250,000)	12,085,000 (USD 10,000,000)
Korea Development Bank(*1)(*2)	2018.01.09 ~2019.04.09	3M LIBOR + 1.79		32,142,000 (USD 30,000,000)	48,340,000 (USD 40,000,000)
Korea Development Bank(*1)	2020.10.28	3M LIBOR + 1.79		10,714,000 (USD 10,000,000)	12,085,000 (USD 10,000,000)
Korea Development Bank	2018.06.12	3M LIBOR + 1.73		3,207,965 (USD 3,000,000)	3,605,714 (USD 3,000,000)
Korea Development Bank	2020.11.01	3M LIBOR + 1.95		16,096,380 (USD 15,000,000)	18,152,235 (USD 15,000,000)
The Export-Import Bank of Korea	2017.07.10 ~2018.04.10	3M LIBOR + 2.05		-	27,348,165 (USD 22,500,000)
The Export-Import Bank of Korea	2018.03.17 ~2019.12.17	3M LIBOR + 1.68		21,382,920 (USD 20,000,000)	24,309,480 (USD 20,000,000)
The Export-Import Bank of Korea	2018.08.18 ~2020.05.18	3M LIBOR + 1.68		10,691,460 (USD 10,000,000)	12,154,740 (USD 10,000,000)
The Export-Import Bank of Korea	2019.03.16 ~2020.12.16	3M LIBOR + 1.95		21,382,920 (USD 20,000,000)	24,309,480 (USD 20,000,000)
Bank of America	2018.12.15 ~2020.08.09	2.37 ~ 2.91		1,010,293 (USD 942,965)	275,872 (USD 228,276)
Woori Bank	2020.03.31 ~2020.10.07	6.90		10,334,912 (VND 218,960,000,000)	6,359,256 (VND 119,760,000,000)
Shinhan Bank	2021.04.08 ~2021.09.28	6.80		20,196,880 (VND 427,900,000,000)	14,098,050 (VND 265,500,000,000)
HSBC	2019.10.19	1M HIBOR + 1.80		21,245,850 (HKD 155,000,000)	24,153,650 (HKD 155,000,000)
Korea Development Bank	2019.10.19	3M LIBOR + 1.69		21,382,920 (USD 20,000,000)	24,309,480 (USD 20,000,000)
KOEXIM Mandiri Finance, Indonesia	2019.12.09	8.15		778,902 (IDR 9,859,513,513)	-
				221,105,608	251,586,122
Less: current portion of long-term borrowings				(51,823,694)	(34,985,407)
			₩	169,281,914	216,600,715

18. Borrowings and Debentures, Continued

(4) Long-term borrowings as of December 31, 2017 and 2016 are as follows, continued:

(*1) As of December 31, 2017, the Group 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.

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2017 and 2016

Details of currency forward contracts as of December 31, 2017 are as follows:

(In won, except foreign currency)

Lender	Contractor	Notional amount	Currency forward rate	Maturity date
The Export-Import Bank of Korea	Standard Chartered	Buy USD 6,250,000	₩1,104.90	2018.01.09 ~ 2019.01.10
Korea Development Bank	Bank Korea Limited	Buy USD 30,000,000	₩1,078.15	2018.01.09 ~ 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 Group recognized loss on valuation of derivative financial instrument amounting to ₩6,812 million, in profit or loss for the year ended December 31, 2017.

(*2) As of December 31, 2017, the Group has entered into an interest swap contract in order to control the risk of being exposed to changes in interest rates on borrowings. As the interest swap contract is not classified as a hedging derivative instrument, the Group recognized gain on valuation of derivative financial instrument amounting to ₩23 million in profit or loss for the year ended December 31, 2017.

(5) Change in liabilities arising from financial activities during current year were as follows:

		Borrowings and Debentures			
		Short-term Borrowings	Long-term Borrowings	Debentures	Lease Liabilities
Balance at January 1	₩	212,500,661	575,201,165	249,642,559	33,572,510
Change in financial Cash flow					
Increase in borrowings		377,638,838	82,891,307	-	-
Repayment in borrowings		(318,213,021)	(35,339,707)	-	-
Issuance of debentures		-	-	49,899,460	-
Repayment of debentures		-	-	(100,000,000)	-
Repayment of financial lease liabilities		-	-	-	(22,163,145)
		59,425,817	47,551,600	(50,100,540)	(22,163,145)
Effect of exchange rate		(17,239,656)	(30,485,912)	-	(2,996,913)
Other changes					
Interest expense		-	72,912	181,575	6,078,788
New lease contracts		-	-	-	492,810
		-	72,912	181,575	6,571,598
	₩	254,686,822	592,339,765	199,723,594	14,984,050

19. Employee Benefits

(1) Employee benefits expenses for the years ended December 31, 2017 and 2016 are as follows:

(In thousands of won)

		2017	2016
Wages and salaries	₩	219,001,601	186,492,559
Expenses related to post-employment defined plans		12,647,068	10,560,190
	₩	231,648,669	197,052,749

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2017 and 2016

(2) Total employee benefit liabilities as of December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>	<u>2017</u>	<u>2016</u>
Present value of defined benefit obligations	₩ 67,584,763	61,420,822
Fair value of plan assets	<u>(62,138,537)</u>	<u>(53,919,448)</u>
Net defined benefit liability	5,446,226	7,501,374
Liabilities for short-term employee benefits	18,309,835	21,385,233
Liabilities for long-term employee benefits	<u>1,654,950</u>	<u>1,210,917</u>
Total employee benefit liabilities	₩ <u>25,411,011</u>	<u>30,097,524</u>

The Group's defined benefit plans are administered by Woori Bank, Samsung Fire & Marine Insurance and others. The principal of its plan assets are guaranteed and the annual yield of its plan assets is 1.23% for 2017.

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

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19. Employee Benefits, Continued

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

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2017	2016	2017	2016	2017	2016
(In thousands of won)						
Balance at January 1	₩ 61,420,822	50,131,145	(53,919,448)	(42,288,256)	7,501,374	7,842,889
Change in scope of consolidation	-	1,479,522	-	-	-	1,479,522
Included in profit or loss:						
Current service cost	12,404,096	10,343,528	-	-	12,404,096	10,343,528
Interest cost (income)	1,816,512	1,415,342	(1,573,540)	(1,198,680)	242,972	216,662
	14,220,608	11,758,870	(1,573,540)	(1,198,680)	12,647,068	10,560,190
Included in other comprehensive income or loss:						
Remeasurements loss (gain):						
- Actuarial loss (gain) arising from:						
- demographic assumptions	1,663,857	410,179	-	-	1,663,857	410,179
- financial assumptions	(1,222,618)	554,927	-	-	(1,222,618)	554,927
- experience adjustment	405,077	2,555,095	-	-	405,077	2,555,095
- Return on plan assets excluding interest cost	-	-	857,167	546,037	857,167	546,037
	846,316	3,520,201	857,167	546,037	1,703,483	4,066,238
Other:						
Contribution paid by the employer	-	-	(12,800,000)	(13,100,000)	(12,800,000)	(13,100,000)
Benefits paid	(7,824,809)	(5,395,066)	4,342,172	2,258,916	(3,482,637)	(3,136,150)
Transfer from (to) affiliated companies	(805,008)	132,374	955,112	(260,055)	150,104	(127,681)
Replacement of liabilities held for sale	-	(122,590)	-	122,590	-	-
Change in exchange rates	(273,166)	(83,634)	-	-	(273,166)	(83,634)
	(8,902,983)	(5,468,916)	(7,502,716)	(10,978,549)	(16,405,699)	(16,447,465)
Balance at December 31	₩ 67,584,763	61,420,822	(62,138,537)	(53,919,448)	5,446,226	7,501,374

(4) Details of plan assets as of December 31, 2017 and 2016 are as follows:

(In thousands of won)	2017	2016
Deposit for severance benefit insurance	₩ 62,136,128	53,917,039
Transfer to National Pension Fund	2,409	2,409
	₩ 62,138,537	53,919,448

19. Employee Benefits, Continued

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(5) Actuarial assumptions

- ① The main actuarial assumptions as of December 31, 2017 and 2016 are as follows:

	2017	2016
Discount rate	3.50% ~ 7.34%	3.10% ~ 8.46%
Future salary growth rate	6.78% ~ 10.00%	4.02% ~ 10.00%

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

At December 31, 2017, the weighted-average duration of the defined benefit obligation was 6.81 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	₩ (4,050,644)
	1% decrease	4,610,263
Future salary growth rate	1% increase	4,620,746
	1% decrease	(4,132,792)

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.

20. Commitments and Contingencies

- (1) The guarantee provided by the Group as of current and prior year-end is as follows:

<i>(In thousands of won)</i>		<u>Exercise Amount</u>		<u>Guarantee Amount</u>		<u>Term</u>	<u>Type</u>
<u>Name</u>	<u>Financial Institution</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>		
PT Layan Persada	KEB Hanabank ₩	32,142,000	36,255,000	32,142,000	36,255,000	2016.07.25~ 2018.07.25	Loan limit guarantee

- (2) The guarantee the Group received as of current and prior year-end is as follows:

<i>(In thousands of won)</i>		<u>Guarantee Amount</u>		<u>Type</u>
<u>Name</u>		<u>2017</u>	<u>2016</u>	
Seoul Guarantee Insurance	₩	3,622,936	51,838,689	Fulfillment payment guarantee

20. Commitments and Contingencies, Continued

- (3) Collateral provided by the Group is as follows:

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Name	Collateral Asset	Book Value	Collateral Amount	Related Account	Related Amount	Provider
CJ CGV (Shanghai) Enterprise Management Co., Ltd.	Cash and cash equivalent	₩ 18,328,800	18,328,800	Borrowing	13,707,000	KEB Hana Bank HongKong

- (4) The agreement(limit amount) made by Company with financial institutions as of current and prior year end is as follows:

(In thousands of won)

	2017	2016
Overdraft agreement	19,285,600	19,834,000
Bill discount agreement	50,000,000	80,000,000
General loan agreement	772,093,010	604,371,101
Other facility fund loan	53,570,000	268,802,000

Other than above agreements, the Group has an limit of ₩23,000 million(Prior year end: ₩ 26,000 million) in relation to corporate purchase card agreement and such with one financial institution other than Woori bank.

- (5) As of December 31, 2017, the Group is involved in forty-three lawsuits as a plaintiff for alleged damages of ₩3,661 million (Prior year end: ₩1,903) million in aggregate, and sixty-four lawsuits as a defendant for alleged damages of ₩2,780 million (Prior year end: ₩4,542 million) in aggregate. The Group believes that outcome of these legal actions does not result in a material unfavorable effect on the Group's consolidated financial statements.
- (6) The Group made a leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 2nd and transferred ₩190,000 million of leasehold deposits during 2015. Fees to be paid in the future for the use of buildings of which leasehold deposits were transferred are recognized as other payables and long-term other payables of ₩7,788 million and ₩29,190 million, as of December 31, 2017.
- (7) The Group has an outstanding purchase commitment for the acquisition of the leasehold deposit, which was transferred according to the leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 2nd during 2015, at fair value in August 28, 2018. The Group holds interest rate forwards to hedge the risk of changes in the fair value of leasehold deposit at the time of repurchase and has recognized loss on valuation of derivative financial assets amounting to ₩3,502 million as finance expense in the consolidated statement of comprehensive income.
- (8) The Group 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. a subsidiary of the Group during 2015. According to the contract, the Group should settle the difference derived from the change in the fair value of these convertible bonds when the acquirer sells its convertible bonds to a third-party on the date it become a third year from issuance date.
- (9) The Group has made a total return swap contract with the non-controlling shareholder of Bosphorus Investment Co., Ltd., a subsidiary of the Group. 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 their interests to a third-party.

21. Share Capital

Share capital as of December 31, 2017 and 2016 are as follows:

(In won, except share data)	2017	2016
Number of shares authorized	100,000,000	100,000,000
Par value per share	₩ 500	500

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2017 and 2016

Number of shares issued		21,161,313	21,161,313
Share capital	₩	<u>10,580,656,500</u>	<u>10,580,656,500</u>

22. Capital Surplus

Capital surplus as of December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>		<u>2017</u>	<u>2016</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>

23. Retained Earnings

(1) Retained earnings as of December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>		<u>2017</u>	<u>2016</u>
Legal reserve	₩	12,352,653	11,612,007
Voluntary reserve		9,078,301	8,410,000
Unappropriated retained earnings		<u>298,513,399</u>	<u>309,838,681</u>
	₩	<u>319,944,353</u>	<u>329,860,688</u>

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

23. Retained Earnings, Continued

(1) Changes in retained earnings for the years ended December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>		<u>2017</u>	<u>2016</u>
Beginning balance	₩	329,860,688	327,849,153
Dividends		(7,406,460)	(7,406,460)
Net income(Loss)		10,036,369	5,621,660

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For the years ended December 31, 2017 and 2016

- Less: Non-controlling interests	(11,438,905)	6,716,471
Owners of the Parent Company	(1,402,536)	12,338,131
Remeasurement loss of defined benefit plan	(1,107,339)	(2,920,136)
Ending balance	<u>₩ 319,944,353</u>	<u>329,860,688</u>

24. Other Capital

(1) Other capital as of December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>		<u>2017</u>	<u>2016</u>
Other capital surplus	₩	758,079	758,079
Capital adjustments		(9,932,111)	(9,932,111)
Accumulated other comprehensive income (loss)		(102,522,910)	(46,839,461)
	₩	<u>(111,696,942)</u>	<u>(56,013,493)</u>

(2) Accumulated other comprehensive income (loss) as of December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>		<u>2017</u>	<u>2016</u>
Gain (loss) on valuation of available-for-sale financial assets	₩	-	(146,716)
Foreign currency translation difference for foreign operations		(99,467,027)	(47,261,284)
Change in equity of equity method investments		(3,055,883)	568,539
	₩	<u>(102,522,910)</u>	<u>(46,839,461)</u>

25. Hybrid Instruments

Hybrid instruments as of December 31, 2017 and 2016 are as follows:

(In thousands of won)

Subsidiaries		Total face amount		Interest rate (%)	Maturity date	Right to request early redemption
		2017	2016			
CJ 4DPlex Co., Ltd.	Unsigned non-guaranteed subordinated convertible bonds	₩ 15,000,000	15,000,000	3.20%	2045.08.24	Procession
MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	Hybrid loan	80,000,000	80,000,000	4.70%	2046.10.27	Procession

25. Hybrid Instruments, Continued

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

삭제됨: of

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삭제됨: it classified

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서식 있음: 글꼴: Univers 45 Light

삭제됨: recorded

26. Selling, General and Administrative Expenses

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2017 and 2016

Details of selling, general and administrative expenses for the years ended December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>	<u>2017</u>	<u>2016</u>
Salaries	₩ 200,778,733	171,223,448
Employee benefits	11,309,159	9,493,459
Other employee benefits	31,841,591	31,890,327
Supplies	13,758,849	10,380,277
Travel	8,231,886	8,284,165
Rent	188,048,854	151,393,388
Depreciation	7,868,939	5,929,476
Amortization	19,374,291	16,995,207
Advertising	19,614,943	18,423,659
Sales promotion	13,345,281	9,487,236
Maintenance expenses for buildings	104,878,288	85,645,264
Commission	109,895,449	95,664,552
Other expenses	52,083,286	44,451,390
	<u>₩ 781,029,549</u>	<u>659,261,848</u>

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2017 and 2016

27. Nature of Expenses

Details of nature of expenses for the years ended December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>	<u>2017</u>	<u>2016</u>
Changes in inventories	₩ 123,468,056	95,852,229
Salaries	219,001,601	186,492,559
Employee benefits	12,647,068	10,560,190
Other employee benefits	33,315,181	33,572,784
Supplies	14,067,920	10,752,551
Rent	188,758,522	152,102,307
Depreciation	130,963,607	101,981,874
Amortization	38,430,444	30,729,379
Maintenance expenses for buildings	104,973,487	85,736,842
Commission	113,588,289	99,496,028
Other expenses	649,706,222	555,546,129
Total(*)	₩ 1,628,920,397	1,362,822,872

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

28. Other Non-operating Income and Expenses

(1) Details of other non-operating income for the years ended December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>	<u>2017</u>	<u>2016</u>
Gain on disposal of other financial assets	₩ 12,211	-
Reversal of other provisions	4,600,000	-
Gain on disposal of property and equipment	58,286	60,234
Gain on disposal of investment property	-	310,294
Gain on disposal of intangible asset	16,514	-
Gain on disposal of asset to be sold	2,112,424	-
Commission income	1,383,082	970,789
Rental income	2,464	32,892
Miscellaneous income	16,246,814	9,546,123
	₩ 24,431,795	10,920,332

(2) Details of other non-operating expenses for the years ended December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>	<u>2017</u>	<u>2016</u>
Other bad debt expenses	₩ 77,068	784,565
Loss on disposal of property and equipment	3,821,308	1,263,094
Loss on disposal of intangible assets	625,349	9,987
Loss on disposal of investment property	-	1,366,852
Loss on disposal of other financial assets	2,606,938	-
Donations	2,103,408	3,364,966
Loss on impairment of tangible asset	4,018,508	-
Loss on impairment of intangible asset	6,052	25,412
Miscellaneous loss	6,628,892	16,204,529
	₩ 19,887,523	23,019,405

29. Financial Instruments Income and Costs by Categories

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(1) Financial instruments income by categories for the years ended December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>	<u>2017</u>	<u>2016</u>
Interest income:		
Cash and cash equivalents	₩ 3,339,854	1,981,128
Loans and receivables	1,054,979	1,482,200
Foreign currency transaction gain:		
Cash and cash equivalents	235,640	1,223,414
Loans and receivables	477,494	813,808
Financial liabilities recognized at amortized cost	905,881	123,958
Foreign currency translation gain:		
Cash and cash equivalents	1,467,489	1,803,177
Loans and receivables	1,132,911	1,670,746
Financial liabilities recognized at amortized cost	7,589,439	3,798,438
Dividends	64,187	28,815
Gain on disposal of available-for-sale financial assets	-	277,976
Gain on valuation of derivative financial assets	8,862,576	2,647,945
Gain on transaction of derivative financial assets	126,599	4,860,921
	<u>₩ 25,257,049</u>	<u>20,712,526</u>
Other comprehensive income:		
Gain on valuation of available-for-sale financial assets	₩ -	1,174

(2) Financial instruments costs by categories for the years ended December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>	<u>2017</u>	<u>2016</u>
Interest expense:		
Financial liabilities recognized at amortized cost	₩ 38,587,927	35,579,284
Foreign currency transaction loss:		
Cash and cash equivalents	157,719	1,658,419
Loans and receivables	1,200,427	478,589
Financial liabilities recognized at amortized cost	167,351	154,160
Foreign currency translation loss:		
Cash and cash equivalents	2,752,103	434,284
Loans and receivables	2,750,980	643,192
Financial liabilities recognized at amortized cost	1,326,745	12,697,305
Loss on disposal of available-for-sale financial assets	297,189	2,625
Loss on valuation of derivative financial assets	61,704,591	-
Loss on transaction of derivative financial assets	257,897	3,764,369
	<u>₩ 109,202,929</u>	<u>55,412,227</u>

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2017 and 2016

30. Income Tax Expense

(1) The component of income tax expense for the years ended December 31, 2017 and 2016 were as follows:

<i>(In thousands of won)</i>	<u>2017</u>	<u>2016</u>
Current tax expense	₩ 13,948,676	17,393,166
Income tax refund	(1,074,928)	(1,656,714)
Change in deferred tax due to temporary difference	(12,128,713)	(4,730,581)
Changes in deferred tax due to tax deficit	464,885	534,276
Changes in deferred tax due to tax credits carryforward	-	(169,010)
Income tax recognized directly in equity	299,436	971,209
Total income tax expense	<u>₩ 1,509,356</u>	<u>12,342,346</u>

(2) Income taxes recognized directly in other comprehensive income (loss) for the years ended December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>	<u>2017</u>		<u>2016</u>	
	<u>Other comprehensive income (loss)</u>	<u>Deferred tax assets (liabilities)</u>	<u>Other comprehensive income (loss)</u>	<u>Deferred tax assets (liabilities)</u>
Gain (loss) on valuation of available-for-sale financial assets	₩ -	-	1,174	-
Remeasurement loss of defined benefit plan	(1,635,694)	299,436	(4,090,354)	971,209
Change in equity of equity method investments	(3,624,422)	-	(65,413)	-
	<u>₩ (5,260,116)</u>	<u>299,436</u>	<u>(4,154,593)</u>	<u>971,209</u>

(3) Reconciliation of effective tax rate for the years ended December 31, 2017 and 2016 were as follows:

<i>(In thousands of won)</i>	<u>2017</u>	<u>2016</u>
Income before income taxes	₩ 11,545,725	17,964,006
Income tax expense using the Group's statutory tax rate	2,518,060	3,916,321
Adjustments:		
- Non-deductible expense	3,230,773	1,853,774
- Non-taxable income	(1,876,924)	(739,487)
- Unrecognized deferred tax on temporary differences	(128,701)	282,936
- Adjustments for prior years	(1,074,928)	(1,656,714)
- Others	(1,158,924)	8,685,516
Income tax expenses	<u>₩ 1,509,356</u>	<u>12,342,346</u>
Average effective tax rate	13.07%	68.71%

30. Income Tax Expense, Continued

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2017 and 2016

(4) Changes in deferred income tax assets (liabilities) for the year ended December 31, 2017 and 2016 were as follows:

(In thousands of won)

		2017		
		Temporary differences	Deferred tax assets (liabilities)	
			Ending balance	Beginning balance
Investments in associates	₩	1,695,507	(1,428,131)	406,012
Allowance for doubtful accounts		4,626,911	1,174,255	1,071,827
Accrued retirement and severance benefits		3,447,769	1,842,887	812,807
Depreciation		(2,024,001)	(2,718,294)	(498,529)
Amortization		9,026,193	1,671,262	1,941,501
Gain (loss) on valuation of derivative financial instruments		44,295,160	(465,631)	10,719,429
Loss on valuation of inventories		843,959	62,372	185,671
Impairment loss on intangible assets		790,219	191,233	191,233
Accrued income		(136,186)	(30,032)	(32,916)
Accrued expenses		1,095,776	931,778	241,071
Foreign currency translation		-	(29,364)	-
Goodwill		(2,870,644)	(694,696)	(694,696)
Lands		(50,520,278)	(12,225,907)	(12,225,907)
Other provision		-	1,149,500	-
Other intangible assets		(125,696,059)	(33,333,372)	(25,193,894)
Others		24,187,073	570,224	500,322
		(91,238,601)	(43,331,916)	(22,576,069)
Tax loss carryforward		12,155,078	3,216,369	2,759,311
Tax credits carryforward		153,646	830,238	-
		(78,929,877)	(39,285,309)	(19,816,758)
Unrecognized deferred tax assets(*)			(95,202)	(102,787)
	₩		(39,380,511)	(19,919,545)

(*) Deferred tax assets of ₩103 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.

30. Income Tax Expense, Continued

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For the years ended December 31, 2017 and 2016

- (4) Changes in deferred income tax assets (liabilities) for the year ended December 31, 2017 and 2016 were as follows, continued

(In thousands of won)

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

(*) Deferred tax assets of ₩95 million for temporary differences related to investments in subsidiaries and associates were not recognized, as it is not probable that the temporary differences will be reversed in the foreseeable future.

- (5) As of December 31, 2017, tax effects of temporary differences are calculated using the expected tax rate of the fiscal year when the temporary differences are expected to reverse.

삭제됨: by

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

For the years ended December 31, 2017 and 2016

31. Earnings per Share

(1) Basic earnings per share

Basic earnings per share for the years ended December 31, 2017 and 2016 are calculated as follows:

(In won, except share information)

	<u>2017</u>	<u>2016</u>
Profit attributable to owners of the Parent Company	₩ (1,402,536,047)	12,338,131,271
Weighted average number of ordinary shares	<u>21,161,313</u>	<u>21,161,313</u>
Basic earnings per share	₩ <u>(66)</u>	<u>583</u>

(2) Diluted earnings per share

As there were no dilutive potential ordinary shares for the years ended December 31, 2017 and 2016, the diluted earnings per share is equal to the basic earnings per share.

32. Related Parties

(1) Parent company and subsidiaries

The Group's ultimate parent company is CJ Corp.

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

For the years ended December 31, 2017 and 2016

32. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2017 are summarized as follows:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Disposal of property and equipment	Disposal of intangible assets	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Parent	CJ Corp.	₩ 40,934	-	-	-	-	-	-	-	6,663,935	2,889,950
Associates	SSV Contents Investment Association	-	-	-	-	36,631	-	-	-	-	-
	Foshan XingXing CJ Cinema Co., Ltd.	129,183	-	-	-	-	21,216	-	-	-	-
	CJ VIETNAM COMPANY LIMITED	42	-	-	-	1,524,720	-	-	-	611,976	-
Joint ventures	CJ XingXing (TJ) International Cinema Co., Ltd.	110,708	-	-	-	-	53,649	-	-	79,788	-
	ChangSha CJ XingXing Cinema Co., Ltd.	144,794	-	-	-	211,410	28,599	-	-	-	-
	Zhongshan CJ Xingxing Cinema Co., Ltd.	95,390	-	-	-	298,071	18,993	-	-	-	-
	Ningbo Culture Plaza CJ Cinema Co., Ltd.	183,632	-	-	-	205,301	67,959	-	-	-	-
	CJ Xingxing (Shanghai) Cinema Co., Ltd.	37,895	-	-	-	432,296	41,419	-	-	-	-
	CJ Xingxing (FSH) Cinema Co., Ltd.	43,579	-	-	-	148,972	26,065	-	-	31,929	-
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	38,288	-	-	-	118,978	28,944	-	-	-	-
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	-	-	771,214	23,658	-	-	-	-
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	160,387	-	-	-	336,990	160,302	-	-	198,825	-
	Shanghai Shangying CGV Cinema Co., Ltd.	50,116	-	-	-	545,409	37,911	-	-	-	-
Other related companies	CJ Cheiljedang Corp.	536,263	2,226	-	-	-	69,861	-	-	5,363,924	-
	CJ HealthCare Corporation	68,796	-	-	-	-	-	-	-	687	-
	CJ Freshway Corporation	41,757	-	-	-	-	26,242,904	-	-	78,534	-
	CJ Foodvill Co., Ltd.	3,089,529	9,983	-	-	-	4,880,367	976,406	-	3,609,206	-
	CJ Dondonfarm Co., Ltd.	2,485	-	-	-	-	-	-	-	-	-
	CJ Sea Food Co., Ltd.	2,171	-	-	-	-	-	-	-	-	-
	WONJI	1,435	-	-	-	-	-	-	-	-	-
	CJ O Shopping Co., Ltd.	203,511	48,900	-	-	-	551,403	-	-	41,863	-
	CJ Worldis Co., Ltd.	3,623	130	-	-	-	-	-	-	-	-
	CJ Hellovision Co., Ltd.	41,861	-	-	-	-	-	-	-	-	-

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

For the years ended December 31, 2017 and 2016

32. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2017 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Disposal of property and equipment	Disposal of intangible assets	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other-related companies	CJ Telenix Co., Ltd.	₩ 4,303	-	-	-	-	-	-	-	1,626,584	-
	SUPERRACE	-	-	-	-	-	-	-	-	800,000	-
	CJ Korea Express Co., Ltd.	92,646	-	-	-	-	562,522	82,560	-	675,145	-
	CJ Powercast Inc.	85,076,237	-	-	-	-	78,450	255,615	98,377	3,677,134	-
	Art service Co., Ltd.	83,384	-	-	-	-	-	-	-	-	-
	CJ E&M Corp.	2,898,465	374	-	443,439	-	45,184,437	-	359,058	1,357,464	-
	MEZZOMEDIA Inc.	2,526	-	-	-	-	341,194	-	179,800	-	-
	Netmarble Games Corporation	110	-	-	-	-	-	-	-	-	-
	K Valley Co., Ltd.	8,510	-	-	-	-	-	-	-	-	-
	Studio Dragon Corporation	19,637	-	-	-	-	-	-	-	-	-
	Rubicon Company	17,232	-	-	-	-	-	-	-	-	-
	CJ OliveNetworks Co., Ltd.	889,429	11,123	4,710,469	-	-	12,184	520,057	7,003,667	28,017,421	-
	CJ Construction Co., Ltd.	42,222	-	-	-	-	6,382	-	-	749,266	-
	CJ MD1 Corp.	1,692	-	-	-	-	-	-	-	-	-
	CJ Shenyang Feed Co., Ltd.	-	1,880	-	-	-	-	-	-	-	-
	CJ Qingdao Foods Co., Ltd.	-	-	-	-	-	154,854	-	-	-	-
	CJ Foodville Shanghai Corp.	-	-	-	-	-	87,207	-	-	5,060	-
	CJ FRESHWAY VIETNAM CO., LTD.	510	-	-	-	-	-	-	-	-	-
	CJ FRESHWAY QINGDAO Corporation	-	11,841	-	-	-	-	-	-	-	-
	CJ Vina Agri Co. Ltd.	2,779	-	-	-	-	-	-	-	-	-
	CJ-SC GLOBAL MILLING LLC	116	17	-	-	-	-	-	-	-	-
	CJ VINA FOOD CO., LTD.	109	55	-	-	-	-	-	-	-	-
	Fides Food System Co., Ltd.	771	-	-	-	-	-	-	-	-	-
	CJ GLS China (Shanghai) Ltd.	-	1,208	-	-	-	54,761	43,369	-	52,620	-
	CJ Korea Express Freight Vietnam Co., Ltd.	341	-	-	-	-	18,124	29,072	-	3,465	-
	SCJ TV Shopping Co. Ltd.	-	-	-	-	-	-	298,910	-	-	-
	CJ korea express U.S.A. Corporation	1,246	-	-	-	-	-	-	-	-	-
	CJ korea express TIANJIN Co., Ltd.	-	-	-	-	-	45,845	-	-	758,942	-

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

For the years ended December 31, 2017 and 2016

32. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2017 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Disposal of property and equipment	Disposal of intangible assets	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other-related companies	KOREA EXPRESS SHANGHAI CO., LTD.	₩ -	73,801	-	-	-	-	-	-	24,306	-
	KOREA EXPRESS SAIGON PORT CO.,LTD.	498	-	-	-	-	-	-	-	-	-
	CJ IMC VIETNAM CO., LTD.	64	-	-	-	-	-	-	-	-	-
	CJ Olive Young(Shanghai) Corporation	-	38,156	-	-	-	145,022	1,714,340	1,426,144	2,441,258	-
	CJ E&M Vietnam Co., Ltd.	45,829	-	-	-	-	197,108	-	-	-	-
	CJ E&M Hong Kong Limited	-	-	-	-	-	-	-	-	79,246	-
	CJ E&M America, Inc.	5,428	-	-	-	-	12,346	-	-	2,911,251	-
	CJ America, Inc.	13,002	-	-	-	-	-	-	-	369,684	-
	CJ FOODS VIETNAM CO., LTD.	56,855	-	-	-	-	-	-	-	-	-
	CJ Foodville (Chongqing) Corporation	-	-	-	-	-	2,863	-	-	-	-
	CJ Foodville USA, Inc. (formerly.CJ Bakery, Inc.)	509	-	-	-	-	-	-	-	-	-
	CJ Beijing Bakery Co., Ltd.	-	115,047	-	-	-	118,979	-	-	-	-
	CJ Bakery Vietnam Co., Ltd.	7,484	-	-	-	-	14,634	-	-	31,236	-
	CJ CHINA CONSULTING., LTD.	-	-	-	-	-	-	-	-	612,713	-
	CJ Entertainment America L.L.C	1,384	-	-	-	-	6	-	-	7,620	-
	CJ International Trading Corp.	-	-	-	-	-	727,775	-	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	11,080	-	-	336,444	-
	Timewise Investment	1,856	-	-	-	-	-	-	-	-	-
	SG Safety Corporation	947	-	-	-	-	-	28,756	-	272,433	-
	CJ Entertainment Turkey	637,774	-	-	-	-	10,106,577	-	-	-	-
CJ HK Entertainment Co., Ltd.	4,854	-	-	-	-	898,002	-	-	-	-	
CJ OLIVENETWORKS VINA CO.,LTD.	2	-	-	-	-	-	-	-	-	-	
	₩	94,945,130	314,741	4,710,469	443,439	4,629,992	91,033,602	3,949,085	9,067,046	61,489,959	2,889,950

32. Related Parties, Continued

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2017 and 2016

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

(In thousands of won)

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

32. Related Parties, Continued

(3) 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:

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2017 and 2016

(In thousands of won)

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

32. Related Parties, Continued

(3) 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)

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

For the years ended December 31, 2017 and 2016

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

32. Related Parties, Continued

(4) Account balances with related companies as of December 31, 2017 are summarized as follows:

(In thousands of won)

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

For the years ended December 31, 2017 and 2016

Relationship	Name	Trade receivables	Deposits	Loans	Other receivables	Trade payables	Deposits received	Other liabilities	Borrowings
Parent	CJ Corp.	₩ 4,512	107,129	-	1,134	-	-	525,461	-
Associates	Foshan XingXing CJ Cinema Co., Ltd.	-	-	-	588	-	-	869	-
	CJ VIETNAM COMPANY LIMITED	10	-	-	-	197	-	-	-
Joint ventures	CJ XingXing (TJ) International Cinema Co., Ltd.	-	-	-	56,669	-	-	15,930	2,719,879
	ChangSha CJ XingXing Cinema Co., Ltd.	16,464	-	-	6,184	-	-	1,860	-
	Zhongshan CJ Xingxing Cinema Co., Ltd.	3,273	-	-	518	-	-	602	185,115
	Ningbo Culture Plaza CJ Cinema Co., Ltd.	12,802	-	-	8,659	-	-	7,890	-
	CJ Xingxing (Shanghai) Cinema Co., Ltd.	-	-	-	4,878	-	-	2,860	1,354,057
	CJ Xingxing (FSH) Cinema Co., Ltd.	-	-	-	141	-	-	6,311	1,141,885
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	-	-	-	1,652	-	-	601	1,254,122
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	45,822	-	-	208	-	-	995	-
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	5,184	-	-	27,264	-	-	17,953	2,967,563
	Shanghai Shangying CGV Cinema Co., Ltd.	4,329	-	-	56	-	-	1,945	-
Other related companies	CJ Cheiljedang Corp.	136,460	-	-	177,619	6,129	230,000	1,370,770	-
	CJ HealthCare Corporation	10,464	-	-	1,109	-	-	31	-
	CJ Freshway Corporation	5,425	-	-	169	8,939,608	-	10,264	-
	CJ Foodvill Co., Ltd.	214,039	40,000	-	471,651	2,621,068	350,000	3,313,748	-
	CJ Dondonfarm Co., Ltd.	417	-	-	71	-	-	-	-
	CJ Sea Food Co., Ltd.	67	-	-	-	-	-	-	-
	WON JI	242	-	-	-	-	-	-	-
	CJ O Shopping Co., Ltd.	43,443	-	-	324,646	10,013	-	1,174,889	-
	CJ Worldis Co., Ltd.	-	-	-	1,085	-	-	5,385	-

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

For the years ended December 31, 2017 and 2016

32. Related Parties, Continued

(4) Account balances with related companies as of December 31, 2017 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Loans	Other receivables	Trade payables	Deposits received	Other liabilities	Borrowings
Other related companies	CJ Hellowision Co., Ltd.	₩ 16,644	-	-	34,710	-	-	11,980	-
	CJ Telenix Co., Ltd.	6,673	-	-	11,726	-	-	168,859	-
	CJ Korea Express Co., Ltd.	12,954	-	-	808	79,382	-	139,654	-
	CJ Powercast Inc.	27,465,450	-	-	8,393	407,099	-	405,682	-
	Art service Co., Ltd.	11,152	-	-	15	-	-	-	-
	CJ E&M Corp.	836,367	380,635	-	2,006,006	4,835,312	-	438,443	-
	MEZZOMEDIA Inc.	1,512,840	-	-	5	-	-	-	-
	K Valley Co., Ltd.	1,066	-	-	-	-	-	-	-
	Studio Dragon Corporation	3,971	-	-	352	-	-	-	-
	Rubicon Company	2,200	-	-	367	-	20,000	43	-
	CJ Digital Music Corp.	-	-	-	-	-	-	10,400	-
	CJ OliveNetworks Co., Ltd.	24,374,898	-	-	1,691,346	223,946	60,000	14,190,612	-
	CJ Construction Co., Ltd.	6,138	-	-	4,998,129	-	-	1,152,110	-
	CJ MD1 Corp.	477	-	-	83	-	-	-	-
	CJ Qingdao Foods Co., Ltd.	-	-	-	-	8,402	-	-	-
	CJ Foodville Shanghai Corp.	-	-	-	-	19,513	-	3,176	-
	CJ FRESHWAY QINGDAO Corporation	-	-	608,256	-	-	-	-	-
	CJ IMC co., Ltd.	-	-	-	-	-	-	72,731	-
	CJ GLS China (Shanghai) Ltd.	-	-	-	-	-	-	11,346	-
	CJ korea express Freight Vietnam Co.,Ltd.	-	-	-	-	5,353	-	-	-
	CJ Logistics U.S.A. Corporation	579	-	-	-	-	-	-	-
	CJ korea express TIANJIN Co., Ltd.	-	-	-	-	-	-	147,878	-
	KOREA EXPRESS SHANGHAI CO., LTD.	-	-	1,033,495	-	-	-	-	-
	CJ Olive Young(Shanghai) Corporation	-	-	1,552,513	3,285	1,163	-	160,886	-
	CJ E&M America, Inc.	-	-	-	-	11,697	-	439,377	-
	CJ America, Inc.	3,857	-	-	2,945	296	-	64,086	2,571,360

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

For the years ended December 31, 2017 and 2016

32. Related Parties, Continued

(4) Account balances with related companies as of December 31, 2017 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Loans	Other receivables	Trade payables	Deposits received	Other liabilities	Borrowings
Other related companies	CJ Beijing Bakery Co., Ltd.	₩ -	-	4,988,237	-	20,595	-	-	-
	CJ Bakery Vietnam Co., Ltd.	-	-	-	-	2,747	-	-	-
	CJ International Trading Corp.	-	-	-	589	78,473	-	3,338	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	-	30,800	-
	Timewise Investment	142	-	-	21	-	-	-	-
	SG Safety Corporation	-	-	-	-	-	-	68,327	-
	CJ HK Entertainment Co., Ltd.	1,417	-	-	-	-	-	79,311	-
	₩	54,759,778	527,764	8,182,501	9,843,081	17,270,993	660,000	24,057,403	12,193,981

32. Related Parties, Continued

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

For the years ended December 31, 2017 and 2016

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

(In thousands of won)

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

32.

Related Parties, Continued

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

For the years ended December 31, 2017 and 2016

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

(In thousands of won)

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

Related Parties, Continued

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

For the years ended December 31, 2017 and 2016

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

(In thousands of won)

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

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

For the years ended December 31, 2017 and 2016

32. Related Parties, Continued

(6) The Group's fund transaction in relation to related parties are as follows:

Relationships	Name	Fund Loan Transaction		Fund Borrowing Transaction		
		Loan, etc	Collection	Borrowing, etc	Repayment	
Joint ventures	CJ XingXing (TJ) International Cinema Co.,Ltd.(*)	₩ -	-	682,341	-	
	Zhongsan CJ Xingxing Cinema Co., Ltd.(*)	-	-	185,115	-	
	CJ Xingxing (Shanghai) Cinema Co., Ltd.(*)	-	-	1,354,057	-	
	CJ Xingxing (FSH) Cinema Co., Ltd.(*)	-	-	123,116	-	
	Wuhan CJ XingXing Tiandi Cinema Co.,Ltd.(*)	-	-	1,254,122	-	
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.(*)	-	-	-	4,163,818	
	Other related companies	CJ FRESHWAY QINGDAO Corporation (*)	608,256	-	-	-
		KOREA EXPRESS SHANGHAI CO., LTD.(*)	-	4,019,590	-	-
		CJ Olive Young(Shanghai) Corporation(*)	200,685	-	-	-
CJ America, Inc.		-	-	5,868,247	16,794,287	
CJ Beijing Bakery Co., Ltd.(*)		4,988,237	-	-	-	

(*) Above are transactions of short-term surplus fund with related parties which are presented in net increase or decrease considering their transaction size and nature.

(7) Key management personnel compensation for the years ended December 31, 2017 and 2016 are as follows:

(In thousands of won)		2017	2016
Short-term employee benefits	₩	2,813,229	3,452,046
Costs related to defined benefit plan		212,048	285,395
Long-term employee benefits		(13,304)	58,045
	₩	3,011,973	3,795,486

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

32. Related Parties, Continued

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

For the years ended December 31, 2017 and 2016

(8) Details of guarantees which the Group has provided for related companies as of December 31, 2017 are as follows:

(In thousands of won)

<u>Related companies</u>	<u>Guarantee recipient</u>	<u>Guarantees</u>	<u>Guarantee type</u>	<u>Beneficiary</u>
Joint venture	D-Cinema Korea Co., Ltd.	-	Performance guarantee	20th Century Fox Film Corporation