

CJ CGV CO., LTD.

Separate 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 separate financial statements of CJ CGV CO., LTD. (the "Company"), which comprise the separate statements of financial position as at December 31, 2017 and 2016, the separate 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.

Management's Responsibility for the Separate Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other Matter

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

KPMG Samjong Accounting Corp.
Seoul, Korea
March 12, 2018

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 separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

As of December 31, 2017 and 2016

<i>(In won)</i>	<u>Note</u>	<u>2017</u>	<u>2016</u>
Assets			
Cash and cash equivalents	5,6	₩ 37,329,940,540	92,623,820,365
Trade receivables	5,7,29	85,805,205,606	85,147,435,993
Inventories	8	5,880,823,056	4,156,843,153
Other current financial assets	5,9,29	24,015,136,537	36,851,245,861
Other current assets	10	22,930,700,430	21,660,171,958
Assets held for sale		-	4,827,249,266
Current assets		<u>175,961,806,169</u>	<u>245,266,766,596</u>
Investments in equity method investees	11	845,112,865,231	838,149,165,620
Property and equipment	12,14	454,513,395,244	419,606,868,518
Intangible assets	13	20,449,147,975	20,497,198,298
Deferred tax assets	5,27	2,911,221,575	-
Other non-current financial assets	9	23,945,034,267	41,396,950,973
Other non-current assets	10	72,765,201,609	74,701,808,640
Non-current assets		<u>1,419,696,865,901</u>	<u>1,394,351,992,049</u>
Total assets		<u>₩ 1,595,658,672,070</u>	<u>1,639,618,758,645</u>

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.
Separate 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	5,29	₩ 68,320,726,837	66,419,988,870
Other payables	5,18,29	138,269,351,335	123,331,192,724
Short-term borrowings	5,16	90,000,000,000	90,000,000,000
Current portion of long-term borrowings and debentures	5,16	102,766,429,067	116,567,988,019
Current tax liabilities		7,608,518,089	11,627,180,522
Other current financial liabilities	5,14,29	6,256,114,832	5,866,621,672
Other current liabilities	15	78,312,609,712	80,169,061,042
Liabilities held for sale		-	4,846,466,686
Current liabilities		<u>491,533,749,872</u>	<u>498,828,499,535</u>
Long-term debentures	5,16	149,742,164,474	149,691,445,956
Long-term borrowings	5,16	312,500,970,335	371,553,933,412
Long-term other payables	5,18	29,189,663,417	23,403,737,767
Employee benefits	17	2,590,144,473	5,372,341,680
Deferred tax liabilities	27	-	9,172,077,287
Other non-current financial liabilities	5,14,29	66,456,769,379	12,134,375,680
Other non-current liabilities	15	16,211,089,682	20,435,051,584
Non-current liabilities		<u>576,690,801,760</u>	<u>591,762,963,366</u>
Total liabilities		<u>1,068,224,551,632</u>	<u>1,090,591,462,901</u>
Shareholders' equity			
Common stock	1,19	10,580,656,500	10,580,656,500
Capital surplus	20	89,157,245,168	89,157,245,168
Retained earnings	21	432,289,009,991	453,882,185,297
Other capital	22	(4,592,791,221)	(4,592,791,221)
Total shareholders' equity		<u>527,434,120,438</u>	<u>549,027,295,744</u>
Total liabilities and shareholders' equity	₩	<u>1,595,658,672,070</u>	<u>1,639,618,758,645</u>

See accompanying notes to the separate financial statements.

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

For the years ended December 31, 2017 and 2016

<i>(In won)</i>	<u>Note</u>	<u>2017</u>	<u>2016</u>
Revenue	29	₩ 932,125,702,861	914,597,444,504
Cost of sales	24,29	(442,146,825,128)	(428,583,091,407)
Gross profit		<u>489,978,877,733</u>	<u>486,014,353,097</u>
Selling, general and administrative expenses	23,24,29	(446,058,131,152)	(424,022,496,330)
Operating profit		<u>43,920,746,581</u>	<u>61,991,856,767</u>
Finance income	26	20,964,307,687	11,882,865,770
Finance costs	26	(83,935,152,141)	(25,317,260,067)
Other non-operating income	25	20,957,967,045	9,290,536,176
Other non-operating expenses	25	(20,134,814,455)	(13,840,182,030)
Gain on disposal of investments in equity method investees	11	36,630,510	3,090,000,000
Income (loss) before income tax		<u>(18,190,314,773)</u>	<u>47,097,816,616</u>
Income tax benefit (expense)	27	4,891,710,579	(9,829,508,536)
Net income (loss)		<u>(13,298,604,194)</u>	<u>37,268,308,080</u>
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit plan		(1,171,651,137)	(3,598,527,507)
Taxes on items that will not be reclassified to profit or loss		283,539,575	870,843,657
Total items that will not be reclassified to profit or loss		<u>(888,111,562)</u>	<u>(2,727,683,850)</u>
Total comprehensive income (loss)		<u>₩ (14,186,715,756)</u>	<u>34,540,624,230</u>
Earnings per share			
Basic earnings per share	28	₩ (628)	1,761
Diluted earnings per share	28	(628)	1,761

See accompanying notes to the separate financial statements.

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

For the years ended December 31, 2017 and 2016

<i>(In won)</i>		<u>Common Stock</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Other capital</u>	<u>Total</u>
Balance at January 1, 2016	₩	10,580,656,500	89,157,245,168	426,748,020,617	(4,592,791,221)	521,893,131,064
Total comprehensive income (loss)						
Net income		-	-	37,268,308,080	-	37,268,308,080
Remeasurements of the defined benefit plan		-	-	(2,727,683,850)	-	(2,727,683,850)
Total		-	-	34,540,624,230	-	34,540,624,230
Transactions with owners of the Company, recognized directly in equity						
Dividends		-	-	(7,406,459,550)	-	(7,406,459,550)
Total		-	-	(7,406,459,550)	-	(7,406,459,550)
Balance at December 31, 2016	₩	<u>10,580,656,500</u>	<u>89,157,245,168</u>	<u>453,882,185,297</u>	<u>(4,592,791,221)</u>	<u>549,027,295,744</u>
Balance at January 1, 2017	₩	10,580,656,500	89,157,245,168	453,882,185,297	(4,592,791,221)	549,027,295,744
Total comprehensive income (loss)						
Net loss		-	-	(13,298,604,194)	-	(13,298,604,194)
Remeasurements of the defined benefit plan		-	-	(888,111,562)	-	(888,111,562)
Total		-	-	(14,186,715,756)	-	(14,186,715,756)
Transactions with owners of the Company, recognized directly in equity						
Dividends		-	-	(7,406,459,550)	-	(7,406,459,550)
Total		-	-	(7,406,459,550)	-	(7,406,459,550)
Balance at December 31, 2017	₩	<u>10,580,656,500</u>	<u>89,157,245,168</u>	<u>432,289,009,991</u>	<u>(4,592,791,221)</u>	<u>527,434,120,438</u>

See accompanying notes to the separate financial statements.

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

For the years ended December 31, 2017 and 2016

<i>(In won)</i>	<u>2017</u>	<u>2016</u>
Cash flows used in operating activities		
Net income (loss)	₩ (13,298,604,194)	37,268,308,080
Adjustments for:		
Income tax expense (benefit)	(4,891,710,579)	9,829,508,536
Bad debt expenses (Reversal of allowance for bad debt)	2,655,273	(19,524,497)
Other bad debt expenses	874,540	95,225,363
Defined benefit plan related expenses	10,889,494,879	9,275,320,801
Depreciation	54,353,682,087	53,189,639,805
Amortization	10,077,065,803	6,801,647,833
Foreign currency translation loss	34,119,749	2,216,321,519
Interest expense	21,739,634,603	19,268,919,249
Loss on valuation of derivative financial assets	61,627,588,586	-
Loss on transaction of derivative financial assets	257,897,020	3,733,074,536
Loss on disposal of available-for-sale financial assets	75,984,793	2,598,568
Loss on impairment of equity investment	8,379,760,000	-
Loss on disposal of other financial assets	2,606,938,458	-
Loss on disposal of property and equipment	3,688,882,248	949,904,108
Loss on disposal of investment property	-	1,366,851,551
Loss on disposal of intangible assets	6,052,147	9,987,175
Other non-cash expenses	7,153,460,244	9,116,697,184
Interest income	(1,201,123,954)	(1,773,748,900)
Dividend income	(3,751,633,593)	(2,445,018,190)
Gain on valuation of derivative financial assets	(8,595,925,239)	(2,647,944,879)
Gain on transaction of derivative financial assets	(126,599,633)	(4,860,690,983)
Foreign currency translation gain	(6,406,437,975)	(4,016,825)
Gain on disposal of property and equipment	(4,825,000)	(31,391,834)
Gain on disposal of asset to be sold	(2,112,423,542)	-
Gain on disposal of investment property	-	(310,294,180)
Gain on disposal of investments in equity method investees	(36,630,510)	(3,090,000,000)
Gain on disposal of other financial assets	(12,210,549)	-
Other non-cash income	(5,459,002,612)	(537,308,069)
	<u>148,295,567,244</u>	<u>100,135,757,871</u>
Changes in assets and liabilities:		
Trade receivables	164,457,977	(6,586,912,314)
Other current financial assets	4,222,923,069	(2,730,060,012)
Other current assets	(16,982,642,160)	(8,373,538,809)
Inventories	(1,723,979,903)	(371,526,326)
Other non-current assets	1,277,221,880	1,388,561,962
Trade payables	1,902,129,333	4,888,006,460
Other payables	8,588,902,355	53,565,955,519
Long-term other payables	(1,518,604,941)	(3,600,959,758)
Other current financial liabilities	(444,810,000)	(401,133,600)
Other non-current financial liabilities	2,456,993,000	221,000,000
Other current liabilities	(1,625,996,750)	(78,405,347)
Other non-current liabilities	45,493,469	1,202,488,489
Payment of retirement and severance benefits	(2,860,219,915)	(2,492,985,264)
Severance benefits from affiliated companies	16,876,692	21,115,465
Employee benefit plan assets	(12,000,000,000)	(10,000,000,000)
	<u>₩ (18,481,255,894)</u>	<u>26,651,606,465</u>

See accompanying notes to the separate financial statements.

CJ CGV CO., LTD.

Separate Statements of Cash Flows, Continued

For the years ended December 31, 2017 and 2016

<i>(In won)</i>	<u>2017</u>	<u>2016</u>
Cash generated from operating activities	₩ 116,515,707,156	164,055,672,416
Interest received	546,903,351	874,477,806
Dividends received	4,872,987,160	1,886,535,336
Interest paid	(18,587,273,394)	(13,699,548,652)
Income taxes paid	(10,926,711,141)	(11,201,298,869)
Net cash from operating activities	<u>92,421,613,132</u>	<u>141,915,838,037</u>
Cash flows from investing activities		
Proceeds from disposal of available-for-sale financial assets	711,655,929	170,931,432
Proceeds from disposal of investments in associates	36,630,510	13,382,022,791
Decrease of other financial assets	43,687,272,506	4,736,277,067
Proceeds from disposal of property and equipment	32,011,414	541,146,764
Proceeds from disposal of intangible asset	696,167	-
Proceeds from disposal of asset to be sold	2,302,454,311	-
Proceeds from disposal of investment property	-	16,831,747,000
Acquisition of available-for-sale financial assets	(2,594,140,722)	(4,918,530,000)
Acquisition of investments in associates	-	(30,243,870,254)
Acquisition of investments in subsidiaries	(15,343,459,611)	(372,502,325,324)
Increase of other financial assets	(12,362,578,112)	(4,383,350,930)
Acquisition of property and equipment	(89,169,455,693)	(69,073,628,743)
Acquisition of intangible assets	(638,598,395)	(1,173,603,423)
Net cash used in investing activities	<u>(73,337,511,696)</u>	<u>(446,633,183,620)</u>
Cash flows from financing activities		
Proceeds from issuance of debentures	49,899,460,000	-
Proceeds from short-term borrowings	115,000,000,000	340,000,000,000
Proceeds from long-term borrowings	-	340,000,000,000
Repayment of debentures	(100,000,000,000)	(30,000,000,000)
Repayment of short-term borrowings	(115,000,000,000)	(250,000,000,000)
Repayment of current portion of long-term borrowings	(16,616,875,000)	(20,000,000,000)
Repayment of long-term borrowings	-	(50,000,000,000)
Dividends paid	(7,406,459,550)	(7,406,459,550)
Others, net	(254,106,711)	(660,844,768)
Net cash used in financing activities	<u>(74,377,981,261)</u>	<u>321,932,695,682</u>
Net increase(decrease) in cash and cash equivalents	(55,293,879,825)	17,215,350,099
Cash and cash equivalents at January 1	92,623,820,365	75,408,470,266
Effect of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents at December 31	<u>₩ 37,329,940,540</u>	<u>92,623,820,365</u>

See accompanying notes to the separate financial statements.

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

For the years ended December 31, 2017 and 2016

1. Reporting Entity

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

As of December 31, 2017, the Company’s major shareholders are as follows:

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

2. Basis of Preparation

(1) Statement of compliance

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

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

(2) Basis of measurement

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

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

(3) Functional and presentation currency

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

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

For the years ended December 31, 2017 and 2016

2. Basis of Preparation, Continued

(4) Use of estimates and judgments

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

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

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

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

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

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

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

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

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

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

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

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

Note 5 –risk management

(5) Authorization date for issuance of the separate financial statements

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

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

For the years ended December 31, 2017 and 2016

(1) Statement of Cash flow

The Company 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
- 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 Company has disclosed its disclosure requirements in its annual financial statements for the year ended December 31, 2017.

(2) Income Tax

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

4. Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its separate 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 separate financial statements.

(1) Operating segments

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

4. Significant Accounting Policies, Continued

(2) Business combination under common control

A business combination involving entities or business under common control are accounted for by applying book value method, which accounted for assets and liabilities at carrying amounts recognized previously in the separate financial statements. The Company recognizes the difference between the consideration transferred in

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Notes to the Separate Financial Statements

For the years ended December 31, 2017 and 2016

a business combination and net assets acquired as other surplus in other capital in equity.

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

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

(4) Cash and cash equivalents

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

(5) Inventories

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

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

(6) Non-derivative financial assets

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

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

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

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

4. Significant Accounting Policies, Continued

(6) Non-derivative financial assets, continued

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale financial assets

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

(v) De-recognition of financial assets

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

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

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

(vi) Offsetting between financial assets and financial liabilities

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

(7) Derivative financial instruments

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

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

- (a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

4. Significant Accounting Policies, Continued

(7) Derivative financial instruments, continued

- (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.

(8) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a

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negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

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

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

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

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

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

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4. Significant Accounting Policies, Continued

(8) Impairment of financial assets, continued

(iii) Available-for-sale financial assets

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

(9) Property and equipment

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

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

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

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

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

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.

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4. Significant Accounting Policies, Continued

(10) Intangible assets

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

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

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

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

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

(11) Government grants

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

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

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

(12) Impairment of non-financial assets

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

4. Significant Accounting Policies, Continued

(12) Impairment of non-financial assets, continued

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

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

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(13) Leases

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

(i) Finance leases

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

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

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

4. Significant Accounting Policies, Continued

(13) Leases, continued

(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

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leases are recognized over period of the lease by being deducted from payment made under operating leases.

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

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

(14) Non-current assets held for sale

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

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

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

(15) Non-derivative financial liabilities

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

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

4. Significant Accounting Policies, Continued

(15) Non-derivative financial liabilities, continued

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

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(iii) De-recognition of financial liabilities

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

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

(ii) Other long-term employee benefits

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

(iii) Retirement benefits: defined benefit plans

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

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

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

4. Significant Accounting Policies, Continued

(16) Employee benefits, continued

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

(17) Provisions

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

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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

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

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

If foreign currency differences arising on non-monetary items are recognized in profit or loss, related foreign exchange rate change effect are recognized in profit or loss.

(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.

4. Significant Accounting Policies, Continued

(19) Equity capital, continued

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

(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

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services are measured at the fair value of the consideration received or receivable, and sales returns, trade discounts and volume rebates are deducted.

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

(21) Finance income and finance costs

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

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

(22) Income taxes

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

4. Significant Accounting Policies, Continued

(22) Income taxes, continued

- (i) Current tax
Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.
- (ii) Deferred tax
Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

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

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

(23) Earnings per share

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

(24) New standards not yet adopted

The following new standards, interpretations and amendments to existing standards have been enacted and published but are not effective for annual periods beginning after January 1, 2017 and the Company has not early adopted them.

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 separate financial statements in fiscal year beginning on January 1, 2018 depends on the financial instruments that the Company holds and economic condition at that time as well as accounting elections and judgments of Company in the future.

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.

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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 Company'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 Company 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 separate financial statements is insignificant.

- 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.

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

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

- ③ 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 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 based on the amount of expected credit losses for the 12-months. Company 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 based on the amount of expected credit losses over the entire term.

As of December 31, 2017, the Company has financial instruments measured at amortized cost amounting to ₩155,546 million of trade receivables and other receivables and has recognized loss allowances amounting to ₩3,509 million. The Company is in the process of assessing the impact of the adoption of K-IFRS No. 1109 on separate financial statements, and is evaluating the volatility of net income due to the implementation of the new standard.

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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.

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

④ Disclosure

K-IFRS No. 1109 requires wide scope of new disclosures, especially in relation to hedge accounting, credit risk, and expected credit loss. The Company’s evaluation includes 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 Company 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

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

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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 company is allocated to store sales and incentive points ('points') using residual value method. In other words, consideration of transaction 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 accordance with 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 consideration will be allocated to the point and deferred amount of revenue may decrease.

② Accounting for unused movie tickets, gift cards

The company recognizes revenue at the point of time there is no obligation to refund due to expiration of movie tickets and gift cards. In accordance with K-IFRS No. 1115, the Company 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.

The Company 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.

(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.

5. Risk Management

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

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

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

5. Risk Management, Continued

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For the years ended December 31, 2017 and 2016

(1) Financial risk management

1) Risk management framework

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

2) Credit risk

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

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

(i) Exposure to credit risk

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

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

<i>(In thousands of won)</i>		<u>2017</u>	<u>2016</u>
Cash and cash equivalents	₩	35,252,914	90,712,618
Trade receivables		85,805,206	85,147,436
Other financial assets		28,902,316	61,701,074
Derivative financial assets		8,505,855	8,301,623
	₩	<u>158,466,291</u>	<u>245,862,751</u>

(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	₩	114,099,318	-	-
0-3 months		-	521,368	-
4-6 months		-	25,699	2
7-12 months		-	61,137	3,490
Over one year		-	-	3,505,799
	₩	<u>114,099,318</u>	<u>608,204</u>	<u>3,509,291</u>

5. Risk Management, Continued

(1) Financial risk management, continued

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2) Credit risk, continued

(ii) Impairment losses, continued

<i>(In thousands of won)</i>	2016		
	Not overdue	Overdue, but not impaired	Impaired
Not past due	₩ 142,927,845	-	857
0-3 months	-	3,528,516	1,114
4-6 months	-	277,531	3,400
7-12 months	-	114,618	12,474
Over one year	-	-	3,552,026
	₩ <u>142,927,845</u>	<u>3,920,665</u>	<u>3,569,871</u>

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

(iii) Guarantees

As described in note 18 (1) and note 29 (6), the Company provides financial guarantees to subsidiaries and others. As a result, the Company is exposed to credit risk to the extent of payment guarantee. The Company's maximum exposure to credit risk from financial guarantee contracts as of current and prior year-end is ₩492,528 million and ₩486,328 million, respectively.

3) Liquidity risk

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

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

5. Risk Management, Continued

(1) Financial risk management, continued

3) Liquidity risk, continued

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The contractual maturity of financial liabilities as of December 31, 2017 and 2016, including estimated interest payments and excluding the impact of netting agreements, are as follows:

(In thousands of won)

		2017				
		Book value	Contractual cash outflow	Less than one year	One to five years	Over five years
Trade payables	₩	68,320,727	68,320,727	68,320,727	-	-
Other payables		138,269,351	138,269,351	138,269,351	-	-
Short-term borrowings		90,000,000	90,453,414	90,453,414	-	-
Debentures		199,723,593	210,503,075	54,543,350	155,959,725	-
Long-term borrowings		365,285,970	389,699,509	60,591,490	329,108,019	-
Long-term other payables		29,189,663	50,761,187	-	21,984,457	28,776,730
Other current financial liabilities		6,256,115	6,289,506	6,289,506	-	-
Other non-current financial liabilities		66,456,769	66,483,834	-	57,645,139	8,838,695
	₩	<u>963,502,188</u>	<u>1,020,780,603</u>	<u>418,467,838</u>	<u>564,697,340</u>	<u>37,615,425</u>

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

(In thousands of won)

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

5. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk

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For the years ended December 31, 2017 and 2016

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

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

(i) Currency risk

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

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

		2017			2016		
		USD	RMB	VND	USD	RMB	VND
	(In thousands of won)						
Trade and Other Receivables	₩	6,172	760,021	291,391	298,002	2,214,702	356,678
Trade and Other Payables		(150,475)	(4,916)	-	(14,622)	(867)	-
Finance lease liabilities		(614,433)	-	-	(623,680)	-	-
Borrowings		(49,552,250)	-	-	(72,510,000)	-	-
Total exposure		(50,310,986)	755,105	291,391	(72,850,300)	2,213,835	356,678
Currency forwards		49,552,250	-	-	72,510,000	-	-
Net exposure	₩	(758,736)	755,105	291,391	(340,300)	2,213,835	356,678

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

		Average rate		Reporting date spot rate	
		2017	2016	2017	2016
USD	₩	1,130.84	1,160.50	1,071.40	1208.50
RMB		167.46	174.40	163.65	173.26
VND		0.0498	0.0519	0.0472	0.0531

5. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk, continued

(i) Currency risk, continued

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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:

		2017		2016	
		10% strengthening	10% weakening	10% strengthening	10% weakening
<i>(In thousands of won)</i>					
USD	Total exposure	₩ (5,031,099)	5,031,099	(7,285,030)	7,285,030
	Currency forwards	4,955,225	(4,955,225)	7,251,000	(7,251,000)
	Net exposure	(75,874)	75,874	(34,030)	34,030
RMB		75,511	(75,511)	221,384	(221,384)
VND		29,139	(29,139)	35,668	(35,668)

(ii) Interest rate risk

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

		2017	2016
<i>(In thousands of won)</i>			
Fixed rate instruments:			
Financial assets	₩	-	-
Financial liabilities		(640,022,860)	(664,958,768)
	₩	(640,022,860)	(664,958,768)
Variable rate instruments:			
Financial assets	₩	36,143,721	90,265,989
Financial liabilities		(125,552,250)	(148,510,000)
	₩	(89,408,529)	(58,244,011)

- Fair value sensitivity analysis for fixed rate instruments

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

- 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:

	2017		2016	
	0.5% Point increase	0.5% Point decrease	0.5% Point increase	0.5% Point decrease
<i>(In thousands of won)</i>				
Variable rate instruments	₩ (447,043)	447,043	(291,220)	291,220
Interest rate swaps	240,710	(240,710)	330,000	(330,000)
Cash flow sensitivity, net	₩ (206,333)	206,333	38,780	(38,780)

5. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk, continued

(iii) Other market price risk

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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) Fair value

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							
	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)	₩	8,505,855	-	-	-	8,505,855	23,190	8,482,665
Financial assets not measured at fair value(*1)								
Cash and cash equivalents		-	37,329,941	-	-	37,329,941	-	-
Trade receivables		-	85,805,206	-	-	85,805,206	-	-
Available-for-sale: equity investments(*2)		-	-	10,552,000	-	10,552,000	-	-
Other financial assets		-	28,902,316	-	-	28,902,316	-	-
Subtotal		-	152,037,463	10,552,000	-	162,589,463	-	-
Total	₩	<u>8,505,855</u>	<u>152,037,463</u>	<u>10,552,000</u>	<u>-</u>	<u>171,095,318</u>	<u>23,190</u>	<u>8,482,665</u>
Financial liabilities measured at fair value								
Derivative financial liabilities(*4)	₩	53,667,032	-	-	-	53,667,032	2,450,191	51,216,841
Financial liabilities not measured at fair value(*1)								
Trade payables		-	-	-	68,320,727	68,320,727	-	-
Other payables		-	-	-	138,269,351	138,269,351	-	-
Borrowings and debentures		-	-	-	655,009,563	655,009,563	-	-
Long-term other payables		-	-	-	29,189,663	29,189,663	-	-
Other financial liabilities		-	-	-	19,045,852	19,045,852	-	-
Subtotal		-	-	-	909,835,156	909,835,156	-	-
Total	₩	<u>53,667,032</u>	<u>-</u>	<u>-</u>	<u>909,835,156</u>	<u>909,835,156</u>	<u>2,450,191</u>	<u>51,216,841</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.

5. Risk Management, Continued

(1) Financial risk management, continued

5) Fair value, continued

(*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

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level 3 amounting to ₩8,483 million is recognized as financial income in the statement 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 the statement of comprehensive income.

(In thousands of won)

	2016						
	Carrying amount					Fair value	
	Designated at fair value	Loans and receivables	Available- for-sale	Other	Total	Level 2	Level 3
Financial assets measured at fair value							
Derivative financial assets(*3)	₩ 8,301,623	-	-	-	8,301,623	8,218,860	82,763
Financial assets not measured at fair value(*1)							
Cash and cash equivalents	-	92,623,820	-	-	92,623,820	-	-
Trade receivables	-	85,147,436	-	-	85,147,436	-	-
Available-for-sale: equity investments(*2)	-	-	8,245,500	-	8,245,500	-	-
Other financial assets	-	61,701,074	-	-	61,701,074	-	-
Subtotal	-	239,472,330	8,245,500	-	247,717,830	-	-
Total	₩ 8,301,623	239,472,330	8,245,500	-	256,019,453	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	-	-	-	66,419,989	66,419,989	-	-
Other payables	-	-	-	123,331,193	123,331,193	-	-
Borrowings and debentures	-	-	-	727,813,367	727,813,367	-	-
Long-term other payables	-	-	-	23,403,738	23,403,738	-	-
Other financial liabilities	-	-	-	17,890,072	17,890,072	-	-
Subtotal	-	-	-	958,858,359	958,858,359	-	-
Total	₩ 110,926	-	-	958,858,359	958,969,285	110,926	-

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

5. Risk Management, Continued

(1) Financial risk management, continued

5) Fair value, continued

(*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.

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(*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 Income Statement.

6) Transfers of financial asset

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

(In thousands of won)

<u>Type of Continuing involvement</u>		<u>Maturity of continuing involvement</u> <u>Less than 1 year</u>
Put-option	₩	190,000,000

(2) Capital Management

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

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

(In thousands of won, except ratio)

		<u>2017</u>	<u>2016</u>
Total liabilities (a)	₩	1,068,224,552	1,090,591,463
Total equity (b)		527,434,120	549,027,296
Cash and cash equivalents (c)		37,329,941	92,623,820
Borrowings and debentures (d)		655,009,563	727,813,367
Borrowings and debentures, net (e)=(d)-(c)		617,679,622	635,189,547
Liabilities to equity ratio (f)=(a) ÷ (b)		203%	199%
Net debt to equity ratio (g)=(e) ÷ (b)		117%	116%

6. Cash and Cash Equivalents

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

(In thousands of won)

		<u>2017</u>	<u>2016</u>
Cash on hand	₩	2,077,027	1,911,202
Demand deposits		34,416,621	89,690,289
Other cash equivalents		836,293	1,022,329
	₩	<u>37,329,941</u>	<u>92,623,820</u>

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7. Trade Receivables

- (1) Trade receivables are presented on a net basis after deducting related allowance. As of December 31, 2017 and 2016, trade receivables and allowance for doubtful accounts are as follows:

<i>(In thousands of won)</i>	<u>2017</u>	<u>2016</u>
Trade receivables	₩ 86,191,080	85,560,568
Allowance for doubtful accounts	(385,874)	(413,132)
	<u>₩ 85,805,206</u>	<u>85,147,436</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>	<u>2017</u>	<u>2016</u>
Balance at the beginning	₩ 413,132	446,276
Increase in (reversal of) allowance	2,655	(19,524)
Write-off	(29,913)	(13,620)
Balance at the end	<u>₩ 385,874</u>	<u>413,132</u>

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

8. Inventories

The Company has not recognized any loss on valuation or reversal of loss on valuation of inventories for the years ended December 31, 2017 and 2016. Inventories as of December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>	<u>2017</u>	<u>2016</u>
Merchandise	₩ 3,214,058	1,560,732
Raw materials	2,666,765	2,596,111
	<u>₩ 5,880,823</u>	<u>4,156,843</u>

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9. 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
Deposits for opening checking accounts	₩ -	1,737,600	-	586,700
Other receivables	15,150,767	-	15,268,452	-
Accrued revenues	66,950	-	54,391	-
Leasehold deposits	315,071	14,760,831	22,023,027	29,155,799
Present value discount	(316)	(3,128,587)	(494,624)	(4,892,671)
Derivative financial assets	8,482,665	23,190	-	8,301,623
Available-for-sale financial assets	-	10,552,000	-	8,245,500
	₩ <u>24,015,137</u>	<u>23,945,034</u>	<u>36,851,246</u>	<u>41,396,951</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	₩ 26,171,408	24,912,180	39,340,839	42,364,097
Allowance for doubtful accounts:				
Other receivables	(2,055,436)	-	(2,086,954)	-
Accrued revenues	(100,835)	-	(102,639)	-
Loans	-	(967,146)	-	(967,146)
Subtotal of allowance for doubtful accounts	<u>(2,156,271)</u>	<u>(967,146)</u>	<u>(2,189,593)</u>	<u>(967,146)</u>
Other financial assets, net	₩ <u>24,015,137</u>	<u>23,945,034</u>	<u>36,851,246</u>	<u>41,396,951</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	₩ 2,189,593	967,146	2,090,500	971,014
Increase in (reversal of) allowance	875	-	99,093	(3,868)
Write-off	(34,197)	-	-	-
Balance at the end	₩ <u>2,156,271</u>	<u>967,146</u>	<u>2,189,593</u>	<u>967,146</u>

(4) Leasehold deposits 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	1.8~5.6	₩ 15,075,902	11,946,999	(3,128,903)
December 31, 2016	1.4~5.6	₩ 51,178,826	45,791,531	(5,387,295)

CJ CGV CO., LTD.
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9. Other Financial Assets, Continued

(5) Available-for-sale financial assets

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

<i>(In thousands of won)</i>	2017		2016	
	Acquisition cost	Book value	Acquisition cost	Book value
Equity securities	₩ 10,552,000	10,552,000	8,245,500	8,245,500

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

<i>(In thousands of won)</i>	2017	2016
Balance at the beginning	₩ 8,245,500	3,500,500
Acquisitions	3,094,141	4,918,530
Disposals	(787,641)	(173,530)
Balance at the end	₩ 10,552,000	8,245,500

10. 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:

<i>(In thousands of won)</i>	2017		2016	
	Current	Non-current	Current	Non-current
Advance payments	₩ 10,410,141	-	7,526,068	-
Prepaid expenses	12,520,559	72,765,202	14,134,104	74,701,809
	₩ 22,930,700	72,765,202	21,660,172	74,701,809

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11. Investment in Equity

Investments in equity as of December 31, 2017 and 2016 are as follows:

<i>(In thousands of won)</i>			2017		2016	
Company	Location	Primary business	Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Subsidiaries:						
CJ 4DPlex Co., Ltd.	Korea	Equipment manufacturing and retail	90.48	₩ 71,807,062	90.48	₩ 71,807,062
Bosphorus Investment Co., Ltd.	Korea	Foreign Investment	52.23	323,634,731	52.23	323,634,731
CGI Holdings Ltd.	Hong Kong	Foreign Investment	100.00	223,135,932	100.00	223,135,932
Envoy Media Partners Ltd.	British Virgin Islands	Foreign Investment	100.00	89,138,767	100.00	89,138,767
CJ CGV America, Inc.(*1)	USA	Foreign Investment	100.00	-	100.00	8,379,760
Cross Junction Investment Co., Pte. Ltd.	Singapore	Foreign Investment	100.00	7,326,721	100.00	7,326,721
Crown Jade Company Pte. Ltd. (*2)	Singapore	Foreign Investment	100.00	3,851,873	100.00	2,536,796
IKT Holdings Limited(*3)	Hong Kong	Foreign Investment	100.00	48,029,704	100.00	22,129,145
Wisely Act Limited(*3)	Hong Kong	Foreign Investment	-	-	100.00	12,651,369
EWIGEN FRIEDEN LIMITED(*3)	Hong Kong	Foreign Investment	-	-	100.00	13,220,808
PT Graha Layer Prima Tbk.	Indonesia	Theater operation	22.99	45,329,670	22.99	45,329,670
Pebblestone CGV private Real Estate Investment Trust No.1 (*4)	Korea	Real estate investment	51.37	14,000,000	-	-
Associates:						
SSV Contents Investment Association(*5)	Korea	Investment fund	-	-	35.52	-
CJ VIETNAM COMPANY LIMITED	Vietnam	Real estate investment	25.00	11,735,525	25.00	11,735,525
IBK Finance Group Union Contents Investment Fund	Korea	Investment fund	25.00	2,500,000	25.00	2,500,000
Joint ventures:						
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	China	Theater operation	49.00	1,820,123	49.00	1,820,123
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	China	Theater operation	49.00	1,601,700	49.00	1,601,700
D-Cinema Korea Co., Ltd.	Korea	Leasing Service	50.00	-	50.00	-
Shanghai Shangying CGV Cinema Co., Ltd.	China	Theater operation	50.00	1,191,990	50.00	1,191,990
CGV EMPIRE SDN. BHD	Malaysia	Theater operation	25.00	9,067	25.00	9,067
				₩ 845,112,865		₩ 838,149,166

11. Investment in Equity, Continued

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- (*1) The Company recognized entire amount as loss on impairment during the year ended December 31, 2017, in relation to CJ CGV America, Inc.
- (*2) During the year ended December 31, 2017, the Company acquired additional ₩1,315 million by participating in paid-in capital increase of Crown Jade Company Pte. Ltd.
- (*3) During the year ended December 31, 2017, IKT Holdings Limited had a merger with Wisley Act Limited and EWIGEN FRIEDEN LIMITED.
- (*4) During the year ended December 31, 2017, the Company acquired 51.37% of share of Pebblestone CGV private Real Estate Investment Trust No.1 at ₩14,000 million.
- (*5) During the year ended December 31, 2017, the Company recognized ₩ 37million of gain on disposal of equity investment due to completion of SSV Contents Investment Association's liquidation.

12. Property and Equipment

Changes in property and equipment for the years ended December 31, 2017 and 2016 were as follows:

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<i>(In thousands of won)</i>		<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Vehicles</u>	<u>Tools</u>	<u>Construction -in-progress</u>	<u>Total</u>
Acquisition costs:								
Balance at January 1, 2016	₩	87,379,275	80,628,633	325,024,885	97,183	276,895,490	13,719,039	783,744,505
Acquisitions		-	-	873,421	306,973	20,505,404	38,578,709	60,264,507
Disposals		-	-	(3,029,706)	-	(5,046,349)	(1,091,539)	(9,167,594)
Others		-	-	24,301,847	-	2,813,785	(31,735,594)	(4,619,962)
Replacement of assets held for sale		-	-	-	-	(1,675,645)	(751,394)	(2,427,039)
Balance at								
December 31, 2016		87,379,275	80,628,633	347,170,447	404,156	293,492,685	18,719,221	827,794,417
Acquisitions		2,496,954	6,205,537	2,067,866	-	27,135,985	65,196,230	103,102,572
Disposals		-	-	(11,647,603)	-	(20,354,102)	(111,867)	(32,113,572)
Others		-	-	40,728,136	-	11,429,233	(61,793,881)	(9,636,512)
Balance at								
December 31, 2017		89,876,229	86,834,170	378,318,846	404,156	311,703,801	22,009,703	889,146,905
Accumulated depreciation:								
Balance at January 1, 2016		-	(16,516,933)	(124,941,097)	(22,271)	(220,232,507)	-	(361,712,808)
Depreciation		-	(2,014,396)	(24,129,419)	(60,109)	(27,011,145)	-	(53,215,069)
Disposals		-	-	2,509,976	-	4,700,105	-	7,210,081
Others		-	-	746	-	(7,153)	-	(6,407)
Replacement of assets held for sale		-	-	-	-	1,642,775	-	1,642,775
Balance at								
December 31, 2016		-	(18,531,329)	(146,559,794)	(82,380)	(240,907,925)	-	(406,081,428)
Depreciation		-	(2,130,749)	(24,865,907)	(85,690)	(27,335,311)	-	(54,417,657)
Disposals		-	-	8,376,980	-	19,523,738	-	27,900,718
Balance at								
December 31, 2017		-	(20,662,078)	(163,048,721)	(168,070)	(248,719,498)	-	(432,598,367)
Accumulated impairment:								
Balance at January 1, 2016		-	-	-	-	(1,489,281)	-	(1,489,281)
Disposals		-	-	-	-	47,261	-	47,261
Balance at								
December 31, 2016		-	-	-	-	(1,442,020)	-	(1,442,020)
Disposals		-	-	-	-	9,002	-	9,002
Balance at								
December 31, 2017		-	-	-	-	(1,433,018)	-	(1,433,018)
Government grants:								
Balance at January 1, 2016		-	-	(710,000)	-	-	-	(710,000)
Acquisitions		-	-	-	-	(14,400)	-	(14,400)
Depreciation		-	-	60,000	-	300	-	60,300
Balance at								
December 31, 2016		-	-	(650,000)	-	(14,100)	-	(664,100)
Acquisitions		-	-	-	-	(2,000)	-	(2,000)
Depreciation		-	-	60,000	-	3,975	-	63,975
Balance at								
December 31, 2017		-	-	(590,000)	-	(12,125)	-	(602,125)
Carrying amounts:								
Balance at January 1, 2016	₩	87,379,275	64,111,700	199,373,788	74,912	55,173,702	13,719,039	419,832,416
Balance at December 31, 2016	₩	87,379,275	62,097,304	199,960,653	321,776	51,128,640	18,719,221	419,606,869
Balance at December 31, 2017	₩	89,876,229	66,172,092	214,680,125	236,086	61,539,160	22,009,703	454,513,395

13. Intangible Assets

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

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<i>(In thousands of won)</i>	<u>Goodwill(*)</u>	<u>Trademark right</u>	<u>Membership</u>	<u>Usage rights</u>	<u>Others</u>	<u>Total</u>
Acquisition costs:						
Balance at January 1, 2016	₩ 4,820,619	520,295	6,226,021	11,647,354	63,088,189	86,302,478
Acquisitions	-	15,344	1,175,300	-	467,077	1,657,721
Disposals	-	(9,798)	-	-	(816,266)	(826,064)
Others	-	70,104	-	-	5,252,723	5,322,827
Replacement of assets held for sale	-	-	-	-	(11,757,921)	(11,757,921)
Balance at December 31, 2016	4,820,619	595,945	7,401,321	11,647,354	56,233,802	80,699,041
Acquisitions	-	455	-	33,920	364,877	399,252
Disposals	-	-	-	(2,500)	(142,786)	(145,286)
Others	-	56,025	-	52,600	9,527,887	9,636,512
Balance at December 31, 2017	4,820,619	652,425	7,401,321	11,731,374	65,983,780	90,589,519
Accumulated amortization:						
Balance at January 1, 2016	-	-	-	(8,987,155)	(52,699,306)	(61,686,461)
Amortization	-	-	-	(989,975)	(5,811,673)	(6,801,648)
Disposals	-	-	-	-	816,077	816,077
Others	-	-	-	-	10,994	10,994
Replacement of assets held for sale	-	-	-	-	8,655,295	8,655,295
Balance at December 31, 2016	-	-	-	(9,977,130)	(49,028,613)	(59,005,743)
Amortization	-	-	-	(993,506)	(9,083,560)	(10,077,066)
Disposals	-	-	-	2,285	136,253	138,538
Balance at December 31, 2017	-	-	-	(10,968,351)	(57,975,920)	(68,944,271)
Accumulated impairment:						
Balance at January 1, 2016	-	-	(790,217)	-	(405,883)	(1,196,100)
Balance at December 31, 2016	-	-	(790,217)	-	(405,883)	(1,196,100)
Balance at December 31, 2017	-	-	(790,217)	-	(405,883)	(1,196,100)
Carrying amounts:						
Balance at January 1, 2016	₩ 4,820,619	520,295	5,435,804	2,660,199	9,983,000	23,419,917
Balance at December 31, 2016	₩ 4,820,619	595,945	6,611,104	1,670,224	6,799,306	20,497,198
Balance at December 31, 2017	₩ 4,820,619	652,425	6,611,104	763,023	7,601,977	20,449,148

(*) The Company performs annual impairment test on unlimited intangible asset having indefinite useful lives including goodwill and views recoverable amount as fair value less cost of disposal. The recoverable amount is estimated higher than book value and did not recognize loss on impairment.

14. Other Financial Liabilities

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

<i>(In thousands of won)</i>	<u>2017</u>		<u>2016</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>

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Accrued expenses	₩	3,683,405	10,487,243	4,215,157	10,989,745
Finance lease liabilities		278,421	523,111	232,976	390,705
Leasehold deposits received		863,679	3,209,993	1,418,489	643,000
Derivative financial liabilities		1,430,610	52,236,422	-	110,926
	₩	<u>6,256,115</u>	<u>66,456,769</u>	<u>5,866,622</u>	<u>12,134,376</u>

(2) Finance lease

① Finance lease contract

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

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

(In thousands of won)

		<u>2017</u>	<u>2016</u>
Acquisition costs	₩	13,991,567	13,490,732
Accumulated depreciation		<u>(12,559,599)</u>	<u>(11,523,218)</u>
Carrying amount	₩	<u>1,431,968</u>	<u>1,967,514</u>

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:

(In thousands of won)

		<u>2017</u>			<u>2016</u>		
		<u>Future minimum lease payments</u>	<u>Interest</u>	<u>Present value</u>	<u>Future minimum lease payments</u>	<u>Interest</u>	<u>Present value</u>
Less than one year	₩	311,812	(33,391)	278,421	262,435	(29,459)	232,976
One to five years		550,176	(27,065)	523,111	419,359	(28,654)	390,705
	₩	<u>861,988</u>	<u>(60,456)</u>	<u>801,532</u>	<u>681,794</u>	<u>(58,113)</u>	<u>623,681</u>

15. Other Current Liabilities and Other Non-current Liabilities

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

(In thousands of won)

	<u>2017</u>		<u>2016</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>

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Deposit received	₩	4,994,227	-	8,481,071	-
Value added tax withheld		7,827,900	-	7,210,479	-
Advance received		54,493,166	-	50,112,853	-
Unearned revenue		378,625	9,067	331,391	9,067
Liabilities for employee benefits		10,618,692	1,465,808	14,033,267	1,135,264
Deferred revenues		-	12,929,126	-	13,631,770
Provision for mileage points		-	1,807,089	-	908,951
Other provision		-	-	-	4,750,000
	₩	<u>78,312,610</u>	<u>16,211,090</u>	<u>80,169,061</u>	<u>20,435,052</u>

(2) Deferred revenues

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

The fair value of award credits not yet redeemed under the customer loyalty program as of December 31, 2017 and 2016 are ₩12,929 million and ₩13,632 million, respectively.

16. Borrowings and Debentures

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

(In thousands of won)

		<u>2017</u>	<u>2016</u>
Current liabilities:			
Debentures	₩	49,981,429	99,951,113
Short-term borrowings		90,000,000	90,000,000
Current portion of local currency long-term borrowings		26,000,000	-
Current portion of foreign currency long-term borrowings		26,785,000	16,616,875
		<u>192,766,429</u>	<u>206,567,988</u>
Non-current liabilities:			
Debentures		149,742,164	149,691,446
Local currency long-term borrowings		289,733,720	315,660,808
Foreign currency long-term borrowings		22,767,250	55,893,125
	₩	<u>462,243,134</u>	<u>521,245,379</u>

16. Borrowings and Debentures, Continued

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

(In thousands of won)

<u>Lender</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>2017</u>	<u>2016</u>
Shinhan Investment Corp.	2017.02.18	3.19	₩ -	50,000,000

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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 Co.,Ltd.	2020.10.20	2.91	30,000,000	-
KB Securities Co.,Ltd.	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>

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

(In thousands of won)

<u>Lender</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>		<u>2017</u>	<u>2016</u>
Shinhan Bank	2018.11.23	CD + 1.0	₩	50,000,000	50,000,000
Kookmin Bank	2018.05.23	2.74		40,000,000	40,000,000
			₩	<u>90,000,000</u>	<u>90,000,000</u>

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

(In thousands of won)

<u>Lender</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>		<u>2017</u>	<u>2016</u>
Shinhan Bank	2018.11.19	CD + 1.12	₩	10,000,000	10,000,000
Kookmin Bank(*)	2018.11.19	CD + 0.98		16,000,000	16,000,000
Bank of China	2019.10.25	2.50		30,000,000	30,000,000
Agricultural Bank of China	2019.10.25	2.50		30,000,000	30,000,000
Industrial & Commercial 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
				<u>316,000,000</u>	<u>316,000,000</u>
Less: discount				(266,280)	(339,192)
Less: current portion of long-term borrowings				(26,000,000)	-
			₩	<u>289,733,720</u>	<u>315,660,808</u>

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

16. Borrowings and Debentures, Continued

(5) Foreign currency long-term borrowings as of December 31, 2017 and 2016 are as follows:

(In thousands of won, except foreign currency)

<u>Lender</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>		<u>2017</u>	<u>2016</u>
The Export-Import Bank of Korea(*1)	2018.01.10 ~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)	2018.01.09 ~2019.04.09(*2)	3M LIBOR + 1.79		32,142,000 (USD 30,000,000)	48,340,000 (USD 40,000,000)

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	2020.10.28	3M LIBOR + 1.79	10,714,000 (USD 10,000,000)	12,085,000 (USD 10,000,000)
			49,552,250 (USD 46,250,000)	70,510,000 (USD 60,000,000)
Less: current portion of long-term borrowings			(26,785,000) (USD 25,000,000)	(16,616,875) (USD 13,750,000)
			₩ 22,767,250 (USD 21,250,000)	55,893,125 (USD 46,250,000)

(*1) As of December 31, 2017, the Company has entered into currency forward contracts in accordance with the risk management policy, in order to control the risk of being reflected by changes in exchange rate related to payment of foreign currency borrowings.

Details of currency forward contracts as of December 31, 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 Bank Korea Limited	Buy USD 6,250,000	₩1,104.90	2018.01.10 ~2019.01.10
Korea Development Bank		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 Company recognized loss on valuation of derivative financial instrument amounting to ₩6,812 million, in profit or loss as of the year ended December 31, 2017.

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

16. Borrowings and Debentures, Continued

(6) Changes 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	₩ 90,000,000	388,170,808	249,642,559	623,680
Change in financial Cash flow				
Increase in borrowings	115,000,000	-	-	-
Repayment in borrowings	(115,000,000)	(16,616,875)	-	-
Issuance of debentures	-	-	49,899,460	-

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Repayment of debentures	-	-	(100,000,000)	-
Dividend paid	-	-	-	-
Repayment of financial lease liabilities	-	-	-	(254,107)
	<u>-</u>	<u>(16,616,875)</u>	<u>(50,100,540)</u>	<u>(254,107)</u>
Effect of exchange rate	-	(6,340,875)	-	(60,850)
Other changes				
Interest expense	-	72,912	181,575	-
New lease contracts	-	-	-	492,810
Net income	-	-	-	-
Revaluation of defined benefit plan	-	-	-	-
	<u>-</u>	<u>72,912</u>	<u>181,575</u>	<u>492,810</u>
	<u>₩ 90,000,000</u>	<u>365,285,970</u>	<u>199,723,594</u>	<u>801,533</u>

17. Employee Benefits

(1) Employee benefits 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>
Wages and salaries	₩	127,341,684	129,237,609
Expenses related to post-employment defined plans		10,889,495	9,275,321
	₩	<u>138,231,179</u>	<u>138,512,930</u>

(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	₩	60,090,359	55,516,850
Fair value of plan assets		(57,500,215)	(50,144,508)
Net defined benefit liability		2,590,144	5,372,342
Liabilities for short-term employee benefits		10,618,692	14,033,267
Liabilities for long-term employee benefits		1,465,808	1,135,264
Total employee benefit liabilities	₩	<u>14,674,644</u>	<u>20,540,873</u>

17. Employee Benefits, Continued

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

The Company's defined benefit plans are administered by Woori Bank, Samsung Fire & Marine Insurance and others. The principal of its plan assets are guaranteed and the annual yield of its plan assets is 1.22% for 2017.

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

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

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<i>(In thousands of won)</i>	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2017	2016	2017	2016	2017	2016
Balance at January 1	₩ 55,516,850	46,546,789	(50,144,508)	(41,552,309)	5,372,342	4,994,480
Included in profit or loss:						
Current service cost	10,777,979	9,165,591	-	-	10,777,979	9,165,591
Interest cost (income)	1,567,391	1,287,623	(1,455,875)	(1,177,893)	111,516	109,730
	<u>12,345,370</u>	<u>10,453,214</u>	<u>(1,455,875)</u>	<u>(1,177,893)</u>	<u>10,889,495</u>	<u>9,275,321</u>
Included in other comprehensive income or loss:						
Remeasurements loss (gain):						
- Actuarial loss (gain) arising from:						
- demographic assumptions	1,328,786	-	-	-	1,328,786	-
- financial assumptions	(1,362,417)	592,392	-	-	(1,362,417)	592,392
- experience adjustment	405,077	2,444,201	-	-	405,077	2,444,201
- Return on plan assets excluding interest income	-	-	800,204	537,818	800,204	537,818
	<u>371,446</u>	<u>3,036,593</u>	<u>800,204</u>	<u>537,818</u>	<u>1,171,650</u>	<u>3,574,411</u>
Other:						
Contribution paid by the employer	-	-	(12,000,000)	(10,000,000)	(12,000,000)	(10,000,000)
Benefits paid	(6,955,635)	(4,678,326)	4,095,415	2,185,341	(2,860,220)	(2,492,985)
Transfer from (to) affiliated companies	(1,187,672)	281,170	1,204,549	(260,055)	16,877	21,115
Replacement of liabilities held for sale	-	(122,590)	-	122,590	-	-
	<u>(8,143,307)</u>	<u>(4,519,746)</u>	<u>(6,700,036)</u>	<u>(7,952,124)</u>	<u>(14,843,343)</u>	<u>(12,471,870)</u>
Balance at December 31	₩ <u>60,090,359</u>	<u>55,516,850</u>	<u>(57,500,215)</u>	<u>(50,144,508)</u>	<u>2,590,144</u>	<u>5,372,342</u>

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

<i>(In thousands of won)</i>	2017	2016
Deposit for severance benefit insurance	₩ 57,497,806	50,142,099
Transfer to National Pension Fund	2,409	2,409
	<u>₩ 57,500,215</u>	<u>50,144,508</u>

17. Employee Benefits, Continued

(5) Actuarial assumptions

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

	2017	2016
Discount rate	3.50%	3.10%
Future salary growth rate	6.78%	6.61%

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

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At December 31, 2017, the weighted-average duration of the defined benefit obligation was 6.49 years.

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

<i>(In thousands of won)</i>	<u>Movement</u>		<u>Defined benefit obligation</u>
Discount rate	1% increase	₩	(3,500,328)
	1% decrease		3,969,556
Future salary growth rate	1% increase		3,983,290
	1% decrease		(3,575,179)

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

18. Commitments and Contingencies

- (1) The guarantee provided by the Company 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 Layer 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 Company 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	₩	3,619,811	50,453,355	Fulfillment payment guarantee

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

(In thousands of won)

		<u>2017</u>	<u>2016</u>
Overdraft agreement	₩	15,000,000	15,000,000
Bill discount agreement		50,000,000	80,000,000
General loan agreement		391,000,000	391,000,000
Other facility fund loan		53,570,000	70,320,000

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

- (4) As of December 31, 2017, the Company is involved in two lawsuits as a plaintiff for alleged damages of ₩172 million (Prior year end: ₩1,406) million in aggregate, and five lawsuits as a defendant for alleged damages of ₩519 million (Prior year end: ₩3,969 million) in aggregate. The company believes that outcome of these legal actions does not result in a material unfavorable effect on the Company's financial statements.
- (5) The Company 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.
- (6) The Company has an outstanding purchase commitment for the acquisition of the leasehold deposit, which was transferred according to the leasehold deposit transfer commitments with Dongyang multiplex private special mutual fund 2nd during 2015, at fair value in August 28, 2018. The Company holds interest rate forwards to hedge the risk of changes in the fair value of leasehold deposit at the time of repurchase and has recognized loss on valuation of derivative financial assets amounting to ₩3,502 million as finance expense in the statement of comprehensive income.
- (7) The Company has made a total return swap contract with the acquirer of non-guaranteed and subordinated convertible bonds (total face amount of ₩15,000 million) issued by CJ 4DPlex Co., Ltd. a subsidiary of the Company during 2015. According to the contract, the Company should settle the difference derived from the change in the fair value of these convertible bonds when the acquirer sells its convertible bonds to a third-party on the date it become a third year from issuance date.

18. Commitments and Contingencies, Continued

- (8) The Company has made a total return swap contract with the non-controlling shareholder of Bosphorus Investment Co., Ltd., a subsidiary of the Company. According to the contract, the Company should settle the difference derived from the change in the fair value of the interest of Bosphorus Investment Co., Ltd. owned by non-controlling shareholder, when the non-controlling shareholder sells their interests to a third-party.

19. Share Capital

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

(In won, except share data)

		<u>2017</u>	<u>2016</u>
Number of shares authorized		100,000,000	100,000,000
Par value per share	₩	500	500
Number of shares issued		<u>21,161,313</u>	<u>21,161,313</u>
Share capital	₩	<u>10,580,656,500</u>	<u>10,580,656,500</u>

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20. 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	22,006,500	22,006,500
	<u>₩ 89,157,245</u>	<u>89,157,245</u>

21. 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	8,410,000	8,410,000
Unappropriated retained earnings	411,526,357	433,860,178
	<u>₩ 432,289,010</u>	<u>453,882,185</u>

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

21. Retained Earnings, Continued

(2) 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	₩ 453,882,185	426,748,021
Net income (loss)	(13,298,604)	37,268,308
Dividends	(7,406,460)	(7,406,460)
Remeasurement loss of defined benefit plan	(888,111)	(2,727,684)
Ending balance	<u>₩ 432,289,010</u>	<u>453,882,185</u>

(3) Separate statements of appropriation of 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>
	<u>Expected date of appropriation 2018.03.28</u>	<u>Date of appropriation 2017.03.24</u>
I. Unappropriated retained earnings		
Balance at beginning of year	₩ 425,713,072	399,319,554

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Net income (loss)	(13,298,604)	37,268,308
Remeasurement loss of defined benefit plan	(888,111)	(2,727,684)
Balance at end of year before appropriation	<u>411,526,357</u>	<u>433,860,178</u>
II. Appropriation of retained earnings		
Legal reserve	(740,646)	(740,646)
Dividends:		
Cash Dividend(per share dividend(rate))		
₩350 (70%) for 2017 and 2016	<u>(7,406,460)</u>	<u>(7,406,460)</u>
III. Unappropriated retained earnings to be carried over to subsequent year	<u>₩ 403,379,251</u>	<u>425,713,072</u>

22. Other Capital

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

23. Selling, General and Administrative Expenses

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	₩ 120,196,255	120,158,070
Employee benefits	10,194,352	8,535,475
Other employee benefits	14,367,115	14,149,343
Supplies	7,553,690	6,737,494
Rent	99,280,454	93,382,321
Depreciation	2,635,001	2,628,923
Amortization	4,360,913	4,989,395
Advertising	11,923,714	10,083,706
Sales promotion	12,387,701	9,044,628
Maintenance expenses for buildings	63,444,104	58,888,437
Commission	79,927,444	75,174,312
Other expenses	<u>19,787,388</u>	<u>20,250,392</u>
	<u>₩ 446,058,131</u>	<u>424,022,496</u>

24. Nature of Expenses

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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	₩ 49,112,174	49,694,267
Salaries	127,341,684	129,237,609
Employee benefits	10,889,495	9,275,321
Other employee benefits	15,210,364	15,167,283
Supplies	7,553,690	6,737,494
Rent	99,280,454	93,382,321
Depreciation	54,353,682	53,189,640
Amortization	10,077,066	6,801,648
Maintenance expenses for buildings	63,444,104	58,888,437
Commission	83,171,967	78,612,336
Other expenses	367,770,276	351,619,231
Total(*)	<u>₩ 888,204,956</u>	<u>852,605,587</u>

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

25. Other Non-operating Income and Expenses

(1) Details of other non-operating income for the years ended December 31, 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	4,825	31,392
Gain on disposal of investment property	-	310,294
Gain on disposal of asset to be sold	2,112,424	-
Commission income	2,785,803	1,665,918
Rental income	2,464	32,892
Miscellaneous income	11,440,240	7,250,040
	<u>₩ 20,957,967</u>	<u>9,290,536</u>

(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	₩ 875	95,225
Loss on disposal of property and equipment	3,688,882	949,904
Loss on disposal of intangible assets	6,052	9,987
Loss on disposal of investment property	-	1,366,852

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Loss on other investment asset	2,606,938	-
Loss on impairment of equity investment	8,379,760	-
Donations	1,968,690	3,352,720
Miscellaneous loss	3,483,617	8,065,494
	₩ 20,134,814	13,840,182

26. Financial Instruments Income and Costs by Categories

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

<i>(In thousands of won)</i>	2017	2016
Interest income:		
Cash and cash equivalents	₩ 559,049	907,395
Loans and receivables	642,075	866,354
Foreign currency transaction gain:		
Cash and cash equivalents	11	-
Loans and receivables	213	99,390
Financial liabilities recognized at amortized cost	882,363	52,056
Foreign currency translation gain:		
Loans and receivables	-	4,017
Financial liabilities recognized at amortized cost	6,406,438	-
Dividend income	3,751,634	2,445,018
Gain on valuation of derivative financial assets	8,595,925	2,647,945
Gain on transaction of derivative financial assets	126,600	4,860,691
	₩ 20,964,308	11,882,866

26. Financial Instruments Income and Costs by Categories, Continued

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

<i>(In thousands of won)</i>	2017	2016
Interest expense:		
Financial liabilities recognized at amortized cost	₩ 21,739,635	19,268,919
Foreign currency transaction loss:		
Cash and cash equivalents	246	-
Loans and receivables	165,040	29,793
Financial liabilities recognized at amortized cost	34,640	66,553
Foreign currency translation loss:		
Loans and receivables	34,120	4,127
Financial liabilities recognized at amortized cost	-	2,212,194
Loss on disposal of available-for-sale financial assets	75,985	2,599
Loss on valuation of derivative financial assets	61,627,589	-
Loss on transaction of derivative financial assets	257,897	3,733,075
	₩ 83,935,152	25,317,260

27. Income Tax Expense (Income)

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

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<i>(In thousands of won)</i>	<u>2017</u>	<u>2016</u>
Current tax expense	₩ 7,983,533	16,029,994
Income tax refund	(1,075,485)	(1,656,714)
Origination and reversal of temporary differences	(12,083,299)	(5,414,615)
Income tax recognized directly in equity	283,540	870,844
Total income tax expense (Income)	<u>₩ (4,891,711)</u>	<u>9,829,509</u>

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

<i>(In thousands of won)</i>	<u>2017</u>		<u>2016</u>	
	<u>Other comprehensive loss</u>	<u>Deferred tax assets (liabilities)</u>	<u>Other comprehensive loss</u>	<u>Deferred tax assets (liabilities)</u>
Remeasurement loss of defined benefit plan	₩ (1,171,651)	283,540	(3,598,528)	870,844

27. Income Tax Expense (Income), Continued

- (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 (loss) before income taxes	₩ (18,190,315)	47,097,817
Income tax using the Company's statutory tax rate	(3,940,056)	10,935,672
Adjustments:		
- Non-deductible expense	54,933	1,708,812
- Non-taxable income	(258,435)	-
- Unrecognized deferred tax on temporary differences	1,815,072	(348,286)
- Income tax refund	(1,075,485)	(1,656,714)
- Change in temporary differences	(1,036,246)	40,550
- Others	(451,494)	(850,525)
Income tax expense (Income)	<u>₩ (4,891,711)</u>	<u>9,829,509</u>
Average effective tax rate	-	20.87%

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27. Income Tax Expense (Income), Continued

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

(In thousands of won)

		2017		
		Temporary differences	Deferred tax assets (liabilities)	
		Ending balance	Beginning balance	Ending balance
Allowance for doubtful accounts	₩	2,450,294	606,377	592,972
Depreciation		(2,420,398)	(586,995)	(585,736)
Amortization		(2,011,897)	(458,514)	(486,879)
Accrued income		(134,296)	(29,897)	(32,500)
Goodwill		(2,870,644)	(694,696)	(694,696)
Impairment loss on property and equipment		2	-	-
Impairment loss on intangible assets		790,220	191,233	191,233
Provisions		2,119,810	295,646	512,994
Deferred revenues		12,929,126	3,298,887	3,128,849
Lands		(50,520,278)	(12,225,907)	(12,225,907)
Equity method investments		9,879,760	363,000	2,390,902
Bad debt		7,952,034	1,924,392	1,924,392
Prepaid expenses		(60,028,324)	(15,093,512)	(14,526,854)
Present value discount		3,128,903	1,303,726	757,194
Other payables		33,773,490	7,481,828	8,173,185
Gain (loss) on valuation of interest rate forward		1,480,556	(489,204)	358,294
Gain (loss) on valuation of interest rate swap		(2,334)	23,572	(565)
Gain (loss) on valuation of total revenue swap		42,816,939	-	10,361,699

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Gain (loss) on valuation of available-for-sale financial assets	614,576	148,728	148,727
Other provision	-	1,149,500	-
Taxes and dues	13,376	3,237	3,237
Consent dividend	6,447,066	1,215,701	1,560,190
Long-term employee benefits	893,123	105,365	216,136
Accrued retirement and severance benefits	59,965,922	14,157,842	14,511,753
Provision for retirement and severance benefits	(57,497,806)	(13,611,302)	(13,914,469)
Impairment losses on advance payments	310,983	56,255	75,258
Accrued expenses	<u>7,458,755</u>	<u>997,965</u>	<u>1,805,019</u>
	17,538,958	(9,866,773)	4,244,428
Unrecognized deferred tax liabilities (*)		<u>694,696</u>	<u>(1,333,206)</u>
	₩	<u>(9,172,077)</u>	<u>2,911,222</u>

(*) Deferred tax liabilities of ₩695 million and deferred tax asset of ₩2,028 million for temporary differences related to goodwill and investment in subsidiaries were not recognized, as it is not probable that the temporary differences will be reversed in the foreseeable future.

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27. Income Tax Expense (Income), Continued

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

(In thousands of won)

		2016		
		Temporary differences	Deferred tax assets (liabilities)	
		Ending balance	Beginning balance	Ending balance
Allowance for doubtful accounts	₩	2,505,688	618,303	606,377
Depreciation		(2,425,598)	(559,360)	(586,995)
Amortization		(1,894,689)	(416,612)	(458,514)
Accrued income		(123,542)	(21,994)	(29,897)
Goodwill		(2,870,644)	(694,696)	(694,696)
Impairment loss on property and equipment		2	-	-
Impairment loss on intangible assets		790,220	191,233	191,233
Provisions		1,221,673	232,644	295,646
Deferred revenues		13,631,769	3,070,887	3,298,887
Lands		(50,520,278)	(12,784,587)	(12,225,907)
Equity method investments		1,500,000	363,000	363,000
Bad debt		7,952,034	1,924,392	1,924,392
Prepaid expenses		(62,369,884)	(16,648,889)	(15,093,512)
Present value discount		5,387,295	1,056,742	1,303,726
Unearned revenue		-	8,525	-
Other payables		30,916,644	8,044,955	7,481,828
Gain (loss) on valuation of interest rate forward		(2,021,502)	(341,698)	(489,204)
Gain (loss) on valuation of interest rate swap		97,407	27,281	23,572
Gain (loss) on valuation of separable embedded derivatives		-	(731,277)	-
Gain (loss) on valuation of available-for-sale financial assets		614,577	148,728	148,728
Other provision		4,750,000	1,113,200	1,149,500
Taxes and dues		13,376	3,237	3,237
Consent dividend		5,023,558	379,909	1,215,701
Long-term employee benefits		435,392	97,689	105,365
Accrued retirement and severance benefits		58,503,482	10,717,437	14,157,842
Provision for retirement and severance benefits		(56,245,050)	(10,717,437)	(13,611,302)
Impairment losses on advance payments		232,460	-	56,255
Accrued expenses		4,123,822	-	997,965
		(40,771,788)	(14,918,388)	(9,866,773)
Unrecognized deferred tax liabilities(*)			331,696	694,696
	₩		(14,586,692)	(9,172,077)

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

(6) As of December 31, 2017, tax effects of temporary differences are calculated using the the expected average tax rate of the fiscal period when the temporary differences are expected to reverse.

27. Income Tax Expense (Income), Continued

(7) The aggregate amounts of deferred tax assets and liabilities as of December 31, 2017 and 2016 were as follows:

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

For the years ended December 31, 2017 and 2016

<i>(In thousands of won)</i>	<u>2017</u>	<u>2016</u>
Deferred tax assets	₩ 44,684,132	33,323,254
Deferred tax liabilities	(41,772,910)	(42,495,331)
	<u>₩ 2,911,222</u>	<u>(9,172,077)</u>

28. 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:

<i>(In won, except share information)</i>	<u>2017</u>	<u>2016</u>
Net income (loss) attributable to ordinary shares	₩ (13,298,604,194)	37,268,308,080
Weighted average number of ordinary shares	21,161,313	21,161,313
Basic earnings per share	<u>₩ (628)</u>	<u>1,761</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.

29. Related Parties

(1) Parent company and subsidiaries

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

For the years ended December 31, 2017 and 2016

The Company's ultimate controlling company is CJ Corp. and the Company's subsidiaries as of December 31, 2017 are as follows:

<u>Investment Company</u>	<u>Subsidiaries</u>	<u>Location</u>	
CJ CGV CO., LTD.	CJ 4DPlex Co., Ltd.	Korea	
	CJ CGV America, Inc.	United States	
	CGI Holdings Ltd.	Hong Kong	
	Envoy Media Partners Ltd.	British Virgin Islands	
	Cross Junction Investment Co., Pte. Ltd.	Singapore	
	Crown Jade Company Pte. Ltd.	Singapore	
	Bosphorus Investment Co., Ltd.	Korea	
	IKT Holdings Limited	Hong Kong	
	PT Graha Layar Prima Tbk.	Indonesia	
	Pebblestone CGV private Real Estate Investment Trust No.1	Korea	
	Bosphorus Investment Co., Ltd.	MARS ENTERTAINMENT GROUP INC.	Turkey
		MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	Turkey
	CJ CGV America, Inc. CGI Holdings Ltd.	CJ CGV America LA, Llc.	United States
UVD Enterprise Ltd.		Hong Kong	
CJ CGV (Shanghai) Enterprise Management Co., Ltd.		China	
UVD Enterprise Ltd.	CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.	China	
	PanJin CGV Cinema Co., Ltd.	China	
	CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.	China	
	CJ CGV (Harbin) International Cinema Co., Ltd.	China	
	CGV (Changsha) Cinema Co., Ltd.	China	
	YANTAI CGV CINEMA CO., LTD.	China	
	CGV (BEIJING) INTERNATIONAL CINEMA CO., LTD.	China	
	ZIBO CGV CINEMA CO., LTD.	China	
	CGV Orsun (Wuhan) Cinema Co., Ltd.	China	
	Wuhu CGV Cinema Co., Ltd.	China	
	CGV (Tangshan) Cinema Co., Ltd.	China	
	Liaoning CGV Cinema Co., Ltd.	China	
	CGV (HuaiAn) Cinema Co., Ltd.	China	
	CGV (TianJin) Cinema Co., Ltd.	China	
	CGV (Chengdu) Cinema Co., Ltd.	China	
	CGV (Chongqing) Cinema Co., Ltd.	China	
	YuYao CGV Cinema Co., Ltd.	China	
	CGV TianHe (WuHan) Cinema Co., Ltd.	China	
	Jiangmen CGV Cinema Co., Ltd.	China	
	Jiangsu CGV Cinema Investment Co., Ltd.	China	
	CGV (Changzhou) Cinema Co., Ltd.	China	
	Henan CGV Cinema Co., Ltd.	China	
	CGV (Qingdao) Cinema Co., Ltd.	China	
NEIMENGGU CGV CINEMA CO., LTD.	China		
DaLian CGV Cinema Co., Ltd.	China		
CJ CGV (Hubei) Cinema Co., Ltd.	China		

29. Related Parties, Continued

(1) Parent company and subsidiaries, continued

The Company's ultimate controlling company is CJ Corp. and the Company's subsidiaries as of December 31, 2017 are as follows, continued:

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

For the years ended December 31, 2017 and 2016

<u>Investment Company</u>	<u>Subsidiaries</u>	<u>Location</u>
UVD Enterprise Ltd	CGV (Xian) Cinema Co., Ltd. Ganzhou CGV Cinema Co., Ltd. Yanji CGV Cinema Co., Ltd. CJ CGV (Sichuan) Cinema Co., Ltd. Yunnan CGV Cinema Co., Ltd. Fuzhou CGV Cinema Co., Ltd. Zunyi CGV Cinema Co., Ltd. Guangzhou CGV Cinema Co., Ltd. CGV (HaiKou) Cinema Co., Ltd. Qinghai CGV Cinema Co., Ltd. CGV (Shanghai) Cinema Co., Ltd. CGV (SuZhou) Cinema Co., Ltd. CGV (NanChang) Cinema Co., Ltd ShangHai C Media Co., Ltd.(*)	China China China China China China China China China China China China China China
CJ CGV (Shanghai) Enterprise Management Co., Ltd. Envoy Media Partners Ltd. CJ 4DPlex Co., Ltd.	CJ CGV VIETNAM CO., LTD. CJ 4DX (Beijing) Cinema Technology Co., Ltd. CJ 4DPLEX AMERICA, INC. CJ 4DPLEX HONGKONG LIMITED (Formerly, SIMULINE(HONG KONG) LIMITED) CJ 4DPLEX AMERICAS, LLC.	Vietnam China United States Hong Kong United States
CJ 4DPLEX AMERICA, INC. PT Graha Layar Prima Tbk.	PT Graha Layar Mitra	Indonesia

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2017 and 2016

29. 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:

29. Related Parties, Continued

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Disposal of asset held-for-sale	Disposal of property and equipment	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Parent	CJ Corp.	₩ 40,934	-	-	-	-	-	-	-	6,378,098	2,889,950-
Subsidiaries	CJ 4DPlex Co., Ltd.	76,965	52,506	-	-	-	2,629,832	1,993,975	-	787,726	-
	CGV (Xian) Cinema Co., Ltd.	4,327	-	-	-	-	-	-	-	-	-
	CJ CGV (Hubei) Cinema Co., Ltd.	2,042	-	-	-	-	-	-	-	-	-
	DaLian CGV Cinema Co., Ltd.	3,767	-	-	-	-	-	-	-	-	-
	Henan CGV Cinema Co., Ltd.	3,883	-	-	-	-	-	-	-	-	-
	CJ 4DPLEX AMERICA, INC.	-	10,387	-	-	-	-	-	-	-	-
	CJ 4DX (Beijing) Cinema Technology Co., Ltd.	-	10,415	-	-	-	127,079	163,211	-	136,466	-
	CGV (Chengdu) Cinema Co., Ltd.	2,175	-	-	-	-	-	-	-	-	-
	CGV(Changsha) Cinema Co., Ltd.	3,520	-	-	-	-	-	-	-	-	-
	CGV (BEIJING) INTERNATIONAL CINEMA CO., LTD.	1,376	-	-	-	-	-	-	-	-	-
	CJ CGV(Shanghai) Enterprise Management Co., Ltd.	504,167	-	-	-	-	-	-	-	5,028	-
	CJ CGV VIETNAM CO., LTD.	310,515	137,840	-	-	-	-	-	-	-	-
	CJ CGV (Harbin) International Cinema Co., Ltd.	1,731	-	-	-	-	-	-	-	-	-
	CJ CGV America, Inc.	-	9,172	-	-	-	-	-	-	-	-
	CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.	2,624	-	-	-	-	-	-	-	-	-

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2017 and 2016

(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 asset held-for-sale	Disposal of property and equipment	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Subsidiaries	CJ CGV America LA, LLC.	₩ 157,026	-	-	-	-	-	-	-	-	-
	CGI Holdings Ltd.	-	534,187	-	-	-	-	-	-	-	-
	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	19,515	699,461	-	-	-	-	-	-	5,724	-
	PT Graha Layar Prima Tbk.	-	9,182	-	-	-	-	-	-	-	-
	Pebblestone CGV private Real Estate Investment Trust No.1	589,833	-	-	-	700,000	-	-	-	3,772,716	-
	CJ VIETNAM COMPANY LIMITED	-	-	-	-	1,524,720	-	-	-	-	-
Associates	Wuhan CJ XingXing Tiandi	-	-	-	-	-	-	-	-	-	-
	Cinema Co., Ltd.	-	-	-	-	118,978	-	-	-	-	-
Joint ventures	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	-	-	771,214	-	-	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.	-	-	-	-	545,409	-	-	-	-	-
	CJ Cheiljedang Corp.	536,263	2,226	-	-	-	62,494	-	-	5,158,382	-
Other related companies	CJ HealthCare Corporation	68,796	-	-	-	-	-	-	-	687	-
	CJ Freshway Corporation	41,757	-	-	-	-	26,242,404	-	-	78,434	-
	CJ Foodvill Co., Ltd.	3,089,529	9,983	-	-	-	4,833,078	976,406	-	3,609,206	-
	CJ Dondonfarm Co., Ltd.	2,485	-	-	-	-	-	-	-	-	-
	CJ Sea Food Co., Ltd.	2,171	-	-	-	-	-	-	-	-	-
	WON JI	1,435	-	-	-	-	-	-	-	-	-
CJ O Shopping Co., Ltd.	203,511	48,900	-	-	-	-	-	-	589,948	-	

29. Related Parties, Continued

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2017 and 2016

(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 asset held-for-sale	Disposal of property and equipment	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related companies	CJ Worldis Co., Ltd.	₩ 3,623	130	-	-	-	-	-	-	-	-
	CJ Hellovision Co., Ltd.	41,861	-	-	-	-	-	-	-	-	-
	CJ Telenix Co., Ltd.	4,303	-	-	-	-	-	-	-	1,626,584	-
	SUPERRACE	-	-	-	-	-	-	-	-	800,000	-
	CJ Korea Express Co., Ltd.	92,646	-	-	-	-	-	82,560	-	137,478	-
	CJ Powercast Inc.	85,076,237	-	-	-	-	75,150	255,615	98,377	3,642,912	-
	Art service Co., Ltd.	83,384	-	-	-	-	-	-	-	-	-
	CJ E&M Corp.	2,898,465	376	-	443,439	-	44,013,380	-	359,058	1,357,464	-
	MEZZOMEDIA INC.	2,526	-	-	-	-	-	-	179,800	341,194	-
	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	7,827	4,710,469	-	-	-	520,057	7,003,667	26,503,465	-
	CJ Construction Co., Ltd.	42,222	-	-	-	-	-	6,382	-	742,148	-
	CJ MD1 Corp.	1,692	-	-	-	-	-	-	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	-	-	-	328,332	-
	Timewise Investment	1,856	-	-	-	-	-	-	-	-	-
SG Safety Corporation	947	-	-	-	-	-	-	28,756	272,433	-	
		₩ 94,855,027	1,532,592	4,710,469	443,439	3,660,321	77,989,799	4,020,580	7,640,902	56,274,425	2,889,950

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2017 and 2016

29. 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:

(In thousands of won)

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

29. Related Parties, Continued

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

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, continued:

(In thousands of won)

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

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

For the years ended December 31, 2017 and 2016

29. Related Parties, Continued

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

(In thousands of won)

Relationship	Name		Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities
Parent	CJ Corp.	₩	4,512	-	108,263	-	-	488,716
Subsidiaries	CJ 4DPlex Co., Ltd.		12,014	-	281,218	497,859	-	1,325,551
	CJ 4DX (Beijing) Cinema Technology Co., Ltd		-	-	-	95,133	-	-
	CJ CGV (Shanghai) Enterprise Management Co., Ltd.		491,565	-	-	300	-	4,916
	CJ CGV VIETNAM CO., LTD.		291,391	-	-	-	-	-
	CJ CGV America LA, LLC.		-	-	-	-	-	7,429
	CJ CGV America, Inc.		-	-	1,187	-	-	-
	PT Graha Layar Prima Tbk.		-	-	8,700	-	-	-
	Pebblestone CGV private Real Estate Investment Trust No.1		59,258	2,500,707	700,000	-	-	471,188
Other related companies	CJ Cheiljedang Corp.		136,460	-	177,619	6,026	230,000	1,303,209
	CJ HealthCare Corporation		10,464	-	1,109	-	-	31
	CJ Freshway Corporation		5,425	-	169	8,939,508	-	10,264
	CJ Foodvill Co., Ltd.		214,039	40,000	471,651	3,351,833	350,000	2,582,983
	CJ Dondonfarm Co., Ltd.		417	-	71	-	-	-
	CJ Sea Food Co., Ltd.		67	-	-	-	-	-
	WON JI		242	-	-	-	-	-
	CJ O Shopping Co., Ltd.		43,443	-	324,646	324	-	1,120,741
	CJ Worldis Co., Ltd.		-	-	1,085	-	-	5,280
	CJ Hellovision Co., Ltd.		16,644	-	34,710	-	-	9,952
	CJ Telenix Co., Ltd.		6,673	-	11,726	-	-	168,859
	CJ Korea Express Co., Ltd.		12,954	-	808	-	-	22,143
	CJ Powercast Inc.		27,465,450	-	8,393	407,099	-	402,616
	Art service Co., Ltd.		11,152	-	15	-	-	-
	CJ E&M Corp.		836,367	380,635	2,006,006	4,835,312	-	436,878
	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 Digitalmusic Corporation		-	-	-	-	-	10,400
	CJ OliveNetworks Co., Ltd.		24,374,898	-	1,691,346	222,787	30,000	13,890,317
	CJ Construction Co., Ltd.		6,138	-	4,998,129	-	-	1,151,300
	CJ MD1 Corp.		477	-	83	-	-	-
	Joy Rentcar		-	-	-	-	-	27,907
	Timewise Investment		142	-	21	-	-	-
	SG Safety Corporation		-	-	-	-	-	68,327
		₩	<u>55,520,269</u>	<u>2,921,342</u>	<u>10,827,679</u>	<u>18,356,181</u>	<u>630,000</u>	<u>23,509,050</u>

29. Related Parties, Continued

CJ CGV CO., LTD.
Notes to the Separate 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	Other receivables	Trade payables	Deposits received	Other liabilities
Parent	CJ Corp.	₩ 3,314	-	40	-	-	453,513
Subsidiaries	CJ 4DPlex Co., Ltd.	18,908	-	7,016	455,894	-	840,341
	CJ CGV (Shanghai) Enterprise Management Co., Ltd.	85,808	-	-	-	-	-
	CJ CGV VIETNAM CO., LTD.	356,678	-	-	-	-	-
	CJ CGV America LA, LLC.	-	-	-	-	-	2,645
	IKT Holdings Limited	-	-	25,027	-	-	-
	Wisely Act Limited	-	-	25,839	-	-	-
	JAVA Investment Limited	-	-	2,959	-	-	-
	KSAMO Holdings Limited	-	-	1,464	-	-	-
	KTM Investment Limited	-	-	2,215	-	-	-
	APOLLON Investment Limited	-	-	3,810	-	-	-
	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	-	-	133,598	-	-	-
Joint ventures	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	1,171,974	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.	-	-	956,054	-	-	-
Other related companies	CJ Cheiljedang Corp.	84,634	-	492,765	-	-	1,295,645
	CJ HealthCare Corporation	86,658	-	24,393	-	-	344
	CJ Freshway Corporation	66,007	-	100,055	9,231,828	-	15,344
	CJ Foodvill Co., Ltd.	202,351	110,000	1,517,261	862,994	870,000	4,551,195
	CJ Dondonfarm Co., Ltd.	181	-	-	-	-	-
	CJ Sea Food Co., Ltd.	173	-	-	-	-	-
	WON JI	1,951	-	162	-	-	-
	CJ O Shopping Co., Ltd.	39,172	-	2,146,137	-	-	2,762,387
	CJ Worldis Co., Ltd.	-	-	996	-	-	93,091
	CJ Hellovision Co., Ltd.	110,718	-	192,032	-	-	13,300
	CJ Telenix Co., Ltd.	16,870	-	24,170	-	-	201,450
	CJ Korea Express Co., Ltd.	52,637	-	242,924	-	-	76,080
	CJ Powercast Inc.	33,042,157	-	18,029	-	-	738,912
	Art service Co., Ltd.	3,245	-	59	-	-	-
	CJ E&M Corp.	1,060,979	380,635	1,222,658	10,199,944	-	619,439
	MEZZOMEDIA INC.	4,859	-	765	-	-	-
	K Valley Co., Ltd.	1,274	-	198	-	-	-
	Studio Dragon Corporation	1,001	-	60	-	-	-
	CJ Digitalmusic Corporation	-	-	-	-	-	40,326
	CJ OliveNetworks Co., Ltd.	28,211,294	-	2,744,245	-	60,000	10,412,616
	CJ Construction Co., Ltd.	8,272	-	5,074,268	-	-	1,080,108
	CJ MD1 Corp.	2,085	-	252	-	-	-
	Timewise Investment	153	-	131	-	-	-
	SG Safety Corporation	-	-	-	-	-	15,274
		₩					
		<u>63,461,379</u>	<u>490,635</u>	<u>16,131,556</u>	<u>20,750,660</u>	<u>930,000</u>	<u>23,212,010</u>

29. Related Parties, Continued

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

For the years ended December 31, 2017 and 2016

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

<i>(In thousands of won)</i>		<u>2017</u>	<u>2016</u>
Short-term employee benefits	₩	1,285,374	1,156,426
Costs related to defined benefit plan		124,352	101,654
Long-term employee benefits		(13,304)	58,045
	₩	<u>1,396,422</u>	<u>1,316,125</u>

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

(7) Details of guarantees which the Company has provided for related companies as of December 31, 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>
Subsidiaries	CGI Holdings Ltd.	₩	21,428,000	Credit-line guarantee	Woori Bank Hong Kong
			23,276,466		KEB Hana Bank Hong Kong
			21,428,000		HSBC
			61,605,500		The Export-Import Bank of Korea
			10,714,000		Shinhan Bank Hong Kong
			21,428,000		Korea Development Bank
			26,785,000		Bank of America
			20,356,600		NH Bank
			30,208,000		Shinhan Bank Vietnam
			10,714,000		Standard Chartered Bank Vietnam
		10,714,000	HSBC Vietnam		
		16,071,000	Korea Development Bank Vietnam		
		10,337,744	Woori Bank Vietnam		
		4,285,600	KEB Hana Bank		
		13,928,200	Bank of the west		
		3,214,200	Korea Development Bank		
		4,285,600	Shinhan Bank USA		
	10,714,000	CITIBANK Korea			
	25,519,000	HSBC			
	80,000,000	NH Bank, etc.			
	10,714,000	CITIBANK Korea			
	2,133,000	PT Koexim Mandiri Finance			
	17,000,000	The Export-Import Bank of Korea			
	-	Guarantee on lease contracts	MADANG, LLC.		
Joint venture	D-Cinema Korea Co., Ltd.	-	Performance guarantee	20th Century Fox Film Corporation	