Daekyo Co., Ltd. and Subsidiaries

Consolidated Financial Statements
December 31, 2016 and 2015

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Daekyo Co., Ltd.

We have audited the accompanying consolidated financial statements of Daekyo Co., Ltd. and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean 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.

Auditor's responsibilities

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

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

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

Opinion
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean IFRS.

Other Matter
Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Samil PricewaterhouseCoopers

Seoul, Korea
March 9, 2017

This report is effective as at March 9, 2017, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2016 and 2015

(in Korean won)	**Notes**	**2016**	**2015**
Assets			
Current assets			
Cash and cash equivalents	4,5,7,8	96,847,068,258	101,204,520,321
Financial deposits	4,5,7,8,31	12,121,398,451	8,742,262,378
Trade receivables	5,7,9,43	22,111,470,948	21,885,581,597
Other receivables	5,7,9,43	41,088,006,818	35,777,649,284
Financial assets at fair value through profit or loss	5,7,10	74,272,304,685	85,405,262,775
Derivative financial instruments	5,7	45,421,937	261,466,124
Available-for-sale financial assets	5,7,11	72,905,569,910	47,860,777,645
Inventories	12	20,115,480,766	22,532,454,651
Other current assets	13	4,041,559,742	5,062,654,951
		343,548,281,515	328,732,629,726
Non-current assets held for sale	15	3,544,206,750	-
Non-current assets			
Financial deposits	5,7,31	300,000,000	300,000,000
Long-term other receivables	5,7,9,43	11,079,941,679	15,090,649,069
Available-for-sale financial assets	5,7,11	149,403,008,832	150,644,259,894
Investments in associates	14	6,595,105,227	4,694,064,238
Property, plant and equipment	16	190,863,369,097	160,632,518,903
Investment property	17	102,189,687,798	108,884,721,653
Intangible assets	18	40,249,056,113	50,492,704,333
Deferred tax assets	24	-	819,263,411
Other non-current assets	13	366,311,508	352,258,547
		501,046,480,254	491,910,440,048
Total assets		848,138,968,519	820,643,069,774

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2016 and 2015

(in Korean won)	Notes	2016	2015
Liabilities			
Current liabilities			
Trade payables	4,5,7,43	9,969,681,040	10,258,504,427
Derivative financial instruments	4,5,7	1,065,085,697	71,052,705,058
Other payables	4,5,7,19,43	77,029,698,421	254,363,946
Borrowings	4,5,7,20	18,774,144,852	5,100,000,000
Income tax payable		6,359,802,084	5,427,803,522
Provisions	21	567,806,966	658,940,506
Other current liabilities	22	47,128,785,234	53,012,395,870
		160,895,004,294	145,764,713,329
Non-current liabilities			
Other payables	4,5,7,19	9,585,919,505	6,698,083,668
Borrowings	4,5,7,20	9,460,350,244	23,204,076,846
Net defined benefit liability	23	5,281,342,941	999,401,619
Deferred tax liabilities	24	119,648,054	-
		24,447,260,744	30,901,562,133
Total liabilities		185,342,265,038	176,666,275,462
Equity			
Share capital	25	52,064,920,000	52,064,920,000
Share premium	26	72,514,886,266	71,347,042,554
Other components of equity	27,28,29	(74,918,987,086)	(73,278,036,516)
Accumulated other comprehensive income	24	52,289,828,801	51,714,109,601
Accumulated other comprehensive income relating to the non-current asset held for sale	15	1,257,107,559	-
Retained earnings	30	551,632,229,562	533,460,489,924
Equity attributable to owners of the Parent Company		654,839,985,102	635,308,525,563
Non-controlling interest			
Non-controlling interest		7,956,718,379	8,668,268,749
Total equity		662,796,703,481	643,976,794,312
Total liabilities and equity		848,138,968,519	820,643,069,774

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Profit or Loss
Years Ended December 31, 2016 and 2015

(in Korean won)	**Notes**	**2016**	**2015**
Sales	6,32,43	820,717,373,381	813,207,844,495
Cost of sales	34,43	654,713,696,850	648,794,372,244
Gross profit		166,003,676,531	164,413,472,251
Selling and administrative expenses	33,34,43	123,156,826,326	121,368,935,456
Operating profit	6	42,846,850,205	43,044,536,795
Other income	35	29,552,731,535	31,314,580,333
Other expenses	36,43	20,442,410,233	16,615,067,156
Share of profit of associates	14	865,216,300	335,184,992
Finance income	37,43	1,930,181,518	3,199,322,538
Finance costs	38	1,148,086,800	1,221,276,852
Profit before income tax		53,604,482,525	60,057,280,650
Income tax expense	39	11,814,039,080	13,996,998,831
Profit for the year		41,790,443,445	46,060,281,819
Profit for the year attributable to:			
Owners of the Parent Company	30	42,557,838,536	44,798,395,277
Non-controlling interests		(767,395,091)	1,261,886,542
Basic earnings per share attributable to the equity holders of the Parent Company:	40		
Basic earnings per share for ordinary shares		472	492
Basic earnings per share for preferred shares		471	495
Diluted earnings per share attributable to the equity holders of the Parent Company:	40		
Diluted earnings per share for ordinary shares		470	491
Diluted earnings per share for preferred shares		470	494

The above consolidated statements of profit or loss should be read in conjunction with the accompanying notes.

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2016 and 2015

(in Korean won)	Notes	2016	2015
Profit for the year		41,790,443,445	46,060,281,819
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss			
Remeasurements of the net defined benefit liability	23,24,30	(2,581,226,162)	(251,235,259)
Items that may be subsequently reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets	24	2,035,022,822	(14,127,812,971)
Other comprehensive income relating to the non-current asset held for sale		1,430,607,270	-
Currency translation differences		(122,000,633)	254,842,151
Share of other comprehensive income of associates		(1,073,839,883)	1,246,704,349
Other comprehensive income for the year, net of tax		(311,436,586)	(12,877,501,730)
Total comprehensive income for the year		41,479,006,859	33,182,780,089
Total comprehensive income for the year is attributable to:			
Owners of the Parent Company		41,812,783,377	32,904,760,463
Non-controlling interest		(333,776,518)	278,019,626

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2016 and 2015

(in Korean won)		Attributable to owners of the Parent Company							
	Notes	**Share capital**	**Share premium**	**Other components of equity**	**Accumulated other comprehensive income**	**Accumulated other comprehensive relating to the non-current asset held for sale**	**Retained earnings**	**Non-controlling interest**	**Total Equity**
Balance at January 1, 2015		52,064,920,000	69,921,480,844	(66,434,186,074)	63,356,763,492	-	510,023,812,830	11,895,215,282	640,828,006,374
Comprehensive income (loss)									
Profit for the year		-	-	-	-	-	44,798,395,277	1,261,886,542	46,060,281,819
Changes in the fair value of available- for-sale financial assets		-	-	-	(12,969,456,863)	-	-	(1,158,356,108)	(14,127,812,971)
Currency translation differences		-	-	-	80,098,623	-	-	174,743,528	254,842,151
Remeasurement of net defined benefit liability		-	-	-	-	-	(250,980,923)	(254,336)	(251,235,259)
Share of other comprehensive income of associates		-	-	-	1,246,704,349	-	-	-	1,246,704,349
Transactions with owners									
Dividends	41	-	-	-	-	-	(11,949,312,860)	-	(11,949,312,860)
Interim dividends	41	-	-	-	-	-	(9,161,424,400)	-	(9,161,424,400)
Dividends of subsidiaries		-	(250,491,472)	-	-	-	-	(5,105,720,747)	(5,356,212,219)
Issuance of shares of subsidiaries		-	(497,121,904)	-	-	-	-	1,600,754,588	1,103,632,684
Acquisition of treasury share	29	-	-	(15,781,019,830)	-	-	-	-	(15,781,019,830)
Disposal of treasury share	29	-	2,173,175,086	8,562,679,384	-	-	-	-	10,735,854,470
Stock options	28	-	-	374,490,004	-	-	-	-	374,490,004
Balance at December 31, 2015		52,064,920,000	71,347,042,554	(73,278,036,516)	51,714,109,601	-	533,460,489,924	8,668,268,749	643,976,794,312
Balance at January 1, 2016		52,064,920,000	71,347,042,554	(73,278,036,516)	51,714,109,601	-	533,460,489,924	8,668,268,749	643,976,794,312
Comprehensive income (loss)									
Profit for the year		-	-	-	-	-	42,557,838,536	(767,395,091)	41,790,443,445
Changes in the fair value of available-for-sale financial assets		-	-	-	1,990,174,416	-	-	44,848,406	2,035,022,822
Currency translation differences		-	-	-	(159,301,733)	-	-	37,301,100	(122,000,633)
Remeasurement of net defined benefit liability		-	-	-	-	-	(2,577,881,918)	(3,344,244)	(2,581,226,162)
Share of other comprehensive income of associates		-	-	-	(1,073,839,883)	-	-	-	(1,073,839,883)
Reclassification relating to the non-current asset held for sale and others		-	-	-	(181,313,600)	1,257,107,559	-	354,813,311	1,430,607,270
Transactions with owners									
Dividends	41	-	-	-	-	-	(12,781,724,980)	-	(12,781,724,980)
Interim dividends	41	-	-	-	-	-	(9,026,492,000)	-	(9,026,492,000)
Dividends of subsidiaries		-	(1,892,984)	-	-	-	-	(985,974,042)	(987,867,026)
Issuance of shares of subsidiaries		-	370,309,318	-	-	-	-	608,200,190	978,509,508
Acquisition of treasury share	29	-	-	(4,188,410,220)	-	-	-	-	(4,188,410,220)
Disposal of treasury share	29	-	799,427,378	2,532,537,816	-	-	-	-	3,331,965,194
Stock options	28	-	-	14,921,834	-	-	-	-	14,921,834
Balance at December 31, 2016		52,064,920,000	72,514,886,266	(74,918,987,086)	52,289,828,801	1,257,107,559	551,632,229,562	7,956,718,379	662,796,703,481

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Daekyo Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

(in Korean won)	Notes	2016	2015
Cash flows from operating activities			
Cash generated from operations	42	90,801,405,997	67,880,565,714
Dividends received		4,642,167,563	2,834,685,596
Interest received		1,550,286,933	2,561,839,352
Interest paid		(963,470,428)	(1,189,501,827)
Income tax paid		(10,277,260,740)	(19,802,016,610)
Net cash inflow from operating activities		85,753,129,325	52,285,572,225
Cash flows from investing activities			
Decrease in financial deposits		7,799,624,763	17,873,268,983
Proceeds from disposal of available-for-sale financial assets		121,439,407,092	155,762,012,513
Proceeds from disposal of non-current assets held for sale		331,750,000	-
Decrease in other receivables		7,123,493,842	13,170,412,525
Proceeds from disposal of investments in associates		348,000,000	-
Proceeds from disposal of property, plant and equipment		289,642,415	166,486,842
Grants from goverments		-	634,473,890
Increase in financial deposits		(11,156,373,310)	(20,994,459,528)
Acquisition of available-for-sale financial assets		(130,233,478,630)	(137,225,820,555)
Increase in other receivables		(9,640,963,478)	(12,037,793,370)
Investments in associates		(3,892,500,000)	(360,000,000)
Acquisition of property, plant and equipment		(34,615,239,918)	(17,349,565,365)
Acquisition of intangible assets		(12,327,992,469)	(16,500,969,768)
Net cash outflow from investing activities		(64,534,629,693)	(16,861,953,833)
Cash flows from financing activities			
Disposal of treasury share		1,220,421,160	7,937,422,211
Issuance of shares of subsidiaries		978,509,508	1,103,632,684
Proceeds from borrowings		23,769,968,639	13,865,763,034
Acquisition of treasury share		(4,188,410,220)	(15,781,019,830)
Dividends of subsidiaries		(987,867,026)	(5,356,212,219)
Dividends paid		(21,808,216,980)	(21,110,737,260)
Repayments of borrowings		(24,471,292,405)	(22,600,729,623)
Net cash outflow from financing activities		(25,486,887,324)	(41,941,881,003)
Net decrease in cash and cash equivalents		(4,268,387,692)	(6,518,262,611)
Cash and cash equivalents at the beginning of the year		101,204,520,321	107,436,922,494
Exchange gains on cash and cash equivalents		(89,064,371)	285,860,438
Cash and cash equivalents at the end of the year		96,847,068,258	101,204,520,321

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

1. General Information

Daekyo Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as “the Group”) are engaged in educational and cultural work. The Company was incorporated in December 1986, to engage in the publication, manufacturing and sales of home-school materials. The Company, as an education and culture company, provides various products and educational services such as the Noonnoppi education, pre-school education, publishing, educational institutions, home-based teaching, on-line education, and after-school teaching.

In February 2004, the Company listed its shares on the KRX KOSPI Market of the Korean Exchange. As at December 31, 2016, the majority shareholder, Daekyo Holdings Co., Ltd. owns 54.5% of the Company.

1.1 Subsidiaries

		Percentage of ownership (%)						
		December 31, 2016			December 31, 2015			
Subsidiaries	Location	Controlling interest	Interest owned by subsidiary	Non-controlling interest	Controlling interest	Non-controlling interest	Closing Month	Major Business
Daekyo Edupia Co., Ltd.	Korea	98.64	-	1.36	98.64	1.36	December	Education
Daekyo Book Center Co., Ltd.	Korea	100.00	-	-	97.93	2.07	December	Book sales
Daekyo Edu camp Co., Ltd.	Korea	99.86	-	0.14	99.86	0.14	December	Education
DK BUSAN Co., Ltd.	Korea	-	100.00	-	-	-	December	Education
DK ULSAN Co., Ltd.	Korea	-	100.00	-	-	-	December	Education
Daekyo CSA Co., Ltd.	Korea	70.00	-	30.00	70.00	30.00	December	Education
Daekyo New Development Investment Association.	Korea	80.00	-	20.00	80.00	20.00	December	Investment
Daekyo America, Inc.	USA	50.06	-	49.94	50.06	49.94	December	Education
Daekyo Hong Kong Co., Ltd. [1]	China	47.89	-	52.11	47.89	52.11	December	Education
Daekyo Malaysia Sdn. Bhd.	Malaysia	100.00	-	-	100.00	-	December	Education
Beijing Daekyo Co., Ltd.	China	100.00	-	-	100.00	-	December	Education
Shanghai Daekyo Co., Ltd.	China	100.00	-	-	100.00	-	December	Education
P.T Daekyo Indonesia	Indonesia	69.83	-	30.17	99.83	0.17	December	Education
Daekyo Enopi Singapore PTE Ltd.	Singapore	70.00	-	30.00	100.00	-	December	Education
Daekyo Vietnam Co., Ltd.	Vietnam	100.00	-	-	100.00	-	December	Education
EYE LEVEL HUB LLC.	USA	50.06	-	49.94	50.06	49.94	December	Lease
Daekyo India Private Limited	India	100.00	-	-	100.00	-	March	Education
Daekyo UK CO.,LTD.	UK	100.00	-	-	100.00	-	December	Education
Heungkuk Altoran Securities Private Investment Trust	Korea	77.69	-	22.31	77.69	22.31	December	Investment
Hyundai Advantage Private Equity 5	Korea	100.00	-	-	100.00	-	December	Investment
Truston Private Securities Investment Trust 4	Korea	100.00	-	-	100.00	-	December	Investment

[1] Although the Group has less than 50% of the voting power in the investee, it is included in subsidiary as the Group has a right to appoint the majority of its Board of Directors.

1.2 Summary of Financial Information of Consolidated Subsidiaries

Summary of financial position and comprehensive income of consolidated subsidiaries as at and for the years ended December 31, 2016 and 2015, is as follows:

(in millions of Korean won)	December 31, 2016			December 31, 2015		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
Daekyo Edupia Co., Ltd.	5,556	9,222	(3,666)	5,491	8,796	(3,305)
Daekyo Book Center Co., Ltd.	5,304	4,353	951	6,013	4,797	1,216
Daekyo Educamp Co., Ltd. and its subsidiaries	14,570	2,413	12,157	15,812	5,794	10,018
Daekyo CSA Co., Ltd.	12	-	12	14	-	14
Daekyo New Development Investment Association.	3,927	-	3,927	4,422	107	4,315
Daekyo America, Inc.	6,360	5,199	1,161	6,943	5,963	980
Daekyo Hong Kong Co., Ltd.	7,652	1,130	6,522	6,712	823	5,889
Daekyo Malaysia Sdn. Bhd.	1,658	1,058	600	1,373	942	431
Beijing Daekyo Co., Ltd.	275	388	(113)	262	302	(40)
Shanghai Daekyo Co., Ltd.	765	437	328	1,138	424	714
P.T Daekyo Indonesia	1,617	2,302	(685)	1,407	1,713	(306)
Daekyo Enopi Singapore PTE Ltd.	654	1,827	(1,173)	792	1,496	(704)
Daekyo Vietnam Co., Ltd.	397	283	114	512	292	220
EYE LEVEL HUB LLC	27,055	28,241	(1,186)	24,087	24,272	(185)
Daekyo India Private Limited	726	143	583	1,002	9	993
Daekyo UK CO.,LTD.	896	26	870	1,157	-	1,157
Heungkuk Altoran Securities Private Investment Trust	18,559	7	18,552	18,271	7	18,264
Hyundai Advantage Private Equity 5	9,056	55	9,001	9,737	194	9,543
Truston Private Securities Investment Trust 4	4,964	5	4,959	5,115	5	5,110

(in millions of Korean won)	2016			2015		
	Sales	Profit (loss)	Comprehensive income	Sales	Profit (loss)	Comprehensive income
Daekyo Edupia Co., Ltd.	12,325	(283)	(361)	13,557	(532)	(537)
Daekyo Book Center Co., Ltd.	15,576	(265)	(265)	13,100	(272)	(263)
Daekyo Educamp Co., Ltd. and its subsidiaries	29,309	2,278	2,138	30,328	390	367
Daekyo CSA Co., Ltd.	-	(1)	(1)	-	(1)	(1)
Daekyo New Development Investment Association.	-	539	2,612	-	9,041	3,983
Daekyo America, Inc.	9,028	(900)	(897)	8,289	(2,006)	(2,023)
Daekyo Hong Kong Co., Ltd.	6,613	953	1,148	6,215	1,090	1,426
Daekyo Malaysia Sdn. Bhd.	2,216	182	169	2,456	158	106
Beijing Daekyo Co., Ltd.	95	(76)	(74)	125	(226)	(223)
Shanghai Daekyo Co., Ltd.	443	(1,155)	(1,232)	398	(488)	(467)
P.T Daekyo Indonesia	1,066	(938)	(946)	894	(313)	(315)
Daekyo Enopi Singapore PTE Ltd.	1,240	(820)	(839)	1,063	(660)	(664)
Daekyo Vietnam Co., Ltd.	227	(690)	(684)	140	(836)	(818)
EYE LEVEL HUB LLC.	3,179	(955)	(1,000)	2,629	(1,018)	(1,000)
Daekyo India Private Limited	74	(407)	(410)	-	(153)	(197)
Daekyo UK CO.,LTD.	75	(124)	(287)	-	-	(22)
Heungkuk Altoran Securities Private Investment Trust	-	385	318	-	1,451	953
Hyundai Advantage Private Equity 5	-	(484)	(542)	-	1,306	1,730
Truston Private Securities Investment Trust 4	-	(192)	(150)	-	819	701

1.3 Change in the Scope of Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2016 are as follows :

Subsidiaries	Reason
DK BUSAN Co., Ltd. DK ULSAN Co., Ltd.	Newly acquired as Daekyo Educamp Co., Ltd. established its subsidiaries.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgment in applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1.1 Changes in Accounting Policies and Disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2016. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

- Amendments to Korean IFRS 1001 *‘Presentation of Financial Statements’*

- Amendments to Korean IFRS 1016 *‘Property, Plant and Equipment’,* and Korean IFRS 1041 *‘Agriculture’*

- Amendments to Korean IFRS 1016 *‘Property, Plant and Equipment’*, and Korean IFRS 1038 ‘*Intangible assets’*

- Amendments to Korean IFRS 1110 *'Consolidated Financial Statements',* Korean IFRS 1028 *'Investments in Associates and Joint Ventures',* and Korean IFRS 1112 *'Disclosures of Interests in Other Entities'*

- Amendments to Korean IFRS 1111 *'Joint Arrangement'*

- Annual Improvements to Korean IFRS 2012-2014 *Cycle*

(b) New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations that have been published that are not mandatory for December 31, 2016 reporting periods and have not been early adopted by the Group are set out below.

- Amendments to Korean IFRS 1007 *'Statement of Cash Flows'*

Amendments to Korean IFRS 1007 *Statement of Cash flows* requires to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows. The Group will apply this amendment for annual reporting periods beginning on or after January 1, 2017 with early application permitted. The Group does not expect the amendments to have a significant impact on the consolidated financial statements.

- Amendments to Korean IFRS 1012 *'Income Tax'*

Amendments to Korean IFRS 1012 clarify how to account for deferred tax assets related to debt instruments measured at fair value. Korean IFRS 1012 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments issued clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice. The Group will apply the amendments for annual periods beginning on or after January 1, 2017 with early application permitted. The Group does not expect the amendments to have a significant impact on the consolidated financial statements.

- Amendments to Korean IFRS 1102 *'Share-based Payment'*

Amendments to IFRS 2 clarifies accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. And also, clarifies that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award. The Group will apply the amendments for annual periods beginning on or after January 1, 2018 with early application permitted. The Group does not expect the amendments to have a significant impact on the consolidated financial statements.

- Korean IFRS 1109 '*Financial Instruments'*

The new standard for financial instruments issued on September 25, 2015 are effective for annual periods beginning on or after January 1, 2018 with early application permitted. This standard will replace Korean IFRS 1039 *'Financial Instruments: Recognition and Measurement'*. The Group will apply the standards for annual periods beginning on or after January 1, 2018.

The standard requires retrospective application with some exceptions. For example, an entity is not required to restate prior period in relation to classification and measurement (including impairment) of financial instruments. The standard requires prospective application of its hedge accounting requirements for all hedging relationships except the accounting for time value of options and other exceptions.

Korean IFRS 1109 '*Financial Instruments'* requires all financial assets to be classified and measured on the basis of the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. A new impairment model, an expected credit loss model, is introduced and any subsequent changes in expected credit losses will be recognized in profit or loss. Also, hedge accounting rules amended to extend the hedging relationship, which consists only of eligible hedging instruments and hedged items, qualifies for hedge accounting.

An effective implementation of Korean IFRS 1109 requires preparation processes including financial impact assessment, accounting policy establishment, accounting system development and the system stabilization. The impact on the Group's financial statements due to the application of the standard is dependent on judgments made in applying the standard, financial instruments held by the Group and macroeconomic variables.

With the implementation of Korean IFRS 1109, the Group neither prepared for internal management process nor began to adjust accounting system for financial instruments reporting. Also, the Group did not analyze the financial effects of applying the standard.

i) Classification and Measurement of Financial Assets

When implementing Korean IFRS 1109, the classification of financial assets will be driven by the Group's business model for managing the financial assets and contractual terms of cash flow. The following table shows the classification of financial assets measured subsequently at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. If a hybrid contract contains a host that is a financial asset, the classification of the hybrid contract shall be determined for the entire contract without separating the embedded derivative.

Business model for the contractual cash flows characteristics	Solely represent payments of principal and interest	All other
Hold the financial asset for the collection of the contractual cash flows	Measured at amortized cost[1]	Recognized at fair value through profit or loss[2]
Hold the financial asset for the collection of the contractual cash flows and trading	Recognized at fair value through other comprehensive income [1]	
Hold for trading	Recognized at fair value through profit or loss	

[1] A designation at fair value through profit or loss is allowed only if such designation mitigates an accounting mismatch (irrevocable).

[2] Equity investments not held for trading can be recorded in other comprehensive income (irrevocable).

With the implementation of Korean IFRS 1109, the criteria to classify the financial assets at amortized cost or at fair value through other comprehensive income are more strictly applied than the criteria applied with Korean IFRS 1039. Accordingly, the financial assets at fair value through profit or loss may increase by implementing Korean IFRS 1109 and may result an extended fluctuation in profit or loss.

As at December 31, 2016, the Group owns loans and receivables of ₩183,547 million, financial assets available-for-sales of ₩222,309 million and financial assets at fair value through profit or loss of ₩74,317 million. The Group does not hold financial assets held-to-maturity.

According to Korean IFRS 1109, a debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. As at December 31, 2016, the Group measured loan and trade receivables of ₩183,547 million at amortized costs. The Group does not hold financial assets held-to-maturity.

According to Korean IFRS 1109, a debt instrument is measured at fair value through other comprehensive income if the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and the contractual cash flows represents solely payments of principal and interest on a specific date under contract terms. As at December 31, 2016, the Group holds debt instruments of ₩14,005 million classified as financial assets available-for-sale in total and these debt instruments does not contains host debt contracts separated from hybrid financial instruments.

According to Korean IFRS 1109, equity instruments that are not held for trading, the Group can make an irrevocable election at initial recognition to classify the instruments as assets measured at fair value through other comprehensive income, which all subsequent changes in fair value being recognized in other comprehensive income and not recycled to profit or loss. As at December 31, 2016, the Group holds equity instruments of ₩208,304 million classified as financial assets available-for-sale and recycled unrealized gain or loss of ₩8,639 million arose from the equity instruments to profit or loss.

According to Korean IFRS 1109, debt instruments those contractual cash flows do not represent solely payments of principal and interest and held for trading, and equity instruments that are not designated as instruments measured at fair value through other comprehensive income are measured at fair value through profit or loss. As at December 31, 2016, the Group holds equity instruments and derivative financial instruments classified as financial assets at fair value through profit or loss that amount to ₩74,317 million in total.

ii) Impairment: Financial Assets and Contract Assets

Korean IFRS 1109 sets out a new forward looking 'expected loss' impairment model which replaces the incurred loss model under Korean IFRS 1039 that impaired assets if there is an objective evidence and applies to:

- Financial assets measured at amortized cost
- Debt investments measured at fair value through other comprehensive income, and
- Certain loan commitments and financial guaranteed contracts.

Under Korean IFRS 1109 'expected loss' model, a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognized. The Group will always recognize (at a minimum) 12-month expected credit losses in profit or loss. Lifetime expected losses will be recognized on assets for which there is a significant increase in credit risk after initial recognition.

<table>
<tr><th colspan="2">Stage[1]</th><th>Loss allowance</th></tr>
<tr><td>1</td><td>No significant increase in credit risk after initial recognition[2]</td><td>12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date)</td></tr>
<tr><td>2</td><td>Significant increase in credit risk after initial recognition</td><td rowspan="2">Lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)</td></tr>
<tr><td>3</td><td>Credit-impaired</td></tr>
</table>

[1] A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. It is also required for contract assets or trade receivables that are not, according to Korean IFRS 1115 '*Revenue from Contracts with Customers'*, considered to contain a significant financing component. Additionally, the Group can elect an accounting policy of recognizing lifetime expected credit losses for all contract assets and/or all trade receivables, including those that contain a significant financing component.

[2] If the financial instrument has low credit risk at the reporting date, the Group may assume that the credit risk has not increased significantly since initial recognition.

Under Korean IFRS 1109, the asset that is credit-impaired at initial recognition would recognize all changes in lifetime expected credit losses since the initial recognition as a loss allowance with any changes recognized in profit or loss.

As at December 31, 2016, the Group owns loan and trade receivables carries at amortized cost of ₩ 195,936 million (before provision for impairment of receivables). And, the Group recognized loss allowance of ₩ 12,389 million for these assets.

- Korean IFRS 1115 *'Revenue from Contracts with Customers'*

The Group will apply Korean IFRS 1115 *'Revenue from Contracts with Customers'* issued on November 6, 2015 for annual reporting periods beginning on or after January 1, 2018, and earlier application is permitted. This standard replaces Korean IFRS 1018 '*Revenue*, Korean IFRS 1011 '*Construction Contracts'*, Interpretation 2031 '*Revenue-Barter Transactions Involving Advertising Services'*, Interpretation 2113 '*Customer Loyalty Programs'*, Interpretation 2115 '*Agreements for the Construction of Real Estate'* and Interpretation 2118 '*Transfers of assets from customers'.*

The Group must apply Korean IFRS 1115 *'Revenue from Contracts with Customers'* within annual reporting periods beginning on or after January 1, 2018, and will apply the standard retrospectively to prior reporting period presented in accordance with Korean IFRS 1008 '*Accounting Policies, Changes in Accounting Estimates and Errors'* and apply simplified transition method with no restatement for completed contracts and other as at January 1, 2017.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue from contract with customer can be recognized:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and
- Recognize the revenue as each performance obligation is satisfied.

As at December 31, 2016, the Group neither prepared for internal management process nor began to adjust accounting system in relation to implementation of Korean IFRS 1115. Also, the Group did not analyze the financial effects of applying the standard. The Group plans to analyze the financial effects of applying the standard and disclose the result of the analysis in the notes on the financial statement as at December 31, 2017.

2.2 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *'Consolidated Financial Statements'*.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recoded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A changed in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Parent Company.

(c) Disposal of subsidiaries

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the changed in carrying amount recognized in profit or loss.

(d) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. If there is objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

2.3 Segment Reporting

Group’s operating segments are disclosed by entities reported to chief operating decision maker, the representative director, disclosures related to segment reporting are disclosed in ‘Note 6’ in accordance with Korean IFRS 1108, Segment reporting.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the each entity operates (the “functional currency”). The consolidated financial statements are presented in Korean won, which is the Controlling Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in 'financial income or expenses' in the statement of income. All other foreign exchange gains and losses are presented in 'other income and expenses' in the statement of income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Exchange differences arising on non-monetary financial assets and liabilities such as equity instruments at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss and included in other comprehensive income, respectively, as part of the fair value gain or loss.

2.5 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.6 Financial Assets

(a) Classification and measurement

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity financial assets. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

For hybrid (combined) instruments, the Group is unable to measure an embedded derivative separately from its host contract; therefore, the entire hybrid (combined) contract is classified as at fair value through profit or loss. The Group designated financial assets, equity-linked securities, as at fair value through profit or loss.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. And, loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in profit or loss within other income or other expenses. Changes in the available-for-sale financial assets are recognized in other comprehensive income, and amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(b) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Impairment of loans and receivables is presented as a deduction in an allowance account, and that of other financial assets is directly deducted from their carrying amount. The Group writes off financial assets when the assets are determined to be no longer recoverable.

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments; or the disappearance of an active market for that financial asset because of financial difficulties.

(c) Derecognition

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as “borrowings” in the statement of financial position.

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.7 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives that are not qualified for hedge accounting are recognized in the statement of income within 'other income (expenses)' or 'financial income (expenses)' according to the nature of transactions.

2.8 Trade Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value, less allowance for doubtful accounts.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving average method and FIFO method.

2.10 Non-current Assets (or disposal group) Held for Sale

Non-current assets (or disposal group) are classified as 'non-current assets held-for-sale' (or assets of disposal group classified as held for sale) when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.11 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land, standing timber and construction-in-progress are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

Buildings	40 - 60 years
Structures	3 - 40 years
Machinery	4 - 5 years
Vehicles	4 - 10 years
Tools	4 - 6 years
Supplies	3 - 17 years
Equipment	5 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income and expenses' in the statement of income.

2.12 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.13 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Group depreciates investment properties, except for land, using the straight-line method over their useful lives of 40 to 60 years.

2.14 Intangible Assets

(a) Goodwill

Goodwill is measured as explained in Note 2.2 and goodwill arising on the acquisition of subsidiaries and business is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or group of CGUs, that is expected to benefit from the synergies of the combination.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Membership rights

Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the asset is expected to be utilized.

(c) Development Costs

Expenditure on research is recognized as an expense as incurred. Development costs which are individually identifiable and directly related to a new technology or to new products which carry probable future economic benefits are recognized as intangible assets when all the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs stated as intangible assets are amortized using the straight-line method or declining-balance method over their estimated useful lives when the assets are available for using or selling and are tested for impairment.

(d) *Other intangible assets*

Other intangible assets such as industrial property rights and software which meet the definition of an intangible asset are amortized using the following depreciation method and estimated useful lives when the asset is available for use.

	Estimated Useful Lives	**Depreciation Method**
Industrial property rights	5 - 10 years	Straight-line method
Software	4 years	Straight-line method
Other intangible assets	1 - 15 years	Straight-line method
Right to use donated assets	1 - 4 years	Straight-line method

2.15 Government Grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to income are deferred and recognized in the statement of income over the period necessary to match them with the costs that they are intended to compensate.

Government grants related to property, plant and equipment are presented by deducting the grants in arriving at carrying amount of the assets and are credited to depreciation over the expected lives of the related assets.

2.16 Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.17 Financial Liabilities

(a) Classification and measurement

The Group’s financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not a designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as ‘trade payables’, ‘other payables’, ‘borrowings’, and ‘other financial liabilities’ in the statement of financial position.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified.

2.18 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method. The Group classifies the liability as current as long as it does not have an unconditional right to defer its settlement for at least 12 months after the reporting date.

2.20 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources required to settle the obligation is probable and can be reliably estimated. Provisions are not recognized for future operating losses. The Group recognises the sales return provision for the estimated sales return based on historical results.

2.21 Current and Deferred Income Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis.

2.22 Employee Benefits

(a) *Post-employment benefits*

The Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when employees render services. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability(asset) recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. The remeasurements of the net defined benefit liability are recognized in other comprehensive income.

If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

(b) Share-based payments

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted. The Group makes payments with its treasury shares when the options are exercised.

2.23 Share Capital

Ordinary shares and preferred shares that are not mandatorily redeemable are classified as equity.

Where the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received is included in equity attributable to the Company's equity holders.

2.24 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services supplied in the ordinary course of the Group's activities. Revenue is presented net of value-added tax, returns and discounts, after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Group sells weekly home-school materials, reference books, collections, publications and others. Sales of goods are recognized when products are delivered to the purchaser. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the purchaser has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales of services

The Group generally recognizes revenue by reference to the stage of completion in accordance with the substance of the relevant agreements.

(c) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Group recognizes the difference between the carrying amount and its recoverable amount as impairment loss and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

(d) Dividend income

Dividend income is recognized when the right to receive payment is established.

(e) Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

2.25 Lease

Leases in which a substantial portion of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

2.26 Dividend Distribution

Dividend distribution to the Company’s shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company’s shareholders.

2.27 Business Combinations

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recoded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.16. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

If certain portion of the taxable income is not used for investments, increase in wages, or dividends in accordance with the Tax System For Recirculation of Corporate Income, the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new system. As the Group’s income tax is dependent on the investments, increase in wages and dividends, there exists uncertainty with regard to measuring the final tax effects.

(c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(d) Provisions

As described in Note 21, the Group recognizes provisions for estimated returns as at the reporting date. The amounts are estimated based on historical data.

(e) Net defined benefit liability

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the defined benefit liability. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the pension benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Other key assumptions for defined benefit liability are based in part on current market conditions. Additional information is disclosed in Note 23.

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the board of directors. The board reviews and approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

i) Interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises through floating rate deposits and borrowings. The Group holds all fixed rate financial deposits and therefore there is no effect on the profit (loss) for the year or equity due to changes in interest rates.

As at December 31, 2016 and 2015, if interest rates had changed by 100bp with all other variables held constant, the effects on interest expense are as follows:

	2016		**2015**	
(in millions of Korean won)	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
Interest expense	130	(130)	231	(231)

ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available-for-sale financial assets, financial assets at fair value through profit or loss or derivative financial instruments. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

As at December 31, 2016 and 2015, if the prices of equity instruments had changed by 5% with all other variables held constant, the effects on profit (loss) for the year and total comprehensive income (loss) would be as follows:

	2016		**2015**	
(in millions of Korean won)	**5% increase**	**5% decrease**	**5% increase**	**5% decrease**
Profit (loss) for the year	2,817	(2,817)	3,247	(3,247)
Comprehensive income(loss)	9,750	(9,750)	9,171	(9,171)

(b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of ’A’ are accepted. Corporate customers are evaluated taking into account its financial position, past experience and other factors and sales to individual customers are settled in cash or using major credit cards.

(c) Liquidity Risk

The Group forecasts its cash flow and liquidity status and sets action plans on a regular basis to manage liquidity risk proactively.

In addition, the Group copes with potential financial distress by maintaining adequate amount of cash and financial deposits. The balances of cash and cash equivalents, and current-financial deposits as at December 31, 2016, is ₩ 108,968 million (2015: ₩109,947 million).

The analysis of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date as at December 31, 2016 and 2015, are as follows:

	2016				
(in millions of Korean won)	**Book amount**	**Cash flow on contract**	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**
Trade payables	9,970	9,970	9,970	-	-
Derivative financial liabilities	1,065	1,065	1,065	-	-
Other payables (current)	77,030	77,030	77,030	-	-
Borrowings (current)	18,774	19,005	19,005	-	-
Other payables (non-current)	9,586	9,586	-	9,586	-
Borrowings (non-current)	9,460	10,866	309	519	10,038

	2015					
(in millions of Korean won)	**Book amount**	**Cash flow on contract**	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**
Trade payables	10,259	10,259	10,259	-	-	-
Derivative financial liabilities	254	254	254	-	-	-
Other payables (current)	71,053	71,053	71,053	-	-	-
Borrowings (current)	5,100	5,127	5,127	-	-	-
Other payables (non-current)	6,698	6,698	-	6,698	-	-
Borrowings (non-current)	23,204	23,771	451	23,262	55	3

The amounts disclosed in the table are the contractual undiscounted cash flows, prepared based on the earliest date of the payments that can be requested and the cash flow of interest is included.

4.2 Capital Management

The Group's objectives when managing capital are to maintain a sound capital structure. The Group monitors capital on the basis of the liabilities/equity ratio which is calculated as total liabilities divided by total equity on consolidated statements of financial position.

Debt-to-equity ratios as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**2016**	**2015**
Total liabilities (A)	185,342	176,666
Total equity (B)	662,797	643,977
Debt-to-equity ratio (A/B)	28%	27%

5. Fair Value

5.1 Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**2016**		**2015**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Current:				
Cash and cash equivalents	96,847	96,847	101,205	101,205
Financial deposits	12,121	12,121	8,742	8,742
Trade receivables	22,111	22,111	21,886	21,886
Other receivables	41,088	41,088	35,778	35,778
Financial assets at fair value through profit or loss	74,272	74,272	85,405	85,405
Derivative financial assets	45	45	261	261
Available-for-sale financial assets	72,906	72,906	47,861	47,861
	319,390	319,390	301,138	301,138
Non-current:				
Financial deposits	300	300	300	300
Other receivables	11,080	11,287	15,091	15,210
Available-for-sale financial assets	121,161	121,161	124,273	124,273
	132,541	132,748	139,664	139,783
	451,931	452,138	440,802	440,921
Financial liabilities				
Current:				
Trade payables	9,970	9,970	10,259	10,259
Other payables	77,030	77,030	71,053	71,053
Derivative financial liabilities	1,065	1,065	254	254
Borrowings	18,774	18,774	5,100	5,100
	106,839	106,839	86,666	86,666

Non-current:				
Other payables	9,586	10,094	6,698	6,810
Borrowings	9,460	9,460	23,204	23,204
	19,046	19,554	29,902	30,014
	125,885	126,393	116,568	116,680

Carrying amount of financial assets and financial liabilities classified as current portion is measured at a reasonable approximation of fair value. Equity instruments that do not have a quoted price in an active market are measured at cost because their fair value cannot be measured reliably and excluded from the fair value disclosures. Equity securities measured at cost amount to ₩ 28,242 million (2015: ₩ 26,371 million) as at December 31, 2016.

5.2 Fair Value Measurement Method

Fair value with the purpose of measurement and disclosure is determined by the below methods.

(a) Available-for-sale financial assets

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity within the same industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Group is the current bid price.

(b) Non-current other receivables

Carrying amount and fair value of non-current other receivables as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**December 31, 2016**		**December 31, 2015**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Long-term loans	-	-	63	63
Deposits	11,080	11,287	15,028	15,147
	11,080	11,287	15,091	15,210

Fair value of non-current other receivables is calculated based on a nominal value of expected future cash inflows discounted using a discount rate reflecting credit risk.

	December 31, 2016	**December 31, 2015**
Discount rate	3.58%	3.75%

(c) Non-current other payables

Carrying amount and fair value of non-current other payables as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	December 31, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term deposits received	9,586	10,094	6,698	6,810

Fair value of non-current other payables is calculated based on a nominal value of expected future cash outflows discounted using rates of return on non-guaranteed bonds having similar credit ratings as the Group.

	December 31, 2016	December 31, 2015
Discount rate	2.02%	2.10%

(d) Current financial assets and liabilities

As current financial assets and liabilities' maturity is short-term, their fair value is approximation of carrying amount.

5.3 Fair Value Hierarchy

Assets measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

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

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial asset/liabilities that are measured at fair value				
Financial assets at fair value through profit or loss	74,272	-	-	74,272
Derivative financial instruments(assets)	-	45	-	45
Available-for-sale financial assets	194,067	-	-	194,067

Derivative financial instruments(liabilities)	-	1,065	-	1,065
Non-current other receivables	-	11,287	-	11,287
Non-current other payables	-	10,094	-	10,094
Financial asset/liabilities that are not measured at fair value: N/A				

(in millions of Korean won)	**December 31, 2015**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial asset/liabilities that are measured at fair value				
Financial assets at fair value through profit or loss	85,405	-	-	85,405
Derivative financial instruments(assets)	-	261	-	261
Available-for-sale financial assets	172,134	-	-	172,134
Derivative financial instruments(liabilities)	-	254	-	254
Non-current other receivables	-	15,210	-	15,210
Non-current other payables	-	6,810	-	6,810
Financial asset/liabilities that are not measured at fair value: N/A				

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity in the same industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. The financial instruments within Level 1 consist of listed equity securities which are categorized as available-for-sale securities. The financial instruments within Level 2 are derivative financial instruments, and the fair value of each derivative is discounted, using the forward exchange rate at the end of reporting period.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses various valuation techniques and makes judgments based on current market conditions. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value an instrument are observable, the instrument is included in ‘level 2’.

If one or more of the significant inputs is not based on observable market data, the instrument is included in 'level 3'.

Equity instruments that do not have a quoted price in an active market and are measured at cost are not included in above hierarchy because there are no fair value measurements recognized in the statement of financial position.

6. Segment Information

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions.

The segments of the Group are strategic business divisions providing different products and services. They are reported separately because each business division requires different technologies and marketing strategies. The main products and services of each business division for the year ended December 31, 2016, follows:

	Products and services
Noonnoppi business	Noonnoppi home-school material, Premium home-school material (CHAIHONG), HRD service business
Media business	Publication, Library, Premium home-school material (Soluny), Media business and others
Other	Rental service, Managing and supporting department for textbook business and others
Subsidiaries	Domestic/Overseas subsidiaries

The segment information for sales and operating income for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**2016**		**2015**	
	Segment sales	**Operating income (loss)**	**Segment sales**	**Operating income (loss)**
Noonnoppi business	673,421	41,248	657,833	44,384
Media business	64,646	1,407	70,559	864
Other	33,189	2,876	32,406	763
Subsidiaries	81,466	(2,711)	79,192	(2,903)
	852,722	42,820	839,990	43,108
Other segments and inter-segment transactions	(32,005)	27	(26,782)	(63)
	820,717	42,847	813,208	43,045

Segment information of share of profit from associates, depreciation, amortization and fluctuation of non-current assets for the years ended December 31, 2016 and 2015, follows:

(in millions of Korean won)	2016			2015		
	Profit (loss) from associates	**Depreciation /Amortization**	**Increase (Decrease) of non-current assets[1]**	**Profit (loss) from associates**	**Depreciation/ Amortization**	**Increase (Decrease) of non-current assets[1]**
Noonnoppi business	-	17,948	(40)	-	18,665	(6,883)
Media business	-	3,743	(2,465)	-	5,272	(2,537)
Other	865	7,408	16,971	335	8,619	12,011
Subsidiaries	-	5,990	(502)	-	7,438	(20,666)
	865	35,089	13,964	335	39,994	(18,075)

[1] Financial instrument, deferred income tax asset and investment in associates are excluded.

Details of segment information of assets, liabilities and investments in associates for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	December 31, 2016			December 31, 2015		
	Assets	**Investments in associates**	**Liabilities**	**Assets**	**Investments in associates**	**Liabilities**
Noonnoppi business	97,825	-	76,632	99,092	-	74,595
Media business	23,706	-	13,140	28,301	-	12,807
Other	637,140	6,595	58,293	603,357	4,694	53,034
Subsidiaries	89,468	-	37,277	89,893	-	36,230
	848,139	6,595	185,342	820,643	4,694	176,666

Sales by geographic areas for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**2016**	**2015**
Domestic	797,683	786,958
Overseas	23,034	26,250
	820,717	813,208

There is no external customer attributing to more than 10% of total sales for the years ended December 31, 2016 and 2015.

7. Financial Instruments by Category

Categorizations of financial instruments are as follows:

(in millions of Korean won)	December 31, 2016			
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Financial assets				
Current				
Cash and cash equivalents	-	96,847	-	96,847
Financial deposits	-	12,121	-	12,121
Trade receivables	-	22,111	-	22,111
Other receivables	-	41,088	-	41,088
Financial assets at fair value through profit or loss	74,272	-	-	74,272
Derivative financial instruments	45	-	-	45
Available-for-sale financial assets	-	-	72,906	72,906
	74,317	172,167	72,906	319,390
Non-current				
Financial deposits	-	300	-	300
Other receivables	-	11,080	-	11,080
Available-for-sale financial assets	-	-	149,403	149,403
	-	11,380	149,403	160,783
	74,317	183,547	222,309	480,173

(in millions of Korean won)	December 31, 2016		
	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Total
Financial liabilities			
Current			
Trade payables	-	9,970	9,970
Other payables	-	77,030	77,030
Derivative financial instruments	1,065	-	1,065
Borrowings	-	18,774	18,774
	1,065	105,774	106,839
Non-current			
Other payables	-	9,586	9,586
Borrowings	-	9,460	9,460
	-	19,046	19,046
	1,065	124,820	125,885

(in millions of Korean won)	December 31, 2015			
	Financial assets at fair value through profit or loss	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
Financial assets				
Current				
Cash and cash equivalents	-	101,205	-	101,205
Financial deposits	-	8,742	-	8,742
Trade receivables	-	21,886	-	21,886
Other receivables	-	35,778	-	35,778
Financial assets at fair value through profit or loss	85,405	-	-	85,405
Derivative financial instruments	261	-	-	261
Available-for-sale financial assets	-	-	47,861	47,861
	85,666	167,611	47,861	301,138
Non-current				
Financial deposits	-	300	-	300
Other receivables	-	15,091	-	15,091
Available-for-sale financial assets	-	-	150,644	150,644
	-	15,391	150,644	166,035
	85,666	183,002	198,505	467,173

(in millions of Korean won)	December 31, 2015		
	Financial liabilities at fair value through profit or loss	**Financial liabilities carried at amortized cost**	**Total**
Financial liabilities			
Current			
Trade payables	-	10,259	10,259
Other payables	-	71,053	71,053
Derivative financial instruments	254	-	254
Borrowings	-	5,100	5,100
	254	86,412	86,666
Non-current			
Other payables	-	6,698	6,698
Borrowings	-	23,204	23,204
	-	29,902	29,902
	254	116,314	116,568

Income and loss of financial instruments by category for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	2016					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Total
Dividend income	-	-	3,642	-	-	3,642
Gain (loss) on foreign currency translation	-	319	-	-	-	319
Gain (loss) on foreign currency transactions	-	125	-	-	(152)	(27)
Interest income (expenses)	-	1,974	272	-	(593)	1,653
Bad debt expenses	-	(733)	-	-	-	(733)
Gain (loss) on valuation of financial assets[1,2]	574	-	2,035	-	-	2,609
Gain (loss) on disposal of financial assets	2,381	-	15,837	-	-	18,218
Gain (loss) on valuation of derivatives	-	-	-	(1,114)	-	(1,114)
Gain (loss) on transaction of derivatives	833	-	-	(391)	-	442
Impairment loss on assets	-	-	(1,655)	-	-	(1,655)

(in millions of Korean won)	2015					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Total
Dividend income	-	-	2,835	-	-	2,835
Gain (loss) on foreign currency translation	-	897	(25)	-	(6)	866
Gain (loss) on foreign currency transactions	-	(55)	-	-	(25)	(80)
Interest income (expenses)	-	2,443	564	-	(462)	2,545
Bad debt expenses	-	(1,290)	-	-	-	(1,290)
Gain (loss) on valuation of financial assets[1,2]	3,109	-	(14,128)	-	-	(11,019)
Gain (loss) on disposal of financial assets	570	-	15,267	-	-	15,837
Gain (loss) on valuation of derivatives	261	-	-	(257)	-	4
Gain (loss) on transaction of derivatives	-	-	-	45	-	45
Impairment loss on assets	-	-	(129)	-	-	(129)

[1] The amounts recognized as other comprehensive income(loss) are included.

[2] The reclassified amounts from other comprehensive income(loss) into the statement of income include ₩8,639 million (2015: ₩12,969 million).

8. Cash and Cash Equivalents, and Financial Deposits

Details of cash and cash equivalents are as follows:

(in millions of Korean won)	December 31, 2016	December 31, 2015
Ordinary deposits	27,147	38,487
Short-term bank deposits	69,700	62,718
	96,847	101,205

The financial deposits restricted in use are as follows:

(in millions of Korean won)	December 31, 2016	December 31, 2015	Reason
Financial deposits	1,315	1,315	Security deposits and others

9. Trade Receivables and Other Receivables

Details of trade receivables and other receivables are as follows:

	December 31, 2016		
(in millions of Korean won)	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current			
Trade receivables	28,852	(6,741)	22,111
Non-trade receivables	8,698	(5,648)	3,050
Accrued income	49	-	49
Loans	3	-	3
Deposits	37,986	-	37,986
	75,588	(12,389)	63,199
Non-current			
Deposits	11,080	-	11,080
	11,080	-	11,080
	86,668	(12,389)	74,279

	December 31, 2015		
(in millions of Korean won)	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current			
Trade receivables	28,405	(6,519)	21,886
Non-trade receivables	8,007	(5,565)	2,442
Accrued income	41	-	41
Loans	10	-	10
Deposits	33,284	-	33,284
	69,747	(12,084)	57,663

Non-current			
Loans	63	-	63
Deposits	15,028	-	15,028
	15,091	-	15,091
	84,838	(12,084)	72,754

The aging analysis of trade and other receivables is as follows:

	December 31, 2016						
		Past due but not impaired					
(in millions of Korean won)	Current	Up to 3 months	3 to 6 months	6 to 12 months	Over one year	Impaired[1]	Total
Current							
Trade receivables	16,424	2,523	1,847	2,007	211	5,840	28,852
Non-trade receivables	2,313	485	10	14	228	5,648	8,698
Accrued income	49	-	-	-	-	-	49
Loans	3	-	-	-	-	-	3
Deposits	37,986	-	-	-	-	-	37,986
	56,775	3,008	1,857	2,021	439	11,488	75,588
Non-current							
Deposits	11,080	-	-	-	-	-	11,080
	11,080	-	-	-	-	-	11,080
	67,855	3,008	1,857	2,021	439	11,488	86,668

	December 31, 2015						
		Past due but not impaired					
(in millions of Korean won)	Current	Up to 3 months	3 to 6 months	6 to 12 months	Over one year	Impaired[1]	Total
Current							
Trade receivables	17,254	2,594	810	1,146	552	6,049	28,405
Non-trade receivables	1,730	677	35	-	-	5,565	8,007
Accrued income	41	-	-	-	-	-	41
Loans	10	-	-	-	-	-	10
Deposits	33,284	-	-	-	-	-	33,284
	52,319	3,271	845	1,146	552	11,614	69,747
Non-current							
Loans	63	-	-	-	-	-	63
Deposits	14,971	57	-	-	-	-	15,028
	15,034	57	-	-	-	-	15,091
	67,353	3,328	845	1,146	552	11,614	84,838

[1] All impaired receivables have been provided with allowance for doubtful accounts.

The Group assesses whether a loss event exists for individual receivables and recognizes impairment loss with the difference between the recoverable amount and its carrying amount based on such assessment. The impairment loss for the overdue receivables is recognized by applying the provision rates based on historical experience considering the overdue period of receivables.

The changes in bad debts allowance for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	2016				
	Beginning balance	**Addition**	**Write-off**	**Exchange differences**	**Ending balance**
Trade receivables	6,519	374	(162)	10	6,741
Non-trade receivables	5,565	359	(178)	(98)	5,648
	12,084	733	(340)	(88)	12,389

(in millions of Korean won)	2015				
	Beginning balance	**Addition**	**Write-off**	**Exchange differences**	**Ending balance**
Trade receivables	6,410	472	(373)	10	6,519
Non-trade receivables	4,702	818	-	45	5,565
	11,112	1,290	(373)	55	12,084

The provision of bad debts allowance for impaired receivables have been included in ‘selling and administrative expenses’ in the statement of income and the provision of bad debts allowance of other receivables have been included in ‘other expenses’ in the statement of income.

10. Financial Assets at Fair Value through Profit or Loss

Details of financial assets at fair value through profit or loss are as follows:

(in millions of Korean won)	**December 31, 2016**	**December 31, 2015**
Equity-linked securities	74,272	85,405

Financial assets at fair value through profit or loss are presented within operating activities as part of changes in working capital in the statements of cash flows.

11. Available-for-sale Financial Assets

Details of available-for-sale financial assets are as follows:

(in millions of Korean won)	**December 31, 2016**	**December 31, 2015**
Current		
Beneficiary certificate	72,906	47,861
Non-Current		
Beneficiary certificate	3,258	38
Marketable equity securities	103,898	108,405
Non-marketable equity securities	28,242	26,371
Debt securities	14,005	15,830
	149,403	150,644
	222,309	198,505

Beneficiary certificates and marketable equity securities are measure based on quoted price in active market. Non-marketable equity securities are measured at cost. Due to initial stage of business operation of non-marketable securities, the ranges of expected cash flows are significant and the probabilities of the various estimates cannot be reasonably assessed.

Details of marketable equity securities are as follows:

	December 31, 2016		
(in millions of Korean won)	**Acquisition cost**	**Fair value**	**Book amount**
Shinhan Financial Group Co., Ltd.	27,126	96,404	96,404
Inzi Controls Co., Ltd.	68	31	31
Others	7,266	7,463	7,463
	34,460	103,898	103,898

	December 31, 2015		
(in millions of Korean won)	**Acquisition cost**	**Fair value**	**Book amount**
Shinhan Financial Group Co., Ltd.	31,940	99,212	99,212
Inzi Controls Co., Ltd.	68	34	34
Others	8,900	9,159	9,159
	40,908	108,405	108,405

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

	2016							
(in millions of Korean won)	**Beginning balance**	**Acquisition**	**Disposal**	**Valuation**	**Exchange differences**	**Impairment[1]**	**Transfer to assets held-for-sale**	**Ending balance**
Beneficiary certificate	47,899	71,632	(44,410)	1,043	-	-	-	76,164
Marketable equity securities	108,405	37,127	(53,077)	12,637	-	-	(1,194)	103,898
Non-marketable equity securities	26,371	5,363	(2,302)	-	541	(1,055)	(676)	28,242
Debt securities	15,830	16,111	(17,212)	(24)	-	(600)	(100)	14,005
	198,505	130,233	(117,001)	13,656	541	(1,655)	(1,970)	222,309

[1] The Group recognized an impairment loss on available-for-sale financial assets amounting to ₩1,055 million as the book amount exceeded its recoverable value.

	2015					
(in millions of Korean won)	**Beginning balance**	**Acquisition**	**Disposal**	**Valuation**	**Exchange differences**	**Ending balance**
Beneficiary certificate	57,264	39,233	(49,257)	658	1	47,899
Marketable equity securities	129,176	62,268	(70,889)	(12,150)	-	108,405
Non-marketable equity securities	16,433	16,811	(6,930)	-	57	26,371
Debt securities	15,750	18,913	(18,826)	(7)	-	15,830
	218,623	137,225	(145,902)	(11,499)	58	198,505

12. Inventories

Details of inventories are as follows:

(in millions of Korean won)	**December 31, 2016**	**December 31, 2015**
Merchandise	6,777	7,225
Finished goods	11,184	12,938
Stored goods	2,113	1,923
Raw materials	657	1,188
	20,731	23,274
Allowance for losses on valuation of inventories	(616)	(742)
	20,115	22,532

The cost of inventories recognized as expense and included in 'cost of sales' amounts to ₩47,872 million (2015: ₩47,123 million). There is no losses on valuation of inventories (2015: ₩186 million) and reversal of allowance for 'losses on valuation of inventories' amounts to ₩126 million (2015: nil).

13. Other Assets

Details of other assets are as follows:

(in millions of Korean won)	December 31,2016	December 31, 2015
Current		
Advances	915	1,554
Prepaid expenses	3,127	3,509
	4,042	5,063
Non-current		
Prepaid expenses	366	352
	366	352
	4,408	5,415

14. Investments in Associates

Details of investments in associates are as follows:

		Percentage of ownership (%)			
(in millions of Korean won)	Country	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
DKI Growing Star 1 Investment partnership	Korea	24.00	24.00	2,389	4,337
With the Green Co., Ltd.	Korea	45.70	45.00	4,206	357
Daekyo Bertelsmann Educational Service Limited[1]	China	-	50.00	-	-
				6,595	4,694

[1] The Group does not have significant influence over Daekyo Bertelsmann Educational Service Limited since Daekyo Bertelsmann Educational Service Limited was liquidated.

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

(in millions of Korean won)	2016	2015
Beginning balance	4,694	2,354
Acquisition	3,893	360
Share of profit(loss)	865	335
Share of other comprehensive income(loss)	(1,417)	1,645
Disposal	(348)	-
Dividend	(1,092)	-
Ending balance	6,595	4,694

Summarized financial information of associates for the year ended December 31, 2016, is as follows:

(in millions of Korean won)	**Assets**	**Liabilities**	**Net sales**	**Profit (loss) for the year**
DKI Growing Star 1 Investment partnership	10,142	188	-	3,779
With the Green Co., Ltd.	9,208	4	-	(94)

15. Non-current Assets Held for sale

On October 31, 2016, the Group decided the dissolution of Daekyo New Growth Investment Partnership with the approval of the Board of Directors and shareholders. The available-for-sale financial assets related to Daekyo New Growth Investment Partnership are presented as held for sale. Liquidation procedure is expected to be completed by April 2017.

Details of assets of disposal group classified as held for sale as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**2016**	**2015**
Available-for-sale financial assets	3,544	-

Cumulative income or expense recognized in other comprehensive income relates to the disposal group classified as held for sale as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**2016**	**2015**
Gain on the valuation of available-for-sale financial assets	1,257	-

16. Property, Plant and Equipment

Details of property, plant and equipment are as follows:

	December 31, 2016										
(in millions of Korean won)	Land	Buildings	Structures	Machinery	Vehicles	Tools	Supplies	Equipment	Standing timber	Construction-in-progress	Total
Acquisition cost	53,794	108,756	3,546	468	2,119	114	95,941	2,395	528	26,179	293,840
Accumulated depreciation	-	(28,174)	(1,221)	(468)	(1,689)	(92)	(69,310)	(2,023)	-	-	(102,977)
Net book amount	53,794	80,582	2,325	-	430	22	26,631	372	528	26,179	190,863

	December 31, 2015										
(in millions of Korean won)	Land	Buildings	Structures	Machinery	Vehicles	Tools	Supplies	Equipment	Standing timber	Construction-in-progress	Total
Acquisition cost	50,897	101,955	3,442	468	2,186	112	83,035	2,324	528	4,175	249,122
Accumulated depreciation	-	(24,892)	(1,133)	(468)	(1,477)	(84)	(58,535)	(1,900)	-	-	(88,489)
Net book amount	50,897	77,063	2,309	-	709	28	24,500	424	528	4,175	160,633

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

	2016									
(in millions of Korean won)	Land	Buildings	Structures	Vehicles	Tools	Supplies	Equipment	Standing timber	Construction-in-progress	Total
At January 1	50,897	77,063	2,309	709	28	24,500	424	528	4,175	160,633
Acquisitions	3,858	2	94	80	-	14,462	109	-	22,078	40,683
Disposal/disuse	-	-	-	(56)	-	(181)	(23)	-	-	(260)
Depreciation	-	(2,528)	(90)	(304)	(7)	(12,172)	(138)	-	-	(15,239)
Reclassification to investment property	(1,178)	5,372	-	-	-	-	-	-	-	4,194
Transfer-in(out)	62	-	12	-	-	-	-	-	(74)	-
Exchange differences	155	673	-	1	1	22	-	-	-	852
At December 31	53,794	80,582	2,325	430	22	26,631	372	528	26,179	190,863

	2015									
(in millions of Korean won)	Land	Buildings	Structures	Vehicles	Tools	Supplies	Equipment	Standing timber	Construction-in-progress	Total
At January 1	49,263	72,530	2,339	865	34	24,664	402	528	2,613	153,238
Acquisitions	1	705	56	413	-	12,000	228	-	3,721	17,124
Disposal/disuse	(1)	-	-	(187)	-	(31)	(72)	-	-	(291)
Impairment	-	-	-	-	-	(886)	-	-	-	(886)
Depreciation	-	(2,324)	(86)	(377)	(7)	(11,284)	(134)	-	-	(14,212)
Reclassification to investment property	423	3,842	-	-	-	-	-	-	-	4,265
Transfer-in(out)	1,211	948	-	-	-	-	-	-	(2,159)	-

Exchange differences	-	1,362	-	(5)	1	37	-	-	-	1,395
At December 31	50,897	77,063	2,309	709	28	24,500	424	528	4,175	160,633

Depreciation for the years ended December 31, 2016 and 2015, is charged as follows:

(in millions of Korean won)	**2016**	**2015**
Cost of sales	8,293	7,071
Selling and administrative expenses	6,946	7,141
	15,239	14,212

Details of property, plant and equipment provided as collaterals as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**2016**				
	Book amount	**Secured amount**	**Related line item**	**Related amount**	**Secured party**
Land and buildings	26,387	9,668	Borrowings (Notes 20 and 31)	9,604	Woori Bank

17. Investment Property

Details of investment property are as follows:

	December 31, 2016		
(in millions of Korean won)	**Acquisition cost**	**Accumulated depreciation**	**Book amount**
Land	22,476	-	22,476
Buildings	113,630	(33,916)	79,714
	136,106	(33,916)	102,190

	December 31, 2015		
(in millions of Korean won)	**Acquisition cost**	**Accumulated depreciation**	**Book amount**
Land	21,297	-	21,297
Buildings	119,699	(32,112)	87,587
	140,996	(32,112)	108,884

Changes in Book amount carrying amounts of investment property for the years ended December 31, 2016 and 2015, are as follows:

	2016		
(in millions of Korean won)	**Land**	**Buildings**	**Total**
At January 1	21,297	87,587	108,884
Depreciation	-	(2,500)	(2,500)
Transfer	1,178	(5,372)	(4,194)
At December 31	22,475	79,715	102,190

	2015		
(in millions of Korean won)	**Land**	**Buildings**	**Total**
At January 1	21,720	94,087	115,807
Depreciation	-	(2,657)	(2,657)
Transfer	(423)	(3,843)	(4,266)
At December 31	21,297	87,587	108,884

Fair value of investment property as at December 31, 2016, is ₩210,654 million (2015: ₩238,254 million).

Rent income from investment property during the year ended December 31, 2016, is ₩10,649 million (2015: ₩10,557 million), and operating expenses (including repairs and maintenance) directly related to those investment property is ₩6,242 million (2015: ₩6,794 million).

18. Intangible Assets

Details of intangible assets are as follows:

	December 31, 2016							
(in millions of Korean won)	**Goodwill**	**Membership rights**	**Development costs**	**Industrial property rights**	**Software**	**Other intangible assets**	**Right to use donated assets**	**Total**
Acquisition cost	3,844	8,924	148,475	2,525	39,808	18,313	155,970	377,859
Accumulated amortization	-	-	(103,135)	(2,024)	(30,538)	(15,468)	(149,239)	(300,404)
Accumulated impairments loss	(3,252)	-	(30,905)	(3)	(2,263)	(24)	-	(36,447)
Government grants	-	-	-	-	(7)	(752)	-	(759)
Net book amounts	592	8,924	14,435	498	7,000	2,069	6,731	40,249

	December 31, 2015							
(in millions of Korean won)	Goodwill	Membership rights	Development costs	Industrial property rights	Software	Other intangible assets	Right to use donated assets	Total
Acquisition cost	3,825	8,924	145,612	2,471	40,463	17,073	153,516	371,884
Accumulated amortization	-	-	(98,266)	(1,832)	(29,755)	(14,029)	(145,187)	(289,069)
Accumulated impairments loss	(3,252)	-	(27,528)	(3)	(401)	(24)	-	(31,208)
Government grants	-	-	-	-	(7)	(1,107)	-	(1,114)
Net book amounts	573	8,924	19,818	636	10,300	1,913	8,329	50,493

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

	2016							
(in millions of Korean won)	Goodwill	Membership rights	Development costs	Industrial property rights	Software	Other intangible assets	Right to use donated assets	Total
At January 1	573	8,924	19,818	636	10,300	1,913	8,329	50,493
Acquisitions	16	-	-	54	2,650	1,241	2,454	6,415
Acquisitions by internal development	-	-	5,925	-	-	-	-	5,925
Amortization (including government grants)	-	-	(7,931)	(192)	(4,088)	(1,087)	(4,052)	(17,350)
Impairments[1]	-	-	(3,377)	-	(1,862)	-	-	(5,239)
Exchange differences	3	-	-	-	-	2	-	5
At December 31	592	8,924	14,435	498	7,000	2,069	6,731	40,249

	2015							
(in millions of Korean won)	Goodwill	Membership rights	Development costs	Industrial property rights	Software	Other intangible assets	Right to use donated assets	Total
At January 1	480	8,924	25,340	754	13,248	2,789	9,186	60,721
Acquisitions	92	-	5	53	2,443	1,046	4,496	8,135
Acquisitions by internal development	-	-	8,317	-	-	-	-	8,317
Amortization (including government grants)	-	-	(10,864)	(171)	(5,645)	(1,092)	(5,353)	(23,125)
Impairments[1]	-	-	(2,726)	-	-	-	-	(2,726)
Transfer-in (out)	-	-	(254)	-	254	(200)	-	(200)
Grants from governments	-	-	-	-	-	(634)	-	(634)
Exchange differences	1	-	-	-	-	4	-	5
At December 31	573	8,924	19,818	636	10,300	1,913	8,329	50,493

[1] The Group recognized an impairment loss on development costs and others amounting to ₩5,239 million (2015: ₩2,726 million) as the book amount exceeded its recoverable value.

Amortization for the years ended December 31, 2016 and 2015, is charged as follows:

(in millions of Korean won)	**2016**	**2015**
Cost of sales	14,136	19,551
Selling and administrative expenses	3,214	3,574
	17,350	23,125

Goodwill is allocated among the Group's cash-generating units (CGUs) according to operating segments. Details of goodwill by operating segments are as follows:

(in millions of Korean won)	**December 31, 2016**	**December 31, 2015**
CHAIHONG division	480	480
P.T Daekyo Indonesia	61	58
Daekyo Enopi Singapore PTE Ltd.	51	35
	592	573

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering four years.

Management determined the budgeted EBIT margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. Discount rates used for value-in-use calculations of the CHAIHONG division and others is 6.81%.

19. Other Payables

Details of other payables are as follows:

(in millions of Korean won)	**December 31, 2016**	**December 31, 2015**
Current		
Non-trade payables	24,606	16,868
Accrued expenses	41,371	41,180
Short-term deposits received	391	41
Leasehold deposits received	10,662	12,964
	77,030	71,053
Non-current		
Leasehold deposits received	9,586	6,698
	9,586	6,698
	86,616	77,751

20. Borrowings

Details of borrowings are as follows:

(in millions of Korean won)	Details	Latest maturity date	Annual interest rate (%) at Dec 31, 2016	December 31, 2016	December 31, 2015
Current					
Daekyo Holdings Co., Ltd.	Borrowings from related party	2017-06-29	3.32	5,600	5,100
Woori Bank[1]	Facility loans	2017-12-31	3.25	194	-
Shinhan Bank	Facility loans	2017-06-27	Libor 3M + 105BP	4,834	-
Shinhan Bank	Facility loans	2017-06-21	Libor 3M + 120BP	8,133	-
KIA Motors Finance	General loans	2017-10-01	3.97	3	-
KIA Motors Finance	General loans	2017-10-01	3.97	4	-
Hyundai Motors Finance	General loans	2017-12-31	3.97	3	-
Hitachi Capital Singapore Pte.	General loans	2017-12-31	3.00	3	-
				18,774	5,100
Non-Current					
Woori Bank[1]	Facility loans	2021-08-01	3.25	9,410	-
KEB Hana Bank	Facility loans	2017-02-22	Libor 3M + 140BP	-	14,064
Shinhan Bank	Facility loans	2017-06-22	Libor 3M + 140BP	-	9,060
KIA Motors Finance	General loans	2017-10-01	3.97	-	9
KIA Motors Finance	General loans	2017-10-01	3.97	-	6
Hyundai Motors Finance	General loans	2021-09-30	3.97	14	19
Hong Leong Bank	General loans	2018-03-01	2.70	4	7
Public Bank Berhad	General loans	2019-07-19	3.33	13	18
Maybank Islamic Berhad	General loans	2020-05-25	2.45	12	16
Hitachi Capital Singapore Pte.	General loans	2018-02-12	3.00	7	5
				9,460	23,204
				28,234	28,304

[1] Land and buildings are pledged as collateral for these borrowings (Note 16).

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

(in millions of Korean won)	2016	2015
At January 1	28,304	35,629
Addition	23,717	13,866
Repayment	(24,457)	(22,616)
Effect of changes in currency exchange	670	1,425
At December 31	28,234	28,304

21. Provisions

Changes in provisions for sales return for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	2016	2015
At January 1	659	582
Addition	63	198
Utilization	(154)	(121)
At December 31	568	659

22. Other Liabilities

Details of other liabilities are as follows:

(in millions of Korean won)	December 31, 2016	December 31, 2015
Current		
Withholding	4,791	5,054
Advances from customer	41,225	46,764
Unearned income	1,113	1,194
	47,129	53,012

23. Post-employment Benefit

23.1 Defined Benefit Plan

Details of retirement benefit obligations recognized on the consolidated statements of financial position are as follows:

(in millions of Korean won)	December 31, 2016	December 31, 2015
Present value of funded defined benefit obligations	58,859	53,015
Present value of unfunded defined benefit obligations	778	715
Fair value of plan assets	(54,356)	(52,731)
Net defined benefit liabilities	5,281	999

The amounts recognized in the consolidated statements of income for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	2016	2015
Current service cost	8,275	8,475
Net interest cost	(22)	24
Total expenses	8,253	8,499

Cumulative actuarial losses recognized in the consolidated statements of comprehensive income as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**2016**	**2015**
Remeasurement of net defined benefit liability before tax	(12,163)	(8,827)
Tax effect	2,666	1,911
Remeasurement of net defined benefit liability after tax	(9,497)	(6,916)

Total expenses for the years ended December 31, 2016 and 2015, are charged as follows:

(in millions of Korean won)	**2016**	**2015**
Cost of sales	6,586	6,862
Selling and administrative expenses	1,667	1,637
	8,253	8,499

Changes in the carrying amount of defined benefit liability for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**2016**	**2015**
At January 1	53,731	51,327
Current service cost	8,275	8,475
Interest expense	1,169	1,207
Remeasurements:		
- Actuarial gains and losses from changes in financial assumptions	2,677	(451)
- Actuarial gains and losses from experience adjustments	528	745
- Actuarial gains and losses from changes in demographic assumptions	-	(138)
Benefit payments	(6,743)	(7,434)
At December 31	59,637	53,731

Changes in the fair value of plan assets for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**2016**	**2015**
At January 1	52,731	48,916
Expected return on plan assets	1,191	1,183
Remeasurements:		
- Return on plan assets	(129)	(171)
Contributions of employers	6,318	10,053
Benefit payments	(5,755)	(7,250)
At December 31	54,356	52,731

The principal actuarial assumptions to calculate defined benefit liability are as follows:

(%)	**December 31, 2016**	**December 31, 2015**
Discount rate	2.00~2.67	2.14~2.62
Future salary increases	2.00~4.14	2.18~4.13

Plan assets consist of as follows:

(in millions of Korean won)	**December 31, 2016**	**December 31, 2015**
Time deposits	5,198	8,345
Equity-linked Securities	18,282	13,493
Derivative linked securities (Principal and interest assured) and others	30,876	30,893
	54,356	52,731

Expected future contribution of defined benefit plans by employer is best estimated to be ₩6,380 million after the reporting period.

The sensitivity of the defined benefit obligations to changes in the principal actuarial assumptions is as follows:

	Changes in principal assumption	**Effect on defined benefit obligation**
Discount rate	0.5% increase/decrease	2.82% decrease / 2.99% increase
Salary growth rate	0.5% increase/decrease	3.01% increase / 2.87% decrease

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The Group reviews the funding level on an annual basis and has a policy to eliminate deficit in the fund.

Expected maturity analysis of undiscounted pension benefits as at December 31, 2016, is as follows:

(in millions of Korean won)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	More than 10 years	Total
Pension benefits	8,511	11,556	25,242	35,293	61,062	141,664

The weighted average duration of the defined benefit obligations is 6.1 years.

23.2 Defined Contribution Plan

Recognized expense related to the defined contribution plan for the year ended December 31, 2016, is ₩611 million (2015: ₩559 million).

24. Deferred Income Tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

(in millions of Korean won)	December 31, 2016	December 31, 2015
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	13,152	14,559
Deferred tax asset to be recovered after more than 12 months	17,582	15,911
Deferred tax assets before offsetting	30,734	30,470
Deferred tax liabilities		
Deferred tax liability to be recovered within 12 months	468	1,108
Deferred tax liability to be recovered after more than 12 months	30,386	28,543
Deferred tax liabilities before offsetting	30,854	29,651
Deferred tax assets (liabilities) ,net	(120)	819

The changes in the deferred income tax assets and liabilities for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	2016	2015
At January 1	819	(1,598)
Charged to the statement of comprehensive income	1,705	49
Charged(credited) to other comprehensive income	(2,644)	2,368
At December 31	(120)	819

The changes in deferred income tax assets and liabilities for the years ended December 31, 2016 and 2015, without offsetting balances within the same tax jurisdiction, are as follows:

(in millions of Korean won)	2016			
		Increase (decrease)		
	Beginning balance	Profit or loss	Other comprehensive income (loss)	Ending balance
Deferred tax assets				
Net defined benefit liability	10,464	1,543	-	12,007
Allowance for doubtful accounts	1,403	152	-	1,555
Accrued expenses	1,766	268	-	2,034
Loss on valuation of available-for-sale financial assets	9,962	(1,707)	162	8,417
Remeasurement of net defined benefit liability	1,888	-	727	2,615
Impairment loss on intangible assets	1,776	(702)	-	1,074
Amortization	459	-	-	459
Leasehold deposits provided	351	(64)	-	287
Depreciation	1,320	(296)	-	1,024
Other	1,081	181	-	1,262
	30,470	(625)	889	30,734
Deferred tax liabilities				
Available-for-sale financial assets	(1,020)	154	-	(866)
Plan assets	(10,390)	(938)	28	(11,300)
Gain on valuation of available-for-sale financial assets	(16,521)	3,070	(3,561)	(17,012)
Other	(1,720)	44	-	(1,676)
	(29,651)	2,330	(3,533)	(30,854)
	819	1,705	(2,644)	(120)

(in millions of Korean won)	2015			
		Increase (decrease)		
	Beginning balance	Profit or loss	Other comprehensive income (loss)	Ending balance
Deferred tax assets				
Net defined benefit liability	8,948	1,516	-	10,464
Allowance for doubtful accounts	1,106	297	-	1,403
Accrued expenses	2,040	(274)	-	1,766
Loss on valuation of available-for-sale financial assets	10,357	(9)	(386)	9,962
Remeasurement of net defined benefit liability	1,855	-	33	1,888

Impairment loss on intangible assets	2,366	(590)	-	1,776
Amortization	459	-	-	459
Leasehold deposits provided	380	(29)	-	351
Depreciation	1,114	206	-	1,320
Other	1,173	(92)	-	1,081
	29,798	1,025	(353)	30,470
Deferred tax liabilities				
Available-for-sale financial assets	(1,036)	16	-	(1,020)
Plan assets	(9,782)	(649)	41	(10,390)
Gain on valuation of available-for-sale financial assets	(19,581)	380	2,680	(16,521)
Other	(997)	(723)	-	(1,720)
	(31,396)	(976)	2,721	(29,651)
	(1,598)	49	2,368	819

Tax effects recognized directly in other comprehensive income are as follows:

	December 31, 2016		
(in millions of Korean won)	**Before Tax**	**Tax effects**	**After Tax**
Gain(loss) on valuation of available-for-sale financial assets	69,527	(16,825)	52,702
Remeasurement of net defined benefit liability	(12,163)	2,666	(9,497)
Currency translation differences	(460)	-	(460)

	December 31, 2015		
(in millions of Korean won)	**Before Tax**	**Tax effects**	**After Tax**
Gain(loss) on valuation of available-for-sale financial assets	67,072	(16,231)	50,841
Remeasurement of net defined benefit liability	(8,827)	1,911	(6,916)
Currency translation differences	(301)	-	(301)

Details of temporary differences that are unrecognized as deferred income tax assets are as follows:

(in millions of Korean won)	**December 31, 2016**	**December 31, 2015**
Investments in subsidiaries and others	82,154	82,285

25. Share Capital

The Company is authorized to issue 1,500 million shares with a par value per share of ₩500. As at December 31, 2016, 84.7 million shares (₩42,352 million) of ordinary share and 19.4 million shares (₩9,713 million) of preferred share are issued outstanding. There are no movements in common and preferred shares during 2016 and 2015.

When the dividend rate of ordinary share exceeds the dividend rate of preferred share (over 9% of the par value according to the resolution of the Board of Directors), the preferred share has the right to be entitled to receive dividends at the same rate with the ordinary share for the excess rate.

26. Share premium

Details of Share premium are as follows:

(in millions of Korean won)	**December 31, 2016**	**December 31, 2015**
Share premium	46,797	46,797
Other share premium	25,718	24,550
	72,515	71,347

27. Other Components of Equity

Details of other components of equity are as follows:

(in millions of Korean won)	**December 31, 2016**	**December 31, 2015**
Stock options	901	886
Treasury shares	(75,820)	(74,164)
	(74,919)	(73,278)

28. Share-Based Payments

As at December 31, 2016, the summary of stock options to be granted to employees is as follows:

	Details
Date of the first announcement	August 18, 2016
Grant method	Issuance of shares
Exercise period	February 13, 2017 ~ February 17, 2017
Vesting conditions	Options are conditional on the employee completing service between July 1, 2016 and December 31, 2016 and achieving performance goals.
Exercise price[1]	Standard price of ordinary share × (1- discount rate)
Shares to be granted[2]	168,612 shares of ordinary share

[1] The standard price of ordinary share is calculated as mathematical average of closing price on reference date, one month average closing price and one week average closing price rolled-back from the reference date, December 31, 2016. The discount rates are 30%, 50% and 100%.
[2] Shares to be issued can be replaced with preferred share of equivalent value, depending on the employees' choice.

The summary of stock options granted to employees for the year ended December 31, 2016, are as follows:

- The first half of 2016

	Details
Date of the first announcement	August 10, 2015
Grant method	Issuance of shares
Exercise period	February 1, 2016 ~ February 11, 2016
Vesting conditions	Options are conditional on the employee completing service between July 1, 2015 and December 31, 2015 and achieving performance goals.
Exercise price[1]	Standard price of ordinary share × (1- discount rate)
Shares to be granted[2]	161,242 shares of ordinary share

[1] The standard price of ordinary share is ₩8,760 and the discount rates are 30%, 50% and 100%.
[2] Shares to be issued can be replaced with preferred share in equivalent value, depending on the employees' choice. Standard price of preferred share for replacement was ₩5,560. Vested stock options of 152,417 of ordinary share and 13,904 of preferred share were exercised and unexercised options have lapsed.

- The second half of 2016

	Details
Date of the first announcement	January 20, 2016
Grant method	Issuance of shares
Exercise period	August 22, 2016 ~ August 26, 2016
Vesting conditions	Options are conditional on the employee completing service between January 1, 2016 and June 30, 2016 and achieving performance goals.
Exercise price[1]	Standard price of ordinary share × (1- discount rate)
Shares to be granted[2]	220,338 shares of ordinary share

[1] The standard price of ordinary share is ₩8,860 and the discount rates are 30%, 50% and 100%.
[2] Shares to be issued can be replaced with preferred share in equivalent value, depending on the employees' choice. Standard price of preferred share for replacement was ₩5,400. Vested stock options of 194,650 of ordinary share and 42,148 of preferred share were exercised and unexercised options have been lapsed.

The fair value of stock appreciation rights determined using the Black-Scholes valuation model was ₩901 million (2015: ₩886 million). The significant inputs into the model were the weighted average share price of ₩ 8,198 (2015: ₩8,742), exercise price ₩3,125 (2015: ₩3,699), volatility of 19.3% (2015: 26.2%) dividend yield of 2.5% (2015: 3.3%), an expected option life of 0.51 years (2015: 0.54 years) and an annual risk-free interest rate of 1.57% (2015: 1.63%).

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

(in millions of Korean won)	**2016**	**2015**
At January 1	886	512
Compensation cost	1,619	1,401
Exercise	(1,604)	(1,027)
At December 31	901	886

29. Treasury Shares

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

(shares, in millions of Korean won)	**2016**		
	Ordinary share	**Preferred share**	**Amounts**
At January 1	9,517,598	4,388,392	74,164
Acquisition	420,267	125,822	4,188
Disposal	(377,685)	(70,455)	(2,532)
At December 31	9,560,180	4,443,759	75,820

(shares, in millions of Korean won)	**2015**		
	Ordinary share	**Preferred share**	**Amounts**
At January 1	8,922,540	4,442,186	66,946
Acquisition	1,879,550	23,632	15,781
Disposal	(1,284,492)	(77,426)	(8,563)
At December 31	9,517,598	4,388,392	74,164

30. Retained Earnings

Details of retained earnings are as follows:

(in millions of Korean won)	**December 31, 2016**	**December 31, 2015**
Legal reserve[1]	32,300	32,300
Discretionary reserve	477,319	474,899
Unappropriated retained earnings	42,013	26,261
	551,632	533,460

[1] The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. As at December 31, 2016, the Company's reserve equals 50% of the capital, therefore no additional reserve is needed. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

The changes in retained earnings for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	2016	2015
At January 1	533,460	510,024
Profit for the year attributable to owners of the Parent Company	42,558	44,798
Remeasurement of net defined benefit liability	(2,578)	(251)
Dividend paid	(21,808)	(21,111)
At December 31	551,632	533,460

31. Contingencies and Commitments

As at December 31, 2016, the Group has credit agreements with Woori Bank up to ₩12,000 million in relation to B2B transactions and loan agreements with related party, Daekyo Holdings Co., Ltd. up to ₩6,400 million.

As at December 31, 2016, the Group has borrowing agreements in foreign currencies with Shinhan Bank up to USD 14,930 thousand.

As at December 31, 2016, certain property, plant and equipments are provided as collaterals for borrowings in foreign currencies from Woori Bank(Note 16).

As at December 31, 2016, the Group provides financial deposits as collaterals amounting to ₩1,315 million for certain lessees in connection with the lessees' guarantee deposits. Seoul Guarantee Insurance Co., Ltd. has provided guarantees up to ₩2,024 million for the Company's execution of contracts.

The Group entered into contracts with free-lance instructors to manage its educational service members. In accordance with the contracts, the Group pays the instructors a certain percentage of monthly cash collections from its educational service members. Expenses in relation to these contracts amounted to ₩368,383 million (2015: ₩362,116 million) in 2016.

As at December 31, 2016, the Group is either a plaintiff in 13 legal case or a defendant in nine legal cases. The outcome of the cases and effect on the financial statements could not be ascertained at the end of the reporting period.

As at December 31, 2016, the Group has agreements with KEB Hana Bank up to USD 2,804 thousand for derivatives transactions.

As at December 31, 2016, the Company has provided a certain amount as a collateral to securities companies and entered into swap transactions to exchange them for market-neutral commodity operation profit at the end of the transaction. The Company provides 250,000 shares of holding stocks(Shinhan Financial Holding Co., Ltd.) and KRW 500 million in cash as collateral for the transaction, which ends in March 2017.
Assets pledged as margin for futures trading as at December 31, 2016 is as follows:

(in millions of Korean won)	**2016**
Available-for-sale financial assets	
NH Investment & Securities Co., Ltd.	335
Korea Investment & Securities Co., Ltd.	333
Financial deposits	
NH Investment & Securities Co., Ltd.	81
	749

As at December 31, 2016, the Group has been provided with payment guarantees of USD 7,930 thousands from the ultimate Parent Company, Daekyo Holdings Co., Ltd., in relation to borrowings of EYE LEVEL HUB LLC.

As at December 31, 2016, the Group’s leasehold deposits provided of ₩2,605 million are provided as collateral for borrowings from Daekyo Holdings Co., Ltd.

As at December 31, 2016, the Company has entered into a lease agreement with Mirae Asset Daewoo Co., Ltd. and provides 16,536 shares of Shinhan Financial Holding Co., Ltd. and 6,000 shares of Inzi Controls Co., Ltd.

32. Sales

Details of sales for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**2016**	**2015**
Sales of goods	736,726	732,760
Rendering of services	67,813	65,725
Royalty income	16,178	14,723
	820,717	813,208

33. Selling and Administrative Expenses

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

(in millions of Korean won)	**2016**	**2015**
Wages and salaries	27,283	26,153
Post-employment benefits	1,667	1,637
Welfare expense	5,365	6,291
Depreciation	6,946	7,141
Advertising expense	31,102	25,341
Commission expense	26,524	28,768
Amortization	3,214	3,574
Taxes and dues	3,485	3,423
Transportation expense	2,520	2,441
Printing expense	173	205
Rental expense	5,327	6,023
Other	9,551	10,372
	123,157	121,369

34. Expenses by Nature

Expenses that are recorded by nature as cost of sales and selling and administrative expenses in the statement of profit or loss for the years ended December 31, 2016 and 2015, consist of:

(in millions of Korean won)	**2016**	**2015**
Changes in inventories	2,071	2,296
Purchase of raw materials and merchandise	45,801	44,827
Depreciation, amortization	35,089	39,994
Employee benefit expenses	153,549	151,018
Commission expenses	436,343	430,289
Rental expenses	36,846	35,231
Advertising expenses	31,102	25,471
Other expenses	37,070	41,037
	777,871	770,163

35. Other Income

Other income for the years ended December 31, 2016 and 2015, consist of:

(in millions of Korean won)	**2016**	**2015**
Interest income (lease)	1,310	1,416
Dividend income	3,642	2,835
Gain on disposal of financial assets at fair value through profit or loss	2,575	570
Gain on valuation of financial assets at fair value through profit or loss	1,137	4,110
Gain on disposal of available-for-sale financial assets	18,454	19,203
Gain on valuation of derivatives	-	261
Gain on transaction of derivatives	882	45
Other	1,553	2,875
	29,553	31,315

36. Other Expenses

Other expenses for the years ended December 31, 2016 and 2015, consist of:

(in millions of Korean won)	**2016**	**2015**
Interest expense (lease)	415	500
Loss on foreign currency transaction	290	243
Loss on foreign currency translation	63	5
Donations	4,708	3,970
Other commission expenses	2,216	1,423
Loss on disposal of financial assets at fair value through profit or loss	563	1,001
Impairment loss on intangible assets	5,239	2,726
Impairment loss on available-for-sale financial assets	1,655	129
Loss on disposal of available-for-sale financial assets	2,617	3,936
Loss on valuation of derivatives	1,114	257
Loss on transaction of derivatives	440	-
Other	1,122	2,425
	20,442	16,615

37. Finance Income

Finance income for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**2016**	**2015**
Interest Income	1,721	2,818
Gain on foreign currency translation	209	381
	1,930	3,199

38. Finance Costs

Finance costs for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**2016**	**2015**
Interest expenses	963	1,189
Loss on foreign currency translation	152	7
Loss on foreign currency transaction	33	25
	1,148	1,221

39. Income Tax Expense

Income tax expense for the years ended December 31, 2016 and 2015, consists of:

(in millions of Korean won)	**2016**	**2015**
Current tax on profit for the year	13,889	13,681
Changes in total deferred tax	939	(2,417)
Deferred tax charged or credited directly to equity	(2,644)	2,368
Difference of changes in currency exchange	(370)	365
Income tax expense	11,814	13,997

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

(in millions of Korean won)	**2016**	**2015**
Profit before tax	53,604	60,057
Tax calculated at domestic tax rates applicable to profits in the respective countries	12,368	12,839
Tax adjustments:		
Income not subject to tax / expenses not deductible for tax purposes	(605)	704
Effects of unrecognized deferred income tax	1,400	1,673
Changes in deferred tax assets at the beginning	-	(964)
Adjustments in respect of prior years	(1,687)	(424)
Others	338	169

Income tax expense	11,814	13,997
Effective tax rate (Income tax over profit before tax)	22.04%	23.31%

40. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Group by the weighted average number of shares in issue excluding shares purchased by the Group and held as treasury shares. Preferred shares have rights to participate in the profits of the Group. These participation rights have been considered in presenting the EPS for ordinary shares and preferred shares.

Basic earnings per ordinary share for the years ended December 31, 2016 and 2015, is as follows:

(in millions of Korean won)	2016	2015
Profit attributable to ordinary shares[1]	35,476	37,363
Weighted average number of ordinary shares outstanding [2] (Unit: share)	75,231,636	75,900,197
Basic earnings per share (in won)		
Basic earnings per ordinary share	472	492

Basic earnings per preferred share for the years ended December 31, 2016 and 2015, is as follows:

(in millions of Korean won)	2016	2015
Profit attributable to preferred shares[1]	7,082	7,435
Weighted average number of preferred shares outstanding [2] (Unit: share)	15,033,931	15,033,807
Basic earnings per share (in won)		
Basic earnings per preferred share	471	495

[1] Profit attributable to ordinary and preferred shares is as follows:

(in millions of Korean won)	2016	2015
Profit attributable to equity holders of the Parent Company (A)	42,558	44,798
Ordinary shares dividends (B)	18,034	17,293
Preferred shares dividends (C)	3,746	3,609
Undistributed earnings (D=A-B-C)	20,778	23,896
Undistributed earnings available for ordinary shares (E)	17,442	20,070
Undistributed earnings available for preferred shares(F)	3,336	3,826
Profit attributable to ordinary shares (G=B+E)	35,476	37,363
Profit attributable to preferred shares (H=C+F)	7,082	7,435

[2] Weighted average numbers of shares are calculated as follows:

(Shares)	**2016**	**2015**
Ordinary shares issued	84,702,850	84,702,850
Ordinary treasury shares	(9,560,180)	(9,517,598)
Ordinary shares outstanding	75,142,670	75,185,252
Weighted average number of ordinary shares outstanding	75,231,636	75,900,197
Preferred shares issued	19,426,990	19,426,990
Preferred treasury shares	(4,443,759)	(4,388,392)
Preferred shares outstanding	14,983,231	15,038,598
Weighted average number of preferred shares outstanding	15,033,931	15,033,807

Diluted earnings per ordinary share for the years ended December 31, 2016 and 2015, is as follows:

(in millions of Korean won)	**2016**	**2015**
Profit attributable to ordinary shares	35,476	37,363
Weighted average number of ordinary shares outstanding and dilutive potential ordinary shares (Unit: share)	75,405,897	76,035,191
Diluted earnings per share (in won)		
Diluted earnings per ordinary share	470	491

Diluted earnings per preferred share for the years ended December 31, 2016 and 2015, is as follows:

(in millions of Korean won)	**2016**	**2015**
Profit attributable to preferred shares	7,082	7,435
Weighted average number of preferred shares outstanding and dilutive potential preferred shares (Unit: share)	15,068,315	15,066,240
Diluted earnings per share (in won)		
Diluted earnings per preferred share	470	494

41. Dividends

The interim dividends for ordinary shares paid in 2016 and 2015 were ₩7,522million (₩100 per share, dividend rate: 20%) and ₩7,658 million (₩100 per share, dividend rate: 20%) and the interim dividends for preferred shares were ₩1,505 million (₩100 per share, dividend rate: 20%) and ₩1,503 million (₩100 per share, dividend rate: 20%), respectively.

The dividends for ordinary shares paid in 2016 and 2015 were ₩10,526 million (₩140 per share, dividend rate: 28%) and ₩9,851 million (₩130 per share, dividend rate: 26%) and the dividends for preferred shares were ₩2,256 million (₩150 per share, dividend rate: 30%) and ₩2,098 million (₩140 per share, dividend rate: 28%), respectively.

A dividend for ordinary share in respect of the year ended December 31, 2016, of ₩140 per share (dividend rate: 28%), amounting to a total dividend of ₩10,521 million and a dividend for preferred share of ₩150 per share (dividend rate: 30%), amounting to a total dividend of ₩2,248 million, are to be proposed at the annual general meeting on March 17, 2017. These financial statements do not reflect this dividend payable.

42. Cash Generated from Operations

Cash generated from operations for the years ended December 31, 2016 and 2015, is as follows:

(in millions of Korean won)	**2016**	**2015**
Profit for the year	41,790	46,060
Adjustments :	48,843	53,105
Post-employment benefits	8,253	8,499
Depreciation and amortization	35,089	39,994
Impairment loss on property, plant and equipment	-	886
Impairment loss on intangible assets	5,239	2,726
Impairment loss on available-for-sale financial assets	1,655	129
Interest income	(3,031)	(4,234)
Gain on disposal of available-for-sale financial assets	(15,837)	(15,267)
Dividend income	(3,642)	(2,835)
Income tax expense	11,814	13,997
Other	9,303	9,210
Changes in operating assets and liabilities:	168	(31,284)
Decrease (increase) in financial assets at fair value through gain or loss	14,088	(19,943)
Decrease (increase) in trade receivables	(692)	4,647
Decrease (increase) in other receivables	(605)	2,788
Increase in inventories	(684)	(571)
Increase in other assets	(1,174)	(4,373)
Decrease in trade payables	(434)	(879)
Increase (decrease) in other payables	1,678	(3,599)

(in millions of Korean won)	**2016**	**2015**
Increase (decrease) in provisions	(91)	77
Increase (decrease) in other liabilities	(5,013)	806
Payment of net defined benefit liability	(988)	(184)
Deposit in plan assets, net	(6,318)	(10,053)
Changes in other assets, liabilities	401	-
Cash generated from operations	90,801	67,881

The significant non-cash transactions for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	**2016**	**2015**
Valuation of available-for-sale financial assets	3,066	(12,969)
Exercise of stock options	1,604	1,027
Reclassification of investment property	(4,194)	(4,265)
Increase(decrease) in non-trade payables in relation to property, plant and equipment	6,068	(226)
Increase(decrease) in non-trade payables in relation to intangible assets	12	(49)

43. Related Party Transactions

As at December 31, 2016 and 2015, the ultimate Parent Company of the Group is Daekyo Holdings Co., Ltd.

Details of other related parties that have sales and other transactions with the Group or have receivables and payables balances as at December 31, 2016 and 2015, are as follows:

	December 31, 2016	**December 31, 2015**	**Relationship**
Other related parties	Daekyo D&S Co., Ltd.	Daekyo D&S Co., Ltd.	A subsidiary of Parent Company
	Daekyo CNS Co., Ltd.	Daekyo CNS Co., Ltd.	A subsidiary of Parent Company
	Gangwon Deep Sea Water Co., Ltd.	Gangwon Deep Sea Water Co., Ltd.	A subsidiary of Parent Company
	Daekyo Culture foundation	Daekyo Culture foundation	Key management performs the important duty
	World Youth and Culture foundation	World Youth and Culture foundation	Key management performs the important duty
	BongAm Institute	BongAm Institute	Key management performs the important duty
	Deakyo Investment Co., Ltd.	Deakyo Investment Co., Ltd.	Key management performs the important duty
	Tara Graphics Co., Ltd.	Tara Graphics Co., Ltd.	Relatives of key managements is the entity's CEO
	Tara Distribution Co., Ltd.	Tara Distribution Co., Ltd.	Relatives of key managements is the entity's CEO
	Tara TPS Co., Ltd.	Tara TPS Co., Ltd.	Relatives of key managements is the entity's CEO
	Crystal One Co., Ltd.	Crystal One Co., Ltd.	Relatives of key managements is the entity's CEO
	Crystal Wine Collection Co., Ltd.	-	Key management performs the important duty

	Crystal Wine Club Co., Ltd.	Crystal Wine Club Co., Ltd.	Relatives of key managements hold the entity
Associates	With the Green Co., Ltd.	With the Green Co., Ltd.	An associate
	DKI Growing Star 1'st Investment Partnership	DKI Growing Star 1'st Investment Partnership	An associate

Significant transactions for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	2016					
	Sales		Purchases			
	Sales[1]	Others	Purchases[2]	Acquisition of non-current assets	Selling and administrative expenses	Others
Parent Company						
Daekyo Holdings Co., Ltd.	64	404	89	143	3,447	178
Other related parties						
Daekyo D&S Co., Ltd.	97	35	968	304	5,978	-
Daekyo CNS Co., Ltd.	193	81	-	2,762	13,034	-
Gangwon Deep Sea Water Co., Ltd.	110	17	2	-	1,127	-
Daekyo Culture Foundation	67	106	-	-	3	519
World Youth & Culture Foundation	67	-	-	-	-	-
BongAm Institute	-	-	-	-	-	531
Crystal One Co., Ltd.	221	-	-	-	2,091	-
Crystal Wine Collection Co., Ltd.	4	1	-	-	-	-
Crystal Wine Club Co., Ltd.	-	-	3	-	460	-
Deakyo Investment Co., Ltd.	38	3	-	-	1,195	-
Tara Graphics Co., Ltd.	-	-	70	-	326	-
Tara Distribution Co., Ltd.	-	-	6,748	-	931	-
Tara TPS Co., Ltd.	314	-	26,675	41	439	-
	1,175	647	34,555	3,250	29,031	1,228

(in millions of Korean won)	2015					
	Sales		**Purchases**			
	Sales[1]	**Others**	**Purchases**[2]	**Acquisition of non-current assets**	**Selling and administrative expenses**	**Others**
Parent Company						
Daekyo Holdings Co., Ltd.	64	515	121	-	2,577	152
Other related parties						
Daekyo D&S Co., Ltd.	99	41	1,430	-	5,364	-
Daekyo CNS Co., Ltd.	207	18	-	2,858	13,065	-
Gangwon Deep Sea Water Co., Ltd.	121	9	1	-	1,193	-
Daekyo Culture Foundation	298	100	-	-	-	648
World Youth & Culture Foundation	55	-	-	-	-	39
BongAm Institute	37	-	-	-	-	576
Crystal One Co., Ltd.	220	-	1	-	2,116	-
Crystal Wine Club Co., Ltd.	-	-	-	-	54	-
Deakyo Investment Co., Ltd.	35	2	-	-	108	-
Tara Graphics Co., Ltd.	-	-	24	-	309	-
Tara Distribution Co., Ltd.	-	-	7,728	-	477	-
Tara TPS Co., Ltd.	313	-	26,014	-	837	-
	1,449	685	35,319	2,858	26,100	1,415

[1] Sale of goods and rendering of services are included.

[2] Purchases of goods and services (royalty and others) are included.

The balances of significant transactions are as follows:

(in millions of Korean won)	December 31, 2016				
	Receivables			Payables	
	Trade receivables	Other receivables	Others	Trade payables	Other payables
Parent Company					
Daekyo Holdings Co., Ltd.	-	116	-	61	7,383
Other related parties					
Daekyo D&S Co., Ltd.	-	47	7,560	-	1,985
Daekyo CNS Co., Ltd.	-	3	-	11	4,506
Gangwon Deep Sea Water Co., Ltd.	-	55	-	2	301
Daekyo Culture Foundation	76	-	-	-	36
World Youth&Culture Foundation	-	-	-	-	35
Crystal One Co., Ltd.	48	34	-	-	197
Crystal Wine Collection Co. Ltd.	-	-	-	-	1
Crystal wine Club Co., Ltd.	-	1	-	-	10
Deakyo Investment Co., Ltd.	-	2	-	-	559
Tara Graphics Co., Ltd.	-	-	-	6	78
Tara Distribution Co., Ltd.	-	-	-	1,407	-
Tara TPS Co., Ltd.	-	-	-	4,246	26
	124	258	7,560	5,733	15,117

(in millions of Korean won)	December 31, 2015				
	Receivables			Payables	
	Trade receivables	Other receivables	Others	Trade payables	Other payables
Parent Company					
Daekyo Holdings Co., Ltd.	35	217	18	-	6,978
Other related parties					
Daekyo D&S Co., Ltd.	-	19	7,560	-	1,917
Daekyo CNS Co., Ltd.	-	6	-	-	4,692
Gangwon Deep Sea Water Co., Ltd.	-	35	-	-	725
Daekyo Culture Foundation	57	-	-	-	36
World Youth&Culture Foundation	-	-	-	-	35
Crystal One Co., Ltd.	-	1	-	-	206
Crystal Wine Collection Co. Ltd.	-	-	-	-	-
Crystal wine Club Co., Ltd.	-	-	-	-	2
Deakyo Investment Co., Ltd.	-	1	-	-	666
Tara Graphics Co., Ltd.	-	-	-	-	32
Tara Distribution Co., Ltd.	-	-	-	1,794	-
Tara TPS Co., Ltd.	28	1	-	4,424	41
	120	280	7,578	6,218	15,330

Fund transactions with related parties for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	2016						
			Equity contributions (reduction)	Loan transactions		Borrowing transactions	
	Dividend paid	Dividend received	in cash	Loans	Collection	Borrowings	Repayments
Parent Company							
Daekyo Holdings Co., Ltd.	11,375	-	-	-	-	500	-
Other related parties							
Daekyo CNS Co., Ltd.	100	-	-	-	-	-	-
Daekyo Culture Foundation	718	-	-	-	-	-	-
World Youth&Culture Foundation	233	-	-	-	-	-	-
BongAm Institute	30	-	-	-	-	-	-
Crystal One Co., Ltd.	468	-	-	-	-	-	-
Deakyo Investment Co., Ltd.	100	-	-	-	-	-	-
Associates							
DKI Growing Star 1st Investment Partnership	-	1,092	(348)	-	-	-	-
With the Green Co., Ltd.	-	-	3,893	-	-	-	-
	13,024	1,092	3,545	-	-	500	-

(in millions of Korean won)	2015						
			Equity contributions (reduction)	Loan transactions		Borrowing transactions	
	Dividend paid	Dividend received	in cash	Loans	Collection	Borrowings	Repayments
Parent Company							
Daekyo Holdings Co., Ltd.	10,619	-	-	-	-	5,100	7,700
Other related parties							
Daekyo Culture Foundation	685	-	-	-	-	-	-
World Youth&Culture Foundation	223	-	-	-	-	-	-
BongAm Institute	29	-	-	-	-	-	-
Crystal One Co., Ltd.	449	-	-	-	-	-	-
Associates							
With the Green Co., Ltd.	-	-	360	-	-	-	-
	12,005	-	360	-	-	5,100	7,700

Key management compensation of the Group for the years ended December 31, 2016 and 2015, consists of:

(in millions of Korean won)	**2016**	**2015**
Short-term employee benefit	3,787	3,497
Post-employment benefits	548	449
	4,335	3,946

Key management refers to the directors who have significant control and responsibilities on the Group's business plans, operations and controls.

As at December 31, 2016, no payment guarantees are provided by the Group for the funding sources of the related parties and payment guarantees provided by the related parties are described in Note 31.

44. Approval of Financial Statements

The issuance of the consolidated financial statements as at December 31, 2016 was approved by the Board of Directors on February 20, 2017, which is subject to change with the approval of the shareholders at their annual shareholders' meeting.

45. Events After the Reporting Period

On March 3, 2017, the Company merged with its subsidiary, Daekyo Book Center Co., Ltd.