

CJ CGV CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2018 and 2017

(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.

Opinion

We have audited the consolidated financial statements of CJ CGV CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Yee Hyun Choi.

Other matters

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

KPMG Samjong Accounting Corp.

Seoul, Korea
March 12, 2019

This report is effective as of March 12, 2019, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

As of December 31, 2018 and 2017

(In won)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Assets			
Cash and cash equivalents	5,6 ₩	185,332,713,042	132,572,270,858
Trade receivables	5,8,32	165,784,171,360	170,830,944,269
Inventories	9	18,772,487,500	17,886,274,593
Other current financial assets	5,10,32	29,895,302,060	56,482,780,303
Other current assets	11	97,214,545,897	79,803,755,852
Income tax refund receivables		32,802,157	32,486,462
Current assets		<u>497,032,022,016</u>	<u>457,608,512,337</u>
Investments in equity method investees	12	50,143,718,185	46,602,218,895
Investment property	7,13,32	43,225,438,220	43,195,517,671
Property and equipment	7,14,16,32	899,809,698,331	1,001,983,720,050
Intangible assets	7,15,32	460,163,901,355	727,736,094,592
Deferred tax assets	30	61,978,175,657	10,170,761,240
Non-current trade receivables	5,8	32,629,563,937	26,348,457,418
Other non-current financial assets	5,10,32	47,202,139,065	43,897,319,739
Other non-current assets	11	142,001,335,740	102,558,243,959
Non-current assets		<u>1,737,153,970,490</u>	<u>2,002,492,333,564</u>
Total assets		₩ <u>2,234,185,992,506</u>	<u>2,460,100,845,901</u>

See accompanying notes to the consolidated financial statements.

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

As of December 31, 2018 and 2017

<i>(In won)</i>	<u>Note</u>	<u>2018</u>	<u>2017</u>
Liabilities			
Trade payables	5,32	₩ 121,477,399,235	117,985,997,458
Other payables	5,20,32	137,156,489,771	203,475,319,293
Short-term borrowings	5,18,32	196,295,281,090	254,686,821,989
Current portion of debentures	5,18	49,973,871,531	49,981,429,067
Current portion of long-term borrowings	5,18	183,614,310,851	80,157,039,353
Current tax liabilities		25,505,464,912	8,995,520,480
Other current financial liabilities	5,16,31	10,805,284,357	26,535,284,090
Other current liabilities	17	138,010,072,727	126,534,137,392
Current liabilities		<u>862,838,174,474</u>	<u>868,351,549,122</u>
Long-term debentures	5,18	184,733,134,108	149,742,164,474
Long-term borrowings	5,18	303,293,964,061	512,182,725,914
Long-term other payables	5,20	33,571,326,234	29,218,978,335
Employee benefits	19	11,105,839	5,446,226,332
Deferred tax liabilities	30	26,983,635,079	30,090,305,557
Other non-current financial liabilities	5,16,32	246,559,059,622	64,308,496,934
Other non-current liabilities	17,19	25,914,912,993	23,097,837,990
Non-current liabilities		<u>821,067,137,936</u>	<u>814,086,735,536</u>
Total liabilities		<u>1,683,905,312,410</u>	<u>1,682,438,284,658</u>
Shareholders' equity			
Common stock	1,4,21	10,580,656,500	10,580,656,500
Capital surplus	22	89,157,245,168	89,157,245,168
Retained earnings	23	181,671,333,598	319,944,353,479
Other capital	24,25	(169,600,939,407)	(111,696,942,295)
Equity attributable to owners of the Parent Company		<u>111,808,295,859</u>	<u>307,985,312,852</u>
Non-controlling interests	1	<u>438,472,384,237</u>	<u>469,677,248,391</u>
Total shareholders' equity		<u>550,280,680,096</u>	<u>777,662,561,243</u>
Total liabilities and shareholders' equity		₩ <u>2,234,185,992,506</u>	<u>2,460,100,845,901</u>

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2018 and 2017

<i>(In won)</i>	<u>Note</u>	<u>2018</u>	<u>2017</u>
Revenue	7,32 ₩	1,769,356,467,477	1,714,387,173,382
Cost of sales	27,32	(857,016,645,960)	(847,114,730,834)
Gross profit		<u>912,339,821,517</u>	<u>867,272,442,548</u>
Selling, general and administrative expenses	26,27,31	(834,633,082,692)	(781,029,549,068)
Operating profit		<u>77,706,738,825</u>	<u>86,242,893,480</u>
Finance income	29	20,665,534,038	25,257,049,378
Finance costs	29	(243,044,950,717)	(109,202,929,283)
Other non-operating income	28	41,860,298,596	24,431,794,526
Other non-operating expenses	28	(112,352,481,284)	(19,887,522,711)
Gain on investments in associates	12	4,960,661,188	5,003,937,375
Loss on investments in associates	12	(276,438,487)	(299,497,477)
Income (Loss) before income tax		<u>(210,480,637,841)</u>	<u>11,545,725,288</u>
Income tax expense(income)	30	21,939,550,789	(1,509,356,486)
Net income (loss)	7	<u>(188,541,087,052)</u>	<u>10,036,368,802</u>
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit plan	19	(1,525,434,373)	(1,635,688,287)
Taxes on items that will not be reclassified to profit or loss		374,691,814	299,430,442
Total items that will not be reclassified to profit or loss		<u>(1,150,742,559)</u>	<u>(1,336,257,845)</u>
Reclassified adjustment of available-for-sale financial assets		-	146,715,660
Change in equity of equity method investments	12	(233,091,435)	(3,624,422,473)
Foreign currency translation difference for foreign operations		(170,210,427,549)	(149,417,657,924)
Total items that are or may be reclassified subsequently to profit or loss:		<u>(170,443,518,984)</u>	<u>(152,895,364,737)</u>
Total comprehensive income (loss)	₩	<u>(360,135,348,595)</u>	<u>(144,195,253,780)</u>
Profit attributable to			
Owners of the Parent Company	₩	(140,652,921,745)	(1,402,536,047)
Non-controlling interests		(47,888,165,307)	11,438,904,849
	₩	<u>(188,541,087,052)</u>	<u>10,036,368,802</u>
Total comprehensive income (loss)			
Owners of the Parent Company	₩	(199,614,784,581)	(58,193,324,795)
Non-controlling interests		(160,520,564,014)	(86,001,928,985)
	₩	<u>(360,135,348,595)</u>	<u>(144,195,253,780)</u>
Loss per share			
Basic loss per share	31 ₩	(6,647)	(66)
Diluted loss per share		(6,647)	(66)

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2018 and 2017

<i>(In won)</i>		Common stock	Capital surplus	Retained earnings	Other capital	Non-controlling interest	Total
Balance at January 1, 2017	₩	10,580,656,500	89,157,245,168	329,860,688,120	(56,013,492,591)	546,895,832,055	920,480,929,252
Total comprehensive income (loss)							
Net income (loss)		-	-	(1,402,536,047)	-	11,438,904,849	10,036,368,802
Reclassified adjustment of available-for-sale financial assets		-	-	-	146,715,660	-	146,715,660
Remeasurements of the defined benefit plan		-	-	(1,107,339,044)	-	(228,918,801)	(1,336,257,845)
Change in equity of equity method investments		-	-	-	(3,624,422,473)	-	(3,624,422,473)
Foreign currency translation difference for foreign operations		-	-	-	(52,205,742,891)	(97,211,915,033)	(149,417,657,924)
Transactions with owners of the Parent Company, recognized directly in equity							
Dividends		-	-	(7,406,459,550)	-	(634,242,914)	(8,040,702,464)
Change in scope of consolidation		-	-	-	-	13,624,040,592	13,624,040,592
Dividends to non-controlling interests		-	-	-	-	(4,206,452,357)	(4,206,452,357)
Balance at December 31, 2017	₩	<u>10,580,656,500</u>	<u>89,157,245,168</u>	<u>319,944,353,479</u>	<u>(111,696,942,295)</u>	<u>469,677,248,391</u>	<u>777,662,561,243</u>
Balance at January 1, 2018	₩	10,580,656,500	89,157,245,168	319,944,353,479	(111,696,942,295)	469,677,248,391	777,662,561,243
Adjustment for adopting K-IFRS No.1115		-	-	10,966,377,419	-	1,153,618,860	12,119,996,279
Balance at January 1, 2018(Adjusted)		10,580,656,500	89,157,245,168	330,910,730,898	(111,696,942,295)	470,830,867,251	789,782,557,522
Total comprehensive income (loss)							
Net loss		-	-	(140,652,921,745)	-	(47,888,165,307)	(188,541,087,052)
Remeasurements of the defined benefit plan		-	-	(1,180,016,005)	-	29,273,446	(1,150,742,559)
Change in equity of equity method investments		-	-	-	(233,091,435)	-	(233,091,435)
Foreign currency translation difference for foreign operations		-	-	-	(57,548,755,396)	(112,661,672,153)	(170,210,427,549)
Transactions with owners of the Parent Company, recognized directly in equity							
Dividends		-	-	(7,406,459,550)	-	(866,260,448)	(8,272,719,998)
Change in scope of consolidation		-	-	-	-	736,044,000	736,044,000
Issuance of hybrid instruments		-	-	-	-	147,856,105,840	147,856,105,840
Repayment of hybrid instruments		-	-	-	(122,150,281)	(14,877,849,705)	(14,999,999,986)
Dividends to non-controlling interests		-	-	-	-	(4,685,958,687)	(4,685,958,687)
Balance at December 31, 2018	₩	<u>10,580,656,500</u>	<u>89,157,245,168</u>	<u>181,671,333,598</u>	<u>(169,600,939,407)</u>	<u>438,472,384,237</u>	<u>550,280,680,096</u>

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31, 2018 and 2017

(In won)

	<u>2018</u>	<u>2017</u>
Cash flows used in operating activities		
Net income (loss)	₩ (188,541,087,052)	10,036,368,802
Adjustments for:		
Income tax expense (income)	(21,939,550,789)	1,509,356,486
Defined benefit plan related expenses	13,251,473,819	12,647,067,919
Depreciation	138,580,863,637	130,963,607,376
Amortization	20,802,705,772	38,430,443,899
Bad debt expenses	943,510,730	3,191,056,402
Other bad debt expenses	173,746,061	77,067,685
Foreign currency translation loss	6,323,016,972	6,829,828,095
Interest expense	47,158,729,302	38,587,926,878
Loss of valuation of inventories	875,688,413	560,450,419
Loss on valuation of derivative financial assets	177,576,659,837	61,704,591,237
Loss on transaction of derivative financial assets	8,577,751,259	257,897,020
Loss on disposal of FVTPL– equity instrument	3,647,783	297,189,146
Loss on valuation of FVTPL– equity instrument	1,847,606,065	-
Loss on disposal of other financial assets	8,436,966,357	2,606,938,458
Loss on disposal of property and equipment	5,188,858,105	3,821,307,521
Loss on disposal of intangible assets	483,851,969	625,348,731
Loss on investments in associates	276,438,487	299,497,477
Loss on impairment of tangible assets	2,234,971,915	4,018,507,700
Loss on impairment of intangible assets	88,425,050,947	6,051,792
Other non-cash expenses	8,396,265,729	8,389,081,081
Interest income	(5,307,980,248)	(4,394,832,950)
Foreign currency translation gain	(4,403,155,523)	(10,189,838,922)
Gain on valuation of FVTPL– equity instrument	(24,615,185)	-
Gain on valuation of derivative financial assets	(7,767,865,070)	(8,862,575,665)
Gain on transaction of derivative financial assets	(1,242,228,224)	(126,599,633)
Gain on disposal of property and equipment	(33,373,780,009)	(58,286,028)
Gain on disposal of intangible assets	-	(16,514,434)
Gain on investments in associates	(4,960,661,188)	(5,003,937,375)
Gain on disposal of other financial assets	(413,367,343)	(12,210,549)
Dividends	(57,203,883)	(64,187,340)
Gain on disposal of assets held for sale	-	(2,112,423,542)
Other non-cash income	(2,943,370,866)	(3,688,107,480)
	<u>447,124,024,831</u>	<u>280,293,701,404</u>
Changes in assets and liabilities:		
Trade receivables	(4,297,959,753)	(56,354,200,172)
Other current financial assets	22,193,129,175	(4,492,356,778)
Other current assets	(15,513,760,093)	(26,402,719,471)
Inventories	5,352,222,035	(2,712,256,326)
Other non-current financial assets	(11,147,856,734)	320,211,274
Other non-current assets	(12,404,244,055)	(5,585,467,824)
Trade payables	8,986,074,437	7,268,860,764
Other payables	(80,850,253,155)	57,829,571,978
Other current financial liabilities	(5,832,243,355)	3,684,493,021
Other current liabilities	4,469,397,588	(19,138,804,674)
Long-term other payables	(8,601,617)	(1,487,663,666)
Other non-current financial liabilities	(3,443,193)	6,405,330,164
Other non-current liabilities	4,944,170,877	(2,578,274,715)
Payment of retirement and severance benefits	(3,417,600,320)	(3,482,637,236)
Severance benefits from affiliated companies	217,982,149	150,103,682
Employee benefit plan assets	(16,500,000,000)	(12,800,000,000)
	<u>₩ (103,812,986,014)</u>	<u>(59,375,809,979)</u>

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

For the years ended December 31, 2018 and 2017

(In won)

	<u>2018</u>	<u>2017</u>
Cash generated from operating activities	₩ 154,769,951,765	230,954,260,227
Interest received	7,146,921,782	5,590,968,012
Dividend received	743,030,157	6,026,164,216
Interest paid	(39,373,233,355)	(32,080,688,964)
Income taxes paid	(14,552,850,075)	(16,147,826,528)
Net cash from operating activities	<u>108,733,820,274</u>	<u>194,342,876,963</u>
Cash flows from investing activities		
Proceeds from disposal of investments in associates	-	36,630,510
Proceeds from disposal of FVTPL- equity instrument	271,124,017	3,198,887,644
Decrease of other financial assets	22,490,142,723	53,180,917,559
Proceeds from disposal of property and equipment	209,883,349,295	191,276,986
Proceeds from disposal of intangible assets	1,150,191,741	15,005,512,904
Proceeds from disposal of assets for held	-	2,302,454,311
Acquisition of FVTPL- equity instrument	(793,271,800)	(2,594,590,722)
Acquisition of FVOCI- equity instrument	(6,682,297,500)	-
Increase of other financial assets	(14,000,531,031)	(21,691,253,914)
Acquisition of investments in joint venture	-	(1,797,549,393)
Acquisition of property and equipment	(245,328,731,363)	(278,238,231,785)
Acquisition of intangible assets	(9,944,247,981)	(12,221,946,810)
Acquisition of investment property	(465,431,873)	(43,278,469,475)
Net cash used in investing activities	<u>(43,419,703,772)</u>	<u>(285,906,362,185)</u>
Cash flows from financing activities		
Proceeds from issuance of debentures	84,829,070,000	49,899,460,000
Proceeds from short-term borrowings	529,435,061,359	377,638,838,484
Proceeds from long-term borrowings	43,508,595,300	82,891,307,317
Proceeds from issue of hybrid instruments	149,249,480,000	-
Proceeds from additional paid-in capital from subsidiary	719,596,200	13,578,226,244
Repayment of debentures	(50,000,000,000)	(100,000,000,000)
Repayment of short-term borrowings	(574,424,817,202)	(318,213,020,595)
Repayment of current portion of long-term borrowings	(76,976,028,461)	(33,597,085,000)
Repayment of long-term borrowings	(78,879,591,000)	(1,742,621,557)
Dividends paid	(8,263,736,262)	(8,040,702,464)
Dividends to non-controlling interests	(3,884,587,643)	(4,206,452,285)
Repayment of hybrid instruments	(15,000,000,000)	-
Others, net	(6,111,212,278)	(22,163,144,717)
Net cash used in financing activities	<u>(5,798,169,987)</u>	<u>36,044,805,427</u>
Net increase(decrease) in cash and cash equivalents	59,515,946,515	(55,518,679,795)
Cash and cash equivalents at January 1	132,572,270,858	199,522,589,016
Effect of exchange rate fluctuations on cash held	(6,755,504,331)	(11,431,638,363)
Cash and cash equivalents at December 31	<u>₩ 185,332,713,042</u>	<u>132,572,270,858</u>

See accompanying notes to the consolidated financial statements.

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

1. Reporting Entity

(1) Overview of the Parent Company

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

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

As of December 31, 2018, the Group's major shareholders are as follows:

Shareholders	The number of shares	Ownership (%)
CJ Corp.	8,257,000	39.02
National pension service	1,974,300	9.33
Others	10,930,013	51.65
	<u>21,161,313</u>	<u>100.00</u>

(2) The list of subsidiaries as of December 31, 2018 and 2017 is as follows:

Parent Company	Subsidiaries	Location	Primary business	Effective ownership (%)		
				2018	2017	
CJ CGV Co., Ltd.	CJ 4DPlex Co., Ltd.	Korea	Retail of equipment	90.48	90.48	
	CJ CGV America, Inc.	USA	Foreign Investment	100.00	100.00	
	CGI Holdings Ltd.	Hong Kong	Foreign Investment	100.00	100.00	
	CJ CGV Vietnam Holdings Co., Ltd. (Formerly, Envoy Media Partners Ltd.)	British Virgin Island	Foreign Investment	100.00	100.00	
	Cross Junction Investment Co., Pte. Ltd.	Singapore	Foreign Investment	100.00	100.00	
	Crown Jade Company Pte. Ltd.	Singapore	Foreign Investment	100.00	100.00	
	Bosphorus Investment Co., Ltd.	Korea	Foreign Investment	52.23	52.23	
	IKT Holdings Limited	Hong Kong	Foreign Investment	100.00	100.00	
	PT Graha Layar Prima Tbk. (*)	Indonesia	Theater operation	51.00	51.00	
	Pebblestone CGV private Real Estate Investment Trust No.1	Korea	Real estate investment	51.47	51.47	
	CJ CGV ADG Investment Co., Ltd.	Hong Kong	Foreign Investment	70.00	-	
	Bosphorus Investment Co., Ltd.	MARS ENTERTAINMENT GROUP INC.	Turkey	Foreign Investment	39.29	39.29
		MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	Turkey	Theater operation	39.29	39.29
	CJ CGV America, Inc.	CJ CGV America LA, LLC.	USA	Theater operation	100.00	100.00
CGI Holdings Ltd.	UVD Enterprise Ltd.	Hong Kong	Theater operation	100.00	100.00	
	CJ CGV (Shanghai) Enterprise Management Co., Ltd.	China	Theater operation	100.00	100.00	
UVD Enterprise Ltd.	CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.	China	Theater operation	100.00	100.00	
	PanJin CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
	CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.	China	Theater operation	100.00	100.00	
	CJ CGV (Harbin) International Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
	CGV (Changsha) Cinema Co., Ltd.	China	Theater operation	100.00	100.00	
	YANTAI CGV CINEMA CO., LTD.	China	Theater operation	100.00	100.00	
	CGV (BEIJING) INTERNATIONAL CINEMA CO., LTD.	China	Theater operation	100.00	100.00	
	ZIBO CGV CINEMA CO., LTD.	China	Theater operation	100.00	100.00	

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

For the years ended December 31, 2018 and 2017

1. Reporting Entity, Continued

(2) The list of subsidiaries as of December 31, 2018 and 2017 are as follows, continued:

Parent Company	Subsidiaries	Location	Primary business	Effective ownership (%)	
				2018	2017
	CGV Orsun (Wuhan) Cinema Co., Ltd.	China	Theater operation	70.00	70.00
	Wuhu CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Tangshan) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Liaoning CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (HuaiAn) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (TianJin) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Chengdu) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Chongqing) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	YuYao CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV Tianhe (Wuhan) Cinema Co., Ltd.	China	Theater operation	70.00	70.00
	Jiangmen CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Jiangsu CGV Cinema Investment Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Changzhou) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Henan CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Qingdao) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	NEIMENGGU CGV CINEMA CO., LTD.	China	Theater operation	100.00	100.00
	DaLian CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CJ CGV (Hubei) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Xian) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Ganzhou CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Yanji CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CJ CGV (Sichuan) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Yunnan CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Fuzhou CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Zunyi CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Guangzhou CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (HaiKou) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	Qinghai CGV Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (Shanghai) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (SuZhou) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	CGV (NanChang) Cinema Co., Ltd.	China	Theater operation	100.00	100.00
	GuangXi CGV Cinema Co., Ltd.	China	Theater operation	100.00	-
	Shanghai CJ CGV Yongtai Road Cinema Co., Ltd.	China	Theater operation	100.00	-
CJ CGV (Shanghai) Enterprise Management Co., Ltd.	ShangHai C Media Co., Ltd.	China	Advertising agency	58.00	58.00
CJ CGV Vietnam Holdings Co., Ltd. (Formerly, Envoy Media Partners Ltd.)	CJ CGV VIETNAM CO., LTD.	Vietnam	Theater operation	80.00	80.00
CJ 4DPlex Co., Ltd.	CJ 4DX (Beijing) Cinema Technology Co., Ltd.	China	Retail of equipment	90.48	90.48
	CJ 4DPLEX AMERICA, INC.	USA	Retail of equipment	90.48	90.48
	CJ 4DPLEX HONGKONG LIMITED	Hong Kong	Foreign Investment	90.48	90.48
CJ 4DPLEX AMERICA, INC.	CJ 4DPLEX AMERICAS, LLC.	USA	Retail of equipment	90.48	90.48
PT Graha Layar Prima Tbk.	PT Graha Layar Mitra	Indonesia	Theater operation	50.91	50.91
CJ CGV ADG Investment Co., Ltd.	Limited Liability Company MODERN	Russia	Theater operation	70.00	-

(*) IKT Holdings Limited's 28.01% stake is included.

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

For the years ended December 31, 2018 and 2017

1. Reporting Entity, Continued

(3) Changes in subsidiaries

1) The list of changes in subsidiaries for the year ended December 31, 2018 is as follows:

Subsidiaries	Reason
CJ CGV ADG Investment Co., Ltd.	New Investment
GuangXi CGV Cinema Co., Ltd.	New investment
Shanghai CJ CGV Yongtai Road Cinema Co., Ltd.	New investment
Limited Liability Company MODERN	Take over

2) The list of subsidiaries in which the Group additionally invested during 2018 is as follows:

(In thousands of won, except ratio)

Subsidiaries	Reason	Investment amount	Effective ownership (%)
UVD ENTERPRISE LTD.	Additional paid-in capital	₩ 25,324,026	100.00
CJ CGV AMERICA, INC.	Additional paid-in capital	15,749,448	100.00
CJ CGV AMERICA LA, LLC.	Additional paid-in capital	2,795,250	100.00
Limited Liability Company MODERN	Additional paid-in capital	2,236,200	70.00
HENAN CGV CINEMA CO., LTD.	Additional paid-in capital	2,228,460	100.00
GANZHOU CGV CINEMA CO., LTD.	Additional paid-in capital	2,227,212	100.00
Shanghai CJ CGV Yongtai Road Cinema Co.,Ltd.	Additional paid-in capital	2,227,212	100.00
JIANGSU CGV CINEMA INVESTMENT CO., LTD.	Additional paid-in capital	2,220,972	100.00
GUANGZHOU CGV CINEMA CO., LTD.	Additional paid-in capital	2,173,548	100.00
CGV (XIAN) CINEMA CO., LTD.	Additional paid-in capital	2,119,884	100.00
CGV (BEIJING) INTERNATIONAL CINEMA CO., LTD.	Additional paid-in capital	1,113,606	100.00
CGV (CHENGDU) CINEMA CO., LTD.	Additional paid-in capital	1,113,606	100.00
CGV (QINGDAO) CINEMA CO., LTD.	Additional paid-in capital	1,113,606	100.00
CJ CGV (HUBEI) CINEMA CO., LTD.	Additional paid-in capital	1,113,606	100.00
CGV (CHANGZHOU) CINEMA CO., LTD.	Additional paid-in capital	1,110,486	100.00
CGV(CHANGSHA) CINEMA CO., LTD.	Additional paid-in capital	1,110,486	100.00
FUZHOU CGV CINEMA CO., LTD.	Additional paid-in capital	1,110,486	100.00
YANJI CGV CINEMA CO., LTD.	Additional paid-in capital	1,110,486	100.00
CGV (TANGSHAN) CINEMA CO., LTD.	Additional paid-in capital	1,059,942	100.00
CJ CGV ADG Investment Co., Limited	Additional paid-in capital	1,583,120	70.00
CROSS JUNCTION INVESTMENT CO., PTE. LTD.	Reduction of capital	(7,326,720)	100.00

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

1. Reporting Entity, Continued

(4) Financial information of subsidiaries

1) Financial information of subsidiaries as of and for the year ended December 31, 2018 was as follows:

(In thousands of won)

Subsidiaries	Asset	Liability	Equity	Revenue	Net profit or loss	Total comprehensive income (loss)
CJ 4DPlex Co., Ltd.	₩ 148,416,123	82,181,921	66,234,202	83,599,087	9,208,430	9,229,587
Bosphorus Investment Co., Ltd.	207,893,581	-	207,893,581	-	(397,808,598)	(397,808,598)
Fuzhou CGV Cinema Co., Ltd.	9,303,816	2,393,873	6,909,943	5,612,691	212,025	181,175
Yanji CGV Cinema Co., Ltd.	6,300,422	2,098,701	4,201,721	3,433,132	(90,609)	(105,012)
CJ CGV (Sichuan) Cinema Co., Ltd.	10,071,692	3,127,777	6,943,915	9,381,153	600,387	552,494
Yunnan CGV Cinema Co., Ltd.	6,394,922	1,162,965	5,231,957	5,158,717	381,612	346,696
Ganzhou CGV Cinema Co., Ltd.	11,764,744	1,623,443	10,141,301	8,004,071	267,189	242,958
CGV (Xian) Cinema Co., Ltd.	13,877,792	3,197,708	10,680,084	14,278,754	923,452	794,014
Crown Jade Company Pte. Ltd.	3,735,919	16,129	3,719,790	-	(7,564)	72,628
CJ CGV (Hubei) Cinema Co., Ltd.	21,914,863	6,768,536	15,146,327	16,669,041	1,007,834	925,697
NEIMENGGU CGV CINEMA CO., LTD.	5,424,803	1,869,160	3,555,643	3,049,812	(183,379)	(199,791)
Cross Junction Investment Co., Pte. Ltd.	151,836	4,582	147,254	-	145,690	(15,178)
DaLian CGV Cinema Co., Ltd.	8,197,226	913,836	7,283,390	7,334,561	782,232	729,478
Henan CGV Cinema Co., Ltd.	12,143,232	2,016,868	10,126,364	7,551,475	191,877	70,080
CGV (Qingdao) Cinema Co., Ltd.	15,806,582	4,575,760	11,230,822	15,409,072	1,394,052	1,327,766
CJ 4DPLEX AMERICA, INC.	8,871,593	8,695,771	175,822	-	(624,911)	(601,153)
CJ 4DPLEX AMERICAS, LLC.	18,754,698	16,707,899	2,046,799	14,236,506	(2,748,043)	(2,585,377)
CGV TianHe (WuHan) Cinema Co., Ltd.	5,462,142	484,081	4,978,061	3,234,153	(68,686)	(94,954)
Jiangmen CGV Cinema Co., Ltd.	7,384,657	596,526	6,788,131	2,892,361	304,062	261,919
Jiangsu CGV Cinema Investment Co., Ltd.	25,677,823	6,693,478	18,984,345	15,517,750	711,980	601,432
CGV (Changzhou) Cinema Co., Ltd.	5,587,113	1,864,035	3,723,078	2,826,172	173,658	151,815
YuYao CGV Cinema Co., Ltd.	17,183,097	2,583,397	14,599,700	14,086,902	6,751	(73,194)
CJ 4DX (Beijing) Cinema Technology Co., Ltd.	57,617,546	37,603,413	20,014,133	24,721,023	2,409,398	2,252,868
CGV (Chongqing) Cinema Co., Ltd.	19,007,975	8,552,835	10,455,140	12,639,389	(62,116)	(118,411)
CGV (Chengdu) Cinema Co., Ltd.	31,141,419	5,414,340	25,727,079	23,722,577	1,801,265	1,649,225
CGV (TianJin) Cinema Co., Ltd.	10,733,173	1,714,846	9,018,327	8,202,561	749,649	687,946
CGV (HuaiAn) Cinema Co., Ltd.	3,907,648	312,809	3,594,839	2,713,450	227,933	204,509
Liaoning CGV Cinema Co., Ltd.	4,124,903	999,502	3,125,401	3,097,126	(376,058)	(386,934)
CGV (Tangshan) Cinema Co., Ltd.	5,412,792	3,144,275	2,268,517	2,957,050	(155,119)	(191,174)
CGV Orsun (Wuhan) Cinema Co., Ltd.	7,664,970	1,009,975	6,654,995	4,115,177	117,303	76,598
Wuhu CGV Cinema Co., Ltd.	2,919,473	466,815	2,452,658	2,131,510	(69,373)	(81,638)
CJ 4DPLEX HONGKONG LIMITED	1,255	111,664	(110,409)	-	(7,639)	(11,867)
ZIBO CGV CINEMA CO., LTD.	1,651,276	1,597,430	53,846	1,241,298	(155,819)	(153,538)
CGV (Changsha) Cinema Co., Ltd.	24,613,833	7,126,599	17,487,234	19,564,267	1,030,196	917,275

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

1. Reporting Entity, Continued

(4) Financial information of subsidiaries, continued

1) Financial information of subsidiaries as of and for the year ended December 31, 2018 was as follows, continued:

(In thousands of won)

Subsidiaries	Asset	Liability	Equity	Revenue	Net profit or loss	Total comprehensive income (loss)
YANTAI CGV CINEMA CO., LTD.	₩ 6,833,728	889,307	5,944,421	4,522,085	569,904	527,812
CGV (BEIJING) INTERNATIONAL CINEMA CO., LTD.	15,492,602	3,854,383	11,638,219	13,522,893	1,443,003	1,359,528
CGV (Shanghai) Enterprise Management Co., Ltd.	126,120,934	102,828,732	23,292,202	20,277,161	655,620	517,419
UVD Enterprise Ltd.	369,681,542	23,465,652	346,215,890	2,130,100	5,472,342	18,531,666
CJ CGV Vietnam Holdings Co., Ltd.						
(Formerly, Envoy Media Partners Ltd.)	59,694,931	43,847	59,651,084	-	1,297,081	3,754,476
CJ CGV VIETNAM CO., LTD.	169,479,612	145,395,862	24,083,750	137,577,028	(1,299,393)	(799,012)
CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.	5,884,868	745,259	5,139,609	4,035,300	309,986	276,337
PanJin CGV Cinema Co., Ltd.	4,716,846	862,215	3,854,631	2,613,466	179,244	154,219
CJ CGV (Harbin) International Cinema Co., Ltd.	16,152,429	2,201,773	13,950,656	10,073,996	596,465	506,721
CJ CGV America, Inc.	30,274,733	6,023,430	24,251,303	-	(574,081)	(295,940)
CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.	10,236,362	2,557,715	7,678,647	9,480,668	757,453	700,611
ShangHai C Media Co., Ltd.	4,513,356	2,760,045	1,753,311	6,465,043	1,312,770	1,281,487
CJ CGV America LA, LLC.	14,642,370	11,236,690	3,405,680	9,871,275	(4,656,777)	(4,508,968)
CGI Holdings Limited.	386,321,349	228,984,157	157,337,192	318,382	(5,444,287)	965,668
Guangzhou CGV Cinema Co., Ltd.	30,779,277	18,217,158	12,562,119	16,851,345	609,166	516,243
Zunyi CGV Cinema Co., Ltd.	3,321,826	333,275	2,988,551	183,127	(257,065)	(269,158)
MARS ENTERTAINMENT GROUP INC.	71,612,609	481	71,612,128	-	(5,456)	(24,688,967)
MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	187,428,267	81,267,103	106,161,164	167,702,952	(2,205,858)	(40,217,726)
IKT Holdings Limited	41,679,507	3,212	41,676,295	-	(11,600)	1,515,635
CGV (HaiKou) Cinema Co., Ltd.	3,888,064	686,483	3,201,581	4,346,416	312,516	289,845
PT Graha Layar Prima Tbk.	133,036,926	46,211,170	86,825,756	91,618,489	1,443,444	(855,366)
PT GRAHA LAYAR MITRA	806,549	474,596	331,953	125,017	105,312	97,980
Pebblestone CGV private Real Estate Investment Trust No.1	64,150,408	37,454,876	26,695,532	6,439,502	1,553,171	1,553,171
Qinghai CGV Cinema Co., Ltd.	1,155,034	37,809	1,117,225	-	227	(5,886)
CGV (ShangHai) Cinema Co., Ltd.	4,500,368	2,353,741	2,146,627	1,982,741	16,858	4,841
CGV (SuZhou) Cinema Co., Ltd.	5,506,309	2,121,643	3,384,666	5,578,654	144,832	123,246
CGV (NanChang) Cinema Co., Ltd.	3,918,991	1,768,938	2,150,053	836,872	(996,390)	(991,680)
CJ CGV ADG Investment Co., Ltd.	2,434,669	4,332	2,430,337	-	(7,007)	(23,143)
GuangXi CGV Cinema Co., Ltd.	3,833,941	2,901,735	932,206	689,920	(99,077)	(182,648)
Shanghai CJ CGV Yongtai Road Cinema Co., Ltd.	4,478,850	1,308,835	3,170,015	382,878	(204,569)	(167,683)
Limited Liability Company MODERN	2,138,981	-	2,138,981	-	31,993	(97,389)

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

1. Reporting Entity, Continued

(4) Financial information of subsidiaries, continued

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

(In thousands of won)

Subsidiaries	Asset	Liability	Equity	Revenue	Net profit or loss	Total comprehensive income (loss)
CJ 4DPlex Co., Ltd.	₩ 107,393,261	49,311,232	58,082,029	69,064,385	(1,835,075)	(1,891,435)
SIMULINE(HONG KONG) LIMITED	5,078	103,620	(98,542)	-	(14,586)	(2,175)
CJ CGV America, Inc.	26,882,308	18,084,514	8,797,794	-	(97,023)	(1,229,482)
CGI Holdings Ltd.	344,252,544	186,814,170	157,438,374	329,155	(5,025,278)	(26,648,859)
CJ CGV America LA, LLC.	15,804,936	10,685,537	5,119,399	8,994,828	(9,192,766)	(8,546,061)
Envoy Media Partners Ltd.	56,028,542	131,934	55,896,608	-	2,035,638	(4,977,287)
UVD Enterprise Ltd.	304,943,350	88,995	304,854,355	700,552	5,606,839	(32,223,252)
CJ CGV (Shanghai) Enterprise Management Co., Ltd.	104,338,136	81,563,354	22,774,782	20,351,597	361,542	(963,337)
CJ CGV (Shen Yang) Film International Cineplex Co., Ltd.	5,789,503	926,231	4,863,272	4,489,297	357,473	90,260
PanJin CGV Cinema Co., Ltd.	4,802,425	988,132	3,814,293	2,900,793	101,764	(118,573)
CJ CGV (Shang Hai) Film International Cineplex Co., Ltd.	10,393,722	3,079,338	7,314,384	10,942,154	624,459	224,139
CJ CGV (Harbin) International Cinema Co., Ltd.	16,254,871	2,152,180	14,102,691	12,756,959	752,559	(58,339)
ShangHai C Media Co., Ltd.	1,339,205	867,381	471,824	4,965,587	825,263	848,350
CGV (Changsha) Cinema Co., Ltd.	21,411,140	5,355,382	16,055,758	17,647,643	681,686	(67,122)
YANTAI CGV CINEMA CO., LTD.	6,584,581	1,167,972	5,416,609	4,599,580	(314,284)	(641,081)
CGV (BEIJING) INTERNATIONAL CINEMA CO., LTD.	14,012,581	4,118,023	9,894,558	13,009,854	632,197	91,447
CJ CGV VIETNAM CO., LTD.	145,227,020	120,344,257	24,882,763	130,639,196	6,526,314	3,927,469
ZIBO CGV CINEMA CO., LTD.	2,025,450	1,818,067	207,383	1,154,008	(488,623)	(517,725)
CGV Orsun (Wuhan) Cinema Co., Ltd.	8,100,251	1,087,521	7,012,730	4,749,432	498,713	103,024
Wuhu CGV Cinema Co., Ltd.	3,146,023	611,727	2,534,296	2,059,744	(398,115)	(560,725)
CGV (Tangshan) Cinema Co., Ltd.	2,522,627	1,122,878	1,399,749	2,065,098	(775,261)	(884,310)
Liaoning CGV Cinema Co., Ltd.	4,573,401	1,061,067	3,512,334	3,319,374	(363,085)	(581,915)
CGV (HuaiAn) Cinema Co., Ltd.	3,717,263	326,933	3,390,330	3,201,427	178,878	(14,017)
CGV (TianJin) Cinema Co., Ltd.	10,225,636	1,895,255	8,330,381	9,614,809	645,766	178,948
CGV (Chengdu) Cinema Co., Ltd.	27,760,815	4,089,942	23,670,873	25,487,121	1,311,277	(33,328)
CGV (Chongqing) Cinema Co., Ltd.	21,196,191	10,622,640	10,573,551	8,373,900	(1,052,417)	(1,513,566)
CJ 4DX (Beijing) Cinema Technology Co., Ltd.	49,261,074	29,466,894	19,794,180	43,375,068	10,616,028	10,102,797
YuYao CGV Cinema Co., Ltd.	19,139,065	4,466,171	14,672,894	9,103,102	(502,989)	(1,163,495)
CGV TianHe (Wuhan) Cinema Co., Ltd.	5,918,724	812,507	5,106,217	4,141,095	39,735	(259,996)
Jiangmen CGV cinema Co., Ltd.	7,299,073	772,861	6,526,212	3,530,479	206,220	(145,593)
Jiangsu CGV cinema investment Co., Ltd.	19,963,350	3,801,408	16,161,942	15,592,390	753,162	(162,822)
CGV (Changzhou) Cinema Co., Ltd.	2,745,060	284,282	2,460,778	2,338,917	181,552	43,336
Henan CGV Cinema Co., Ltd.	9,252,674	1,120,001	8,132,673	7,004,214	349,153	(33,381)
CGV (Qingdao) Cinema Co., Ltd.	12,942,004	3,613,802	9,328,202	15,483,857	614,558	84,863

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

For the years ended December 31, 2018 and 2017

1. Reporting Entity, Continued

(4) Financial information of subsidiaries, continued

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

(In thousands of won)

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

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

1. Reporting Entity, Continued

(5) Non-controlling interest

① The table summarizes the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations as of December 31, 2018 and 2017 as follows:

(In thousands of won)

	2018					
	CJ 4DPlex Co., Ltd.	CJ CGV VIETNAM CO., LTD.	Bosphorus Investment Co., Ltd.	MARS ENTERTAIN MENT GROUP INC.	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	PT Graha Layar Prima Tbk.
Non-controlling interests' ownership(%)	9.52%	20.00%	47.77%	60.71%	60.71%	49.00%
Net assets	₩ 66,234,202	24,083,750	207,893,581	71,612,128	106,161,164	86,825,756
Carrying amount of NCI	7,727,424	4,831,297	206,543,773	(5,787,106)	17,407,524	42,544,571
Net income (loss)	9,208,430	(1,299,393)	(397,808,598)	(5,456)	(2,205,858)	1,443,444
Total comprehensive income (loss)	9,229,587	(799,012)	(397,808,598)	(24,688,967)	(40,217,726)	(855,366)
Net income (loss) allocated to NCI	1,207,589	(259,879)	(53,795,945)	(3,313)	3,034,125	707,288
Total comprehensive income (loss) allocated to NCI	1,209,603	(159,802)	(190,033,167)	(14,988,672)	(20,042,880)	(419,129)

(In thousands of won)

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

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

For the years ended December 31, 2018 and 2017

1. Reporting Entity, Continued

(5) Non-controlling interest, continued

② Changes in material NCI for the years ended December 31, 2018 and 2017 are as follows:

(In thousands of won)

2018

	CJ 4DPlex Co., Ltd.	CJ CGV VIETNAM CO., LTD.	Bosphorus Investment Co., Ltd.	MARS ENTERTAIN MENT GROUP INC.	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	PT Graha Layar Prima Tbk.
NCI at the beginning of the year	₩ 20,353,218	4,987,550	333,822,311	9,200,517	41,821,997	42,963,700
Net income (loss) allocated to NCI	1,207,589	(259,879)	(53,795,945)	(3,313)	3,034,125	707,288
Others	(13,833,383)	103,626	(73,482,593)	(14,984,310)	(27,448,598)	(1,126,417)
NCI at the end of the year	₩ 7,727,424	4,831,297	206,543,773	(5,787,106)	17,407,524	42,544,571

(In thousands of won)

2017

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

2. Basis of Preparation

(1) Statement of compliance

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

The consolidated financial statements were authorized for issue by the board of directors on February 12, 2019, which will be submitted for approval to the shareholders' meeting to be held on March 27, 2019.

CJ CGV Co., Ltd. and Subsidiaries("The Group") has initially applied K-IFRS No.1115 "Revenue from Contracts with Customers" and K-IFRS No.1109 "Financial Instruments" from January 1, 2018. And, significant accounting policy changes are described in Note 3.

(2) Basis of measurement

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

- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through profit and loss
- Financial instruments at fair value through other comprehensive income
- Liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(3) Functional and presentation currency

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

(4) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

1) Management judgement

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

- Note 1 – consolidation: whether the Group has de facto control over an investee; and
- Note 13 – classification of investment property

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

2. Basis of Preparation, Continued

(4) Use of estimates and judgments, continued

2) Assumptions and estimation uncertainties

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

Note 15 – impairment test: key assumptions underlying recoverable amounts, including the recoverability of goodwill;

Note 17 and 20 – provisions and contingencies: key assumptions about likelihood and magnitude of an outflow of resources;

Note 19 - measurement of defined benefit obligations: key actuarial assumptions; and

Note 30– recognition of deferred tax assets: availability of future taxable profit against which carryforward tax losses can be used.

3) Measurement of fair values

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

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

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

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

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

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

Note 5 – risk management

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

3. Change in Accounting Policies

The Group has initially applied K-IFRS No.1115 “Revenue from Contracts with Customers” and K-IFRS No.1109 “Financial Instruments” from January 1, 2018. A number of other new standards are also effective from January 1, 2018 but they do not have a material effect on the Group’s consolidated financial statements.

Because of the transitional provisions that the Group chose to apply the following criteria, some of the hedge requirements and impairment losses on receivables and contract assets were not restated for the previous period except for impairment losses and separate presentation of other contracts.(see (2))

(1) K-IFRS No.1115 *Revenue from contracts with customers*

K-IFRS No.1115 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced K-IFRS No.1018 Revenue, K-IFRS No.1011 Construction Contracts and related interpretations.

Under K-IFRS No.1115, revenue is recognised when the customer controls the goods or services. Control transfers over a point or period of time and requires judgement.

The Group has adopted K-IFRS No.1115 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. January 1, 2018). Accordingly, the Group did not restate the information disclosed in 2018 when it applied K-IFRS No.1011, K-IFRS No.1018 and the related Interpretation. Furthermore, the disclosure requirements in K-IFRS No.1115 generally did not apply to comparative information.

The following table summarizes the impact, net of tax, of transition to K-IFRS No.1115 on the opening balance of retained earnings.

<i>(In thousand won)</i>	<u>Opening balance</u>
Transaction price allocation–Discounts on equipment sales	₩ 20,233,969
Identification of performance obligations–Free warranty	(1,977,836)
Tax effect	(6,136,137)
Impact at January 1, 2018	<u>₩ 12,119,996</u>

The following table summarizes the impacts of adopting K-IFRS No.1115 on the Group’s comparative statement of financial position as of December 31, 2018 and its statement of comprehensive income for the year then ended. There was no significant impact on the Group’s statement of cash flows for the year ended December 31, 2018

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

3. Change in Accounting Policies, Continued

(1) K-IFRS No.1115 *Revenue from contracts with customers*, continued

Impact on the consolidated statement of financial position as of December 31, 2018 is as follows:

<i>(In thousands of won)</i>	As reported	Adjustments	Amounts without adoption of K-IFRS No.1115
Assets			
Current assets	₩ 497,032,022	5,804,415	491,227,607
Non-current assets	1,737,153,970	19,643,521	1,717,510,449
Total assets	₩ 2,234,185,992	25,447,936	2,208,738,056
Liabilities			
Current liabilities	₩ 862,838,174	943,212	861,894,962
Non-current liabilities	821,067,138	6,565,579	814,501,559
Total liabilities	1,683,905,312	7,508,791	1,676,396,521
Equity			
Total equity	₩ 550,280,680	17,939,145	532,341,535

Impact on the consolidated statement of comprehensive income for the year ended December 31, 2018 is as follows:

<i>(In thousands of won)</i>	As reported	Adjustments	Amounts without adoption of K-IFRS No.1115
Revenue	₩ 1,769,356,467	11,569,893	1,757,786,574
Cost of sales	(857,016,646)	(742,205)	(856,274,441)
Gross profit	912,339,821	10,827,688	901,512,133
Sales, general, and administrative expenses	(834,633,083)	-	(834,633,083)
Operating profit	77,706,738	10,827,688	66,879,050
Net income(loss)	(188,541,087)	8,445,597	(196,986,684)
Total comprehensive income(loss)	₩ (360,135,349)	8,445,597	(368,580,946)

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

For the years ended December 31, 2018 and 2017

3. Change in Accounting Policies, Continued

(1) K-IFRS No.1115 *Revenue from contracts with customers*, continued

The Group's changed new accounting policies for revenue stream under K-IFRS No.1115 are as follows:

Type of product / service	Nature, timing of satisfaction of performance obligation, significant payment terms	Revenue recognition under K-IFRS No.1115 (Applies on or after 1 January 2018)	Revenue recognition under K-IFRS No.1018 (Applies before 1 January 2018)
Screen sales	The Group completes the performance obligation at the time the movie is shown in the movie theater.	K-IFRS No.1115 does not have a significant impact on our accounting policies.	The Group recognises revenue when it satisfies the promised performance obligation with the customer at the promised location.
Product sales	Products such as food and beverages manufactured in the cafeteria are subject to transfer of control at the time of delivery to the customer.	K-IFRS No.1115 does not have a significant impact on our accounting policies.	The Group recognises revenue when it provides goods to customers and risks and rewards are transferred.
Advertising sales	The Group completes its performance obligations by posting advertisements on screens in the movie theater and in locations inside the movie theater during the contract period.	K-IFRS No.1115 does not have a significant impact on our accounting policies.	The Group settles monthly advertising costs during the period during which it provides services to customers and recognises revenue at the time.
Equipment sales Other sales	The Group sells the equipment in a single contract with the customer and provides related content. Control of equipment is transferred at the time of sale. The related contents fulfill the performance obligation during the contract period.	Under the changed accounting policy, the Group allocates the discount amount to the identified performance obligation, such as the selling price of the equipment, if there is a discount in a single contract. As a result, the contract asset were recognised	The Group recognises revenue for the discounted selling price.
Identification of performance obligations—free warranty	The Group provides a free warranty that exceeds the normal period depending on the customer.	Under the changed accounting policy, the Group identified free warranties that were provided in excess of the ordinary period as a separate performance obligation, and as a result, contract liabilities were recognised.	Under K-IFRS No.1018, The Group does not separate free warranties that exceed the usual period.
Point	All points paid for movie reservation and product purchase and all points set aside according to event can be used for movie reservation and product purchase. If the customer uses that point, the Group is obliged to provide the customer with goods and services.	Points are determined as "payments to the customer", deducting revenue at the time of payment in relation to all points, and deducting the relevant liability at the time of use.	Points paid for movie reservation and product purchase are deducted from revenue at the time of payment and liabilities are deducted at the time of use. Points set aside for each event are added at the time of payment, and liabilities are deducted at the time of use.

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

3. Change in Accounting Policies, Continued

(2) K-IFRS No.1109 *Financial Instruments*

K-IFRS No.1109 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces K-IFRS No.1039 Financial Instruments: Recognition and Measurement.

In addition, the Group applied the revised K-IFRS No.1109 to its 2018 disclosures, but not to comparative information.

The nature and effect of the major changes in accounting policies resulting from the application of K-IFRS No.1109 are as follows:

A. Classification and measurement of financial assets and financial liabilities

K-IFRS No.1109 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under K-IFRS No.1109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. K-IFRS No.1109 eliminates the previous K-IFRS No.1039 categories of held to maturity, loans and receivables and available for sale. Under K-IFRS No.1109, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

K-IFRS No.1109 largely retains the existing requirements in K-IFRS No.1039 for the classification and measurement of financial liabilities.

The adoption of K-IFRS No.1109 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

The following table and the accompanying notes below explain the original measurement categories under K-IFRS No.1039 and the new measurement categories under K-IFRS No.1109 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

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3. Change in Accounting Policies, Continued

(2) K-IFRS No.1109 *Financial Instruments*, continued

The effect of applying K-IFRS No.1109 to the carrying amount of financial assets on 1 January 2018 only pertains to the new impairment requirements.

(In thousands of won)	Note	Classification under K-IFRS No.1039	Classification under K-IFRS No.1109	Carrying amount under K-IFRS No.1039	Carrying amount under K-IFRS No. 1109
Financial assets					
Investment funds and debt securities	i	Available for sale	FVTPL– equity instrument	₩ 10,551,500	10,551,500
Equity securities	ii	Available for sale	FVOCI – equity instrument	500	500
Trade receivables and other Financial Instruments	iii	Loans and receivables	Amortized cost	278,249,805	278,249,805
Cash and cash equivalents		Loans and receivables	Amortized cost	132,527,271	132,527,271
Total financial assets				₩ 421,329,076	421,329,076

- i. Investment funds and debt securities were classified as available for sale in K-IFRS No.1039. The Group determines that Investment funds and debt securities are not included in a business model that achieves its objective through both collecting contractual cash flows and selling financial assets. Therefore, those assets are classified as at FVTPL– equity instrument in K-IFRS No.1109.
- ii. Equity instruments are products that the Group invests in for long-term strategic purposes. As permitted by K-IFRS No.1109, the Group designated these investments as FVOCI – equity instrument at the date of initial application.
- iii. Trade receivables and other financial assets classified as loans and receivables in accordance with K-IFRS No.1039 are classified as amortised cost.

B. Impairment of financial assets

K-IFRS No.1109 replaces the ‘incurred loss’ model in K-IFRS No.1039 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under K-IFRS No.1109, credit losses are recognised earlier than under K-IFRS No.1039.

Under K-IFRS1109, loss allowance is measured using two criteria:

- 12 month ECL: ECL from default events that are possible within the 12 months after the reporting date.
- Lifetime ECL: ECLs that result from all possible default events over the expected life of a financial instrument.

CJ CGV CO., LTD. AND SUBSIDIARIES

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3. Change in Accounting Policies, Continued

(2) K-IFRS No.1109 *Financial Instruments*, continued

The group considered some of the models and assumptions used to calculate expected credit losses as the main source of uncertainty in its estimates, and information about expected credit losses for amortised cost financial assets other than cash and cash equivalents on 1 January 2018 is as follows:

<i>(In thousands of won)</i>	<u>wighted average loss rate</u>	<u>carrying amount</u>	<u>loss allowance</u>
an overdue date.	0.00% ₩	234,816,671	-
under six months	0.00%	35,111,121	2
more than six months and not more than one year	0.10%	3,660,762	3,490
More than year	69.34%	15,214,940	10,550,197
	₩	<u>288,803,494</u>	<u>10,553,689</u>

C. Transition

Changes in accounting policies resulting from the adoption of K-IFRS No.1109 have been applied retrospectively, except as described below

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points. There is no recognized in the retained earnings and other comprehensive income as of January 1, 2018 for differences between the carrying amounts of financial assets and financial liabilities in accordance with K-IFRS No.1109.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- ① The determination of the business model within which a financial asset is held
- ② The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- ③ The designation of certain investments in equity instruments not held for trading as at FVOCI.

- If an investment in a debt security had low credit risk at the date of initial application of K-IFRS 1109, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

4. Significant Accounting Policies

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

CJ CGV CO., LTD. AND SUBSIDIARIES

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4. Significant Accounting Policies, Continued

(1) Operating segment

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

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

(2) Basis of consolidation

1) Business combination

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

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

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

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

2) Non-controlling interests

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

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(2) Basis of consolidation, continued

3) Subsidiaries

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

4) Loss of control

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

5) Interests in equity method investees

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

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

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

6) Transactions eliminated on consolidation

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

7) Business combination under common control

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(3) Cash and cash equivalents

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

(4) Inventories

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

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

(5) Non-derivative financial assets

① Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

② Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI – debt investment, FVOCI – equity investment, or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, continued

② Classification and subsequent measurement, continued

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, continued

② Classification and subsequent measurement, continued

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, continued

③ Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

④ Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(6) Derivative financial instruments

① Derivatives and Hedge Accounting

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Embedded derivatives are set aside and accounted for separately from the main contract if the main contract is not a financial asset and meets certain requirements. Derivatives are measured at fair value at initial recognition and are subsequently remeasured to their fair value at each reporting date.

Changes are generally recognized as gains and losses.

The Group designates certain derivatives, non-derivative financial liabilities as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(6) Derivative financial instruments, continued

② Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The effective part of the change in the fair value of a derivative recognized in other comprehensive income is to limit the cumulative change in the fair value of the hedged item determined on the basis of its present value from the inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the losses accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires, is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

③ Hedge of net investments

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency translation relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss related to the ineffective portion is recognized immediately in profit or loss. Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

CJ CGV CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(7) Impairment of financial assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

① Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(7) Impairment of financial assets, continued

② Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

③ Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

④ Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(8) Property and equipment

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

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(8) Property and equipment, continued

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

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

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

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

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.

(9) Intangible assets

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

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

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

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(9) Intangible assets, continued

(i) Research and development

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

(ii) Subsequent expenditures

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

(10) Government grants

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

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

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

(11) Investment Property

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

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

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

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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4. Significant Accounting Policies, Continued

(12) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, an asset that is recognised as a result of revenue from a contract with a customer and that arises from the cost of entering into or fulfilling a contract, other than assets arising from employee benefits, inventories, deferred tax assets and non-current assets held for sale are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not

yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

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

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

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Impairment losses recognised for goodwill cannot be reversed in subsequent periods.

Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(13) Leases

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

(i) Finance leases

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

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

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

(ii) Operating leases

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

(iii) Determining whether an arrangement contains a lease

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

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

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For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(14) Non-current assets held for sale

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

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

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

(15) Non-derivative financial liabilities

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

- (i) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.
- (ii) Other financial liabilities
Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.
- (iii) De-recognition of financial liabilities
The Group derecognises the financial liability only if the contractual obligations of the financial liability are satisfied, cancelled, or expired. The Group derecognises the existing liability and recognises the new one at fair value on the basis of the new contract if the terms of the financial liability have changed and the cash flows have changed substantially.
On derecognition of a financial liability, the difference between the carrying amount and the consideration paid (including transferred non-cash assets or liabilities assumed) is recognised in profit or loss.

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4. Significant Accounting Policies, Continued

(16) Employee benefits

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits

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

(iii) Retirement benefits: defined benefit plans

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

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

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

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(17) Provisions

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

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

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

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

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

(18) Foreign currencies

(i) Foreign currency transactions

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

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(18) Foreign currencies, continued

(ii) Foreign operations

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

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

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

(iii) Translation of net investment in a foreign operation

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

(19) Equity capital

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

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(20) Finance income and finance costs

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

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

(21) Income taxes

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

(i) Current tax

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

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(21) Income taxes, continued

(ii) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, for debt instruments measured at fair value, temporary differences are determined between the carrying amount of debt instruments and the tax base regardless of the expected recovery method (sold or held).

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

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. When assessing the feasibility of a deferred tax asset, an estimate of future taxable income that is likely to occur may include that recoverable amount if there is sufficient evidence that the entity is likely to recover some of its assets in excess of its carrying amount. In addition, estimates of future taxable income are calculated at the amount before the deduction effects of the disappearance of deductible temporary differences are considered.

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

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

(22) Earnings per share

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

CJ CGV CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(23) New standards not yet adopted

The following new standards are effective for annual periods beginning after January 1, 2018 and earlier application is permitted; however the Group has not early adopted the following new standards in preparing the accompanying consolidated financial statements.

(i) K-IFRS No.1116 Leases

K-IFRS No.1116 replaces existing leases guidance, including K-IFRS No.1017 Leases, K-IFRS No.2104 Determining whether an Arrangement contains a Lease, K-IFRS No.2015 Operating Leases – Incentives and K-IFRS No.2027 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group is required to adopt K-IFRS No.1116 Leases from 1 January 2019.

K-IFRS No.1116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has assessed the estimated impact that initial application of IFRS No.1116 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on January 1, 2019, may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

The most significant impact to date is the need to recognise new assets and liabilities for theaters and offices that the Group is using as operating leases.

As a result of the introduction of K-IFRS No.1116, the nature of the costs associated with leases will change as the operating lease fee, which was recognised as a fixed amount, will be changed to the depreciation of the licence asset and the interest expense of the lease liability.

1) Whether an arrangement is or contain a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under K-IFRS No.2104. Under K-IFRS No.1116, the Group assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to K-IFRS No.1116, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied K-IFRS No.1116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under K-IFRS No.1017 and K-IFRS No.2104 were not reassessed for whether there is a lease. Therefore, the definition of a lease under K-IFRS No.1116 was applied only to contracts entered into or changed on or after January 2019.

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(23) New standards not yet adopted, Continued

2) Transition

The Group plans to apply K-IFRS No.1116 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting K-IFRS No.1116 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply K-IFRS No.1116 to all contracts entered into before 1 January 2019 and identified as leases in accordance with K-IFRS No.1017 and K-IFRS No.2104.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

K-IFRS No.2123: Uncertainty over Tax Treatments.

K-IFRS No.1109: Prepayment Features with Negative Compensation.

K-IFRS No.1028: Long-term Interests in Associates and Joint Ventures

K-IFRS No.1019: Plan Amendment, Curtailment or Settlement

Annual Improvements to K-IFRS Standards 2015–2017 Cycle – various standards.

Amendments to references to Conceptual Framework in K-IFRS Standards.

K-IFRS No.1117: Insurance Contracts.

CJ CGV CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

5. Risk Management

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

- ✓ Credit risk
- ✓ Liquidity risk
- ✓ Market risk

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

(1) Financial risk management

1) Risk management framework

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

2) Credit risk

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

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

(i) Exposure to credit risk

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

Details of the Group's maximum exposure to credit risk as of December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	2018	2017
Cash and cash equivalents	₩ 179,973,124	126,420,959
Trade receivables	198,413,735	197,179,402
Other financial assets	53,810,890	81,070,404
Derivative financial assets	7,356,745	8,757,696
	₩ 439,554,494	413,428,461

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

5. Risk Management, Continued

(1) Financial risk management, continued

2) Credit risk, continued

(ii) Impairment losses

The aging and impairment losses of loans and receivables, except for cash and cash equivalents, as of December 31, 2018 and 2017 are as follows:

(In thousands of won)

	Weight average loss late	2018	
		Total Book value	Impaired
Not past due	0.00%	₩ 220,482,943	7,670
0-6 months	0.21%	24,791,415	53,139
6-12 months	10.75%	6,471,325	695,663
Over one year	88.30%	10,558,262	9,322,847
		₩ <u>262,303,945</u>	<u>10,079,320</u>

(In thousands of won)

	Weight average loss late	2017	
		Total Book value	Impaired
Not past due	0.00%	₩ 234,816,671	-
0-6 months	0.00%	35,111,121	2
6-12 months	0.10%	3,660,762	3,490
Over one year	69.34%	15,214,940	10,550,197
		₩ <u>288,803,494</u>	<u>10,553,689</u>

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

(iii) Guarantees

As described in note 20 (1), the Group provides financial guarantees to subsidiaries and others. As a result, the Group is exposed to credit risk to the extent of payment guarantee. The Group's maximum exposure to credit risk from financial guarantee contracts as of current and prior year end is ₩19,751 million and ₩35,668 million, respectively.

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

For the years ended December 31, 2018 and 2017

5. Risk Management, Continued

(1) Financial risk management, continued

3) Liquidity risk

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

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

The contractual maturity of financial liabilities as of December 31, 2018 and 2017 including estimated interests payments and excluding the impact of netting agreements, are as follows:

(In thousands of won)

	Book value	Contractual cash outflow	2018		
			Less than one year	One to five years	Over five years
Trade payables	₩ 121,477,399	121,477,399	121,477,399	-	-
Other payables(*)	135,737,654	135,737,654	135,737,654	-	-
Debentures	234,707,005	253,088,662	58,628,835	194,459,827	-
Short-term borrowings	196,295,281	203,217,068	203,217,068	-	-
Long-term borrowings	486,908,275	522,936,425	200,546,124	322,390,301	-
Long-term other payables	33,571,326	65,575,619	3,430,285	24,307,959	37,837,375
Other current financial liabilities	10,805,284	31,269,481	31,269,481	-	-
Other non-current financial liabilities	246,559,060	248,863,985	28,554	244,888,724	3,946,707
	<u>₩ 1,466,061,284</u>	<u>1,582,166,293</u>	<u>754,335,400</u>	<u>786,046,811</u>	<u>41,784,082</u>

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

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

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

5. Risk Management, Continued

(1) Financial risk management, continued

3) Liquidity risk, continued

(In thousands of won)

		2017				
		Book value	Contractual cash outflow	Less than one year	One to five years	Over five years
Trade payables	₩	117,985,997	117,985,997	117,985,997	-	-
Other payables(*)		202,115,745	202,115,745	202,115,745	-	-
Debentures		199,723,593	210,503,075	54,543,350	155,959,725	-
Short-term borrowings		254,686,822	259,134,365	259,134,365	-	-
Long-term borrowings		592,339,765	615,545,957	97,378,120	518,167,837	-
Long-term other payables		29,218,978	50,790,502	-	22,013,772	28,776,730
Other current financial liabilities		26,535,284	62,407,994	62,407,994	-	-
Other non-current financial liabilities		64,308,497	68,207,477	-	66,907,889	1,299,588
	₩	<u>1,486,914,681</u>	<u>1,586,691,112</u>	<u>793,565,571</u>	<u>763,049,223</u>	<u>30,076,318</u>

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

4) Market risk

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

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

(i) Currency risk

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

The amount of the Group's exposure to currency risk as of December 31, 2018 and 2017 are as follows:

(In thousands of won)

		2018			
		USD	VND	IDR	RMB, etc.
Cash and cash equivalents	₩	6,038,259	-	18,508	3,081,403
Trade and Other Receivables		54,468,330	812,361	-	6,677,261
Trade and Other Payables		(21,098,403)	-	-	(3,385,096)
Finance lease liabilities		(428,774)	-	-	-
Borrowings		(198,179,459)	-	-	(17,000,000)
Total exposure		(159,200,047)	812,361	18,508	(10,626,432)
Currency forwards		23,759,625	-	-	17,000,000
Net exposure	₩	<u>(135,440,422)</u>	<u>812,361</u>	<u>18,508</u>	<u>6,373,568</u>

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

For the years ended December 31, 2018 and 2017

5. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk, continued

(i) Currency risk, continued

(In thousands of won)

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

Significant exchange rates applied during the years ended December 31, 2018 and 2017 are as follows:

(In won)

		Average rate		Reporting date spot rate	
		2018	2017	2018	2017
USD	₩	1,100.30	1,130.84	1,118.10	1,071.40
RMB		166.40	167.46	162.76	163.65
VND		0.0478	0.0498	0.0482	0.0472
IDR		0.0774	0.0845	0.0768	0.0790

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, 2018 and 2017 are as follows:

(In thousands of won)

		2018		2017	
		10% strengthening	10% weakening	10% strengthening	10% weakening
USD	Total exposure	₩ (15,920,005)	15,920,005	(20,969,347)	20,969,347
	Currency forwards	2,375,963	(2,375,963)	4,955,225	(4,955,225)
	Net exposure	(13,544,042)	13,544,042	(16,014,122)	16,014,122
VND		81,236	(81,236)	153,156	(153,156)
IDR		1,851	(1,851)	1,877	(1,877)
RMB, etc.	Total exposure	(1,062,643)	1,062,643	246,827	(246,827)
	Currency forwards	1,700,000	(1,700,000)	-	-
	Net exposure	637,357	(637,357)	246,827	(246,827)

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

5. Risk Management, Continued

(1) Financial risk management, continued

4) Market risk, continued

(ii) Interest rate risk

Carrying amount of interest-bearing financial instruments held by the Group as of December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Fixed rate instruments:		
Financial assets	₩ 938,060	15,701,649
Financial liabilities	(680,485,348)	(802,211,130)
	<u>₩ (679,547,288)</u>	<u>(786,509,481)</u>
Variable rate instruments:		
Financial assets	₩ 182,286,424	128,158,559
Financial liabilities	(307,366,677)	(350,407,523)
	<u>₩ (125,080,253)</u>	<u>(222,248,964)</u>

- Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging 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, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>		<u>2017</u>	
	<u>0.5% Point increase</u>	<u>0.5% Point decrease</u>	<u>0.5% Point increase</u>	<u>0.5% Point decrease</u>
Variable rate instruments	₩ (625,401)	625,401	(1,111,245)	1,111,245
Interest rate swap	264,706	(264,706)	243,440	(243,440)
Cash flow sensitivity, net	<u>₩ (360,695)</u>	<u>360,695</u>	<u>(867,805)</u>	<u>867,805</u>

(iii) Other market price risk

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

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

For the years ended December 31, 2018 and 2017

5. Risk Management, Continued

(1) Financial risk management, continued

5) Fair values

The carrying amount and fair value of financial assets and liabilities as of December 31, 2018 and 2017 are as follows:

(In thousands of won)

		2018		
		Carrying Amount	Fair value Level 2	Fair value Level 3
Financial assets measured at fair value				
Fair value through profit or loss				
Derivative financial assets (*2)	₩	7,356,745	7,356,745	-
Equity Investments and Debt securities		9,247,009	794,615	8,452,394
Subtotal		<u>16,603,754</u>	<u>8,151,360</u>	<u>8,452,394</u>
Fair value through other comprehensive income				
Equity securities		6,682,798	-	6,682,798
Total	₩	<u>23,286,552</u>	<u>8,151,360</u>	<u>15,135,192</u>
Financial assets not measured at fair value (*1)				
Cash and cash equivalents		185,332,713	-	-
Trade receivables		198,413,735	-	-
Other financial assets		53,810,890	-	-
Subtotal		<u>437,557,338</u>	<u>-</u>	<u>-</u>
Total	₩	<u>460,843,890</u>	<u>8,151,360</u>	<u>15,135,192</u>
Financial liabilities measured at fair value				
Fair value through profit or loss				
Derivative financial liabilities (*2)(*3)	₩	229,191,025	397,524	228,793,501
Financial liabilities not measured at fair value (*1)				
Trade payables		121,477,399	-	-
Other payables		137,156,490	-	-
Borrowings and debentures		917,910,562	-	-
Long-term other payables		33,571,326	-	-
Other financial liabilities		28,173,319	-	-
Subtotal		<u>1,238,289,096</u>	<u>-</u>	<u>-</u>
Total	₩	<u>1,467,480,121</u>	<u>397,524</u>	<u>228,793,501</u>

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

(*2) The fair value of derivatives classified as Level 2 was measured by applying a cash flow discount model using the forward exchange rate as of the end of the reporting period.

(*3) The fair value of derivatives classified as level 3 was measured using a binomial model using volatility. The valuation loss of ₩177,577 million won related to the derivatives is recognized as a financial expense in the statement of comprehensive income.

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5. Risk Management, Continued

(1) Financial risk management, continued

5) Fair values, continued

The carrying amount and fair value of financial assets and liabilities as of December 31, 2018 and 2017 are as follows, continued:

(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)	₩ 8,757,696	-	-	-	8,757,696	275,031	8,482,665
Financial assets not measured at fair value (*1)							
Cash and cash equivalents	-	132,572,271	-	-	132,572,271	-	-
Trade receivables	-	197,179,402	-	-	197,179,402	-	-
Available-for-sale: equity investments(*2)	-	-	10,552,000	-	10,552,000	-	-
Other financial assets	-	81,070,403	-	-	81,070,403	-	-
Subtotal	-	410,822,076	10,552,000	-	421,374,076	-	-
Total	₩ 8,757,696	410,822,076	10,552,000	-	430,131,772	275,031	8,482,665
Financial liabilities measured at fair value							
Derivative financial liabilities (*4)	₩ 53,739,023	-	-	-	53,739,023	2,522,182	51,216,841
Financial liabilities not measured at fair value(*1)							
Trade payables	-	-	-	117,985,997	117,985,997	-	-
Other payables	-	-	-	202,115,745	202,115,745	-	-
Borrowings and debentures	-	-	-	1,046,750,181	1,046,750,181	-	-
Long-term other payables	-	-	-	29,218,978	29,218,978	-	-
Other financial liabilities	-	-	-	37,104,758	37,104,758	-	-
Subtotal	-	-	-	1,433,175,659	1,433,175,659	-	-
Total	₩ 53,739,023	-	-	1,433,175,659	1,486,914,682	2,522,182	51,216,841

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

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

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

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

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

5. Risk Management, Continued

(1) Financial risk management, continued

6) Transfers of financial asset

Amount of repurchasing 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 3 years</u>
Put option	₩ 198,600,000

(2) Capital Management

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

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

(In thousands of won, except ratio)

	<u>2018</u>	<u>2017</u>
Total liabilities (a)	₩ 1,683,905,312	1,682,438,285
Total equity (b)	550,280,680	777,662,561
Cash and cash equivalents (c)	185,332,713	132,572,271
Borrowings and debentures (d)	917,910,562	1,046,750,181
Borrowings and debentures, net (e)=(d)-(c)	732,577,849	914,177,910
Liabilities to equity ratio (f)=(a)÷(b)	306%	216%
Net debt to equity ratio (g)=(e)÷(b)	133%	118%

6. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2018 and 2017 are as follows:

(In thousands of won)

	<u>2018</u>	<u>2017</u>
Cash on hand	₩ 4,696,943	5,315,020
Demand deposits	179,973,124	126,420,959
Other cash equivalents	662,646	836,292
	<u>₩ 185,332,713</u>	<u>132,572,271</u>

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

7. Operating Segments

The Group has two reportable segments: multiplex cinemas operation and equipment sales and manufacturing. Financial information for each reportable segment for the years ended December 31, 2018 and 2017 was as follows:

(1) Reporting Segments

<i>(In thousands of won)</i>		2018			
		Cinema operation	Equipment sales and manufacturing	Consolidation adjustment	Total
Total revenue	₩	1,701,629,984	128,136,566	(60,410,083)	1,769,356,467
Internal revenue		(32,577,427)	(27,832,656)	60,410,083	-
Net revenue		1,669,052,557	100,303,910	-	1,769,356,467
Depreciation of fixed asset		143,502,218	6,464,125	9,417,226	159,383,569
Operating income		66,371,297	20,342,803	(9,007,361)	77,706,739

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

(2) Regional profit or loss

(In thousands of won)

		2018							
		Domestic	China	Turkey	Vietnam	Indonesia	USA, etc.	Consolidation Adjustment	Total
Total revenue	₩	1,064,798,991	343,836,292	167,702,952	137,577,028	91,743,506	24,107,781	(60,410,083)	1,769,356,467
Internal revenue		(32,000,861)	(27,644,909)	-	(5,757)	(30,837)	(727,719)	60,410,083	-
Net revenue		1,032,798,130	316,191,383	167,702,952	137,571,271	91,712,669	23,380,062	-	1,769,356,467
Depreciation of fixed asset		63,122,690	41,179,301	13,410,466	13,470,501	15,616,096	3,167,289	9,417,226	159,383,569
Operating income		50,198,930	18,335,584	3,259,049	7,691,593	5,495,181	1,733,763	(9,007,361)	77,706,739

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7. Operating Segments, Continued

(2) Regional profit or loss, continued

(In thousands of won)

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

(3) Service profit or loss

(In thousands of won)

	2018	2017
Admissions	₩ 1,150,095,922	1,042,960,221
Concession	286,181,695	274,338,590
Advertisement	145,835,424	166,254,299
Equipment sales and manufacturing	70,865,350	69,756,875
Others	116,378,076	161,077,188
	₩ 1,769,356,467	1,714,387,173

(4) Property and equipment and intangible assets

(In thousands of won)

	2018						
	Domestic	China	Turkey	Vietnam	Indonesia	USA, etc.	Total
Tangible asset(*)	₩ 391,658,530	245,159,241	66,377,785	119,966,783	100,412,997	19,459,801	943,035,137
Intangible asset	16,328,466	26,380,976	348,845,669	40,406,979	28,174,148	27,663	460,163,901
Total	₩ 407,986,996	271,540,217	415,223,454	160,373,762	128,587,145	19,487,464	1,403,199,038

(*) Amount includes investment property.

(In thousands of won)

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

(*) Amount includes investment property.

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8. Trade Receivables

- (1) Trade receivables are presented on a net basis after deducting related allowance. As of December 31, 2018 and 2017, trade receivables and allowance for doubtful accounts are as follows:

<i>(In thousands of won)</i>	2018		2017	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 171,935,634	32,629,564	176,754,278	26,348,457
Allowance for doubtful accounts	(6,151,463)	-	(5,923,334)	-
	₩ <u>165,784,171</u>	<u>32,629,564</u>	<u>170,830,944</u>	<u>26,348,457</u>

- (2) Changes in allowance for doubtful accounts for the years ended December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	2018	2017
Balance at the beginning	₩ 5,923,334	3,256,892
Increase in allowance	943,511	3,191,056
Write-off	(10,129)	(41,105)
Changes in exchange rates	(705,253)	(483,509)
Balance at the end	₩ <u>6,151,463</u>	<u>5,923,334</u>

9. Inventories

- (1) Inventories as of December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	2018	2017
Merchandise	₩ 8,881,804	8,975,607
Finished goods	1,551,635	2,093,339
Work in process	3,141,898	881,951
Raw materials	6,635,546	6,779,337
Provision for valuation of inventories	(1,438,395)	(843,959)
	₩ <u>18,772,488</u>	<u>17,886,275</u>

- (2) Loss in valuation of inventories for the years ended December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	2018	2017
Loss in valuation of inventories	₩ 875,688	560,450

Loss in valuation of inventories during the current period consists of ₩281 million directly deducted from inventory and ₩594 million reflecting the difference between net realized value and acquisition cost in the valuation allowance.

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For the years ended December 31, 2018 and 2017

10. Other Financial Assets

(1) Other financial assets as of December 31, 2018 and 2017 are as follows:

(In thousands of won)

		2018		2017	
		Current	Non-current	Current	Non-current
Financial institution deposits	₩	209,762	2,313,300	19,352	1,737,600
Other receivables		24,017,063	2,847	30,151,354	4,034
Accrued revenues		439,872	-	744,128	-
Loans		728,299	-	15,682,297	-
Leasehold deposits		3,809,693	31,274,380	1,403,300	40,206,767
Present value discount		(5,717)	(8,978,609)	(316)	(8,878,112)
Financial assets measured at fair value		696,330	22,590,221	8,482,665	10,827,031
	₩	<u>29,895,302</u>	<u>47,202,139</u>	<u>56,482,780</u>	<u>43,897,320</u>

(2) Other financial assets are presented on a net basis after deducting related allowance. As of December 31, 2018 and 2017, other financial assets and allowance for doubtful accounts are as follows:

(In thousands of won)

		2018		2017	
		Current	Non-current	Current	Non-current
Other financial assets	₩	32,856,014	48,169,285	59,288,869	45,721,586
Allowance for doubtful accounts:					
Other receivables		(2,859,898)	-	(2,705,254)	-
Accrued revenues		(100,814)	-	(100,835)	-
Loans		-	(967,146)	-	(1,824,266)
Subtotal of allowance for doubtful accounts		<u>(2,960,712)</u>	<u>(967,146)</u>	<u>(2,806,089)</u>	<u>(1,824,266)</u>
Other financial assets, net	₩	<u>29,895,302</u>	<u>47,202,139</u>	<u>56,482,780</u>	<u>43,897,320</u>

(3) Changes in allowance for doubtful accounts for the years ended December 31, 2018 and 2017 are as follows:

(In thousands of won)

		2018		2017	
		Current	Non-current	Current	Non-current
Balance at the beginning	₩	2,806,089	1,824,266	2,958,321	1,933,946
Increase in (reversal of) allowance		173,746	-	77,068	-
Write-off		-	(872,704)	(145,505)	-
Change in exchange rates		(19,123)	15,584	(83,795)	(109,680)
Balance at the end	₩	<u>2,960,712</u>	<u>967,146</u>	<u>2,806,089</u>	<u>1,824,266</u>

(4) Leasehold deposit measured at present value as of December 31, 2018 and 2017 are as follows:

(In thousands of won)

	Effective interest rate (%)	Nominal values	Discounted present value	Present value discount
December 31, 2018	1.98 ~ 6.55 ₩	35,084,073	26,099,747	(8,984,326)
December 31, 2017	1.40 ~ 6.60 ₩	41,610,067	32,731,639	(8,878,428)

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10. Other Financial Assets, Continued

(5) Financial assets measured at fair value

① Financial assets measured at fair value as of December 31, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Acquisition cost	Book value	Acquisition cost	Book value
FVTPL– equity instrument (*)	₩ 11,070,000	9,247,009	10,551,500	10,551,500
FVOCI – equity instrument	6,682,798	6,682,798	500	500
Total	₩ 17,752,798	15,929,807	10,552,000	10,552,000

(*) Amount of derivative assets excluded.

② Changes in Financial assets measured at fair value for the years ended December 31, 2018 and 2017 are as follows:

(In thousands of won)

	2018	2017
Balance at the beginning	₩ 10,552,000	11,004,530
Acquisitions	7,475,569	3,094,591
Disposals	(274,771)	(3,320,791)
Gain on valuation of Financial assets measured at fair value	(1,822,991)	-
Changes in exchange rates	-	(226,330)
Balance at the end	₩ 15,929,807	10,552,000

CJ CGV CO., LTD. AND SUBSIDIARIES
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11. Other Current Assets and Other Non-current Assets

(1) Other current assets and other non-current assets as of December 31, 2018 and 2017 are as follows:

(In thousands of won)

		2018		2017	
		Current	Non-current	Current	Non-current
Advance payments	₩	50,172,687	6,330,263	43,850,092	-
Prepaid expenses		15,856,397	102,486,555	16,638,892	102,558,244
Prepaid value added tax		25,417,952	-	19,314,772	-
Contract assets		5,767,510	33,184,518	-	-
	₩	<u>97,214,546</u>	<u>142,001,336</u>	<u>79,803,756</u>	<u>102,558,244</u>

(2) Contract assets as of December 31, 2018 is as follows:

(In thousands of won)

		2018		
		Current	Non-current	Total
Transaction price allocation	₩	5,767,510	33,184,518	38,952,028

(3) Changes in contract assets for the year ended December 31, 2018 is as follows:

(In thousands of won)

		2018
Adjusted balance at the beginning	₩	26,867,237
Acquisition		17,181,628
Amortization		(5,160,182)
Changes in exchange rates		63,345
Balance at the end	₩	<u>38,952,028</u>

12. Investment in Equity Method Investees

(1) Investments in equity method investees as of December 31, 2018 and 2017 are as follows:

Company	Location	Primary business	Ownership (%)	
			2018	2017
Associate:				
CJ VIETNAM COMPANY LIMITED	Vietnam	Foreign Investment	25.00	25.00
Foshan XingXing CJ Cinema Co., Ltd.	China	Theater operation	20.00	20.00
IBK Finance Group Union Contents Investment Fund	Korea	Investment fund	25.00	25.00
Joint venture:				
D-Cinema Korea Co., Ltd.	Korea	Leasing service	50.00	50.00
CJ XingXing (TJ) International Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Myanmar Cineplex Co., Ltd.	Myanmar	Theater operation	50.00	50.00
ChangSha CJ XingXing Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Zhongshan CJ Xingxing Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Ningbo Culture Plaza CJ Cinema Co., Ltd.	China	Theater operation	45.00	45.00
CJ Xingxing (Shanghai) Cinema Co., Ltd.	China	Theater operation	49.00	49.00
CJ Xingxing (FSH) Cinema Co., Ltd.	China	Theater operation	49.00	49.00
CGV Empire SDN. BHD	Malaysia	Theater operation	25.00	25.00
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	China	Theater operation	49.00	49.00
Shanghai Shangying CGV Cinema Co., Ltd.	China	Theater operation	50.00	50.00

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12. Investment in Equity Method Investees, Continued

(2) Condensed financial information of associates and joint ventures as of and for the years ended December 31, 2018 and 2017 is as follows:

(In thousands of won)

		2018							
		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net profit (loss)	Total comprehensive income (loss)	Dividends received
CJ VIETNAM COMPANY LIMITED	₩	14,749,983	38,787,241	469,537	1,491,414	6,186,306	3,109,333	3,314,483	-
Foshan XingXing CJ Cinema Co., Ltd.		1,014,779	2,550,176	482,904	-	2,412,909	24,482	22,789	-
IBK Finance Group Union Contents Investment Fund		7,130,627	4,557,889	-	-	1,548,614	1,379,589	1,379,589	-
D-Cinema Korea Co., Ltd.		8,241,085	10,382	2,475,397	3,279,284	2,373,378	1,399,642	1,399,642	-
CJ XingXing (TJ) International Cinema Co., Ltd.		12,173,906	3,313,501	5,900,053	-	6,738,614	875,083	883,263	-
Myanmar Cineplex Co., Ltd.		3,625,568	5,192,722	805,941	766,713	9,445,246	548,651	544,351	-
ChangSha CJ XingXing Cinema Co., Ltd.		1,407,152	1,662,120	1,056,590	-	2,976,057	439,124	438,814	-
Zhongshan CJ Xingxing Cinema Co., Ltd.		1,041,325	2,185,581	539,697	-	2,345,605	(102,670)	(95,865)	-
Ningbo Culture Plaza CJ Cinema Co., Ltd.		3,123,665	4,864,389	1,785,578	6,291	4,737,767	(502,511)	(490,526)	-
CJ Xingxing (Shanghai) Cinema Co., Ltd.		4,176,199	1,633,937	539,607	-	3,754,892	806,934	819,604	-
CJ Xingxing (FSH) Cinema Co., Ltd.		2,968,570	1,223,385	658,814	-	2,131,632	79,666	83,207	-
CGV Empire SDN. BHD		2,730	903,804	3,212,782	-	-	(5,044)	(4,728)	-
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.		3,254,951	642,705	588,376	-	1,968,965	52,625	54,983	-
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.		7,251,347	919,305	1,732,278	-	5,292,399	1,107,046	1,111,545	541,576
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.		15,565,915	5,267,601	7,160,307	-	11,593,711	1,668,401	1,678,595	-
Shanghai Shangying CGV Cinema Co., Ltd.		6,047,238	1,233,723	1,999,895	-	4,474,043	790,474	792,185	368,056

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12. Investment in Equity Method Investees, Continued

(2) Condensed financial information of associates and joint ventures as of and for the years ended December 31, 2018 and 2017 is as follows, continued:

(In thousands of won)

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

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

12. Investment in Equity Method Investees, Continued

(3) The reconciliation of the investees' net assets to the carrying amount of the Group's interest in equity method investees as of December 31, 2018 and 2017 is as follows:

(In thousands of won)

	Net assets (a)	Owner- ship (b)	2018		Carrying amount
			Group's share of net assets (axb)	Goodwill	
CJ VIETNAM COMPANY LIMITED	₩ 51,576,273	25.00%	12,894,069	620,312	13,514,381
Foshan XingXing CJ Cinema Co., Ltd.	3,082,051	20.00%	616,410	-	616,410
IBK Finance Group Union Contents Investment Fund	11,688,516	25.00%	2,922,129	-	2,922,129
D-Cinema Korea Co., Ltd.	2,496,786	50.00%	1,248,393	-	1,248,393
CJ XingXing (TJ) International Cinema Co., Ltd.	9,587,354	49.00%	4,697,803	-	4,697,803
Myanmar Cineplex Co., Ltd.	7,245,636	50.00%	3,622,818	-	3,622,818
ChangSha CJ XingXing Cinema Co., Ltd.	2,012,682	49.00%	986,214	-	986,214
Zhongshan CJ Xingxing Cinema Co., Ltd.	2,687,209	49.00%	1,316,732	-	1,316,732
Ningbo Culture Plaza CJ Cinema Co., Ltd.	6,196,185	45.00%	2,788,283	-	2,788,283
CJ Xingxing (Shanghai) Cinema Co., Ltd.	5,270,529	49.00%	2,582,559	-	2,582,559
CJ Xingxing (FSH) Cinema Co., Ltd.	3,533,141	49.00%	1,731,239	-	1,731,239
CGV Empire SDN. BHD	(2,306,248)	25.00%	(576,562)	-	-
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	3,309,280	49.00%	1,621,547	-	1,621,547
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	6,438,374	49.00%	3,154,803	-	3,154,803
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	13,673,209	49.00%	6,699,873	-	6,699,873
Shanghai Shangying CGV Cinema Co., Ltd.	5,281,066	50.00%	2,640,534	-	2,640,534
	₩				<u>50,143,718</u>

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

12. Investment in Equity Method Investees, Continued

(3) The reconciliation of the investees' net assets to the carrying amount of the Group's interest in equity method investees as of December 31, 2018 and 2017 is as follows, continued:

(In thousands of won)

	Net assets (a)	Owner- ship (b)	2017		Carrying amount
			Group's share of net assets (axb)	Goodwill	
SSV Contents Investment Association	₩ -	35.52%	-	-	-
CJ VIETNAM COMPANY LIMITED	47,435,921	25.00%	11,858,980	620,312	12,479,292
Foshan XingXing CJ Cinema Co., Ltd.	3,074,828	20.00%	614,966	-	614,966
IBK Finance Group Union Contents Investment Fund	10,308,926	25.00%	2,577,232	-	2,577,232
D-Cinema Korea Co., Ltd.	1,097,144	50.00%	548,572	-	548,572
CJ XingXing (TJ) International Cinema Co., Ltd.	8,779,157	49.00%	4,301,787	-	4,301,787
Myanmar Cineplex Co., Ltd.	7,274,587	50.00%	3,637,293	-	3,637,293
ChangSha CJ XingXing Cinema Co., Ltd.	1,591,821	49.00%	779,992	-	779,992
Zhongshan CJ Xingxing Cinema Co., Ltd.	2,802,877	49.00%	1,373,410	-	1,373,410
Ningbo Culture Plaza CJ Cinema Co., Ltd.	6,724,273	45.00%	3,025,923	-	3,025,923
CJ Xingxing (Shanghai) Cinema Co., Ltd.	4,505,750	49.00%	2,207,818	-	2,207,818
CJ Xingxing (FSH) Cinema Co., Ltd.	3,474,111	49.00%	1,702,314	-	1,702,314
CGV Empire SDN. BHD	(2,251,783)	25.00%	(562,946)	-	-
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	3,275,620	49.00%	1,605,054	-	1,605,054
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	6,494,902	49.00%	3,182,502	-	3,182,502
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	12,107,148	49.00%	5,932,503	-	5,932,503
Shanghai Shangying CGV Cinema Co., Ltd.	5,267,121	50.00%	2,633,561	-	2,633,561
	₩				<u>46,602,219</u>

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

12. Investment in Equity Method Investees, Continued

(4) Changes in investments in equity method investees for the years ended December 31, 2018 and 2017 are as follows:

(In thousands of won)

		2018					
		Acquisition cost	Beginning balance	Acquisition	Equity income (loss)	Others (*1)	Ending balance
CJ VIETNAM COMPANY LIMITED	₩	11,735,525	12,479,292	-	777,334	257,755	13,514,381
Foshan XingXing CJ Cinema Co., Ltd.		746,911	614,966	-	4,896	(3,452)	616,410
IBK Finance Group Union Contents Investment Fund		2,500,000	2,577,232	-	344,897	-	2,922,129
D-Cinema Korea Co., Ltd.		1,500,000	548,572	-	699,821	-	1,248,393
CJ XingXing (TJ) International Cinema Co., Ltd.		4,263,177	4,301,787	-	428,791	(32,775)	4,697,803
Myanmar Cineplex Co., Ltd.(*3)		3,798,873	3,637,293	-	274,326	(288,801)	3,622,818
ChangSha CJ XingXing Cinema Co., Ltd.		599,352	779,992	-	215,171	(8,949)	986,214
Zhongshan CJ Xingxing Cinema Co., Ltd.		1,283,807	1,373,410	-	(50,308)	(6,370)	1,316,732
Ningbo Culture Plaza CJ Cinema Co., Ltd.		3,148,068	3,025,923	-	(226,130)	(11,510)	2,788,283
CJ Xingxing (Shanghai) Cinema Co., Ltd.		1,587,903	2,207,818	-	395,397	(20,656)	2,582,559
CJ Xingxing (FSH) Cinema Co., Ltd.		1,661,627	1,702,314	-	39,036	(10,111)	1,731,239
CGV Empire SDN. BHD		9,067	-	-	-	-	-
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.		1,601,700	1,605,054	-	25,786	(9,293)	1,621,547
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.		1,820,123	3,182,502	-	542,452	(570,151)	3,154,803
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.		5,297,164	5,932,503	-	817,516	(50,146)	6,699,873
Shanghai Shangying CGV Cinema Co., Ltd.		1,191,990	2,633,561	-	395,237	(388,264)	2,640,534
	₩	<u>42,745,287</u>	<u>46,602,219</u>	<u>-</u>	<u>4,684,222</u>	<u>(1,142,723)</u>	<u>50,143,718</u>

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

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

12. Investment in Equity Method Investees, Continued

(4) Changes in investments in equity method investees for the years ended December 31, 2018 and 2017 are as follows, continued:

	2017					Ending balance
	Acquisition cost	Beginning balance	Acquisition	Equity income (loss)	Others (*1)	
SSV Contents Investment Association(*2) ₩	-	182,597	-	-	(182,597)	-
CJ VIETNAM COMPANY LIMITED	11,735,525	14,762,376	-	857,759	(3,140,843)	12,479,292
Foshan XingXing CJ Cinema Co., Ltd.	746,911	661,604	-	(10,173)	(36,465)	614,966
IBK Finance Group Union Contents Investment Fund	2,500,000	2,478,438	-	98,794	-	2,577,232
D-Cinema Korea Co., Ltd.	1,500,000	837,896	-	(289,324)	-	548,572
CJ XingXing (TJ) International Cinema Co., Ltd.	4,263,177	3,945,583	-	588,437	(232,233)	4,301,787
Myanmar Cineplex Co., Ltd. (*3)	3,798,873	1,946,826	1,797,549	256,900	(363,982)	3,637,293
ChangSha CJ XingXing Cinema Co., Ltd.	599,352	837,937	-	200,217	(258,162)	779,992
Zhongshan CJ Xingxing Cinema Co., Ltd.	1,283,807	1,661,649	-	98,197	(386,436)	1,373,410
Ningbo Culture Plaza CJ Cinema Co., Ltd.	3,148,068	3,389,010	-	19,630	(382,717)	3,025,923
CJ Xingxing (Shanghai) Cinema Co., Ltd.	1,587,903	2,110,241	-	653,022	(555,445)	2,207,818
CJ Xingxing (FSH) Cinema Co., Ltd.	1,661,627	1,839,079	-	113,785	(250,550)	1,702,314
CGV Empire SDN. BHD	9,067	-	-	-	-	-
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	1,601,700	1,746,326	-	75,579	(216,851)	1,605,054
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	1,820,123	3,520,319	-	618,443	(956,260)	3,182,502
Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	5,297,164	5,590,033	-	1,005,569	(663,099)	5,932,503
Shanghai Shangying CGV Cinema Co., Ltd.	1,191,990	2,915,399	-	417,605	(699,443)	2,633,561
₩	<u>42,745,287</u>	<u>48,425,313</u>	<u>1,797,549</u>	<u>4,704,440</u>	<u>(8,325,083)</u>	<u>46,602,219</u>

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

(*2) During the year ended December 31, 2018, ₩37 million of gain on disposal of equity investment was recognized as the liquidated value due to completion of SSV Contents Investment Association's liquidation.

(*3) During the year ended December 31, 2018, acquired additional ₩1,798 million by participating in paid-in capital increase of Myanmar Cineplex Co., Ltd.

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

For the years ended December 31, 2018 and 2017

12. Investment in Equity Method Investees, Continued

- (5) The unrecognized equity loss during 2018 and the cumulative unrecognized equity losses, resulted from discontinuing application of the equity method, for the year ended December 31, 2018 are as follows:

<i>(In thousands of won)</i>	<u>Unrecognized equity loss during 2018</u>	<u>Cumulative unrecognized equity losses</u>
CGV Empire SDN. BHD	₩ 1,261	621,723

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

13. Investment Property

(1) Investment property as of December 31, 2018 and 2017 are as follows:

(In thousands of won)

	2018			2017		
	Acquisition costs	Accumulated depreciation	Carrying amounts	Acquisition costs	Accumulated depreciation	Carrying amounts
Land	₩ 28,193,621	-	28,193,621	28,211,636	-	28,211,636
Buildings	15,715,082	(683,265)	15,031,817	15,287,808	(303,926)	14,983,882
	<u>₩ 43,908,703</u>	<u>(683,265)</u>	<u>43,225,438</u>	<u>43,499,444</u>	<u>(303,926)</u>	<u>43,195,518</u>

(2) Changes in investment property for the years ended December 31, 2018 and 2017 are as follows:

(In thousands of won)

	Land	Buildings	Total
Acquisition costs:			
Balance at January 1, 2017	₩ 84,971	184,004	268,975
Amount acquired	28,141,355	15,137,114	43,278,469
Other increase(decrease)	-	(1,986)	(1,986)
Change in exchange rates	(14,690)	(31,324)	(46,014)
Balance at December 31, 2017	<u>28,211,636</u>	<u>15,287,808</u>	<u>43,499,444</u>
Amount acquired	-	465,432	465,432
Change in exchange rates	(18,015)	(38,158)	(56,173)
Balance at December 31, 2018	<u>28,193,621</u>	<u>15,715,082</u>	<u>43,908,703</u>
Accumulated depreciation:			
Balance at January 1, 2017	-	(19,540)	(19,540)
Depreciation	-	(289,779)	(289,779)
Other increase(decrease)	-	1,985	1,985
Change in exchange rates	-	3,408	3,408
Balance at December 31, 2017	<u>-</u>	<u>(303,926)</u>	<u>(303,926)</u>
Depreciation	-	(384,454)	(384,454)
Change in exchange rates	-	5,115	5,115
Balance at December 31, 2018	<u>-</u>	<u>(683,265)</u>	<u>(683,265)</u>
Carrying amounts:			
Balance at January 1, 2017	<u>84,971</u>	<u>164,464</u>	<u>249,435</u>
Balance at December 31, 2017	<u>28,211,636</u>	<u>14,983,882</u>	<u>43,195,518</u>
Balance at December 31, 2018	<u>₩ 28,193,621</u>	<u>15,031,817</u>	<u>43,225,438</u>

(3) Profit and loss related to investment property for the years ended December 31, 2018 and 2017 are as follows:

(In thousands of won)

	2018	2017
Rental income	₩ 635,253	588,249
Rental cost (depreciation)	(384,454)	(289,779)

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

14. Property and Equipment

(1) Changes in property and equipment for the year ended December 31, 2018 are as follows:

<i>(In thousands of won)</i>	Land	Buildings	Structures	Machinery	Vehicles	Tools	Construction -in-progress	Total
Acquisition costs:								
Beginning balance	₩ 102,443,947	98,286,370	786,178,525	2,051,778	809,366	676,300,455	49,557,727	1,715,628,168
Acquisitions	-	-	30,441,498	-	-	48,265,264	167,651,520	246,358,282
Disposals	(89,876,229)	(86,834,171)	(56,899,646)	(303,393)	-	(19,128,901)	(1,721,107)	(254,763,447)
Change in exchange rates	-	195,119	(18,407,386)	80,305	(62,063)	(27,392,497)	(2,253,363)	(47,839,885)
Others	-	-	79,221,855	8,068,215	-	35,302,731	(125,024,098)	(2,431,297)
Ending balance	<u>12,567,718</u>	<u>11,647,318</u>	<u>820,534,846</u>	<u>9,896,905</u>	<u>747,303</u>	<u>713,347,052</u>	<u>88,210,679</u>	<u>1,656,951,821</u>
Accumulated depreciation:								
Beginning balance	-	(22,180,811)	(255,315,755)	(1,271,478)	(312,098)	(428,721,880)	-	(707,802,022)
Depreciation	-	(2,349,957)	(52,956,003)	(1,155,335)	(99,648)	(81,700,691)	-	(138,261,634)
Disposals	-	22,650,817	32,250,461	301,216	-	18,124,126	-	73,326,620
Change in exchange rates	-	(61,158)	8,634,166	(42,642)	9,532	15,035,324	-	23,575,222
Others	-	-	1,973	(1,829,653)	(4,302)	1,989,470	-	157,488
Ending balance	<u>-</u>	<u>(1,941,109)</u>	<u>(267,385,158)</u>	<u>(3,997,892)</u>	<u>(406,516)</u>	<u>(475,273,651)</u>	<u>-</u>	<u>(749,004,326)</u>
Accumulated impairment:								
Beginning balance	-	-	(3,450,942)	-	-	(1,789,359)	-	(5,240,301)
Impairment	-	-	(2,234,972)	-	-	-	-	(2,234,972)
Disposals	-	-	-	-	-	23,002	-	23,002
Change in exchange rates	-	-	(133,094)	-	-	(15,532)	-	(148,626)
Ending balance	<u>-</u>	<u>-</u>	<u>(5,819,008)</u>	<u>-</u>	<u>-</u>	<u>(1,781,889)</u>	<u>-</u>	<u>(7,600,897)</u>
Government Grants:								
Beginning balance	-	-	(590,000)	-	-	(12,125)	-	(602,125)
Depreciation	-	-	60,000	-	-	5,225	-	65,225
Ending balance	<u>-</u>	<u>-</u>	<u>(530,000)</u>	<u>-</u>	<u>-</u>	<u>(6,900)</u>	<u>-</u>	<u>(536,900)</u>
Carrying amounts:								
Beginning balance	<u>102,443,947</u>	<u>76,105,559</u>	<u>526,821,828</u>	<u>780,300</u>	<u>497,268</u>	<u>245,777,091</u>	<u>49,557,727</u>	<u>1,001,983,720</u>
Ending balance	₩ <u>12,567,718</u>	<u>9,706,209</u>	<u>546,800,680</u>	<u>5,899,013</u>	<u>340,787</u>	<u>236,284,612</u>	<u>88,210,679</u>	<u>899,809,698</u>

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For the years ended December 31, 2018 and 2017

14. Property and Equipment, Continued

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

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

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

15. Intangible Assets

(1) Changes in intangible assets for the years ended December 31, 2018 and 2017 are as follows:

① Changes in intangible assets for the years ended December 31, 2018

<i>(In thousands of won)</i>	Goodwill	Trademark right	Membership	Usage rights	Operation network	Others	Total
Acquisition costs:							
Beginning balance	₩ 552,217,749	11,934,530	7,401,320	11,731,374	140,324,042	160,337,309	883,946,324
Acquisitions	-	9,850	-	-	-	10,087,354	10,097,204
Disposals	(25,720)	-	(1,150,000)	(11,731,374)	-	(138,314)	(13,045,408)
Change in exchange rates	(121,827,662)	-	-	-	(35,968,088)	(6,253,652)	(164,049,402)
Others	(88,425,051)	38,432	-	-	-	(38,407,303)	(126,793,922)
Ending balance	<u>341,939,316</u>	<u>11,982,812</u>	<u>6,251,320</u>	<u>-</u>	<u>104,355,954</u>	<u>125,625,394</u>	<u>590,154,796</u>
Accumulated amortization and impairment:							
Beginning balance	-	(9,450,101)	(790,217)	(10,968,352)	(16,356,790)	(118,644,769)	(156,210,229)
Amortization	-	-	-	(331,843)	(4,266,498)	(16,204,365)	(20,802,706)
Disposals	-	-	-	11,300,195	-	132,510	11,432,705
Change in exchange rates	-	-	-	-	4,617,774	4,474,122	9,091,896
Others	-	-	-	-	-	26,497,439	26,497,439
Ending balance	<u>-</u>	<u>(9,450,101)</u>	<u>(790,217)</u>	<u>-</u>	<u>(16,005,514)</u>	<u>(103,745,063)</u>	<u>(129,990,895)</u>
Carrying amounts:							
Beginning balance	<u>552,217,749</u>	<u>2,484,429</u>	<u>6,611,103</u>	<u>763,022</u>	<u>123,967,252</u>	<u>41,692,540</u>	<u>727,736,095</u>
Ending balance	<u>₩ 341,939,316</u>	<u>2,532,711</u>	<u>5,461,103</u>	<u>-</u>	<u>88,350,440</u>	<u>21,880,331</u>	<u>460,163,901</u>

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

15. Intangible Assets, Continued

(1) Changes in intangible assets for the years ended December 31, 2018 and 2017 are as follows, continued:

② Changes in intangible assets for the years ended December 31, 2017

<i>(In thousands of won)</i>	Goodwill	Trademark right	Membership	Usage rights	Operation network	Others	Total
Acquisition costs:							
Beginning balance	₩ 653,897,688	11,878,050	7,401,320	11,647,354	169,655,750	165,389,914	1,019,870,076
Acquisitions	-	455	-	33,920	-	11,964,740	11,999,115
Disposals	-	-	-	(2,500)	-	(1,721,978)	(1,724,478)
Change in exchange rates	(101,679,939)	-	-	-	(29,331,708)	(6,925,518)	(137,937,165)
Others	-	56,025	-	52,600	-	(8,369,849)	(8,261,224)
Ending balance	552,217,749	11,934,530	7,401,320	11,731,374	140,324,042	160,337,309	883,946,324
Accumulated amortization and impairment:							
Beginning balance	-	(9,450,101)	(790,217)	(9,977,130)	(7,285,830)	(99,663,314)	(127,166,592)
Amortization	-	-	-	(993,507)	(11,313,205)	(26,123,732)	(38,430,444)
Disposals	-	-	-	2,285	-	1,096,148	1,098,433
Loss on impairment	-	-	-	-	-	(6,052)	(6,052)
Change in exchange rates	-	-	-	-	2,242,245	3,224,856	5,467,101
Others	-	-	-	-	-	2,827,325	2,827,325
Ending balance	-	(9,450,101)	(790,217)	(10,968,352)	(16,356,790)	(118,644,769)	(156,210,229)
Carrying amounts:							
Beginning balance	653,897,688	2,427,949	6,611,103	1,670,224	162,369,920	65,726,600	892,703,484
Ending balance	₩ 552,217,749	2,484,429	6,611,103	763,022	123,967,252	41,692,540	727,736,095

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

15. Intangible Assets, Continued

(2) Impairment test

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

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

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

<i>(In percent)</i>	<u>CJ CGV VIETNAM CO., LTD.</u>	<u>MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.(*)</u>
Discount rate	14.20	16.10
Terminal value growth rate	2.00	2.90

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

The future cash flows were estimated based on the nature of industry in which the Group operates for the next five years after 2018. The cash flow projections were estimated based on historical experience, actual operating results and the Group's business plan.

(*) The estimated recoverable amount of CGU which the related goodwill has been allocated considering that the Group's ownership falls short of its carrying amount by ₩88,425 million. The Group recognized it as other expense in profit or loss for the year ended December 31, 2018. Management has adopted a terminal value growth rate that is below the long-term average growth rate of the country and industry for estimating the recoverable amount.

- (3) Total research and development cost recognized in profit or loss during the years ended December 31, 2018 and 2017 are ₩2,840 million and ₩2,801 million, respectively. They are recognized as selling, general and administrative expenses in profit or loss.

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16. Other Financial Liabilities

(1) Other financial liabilities as of December 31, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Current	Non-current	Current	Non-current
Accrued expenses	₩ 6,064,787	8,868,932	18,522,751	-
Finance lease liabilities	3,881,289	3,458,744	5,614,836	9,369,214
Leasehold deposits received	705,707	5,193,861	967,087	2,630,870
Financial liabilities measured at fair value	153,501	229,037,523	1,430,610	52,308,413
	₩ 10,805,284	246,559,060	26,535,284	64,308,497

(2) Finance lease

① Finance lease contract

As of December 31, 2018 and 2017, the Group leases tools under a finance lease contract with IMAX Corp., and the related assets and liabilities are recorded in the consolidated financial statements.

② The assets related to finance lease contract as of December 31, 2018 and 2017 are as follows:

(In thousands of won)

	2018	2017
Acquisition costs	₩ 79,965,601	92,941,152
Accumulated depreciation	(51,808,711)	(55,228,690)
Carrying amount	₩ 28,156,890	37,712,462

③ The present value and future minimum lease payments in accordance with the lease contract as of December 31, 2018 and 2017 are as follows:

(In thousands of won)

	2018			2017		
	Future minimum lease payments	Interest	Present value	Future minimum lease payments	Interest	Present value
Less than one year	₩ 4,586,678	(705,389)	3,881,289	7,250,187	(1,635,352)	5,614,835
One to five years	3,799,539	(340,795)	3,458,744	10,767,488	(1,398,274)	9,369,214
	₩ 8,386,217	(1,046,184)	7,340,033	18,017,675	(3,033,626)	14,984,049

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For the years ended December 31, 2018 and 2017

17. Other Current Liabilities and Other Non-current Liabilities

- (1) Other current liabilities and other non-current liabilities as of December 31, 2018 and 2017 are as follows:

(In thousands of won)

	2018		2017	
	Current	Non-current	Current	Non-current
Deposit received	₩ 11,820,713	-	7,876,830	-
Value added tax withheld	9,223,713	-	8,112,989	-
Advance received	72,234,592	-	72,867,587	-
Unearned revenue	12,106,551	6,418,789	17,246,155	4,108,179
Liabilities for employee benefits	21,599,317	2,357,180	18,309,835	1,654,950
Deferred revenues	5,138,267	13,472,440	1,348,018	13,263,848
Provision for points(*)	-	-	-	1,886,569
Dividends payable	4,612,855	-	497,260	-
Provision for warranties	138,220	-	125,463	-
Other provision	-	2,546,882	150,000	2,184,292
Contract liabilities	1,135,845	1,119,622	-	-
	₩ 138,010,073	25,914,913	126,534,137	23,097,838

(*) It has been replaced by deferred revenues.

- (2) Contract assets as of December 31, 2018 are as follows:

(In thousands of won)

	2018		
	Current	Non-current	Total
Identification of performance obligations	₩ 1,135,845	1,119,622	2,255,467

- (3) Changes in contract assets for the year ended December 31, 2018 are as follows:

(In thousands of won)

	Contract assets	
	Identification of performance obligations	
Adjusted balance at the beginning	₩	1,977,836
Acquisition		1,073,011
Amortization		(786,541)
Changes in exchange rates		(8,839)
Balance at the end	₩	2,255,467

- (4) Deferred revenues

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

The fair value of award credits not yet redeemed under the customer loyalty program as of December 31, 2018 and 2017 are ₩18,611 million and ₩14,612 million, respectively.

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

18. Borrowings and Debentures

(1) Borrowings and debentures as of December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Current liabilities:		
Short-term borrowings		
Local currency short-term borrowings ₩	50,400,000	120,036,250
Foreign currency short-term borrowings	145,895,281	134,650,572
	<u>196,295,281</u>	<u>254,686,822</u>
Current portion of long-term borrowings		
Current portion of local currency long-term borrowings	64,320,335	28,333,345
Current portion of foreign currency long-term borrowings	119,293,976	51,823,694
	<u>183,614,311</u>	<u>80,157,039</u>
Current portion of long-term debentures	49,973,872	49,981,429
₩	<u>429,883,464</u>	<u>384,825,290</u>
Non-current liabilities:		
Debentures ₩	184,733,134	149,742,164
Long-term borrowings		
Local currency long-term borrowings	198,866,423	342,900,812
Foreign currency long-term borrowings	104,427,541	169,281,914
	<u>303,293,964</u>	<u>512,182,726</u>
₩	<u>488,027,098</u>	<u>661,924,890</u>

(2) Debentures as of December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>Maturity date</u>	<u>Interest rate (%)</u>	<u>2018</u>	<u>2017</u>
Hana Financial Investment Co., Ltd.	2018.04.14	1.93 ₩	-	50,000,000
Hanwha Investment & Securities Co., Ltd.	2019.11.07	2.51	50,000,000	50,000,000
KB Securities	2020.10.20	2.91	30,000,000	30,000,000
Mirae Asset Daewoo Co., Ltd.	2020.11.27	2.54	50,000,000	50,000,000
KB Securities	2022.10.20	3.34	20,000,000	20,000,000
Daishin Securities Co., Ltd	2023.01.31	3.56	40,000,000	-
Shinhan Investment Corp	2020.02.28	4.21	15,000,000	-
SK securities Co., Ltd	2020.03.29	4.20	10,000,000	-
SK securities Co., Ltd	2020.07.27	4.20	20,000,000	-
			<u>235,000,000</u>	<u>200,000,000</u>
Less: discount			(292,994)	(276,407)
Less: current portion of long-term debentures			(49,973,872)	(49,981,429)
			<u>₩ 184,733,134</u>	<u>149,742,164</u>

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

18. Borrowings and Debentures, Continued

(3) Short-term borrowings as of December 31, 2018 and 2017 are as follows:

① Local currency

(In thousands of won)

Lender	Types of borrowing	Maturity date	Interest rate (%)	2018	2017
Shinhan Bank	CP	2018.11.23	CD + 1.00	₩ -	50,000,000
Kookmin Bank	Facilities capital	2019.05.23	3.03	40,000,000	40,000,000
NH Bank	Working capital	2018.08.28	MOR + 2.60	-	5,000,000
SC Bank	Working capital	2019.09.01	CD + 2.80	-	4,036,250
Korea Development Bank	Overdraft	2019.10.13	Short-term limit loan interest rate + 2.35	-	5,000,000
The Export-Import Bank of Korea	Export Loan	2018.06.25	4.05	-	14,000,000
KEB Hana Bank	Working capital	2018.06.25	FTP + 2.63	-	2,000,000
Korea Development Bank	Revolving loan	2019.10.13	3.90	5,000,000	-
SC Bank	Revolving loan	2019.09.01	CD(3M) + 2.80	3,800,000	-
KEB Hana Bank	Revolving loan	2019.05.22	FTP + 2.24	1,600,000	-
				₩ <u>50,400,000</u>	<u>120,036,250</u>

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18. Borrowings and Debentures, Continued

(3) Short-term borrowings as of December 31, 2018 and 2017 are as follows, continued:

② Foreign currency

(In thousands of won, except foreign currency)

Lender	Purpose of borrowing	Maturity date	Interest rate (%)		2018	2017
CJ America, Inc.	Working capital	2018.12.29	2.55	₩	-	2,571,360 (USD 2,400,000)
Shinhan Bank	Working capital	2019.10.13	3M LIBOR + 1.10		4,360,590 (USD 3,900,000)	4,178,460 (USD 3,900,000)
Shinhan Bank	Working capital	2019.12.27	1M LIBOR + 1.10		3,969,255 (USD 3,550,000)	-
Shinhan Bank	Working capital	2019.10.31	3M LIBOR + 1.40		4,468,218 (USD 4,000,000)	4,277,287 (USD 4,000,000)
Woori Bank	Working capital	2019.06.28	PBOC (1Y, 4.35%)*1.15		4,127,617 (RMB 25,360,147)	-
Standard Chartered Bank Korea Limited	Overdraft	2018.08.14	3.30		-	4,861,600 (VND 103,000,000,000)-
HSBC	Overdraft	2019.02.08	3.40		482,000 (VND 10,000,000,000)	-
HSBC	Overdraft	2019.02.23	3.30		964,000 (VND 20,000,000,000)	-
Bank of the West	Working capital	2019.12.18	2.30 ~ 3.50		6,004,197 (USD 5,396,061)	13,788,918 (USD 12,870,000)
KEB Hana Bank	Working capital	2019.03.08	1M LIBOR + 0.70		-	4,285,600 (USD 4,000,000)
Bank of America	Working capital	2019.01.28	1M HIBOR + 1.40		9,334,023 (HKD 65,378,044)	7,746,147 (HKD 56,512,344)
SMBC	Working capital	2019.01.14 ~ 2019.01.24	1M LIBOR + 1.40		11,046,637 (USD 9,919,700)	-
Bank of America	Working capital	2019.01.14 ~ 2019.01.24	1M LIBOR + 1.50		5,196,031 (USD 4,665,951)	-
KEB Hana Bank	Working capital	2019.07.18 ~ 2019.12.19	1M HIBOR + 0.80		21,415,500 (HKD 150,000,000)	13,707,000 (HKD 100,000,000)
KEB Hana Bank	Working capital	2019.07.20	3M HIBOR + 1.40		12,135,450 (HKD 85,000,000)	12,562,466 (HKD 91,650,000)
Shinhan Bank	Working capital	2019.01.23	3M LIBOR + 1.15		1,512,945 (USD 1,358,600)	-
Woori Bank	Working capital	2019.01.30 ~ 2019.03.06	3M LIBOR + 1.20		16,947,524 (USD 15,218,600)	18,410,373 (USD 17,219,700)
KEB Hana Bank	Working capital	2019.02.22 ~ 2019.03.08	3M LIBOR + 1.70		7,628,201 (USD 6,850,000)	7,270,193 (USD 6,800,000)
Bank of America	Working capital	2019.01.18	1M HIBOR + 1.50		228,432 (HKD 1,600,000)	216,201 (HKD 1,577,300)
Shinhan Bank	Working capital	2018.07.09 ~ 2018.07.19	3M LIBOR + 1.20		-	5,058,985 (USD 4,731,800)
HSBC	Facilities capital	2019.10.10	Revolving Loan		10,543,500 (TRY 50,000,000)	15,595,250 (TRY 55,000,000)
GARANTI BANK	Facilities capital	2019.08.04	Revolving Loan		10,543,500 (TRY 50,000,000)	-
Citibank NA, Indonesia	Working capital	2018.07.05	8.40		-	10,498,112 (IDR 132,887,500,000)
PT Bank HSBC Indonesia	Working capital	2019.01.25	8.54		3,072,000 (IDR 40,000,000,000)	-
Associates(*)	Working capital	2019.12.31	3.20		11,915,661 (RMB 73,210,000)	9,622,620 (RMB 58,800,000)
				₩	145,895,281	134,650,572

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

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18. Borrowings and Debentures, Continued

(4) Long-term borrowings as of December 31, 2018 and 2017 are as follows:

① Local currency

(In thousands of won)

Lender	Maturity date	Interest rate (%)	2018	2017
Shinhan Bank	2018.11.19	CD + 1.12 ₩	-	10,000,000
Kookmin Bank(*)	2018.11.19	CD + 0.98	-	16,000,000
Industrial & Commercial Bank of China	2019.10.25	2.50	20,000,000	30,000,000
Agricultural Bank of China	2019.10.25	2.50	20,000,000	30,000,000
Bank of China	2019.10.25	2.50	20,000,000	30,000,000
The Export-Import Bank of Korea	2021.11.22	2.43	150,000,000	200,000,000
Shinhan Capital Co., Ltd.	2019.03.25	4.40	252,522	1,085,755
Shinhan Capital Co., Ltd.	2019.02.25	5.06		
	~ 2019.04.25		4,076,776	5,365,297
KEXIM Bank, Korea	2020.12.07	3.37	17,000,000	17,049,385
National Federation of Fisheries Cooperative	2023.04.26	3.50		
			<u>32,000,000</u>	<u>32,000,000</u>
			<u>263,329,298</u>	<u>371,500,437</u>
Less: discount			(142,540)	(266,280)
Less: current portion of long-term borrowings			(64,320,335)	(28,333,345)
			<u>₩ 198,866,423</u>	<u>342,900,812</u>

(*) As of December 31, 2018, the Group has entered into an interest swap contract in order to control the risk of being exposed to changes in interest rates on borrowings. As the interest swap contract is not classified as a hedging derivative instrument, the Group recognized gain on valuation of derivative financial instrument amounting to ₩1,205 million in profit or loss for the year ended December 31, 2018.

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18. Borrowings and Debentures, Continued

(4) Long-term borrowings as of December 31, 2018 and 2017 are as follows, continued:

② Foreign currency

(In thousands of won, except foreign currency)

Lender	Maturity date	Interest rate (%)	2018	2017
The Export-Import Bank of Korea(*1)	2019.01.10	3M LIBOR ₩ +2.09	1,397,625 (USD 1,250,000)	6,696,250 (USD 6,250,000)
Korea Development Bank (*1)(*2)	2019.01.09 ~ 2019.04.09	3M LIBOR +1.79	11,181,000 (USD 10,000,000)	32,142,000 (USD 30,000,000)
Korea Development Bank(*1)	2019.01.28 ~ 2020.10.28	3M LIBOR +1.79	11,181,000 (USD 10,000,000)	10,714,000 (USD 10,000,000)
Bank of America	2020.08.09	3.02	587,002 (USD 524,999)	1,010,293 (USD 942,965)
Korea Development Bank	2020.06.12	3M LIBOR +1.73	3,351,163 (USD 3,000,000)	3,207,965 (USD 3,000,000)
Korea Development Bank	2020.11.01	3M LIBOR + 1.95	16,806,135 (USD 15,000,000)	16,096,380 (USD 15,000,000)
Woori Bank	2020.03.31 ~ 2022.02.09	6.80 ~ 6.90	17,880,272 (VND 370,960,000,000)	10,334,912 (VND 218,960,000,000)
Shinhan Bank	2021.04.08 ~ 2023.05.09	6.80	30,987,780 (VND 642,900,000,000)	20,196,880 (VND 427,900,000,000)
The Export-Import Bank of Korea	2018.04.11	3M LIBOR + 2.05	-	8,018,595 (USD 7,500,000)
Woori Bank	2019.07.19 ~ 2020.04.17	3M LIBOR + 1.65	22,272,120 (USD 20,000,000)	-
HSBC	2019.10.19	1M HIBOR + 1.80	22,129,350 (HKD 155,000,000)	21,245,850 (HKD 155,000,000)
Korea Development Bank	2019.10.19	3M LIBOR + 1.69	22,272,120 (USD 20,000,000)	21,382,920 (USD 20,000,000)
NH Bank	2020.09.28	3M LIBOR + 1.80	21,158,514 (USD 19,000,000)	15,823,361 (USD 14,800,000)
The Export-Import Bank of Korea(*3)	2019.12.18	3M LIBOR +1.68	11,136,060 (USD 10,000,000)	21,382,920 (USD 20,000,000)
The Export-Import Bank of Korea(*3)	2020.05.19	3M LIBOR +1.68	8,352,045 (USD 7,500,000)	10,691,460 (USD 10,000,000)
The Export-Import Bank of Korea(*3)	2020.12.16	3M LIBOR +1.95	22,272,120 (USD 20,000,000)	21,382,920 (USD 20,000,000)
KOEXIM Mandiri Finance, Indonesia	2019.12.09	8.15	757,211 (IDR 9,859,513,513)	778,902 (IDR 9,859,513,513)
			<u>223,721,517</u>	<u>221,105,608</u>
Less: current portion of long-term borrowings			(119,293,976)	(51,823,694)
			<u>₩ 104,427,541</u>	<u>169,281,914</u>

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18. Borrowings and Debentures, Continued

(4) Long-term borrowings as of December 31, 2018 and 2017 are as follows, continued:

(*1) As of December 31, 2018, the Group has entered into currency forward contracts in accordance with the risk management policy, in order to control the risk of being reflected by changes in exchange rate related to payment of foreign currency borrowings.

Details of currency forward contracts as of December 31, 2018 are as follows:

(In won, except foreign currency)

<u>Lender</u>	<u>Contractor</u>	<u>Notional amount</u>		<u>Currency forward rate</u>	<u>Maturity date</u>
The Export-Import Bank of Korea	Standard Chartered Bank Korea Limited	Buy	USD 1,250,000	₩1,104.90	2019.01.10
Korea Development Bank	Bank Korea Limited	Buy	USD 10,000,000	₩1,078.15	2019.01.09 ~ 2019.04.09
		Buy	USD 10,000,000	₩1,141.50	2019.01.28 ~ 2020.10.28

As the above currency forward contracts are not classified as a hedging derivative instrument, the Group recognized gain on valuation of derivative financial instrument amounting to ₩1,015 million, in profit or loss for the year ended December 31, 2018.

(*2) As of December 31, 2018, the Group has entered into an interest swap contract in order to control the risk of being exposed to changes in interest rates on borrowings. As the interest swap contract is not classified as a hedging derivative instrument, the Group recognized gain on valuation of derivative financial instrument amounting to ₩15 million in profit or loss for the year ended December 31, 2018.

(*3) As of December 31, 2018, the Group has entered into an interest swap contract in order to control the risk of being exposed to changes in interest rates on borrowings. As the interest swap contract is not classified as a hedging derivative instrument, the Group recognized gain on valuation of derivative financial instrument amounting to ₩280 million in profit or loss for the year ended December 31, 2018.

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18. Borrowings and Debentures, Continued

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

		Borrowings and Debentures			
		Short-term Borrowings	Long-term Borrowings	Debentures	Lease Liabilities
Balance at January 1	₩	254,686,822	592,339,765	199,723,594	14,984,050
Change in financial Cash flow					
Increase in borrowings		529,435,061	43,508,595	-	-
Repayment in borrowings		(574,424,817)	(155,855,619)	-	-
Issuance of debentures		-	-	84,919,580	-
Repayment of debentures		-	-	(50,090,510)	-
Repayment of financial lease liabilities		-	-	-	(5,537,851)
		<u>(44,989,756)</u>	<u>(112,347,024)</u>	<u>34,829,070</u>	<u>(5,537,851)</u>
Other changes					
Settlement of derivative instrument		-	(289,893)	-	-
Interest expense		-	123,740	154,341	759,109
Changes in exchange rates		(13,401,785)	7,081,685	-	(2,865,275)
		<u>(13,401,785)</u>	<u>6,915,532</u>	<u>154,341</u>	<u>(2,106,166)</u>
Balance at December 31	₩	<u>196,295,281</u>	<u>486,908,273</u>	<u>234,707,005</u>	<u>7,340,033</u>

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19. Employee Benefits

(1) Employee benefits expenses for the years ended December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Wages and salaries	₩ 233,479,734	219,001,601
Expenses related to post-employment defined plans	13,251,474	12,647,068
	<u>₩ 246,731,208</u>	<u>231,648,669</u>

(2) Total employee benefit liabilities as of December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Present value of defined benefit obligations	₩ 75,439,249	67,584,763
Fair value of plan assets	(75,428,143)	(62,138,537)
Net defined benefit liability	<u>₩ 11,106</u>	<u>5,446,226</u>

The Group's defined benefit plans are administered by Woori Bank, Samsung Fire & Marine Insurance and others. The principal of its plan assets are guaranteed and the annual yield of its plan assets is 1.19% for 2018.

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

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19. Employee Benefits, Continued

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

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2018	2017	2018	2017	2018	2017
<i>(In thousands of won)</i>						
Balance at January 1	₩ 67,584,763	61,420,822	(62,138,537)	(53,919,448)	5,446,226	7,501,374
Change in scope of consolidation	-	-	-	-	-	-
Included in profit or loss:						
Current service cost	12,845,050	12,404,096	-	-	12,845,050	12,404,096
Interest cost (income)	2,239,415	1,816,512	(2,065,536)	(1,573,540)	173,879	242,972
Past service cost	232,545	-	-	-	232,545	-
	<u>15,317,010</u>	<u>14,220,608</u>	<u>(2,065,536)</u>	<u>(1,573,540)</u>	<u>13,251,474</u>	<u>12,647,068</u>
Included in other comprehensive income or loss:						
Remeasurements loss (gain):						
- Actuarial loss (gain) arising from:						
- demographic assumptions	102,027	1,663,857	-	-	102,027	1,663,857
- financial assumptions	1,918,527	(1,222,618)	-	-	1,918,527	(1,222,618)
- experience adjustment	(1,744,147)	405,077	-	-	(1,744,147)	405,077
- Return on plan assets excluding interest cost	-	-	1,250,193	857,167	1,250,193	857,167
	<u>276,407</u>	<u>846,316</u>	<u>1,250,193</u>	<u>857,167</u>	<u>1,526,600</u>	<u>1,703,483</u>
Other:						
Contribution paid by the employer	-	-	(16,500,000)	(12,800,000)	(16,500,000)	(12,800,000)
Benefits paid	(6,094,804)	(7,824,809)	2,677,203	4,342,172	(3,417,601)	(3,482,637)
Transfer from (to) affiliated companies	(1,130,552)	(805,008)	1,348,534	955,112	217,982	150,104
Change in exchange rates	(513,575)	(273,166)	-	-	(513,575)	(273,166)
	<u>(7,738,931)</u>	<u>(8,902,983)</u>	<u>(12,474,263)</u>	<u>(7,502,716)</u>	<u>(20,213,194)</u>	<u>(16,405,699)</u>
Balance at December 31	₩ <u>75,439,249</u>	<u>67,584,763</u>	<u>(75,428,143)</u>	<u>(62,138,537)</u>	<u>11,106</u>	<u>5,446,226</u>

(4) Details of plan assets as of December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	2018	2017
Deposit for severance benefit insurance	₩ 75,425,734	62,136,128
Transfer to National Pension Fund	2,409	2,409
	<u>₩ 75,428,143</u>	<u>62,138,537</u>

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19. Employee Benefits, Continued

(5) Actuarial assumptions

① The main actuarial assumptions as of December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Discount rate	3.00% ~ 8.68%	3.50% ~ 7.34%
Future salary growth rate	3.79% ~ 10.00%	6.78% ~ 10.00%

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

At December 31, 2018, the weighted-average duration of the defined benefit obligation was 6.47 years.

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

<i>(In thousands of won)</i>	<u>Movement</u>	<u>Defined benefit obligation</u>
Discount rate	1% increase	₩ (4,628,595)
	1% decrease	5,254,681
Future salary growth rate	1% increase	5,244,834
	1% decrease	(4,705,168)

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

20. Commitments and Contingencies

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

<i>(In thousands of won)</i>		<u>Exercise Amount</u>		<u>Guarantee Amount</u>		<u>Term</u>	<u>Type</u>
<u>Name</u>	<u>Financial Institution</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>		
PT Layer Persada	KEB Hanabank	₩ 16,324,260	32,142,000	16,324,260	32,142,000	2018.07.25~ 2019.07.25	Loan limit guarantee

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

<i>(In thousands of won)</i>		<u>Guarantee Amount</u>		<u>Type</u>
<u>Name</u>		<u>2018</u>	<u>2017</u>	
Seoul Guarantee Insurance	₩	1,127,909	3,622,936	Fulfillment payment guarantee
IS Bank		13,321,958	8,412,668	Fulfillment payment guarantee
Granti Bank		29,969	56,627	Fulfillment payment guarantee
Burgan Bank		21	28	Fulfillment payment guarantee

CJ CGV CO., LTD. AND SUBSIDIARIES
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20. Commitments and Contingencies, Continued

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

(In thousands of won)

		<u>2018</u>	<u>2017</u>
Overdraft agreement	₩	23,944,800	19,285,600
Bill discount agreement		-	50,000,000
General loan agreement		799,594,555	772,093,010
Other facility fund loan		71,239,730	53,570,000

Other than above agreements, the Group has a limit of ₩12,000 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, 2018, the Group is involved in sixty-one lawsuits as a plaintiff for alleged damages of ₩5,028 million (Prior year end: ₩3,661 million) in aggregate, and seventy-three lawsuits as a defendant for alleged damages of ₩2,368 million (Prior year end: ₩2,780 million) in aggregate. The Group believes that outcome of these legal actions does not result in a material unfavorable effect on the Group's consolidated financial statements.
- (5) The Group made a leasehold deposit transfer commitments with JB Cultureplex private placement special fund 24th and transferred ₩198,600 million of leasehold deposits during 2018. 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 ₩7,825 million and ₩33,509 million, as of December 31, 2018.
- (6) The Group has an outstanding purchase commitment for the acquisition of the leasehold deposit, which was transferred according to the leasehold deposit transfer commitments with JB Cultureplex private placement special fund 24th during 2018, at fair value in August 30, 2021. The Group holds interest rate forwards to hedge the risk of changes in the fair value of leasehold deposit at the time of repurchase and has recognized gain on valuation of derivative financial assets amounting to ₩5,253 million as finance income in the consolidated statement of comprehensive income.
- (7) The Group has made a total return swap contract with the acquirer of non-guaranteed and subordinated convertible bonds (total face amount of ₩15,000 million) issued by CJ 4DPlex Co., Ltd. a subsidiary of the Group during 2015. CJ 4DPlex Co., Ltd. has made a repayment early and the Group has recognized loss on transaction of total return swap amounting to ₩8,483 million as finance expense in the consolidated statement of comprehensive income.
- (8) The Group has made a total return swap contract with the non-controlling shareholder of Bosphorus Investment Co., Ltd., a subsidiary of the Group. According to the contract, the Group 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.

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

21. Share Capital

Share capital as of December 31, 2018 and 2017 are as follows:

<i>(In won, except share data)</i>	<u>2018</u>	<u>2017</u>
Number of shares authorized	100,000,000	100,000,000
Par value per share	₩ 500	500
Number of shares issued	21,161,313	21,161,313
Share capital	<u>₩ 10,580,656,500</u>	<u>10,580,656,500</u>

22. Capital Surplus

Capital surplus as of December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</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>

23. Retained Earnings

(1) Retained earnings as of December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Legal reserve	₩ 12,352,653	12,352,653
Voluntary reserve	10,032,186	9,078,301
Unappropriated retained earnings	159,286,495	298,513,399
	<u>₩ 181,671,334</u>	<u>319,944,353</u>

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

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

23. Retained Earnings, Continued

(1) Changes in retained earnings for the years ended December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Beginning balance	₩ 319,944,353	329,860,688
Adjustment for adopting K-IFRS No.1115	10,966,378	-
Beginning balance at January 1, 2018 (Adjusted)	330,910,731	329,860,688
Dividends	(7,406,460)	(7,406,460)
Net income(Loss)	(188,541,087)	10,036,369
- Less: Non-controlling interests	47,888,165	(11,438,905)
Owners of the Parent Company	(140,652,922)	(1,402,536)
Remeasurement loss of defined benefit plan	(1,180,015)	(1,107,339)
Ending balance	₩ <u>181,671,334</u>	<u>319,944,353</u>

24. Other Capital

(1) Other capital as of December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Other capital surplus	₩ 758,079	758,079
Capital adjustments	(10,054,262)	(9,932,111)
Accumulated other comprehensive income (loss)	(160,304,756)	(102,522,910)
	₩ <u>(169,600,939)</u>	<u>(111,696,942)</u>

(2) Accumulated other comprehensive income (loss) as of December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Foreign currency translation difference for foreign operations	₩ (157,015,782)	(99,467,027)
Change in equity of equity method investments	(3,288,974)	(3,055,883)
	₩ <u>(160,304,756)</u>	<u>(102,522,910)</u>

CJ CGV CO., LTD. AND SUBSIDIARIES
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25. Hybrid Instruments

Hybrid instruments as of December 31, 2018 and 2017 are as follows:

(In thousands of won)

Subsidiaries		Total face amount		Interest rate (%)	Maturity date	Right to request early redemption
		2018	2017			
CJ CGV Co., Ltd.	Unsigned non-guaranteed subordinated convertible bonds	₩ 150,000,000	-	4.20	2048.11.08	Procession
CJ 4DPlex Co., Ltd.	Unsigned non-guaranteed subordinated convertible bonds	-	15,000,000	3.20	2045.08.24	Procession
MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	Hybrid loan	80,000,000	80,000,000	4.70	2046.10.27	Procession

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

26. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2018 and 2017 are as follows:

(In thousands of won)

		2018	2017
Salaries	₩	223,820,432	200,778,733
Employee benefits		12,181,820	11,309,159
Other employee benefits		33,376,894	31,841,591
Supplies		13,824,375	13,758,849
Travel		7,437,414	8,231,886
Rent		216,065,955	188,048,854
Depreciation		6,196,673	7,868,939
Amortization		15,178,874	19,374,291
Advertising		20,238,460	19,614,943
Sales promotion		7,610,800	13,345,281
Maintenance expenses for buildings		116,594,076	104,878,288
Commission		111,379,387	109,895,449
Other expenses		50,727,923	52,083,286
	₩	<u>834,633,083</u>	<u>781,029,549</u>

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27. Nature of Expenses

Details of nature of expenses for the years ended December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Changes in inventories	₩ 121,610,124	123,468,056
Salaries	233,479,734	219,001,601
Employee benefits	13,251,474	12,647,068
Other employee benefits	34,461,237	33,315,181
Supplies	14,104,953	14,067,920
Rent	216,788,159	188,758,522
Depreciation	138,580,864	130,963,607
Amortization	20,802,706	38,430,444
Maintenance expenses for buildings	116,594,076	104,973,487
Commission	115,549,236	113,588,289
Other expenses	666,427,166	649,706,222
Total(*)	<u>₩ 1,691,649,729</u>	<u>1,628,920,397</u>

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

28. Other Non-operating Income and Expenses

(1) Details of other non-operating income for the years ended December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Gain on disposal of other financial assets	₩ 413,367	12,211
Reversal of other provisions	-	4,600,000
Gain on disposal of property and equipment	33,373,780	58,286
Gain on disposal of intangible asset	-	16,514
Gain on disposal of asset to be sold	-	2,112,424
Commission income	1,095,865	1,383,082
Rental income	14,965	2,464
Miscellaneous income	6,962,322	16,246,814
	<u>₩ 41,860,299</u>	<u>24,431,795</u>

(2) Details of other non-operating expenses for the years ended December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Other bad debt expenses	₩ 173,746	77,068
Loss on disposal of property and equipment	5,188,858	3,821,308
Loss on disposal of intangible assets	483,852	625,349
Loss on disposal of other financial assets	8,436,966	2,606,938
Donations	1,581,127	2,103,408
Loss on impairment of tangible asset	2,234,972	4,018,508
Loss on impairment of intangible asset	-	6,052
Loss on impairment of good will	88,425,051	-
Miscellaneous loss	5,827,909	6,628,892
	<u>₩ 112,352,481</u>	<u>19,887,523</u>

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29. Financial Instruments Income and Costs by Categories

(1) Financial instruments income by categories for the years ended December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Interest income:		
Cash and cash equivalents	₩ 4,273,555	3,339,854
Loans and receivables	1,034,425	1,054,979
Foreign currency transaction gain:		
Cash and cash equivalents	91,452	235,640
Loans and receivables	1,512,214	477,494
Financial liabilities recognized at amortized cost	258,820	905,881
Foreign currency translation gain:		
Cash and cash equivalents	826,930	1,467,489
Loans and receivables	729,459	1,132,911
Financial liabilities recognized at amortized cost	2,846,767	7,589,439
Dividends	57,204	64,187
Gain on valuation of financial assets measured at fair value	24,615	-
Gain on valuation of derivative financial assets	7,767,865	8,862,576
Gain on transaction of derivative financial assets	1,242,228	126,599
	₩ <u>20,665,534</u>	<u>25,257,049</u>

(2) Financial instruments costs by categories for the years ended December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Interest expense:		
Financial liabilities recognized at amortized cost	₩ 47,158,729	38,587,927
Foreign currency transaction loss:		
Cash and cash equivalents	360,364	157,719
Loans and receivables	258,755	1,200,427
Financial liabilities recognized at amortized cost	938,421	167,351
Foreign currency translation loss:		
Cash and cash equivalents	570,973	2,752,103
Loans and receivables	1,762,004	2,750,980
Financial liabilities recognized at amortized cost	3,990,040	1,326,745
Loss on valuation of financial assets measured at fair value	1,847,606	-
Loss on disposal of financial assets measured at fair value	3,648	297,189
Loss on valuation of derivative financial assets	177,576,660	61,704,591
Loss on transaction of derivative financial assets	8,577,751	257,897
	₩ <u>243,044,951</u>	<u>109,202,929</u>

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30. Income Tax Expense

- (1) The component of income tax expense for the years ended December 31, 2018 and 2017 were as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Current tax expense	₩ 32,911,350	13,948,676
Income tax refund	(818,658)	(1,074,928)
Change in deferred tax due to temporary difference	(54,914,086)	(12,128,713)
Changes in deferred tax due to tax deficit	325,525	464,885
Income tax recognized directly in equity	556,318	299,436
Total income tax expense	<u>₩ (21,939,551)</u>	<u>1,509,356</u>

- (2) Income taxes recognized directly in other comprehensive income (loss) for the years ended December 31, 2018 and 2017 are as follows:

<i>(In thousands of won)</i>	<u>2018</u>		<u>2017</u>	
	<u>Other comprehensive income (loss)</u>	<u>Deferred tax assets (liabilities)</u>	<u>Other comprehensive income (loss)</u>	<u>Deferred tax assets (liabilities)</u>
Remeasurement loss of defined benefit plan	₩ (1,554,708)	374,692	(1,635,694)	299,436
Change in equity of equity method investments	(233,091)	-	(3,624,422)	-
Fee of hybrid loan issuance	(750,520)	181,626	-	-
	<u>₩ (2,538,319)</u>	<u>556,318</u>	<u>(5,260,116)</u>	<u>299,436</u>

- (3) Reconciliation of effective tax rate for the years ended December 31, 2018 and 2017 were as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Income before income taxes	₩ (210,480,638)	11,545,725
Income tax expense using the Group's statutory tax rate	(20,498,665)	2,518,060
Adjustments:		
- Non-deductible expense	3,281,549	3,230,773
- Non-taxable income	(3,068,606)	(1,876,924)
- Unrecognized deferred tax on temporary differences	(18,057)	(128,701)
- Adjustments for prior years	(818,658)	(1,074,928)
- Others	(817,114)	(1,158,924)
Income tax expenses	<u>₩ (21,939,551)</u>	<u>1,509,356</u>
Average effective tax rate(*)	-	13.07%

(*) The effective tax rate has not been calculated because of the occurrence of income tax revenue

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30. Income Tax Expense, Continued

(4) Changes in deferred income tax assets (liabilities) for the year ended December 31, 2018 and 2017 were as follows:

(In thousands of won)

		2018		
		Temporary differences	Deferred tax assets (liabilities)	
			Ending balance	Beginning balance
Investments in associates	₩	620,066,158	406,012	336,749
Allowance for doubtful accounts		4,975,813	1,071,827	1,152,712
Accrued retirement and severance benefits		(485,125)	812,807	(106,727)
Depreciation		223,522	(498,529)	56,875
Amortization		11,402,795	1,941,501	2,461,554
Gain (loss) on valuation of derivative financial instruments		223,502,190	10,719,429	54,087,530
Loss on valuation of inventories		852,571	185,671	187,566
Impairment loss on intangible assets		790,219	191,233	191,233
Prepaid expenses		(53,896,738)	(14,526,854)	(13,043,011)
Deferred revenues		15,466,018	3,128,849	3,742,776
Accrued income		(9,898,389)	(32,916)	(51,600)
Accrued expenses		4,773,453	241,071	236,518
Goodwill		(2,870,644)	(694,696)	(694,696)
Lands		-	(12,225,907)	-
Other intangible assets		-	(25,193,894)	(17,047,605)
Others		25,956,464	11,898,327	1,048,250
		840,858,307	(22,576,069)	32,558,124
Tax loss carryforward		12,415,121	2,759,311	2,557,260
		853,273,428	(19,816,758)	35,115,384
Unrecognized deferred tax assets(*)			(102,787)	(120,843)
	₩		(19,919,545)	34,994,541

(*) Deferred tax assets of ₩121 million for temporary differences related to investments in subsidiaries and associates were not recognized, as it is not probable that the temporary differences will be reversed in the foreseeable future.

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

For the years ended December 31, 2018 and 2017

30. Income Tax Expense, Continued

- (4) Changes in deferred income tax assets (liabilities) for the year ended December 31, 2018 and 2017 were as follows, continued

(In thousands of won)

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

(*) Deferred tax assets of ₩103 million for temporary differences related to investments in subsidiaries and associates were not recognized, as it is not probable that the temporary differences will be reversed in the foreseeable future.

- (5) As of December 31, 2018, tax effects of temporary differences are calculated using the expected tax rate of the fiscal year when the temporary differences are expected to reverse.
- (6) The aggregate amounts of deferred tax assets and liabilities as of December 31, 2018 and 2017 were as follows:

(In thousands of won)

		2018	2017
Deferred tax assets	₩	65,938,180	33,253,251
Deferred tax liabilities		(30,943,639)	(53,172,796)
	₩	34,994,541	(19,919,545)

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

31. Loss per Share

(1) Basic loss per share

Basic loss per share for the years ended December 31, 2018 and 2017 are calculated as follows:

(In won, except share information)

	<u>2018</u>	<u>2017</u>
Loss attributable to owners of the Parent Company	₩ 140,652,921,745	1,402,536,047
Weighted average number of ordinary shares	21,161,313	21,161,313
Basic loss per share	<u>₩ 6,647</u>	<u>66</u>

(2) Diluted loss per share

As there were no dilutive potential ordinary shares for the years ended December 31, 2018 and 2017, the diluted loss per share is equal to the basic loss per share.

32. Related Parties

(1) Parent company and subsidiaries

The Group's ultimate parent company is CJ Corp.

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

For the years ended December 31, 2018 and 2017

32. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2018 are summarized as follows:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Disposal of property and equipment	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Parent	CJ Corp.	₩ 66,685	-	-	-	-	-	-	5,563,201	2,889,950
Associates	Foshan XingXing CJ Cinema Co., Ltd.	99,832	-	-	-	722	-	-	-	-
	CJ Vietnam Company Limited	502	-	-	-	1,295	-	-	243,485	-
Joint ventures	D-cinema korea	-	18,000	-	-	2,000	20,000	-	-	-
	CJ XingXing (TJ) International Cinema Co., Ltd.	40,523	-	-	-	33,391	-	-	5,332	-
	Changsha CJ xingxing cinema Co.,Ltd.	97,065	-	-	-	3,153	-	-	-	-
	Zhongshan CJ Xingxing Cinema Co., Ltd	6,455	-	-	-	2,250	-	-	-	-
	Ningbo Culture Plaza CJ Cinema Co.,Ltd	122,454	-	-	-	84,844	-	-	-	-
	CJ XINGXING (SHANGHAI) CINEMA CO.,LTD	6,986	-	-	-	44,898	-	-	10,219	-
	CJ XINGXING (FUSHUN) CINEMA CO.,LTD	8,683	-	-	-	22,585	-	-	9,149	-
	Wuhan CJ XingXing Tiandi Cinema Co.,Ltd.	6,732	-	-	-	18,826	-	-	-	-
	SHANGHI SHANGYING CGV XINZHUANG CO., LTD.	1,601	-	-	541,576	21,646	-	-	-	-
	Beijing CJ Xingxing International Cinema	116,946	-	-	-	62,651	-	-	2,537	-
	Shanghai Shangying CGV Cinema Co., LTD	50,684	-	-	368,056	31,850	-	-	-	-
Other related companies	CJ Cheiljedang Corp.	1,038,280	34,125	-	-	74,171	-	-	5,274,296	-
	CJ HealthCare Corporation	30,270	717	-	-	-	-	-	284	-
	CJ Freshway Corporation	59,260	-	-	-	26,256,146	-	-	45,709	-
	CJ Foodvill Co., Ltd.	2,921,758	-	223,891	-	391,062	73,400	-	1,064,621	-
	CJ Dondonfarm Co., Ltd.	2,219	-	-	-	-	-	-	-	-
	CJ Sea Food Co., Ltd.	2,413	-	-	-	-	-	-	-	-
	WONJ1	1,262	-	-	-	-	-	-	-	-
	CJ E&M Corp. (CJ O Shopping Co., Ltd.)	1,618,701	7	-	-	20,000,461	102,769	-	948,102	-
	CJ Worldis Co., Ltd.	4,122	-	-	-	-	-	-	680	-
	CJ Hellovision Co., Ltd.	59,918	-	-	-	6,442	-	-	60,795	-

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

For the years ended December 31, 2018 and 2017

32. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2018 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Disposal of property and equipment	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other-related companies	CJ Telenix Co., Ltd.	₩ 4,347	-	-	-	-	-	-	1,688,628	-
	SUPERRACE	-	-	-	-	40,000	-	-	800,000	-
	CJ Korea Express Co., Ltd.	307,287	-	-	-	796,549	2,789	-	1,842,182	-
	CJ Powercast Inc.	84,487,208	-	-	-	11,317	27,000	480,055	3,689,751	-
	MBC Drama-net Co., LTD	-	-	-	-	-	-	20,000	-	-
	Art service Co., Ltd.	105,515	-	-	-	-	-	-	7,350	-
	HOME CHOICE CORP	-	-	-	-	104,326	-	-	-	-
	CJ E&M Corp.	1,028,264	155,803	-	-	20,225,876	-	200,000	337,824	-
	MEZZOMEDIA Inc.	4,050	-	-	-	780,264	72,900	-	50,007	-
	K Valley Co., Ltd.	11,435	-	-	-	-	-	-	-	-
	Studio Dragon Corporation	11,630	-	-	-	2,834	-	-	-	-
	Rubicon Company	12,000	-	-	-	-	-	-	-	-
	CJ OliveNetworks Co., Ltd.	837,919	-	-	-	3,358	121,651	4,782,903	30,013,811	-
	CJ Construction Co., Ltd.	7,954	-	-	-	245	-	-	53,587	-
	CJ MD1 Corp.	2,942	-	-	-	-	-	-	-	-
	CJ Qingdao Foods Co., Ltd.	-	-	-	-	180,259	-	-	-	-
	CJ Foodville Shanghai Corp.	-	-	-	-	31,643	-	-	925	-
	CJ FRESHWAY VIETNAM CO., LTD.	241	-	-	-	-	-	-	-	-
	CJ FRESHWAY QINGDAO Corporation	-	19,576	-	-	-	-	-	-	-
	CJ Vina Agri Co. Ltd.	7,256	-	-	-	-	-	-	-	-
	CJ-SC GLOBAL MILLING LLC	380	-	-	-	-	-	-	-	-
	CJ VINA FOOD CO., LTD.	761	-	-	-	-	-	-	-	-
	Fides Food System Co., Ltd.	1,566	-	-	-	-	-	-	-	-
	CJ IMC co.,ltd	-	-	-	-	-	195,523	-	-	-
	CJ GLS China (Shanghai) Ltd.	-	-	-	-	45,614	60,187	-	37,136	-
	CJ Korea Express Freight Vietnam Co., Ltd.	1,825	-	-	-	2	32,981	-	18,017	-
	SCJ TV Shopping Co. Ltd.	-	-	-	-	9,163	346,515	-	145,671	-

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

For the years ended December 31, 2018 and 2017

32. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2018 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Disposal of property and equipment	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other-related companies	CJ LOGISTICS U.S.A. Corporation	₩	-	-	-	-	-	-	2,937	-
	CJ korea express TIANJIN Co., Ltd.	-	-	-	-	76,221	-	-	992,854	-
	KOREA EXPRESS SHANGHAI CO., LTD.	-	331	-	-	2,931	-	-	6,335	-
	CJ IMC VIETNAM CO., LTD.	167	-	-	-	-	-	-	-	-
	CJ Olive Young(Shanghai) Corporation	-	25,880	-	-	155,670	803,424	269,001	3,060,859	-
	Rolemodel Entertainment Group Limited	-	-	-	-	-	-	-	1,551	-
	CJ E&M Hong Kong Limited	-	-	-	-	-	-	-	49,539	-
	CJ E&M America, Inc.	-	-	-	-	-	-	-	1,607,107	-
	CJ America, Inc.	10,362	-	-	-	-	-	-	264,564	-
	CJ FOODS VIETNAM CO., LTD.	1,023	-	-	-	5	-	-	649	-
	CJ Feed ingredient Vietnam Co., Ltd.	345	-	-	-	-	-	-	-	-
	CJ Foodville (Chongqing) Corporation	-	-	-	-	19,261	-	-	-	-
	CJ CAU TRE FOODS JOINT STOCK COMPANY	629	-	-	-	-	-	-	-	-
	CJ Beijing Bakery Co., Ltd.	-	221,152	-	-	65,287	-	-	-	-
	CJ Bakery Vietnam Co., Ltd.	2,750	-	-	-	7,637	-	-	42,272	-
	CJ CHINA CONSULTING., LTD.	-	-	-	-	-	-	-	705,916	-
	BOC Co.,ltd	341	-	-	-	-	-	-	7,155	-
	BLF Company limited	334	-	-	-	-	-	-	-	-
	INDOLINK Co.,ltd	110	-	-	-	-	-	-	-	-
	CJ Entertainment America L.L.C	1,849	-	-	-	-	-	-	-	-
	CJ International Trading Corp.	9,442	-	-	-	824,864	-	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	-	-	180,745	-
	Timewise Investment	3,180	-	-	-	-	-	-	-	-
	SG Safety Corporation	-	-	-	-	-	11,498	-	236,974	-
	A TWOSOME PLACE CO., LTD.	901,183	-	-	-	3,254,190	275,597	-	468,323	-
	CJ Gemadept Logistics Holdings Company Limited	53	-	-	-	-	-	-	-	-
	CJ Gemadept Shipping Holdings Company Limited	24	-	-	-	-	-	-	-	-

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

32. Related Parties, Continued

(2) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2018 are summarized as follows, continued:

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Disposal of property and equipment	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other-related companies	CJ Entertainment Turkey	₩ 1,174,780	20,830	-	-	15,094,739	-	-	-	-
	CJ HK Entertainment Co., Ltd.	60,473	1,220	-	-	5,100,297	-	-	-	-
	CJ OLIVENETWORKS VINA CO.,LTD.	235	-	-	-	762	-	-	-	-
	CJ E&C VIETNAM Co.Ltd	11	-	-	-	-	-	-	-	-
		<u>₩ 95,363,222</u>	<u>497,641</u>	<u>223,891</u>	<u>909,632</u>	<u>93,897,632</u>	<u>2,146,234</u>	<u>5,751,959</u>	<u>59,541,079</u>	<u>2,889,950</u>

CJ CGV CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2018 and 2017

32. Related Parties, Continued

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

(In thousands of won)

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

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32. Related Parties, Continued

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

(In thousands of won)

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

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32. Related Parties, Continued

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

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Disposal of assets held for sale	Disposal of tangible and intangible assets	Dividends revenue	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other-related companies	CJ korea express U.S.A. Corporation	₩ 1,246	-	-	-	-	-	-	-	-	-
	CJ korea express TIANJIN Co., Ltd.	-	-	-	-	-	45,845	-	-	758,942	-
	KOREA EXPRESS SHANGHAI CO., LTD.	-	73,801	-	-	-	-	-	-	24,306	-
	KOREA EXPRESS SAIGON PORT CO.,LTD.	498	-	-	-	-	-	-	-	-	-
	CJ IMC VIETNAM CO., LTD.	64	-	-	-	-	-	-	-	-	-
	CJ Olive Young(Shanghai) Corporation	-	38,156	-	-	-	145,022	1,714,340	1,426,144	2,441,258	-
	CJ E&M Vietnam Co., Ltd.	45,829	-	-	-	-	197,108	-	-	-	-
	CJ E&M Hong Kong Limited	-	-	-	-	-	-	-	-	79,246	-
	CJ E&M America, Inc.	5,428	-	-	-	-	12,346	-	-	2,911,251	-
	CJ America, Inc.	13,002	-	-	-	-	-	-	-	369,684	-
	CJ FOODS VIETNAM CO., LTD.	56,855	-	-	-	-	-	-	-	-	-
	CJ Foodville (Chongqing) Corporation	-	-	-	-	-	2,863	-	-	-	-
	CJ Foodville USA, Inc. (formerly C.J Bakery, Inc.)	509	-	-	-	-	-	-	-	-	-
	CJ Beijing Bakery Co., Ltd.	-	115,047	-	-	-	118,979	-	-	-	-
	CJ Bakery Vietnam Co., Ltd.	7,484	-	-	-	-	14,634	-	-	31,236	-
	CJ CHINA CONSULTING., LTD.	-	-	-	-	-	-	-	-	612,713	-
	CJ Entertainment America L.L.C	1,384	-	-	-	-	6	-	-	7,620	-
	CJ International Trading Corp.	-	-	-	-	-	727,775	-	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	11,080	-	-	336,444	-
	Timewise Investment	1,856	-	-	-	-	-	-	-	-	-
	SG Safety Corporation	947	-	-	-	-	-	28,756	-	272,433	-
	CJ Entertainment Turkey	637,774	-	-	-	-	10,106,577	-	-	-	-
	CJ HK Entertainment Co., Ltd.	4,854	-	-	-	-	898,002	-	-	-	-
	CJ OLIVENETWORKS VINA CO.,LTD.	2	-	-	-	-	-	-	-	-	-
		₩ 94,945,130	314,741	4,710,469	443,439	4,629,992	91,033,602	3,949,085	9,067,046	61,489,959	2,889,950

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

For the years ended December 31, 2018 and 2017

32. Related Parties, Continued

(4) Account balances with related companies as of December 31, 2018 are summarized as follows:

Relationship	Name	Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities	Borrowings
Parent	CJ Corp.	₩ 26,360	109,807	15,240	2,678	-	513,833	-
Associates	Foshan XingXing CJ Cinema Co., Ltd.	4,192	-	746	-	-	587	32,552
	CJ VIETNAM COMPANY LIMITED	5	-	-	-	-	-	-
Joint ventures	CJ XingXing (TJ) International Cinema Co., Ltd.	4,367	-	29,879	-	-	29,202	3,588,858
	ChangSha CJ XingXing Cinema Co., Ltd.	10,577	-	5,426	-	-	7,717	159,505
	Zhongshan CJ Xingxing Cinema Co., Ltd.	-	-	616	-	-	787	239,257
	Ningbo Culture Plaza CJ Cinema Co., Ltd.	-	-	21,320	-	-	31,025	-
	CJ Xingxing (Shanghai) Cinema Co., Ltd.	-	16,276	964	-	-	29,701	1,435,543
	CJ Xingxing (FSH) Cinema Co., Ltd.	-	-	71	-	-	14,480	1,156,410
	Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	-	-	8,353	-	-	16,428	1,315,915
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	45,573	-	523	-	-	4,618	-
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.	-	-	10,816	-	-	69,008	3,987,620
	Shanghai Shangying CGV Cinema Co., Ltd.	4,305	-	450	-	-	15,285	-
Other related companies	CJ Cheiljedang Corp.	181,197	-	462,788	4,668	230,000	1,063,399	-
	CJ Freshway Corporation	15,635	-	60,819	9,125,332	-	9,610	-
	CJ Foodvill Co., Ltd.	178,324	-	429,441	1,967,971	200,000	478,906	-
	CJ Dondonfarm Co., Ltd.	169	-	-	-	-	-	-
	CJ Sea Food Co., Ltd.	430	-	-	-	-	-	-
	WON JI	1,459	-	140	-	-	-	-
	CJ E&M Corp. (CJ O Shopping Co., Ltd.)	1,072,814	190,470	1,140,619	6,871,066	-	1,054,511	-
	CJ Worldis Co., Ltd.	-	-	587	10,561	-	1,339	-

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

For the years ended December 31, 2018 and 2017

32. Related Parties, Continued

(4) Account balances with related companies as of December 31, 2018 are summarized as follows, continued:

Relationship	Name	Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities	Borrowings
Other related companies	CJ Hellovision Co., Ltd.	₩ 21,510	-	182,965	-	-	22,542	-
	CJ Telenix Co., Ltd.	13,719	-	2,484	-	-	162,080	-
	CJ Korea Express Co., Ltd.	52,052	-	3,856,546	190,359	-	361,057	-
	CJ Powercast Inc.	26,480,991	-	2,209	390	-	868,582	-
	Art service Co., Ltd.	15,255	-	178	-	-	-	-
	MEZZOMEDIA Inc.	1,297,661	-	510	15,950	-	7,708	-
	MMO Entertainment Corporation	150	-	-	-	-	-	-
	K Valley Co., Ltd.	1,316	-	122	-	-	-	-
	Studio Dragon Corporation	1,786	-	2,543	518	-	-	-
	CJ OliveNetworks Co., Ltd.	18,937,522	-	2,240,624	135,466	-	7,772,949	-
	CJ MD1 Corp.	7,146	-	1,834	-	-	-	-
	CJ Qingdao Foods Co., Ltd.	-	-	-	24,801	-	485	-
	CJ Foodville Shanghai Corp.	-	-	88	23,302	-	2,400	-
	CJ FRESHWAY VIETNAM CO.,LTD	44	-	-	-	-	-	-
	CJ Vina Agri Co. Ltd.	593	-	-	-	-	-	-
	CJ-SC GLOBAL MILLING LLC	104	-	-	-	-	-	-
	CJ Vina Food Co	163	-	-	-	-	-	-
	Fides Food System Co.,Ltd	18	-	-	-	-	-	-
	CJ GLS China (Shanghai) Ltd	-	-	-	11,218	-	58,839	-
	CJ GLS (VN) Freight Co., Ltd	347	-	416	357	-	4,145	-
	CJ Logistics U.S.A. Corporation	29	-	-	-	-	-	-
	CJ korea express TIANJIN Co., Ltd.	-	-	-	-	-	78,279	-
	KOREA EXPRESS SHANGHAI CO.,LTD.	-	-	-	-	-	591	-
	CJ IMC Vietnam	19	-	-	-	-	-	-
	CJ Olive Young(Shanghai) Corporation	-	-	-	45,400	-	407,725	-
	CJ E&M America, Inc.	-	-	-	-	-	262,900	-
	CJ America, Inc.	-	-	-	-	-	26,770	-

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

For the years ended December 31, 2018 and 2017

32. Related Parties, Continued

(4) Account balances with related companies as of December 31, 2018 are summarized as follows, continued:

<u>Relationship</u>	<u>Name</u>	<u>Trade receivables</u>	<u>Deposits</u>	<u>Other receivables</u>	<u>Trade payables</u>	<u>Deposits received</u>	<u>Other liabilities</u>	<u>Borrowings</u>
Other related companies	CJ FOODS VIETNAM CO., LTD	₩ 206	-	-	694	-	-	-
	CJ Feed ingredient Vietnam Co., Ltd.	11	-	-	-	-	-	-
	CJ FOODVILLE (CHONGQING) CORPORATION	-	-	-	1,713	-	-	-
	CAU TRE FOODS PROCESSING JOINT STOCK COMPANY	151	-	-	-	-	-	-
	CJ Beijing Bakery Co., Ltd.	-	-	-	1,054	-	-	-
	CJ Bakery Vietnam Co., Ltd.	399	-	-	1,381	-	184	-
	CJ Entertainment America L.L.C	-	-	-	249,267	-	-	-
	CJ International Trading Corp.	-	-	-	104,683	-	4,699	-
	Timewise Investment	330	-	-	-	-	-	-
	A TWOSOME PLACE CO., LTD.	102,664	-	183,042	1,153,557	-	496,042	-
	CJ Entertainment Turkey	1,316,008	-	-	2,578,229	-	-	-
	CJ HK Entertainment Co., Ltd.	942	-	-	1,682	-	258,313	-
	CJ Olivenetworks Vina Co.,Ltd.	39	-	-	-	-	-	-
	SG Safety Corporation	-	-	246	-	-	908	-
		₩ 49,796,582	316,553	8,662,605	22,522,297	430,000	14,137,634	11,915,660

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

For the years ended December 31, 2018 and 2017

32. Related Parties, Continued

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

(In thousands of won)

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

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

For the years ended December 31, 2018 and 2017

32. Related Parties, Continued

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

(In thousands of won)

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

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

For the years ended December 31, 2018 and 2017

32. Related Parties, Continued

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

(In thousands of won)

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

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

For the years ended December 31, 2018 and 2017

32. Related Parties, Continued

(6) The Group's fund transaction with related parties are as follows:

(In thousands of won)

Relationships	Name	Fund Loan Transaction		Fund Borrowing Transaction		
		Loan, etc	Collection	Borrowing, etc	Repayment	
Associates	Foshan XingXing CJ Cinema Co., Ltd.	₩	-	-	32,552	-
Joint ventures	CJ XingXing (TJ) International Cinema Co.,Ltd.(*)	-	-	873,467	4,488	-
	ChangSha CJ XingXing Cinema Co., Ltd.	-	-	159,505	-	-
	Zhongshan CJ Xingxing Cinema Co., Ltd.(*)	-	-	54,448	306	-
	CJ Xingxing (Shanghai) Cinema Co., Ltd.(*)	-	-	83,720	2,208	-
	CJ Xingxing (FSH) Cinema Co., Ltd.(*)	-	-	49,038	34,513	-
	Wuhan CJ XingXing Tiandi Cinema Co.,Ltd.(*)	-	-	63,862	2,069	-
	Beijing CJ Xingxing Olympic International Cinema Co., Ltd.(*)	-	-	1,024,953	4,896	-
Other related companies	CJ FRESHWAY QINGDAO Corporation (*)	883,509	1,491,765	-	-	-
	KOREA EXPRESS SHANGHAI CO., LTD.(*)	-	1,033,495	-	-	-
	CJ Olive Young(Shanghai) Corporation(*)	66,962	1,619,475	-	-	-
	CJ America, Inc.	-	-	4,339,504	6,910,890	-
	CJ Beijing Bakery Co., Ltd.(*)	3,099,090	8,087,327	-	-	-

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

(7) Key management personnel compensation for the years ended December 31, 2018 and 2017 are as follows:

(In thousands of won)

		2018	2017
Short-term employee benefits	₩	2,052,153	2,813,229
Costs related to defined benefit plan		194,488	212,048
Long-term employee benefits		74,682	(13,304)
	₩	<u>2,321,323</u>	<u>3,011,973</u>

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