

CJ CGV CO., LTD.

Separate 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 financial statements of CJ CGV CO., LTD. ("the Company"), which comprise the statements of financial position as of December 31, 2018 and 2017, the 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 financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its 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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

As of December 31, 2018 and 2017

(In won)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Assets			
Cash and cash equivalents	5,6 ₩	103,590,749,384	37,329,940,540
Trade receivables	5,7,30	77,891,533,535	85,805,205,606
Inventories	8	4,727,351,818	5,880,823,056
Other current financial assets	5,9,30	12,830,742,861	24,015,136,537
Other current assets	10	16,845,081,101	22,930,700,430
Current assets		<u>215,885,458,699</u>	<u>175,961,806,169</u>
Investments in equity method investees	11	640,197,545,237	845,112,865,231
Property and equipment	12	317,610,726,126	454,513,395,244
Intangible assets	13	17,767,179,754	20,449,147,975
Employ benefit assets	17	1,407,952,965	-
Deferred tax assets	28	59,058,410,003	2,911,221,575
Other non-current financial assets	5,9	31,806,878,301	23,945,034,267
Other non-current assets	10	68,379,553,705	72,765,201,609
Non-current assets		<u>1,136,228,246,091</u>	<u>1,419,696,865,901</u>
Total assets		₩ <u>1,352,113,704,790</u>	<u>1,595,658,672,070</u>

CJ CGV CO., LTD.
 Separate 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	5,30	₩ 68,957,415,666	68,320,726,837
Other payables	5,18,30	76,529,083,496	138,269,351,335
Short-term borrowings	5,16	40,000,000,000	90,000,000,000
Current portion of debentures	5,16	49,973,871,531	49,981,429,067
Current portion of long-term borrowings	5,16	78,160,161,722	52,785,000,000
Current tax liabilities		23,280,841,330	7,608,518,089
Other current financial liabilities	5,14,30	4,715,798,175	6,256,114,832
Other current liabilities	15	84,129,213,723	78,312,609,712
Current liabilities		<u>425,746,385,643</u>	<u>491,533,749,872</u>
Long-term debentures	5,16	139,794,120,143	149,742,164,474
Long-term borrowings	5,16	155,456,923,438	312,500,970,335
Long-term other payables	5,18	33,549,474,311	29,189,663,417
Employee benefits	17	-	2,590,144,473
Other non-current financial liabilities	5,14,30	242,396,022,953	66,456,769,379
Other non-current liabilities	15	13,623,751,132	16,211,089,682
Non-current liabilities		<u>584,820,291,977</u>	<u>576,690,801,760</u>
Total liabilities		₩ <u>1,010,566,677,620</u>	<u>1,068,224,551,632</u>
Shareholders' equity			
Common stock	1,19	₩ 10,580,656,500	10,580,656,500
Capital surplus	20	89,157,245,168	89,157,245,168
Retained earnings	21	98,545,810,883	432,289,009,991
Other capital	22,23	143,263,314,619	(4,592,791,221)
Total shareholders' equity		₩ <u>341,547,027,170</u>	<u>527,434,120,438</u>
Total liabilities and shareholders' equity		₩ <u>1,352,113,704,790</u>	<u>1,595,658,672,070</u>

See accompanying notes to the Separate financial statements.

CJ CGV CO., LTD.
 Separate 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	30 ₩	974,760,401,941	932,125,702,861
Cost of sales	25,30	<u>(458,949,784,131)</u>	<u>(442,146,825,128)</u>
Gross profit		515,810,617,810	489,978,877,733
Selling, general and administrative expenses	24,25,30	<u>(479,693,838,686)</u>	<u>(446,058,131,152)</u>
Operating profit		36,116,779,124	43,920,746,581
Finance income	27	11,474,032,540	20,964,307,687
Finance costs	27	(212,733,968,885)	(83,935,152,141)
Other non-operating income	26	38,044,812,016	20,994,597,555
Other non-operating expenses	26	(230,690,183,022)	(20,134,814,455)
Loss before income tax		<u>(357,788,528,227)</u>	<u>(18,190,314,773)</u>
Income tax income	28	32,696,006,127	4,891,710,579
Net loss		<u>(325,092,522,100)</u>	<u>(13,298,604,194)</u>
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit plan		(1,641,447,834)	(1,171,651,137)
Taxes on items that will not be reclassified to profit or loss		<u>397,230,376</u>	<u>283,539,575</u>
Total items that will not be reclassified to profit or loss		<u>(1,244,217,458)</u>	<u>(888,111,562)</u>
Total comprehensive loss		<u>₩ (326,336,739,558)</u>	<u>(14,186,715,756)</u>
Loss per share			
Basic loss per share	29 ₩	(15,363)	(628)
Diluted loss per share		(15,363)	(628)

See accompanying notes to the Separate financial statements.

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

For the years ended December 31, 2018 and 2017

<i>(In won)</i>		<u>Common stock</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Other capital</u>	<u>Total</u>
Balance at January 1, 2017	₩	10,580,656,500	89,157,245,168	453,882,185,297	(4,592,791,221)	549,027,295,744
Total comprehensive income (loss)						
Net loss		-	-	(13,298,604,194)	-	(13,298,604,194)
Remeasurements of the defined benefit plan		-	-	(888,111,562)	-	(888,111,562)
Transactions with owners of the Parent Company, recognized directly in equity						
Dividends		-	-	(7,406,459,550)	-	(7,406,459,550)
Balance at December 31, 2017	₩	<u>10,580,656,500</u>	<u>89,157,245,168</u>	<u>432,289,009,991</u>	<u>(4,592,791,221)</u>	<u>527,434,120,438</u>
Balance at January 1, 2018	₩	10,580,656,500	89,157,245,168	432,289,009,991	(4,592,791,221)	527,434,120,438
Total comprehensive income (loss)						
Net loss		-	-	(325,092,522,100)	-	(325,092,522,100)
Remeasurements of the defined benefit plan		-	-	(1,244,217,458)	-	(1,244,217,458)
Transactions with owners of the Parent Company, recognized directly in equity						
Dividends		-	-	(7,406,459,550)	-	(7,406,459,550)
Hybrid loan issuance		-	-	-	147,856,105,840	147,856,105,840
Balance at December 31, 2018	₩	<u>10,580,656,500</u>	<u>89,157,245,168</u>	<u>98,545,810,883</u>	<u>143,263,314,619</u>	<u>341,547,027,170</u>

See accompanying notes to the Separate financial statements.

CJ CGV CO., LTD.
Separate 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 loss	₩ (325,092,522,100)	(13,298,604,194)
Adjustments for:		
Income tax income	(32,696,006,127)	(4,891,710,579)
Defined benefit plan related expenses	11,271,423,264	10,889,494,879
Depreciation	54,786,539,598	54,353,682,087
Amortization	3,887,021,742	10,077,065,803
Bad debt expenses	24,700,120	2,655,273
Other bad debt expenses	41,272,651	874,540
Foreign currency translation loss	1,077,927,369	34,119,749
Interest expense	22,869,131,855	21,739,634,603
Loss of valuation of inventories	867,076,979	-
Loss on valuation of derivative financial assets	177,576,659,837	61,627,588,586
Loss on transaction of derivative financial assets	8,577,751,259	257,897,020
Loss on disposal of FVTPL- equity instrument	3,610,487	75,984,793
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	2,237,554,307	3,688,882,248
Loss on disposal of intangible assets	483,167,178	6,052,147
Loss on impairment of equity investment	215,055,484,489	8,379,760,000
Other non-cash expenses	6,208,945,270	7,153,460,244
Interest income	(745,398,671)	(1,201,123,954)
Foreign currency translation gain	(17,239,208)	(6,406,437,975)
Gain on valuation of FVTPL- equity instrument	(24,615,185)	-
Gain on valuation of derivative financial assets	(6,283,372,984)	(8,595,925,239)
Gain on transaction of derivative financial assets	(1,242,228,224)	(126,599,633)
Gain on disposal of property and equipment	(33,369,001,245)	(4,825,000)
Gain on disposal of investments in equity method investees	(582,731,971)	(36,630,510)
Gain on disposal of other financial assets	(413,367,343)	(12,210,549)
Dividends	(3,011,757,046)	(3,751,633,593)
Gain on disposal of assets held for sale	-	(2,112,423,542)
Other non-cash income	(2,545,463)	(5,459,002,612)
	<u>436,864,575,360</u>	<u>148,295,567,244</u>
Changes in assets and liabilities:		
Trade receivables	7,836,845,597	164,457,977
Other current financial assets	4,013,894,512	4,222,923,069
Other current assets	4,664,673,357	(16,982,642,160)
Inventories	286,394,259	(1,723,979,903)
Other non-current assets	(1,508,208,434)	1,277,221,880
Trade payables	636,688,829	1,902,129,333
Other payables	(69,484,507,302)	8,588,902,355
Other current financial liabilities	332,080,000	(444,810,000)
Other current liabilities	1,821,939,712	(1,625,996,750)
Long-term other payables	-	(1,518,604,941)
Other non-current financial liabilities	(42,000,000)	2,456,993,000
Other non-current liabilities	1,399,618,425	45,493,469
Payment of retirement and severance benefits	(3,100,200,827)	(2,860,219,915)
Severance benefits from affiliated companies	189,232,291	16,876,692
Employee benefit plan assets	(14,000,000,000)	(12,000,000,000)
	<u>₩ (66,953,549,581)</u>	<u>(18,481,255,894)</u>

CJ CGV CO., LTD.

Separate 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	₩ 44,818,503,679	116,515,707,156
Interest received	480,879,116	546,903,351
Dividend received	2,829,499,847	4,872,987,160
Interest paid	(19,385,852,575)	(18,587,273,394)
Income taxes paid	(7,200,002,664)	(10,926,711,141)
Net cash from operating activities	<u>21,543,027,403</u>	<u>92,421,613,132</u>
Cash flows from investing activities		
Proceeds from disposal of investments in associates	-	36,630,510
Proceeds from disposal of FVTPL- equity instrument	270,641,313	711,655,929
Decrease of other financial assets	13,594,032,975	43,687,272,506
Proceeds from disposal of property and equipment	209,072,204,928	32,011,414
Proceeds from disposal of intangible assets	1,150,000,000	696,167
Proceeds from disposal of assets for held	-	2,302,454,311
Proceeds from disposal of investments in subsidiaries	7,909,451,875	-
Acquisition of FVTPL- equity instrument	(792,751,800)	(2,594,140,722)
Acquisition of FVOCI- equity instrument	(6,682,297,500)	-
Increase of other financial assets	(11,579,745,515)	(12,362,578,112)
Acquisition of investments in subsidiaries	(17,466,884,399)	(15,343,459,611)
Acquisition of property and equipment	(98,871,332,887)	(89,169,455,693)
Acquisition of intangible assets	(291,249,977)	(638,598,395)
Net cash from(used in) investing activities	<u>96,312,069,013</u>	<u>(73,337,511,696)</u>
Cash flows from financing activities		
Proceeds from issuance of debentures	39,919,580,000	49,899,460,000
Proceeds from short-term borrowings	363,700,000,000	115,000,000,000
Proceeds from issue of hybrid instruments	149,249,480,000	-
Repayment of debentures	(50,000,000,000)	(100,000,000,000)
Repayment of short-term borrowings	(413,700,000,000)	(115,000,000,000)
Repayment of current portion of long-term borrowings	(52,495,106,519)	(16,616,875,000)
Repayment of long-term borrowings	(80,000,000,000)	-
Dividends paid	(7,406,459,550)	(7,406,459,550)
Others, net	(861,781,503)	(254,106,711)
Net cash used in financing activities	<u>(51,594,287,572)</u>	<u>(74,377,981,261)</u>
Net increase(decrease) in cash and cash equivalents	66,260,808,844	(55,293,879,825)
Cash and cash equivalents at January 1	37,329,940,540	92,623,820,365
Cash and cash equivalents at December 31	<u>₩ 103,590,749,384</u>	<u>37,329,940,540</u>

See accompanying notes to the Separate financial statements.

CJ CGV CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2018 and 2017

1. Reporting Entity

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

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

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

2. Basis of Preparation

(1) Statement of compliance

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

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

The 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.

The Company 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 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

These Separate 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 Company operates.

For the years ended December 31, 2018 and 2017

2. Basis of Preparation, Continued

(4) Use of estimates and judgments

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

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

1) 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 5 – assumptions to determine the weighted average loss rate of ECLs on accounts receivable

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

Note 16 and 18 – provisions and contingencies: key assumptions about likelihood and magnitude of an outflow of resources;

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

For the years ended December 31, 2018 and 2017

2. Basis of Preparation, Continued

(4) Use of estimates and judgments, continued

2) Measurement of fair values

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

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

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

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

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

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

Note 5 – risk management

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

For the years ended December 31, 2018 and 2017

3. Change in Accounting Policies

The Company 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 Company's financial statements.

Because of the transitional provisions that the Company 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 Company 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 Company 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 impacts of adopting K-IFRS No.1115 on the Company'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 Company's statement of cash flows for the year ended December 31, 2018

CJ CGV CO., LTD.
Notes to the Separate 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

Impact on the Separate 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	₩ 215,885,459	141,441	215,744,018
Non-current assets	1,136,228,246	319,312	1,135,908,934
Total assets	1,352,113,705	460,753	1,351,652,952
Liabilities			
Current liabilities	425,746,386	-	425,746,386
Non-current liabilities	584,820,292	101,366	584,718,926
Total liabilities	1,010,566,678	101,366	1,010,465,312
Equity			
Total equity	₩ 341,547,027	359,387	341,187,640

Impact on the 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	₩ 974,760,402	1,746,563	973,013,839
Cost of sales	(458,949,784)	(1,285,810)	(457,663,974)
Gross profit	515,810,618	460,753	515,349,865
Sales, general, and administrative expenses	(479,693,839)	-	(479,693,839)
Operating profit	36,116,779	460,753	35,656,026
Profit	(325,092,522)	359,387	(325,451,909)
Total comprehensive income	₩ (326,336,740)	359,387	(326,696,127)

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3. Change in Accounting Policies, Continued

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

The Company'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 Company 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 Company 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 Company recognises revenue when it provides goods to customers and risks and rewards are transferred.
Advertising sales	The Company 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 Company settles monthly advertising costs during the period during which it provides services to customers and recognises revenue at the time.
Equipment sales Other sales	We sell our ScreenX equipment in a single contract with our customers and provide ScreenX content. Control of the equipment is transferred at the time of sale, and ScreenX content satisfies performance obligations during the contract period.	Under the changed accounting policy, The Company 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	No contract has been made before January 1, 2018.
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 Company 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.

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 Company 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 Company'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 Company'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	114,707,522	114,707,522
Cash and cash equivalents		Loans and receivables	Amortized cost	37,329,941	37,329,941
Total financial assets				₩ 162,589,463	162,589,463

- i. Investment funds and debt securities were classified as available for sale in K-IFRS No.1039. The Company 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 Company invests in for long-term strategic purposes. As permitted by K-IFRS No.1109, the Company 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-IFRS No.1109, 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.

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3. Change in Accounting Policies, Continued

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

The Company 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% ₩	114,099,318	-
under six months	0.00%	547,069	2
more than six months and not more than one year	5.40%	64,627	3,490
More than year	100.00%	<u>3,505,799</u>	<u>3,505,799</u>
	₩	<u>118,216,813</u>	<u>3,509,291</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 Company 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 Company has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies

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

(1) Operating segment

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

(2) Business combination under common control

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

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

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

(4) Cash and cash equivalents

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

(5) Inventories

The cost of inventories is based on the first-in first-out principle (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.

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4. Significant Accounting Policies, Continued

(6) 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 Company 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 Company 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.

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Notes to the Separate Financial Statements

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(6) 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 Company 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 Company 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 Company 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 Company'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 Company'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.

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4. Significant Accounting Policies, Continued

(6) 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 Company 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 Company 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 Company’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.

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4. Significant Accounting Policies, Continued

(6) Non-derivative financial assets, continued

③ Derecognition

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company 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 Company 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.

(7) Derivative financial instruments

① Derivatives and Hedge Accounting

The Company 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 Company 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 Company 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 Company 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:

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(7) 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 losses 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 Company expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Company 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.

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4. Significant Accounting Policies, Continued

(8) Impairment of financial assets

The Company recognizes loss allowances for ECLs on:

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

The Company 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 Company 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 Company'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 Company 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 Company expects to receive).

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4. Significant Accounting Policies, Continued

(8) Impairment of financial assets, continued

② Credit-impaired financial assets

At each reporting date, the Company 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 Company on terms that The Company 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 Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, The Company 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 Company 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 Company 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 Company's procedures for recovery of amounts due.

(9) Property and equipment

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

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4. Significant Accounting Policies, Continued

(9) 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 Company's property and equipment are as follows:

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

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

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

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

(10) Intangible assets

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

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

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

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

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

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4. Significant Accounting Policies, Continued

(11) Government grants

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

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

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

(12) Impairment of non-financial assets

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

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

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. 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.

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For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(13) Leases

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

(i) Finance leases

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

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

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

(ii) Operating leases

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

(iii) Determining whether an arrangement contains a lease

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

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

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

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

(15) Non-derivative financial liabilities

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

- (i) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.
- (ii) Other financial liabilities
Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.
- (iii) De-recognition of financial liabilities
The Company 29recognized29s the financial liability only if the contractual obligations of the financial liability are satisfied, cancelled, or expired. The Company 29recognized29s the existing liability and 29recognized 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 29recognized in profit or loss.

For the years ended December 31, 2018 and 2017

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

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

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

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

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

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(17) Provisions

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

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

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

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

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

(18) Foreign currencies

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

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

(19) Equity capital

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

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

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(20) Finance income and finance costs

Finance income and finance costs of the company comprise :

- Interest income
- Interest expense
- Dividend income
- Gains/Losses on disposal of debt instruments measured at FVOCI
- Gains/Losses of financial assets at FVPL
- Gains/Losses on Foreign exchange of financial assets and financial liabilities
- Impairment losses (or recovery) on amortized cost or investment assets of debt instruments measured at FVOCI
- Fair value losses of conditional costs classified as financial liabilities
- The ineffective portion of hedge recognized in profit or loss

Interest income and interest expense are recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

The effective interest rate is the rate at which the present value of the future cash payments or receivables estimated in the expected life of the financial instrument exactly matches the carrying amount of the financial asset or the amortized cost of the financial liability.

When calculating interest income or interest expense, the effective interest rate applies to the total carrying amount of the asset (if the credit of the asset is not impaired) or the amortized cost of the liability. However, for financial assets subsequent to initial recognition that are impaired, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer considered as impaired, interest income is calculated by applying an effective interest rate to the total carrying amount.

(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.

The Company determines interest and penalties related to income tax whether it is a income tax or not. If it is a corporation tax, it applies K-IFRS No. 1012, 'Income tax'. If it is not, applies K-IFRS No. 1037 'Provisions, contingent liabilities, contingent assets'

(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.

Current tax assets and current tax liabilities are offset only if all of the following conditions are met:

- Has a legally enforceable right to offset for the recognized amount
- It is intended to settle the net amount or settle the liability at the same time as realizing the asset

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

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

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

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

(22) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the 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.

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Notes to the Separate Financial Statements

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 Company has not early adopted the following new standards in preparing the accompanying Separate financial statements.

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 Company 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 Company has assessed the estimated impact that initial application of IFRS No.1116 will have on its Separate 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 Company 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 Company 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 Company determined at contract inception whether an arrangement is or contains a lease under K-IFRS No.2104. Under K-IFRS No.1116, The Company assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to K-IFRS No.1116, The Company 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.

For the years ended December 31, 2018 and 2017

4. Significant Accounting Policies, Continued

(23) New standards not yet adopted, continued

K-IFRS No.1116 Leases, continued

2) Transition

The Company 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 Company 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 Company's Separate 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.
Notes to the Separate Financial Statements

For the years ended December 31, 2018 and 2017

5. Risk Management

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

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

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

(1) Financial risk management

1) Risk management framework

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

2) Credit risk

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

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

(i) Exposure to credit risk

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

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

<i>(In thousands of won)</i>	2018	2017
Cash and cash equivalents	₩ 101,950,360	34,416,621
Trade receivables	77,891,534	85,805,206
Other financial assets	23,023,309	28,902,316
Derivative financial assets	5,684,505	8,505,855
	₩ 208,549,708	157,629,998

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

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)

	2018		
	Weight average loss late	Total Book value	Impaired
Not past due	0.0%	₩ 97,212,153	-
0-6 months	0.1%	3,346,103	4,400
6-12 months	4.4%	229,171	10,050
Over one year	96.2%	3,702,130	3,560,264
		<u>₩ 104,489,557</u>	<u>3,574,714</u>

(In thousands of won)

	2017		
	Weight average loss late	Total Book value	Impaired
Not past due	0.00%	₩ 114,099,318	-
0-6 months	0.00%	547,069	2
6-12 months	5.40%	64,627	3,490
Over one year	100.00%	3,505,799	3,505,799
		<u>₩ 118,216,813</u>	<u>3,509,291</u>

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

(iii) Guarantees

As described in note 18 (1) and note 30 (5), the Company provides financial guarantees to subsidiaries and others. As a result, the Company is exposed to credit risk to the extent of payment guarantee. The Company's maximum exposure to credit risk from financial guarantee contracts as of current and prior year end is ₩569,930 million and ₩486,328 million, respectively.

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

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

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

(In thousands of won)

		2018				
		Book value	Contractual cash outflow	Less than one year	One to five years	Over five years
Trade payables	₩	68,957,416	68,957,416	68,957,416	-	-
Other payables		76,529,083	76,529,083	76,529,083	-	-
Short-term borrowings		40,000,000	40,501,403	40,501,403	-	-
Debentures		189,767,992	205,515,100	56,739,500	148,775,600	-
Long-term borrowings		233,617,085	243,858,699	82,810,788	161,047,911	-
Long-term other payables		33,549,474	65,553,768	3,408,433	24,307,959	37,837,376
Other current financial liabilities		4,715,798	574,668,448	574,668,448	-	-
Other non-current financial liabilities		242,396,023	242,417,363	-	234,088,446	8,328,917
	₩	<u>889,532,871</u>	<u>1,518,001,280</u>	<u>903,615,071</u>	<u>568,219,916</u>	<u>46,166,293</u>

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

(In thousands of won)

		2017				
		Book value	Contractual cash outflow	Less than one year	One to five years	Over five years
Trade payables	₩	68,320,727	68,320,727	68,320,727	-	-
Other payables		138,269,351	138,269,351	138,269,351	-	-
Short-term borrowings		90,000,000	90,453,414	90,453,414	-	-
Debentures		199,723,593	210,503,075	54,543,350	155,959,725	-
Long-term borrowings		365,285,970	389,699,509	60,591,490	329,108,019	-
Long-term other payables		29,189,663	50,761,187	-	21,984,457	28,776,730
Other current financial liabilities		6,256,115	505,216,445	505,216,445	-	-
Other non-current financial liabilities		66,456,769	66,483,834	-	57,645,139	8,838,695
	₩	<u>963,502,188</u>	<u>1,519,707,542</u>	<u>917,394,777</u>	<u>564,697,340</u>	<u>37,615,425</u>

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

For the years ended December 31, 2018 and 2017

5. Risk Management, Continued

(1) Financial risk management, continued

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

(i) Currency risk

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

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

(In thousands of won)

		2018				
		USD	RMB	VND	EUR	JPY
Trade and Other						
Receivables	₩	1,997,887	2,439,749	409,353	52,375	1,700
Trade and Other						
Payables		(202,514)	(16,276)	-	-	-
Finance lease liabilities		(428,775)	-	-	-	-
Borrowings		(23,759,625)	-	-	-	-
Total exposure		(22,393,027)	2,423,473	409,353	52,375	1,700
Currency forwards		23,759,625	-	-	-	-
Net exposure	₩	<u>1,366,598</u>	<u>2,423,473</u>	<u>409,353</u>	<u>52,375</u>	<u>1,700</u>

(In thousands of won)

		2017		
		USD	RMB	VND
Trade and Other				
Receivables	₩	6,172	760,021	291,391
Trade and Other				
Payables		(150,475)	(4,916)	-
Finance lease liabilities		(614,433)	-	-
Borrowings		(49,552,250)	-	-
Total exposure		(50,310,986)	755,105	291,391
Currency forwards		49,552,250	-	-
Net exposure	₩	<u>(758,736)</u>	<u>755,105</u>	<u>291,391</u>

CJ CGV CO., LTD.
Notes to the Separate 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

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

	Average rate		Reporting date spot rate	
	2018	2017	2018	2017
(In won)				
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
EUR	1,298.63	1,276.39	1,279.16	1,279.25
JPY	9.96	10.09	10.13	9.49

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:

			2018		2017	
			10% strengthening	10% weakening	10% strengthening	10% weakening
(In thousands of won)						
USD	Total exposure	₩	(2,239,303)	2,239,303	(5,031,099)	5,031,099
	Currency forwards		2,375,963	(2,375,963)	4,955,225	(4,955,225)
	Net exposure		136,660	(136,660)	(75,874)	75,874
RMB			242,347	(242,347)	75,511	(75,511)
VND			40,935	(40,935)	29,139	(29,139)
EUR			5,238	(5,238)	-	-
JPY			170	(170)	-	-

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

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 Company 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	₩ -	-
Financial liabilities	(481,514,978)	(640,022,860)
	<u>₩ (481,514,978)</u>	<u>(640,022,860)</u>
Variable rate instruments:		
Financial assets	₩ 104,253,160	36,143,721
Financial liabilities	(23,759,625)	(125,552,250)
	<u>₩ 80,493,535</u>	<u>(89,408,529)</u>

- Fair value sensitivity analysis for fixed rate instruments
The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and The Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, the change in interest rates would not affect profit or loss.
- Cash flow sensitivity analysis for variable rate instruments
Assuming that all other variables are constant, the impact of changes in interest rate on profit or loss as of December 31, 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	₩ 402,468	(402,468)	(447,043)	447,043
Interest rate swap	55,905	(55,905)	240,710	(240,710)
Cash flow sensitivity, net	<u>₩ 458,373</u>	<u>(458,373)</u>	<u>(206,333)</u>	<u>206,333</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.
Notes to the Separate 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)	₩	5,684,505	5,684,505	-
Equity Investments and Debt securities		9,247,009	794,615	8,452,394
Subtotal		<u>14,931,514</u>	<u>6,479,120</u>	<u>8,452,394</u>
Fair value through other comprehensive income				
Equity securities		6,682,798	-	6,682,798
Total	₩	<u>21,614,312</u>	<u>6,479,120</u>	<u>15,135,192</u>
Financial assets not measured at fair value (*1)				
Cash and cash equivalents	₩	103,590,749	-	-
Trade receivables		77,891,534	-	-
Other financial assets		23,023,309	-	-
Subtotal		<u>204,505,592</u>	<u>-</u>	<u>-</u>
Total	₩	<u>226,119,904</u>	<u>6,479,120</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		68,957,416	-	-
Other payables		76,529,083	-	-
Borrowings and debentures		463,385,077	-	-
Long-term other payables		33,549,474	-	-
Other financial liabilities		17,920,796	-	-
Subtotal		<u>660,341,846</u>	<u>-</u>	<u>-</u>
Total	₩	<u>889,532,871</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.

CJ CGV CO., LTD.
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5. Risk Management, Continued

(1) Financial risk management, continued

5) Fair values, 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)	₩ 8,505,855	-	-	-	8,505,855	23,190	8,482,665
Financial assets not measured at fair value (*1)							
Cash and cash equivalents	-	37,329,941	-	-	37,329,941	-	-
Trade receivables	-	85,805,206	-	-	85,805,206	-	-
Available-for-sale: equity investments(*2)	-	-	10,552,000	-	10,552,000	-	-
Other financial assets	-	28,902,316	-	-	28,902,316	-	-
Subtotal	-	152,037,463	10,552,000	-	162,589,463	-	-
Total	₩ 8,505,855	152,037,463	10,552,000	-	171,095,318	23,190	8,482,665
Financial liabilities measured at fair value							
Derivative financial liabilities (*4)	₩ 53,667,032	-	-	-	53,667,032	2,450,191	51,216,841
Financial liabilities not measured at fair value(*1)							
Trade payables	-	-	-	68,320,727	68,320,727	-	-
Other payables	-	-	-	138,269,351	138,269,351	-	-
Borrowings and debentures	-	-	-	655,009,563	655,009,563	-	-
Long-term other payables	-	-	-	29,189,663	29,189,663	-	-
Other financial liabilities	-	-	-	19,045,852	19,045,852	-	-
Subtotal	-	-	-	909,835,156	909,835,156	-	-
Total	₩ 53,667,032	-	-	909,835,156	963,502,188	2,450,191	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 Separate 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 ₩51,300 million is recognized as financial expense in Separate statements of comprehensive income.

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

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

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

(In thousands of won, except ratio)

	<u>2018</u>	<u>2017</u>
Total liabilities (a)	₩ 1,010,566,678	1,068,224,552
Total equity (b)	341,547,027	527,434,120
Cash and cash equivalents (c)	103,590,749	37,329,941
Borrowings and debentures (d)	463,385,077	655,009,563
Borrowings and debentures, net (e)=(d)-(c)	359,794,328	617,679,622
Liabilities to equity ratio (f)=(a)÷(b)	296%	203%
Net debt to equity ratio (g)=(e)÷(b)	105%	117%

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	₩ 977,743	2,077,027
Demand deposits	101,950,360	34,416,621
Other cash equivalents	662,646	836,293
	<u>₩ 103,590,749</u>	<u>37,329,941</u>

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

For the years ended December 31, 2018 and 2017

7. 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>		<u>2018</u>	<u>2017</u>
Trade receivables	₩	78,301,558	86,191,080
Allowance for doubtful accounts		(410,024)	(385,874)
	₩	<u>77,891,534</u>	<u>85,805,206</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>		<u>2018</u>	<u>2017</u>
Balance at the beginning	₩	385,874	413,132
Increase in allowance		24,700	2,655
Write-off		(550)	(29,913)
Balance at the end	₩	<u>410,024</u>	<u>385,874</u>

8. Inventories

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

<i>(In thousands of won)</i>		<u>2018</u>	<u>2017</u>
Merchandise	₩	2,590,613	3,214,058
Raw materials		2,722,563	2,666,765
Provision for valuation of inventories		(585,824)	-
	₩	<u>4,727,352</u>	<u>5,880,823</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>		<u>2018</u>	<u>2017</u>
Loss in valuation of inventories	₩	867,077	-

Loss in valuation of inventories during the current period consists of ₩281 million directly deducted from inventory and ₩586 million reflecting the difference between net realized value and acquisition cost in the valuation allowance.

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

For the years ended December 31, 2018 and 2017

9. 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	₩ -	2,313,300	-	1,737,600
Other receivables	10,791,633	-	15,150,767	-
Accrued revenues	145,083	-	66,950	-
Leasehold deposits	1,468,353	10,053,378	315,071	14,760,831
Present value discount	(5,717)	(1,742,721)	(316)	(3,128,587)
Financial assets measured at fair value	431,391	21,182,921	8,482,665	10,575,190
	₩ 12,830,743	31,806,878	24,015,137	23,945,034

(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	₩ 15,028,287	32,774,024	26,171,408	24,912,180
Allowance for doubtful accounts:				
Other receivables	(2,096,730)	-	(2,055,436)	-
Accrued revenues	(100,814)	-	(100,835)	-
Loans	-	(967,146)	-	(967,146)
Subtotal of allowance for doubtful accounts	(2,197,544)	(967,146)	(2,156,271)	(967,146)
Other financial assets, net	₩ 12,830,743	31,806,878	24,015,137	23,945,034

(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	₩ 2,156,271	967,146	2,189,593	967,146
Increase in (reversal of) allowance	41,273	-	875	-
Write-off	-	-	(34,197)	-
Balance at the end	₩ 2,197,544	967,146	2,156,271	967,146

(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 ~ 3.77	₩ 11,521,731	9,773,293	(1,748,438)
December 31, 2017	1.81 ~ 5.58	₩ 15,075,902	11,946,999	(3,128,903)

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

For the years ended December 31, 2018 and 2017

9. 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
	₩ 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	8,245,500
Acquisitions	7,475,049	3,094,141
Disposals	(274,251)	(787,641)
Gain on valuation of Financial assets measured at fair value	(1,822,991)	-
Balance at the end	₩ 15,929,807	10,552,000

10. 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	₩ 6,663,430	1,056,500	10,410,141	-
Prepaid expenses	10,003,304	65,754,838	12,520,559	72,765,202
Contract assets	178,347	1,568,216	-	-
	₩ 16,845,081	68,379,554	22,930,700	72,765,202

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

(In thousands of won)

	2018		
	Current	Non-current	Total
Transaction price allocation	₩ 178,347	1,568,216	1,746,563

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

(In thousands of won)

	2018
Acquisition	₩ 1,783,469
Amortization	(36,906)
Balance at the end	₩ 1,746,563

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

11. Investment in Equity Method Investees

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

<i>(In thousands of won)</i>			2018		2017	
<u>Company</u>	<u>Location</u>	<u>Primary business</u>	<u>Ownership (%)</u>	<u>Carrying amount</u>	<u>Ownership (%)</u>	<u>Carrying amount</u>
Subsidiaries:						
CJ 4DPlex Co., Ltd.	Korea	Equipment manufacturing and retail	90.48	₩ 71,807,062	90.48	71,807,062
Bosphorus Investment Co., Ltd.(*3)	Korea	Foreign Investment	52.23	108,579,247	52.23	323,634,731
CGI Holdings Ltd.	Hong Kong	Foreign Investment	100.00	223,135,932	100.00	223,135,932
CJ CGV Vietnam Holdings Co., Ltd. (Formerly, Envoy Media Partners Ltd.)	British Virgin Islands	Foreign Investment	100.00	89,138,767	100.00	89,138,767
CJ CGV America, Inc.(*1)	USA	Foreign Investment	100.00	15,749,448	100.00	-
Cross Junction Investment Co., Pte. Ltd.(*4)	Singapore	Foreign Investment	100.00	1	100.00	7,326,721
Crown Jade Company Pte. Ltd.	Singapore	Foreign Investment	100.00	3,851,873	100.00	3,851,873
IKT Holdings Limited	Hong Kong	Foreign Investment	100.00	48,029,704	100.00	48,029,704
PT Graha Layer Prima Tbk.	Indonesia	Theater operation	22.99	45,329,670	22.99	45,329,670
Pebblestone CGV private Real Estate Investment Trust No.1	Korea	Real estate investment	51.47	14,000,000	51.47	14,000,000
CJ CGV ADG Investment Co., Ltd. (*2)	Hong Kong	Foreign Investment	70.00	1,717,436	-	-
Associates:						
CJ VIETNAM COMPANY LIMITED	Vietnam	Real estate investment	25.00	11,735,525	25.00	11,735,525
IBK Finance Group Union Contents Investment Fund	Korea	Investment fund	25.00	2,500,000	25.00	2,500,000
Joint ventures:						
Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	China	Theater operation	49.00	1,820,123	49.00	1,820,123
Wuhan CJ XingXing Tiandi Cinema Co., Ltd.	China	Theater operation	49.00	1,601,700	49.00	1,601,700
D-Cinema Korea Co., Ltd.	Korea	Leasing Service	50.00	-	50.00	-
Shanghai Shangying CGV Cinema Co., Ltd.	China	Theater operation	50.00	1,191,990	50.00	1,191,990
CGV EMPIRE SDN. BHD	Malaysia	Theater operation	25.00	9,067	25.00	9,067
				₩ <u>640,197,545</u>		<u>845,112,865</u>

CJ CGV CO., LTD.

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For the years ended December 31, 2018 and 2017

11. Investment in Equity Method Investees, Continued

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

(*1) The Company recognized entire amount as loss on impairment during the year ended Decemver 31, 2017, in relation to CJ CGV America, Inc. During the year ended December 31, 2018, the company acquired additional ₩15,749 million by participating in paid-in capital increase of CJ CGV America, Inc.

(*2) During the year ended December 31, 2018, the Company acquired 70% of share of CJ CGV ADG Investment Co., Ltd. Additionally, acquired ₩1,583 million by participating in paid-in capital increase of CJ CGV ADG Investment Co., Ltd.

(*3) The Company recognized ₩215,055 million as loss on impairment during the year ended December 31, 2018, in relation to Bosphorus Investment Co., Ltd., and it is recognized other non-operating incomes in Statements of Comprehensive income(loss)

(*4) During the year ended December 31, 2018, the Company's book value decreased ₩7,327 million according to the capital reduction of Cross Junction Investment Co., Pte. Ltd.

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

12. Property and Equipment

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

<i>(In thousands of won)</i>	Land	Buildings	Structures	Vehicles	Tools	Construction -in-progress	Total
Acquisition costs:							
Balance at January 1, 2017 ₩	87,379,275	80,628,633	347,170,447	404,156	293,492,685	18,719,221	827,794,417
Acquisitions	2,496,954	6,205,537	2,067,866	-	27,135,985	65,196,230	103,102,572
Disposals	-	-	(11,647,603)	-	(20,354,102)	(111,867)	(32,113,572)
Others	-	-	40,728,136	-	11,429,233	(61,793,881)	(9,636,512)
Balance at							
December 31, 2017	89,876,229	86,834,170	378,318,846	404,156	311,703,801	22,009,703	889,146,905
Acquisitions	-	-	1,594,918	-	28,504,973	67,618,648	97,718,539
Disposals	(89,876,229)	(86,834,170)	(53,968,580)	-	(16,090,229)	(561,153)	(247,330,361)
Others	-	-	30,640,584	-	7,446,903	(40,447,839)	(2,360,352)
Balance at							
December 31, 2018	-	-	356,585,768	404,156	331,565,448	48,619,359	737,174,731
Accumulated depreciation:							
Balance at January 1, 2017	-	(18,531,329)	(146,559,794)	(82,380)	(240,907,925)	-	(406,081,428)
Depreciation	-	(2,130,749)	(24,865,907)	(85,690)	(27,335,311)	-	(54,417,657)
Disposals	-	-	8,376,980	-	19,523,738	-	27,900,718
Balance at							
December 31, 2017	-	(20,662,078)	(163,048,721)	(168,070)	(248,719,498)	-	(432,598,367)
Depreciation	-	(1,988,739)	(23,594,965)	(85,690)	(29,182,371)	-	(54,851,765)
Disposals	-	22,650,817	31,422,865	-	15,759,361	-	69,833,043
Others	-	-	867	-	(867)	-	-
Balance at							
December 31, 2018	-	-	(155,219,954)	(253,760)	(262,143,375)	-	(417,617,089)
Accumulated impairment:							
Balance at January 1, 2017	-	-	-	-	(1,442,020)	-	(1,442,020)
Disposals	-	-	-	-	9,002	-	9,002
Balance at							
December 31, 2017	-	-	-	-	(1,433,018)	-	(1,433,018)
Disposals	-	-	-	-	23,002	-	23,002
Balance at							
December 31, 2018	-	-	-	-	(1,410,016)	-	(1,410,016)
Government grants:							
Balance at January 1, 2017	-	-	(650,000)	-	(14,100)	-	(664,100)
Acquisitions	-	-	-	-	(2,000)	-	(2,000)
Depreciation	-	-	60,000	-	3,975	-	63,975
Balance at							
December 31, 2017	-	-	(590,000)	-	(12,125)	-	(602,125)
Depreciation	-	-	60,000	-	5,225	-	65,225
Balance at							
December 31, 2018	-	-	(530,000)	-	(6,900)	-	(536,900)
Carrying amounts:							
Balance at January 1, 2017	87,379,275	62,097,304	199,960,653	321,776	51,128,640	18,719,221	419,606,869
Balance at December 31, 2017	89,876,229	66,172,092	214,680,125	236,086	61,539,160	22,009,703	454,513,395
Balance at December 31, 2018 ₩	-	-	200,835,814	150,396	68,005,157	48,619,359	317,610,726

CJ CGV CO., LTD.
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13. Intangible Assets

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

<i>(In thousands of won)</i>	Goodwill (*)	Trademark right	Membership	Usage rights	Others	Total
Acquisition costs:						
Balance at January 1, 2017	₩ 4,820,619	595,945	7,401,321	11,647,354	56,233,802	80,699,041
Acquisitions	-	455	-	33,920	364,877	399,252
Disposals	-	-	-	(2,500)	(142,786)	(145,286)
Others	-	56,025	-	52,600	9,527,887	9,636,512
Balance at December 31, 2017	4,820,619	652,425	7,401,321	11,731,374	65,983,780	90,589,519
Acquisitions	-	9,850	-	-	446,678	456,528
Disposals	(25,720)	-	(1,150,000)	(11,731,374)	(137,439)	(13,044,533)
Others	-	38,432	-	-	2,321,921	2,360,353
Balance at December 31, 2018	4,794,899	700,707	6,251,321	-	68,614,940	80,361,867
Accumulated amortization:						
Balance at January 1, 2017	-	-	-	(9,977,130)	(49,028,613)	(59,005,743)
Amortization	-	-	-	(993,506)	(9,083,560)	(10,077,066)
Disposals	-	-	-	2,285	136,253	138,538
Balance at December 31, 2017	-	-	-	(10,968,351)	(57,975,920)	(68,944,271)
Amortization	-	-	-	(331,843)	(3,555,179)	(3,887,022)
Disposals	-	-	-	11,300,194	132,512	11,432,706
Balance at December 31, 2018	-	-	-	-	(61,398,587)	(61,398,587)
Accumulated impairment:						
Balance at January 1, 2017	-	-	(790,217)	-	(405,883)	(1,196,100)
Balance at December 31, 2017	-	-	(790,217)	-	(405,883)	(1,196,100)
Balance at December 31, 2018	-	-	(790,217)	-	(405,883)	(1,196,100)
Carrying amounts:						
Balance at January 1, 2017	4,820,619	595,945	6,611,104	1,670,224	6,799,306	20,497,198
Balance at December 31, 2017	4,820,619	652,425	6,611,104	763,023	7,601,977	20,449,148
Balance at December 31, 2018	₩ 4,794,899	700,707	5,461,104	-	6,810,470	17,767,180

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

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

For the years ended December 31, 2018 and 2017

14. 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	₩ 3,117,426	9,892,267	3,683,405	10,487,243
Finance lease liabilities	256,819	298,240	278,421	523,111
Leasehold deposits received	1,188,052	3,167,993	863,679	3,209,993
Financial liabilities measured at fair value	153,501	229,037,523	1,430,610	52,236,422
	₩ 4,715,798	242,396,023	6,256,115	66,456,769

(2) Finance lease

① Finance lease contract

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

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

(In thousands of won)

	2018	2017
Acquisition costs	₩ 13,991,567	13,991,567
Accumulated depreciation	(13,116,711)	(12,559,599)
Carrying amount	₩ 874,856	1,431,968

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	₩ 272,039	(15,220)	256,819	311,812	(33,391)	278,421
One to five years	319,580	(21,340)	298,240	550,176	(27,065)	523,111
	₩ 591,619	(36,560)	555,059	861,988	(60,456)	801,532

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

For the years ended December 31, 2018 and 2017

15. 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	₩ 7,109,561	-	4,994,227	-
Value added tax withheld	6,074,193	-	7,827,900	-
Advance received	51,845,338	-	54,493,166	-
Unearned revenue	447,575	9,066	378,625	9,067
Liabilities for employee benefits	14,665,590	2,135,624	10,618,692	1,465,808
Deferred revenues	3,986,957	11,479,061	-	12,929,126
Provision for points(*)	-	-	-	1,807,089
	₩ <u>84,129,214</u>	<u>13,623,751</u>	<u>78,312,610</u>	<u>16,211,090</u>

(*) It has been replaced by deferred revenues.

- (2) Deferred revenues

The Company adopts customer loyalty program for promotion of theater business. The award credits are provided when the customers purchase the theater service and the award credit provided can be 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 ₩15,466 million and ₩12,929 million, respectively.

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

16. Borrowings and Debentures

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

(In thousands of won)

		<u>2018</u>	<u>2017</u>
Current liabilities:			
Debentures	₩	49,973,872	49,981,429
Short-term borrowings		40,000,000	90,000,000
Current portion of local currency long-term borrowings		59,991,037	26,000,000
Current portion of foreign currency long-term borrowings		18,169,125	26,785,000
	₩	<u>168,134,034</u>	<u>192,766,429</u>
Non-current liabilities:			
Debentures	₩	139,794,120	149,742,164
Local currency long-term borrowings		149,866,423	289,733,720
Foreign currency long-term borrowings		5,590,500	22,767,250
	₩	<u>295,251,043</u>	<u>462,243,134</u>

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

(In thousands of won)

<u>Lender</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>		<u>2018</u>	<u>2017</u>
Hanwha Investment & Securities Co., Ltd.	2019.11.07	2.51	₩	50,000,000	50,000,000
Hana Financial Investment Co., Ltd.	2018.04.14	1.93		-	50,000,000
Mirae Asset Daewoo Co., Ltd.	2020.11.27	2.54		50,000,000	50,000,000
KB Securities Co.,Ltd.	2020.10.20	2.91		30,000,000	30,000,000
KB Securities Co.,Ltd.	2022.10.20	3.34		20,000,000	20,000,000
Daishin Securities Co.,Ltd.	2023.01.31	3.56		40,000,000	-
				<u>190,000,000</u>	<u>200,000,000</u>
Less: discount				(232,008)	(276,407)
Less: current portion of long-term debentures				<u>(49,973,872)</u>	<u>(49,981,429)</u>
			₩	<u>139,794,120</u>	<u>149,742,164</u>

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

(In thousands of won)

<u>Lender</u>	<u>Types of borrowing</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>		<u>2018</u>	<u>2017</u>
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
				₩	<u>40,000,000</u>	<u>90,000,000</u>

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

16. Borrowings and Debentures, Continued

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

(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
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
Industrial & Commercial 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
			<u>210,000,000</u>	<u>316,000,000</u>
Less: discount			(142,540)	(266,280)
Less: current portion of long-term borrowings			(59,991,037)	(26,000,000)
			<u>₩ 149,866,423</u>	<u>289,733,720</u>

(5) Foreign currency long-term borrowings as of December 31, 2018 and 2017 are as follows:

(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)
	2019.01.09	3M LIBOR	11,181,000	32,142,000
Korea Development Bank(*1) (*2)	~2019.04.09	+ 1.79	(USD 10,000,000)	(USD 30,000,000)
	2019.01.28	3M LIBOR	11,181,000	10,714,000
	~2020.10.28	+ 1.79	(USD 10,000,000)	(USD 10,000,000)
			<u>23,759,625</u>	<u>49,552,250</u>
			(USD 21,250,000)	(USD 46,250,000)
Less: current portion of long-term borrowings			(18,169,125)	(26,785,000)
			(USD 16,250,000)	(USD 25,000,000)
			<u>₩ 5,590,500</u>	<u>22,767,250</u>
			(USD 5,000,000)	(USD 21,250,000)

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

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

(In won, except foreign currency)

Lender	Contractor	Notional amount	Currency forward rate	Maturity date
The Export-Import Bank of Korea		Buy USD 1,250,000	₩ 1,104.90	2019.01.10
Korea Development Bank	Standard Chartered 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

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

16. Borrowings and Debentures, Continued

(5) Foreign currency long-term borrowings as of December 31, 2018 and 2017 are as follows, continued:

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

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

(6) 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	₩ 90,000,000	365,285,970	199,723,594	801,533
Change in financial Cash flow				
Increase in borrowings	363,700,000	-	-	-
Repayment in borrowings	(413,700,000)	(132,495,107)	-	-
Issuance of debentures	-	-	39,919,580	-
Repayment of debentures	-	-	(50,000,000)	-
Repayment of financial lease liabilities	-	-	-	(288,420)
	<u>(50,000,000)</u>	<u>(132,495,107)</u>	<u>(10,080,420)</u>	<u>(288,420)</u>
Other changes				
Settlement of derivative instrument	-	(289,893)	-	-
Interest expense	-	123,740	124,818	24,037
Changes in exchange rates	-	992,375	-	17,909
	<u>-</u>	<u>826,222</u>	<u>124,818</u>	<u>41,946</u>
	<u>₩ 40,000,000</u>	<u>233,617,085</u>	<u>189,767,992</u>	<u>555,059</u>

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

For the years ended December 31, 2018 and 2017

17. 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	₩ 142,244,451	127,341,684
Expenses related to post-employment defined plans	11,271,423	10,889,495
	<u>₩ 153,515,874</u>	<u>138,231,179</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	₩ 66,807,708	60,090,359
Fair value of plan assets	(68,215,661)	(57,500,215)
Net defined benefit liability	<u>₩ (1,407,953)</u>	<u>2,590,144</u>

The Company's defined benefit plans are administered by Woori Bank, Samsung Fire & Marine Insurance and others. The principal of its plan assets are guaranteed and the annual yield of its plan assets is 1.21% for 2018.

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

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

For the years ended December 31, 2018 and 2017

17. 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	₩ 60,090,359	55,516,850	(57,500,215)	(50,144,508)	2,590,144	5,372,342
Change in scope of consolidation	-	-	-	-	-	-
Included in profit or loss:						
Current service cost	11,236,665	10,777,979	-	-	11,236,665	10,777,979
Interest cost (income)	1,943,217	1,567,391	(1,908,459)	(1,455,875)	34,758	111,516
	<u>13,179,882</u>	<u>12,345,370</u>	<u>(1,908,459)</u>	<u>(1,455,875)</u>	<u>11,271,423</u>	<u>10,889,495</u>
Included in other comprehensive income or loss:						
Remeasurements loss (gain):						
- Actuarial loss (gain) arising from:						
- demographic assumptions	-	1,328,786	-	-	-	1,328,786
- financial assumptions	2,240,516	(1,362,417)	-	-	2,240,516	(1,362,417)
- experience adjustment	(1,744,147)	405,077	-	-	(1,744,147)	405,077
- Return on plan assets excluding interest cost	-	-	1,145,078	800,204	1,145,078	800,204
	<u>496,369</u>	<u>371,446</u>	<u>1,145,078</u>	<u>800,204</u>	<u>1,641,447</u>	<u>1,171,650</u>
Other:						
Contribution paid by the employer	-	-	(14,000,000)	(12,000,000)	(14,000,000)	(12,000,000)
Benefits paid	(5,370,870)	(6,955,635)	2,270,670	4,095,415	(3,100,200)	(2,860,220)
Transfer from (to) affiliated companies	(1,588,032)	(1,187,672)	1,777,265	1,204,549	189,233	16,877
	<u>(6,958,902)</u>	<u>(8,143,307)</u>	<u>(9,952,065)</u>	<u>(6,700,036)</u>	<u>(16,910,967)</u>	<u>(14,843,343)</u>
Balance at December 31	₩ <u>66,807,708</u>	<u>60,090,359</u>	<u>(68,215,661)</u>	<u>(57,500,215)</u>	<u>(1,407,953)</u>	<u>2,590,144</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	₩ 68,213,252	57,497,806
Transfer to National Pension Fund	2,409	2,409
	<u>₩ 68,215,661</u>	<u>57,500,215</u>

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

17. 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%	3.50%
Future salary growth rate	8.26%	6.78%

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

At December 31, 2018, the weighted-average duration of the defined benefit obligation was 6.08 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	₩ (4,066,200)
	1% decrease	4,604,783
Future salary growth rate	1% increase	4,595,799
	1% decrease	(4,133,189)

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

18. Commitments and Contingencies

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

<i>(In thousands of won)</i>		<u>Exercise Amount</u>		<u>Guarantee Amount</u>		<u>Term</u>	<u>Type</u>
<u>Name</u>	<u>Financial Institution</u>	<u>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 Company received as of current and prior year-end is as follows:

<i>(In thousands of won)</i>		<u>Guarantee Amount</u>		<u>Type</u>
<u>Name</u>		<u>2018</u>	<u>2017</u>	
Seoul Guarantee Insurance	₩	815,362	3,619,811	Fulfillment payment guarantee

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

18. Commitments and Contingencies, Continued

- (3) The agreement made by Company 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	₩	15,000,000	15,000,000
Bill discount agreement		-	50,000,000
General loan agreement		308,543,000	391,000,000
Other facility fund loan		67,086,000	53,570,000

Other than above agreements, The Company 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 Company is involved in 3 lawsuits as a plaintiff for alleged damages of ₩1,706 million (Prior year end: ₩172 million) in aggregate, and 8 lawsuits as a defendant for alleged damages of ₩143 million (Prior year end: ₩519 million) in aggregate. The Company believes that outcome of these legal actions does not result in a material unfavorable effect on the Company's Separate financial statements.
- (5) The Company 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 Company 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 Company holds interest rate forwards to hedge the risk of changes in the fair value of leasehold deposit at the time of repurchase and has recognized gain on valuation of derivative financial assets amounting to ₩5,253 million as finance income in the Separate statement of comprehensive income.
- (7) The Company has made a total return swap contract with the acquirer of non-guaranteed and subordinated convertible bonds (total face amount of ₩15,000 million) issued by CJ 4DPlex Co., Ltd. a subsidiary of The Company during 2015. CJ 4DPlex Co., Ltd. has made a repayment early and The Company has recognized loss on transaction of total return swap amounting to ₩8,483 million as finance expense in the Separate statement of comprehensive income.
- (8) The Company has made a total return swap contract with the non-controlling shareholder of Bosphorus Investment Co., Ltd., a subsidiary of The Company. According to the contract, the Company should settle the difference derived from the change in the fair value of the interest of Bosphorus Investment Co., Ltd. owned by non-controlling shareholder, when the non-controlling shareholder sells their interests to a third-party.

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

For the years ended December 31, 2018 and 2017

19. 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>

20. 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>

21. 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	9,150,646	8,410,000
Unappropriated retained earnings	77,042,512	411,526,357
	<u>₩ 98,545,811</u>	<u>432,289,010</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.

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For the years ended December 31, 2018 and 2017

21. Retained Earnings, Continued

(2) 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	₩ 432,289,010	453,882,185
Net loss	(325,092,522)	(13,298,604)
Dividends	(7,406,460)	(7,406,460)
Remeasurement loss of defined benefit plan	(1,244,217)	(888,111)
Ending balance	<u>₩ 98,545,811</u>	<u>432,289,010</u>

(3) Separate statements of appropriation of 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>
	Expected date of appropriation 2019.03.27	Date of appropriation 2018.03.28
I. Unappropriated retained earnings		
Balance at beginning of year	₩ 403,379,251	425,713,072
Net income (loss)	(325,092,522)	(13,298,604)
Remeasurement loss of defined benefit plan	(1,244,217)	(888,111)
Balance at end of year before appropriation	<u>77,042,512</u>	<u>411,526,357</u>
II. Appropriation of retained earnings		
Legal reserve	-	(740,646)
Dividends:		
Cash Dividend(per share dividend(rate))		
₩200 (40%) for 2018		
₩350 (70%) for 2017	(4,232,263)	(7,406,460)
III. Unappropriated retained earnings to be carried over to subsequent year	<u>₩ 72,810,249</u>	<u>403,379,251</u>

22. Other Capital

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	₩ 58,744	58,743
Capital adjustments	143,670,419	(4,185,686)
Accumulated other comprehensive income (loss)	(465,848)	(465,848)
	<u>₩ 143,263,315</u>	<u>(4,592,791)</u>

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

For the years ended December 31, 2018 and 2017

23. Hybrid Instruments

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

(In thousands of won)

	Total face amount		Interest	Maturity	Right to request
	2018	2017	rate (%)	date	early redemption
Unsigned non-guaranteed subordinated convertible bonds	₩ 150,000,000	-	4.20	2048.11.08	Procession

As the Company 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 Company has classified these hybrid instruments as non-controlling interest as the Company was substantially not obligated to pay the principal and interest of these hybrid instruments.

24. 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	₩ 139,390,884	120,196,255
Employee benefits	10,883,883	10,194,352
Other employee benefits	15,545,035	14,367,115
Supplies	7,438,484	7,553,690
Rent	112,488,056	99,280,454
Depreciation	1,997,056	2,635,001
Amortization	3,572,976	4,360,913
Advertising	11,618,133	11,923,714
Sales promotion	6,676,218	12,387,701
Maintenance expenses for buildings	68,922,944	63,444,104
Commission	81,975,951	79,927,444
Other expenses	19,184,219	19,787,388
	₩ <u>479,693,839</u>	<u>446,058,131</u>

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For the years ended December 31, 2018 and 2017

25. 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	₩	47,141,353	49,112,174
Salaries		142,244,451	127,341,684
Employee benefits		11,271,423	10,889,495
Other employee benefits		15,898,195	15,210,364
Supplies		7,438,484	7,553,690
Rent		112,488,056	99,280,454
Depreciation		54,786,540	54,353,682
Amortization		3,887,022	10,077,066
Maintenance expenses for buildings		68,922,944	63,444,104
Commission		85,560,342	83,171,967
Other expenses		389,004,813	367,770,276
Total(*)	₩	<u>938,643,623</u>	<u>888,204,956</u>

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

26. 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
Gain on disposal of equity investment		582,732	36,631
Reversal of other provisions		-	4,600,000
Gain on disposal of property and equipment		33,369,001	4,825
Gain on disposal of asset to be sold		-	2,112,424
Commission income		2,568,187	2,785,803
Rental income		14,965	2,464
Miscellaneous income		1,096,560	11,440,240
	₩	<u>38,044,812</u>	<u>20,994,598</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	₩	41,273	875
Loss on disposal of property and equipment		2,237,554	3,688,882
Loss on disposal of intangible assets		483,167	6,052
Loss on disposal of other financial assets		8,436,966	2,606,938
Loss on impairment of equity investment		215,055,484	8,379,760
Donations		1,542,787	1,968,690
Miscellaneous loss		2,892,952	3,483,617
	₩	<u>230,690,183</u>	<u>20,134,814</u>

For the years ended December 31, 2018 and 2017

27. 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	₩ 559,013	559,049
Loans and receivables	186,386	642,075
Foreign currency transaction gain:		
Cash and cash equivalents	1	11
Loans and receivables	29,767	213
Financial liabilities recognized at amortized cost	119,654	882,363
Foreign currency translation gain:		
Loans and receivables	15,620	-
Financial liabilities recognized at amortized cost	1,619	6,406,438
Gain on valuation of financial assets measured at fair value	24,615	-
Dividends	3,011,757	3,751,634
Gain on valuation of derivative financial assets	6,283,373	8,595,925
Gain on transaction of derivative financial assets	1,242,228	126,600
	₩ <u>11,474,033</u>	<u>20,964,308</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	₩ 22,869,132	21,739,635
Foreign currency transaction loss:		
Cash and cash equivalents	-	246
Loans and receivables	7,571	165,040
Financial liabilities recognized at amortized cost	773,712	34,640
Foreign currency translation loss:		
Loans and receivables	66,189	34,120
Financial liabilities recognized at amortized cost	1,011,738	-
Loss on valuation of financial assets measured at fair value	1,847,606	-
Loss on disposal of financial assets measured at fair value	3,610	75,985
Loss on valuation of derivative financial assets	177,576,660	61,627,589
Loss on transaction of derivative financial assets	8,577,751	257,897
	₩ <u>212,733,969</u>	<u>83,935,152</u>

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

For the years ended December 31, 2018 and 2017

28. Income Tax income

- (1) The component of income tax income 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	₩ 23,704,291	7,983,533
Income tax refund	(831,965)	(1,075,485)
Change in deferred tax due to temporary difference	(56,147,188)	(12,083,299)
Income tax recognized directly in equity	578,856	283,540
Total income tax income	<u>₩ (32,696,006)</u>	<u>(4,891,711)</u>

The Company shall pay additional corporate taxes calculated according to the tax code when a certain amount of taxable income is not used for investment, wage increase or co-prosperity in the current period according to the investment and win-win cooperation promotion tax policy implemented for three years from the current term. Therefore, the taxable income scale and the level of investment, wage increase and co-prosperity estimated by the Company during the future period when the investment and win-win cooperation promotion tax policy is implemented may differ from the actual results, and there is uncertainty in the estimation of income tax. Non-exchangeable income was not generated by the implementation of the investment and win-win cooperation promotion tax policy in the current term.

- (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	₩ (1,641,448)	397,230	(1,171,651)	283,540
Fee of hybrid loan issuance	(750,520)	181,626	-	-

- (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	₩ (357,788,528)	(18,190,315)
The Company's statutory tax rate	23.74%	21.66%
Income tax expense using the Company's statutory tax rate	(84,929,535)	(3,940,056)
Adjustments:		
- Non-deductible expense	1,932,650	54,933
- Non-taxable income	(960,006)	(258,435)
- Unrecognized deferred tax on temporary differences	52,633,319	1,815,072
- Income tax refund	(831,965)	(1,075,485)
- Others	(540,469)	(1,487,740)
Income tax income	<u>₩ (32,696,006)</u>	<u>(4,891,711)</u>
Average effective tax rate(*)	-	-

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

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

28. Income Tax Expense, Continued

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

① 2018

(In thousands of won)

	2018		
	Temporary differences	Deferred tax assets (liabilities)	
	Ending balance	Beginning balance	Ending balance
Allowance for doubtful accounts	₩ 2,637,871	592,792	638,365
Depreciation	-	(585,736)	-
Amortization	(2,139,119)	(486,879)	(517,667)
Accrued income	(212,429)	(32,500)	(51,408)
Goodwill	(2,870,644)	(694,696)	(694,696)
Impairment loss on property and equipment	2	-	-
Impairment loss on intangible assets	790,220	191,233	191,233
Provisions	-	512,994	-
Deferred revenues	15,466,018	3,128,849	3,742,776
Lands	-	(12,225,907)	-
Equity method investments	224,935,244	2,390,902	54,434,329
Bad debt	1	1,924,392	-
Prepaid expenses	(53,896,738)	(14,526,854)	(13,043,011)
Present value discount	1,740,731	757,194	423,122
Unearned Revenue	7,707	-	-
Other payables	41,374,467	8,173,185	10,012,625
Gain (loss) on valuation of interest rate forward	(5,253,114)	358,294	(1,271,254)
Gain (loss) on valuation of interest rate swap	(38,197)	(565)	(9,244)
Gain (loss) on valuation of total revenue swap	228,793,501	10,361,699	55,368,027
Gain (loss) on valuation of available-for-sale financial assets	2,437,567	148,727	589,891
Taxes and dues	13,376	3,237	3,237
Consent dividend	8,174,985	1,560,190	1,978,346
Long-term employee benefits	946,553	216,136	229,066
Accrued retirement and severance benefits	66,805,300	14,511,753	16,166,883
Provision for retirement and severance benefits	(66,805,300)	(13,914,469)	(16,166,883)
Impairment losses on advance payments	928,200	75,258	224,624
Accrued expenses	3,619,201	1,805,019	875,847
Contract assets	(1,746,563)	-	(422,668)
Fee of hybrid loan issuance	750,520	-	181,626
valuation of inventories	585,824	-	141,769
	<u>467,045,184</u>	<u>4,244,428</u>	<u>113,024,935</u>
Unrecognized deferred tax liabilities(assets) (*)		<u>(1,333,206)</u>	<u>(53,966,525)</u>
	₩	<u>2,911,222</u>	<u>59,058,410</u>

(*) Deferred tax liabilities of ₩695 million and deferred tax asset of ₩54,662 million for temporary differences related to goodwill and investment in subsidiaries were not recognized, as it is not probable that the temporary differences will be reversed in the foreseeable future

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

28. 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:

② 2017

(In thousands of won)

	2017		
	Temporary differences	Deferred tax assets (liabilities)	
	Ending balance	Beginning balance	Ending balance
Allowance for doubtful accounts	₩ 2,450,294	606,377	592,972
Depreciation	(2,420,398)	(586,995)	(585,736)
Amortization	(2,011,897)	(458,514)	(486,879)
Accrued income	(134,296)	(29,897)	(32,500)
Goodwill	(2,870,644)	(694,696)	(694,696)
Impairment loss on property and equipment	2	-	-
Impairment loss on intangible assets	790,220	191,233	191,233
Provisions	2,119,810	295,646	512,994
Deferred revenues	12,929,126	3,298,887	3,128,849
Lands	(50,520,278)	(12,225,907)	(12,225,907)
Equity method investments	9,879,760	363,000	2,390,902
Bad debt	7,952,034	1,924,392	1,924,392
Prepaid expenses	(60,028,324)	(15,093,512)	(14,526,854)
Present value discount	3,128,903	1,303,726	757,194
Other payables	33,773,490	7,481,828	8,173,185
Gain (loss) on valuation of interest rate forward	1,480,556	(489,204)	358,294
Gain (loss) on valuation of interest rate swap	(2,334)	23,572	(565)
Gain (loss) on valuation of total revenue swap	42,816,939	-	10,361,699
Gain (loss) on valuation of available-for-sale financial assets	614,576	148,728	148,727
Other provision	-	1,149,500	-
Taxes and dues	13,376	3,237	3,237
Consent dividend	6,447,066	1,215,701	1,560,190
Long-term employee benefits	893,123	105,365	216,136
Accrued retirement and severance benefits	59,965,922	14,157,842	14,511,753
Provision for retirement and severance benefits	(57,497,806)	(13,611,302)	(13,914,469)
Impairment losses on advance payments	310,983	56,255	75,258
Accrued expenses	7,458,755	997,965	1,805,019
	<u>17,538,958</u>	<u>(9,866,773)</u>	<u>4,244,428</u>
Unrecognized deferred tax liabilities(assets) (*)		694,696	(1,333,206)
	₩	<u>(9,172,077)</u>	<u>2,911,222</u>

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

(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.

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Notes to the Separate Financial Statements

For the years ended December 31, 2018 and 2017

28. Income Tax Expense, Continued

(6) The aggregate amounts of deferred tax assets and liabilities as of December 31, 2018 and 2017 were as follows:

<i>(In thousands of won)</i>	<u>2018</u>	<u>2017</u>
Deferred tax assets	₩ 90,540,543	44,684,132
Deferred tax liabilities	(31,482,133)	(41,772,910)
	<u>₩ 59,058,410</u>	<u>2,911,222</u>

29. 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:

<i>(In won, except share information)</i>	<u>2018</u>	<u>2017</u>
Net loss attributable to ordinary shares	₩ 325,092,522,100	13,298,604,194
Weighted average number of ordinary shares	21,161,313	21,161,313
Basic loss per share	<u>₩ 15,363</u>	<u>628</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.

CJ CGV CO., LTD.
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30. Related Parties

(1) Parent company and subsidiaries

The Company's ultimate controlling company is CJ Corp. and the Company's subsidiaries as of December 31, 2018 are as follows:

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

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

30. Related Parties, Continued

(1) Parent company and subsidiaries, continued

The Company's ultimate controlling company is CJ Corp. and the Company's subsidiaries as of December 31, 2018 are as follows, continued:

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

CJ CGV CO., LTD.
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30. 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		Disposal of property and equipment/intangible assets	Dividend income	Acquisition of property and equipment		Acquisition of intangible assets	Other purchase	Dividends paid
		Other revenue				Purchase				
Parent	CJ Corp.	₩ 66,685	-	-	-	-	-	-	-	-
Subsidiaries	CJ 4DPlex Co., Ltd.	504,620	41,460	19,743	-	4,531,588	5,765,951	3,146	5,295,306	2,889,950
	Yanji CGV Cinema Co., Ltd.	32,128	-	-	-	-	-	-	-	-
	CJ CGV(Sichuan) Cinema Co.,Ltd.	868	-	-	-	-	-	-	-	-
	Ganzhou CGV Cinema Co., Ltd.	75,821	-	-	-	-	-	-	-	-
	CGV (Xian) Cinema Co., Ltd.	97,103	-	-	-	-	-	-	-	-
	CJ CGV (Hubei) Cinema Co., Ltd.	43,241	-	-	-	-	-	-	-	-
	NEIMENGGU CGV CINEMA CO., LTD.	16,420	-	-	-	-	-	-	-	-
	Cross Junction Investment Co., Pte. Ltd.	-	-	-	1,018,530	-	-	-	-	-
	DaLian CGV Cinema Co., Ltd.	28,839	-	-	-	-	-	-	-	-
	Henan CGV Cinema Co., Ltd.	25,467	-	-	-	-	-	-	-	-
	CGV (Qingdao) Cinema Co., Ltd.	1,834	-	-	-	-	-	-	-	-
	CJ 4DPLEX AMERICA, INC.	-	16,158	-	-	-	-	-	-	-
	Jiangsu CGV Cinema Investment Co., Ltd.	21,592	-	-	-	-	-	-	-	-
	CGV (Changzhou) Cinema Co., Ltd.	4,427	-	-	-	-	-	-	-	-
	CJ 4DX (Beijing) Cinema Technology Co., Ltd.	-	29,557	-	-	-	-	-	-	-
	CGV (Chengdu) Cinema Co., Ltd.	96,804	-	-	-	-	-	-	-	-
	CGV (Tianjin) Cinema Co., Ltd	23,347	-	-	-	-	-	-	-	-
	CGV(Changsha) Cinema Co., Ltd.	86,626	-	-	-	-	-	-	-	-
	YANTAI CGV CINEMA CO., LTD.	-	-	-	-	-	-	-	-	-
	CGV(BEIJING) INTERNATIONAL CINEMA Co., Ltd	20,476	-	-	-	-	-	-	-	-
	CJ CGV(Shanghai) Enterprise Mangement CO., Ltd.	91,904	-	-	-	-	-	-	-	-
		719,186	-	-	-	-	-	-	7,192	-

CJ CGV CO., LTD.
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30. 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/intangible assets	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Subsidiaries	UVD Enterprise Ltd..	₩ 15,955	-	-	-	-	-	-	-	-
	CJ CGV VIETNAM CO., LTD.	469,406	222,590	223,891	-	-	-	-	-	-
	CJ CGV(Harbin) International Cinema Co., Ltd.	63,417	-	-	-	-	-	-	-	-
	CJ CGV America, Inc.	-	70,522	-	-	-	-	-	-	-
	CJ CGV (Shang Hai)Film International Cineplex Co., Ltd	37,152	-	-	-	-	-	-	-	-
	CJ CGV America LA, LLC.	40,233	-	-	-	-	-	-	-	-
	CGI Holdings Ltd.	-	598,496	-	-	-	-	-	-	-
	Guangzhou CGV Cinema Co., Ltd.	15,295	-	-	-	-	-	-	-	-
	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.	33,534	564,620	-	-	-	-	-	-	-
	CGV (HaiKou) Cinema Co., Ltd.	1,906	-	-	-	-	-	-	-	-
	PT Graha Laya Prima Tbk.	8,006	67,250	-	-	-	-	-	-	-
	Pebblestone CGV private Real Estate Investment Trust No.1	833,833	-	-	-	1,026,391	-	-	5,804,249	-
	CGV (SuZhou) Cinema Co., Ltd.	3,724	-	-	-	-	-	-	-	-
	D-Cinema Korea Co., Ltd.	-	18,000	-	-	-	2,000	20,000	-	-
	Shanghai Shangying CGV Xinzhuang Cinema Co., Ltd.	-	-	-	-	541,576	-	-	-	-
	Shanghai Shangying CGV Cinema Co., Ltd.	-	-	-	-	368,056	-	-	-	-
	Other-related companies	NINGBO CULTURE PLAZA CJ CINEMA CO., LTD.	7,987	-	-	-	-	-	-	-
Beijing CJ XingXing Olympic International Cinema Co., Ltd.		42,365	-	-	-	-	-	-	-	-
CJ Cheiljedang Corp		824,280	34,125	-	-	29,677	-	-	5,155,430	-
CJ HealthCare Corporation		21,840	717	-	-	-	-	-	284	-
CJ Freshway Corporation		59,260	-	-	-	26,255,646	-	-	45,409	-
CJ Foodvill Co., Ltd.		2,921,758	-	223,891	-	391,062	73,400	-	1,064,403	-
CJ Dondonfarm Co., Ltd		2,219	-	-	-	-	-	-	-	-
CJ Sea Food Co., Ltd		2,413	-	-	-	-	-	-	-	-

CJ CGV CO., LTD.
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30. 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/intangible assets	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related Companies	WON JI	1,262	-	-	-	-	-	-	-	-
	CJ E&M Corp(Formerly, CJ O Shopping Co., Ltd.) ₩	1,611,812	7	-	-	19,849,825	100,000	-	940,917	-
	CJ Worldis Co., Ltd.	3,511	-	-	-	-	-	-	680	-
	CJ Hello Co., Ltd.	59,918	-	-	-	139	-	-	60,656	-
	CJ Telenix Co., Ltd.	4,347	-	-	-	-	-	-	1,682,992	-
	CJ Korea Express Co., Ltd	307,287	-	-	-	39,466	2,905	-	635,467	-
	CJ Powercast Inc	84,448,606	-	-	-	10,492	27,000	480,055	3,617,100	-
	MBC PLUS MEDIA CO., LTD.	-	-	-	-	-	-	20,000	-	-
	Art service Co., Ltd	105,515	-	-	-	-	-	-	7,350	-
	CJ E&M Corp	1,011,784	155,803	-	-	20,189,713	-	200,000	337,824	-
	MEZZOMEDIA INC	4,050	-	-	-	772,058	-	72,900	50,007	-
	K Valley Co., Ltd.	11,435	-	-	-	-	-	-	-	-
	Studio Dragon Corporation	11,630	-	-	-	2,835	-	-	-	-
	Rubicon Company	12,000	-	-	-	-	-	-	-	-
	CJ OliveNetworks Co., Ltd.	837,919	-	-	-	-	121,651	4,782,903	28,224,155	-
	CJ Construction Co., Ltd	7,954	-	-	-	245	-	-	53,587	-
	CJ MD1 Corp.	2,942	-	-	-	-	-	-	-	-
	Timewise Investment	3,180	-	-	-	-	-	-	-	-
	A TwoSomePlace Co., Ltd.	901,180	-	-	-	3,254,190	289,159	-	454,760	-
	CABLE TV VOD CO., LTD.	-	-	-	-	104,326	-	-	-	-
	SUPERRACE	-	-	-	-	40,000	-	-	800,000	-
	SG Safety Corporation	-	-	-	-	-	11,496	-	222,762	-
	Joy Rent a Car Co., Ltd	-	-	-	-	-	-	-	157,392	-
	₩	96,708,303	1,819,305	467,525	2,954,553	75,473,262	6,411,562	5,559,004	55,684,150	2,889,950

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

For the years ended December 31, 2018 and 2017

30. Related Parties, Continued

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

(In thousands of won)

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

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

For the years ended December 31, 2018 and 2017

30. Related Parties, Continued

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

(In thousands of won)

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

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

For the years ended December 31, 2018 and 2017

30. Related Parties, Continued

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

(In thousands of won)

Relationship	Name	Revenue	Other revenue	Disposal of asset held-for-sale	Disposal of property and equipment	Dividend income	Purchase	Acquisition of property and equipment	Acquisition of intangible assets	Other purchase	Dividends paid
Other related companies	CJ Worldis Co., Ltd.	₩ 3,623	130	-	-	-	-	-	-	-	-
	CJ Hellovision Co., Ltd.	41,861	-	-	-	-	-	-	-	-	-
	CJ Telenix Co., Ltd.	4,303	-	-	-	-	-	-	-	1,626,584	-
	SUPERRACE	-	-	-	-	-	-	-	-	800,000	-
	CJ Korea Express Co., Ltd.	92,646	-	-	-	-	-	82,560	-	137,478	-
	CJ Powercast Inc.	85,076,237	-	-	-	-	75,150	255,615	98,377	3,642,912	-
	Art service Co., Ltd.	83,384	-	-	-	-	-	-	-	-	-
	CJ E&M Corp.	2,898,465	376	-	443,439	-	44,013,380	-	359,058	1,357,464	-
	MEZZOMEDIA INC.	2,526	-	-	-	-	-	-	179,800	341,194	-
	Netmarble Games Corporation	110	-	-	-	-	-	-	-	-	-
	K Valley Co., Ltd.	8,510	-	-	-	-	-	-	-	-	-
	Studio Dragon Corporation	19,637	-	-	-	-	-	-	-	-	-
	Rubicon Company	17,232	-	-	-	-	-	-	-	-	-
	CJ OliveNetworks Co., Ltd.	889,429	7,827	4,710,469	-	-	-	520,057	7,003,667	26,503,465	-
	CJ Construction Co., Ltd.	42,222	-	-	-	-	6,382	-	-	742,148	-
	CJ MD1 Corp.	1,692	-	-	-	-	-	-	-	-	-
	Joy Rent a Car Co., Ltd.	-	-	-	-	-	-	-	-	328,332	-
	Timewise Investment	1,856	-	-	-	-	-	-	-	-	-
	SG Safety Corporation	947	-	-	-	-	-	28,756	-	272,433	-
		₩ 94,855,027	1,532,592	4,710,469	443,439	3,660,321	77,989,799	4,020,580	7,640,902	56,274,425	2,889,950

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

For the years ended December 31, 2018 and 2017

30. Related Parties, Continued

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

(In thousands of won)

Relationship	Name		Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities	
Parent	CJ Corp.	₩	26,360	109,807	15,240	2,678	-	467,523	
Subsidiaries	CJ 4DPlex Co., Ltd.		3,422,568	-	264,879	1,452,272	560,000	5,478,241	
	CJ 4DPLEX AMERICA, INC.		-	-	6,686	-	-	17,897	
	CJ 4DPLEX AMERICA, LLC.		-	-	-	-	-	58,252	
	CJ 4DX (Beijing) Cinema Technology Co., Ltd		-	-	22,521	-	-	-	
	CJ CGV (Shanghai) Enterprise Management Co., Ltd.		694,459	-	-	-	-	-	
	CJ CGV VIETNAM CO., LTD.		409,353	-	47,952	-	-	-	
	CJ CGV America LA, LLC.		-	-	-	-	-	9,819	
	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC.		9,080	-	-	-	-	-	
	PT Graha Layar Prima Tbk.		-	-	16,004	-	-	-	
	Pebblestone CGV private Real Estate Investment Trust No.1		66,726	707	-	-	-	487,151	
	CGV (SuZhou) Cinema Co., Ltd.		-	-	1,656	-	-	-	
	Other related companies	CJ Cheiljedang Corp.		181,197	-	462,788	4,668	230,000	1,041,225
		CJ Freshway Corporation		15,635	-	60,819	9,125,132	-	9,610
		CJ Foodvill Co., Ltd.		178,324	-	429,441	1,967,971	200,000	478,667
CJ Dondonfarm Co., Ltd.			169	-	-	-	-	-	
CJ Sea Food Co., Ltd.			430	-	-	-	-	-	
WON JI			1,459	-	140	-	-	-	
CJ E&M Corp. (Formerly, CJ O Shopping Co., Ltd.)			1,072,814	190,469	1,140,619	6,785,287	-	991,015	
CJ Worldis Co., Ltd.		-	-	587	7,001	-	399		

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

For the years ended December 31, 2018 and 2017

30. Related Parties, Continued

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

(In thousands of won)

<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>
Other related companies	CJ Hello Co., Ltd.	₩ 21,510	-	182,965	-	-	19,848
	CJ Telenix Co., Ltd.	13,719	-	2,484	-	-	160,033
	CJ Korea Express Co., Ltd.	52,052	-	3,856,546	-	-	128,755
	CJ Powercast Inc.	26,480,991	-	2,209	390	-	860,528
	Art service Co., Ltd.	15,255	-	178	-	-	-
	MEZZOMEDIA INC.	1,297,660	-	510	-	-	7,708
	MMO Entertainment Co., Ltd.	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	-	-	7,556,257
	CJ MD1 Corp.	7,146	-	1,834	-	-	-
	Timewise Investment	330	-	-	-	-	-
	A Twosome Place Co., Ltd	102,664	-	183,044	1,153,558	-	496,042
	SG Safety Corporation	-	-	247	-	-	908
		₩ 53,010,675	300,983	8,942,638	20,499,475	990,000	18,269,878

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

For the years ended December 31, 2018 and 2017

30. Related Parties, Continued

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

(In thousands of won)

Relationship	Name	Trade receivables	Deposits	Other receivables	Trade payables	Deposits received	Other liabilities
Parent	CJ Corp.	₩ 4,512	-	108,263	-	-	488,716
Subsidiaries	CJ 4DPlex Co., Ltd.	12,014	-	281,218	497,859	-	1,325,551
	CJ 4DX (Beijing) Cinema Technology Co., Ltd	-	-	-	95,133	-	-
	CJ CGV (Shanghai) Enterprise Management Co., Ltd.	491,565	-	-	300	-	4,916
	CJ CGV VIETNAM CO., LTD.	291,391	-	-	-	-	-
	CJ CGV America LA, LLC.	-	-	-	-	-	7,429
	CJ CGV America, Inc.	-	-	1,187	-	-	-
	PT Graha Layar Prima Tbk.	-	-	8,700	-	-	-
	Pebblestone CGV private Real Estate Investment Trust No.1	59,258	2,500,707	700,000	-	-	471,188
Other related companies	CJ Cheiljedang Corp.	136,460	-	177,619	6,026	230,000	1,303,209
	CJ HealthCare Corporation	10,464	-	1,109	-	-	31
	CJ Freshway Corporation	5,425	-	169	8,939,508	-	10,264
	CJ Foodvill Co., Ltd.	214,039	40,000	471,651	3,351,833	350,000	2,582,983
	CJ Dondonfarm Co., Ltd.	417	-	71	-	-	-
	CJ Sea Food Co., Ltd.	67	-	-	-	-	-
	WON JI	242	-	-	-	-	-
	CJ O Shopping Co., Ltd.	43,443	-	324,646	324	-	1,120,741
	CJ Worldis Co., Ltd.	-	-	1,085	-	-	5,280
	CJ Hellovision Co., Ltd.	16,644	-	34,710	-	-	9,952
	CJ Telenix Co., Ltd.	6,673	-	11,726	-	-	168,859
	CJ Korea Express Co., Ltd.	12,954	-	808	-	-	22,143
	CJ Powercast Inc.	27,465,450	-	8,393	407,099	-	402,616
	Art service Co., Ltd.	11,152	-	15	-	-	-
	CJ E&M Corp.	836,367	380,635	2,006,006	4,835,312	-	436,878
	MEZZOMEDIA INC.	1,512,840	-	5	-	-	-
	K Valley Co., Ltd.	1,066	-	-	-	-	-
	Studio Dragon Corporation	3,971	-	352	-	-	-
	Rubicon Company	2,200	-	367	-	20,000	43
	CJ Digitalmusic Corporation	-	-	-	-	-	10,400
	CJ OliveNetworks Co., Ltd.	24,374,898	-	1,691,346	222,787	30,000	13,890,317
	CJ Construction Co., Ltd.	6,138	-	4,998,129	-	-	1,151,300
	CJ MD1 Corp.	477	-	83	-	-	-
	Joy Rentcar	-	-	-	-	-	27,907
	Timewise Investment	142	-	21	-	-	-
	SG Safety Corporation	-	-	-	-	-	68,327
		₩ 55,520,269	2,921,342	10,827,679	18,356,181	630,000	23,509,050

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

For the years ended December 31, 2018 and 2017

30. Related Parties, Continued

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

(In thousands of won)

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	₩ 1,203,711	1,285,374
Costs related to defined benefit plan	107,121	124,352
Long-term employee benefits	74,682	(13,304)
	<u>₩ 1,385,514</u>	<u>1,396,422</u>

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

- (5) Details of guarantees which the Company has provided for related companies as of December 31, 2018 are as follows:

(In thousands of won)

Related companies	Guarantee recipient	Beneficiaries	Credit amount	Guarantees	Period	Guarantee type
Subsidiaries	CGI Holdings Ltd.	Woori Bank	₩ 194,226,996	235,196,400	2014.12.18	Credit-line guarantee
		Hong Kong 8			~2020.12.16	
	CJ CGV Vietnam Co., Ltd.	Shinhan Bank	65,639,552	106,687,921	2015.11.02	
		Vietnam 4			~2023.05.09	
	CJ CGV America Inc	KEB Hana Bank 1	6,004,197	19,007,700	2018.05.21	
	CJ 4DX (Beijing) Cinema Technology Co., Ltd.	Korea Development Bank 1	7,481,917	8,237,100	~2019.12.14	
					2018.06.12	
	CJ 4DPLEX AMERICA, INC.	Shinhan Bank USA	4,360,590	4,472,400	~2020.06.12	
	CJ 4DPLEX AMERICA, LLC	Bank of America	-	6,261,360	2018.10.13	
	MARS CINEMA, TOURISM AND SPORTS FACILITIES MANAGEMENT INC	NH Bank, etc 2	90,543,500	110,159,300	2018.12.20	
					~2019.12.20	
	PT Graha Layar Prima Tbk.	The Export-Import Bank of Korea 3	20,829,211	54,789,560	2016.10.27	
					~2046.10.27	
	CJ 4DPLEX AMERICA, LLC.	Bnak of America Leasing&Capital LLC	587,002	3,689,730	2017.12.07	
	CJ CGV America LA, LLC.	Bnak of America Leasing&Capital LLC	716,931	1,677,150	~2020.12.07	
~2022.01.31						
CJ CGV America LA, LLC.	MADANG, LLC.	-	-	2018.11.23		
				~2020.03.31		
				2017.04.05		
				~2020.01.31		
				2011.01.01		
				~2020.12.31		