

Samsung C&T Corporation and Subsidiaries

**Consolidated Financial Statements
December 31, 2017 and 2016**

Samsung C&T Corporation and Subsidiaries
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December 31, 2017 and 2016

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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
Samsung C&T Corporation

We have audited the accompanying consolidated financial statements of Samsung C&T Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the 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 entity'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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean IFRS.

Emphasis of Matters

Without qualifying our opinion, we draw attention to the following area of focus:

Auditor's emphasis on area of focus on construction contracts¹

Area of focus on construction contracts in accordance with the Practical Guidance of Auditing Standard 2016-1 are those matters that, in the auditor's professional judgment and communication with those charged with governance, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and the auditor does not provide a separate opinion on these matters.

We have addressed the result of audit procedures in relation to the area of focus, as attached below, when forming an opinion on the Group's consolidated financial statements.

- Uncertainty of the estimated total contract costs

As described in Note 2 to the consolidated financial statements, the Group recognizes contract revenue and contract costs associated with the construction contract as revenue and expense respectively based on the percentage of completion of the contract activity at the end of the reporting period when the outcome of a construction contract can be estimated reliably. The percentage of completion of the contract activity is the proportion of costs incurred to date divided by the estimated total costs of the contract. Also, as described in Note 4 to the consolidated financial statements, total contract costs are estimated based on future expectation of material costs, labor costs, construction period and others.

In addition, Note 5 to the consolidated financial statements states that changes in the estimated total contract costs by construction types for the year ended December 31, 2017, amount to ₩ 98,276 million, which is 104% of changes in the estimated total contract revenue. It also states that impact on profit or loss for the current period and in the succeeding periods amounts to ₩ (72,269) million and ₩ (52,841) million, respectively.

For a construction contract, it is probable that an unexpected change in the estimated total contract costs may incur due to changes in market price of raw materials, construction delays caused by natural disasters, changes in foreign currency exchange rates, and risks associated with developing a new market and others. Considering the impact of an increase in uncertainty of estimating total contract costs and changes in the estimates on the Group's profit or loss for the year, we identified the uncertainty of the estimated total contract costs as a significant risk.

¹ This paragraph is being included in accordance with the "Practical Guidance of Auditing Standard 2016-1, *Practical Guidance for Special Consideration in Auditing Construction Contracts*", prescribed by Korean Institute of Certified Public Accountants, and should not be considered as a communication of key audit matter described in International Standards on Auditing 700 (Revised).

In respect of the uncertainty of the estimated total contract costs on the Group's consolidated financial statements, we have performed the following audit procedures as at December 31, 2017.

- With regards to the projects where the estimated total contract costs has changed significantly, made inquiries and inspected related documents on reasons for the significant changes in the estimated total contract costs.
- With regards to the projects that have been completed during the current period, where there are significant differences between the estimated total contract costs and cumulative actual contract costs, made inquiries and inspected related documents on reasons for the difference.
- Understood and evaluated the Group's internal control over approval of initial registration and amendment of estimated total contract costs.
- Evaluated the Group's internal control over review process of project performance.

- Measurement of percentage of completion

As described in Note 2 to the consolidated financial statements, the Group measures the percentage of completion by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

For a construction contract, it is probable that costs that do not reflect the percentage of completion and costs that are not chargeable to the customers may be incurred due to additional costs from change of circumstances, delay in the customer's progress payment, concentration of costs incurred in certain periods and other reasons. There is a risk that the percentage of completion measured by reference to the costs incurred and the actual construction progress may be significantly different; therefore, we identified the Group's measurement of percentage of completion as a significant risk.

We performed the following audit procedures with regards to estimated total contract costs and cumulative contract costs incurred, which affect the Group's measurement of percentage of completion.

- Made inquiries to determine the existence of costs that are not reflected in the percentage of completion, and are excluded from both cumulative contract costs incurred and estimated total contract costs. Made inquiries on how these costs have been accounted for, if any.
- Inspected related documents whether the contract costs incurred are accurate, are recognized in proper period, and are attributed to an appropriate project.
- Understood and evaluated whether the process of summarizing contract costs incurred are accurate, and the process of altering costs among projects are appropriate.
- Recalculated the percentage of completion for each project.
- Compared the actual construction progress with the percentage of completion measured by reference to the costs incurred, and reviewed the differences.

- Collectability of the gross amount due from customer for contract work

As described in Note 2 to the consolidated financial statements, the Group presents the gross amount due from customer for contract work as an asset for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings, and presents the gross amount due to customers for contract work as a liability for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

In addition, Note 5 to the consolidated financial statements describes that the Group's due from customers for contract work as at December 31, 2017 amounts to ₩ 1,243,382 million, consisting 33% of total trade receivables related to contract work. The amount of due from customers for contract work is material to the Group, and the uncertainty in collectability has increased recently due to delayed payment, change in terms of payment, claims, and others; therefore, we identified collectability of the gross amount due from customers for contract work as a significant risk.

We have performed the following audit procedures for the projects whose due from customers for contract work have increased significantly for the year ended December 31, 2017.

- Made inquiries and inspected related contracts on payment terms, conditions of liquidated damages, duration of contract and other requirements.
- Made inquiries and inspected related documents whether the customer is financially stable.
- Evaluated the reasonableness of the management's assessment on the collectability of the gross amount due from customer for contract work.

- Accounting treatment regarding variations in contract work

As described in Note 2 to the consolidated financial statements, the Group measures total contract revenue based on the initial amount of revenue agreed in the contract. Change in contract revenue due to variations in contract work, and other occasions is recognized when it is probable that the customer will approve the increase in revenue due to the changes in contract work, or when it is probable that the Group will be able to satisfy the performance requirements and the amount can be estimated reliably.

However, the measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future event; for example, the amount of contract revenue may increase as a result of variations in contract work, claims and incentive payments; on the other hand, the amount of contract revenue may decrease as a result of penalties arising from delays caused by the Group in the completion of the contract. These variations in contract work and liquidated damages may have an impact on total contract revenue; therefore, we identified accounting treatment regarding variations in contract work as a significant risk.

We performed the following audit procedures in respect to the accounting treatment regarding variations in contract work and its disclosure

- Made inquiries about reason for significant change in total contract amount and inspected the amended contracts.
- Understood the Group's accounting policies for estimation of liquidated damages due to delay of completion, and evaluated whether the policies are in accordance with Korean IFRS.
- With regard to the construction sites that are likely to be delayed, made inquiries and inspected related documents about the possibility of liquidated damages.
- Understood and evaluated the Group's internal control over review and approval of variations in contract work.

Other Matters

The accompanying consolidated financial statements as at December 31, 2017 and 2016, have been translated into U.S. dollars solely for the convenience of the reader and have been translated on the basis set forth in Note 3 to the consolidated financial statements.

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.

Seoul, Korea
March 14, 2018

This report is effective as of March 14, 2018, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that 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.

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2017 and 2016

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Assets					
Current assets					
Cash and cash equivalents	7	₩ 2,993,152	₩ 2,698,530	\$ 2,793,683	\$ 2,518,695
Short-term financial instruments	7	100,721	1,058,872	94,009	988,307
Available-for-sale financial assets	7,12	-	2,033	-	1,898
Financial assets at fair value through other comprehensive income	7,11	309	-	289	-
Trade receivables	7,8	4,992,459	5,383,853	4,659,752	5,025,063
Other current assets	7,8	2,628,872	2,881,915	2,453,679	2,689,859
Inventories	6	1,533,034	1,312,829	1,430,870	1,225,340
Total current assets		12,248,547	13,338,032	11,432,282	12,449,162
Assets held for sale	13,14	71,956	20,522	67,162	19,154
Non-current assets					
Available-for-sale financial assets	7,12	-	17,497,196	-	16,331,152
Financial assets at fair value through profit or loss	7,11	24,439	-	22,810	-
Financial assets at fair value through other comprehensive income	7,11	23,204,424	-	21,658,039	-
Investments in associates and joint ventures	13	5,741,754	5,699,709	5,359,114	5,319,870
Property, plant and equipment	14	4,985,944	5,281,209	4,653,672	4,929,260
Investment properties	15	671,661	116,281	626,900	108,532
Biological assets	16	2,204	2,505	2,057	2,338
Intangible assets	14	1,311,472	1,601,303	1,224,073	1,494,589
Deferred tax assets	30	75,376	52,816	70,352	49,296
Other non-current assets	7,8	711,126	848,942	663,736	792,368
Total non-current assets		36,728,400	31,099,961	34,280,753	29,027,405
Total assets		₩ 49,048,903	₩ 44,458,515	\$ 45,780,197	\$ 41,495,721

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2017 and 2016

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Liabilities					
Current liabilities					
Trade payables	7	₩ 1,785,617	₩ 1,823,810	\$ 1,666,621	\$ 1,702,268
Short-term borrowings	7,17	2,093,310	1,865,815	1,953,808	1,741,474
Current portion of long-term borrowings	7,17	1,346,801	1,607,367	1,257,048	1,500,249
Current tax liabilities		51,744	51,528	48,294	48,094
Other current liabilities	7,10,19	9,180,834	9,356,428	8,569,008	8,732,899
Total current liabilities		<u>14,458,306</u>	<u>14,704,948</u>	<u>13,494,779</u>	<u>13,724,984</u>
Non-current liabilities					
Debentures and long-term borrowings	7,17	2,594,095	3,657,278	2,421,220	3,413,550
Net defined benefit liability	18	58,357	100,687	54,468	93,977
Deferred tax liabilities	30	6,295,263	4,253,107	5,875,735	3,969,672
Provisions	19	257,025	278,292	239,896	259,746
Other non-current liabilities	7,10	234,607	358,492	218,973	334,603
Total non-current liabilities		<u>9,439,347</u>	<u>8,647,856</u>	<u>8,810,292</u>	<u>8,071,548</u>
Total liabilities		<u>23,897,653</u>	<u>23,352,804</u>	<u>22,305,071</u>	<u>21,796,532</u>

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2017 and 2016

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Equity					
Share capital	21	19,132	19,132	17,857	17,857
Consolidated share premium		10,468,265	10,468,266	9,770,641	9,770,642
Other components of equity	21,22	6,313,950	2,584,211	5,893,177	2,411,995
Consolidated retained earnings	23	5,755,405	5,229,978	5,371,855	4,881,443
Equity attributable to owners of the Parent Company		22,556,752	18,301,587	21,053,530	17,081,937
Non-controlling interests	1	2,594,498	2,804,124	2,421,596	2,617,252
Total equity		25,151,250	21,105,711	23,475,126	19,699,189
Total liabilities and equity		₩ 49,048,903	₩ 44,458,515	\$ 45,780,197	\$ 41,495,721

The U.S. dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 3.

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

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2017 and 2016

(in millions of Korean won and thousands of U.S. dollars, except earnings per share amounts (Note 3))

	Notes	2017	2016	2017	2016
Net sales	34	₩ 29,279,046	₩ 28,102,684	\$ 25,885,919	\$ 24,845,885
Cost of sales	26	25,626,991	24,770,951	22,657,098	21,900,264
Gross profit		3,652,055	3,331,733	3,228,821	2,945,621
Selling and administrative expenses	24,26	2,770,787	3,192,208	2,449,683	2,822,265
Operating Profit	28,34	881,268	139,525	779,138	123,356
Other income	13,25	1,083,383	1,499,308	957,831	1,325,554
Other expenses	13,25	923,125	1,364,012	816,145	1,205,938
Financial income	29	220,358	320,438	194,821	283,303
Financial expenses	29	312,858	354,471	276,601	313,392
Share of profit of associates and joint ventures	13	19,482	16,733	17,224	14,794
Share of loss of associates and joint ventures	13	143,497	167,741	126,867	148,302
Profit before income tax		825,011	89,780	729,401	79,375
Income tax expense	30	343,907	68,938	304,052	60,948
Profit for the year		481,104	20,842	425,349	18,427

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2017 and 2016

(in millions of Korean won and thousands of U.S. dollars, except earnings per share amounts (Note 3))

	Notes	2017	2016	2017	2016
Other comprehensive income for the year, net of tax					
Items that may be subsequently reclassified to profit or loss		₩ (174,538)	₩ 1,383,281	\$ (154,312)	\$ 1,222,974
Items that will not be reclassified to profit or loss		3,854,935	(5,470)	3,408,191	(4,836)
		<u>3,680,397</u>	<u>1,377,811</u>	<u>3,253,879</u>	<u>1,218,138</u>
Total comprehensive income for the year		<u>₩ 4,161,501</u>	<u>₩ 1,398,653</u>	<u>\$ 3,679,228</u>	<u>\$ 1,236,565</u>
Profit for the year is attributable to:					
Owners of the Parent Company		₩ 639,798	₩ 107,357	\$ 565,652	\$ 94,915
Non-controlling interest	1	<u>(158,694)</u>	<u>(86,515)</u>	<u>(140,303)</u>	<u>(76,488)</u>
Total comprehensive income for the year is attributable to:					
Owners of the Parent Company		₩ 4,362,210	₩ 1,475,732	\$ 3,856,677	\$ 1,304,711
Non-controlling interest		<u>(200,709)</u>	<u>(77,079)</u>	<u>(177,449)</u>	<u>(68,146)</u>
Earnings per share attributable to the equity holders of the Parent Company:					
Basic earnings per share	31	<u>₩ 3,879</u>	<u>₩ 650</u>	<u>\$ 3.43</u>	<u>\$ 0.57</u>

The U.S. dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 3.

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

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2017 and 2016

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	Share capital	Consolidated share premium	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total	Share capital	Consolidated share premium	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total
Balance at January 1, 2016		₩ 19,132	₩ 10,039,685	₩ 5,210,896	₩ 1,231,966	₩ 1,812,257	₩18,313,936	\$ 17,857	\$ 9,370,623	\$ 4,863,633	\$ 1,149,866	\$ 1,691,485	\$ 17,093,464
Total comprehensive income:													
Profit for the year	1	-	-	107,357	-	(86,515)	20,842	-	-	100,202	-	(80,749)	19,453
Changes in the fair value of available-for-sale financial assets	12	-	-	-	1,360,913	-	1,360,913	-	-	-	1,270,219	-	1,270,219
Share of other comprehensive income of associates and joint ventures		-	-	-	49,776	2,640	52,416	-	-	-	46,459	2,464	48,923
Exchange differences		-	-	-	(48,244)	7,904	(40,340)	-	-	-	(45,029)	7,377	(37,652)
Cash flow hedge		-	-	-	10,779	(487)	10,292	-	-	-	10,061	(455)	9,606
Remeasurements of the net defined benefit liabilities	18	-	-	(4,849)	-	(621)	(5,470)	-	-	(4,526)	-	(580)	(5,106)
Transactions with owners:													
Cash dividends	1	-	-	(83,893)	-	(2,809)	(86,702)	-	-	(78,302)	-	(2,622)	(80,924)
Acquisition of treasury shares		-	-	-	(20,940)	-	(20,940)	-	-	-	(19,545)	-	(19,545)
Intragroup capital transactions and others		-	428,707	-	(39)	1,037,758	1,466,426	-	400,137	-	(36)	968,600	1,368,701
Changes in the scope of consolidation		-	-	-	-	33,415	33,415	-	-	-	-	31,188	31,188
Others		-	(126)	467	-	582	923	-	(118)	436	-	544	862
Balance at December 31, 2016		₩ 19,132	₩ 10,468,266	₩ 5,229,978	₩ 2,584,211	₩ 2,804,124	₩21,105,711	\$ 17,857	\$ 9,770,642	\$ 4,881,443	\$ 2,411,995	\$ 2,617,252	\$ 19,699,189

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2017 and 2016

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	Share capital	Consolidated share premium	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total	Share capital	Consolidated share premium	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total
Balance at January 1, 2017 (before adjustments)		₩ 19,132	₩ 10,468,266	₩ 5,229,978	₩ 2,584,211	₩ 2,804,124	₩21,105,711	\$ 17,857	\$ 9,770,642	\$ 4,881,443	\$ 2,411,995	\$ 2,617,252	\$ 19,699,189
Cumulative effect of changes in accounting policy	36	-	-	(16,551)	551	-	(16,000)	-	-	(15,448)	514	-	(14,934)
Beginning balance after adjustments		19,132	10,468,266	5,213,427	2,584,762	2,804,124	21,089,711	17,857	9,770,642	4,865,995	2,412,509	2,617,252	19,684,255
Total comprehensive income:													
Profit for the year	1	-	-	639,798	-	(158,693)	481,105	-	-	597,161	-	(148,118)	449,043
Changes in the fair value of financial assets at fair value through other comprehensive income	11	-	-	(1,105)	3,863,842	-	3,862,737	-	-	(1,031)	3,606,349	-	3,605,318
Share of other comprehensive income of associates and joint ventures		-	-	-	(11,497)	(3,711)	(15,208)	-	-	-	(10,731)	(3,464)	(14,195)
Exchange differences		-	-	-	(133,547)	(36,307)	(169,854)	-	-	-	(124,647)	(33,887)	(158,534)
Cash flow hedge	20	-	-	-	10,390	134	10,524	-	-	-	9,697	125	9,822
Remeasurements of the net defined benefit liabilities	18	-	-	(5,670)	-	(2,132)	(7,802)	-	-	(5,292)	-	(1,990)	(7,282)
Transactions with owners:													
Cash dividends	1	-	-	(90,786)	-	(4,964)	(95,750)	-	-	(84,736)	-	(4,633)	(89,369)
Changes in the scope of consolidation		-	-	-	-	(3,986)	(3,986)	-	-	-	-	(3,720)	(3,720)
Others		-	(1)	(259)	-	33	(227)	-	(1)	(242)	-	31	(212)
Balance at December 31, 2017		₩ 19,132	₩ 10,468,265	₩ 5,755,405	₩ 6,313,950	₩ 2,594,498	₩25,151,250	\$ 17,857	\$ 9,770,641	\$ 5,371,855	\$ 5,893,177	\$ 2,421,596	\$ 23,475,126

The U.S. dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 3.

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

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	2017	2016	2017	2016
Cash flows from operating activities					
Cash generated from operations	33	₩ 1,090,902	₩ 1,411,296	\$ 1,018,203	\$ 1,317,245
Interest received		176,005	164,946	164,276	153,954
Interest paid		(194,783)	(244,900)	(181,803)	(228,579)
Dividends received		427,428	278,412	398,944	259,858
Income taxes paid		(187,116)	(254,359)	(174,646)	(237,408)
Net cash inflow from operating activities		<u>1,312,436</u>	<u>1,355,395</u>	<u>1,224,974</u>	<u>1,265,070</u>
Cash flows from investing activities					
Disposal of assets held for sale		-	86,084	-	80,348
Decrease in short-term financial instruments		952,551	-	889,071	-
Decrease in short-term loans		1,788	44,831	1,669	41,843
Decrease in the current portion of long-term receivables		9,966	56,769	9,302	52,986
Disposal of financial assets at fair value through profit or loss	11	13,055	-	12,185	-
Disposal of financial assets at fair value through other comprehensive income	11	47,699	-	44,520	-
Disposal of available-for-sale financial assets	12	-	425,755	-	397,382
Disposal of investments in subsidiaries		208	4,263	194	3,979
Disposal of investments in associates and joint ventures		225,719	324,983	210,676	303,326
Decrease in long-term receivables		37,469	42,256	34,972	39,440
Decrease in deposits		82,033	103,223	76,567	96,344
Disposal of property, plant and equipment	14	72,950	107,622	68,089	100,450
Disposal of intangible assets	14	58,577	1,385	54,674	1,293
Disposal of investment properties		527	6,463	492	6,032
Disposal of other non-current assets		1	2,719	1	2,537
Increase in short-term financial instruments		-	(992,903)	-	(926,734)
Acquisition of financial assets at fair value through profit or loss	11	(2,986)	-	(2,787)	-
Acquisition of financial assets at fair value through other comprehensive income	11	(15,282)	-	(14,264)	-
Acquisition of available-for-sale financial assets	12	-	(108,117)	-	(100,912)
Acquisition of investments in associates and joint ventures	13	(248,709)	(273,197)	(232,135)	(254,991)
Increase in overseas resources development		-	(83)	-	(77)
Increase in long-term receivables		(134,485)	(45,718)	(125,522)	(42,671)
Increase in deposits		(76,641)	(63,180)	(71,534)	(58,970)
Acquisition of property, plant and equipment	14	(678,034)	(484,652)	(632,849)	(452,354)
Acquisition of intangible assets	14	(64,061)	(48,192)	(59,792)	(44,980)
Increase in other non-current assets		(2,407)	(2,400)	(2,249)	(2,241)
Net cash inflow (outflow) from investing activities		<u>₩ 279,938</u>	<u>₩ (812,089)</u>	<u>\$ 261,280</u>	<u>\$ (757,970)</u>

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	2017	2016	2017	2016
Cash flows from financing activities					
Net increase in short-term borrowings		₩ 258,361	₩ -	\$ 241,144	\$ -
Proceeds from bonds issuance		249,152	867,204	232,548	809,412
Increase in long-term borrowings		250,280	511,389	233,601	477,309
Net increase in non-controlling interests		-	1,467,923	-	1,370,098
Dividends paid to shareholders		(90,786)	(83,893)	(84,736)	(78,302)
Net decrease in short-term borrowings		-	(482,351)	-	(450,206)
Repayment of current portion of long-term borrowings		(1,493,038)	(1,129,547)	(1,393,539)	(1,054,272)
Early redemption of long-term borrowings		(284,425)	(348,587)	(265,470)	(325,357)
Acquisition of treasury shares		-	(675,526)	-	(630,508)
Dividends paid to non-controlling interests	1	(4,964)	(2,809)	(4,633)	(2,622)
Decrease in other components of equity		(1,262)	(1,375)	(1,178)	(1,284)
Net cash inflow (outflow) from financing activities		<u>(1,116,682)</u>	<u>122,428</u>	<u>(1,042,263)</u>	<u>114,268</u>
Net increase in cash and cash equivalents					
		475,692	665,734	443,991	621,368
Cash and cash equivalents at the beginning of the year		2,698,530	2,066,404	2,518,695	1,928,695
Effects of exchange rate changes on cash and cash equivalents		(181,070)	(33,608)	(169,003)	(31,368)
Cash and cash equivalents at the end of the year		<u>₩ 2,993,152</u>	<u>₩ 2,698,530</u>	<u>\$ 2,793,683</u>	<u>\$ 2,518,695</u>

The U.S. dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 3.

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

Samsung C&T Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

1. General Information

These consolidated financial statements are prepared in accordance with Korean IFRS 1110 *Consolidated Financial Statements*. Samsung C&T Corporation (the “Company” or the “Parent Company”) has 118 subsidiaries, including Samsung BioLogics Co., Ltd. (collectively referred to as the “Group”) and 50 associates and joint ventures, including Samsung Bioepis Co., Ltd. that are subject to the equity method of accounting.

1.1 The Company

The Company was established on December 23, 1963, for the purpose of engaging in tourist facilities business, and its corporate headquarters are located in Olympic-ro, Songpa-gu, Seoul. The Company primarily engages in tourist facilities, golf course services, construction, civil engineering, plant building, housing, development business, technology services, landscaping, energy conservation, environment development, fashion, retail business of various merchandise, and project organizing businesses in global market.

The Company sold its building management business of the construction division to S-1 Corporation on January 10, 2014. The Company, with the approval from Board of Directors on June 19, 2014, changed its company name from Samsung Everland Inc. to Cheil Industries Inc. on July 4, 2014, and was listed on the stock market on December 18, 2014.

For the diversification of the business portfolio and enhancement of core competitiveness, the Company, with the approval from the Board of Directors on May 26, 2015, and from the shareholders on July 17, 2015, merged with Samsung C&T Corporation on September 1, 2015. The Company newly issued 56,317,483 shares (54,690,043 shares of ordinary shares and 1,627,440 shares of preferred shares) as consideration of the acquisition, and the new shares were listed on September 15, 2015.

Meanwhile, the Company changed its name from Cheil Industries Inc. to Samsung C&T Corporation on September 2, 2015, as approved by the Board of Directors on May 26, 2015.

Samsung C&T Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2017 and 2016

1.2 Subsidiaries

(a) General information of subsidiaries as at December 31, 2017, is as follows:

Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries	
				Samsung C&T Subsidiaries	Total				
Seoul Lakeside Co., Ltd.	Golf course service	₩ 1,176	117,600	117,600	-	117,600	100.00	Korea	
Samoo Architects & Engineers Co., Ltd.	Architectural design service	500	100,000	100,000	-	100,000	100.00	Korea	
CVnet Corporation ²	e-Business	3,200	6,400,000	2,569,155	-	2,569,155	40.14	Korea	
Myodo Metal Co., Ltd.	Production of steel products	3,811	1,080,000	1,080,000	-	1,080,000	100.00	Japan	
Samsung C&T Japan Corporation	Trading	42,104	5,000,000	5,000,000	-	5,000,000	100.00	Japan	
Samsung C&T America, Inc.	Trading	52,259	105	105	-	105	100.00	U.S.A	
Samsung Oil & Gas USA Corp.	Natural resources development	78,895	83,889	75,500	8,389	83,889	100.00	U.S.A	Samsung C&T America, Inc. 10%
Samsung Renewable Energy, Inc.	Renewable energy development	22,867	2,000	2,000	-	2,000	100.00	Canada	
Samsung Green Repower, LLC. ¹	Renewable energy development	2,863	-	-	-	-	100.00	U.S.A	Samsung C&T America, Inc. 100%
SCNT Power Norte S. de R.L. de C.V.	Thermal power generation	9,378	112,683,150	112,683,150	-	112,683,150	100.00	Mexico	
Samsung E&C America, Inc.	Construction	104	100,000	100,000	-	100,000	100.00	U.S.A	
Samsung Solar Construction, Inc.	Renewable energy development	6	5,000	-	5,000	5,000	100.00	U.S.A	Samsung C&T America, Inc. 100%
QSSC, S.A, de C.V.	Production of steel products	8,616	93,758,250	56,254,950	18,751,650	75,006,600	80.00	Mexico	Samsung C&T America, Inc. 20%

Samsung C&T Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2017 and 2016

Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T Subsidiaries	Total			
Samsung C&T Oil & Gas Parallel Corp.	Natural resources development	59,630	1	1	-	100.00	U.S.A	
Parallel Petroleum LLC. ¹	Natural resources development	837,480	-	-	-	51.00	U.S.A	PLL Holdings LLC. 61%
SRE GRW EPC GP, Inc. ¹	Renewable energy development	8	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE GRW EPC LP ¹	Renewable energy development	11	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%,SRE GRW EPC GP, Inc. 0.01%
SRE SKW EPC GP, Inc. ¹	Renewable energy development	11	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE SKW EPC LP ¹	Renewable energy development	11	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%,SRE SKW EPC GP, Inc. 0.01%
Samsung C&T Canada Ltd.	Construction	-	1	1	-	100.00	Canada	
PLL Holdings LLC. ¹	Natural resources development	238,537	-	-	-	83.61	U.S.A	Samsung C&T Oil & Gas Parallel Corp. 83.61%
SRE GRW LP Holdings LP ¹	Renewable energy development	27,954	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%,SRE Wind GP Holdings, Inc. 0.01%
SRE SKW LP Holdings LP ¹	Renewable energy development	10,775	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%,SRE Wind GP Holdings, Inc. 0.01%
SRE WIND PA GP Inc. ¹	Renewable energy development	8	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%

Samsung C&T Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T Subsidiaries	Total			
SRE WIND PA LP ¹	Renewable energy development	11	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Wind PA GP Inc. 0.01%
PLL E&P LLC. ¹	Natural resources development	34,733	-	-	-	90.00	U.S.A	Samsung C&T Oil & Gas Parallel Corp. 90%
SRE GRS Holdings GP Inc. ¹	Renewable energy development	6	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE GRS Holdings LP ¹	Renewable energy development	3	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE GRS Holdings GP Inc. 0.01%
SRE K2 EPC GP Inc. ¹	Renewable energy development	6	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE K2 EPC LP ¹	Renewable energy development	-	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE K2 EPC GP Inc. 0.01%
SRE KS Holdings GP Inc. ¹	Renewable energy development	7	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE KS Holdings LP ¹	Renewable energy development	515	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE KS Holdings GP, Inc. 0.01%
SRE Belle River LP Holdings LP ¹	Renewable energy development	32,706	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Belle River GP Holdings Inc. 0.01%
SRE Armow EPC GP Inc ¹	Renewable energy development	8	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Armow EPC LP ¹	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Armow EPC GP Inc. 0.01%

Samsung C&T Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T	Subsidiaries			
SRE Arnow LP Holdings LP ¹	Renewable energy development	42,318	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%,SRE Wind GP Holdings, Inc. 0.01%
SRE North Kent 1 LP Holdings LP ¹	Renewable energy development	19,873	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%,SRE North Kent 1 GP Holdings Inc. 0.01%
SRE Wind GP Holdings, Inc. ¹	Renewable energy development	124	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE North Kent 2 LP Holdings LP ¹	Renewable energy development	200	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%,SRE North Kent 2 GP Holdings Inc. 0.01%
SRE Solar Development GP Inc. ¹	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Solar Development LP ¹	Renewable energy development	277	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%,SRE Solar Development GP Inc. 0.01%
SRE Windsor Holdings GP Inc. ¹	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Southgate Holdings GP Inc. ¹	Renewable energy development	12	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Solar Construction Management GP Inc. ¹	Renewable energy development	4	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Solar Construction Management LP ¹	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%,SRE Solar Construction Management GP Inc. 0.01%

Samsung C&T Corporation and Subsidiaries
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T	Subsidiaries			
SRE Development GP Inc. ¹	Renewable energy development	3	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Development LP	Renewable energy development	184	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Development GP Inc. 0.01%
SRE BRW EPC GP Inc. ¹	Renewable energy development	3	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE BRW EPC LP	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE BRW EPC GP Inc. 0.01%
SRE North Kent 1 GP Holdings Inc. ¹	Renewable energy development	20	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE North Kent 2 GP Holdings Inc. ¹	Renewable energy development	4	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Belle River GP Holdings Inc. ¹	Renewable energy development	17	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE NK1 EPC GP Inc. ¹	Renewable energy development	3	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE NK1 EPC LP ¹	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE NK1 EPC GP Inc. 0.01%
SRE Summerside Construction GP Inc. ¹	Renewable energy development	-	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Summerside Construction LP ¹	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Summerside Construction GP Inc. 0.01%

Samsung C&T Corporation and Subsidiaries
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T Subsidiaries	Total			
Samsung Solar Energy LLC. ¹	Renewable energy development	2,564	-	-	-	100.00	U.S.A	Samsung C&T America, Inc. 100%
Samsung Solar Energy 1 LLC. ¹	Renewable energy development	2,555	-	-	-	100.00	U.S.A	Samsung Solar Energy LLC. 100%
Samsung C&T Deutschland GmbH1	Trading	18,551	-	-	-	100.00	Germany	
Samsung C&T U.K. Ltd.	Trading	59,415	27,950,000	27,950,000	-	100.00	United Kingdom	
Samsung C&T ECUK Limited	Construction	57	33,000	33,000	-	100.00	United Kingdom	
Whessoe Engineering Limited	Industrial plant engineering	-	138	138	-	100.00	United Kingdom	
POSS-SLPC S.R.O. ¹	Production of steel products	5,967	-	-	-	70.00	Slovakia	Samsung C&T Deutschland GmbH 20%
Solluce Romania 1 B.V. ¹	Renewable energy development	33,517	-	-	-	100.00	Netherlands	Samsung C&T Deutschland GmbH 20%
Ecosolar OOD	Renewable energy development	6,647	13,868,610	13,868,610	-	100.00	Bulgaria	
Ecoenergy Solar OOD	Renewable energy development	4,050	9,463,357	9,463,357	-	100.00	Bulgaria	
Agriplam EOOD	Renewable energy development	1,315	26,577	26,577	-	100.00	Bulgaria	
Fishtrade EOOD	Renewable energy development	3,260	27,249	27,249	-	100.00	Bulgaria	
Manageproject EOOD	Renewable energy development	2,274	305,785	305,785	-	100.00	Bulgaria	

Samsung C&T Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries	
				Samsung C&T Subsidiaries	Total				
Solar Park EOOD	Renewable energy development	3,514	160,647	160,647	-	160,647	100.00	Bulgaria	
Veselinovo Energy OOD	Renewable energy development	246	98,429	98,429	-	98,429	100.00	Bulgaria	
Samsung C&T Construction Hungary Kft. ¹	Construction	2	-	-	-	-	100.00	Hungary	
Samsung C&T (KL) Sdn. Bhd.	Construction	3,870	1,000,000	1,000,000	-	1,000,000	100.00	Malaysia	
Samsung C&T Malaysia Sdn. Bhd.	Trading	6,002	15,000,000	15,000,000	-	15,000,000	100.00	Malaysia	
Samsung Chemtech VINA ¹	Trading	3,554	-	-	-	-	100.00	Vietnam	Samsung C&T Singapore Pte. Ltd. 48.33%
S-Print, Inc. ¹	Production of textile	2,245	-	-	-	-	80.00	Vietnam	Samsung C&T America, Inc. 24%, Samsung C&T Singapore Pte. Ltd. 16%
Samsung C&T (Thailand) Co., Ltd.	Trading	126	409,600	180,000	54,000	234,000	57.13	Thailand	Samsung C&T Hongkong Limited 13.18%
PT. Insam Batubara Energy	Wholesale and retail of coal	1,037	1,000,000	900,000	100,000	1,000,000	100.00	Indonesia	Samsung C&T Singapore Pte. Ltd. 10%
Samsung C&T India Private Ltd.	Construction	2,748	126,500,000	126,500,000	-	126,500,000	100.00	India	
Samsung C&T Corporation India Private Ltd.	Trading	3,455	16,500,001	16,500,001	-	16,500,001	100.00	India	
MSSC Sdn.,Bhd.	Production of steel products	4,928	44,974	31,482	13,492	44,974	100.00	Malaysia	Samsung C&T Singapore Pte. Ltd. 30%
Samsung C&T Singapore Pte. Ltd.	Trading	35,574	34,000,000	34,000,000	-	34,000,000	100.00	Singapore	
S&G Bio Fuel Pte. Ltd.	Natural resources development	45,922	46,312,500	23,400,000	5,850,000	29,250,000	63.16	Singapore	Samsung C&T Singapore Pte. Ltd. 12.63%

Samsung C&T Corporation and Subsidiaries
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries	
				Samsung C&T Subsidiaries	Total				
PT Gandaerah Hendana	Natural resources development	11,320	100,000,000	-	95,000,000	95,000,000	60.00	Indonesia	S&G Bio Fuel Pte. Ltd. 95%
PT Inecda	Natural resources development	11,320	100,000,000	-	95,000,000	95,000,000	60.00	Indonesia	S&G Bio Fuel Pte. Ltd. 95%
SAMSUNG C&T Mongolia LLC. 1	Construction	1,215	-	-	-	-	70.00	Mongolia	
Samsung C&T Eng.&Const. Mongolia LLC. 1	Construction	598	-	-	-	-	100.00	Mongolia	
S&Woo Construction Philippines, Inc.2	Construction	239	9,400	3,760	-	3,760	40.00	Philippines	
SAMOO DESIGNERS & ENGINEERS INDIA PRIVATE LIMITED	Architectural design service	192	1,100,000	-	1,100,000	1,100,000	100.00	India	Samoo Architects & Engineers Co., Ltd. 100%
Samsung (Tianjin) International Trading Co., Ltd. 1	Trading	382	-	-	-	-	100.00	China	Samsung C&T Hongkong Limited 100%
Samsung Trading (Shanghai) Co., Ltd. 1	Trading	498	-	-	-	-	100.00	China	Samsung C&T Hongkong Limited 100%
Samsung C&T Hongkong Limited	Trading	47,849	61,483	61,483	-	61,483	100.00	Hong Kong	
Samsung C&T Taiwan Co., Ltd.	Trading	361	1,000,000	1,000,000	-	1,000,000	100.00	Taiwan	
Samsung Precision Stainless Steel (pinghu) Co., Ltd. 1	Production of steel products	82,979	-	-	-	-	100.00	China	Samsung C&T Hongkong Limited 45%
Samsung C&T Co., (Guangzhou) Ltd. 1	Trading	466	-	-	-	-	100.00	China	Samsung C&T Hongkong Limited 100%
Samsung C&T (Shanghai) Co., Ltd. 1	Construction	11,066	-	-	-	-	100.00	China	
Samsung C&T (Xi'an) Co., Ltd. 1	Construction	1,428	-	-	-	-	100.00	China	

Samsung C&T Corporation and Subsidiaries
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries	
				Samsung C&T Subsidiaries	Total				
Samsung C&T Corporation Saudi Arabia ¹	Construction	2,658	-	-	-	-	100.00	Saudi Arabia	
SAM Gulf Investment Limited	Investment	12	38,912	38,912	-	38,912	100.00	Bahrain	
Samsung C&T Chile Copper SpA	Natural resources development	12,918	11,535,517	11,535,517	-	11,535,517	100.00	Chile	
SCNT Power Kelar Inversiones LTDA.	Thermal power generation	42,705	100	100	-	100	100.00	Chile	
S.C. Otelinox S.A.	Production of stainless steel plates and poles	56,148	33,078,479	-	31,179,053	31,179,053	94.26	Romania	Samsung C&T Deutschland GmbH 94.26%
Samsung Corporation Rus LLC. ¹	Construction	6,303	-	-	-	-	100.00	Russia	
Samsung BioLogics Co., Ltd. ³	Biopharmaceutical products manufacturing	165,413	66,165,000	28,742,466	-	28,742,466	43.44	Korea	
Cheil Fashion Retail Co., Ltd.	Manufacturing and selling garments	10,000	2,000,000	2,000,000	-	2,000,000	100.00	Korea	
Natural 9 Co., Ltd.	Manufacturing and selling garments	10,000	2,000,000	1,020,000	-	1,020,000	51.00	Korea	
Cheil Industries Corp., USA	Manufacturing and selling garments	106	1	1	-	1	100.00	U.S.A	
Cheil Industries Italy S.R.L. ¹	Manufacturing and selling garments	8,813	-	-	-	-	100.00	Italy	
Colombo Via della Spiga S.R.L. ¹	Manufacturing and selling garments	144	-	-	-	-	100.00	Italy	Cheil Industries Italy S.R.L. 100%
Samsung Fashion Trading Co., Ltd. ¹	Manufacturing and selling garments	65,993	-	-	-	-	100.00	China	
Samsung Welstory Inc.	Foodservice business	10,000	2,000,000	2,000,000	-	2,000,000	100.00	Korea	

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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T Subsidiaries	Total			
Cheil Industries Inc. Vietnam Co., Ltd. ¹	Construction	1,143	-	-	-	100.00	Vietnam	
Welstory Vietnam Co., Ltd. ¹	Foodservice business	10,007	-	-	-	90.00	Vietnam	Samsung Welstory Inc. 90%
Samsung C&T Corporation UEM Construction JV Sdn. Bhd.	Construction	205	750,000	450,000	-	60.00	Malaysia	
Shanghai Ever Hongjun Business Management Service Co., Ltd. ¹	Foodservice business	2,536	-	-	-	85.00	China	Samsung Welstory Inc. 85%
Shanghai Welstory Food Company Limited ¹	Foodservice business	4,861	-	-	-	70.00	China	Samsung Welstory Inc. 70%
Eight Seconds (Shanghai) Co., Ltd. ¹	Selling garments	19,434	-	-	-	100.00	China	Samsung Fashion Trading Co., Ltd. 100%
Eight Seconds (Shanghai) Trading Co., Ltd. ¹	Selling garments	10,525	-	-	-	100.00	China	Eight Seconds (Shanghai) Co., Ltd. 100%

¹ No share has been issued in accordance with the local laws and regulations.

² The Group has de facto control to appoint or dismiss more than 50% of the members of board of directors although it has less than 50% ownership interest.

³ Since the Group holds significantly more voting rights than any other vote holder or organized group of vote holders, and the other shareholdings are widely dispersed, the Group is deemed to have de facto control although it has less than 50% ownership interest.

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(b) Summarized financial information of subsidiaries as at and for the year ended December 31, 2017, is as follows:

(In millions of Korean won)

Subsidiaries	Total assets	Total liabilities	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
Seoul Lakeside Co., Ltd.	₩ 614,993	₩ 299,191	₩ 48,162	₩ 10,597	₩ 10,969
Samoo Architects & Engineers Co., Ltd.	126,494	79,156	212,616	14,601	14,688
CVnet Corporation	32,244	14,618	60,040	1,881	1,441
Myodo Metal Co., Ltd.	90,728	84,747	133,739	4,553	4,634
Samsung C&T Japan Corporation	196,741	135,431	1,042,539	3,707	(1,854)
Samsung C&T America, Inc.	493,942	277,885	931,403	16,761	(7,850)
Samsung Oil & Gas USA Corp.	32,290	28,940	17,923	(4,251)	(11,053)
Samsung Renewable Energy, Inc.	228,430	91,675	-	41,836	44,045
Samsung Green Repower, LLC.	9,206	47	-	(960)	(1,268)
SCNT Power Norte S. de R.L. de C.V.	49,159	39,091	-	160	106
Samsung E&C America, Inc.	38,018	21,550	110,841	6,239	4,559
Samsung Solar Construction, Inc.	31	-	-	(1)	(5)
QSSC, S.A, de C.V.	64,647	54,819	145,216	(425)	(1,713)
Samsung C&T Oil & Gas Parallel Corp.	306,308	322,604	-	(10,296)	29,702
Parallel Petroleum LLC.	468,354	41,920	71,398	18,975	(58,489)
SRE GRW EPC GP, Inc.	-	-	-	(2)	(2)
SRE GRW EPC LP	46	-	-	(2)	(4)
SRE SKW EPC GP, Inc.	2	-	-	(2)	(2)
SRE SKW EPC LP	36	-	-	(2)	(4)
Samsung C&T Canada Ltd.	193,782	242,750	158,595	(10,821)	(8,690)
PLL Holdings LLC.	521,268	255,427	-	(1,796)	29,310
SRE GRW LP Holdings LP	32,954	2	-	(71)	(845)
SRE SKW LP Holdings LP	69,182	2	-	30,938	27,626
SRE WIND PA GP Inc.	1	1	-	(2)	(2)
SRE WIND PA LP	3,202	19	2,110	2,138	2,036
PLL E&P LLC.	16,505	3,316	2,850	533	(1,268)
SRE GRS Holdings GP Inc.	2	1	-	(5)	(5)
SRE GRS Holdings LP	1,035	2	-	693	660
SRE K2 EPC GP Inc.	-	-	-	(2)	(2)
SRE K2 EPC LP	810	-	-	(38)	(79)

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Subsidiaries	Total assets	Total liabilities	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
SRE KS Holdings GP Inc.	4	1	-	(5)	(5)
SRE KS Holdings LP	1,428	2	-	673	644
SRE Belle River LP Holdings LP	32,332	2	-	(45)	(283)
SRE Armow EPC GP Inc.	3	-	-	(2)	(2)
SRE Armow EPC LP	1,067	-	-	(157)	(214)
SRE Armow LP Holdings LP	90,883	2	-	22,361	20,255
SRE North Kent 1 LP Holdings LP	19,944	2	-	(2)	77
SRE Wind GP Holdings, Inc.	110	5	-	(3)	(5)
SRE North Kent 2 LP Holdings LP	201	2	-	(2)	(2)
SRE Solar Development GP Inc.	3	1	-	(5)	(5)
SRE Solar Development LP	197	4	-	(27)	(37)
SRE Windsor Holdings LP	7	1	-	(1)	(1)
SRE Southgate Holdings LP	6	1	-	(3)	(3)
SRE Solar Construction Management GP Inc.	3	1	-	(3)	(3)
SRE Solar Construction Management LP	1,251	2	-	(218)	(286)
SRE Development GP Inc.	1	1	-	(3)	(3)
SRE Development LP	60	30	-	(90)	(94)
SRE BRW EPC GP Inc.	1	-	-	(2)	(2)
SRE BRW EPC LP	18,394	10,966	5,701	5,757	5,541
SRE North Kent 1 GP Holdings Inc.	19	1	-	(2)	(2)
SRE North Kent 2 GP Holdings Inc.	3	1	-	(2)	(2)
SRE Belle River GP Holdings Inc.	16	1	-	(2)	(2)
SRE NK1 EPC GP Inc.	1	-	-	(2)	(2)
SRE NK1 EPC LP	12,106	6,455	5,777	5,770	5,642
SRE Summerside Construction GP Inc.	-	-	-	-	-
SRE Summerside Construction LP	920	668	2,655	249	243
Samsung Solar Energy LLC.	2,563	-	-	(2)	(1)
Samsung Solar energy 1 LLC.	2,653	-	-	169	98
Samsung C&T Deutschland GmbH	440,851	181,989	620,641	43,598	44,817
Samsung C&T U.K. Ltd.	39,544	25,664	153,248	1,452	1,151
Samsung C&T ECUK Limited	104,290	183,007	124,080	(61,039)	(59,770)
Whesoe Engineering Limited	4,217	10,097	10,974	(4,775)	(4,683)

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Subsidiaries	Total assets	Total liabilities	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
POSS-SLPC S.R.O.	25,908	14,729	59,937	475	573
Solluce Romania 1 B.V.	33,010	284	-	(76)	(77)
Ecosolar OOD	27,711	21,172	5,699	1,577	1,470
Ecoenergy Solar OOD	17,900	14,079	3,808	1,117	678
Agriplam EOOD	7,111	5,865	1,541	1,013	540
Fishtrade EOOD	7,590	5,852	1,541	341	289
Manageproject EOOD	8,074	5,732	1,538	867	1,837
Solar Park EOOD	3,737	2,924	771	463	(2,135)
Veselinovo Energy OOD	5,509	4,993	1,536	502	(290)
Samsung C&T Construction Hungary Kft.	1,971	66	-	93	110
Samsung C&T (KL) Sdn. Bhd.	140,940	149,540	206,705	(29,416)	(29,940)
Samsung C&T Malaysia Sdn. Bhd.	2,840	677	1,776	(20)	(70)
Samsung Chemtech VINA	45,269	40,551	132,220	4,216	3,907
S-Print	9,948	13,689	18,461	(430)	10
Samsung C&T (Thailand) Co., Ltd.	19,515	13,366	54,185	1,616	1,469
PT. Insam Batubara Energy	16	1,965	-	182	443
Samsung C&T India Private Ltd.	204,047	209,200	208,894	3,562	3,978
Samsung C&T Corporation India Private Ltd.	2,215	1,888	5,979	1,267	1,277
MSSC Sdn.,Bhd.	25,944	20,169	66,057	(728)	(878)
Samsung C&T Singapore Pte. Ltd.	148,019	131,827	1,104,096	2,615	1,868
S&G Bio Fuel Pte. Ltd.	120,234	57,347	-	15,227	23,984
PT Gandaerah Hendana	23,750	27,503	42,251	10,138	7,479
PT Inecda	34,546	9,988	32,304	7,606	2,204
SAMSUNG C&T Mongolia LLC.	20,634	12,841	85	(1,044)	(1,990)
Samsung C&T Eng.&Const. Mongolia LLC.	51,804	42,164	13,954	(1,615)	(2,804)
S&Woo Construction Philippines, Inc.	10,373	8,631	17,701	992	816
SAMWOO DESIGNERS & ENGINEERS INDIA PRIVATE LIMITED	3,265	2,560	3,611	542	513
Samsung (Tianjin) International Trading Co., Ltd.	6,091	-	-	76	(279)
Samsung Trading (Shanghai) Co., Ltd.	55,263	35,818	166,323	(573)	(1,734)
Samsung C&T Hongkong Limited	231,074	135,651	2,673,760	11,555	3,734
Samsung C&T Taiwan Co., Ltd.	4,829	236	1,537	401	213
Samsung Precision Stainless Steel	79,635	11,697	66,461	6,318	2,538

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Subsidiaries	Total assets	Total liabilities	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
(Pinghu) Co., Ltd.					
Samsung C&T Co., (Guangzhou) Ltd.	666	10	-	(17)	(454)
Samsung C&T (Shanghai) Co., Ltd.	94,621	46,173	56,594	10,082	7,582
Samsung C&T (Xi'an) Co., Ltd.	37,052	34,080	45,648	2,108	2,006
Samsung C&T Corporation Saudi Arabia	87,862	454,670	25,572	(16,773)	28,972
SAM Gulf Investment Limited	11	62	-	(8)	(2)
Samsung C&T Chile Copper SpA	5,975	-	-	(4)	(769)
SCNT Power Kelar Inversiones LTDA.	69,698	27,039	-	(147)	282
S.C. Otelinox S.A.	57,633	7,015	44,012	2,320	1,404
Samsung Corporation Rus LLC.	89,907	52,161	64,627	26,092	24,070
Samsung BioLogics Co., Ltd.	7,854,363	3,371,698	459,763	(48,028)	(50,273)
Cheil Fashion Retail Co., Ltd.	4,612	1,472	22,837	(5,087)	(5,087)
Natural 9 Co., Ltd.	2,968	470	1,834	(1,812)	(1,812)
Cheil Industries Corp., USA	516	36	1,635	34	(25)
Cheil Industries Italy S.R.L.	22,137	12,577	48,965	194	178
Colombo Via della Spiga S.R.L.	7,172	3,395	5,374	28	62
Samsung Fashion Trading Co., Ltd.	114,332	70,712	162,957	8,371	7,237
Samsung Welstory Inc.	602,442	200,534	1,732,361	81,177	82,796
Cheil Industries Inc. Vietnam Co., Ltd.	3,398	1,722	3,824	(1,450)	(1,756)
Welstory Vietnam Co., Ltd.	31,022	18,928	93,797	2,451	1,102
Samsung C&T Corporation UEM Construction JV Sdn. Bhd.	87,306	89,448	79,115	(3,846)	(3,891)
Shanghai Ever Hongjun Business Management Service Co., Ltd.	10,666	7,040	55,040	867	684
Shanghai Welstory Food Company Limited	10,117	7,561	36,488	(1,607)	(1,812)
Eight Seconds (Shanghai) Co., Ltd.	18,764	9,653	6,790	(4,662)	(5,074)
Eight Seconds (Shanghai) Trading Co., Ltd.	10,068	9,335	4,298	(7,305)	(7,305)

¹ Intercompany transactions, balances, and unrealized gains and losses on transactions between the Group companies are not eliminated in the summarized financial information above. Also, shares in controlled subsidiaries and associates, accounted for under the equity method which the controlled subsidiaries own, are recognized at acquisition cost.

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1.3 Investments in Associates and Joint Ventures

General information of associates and joint ventures as at December 31, 2017, is as follows (Note 12):

Associates	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares			Ownership interest held by the Group (%)	Location
				Samsung C&T	Subsidiaries	Total		
Dongducheon Dream Power Co., Ltd.	Integrated thermal power generation	₩ 330,658	66,131,621	20,600,000	-	20,600,000	31.15	Korea
Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. ¹	Property development	48,274	-	-	-	-	40.00	China
Qurayyah Investment Company ¹	Construction business	1,608	-	-	-	-	35.00	Saudi Arabia
Songdo Landmark City Limited ³	Property development	67,559	13,511,814	5,936,624	-	5,936,624	43.94	Korea
Chongqing Shanxia Technology Textile Co., Ltd. ¹	Cotton thread manufacturing	77,223	-	-	-	-	20.00	China
Samsung Bioepis Co., Ltd. ⁴	Research and development on medicine and pharmacy	103,419	20,683,705	-	19,567,921	19,567,921	94.61	Korea

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Joint ventures	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares			Ownership interest held by the Group (%)	Location
				Samsung C&T	Subsidiaries	Total		
Korea LNG Limited	Natural resources development	₩ 14	12,000	2,400	-	2,400	20.00	Oman
SP Belle River LP ¹	Renewable energy development	64,734	-	-	-	-	42.49	Canada
JSC Balkhash Thermal Power Plant ²	Internal combustion power plant	383,810	6,417,058	3,208,530	-	3,208,530	50.01	Kazakhstan
LJG Green Source Energy Alpha S.R.L. ^{1,2}	Renewable energy development (Solar energy generation)	29	-	-	-	-	78.00	Romania

¹ No share has been issued in accordance with the local laws and regulations.

² Excluded from the scope of consolidation as it is a joint venture under a contractual arrangement.

³ Songdo Landmark City Limited is classified as asset held for sale.

⁴ Although the Group holds 94.61% ownership interest of Samsung Bioepis Co., Ltd., it is classified as an associate since the Group is unable to secure enough voting right set by the shareholders agreement to make a resolution at shareholders' meeting considering the potential voting right held by non-controlling interest (Note 20).

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1.4 Changes in Scope for Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2017:

Subsidiaries	Description
SRE Summerside Construction GP Inc.	Newly established
SRE Summerside Construction LP	Newly established
Samsung Solar energy LLC.	Newly established
Samsung Solar Energy 1 LLC.	Newly established
SAMOO DESIGNERS & ENGINEERS INDIA PRIVATE LIMITED	Newly established

Subsidiaries excluded from the consolidation for the year ended December 31, 2017:

Subsidiaries	Description
Guang Dong Xingpu Steel Center Co., Ltd.	Disposal
Samsung C&T do Brasil Construtora LTDA.	Liquidation
SRE Windsor Holdings LP	Liquidation
SRE Southgate Holdings LP	Liquidation

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1.5 Information about Non-Controlling Interest

Profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group, is as follows:

Accumulated non-controlling interests of subsidiaries as at December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017		December 31, 2016	
Samsung BioLogics Co., Ltd. ¹	₩	2,387,321	₩	2,477,729
Others		<u>207,177</u>		<u>326,395</u>
	₩	<u>2,594,498</u>	₩	<u>2,804,124</u>

Profit or loss attributed to the non-controlling interests for the years ended December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
Samsung BioLogics Co., Ltd.	₩	(85,427)	₩	(87,222)
Others		<u>(73,266)</u>		<u>707</u>
	₩	<u>(158,693)</u>	₩	<u>(86,515)</u>

Dividends paid to the non-controlling interests for the years ended December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
Parallel Petroleum LLC	₩	3,485	₩	724
Others		<u>1,479</u>		<u>2,085</u>
	₩	<u>4,964</u>	₩	<u>2,809</u>

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Summarized financial information for each subsidiary with non-controlling interests that are material to the Group as at and for the years ended December 31, 2017 and 2016, is as follows. The subsidiary's financial information was prepared using equity method for their associates and joint ventures.

Summarized Statement of Financial Position

(in millions of Korean won)

	Samsung BioLogics Co., Ltd.			
	December 31,		December 31,	
	2017		2016	
Current assets	₩	619,850	₩	1,461,415
Non-current assets		6,839,588		6,395,883
Current liabilities		2,288,508		2,476,027
Non-current liabilities		949,888		1,000,563
Equity		4,221,042		4,380,708

Summarized Statement of Comprehensive Income

(in millions of Korean won)

	Samsung BioLogics Co., Ltd.			
	2017		2016	
Sales	₩	459,763	₩	294,540
Loss for the year		(151,037)		(154,215)
Other comprehensive income (loss)		(8,806)		3,071
Total comprehensive loss		(159,843)		(151,144)

Summarized Statement of Cash Flows

(in millions of Korean won)

	Samsung BioLogics Co., Ltd.			
	2017		2016	
Cash flows from operating activities	₩	156,647	₩	(62,661)
Cash flows from investing activities		265,185		(1,372,824)
Cash flows from financing activities		(294,007)		1,631,292
Increase in cash and cash equivalents		127,825		195,807
Cash and cash equivalents at the beginning of the year		230,338		34,510
Effects of exchange rate changes on cash and cash equivalents		(75)		21
Cash and cash equivalents at the end of the year	₩	<u>358,088</u>	₩	<u>230,338</u>

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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 years 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 judgement 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 4.

(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, 2017. The adoption of these amendments did not have any material impact on the financial statements.

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

Amendments to Korean IFRS 1007 *Statement of Cash flows* require 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.

*- 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.

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- Amendments to Korean IFRS 1112 Disclosures of Interests in Other Entities

Amendments to Korean IFRS 1112 clarify when an entity's interest in a subsidiary, a joint venture or an associate is classified as held for sales in accordance with Korean IFRS 1105, the entity is required to disclose other information except for summarized financial information in accordance with Korean IFRS 1112.

- Enactment of Korean IFRS 1109 Financial Instruments

The Group applied Korean IFRS 1109 *Financial Instruments* on January 1, 2017, an initial application date. The comparative financial statements were not restated according to paragraphs 7.2.15 and 7.2.26 of transitional provisions of Korean IFRS 1109 (Detailed information on effects of changes in accounting policy is described in Note 36).

(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 annual reporting period commencing January 1, 2017 and have not been early adopted by the Group are set out below.

- Amendments to Korean IFRS 1028 Investments in Associates and Joint Ventures

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with Korean IFRS 1109. The amendments clarify that an entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture. These amendments will be effective for annual periods beginning on or after January 1, 2018, with early adoption is permitted. The Group does not expect the amendments to have a significant impact on the financial statements because the Group is not a venture capital organization.

- Amendment to Korean IFRS 1040 Transfers of Investment Property

Paragraph 57 of Korean IFRS 1040 clarifies that a transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence, and provides a list of circumstances as examples. The amendment will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group does not expect the amendment to have a significant impact on the financial statements.

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

Amendments to Korean IFRS 1102 clarify 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. Amendments also clarify 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 amendments will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group does not expect the amendments to have a significant impact on the financial statements.

- Enactments of Interpretation 2122 *Foreign Currency Transaction and Advance Consideration*

According to the enactment, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The enactment will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group does not expect the enactment to have a significant impact on the financial statements.

- Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* issued on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 *Leases*, Interpretation 2104 *Determining whether an Arrangement contains a Lease*, Interpretation 2015 *Operating Leases-Incentives*, and Interpretation 2027 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

At inception of a contract, the entity shall assess whether the contract is, or contains, a lease. Also, at the date of initial application, the entity shall assess whether the contract is, or contains, a lease in accordance with the standard. However, the entity will not need to reassess all contracts with applying the practical expedient because the entity elected to apply the practical expedient only to contracts entered before the date of initial application.

For a contract that is, or contains, a lease, the entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee may elect not to apply the requirements to short-term lease (a lease term of 12 months or less at the commencement date) and low value assets (e.g. underlying assets below \$ 5,000). In addition, as a practical expedient, the lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

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Lessee accounting

A lessee shall apply this standard to its leases either:

- retrospectively to each prior reporting period presented applying Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* (Full retrospective application); or
- retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Group has not yet elected the application method.

The Group performed an impact assessment to identify potential financial effects of applying Korean IFRS 1116. The assessment was performed based on available information as at December 31, 2017 to identify effects on 2017 financial statements. The Group is analyzing the effects on the financial statements; however, it is difficult to provide reasonable estimates of financial effects until the analysis is complete.

Lessor accounting

The Group expects the effect on the financial statements applying the new standard will not be significant as accounting for the Group, as a lessor, will not significantly change.

- Enactment of Korean IFRS 1115 Revenue from Contracts with Customers

Korean IFRS 1115 *Revenue from Contracts with Customers* issued on November 6, 2015 will be effective for annual reporting periods beginning on or after January 1, 2018, with early adoption 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 will apply Korean IFRS 1115 *Revenue from Contracts with Customers* within annual reporting periods beginning on or after January 1, 2018, and will elect the modified retrospective approach which will recognize the cumulative impact of initially applying the revenue standard as an adjustment to retained earnings as at January 1 2018, the period of initial application.

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Korean IFRS 1018 and other current revenue standard identify revenue as income that arises in the course of ordinary activities of an entity and provides guidance on a variety of different types of revenue, such as, sale of goods, rendering of services, interest, dividends, royalties and construction contracts. However, 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 customers 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.

The Group performed an impact assessment to identify financial effects of first applying Korean IFRS 1115. The assessment was performed based on retainable information as at December 31, 2017.

From May to September 2017, the operating and other related departments of the Group discussed, at each operating segment level, the expected impact of applying the standard on the financial statements, and a consultation from external experts was made if necessary. From October to December 2017, the Group verified the financial impacts identified during the preliminary assessment. The Group plans disclose the detailed analysis on the financial effect of adopting Korean IFRS 1115 in the notes to the consolidated interim financial statements as at and for the three-month period ending March 31, 2018.

Based on retainable information as at December 31, 2017, potential financial effects of applying Korean IFRS 1115 are explained as below.

(a) Identify performance obligation

The Group exports various products and merchandise in accordance with Incoterms Group C trading conditions (e.g. CIF, etc.). According to Korean IFRS 1115, the shipping service (including insurance) must be identified as a separate performance obligation since the seller provides the shipping service after the control of the product or merchandise is transferred to the customer.

As a result of analyzing Incoterms Group C trading condition (e.g. CIF, etc.) contracts, the Group considers it appropriate to identify the transportation service provided after the transfer of control as a separate performance obligation apart from sale of the goods. The adoption of Korean IFRS 1115 for these arrangements is not expected to have a material impact on the financial statements.

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(b) A performance obligation is satisfied over time: construction segment and resort segment

The construction and resort segment of the Group provide services to their customers in civil engineering, buildings, plants, and landscaping areas from comprehensive architectural design to construction.

In accordance with Korean IFRS 1115, the contract revenue is recognized over time by measuring progress only if i) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or ii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Based on the result of the preliminary assessment, the Group considers that most of the construction contracts satisfy criteria for recognizing contract revenue using the percentage of completion method. The Group will recognize the contract revenue using the percentage of completion method based on the contract costs incurred.

(c) Input methods for measuring progress

Accounting to Korean IFRS 1115, a faithful depiction of the Group's performance might be to recognize revenue at an amount equal to the cost of a good used to satisfy a performance obligation if the Group expects at contract inception that all of the following conditions would be met: i) the good is not distinct; ii) the customer is expected to obtain control of the good significantly before receiving services related to the good; iii) the cost of the transferred good is significant relative to the total expected costs to completely satisfy the performance obligation; and iv) the Group procures the good from a third party and is not significantly involved in designing and manufacturing the good.

For some construction contracts, including EPC contracts and others, percentage of completion is measured based on costs incurred, the costs that is not proportionate to the Group's progress in satisfying the performance obligation should be excluded from the measurement of the progress towards complete satisfaction of a performance obligation.

(d) Variable consideration

The fashion segment of the Group has a practice of granting the customers with the right to refund which results in variable consideration.

According to Korean IFRS 1115, the Group should recognize refund liability when the Group expects to refund some or all of the consideration to the customer. Also, the Group should recognize for the Group's right to recover the products from the customer as asset (refund asset) when the refund liability is paid.

The Group considers that the refund asset should be classified and presented separately from the refund liability. The adoption of Korean IFRS 1115 is not expected to have a material impact on the financial statements.

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(e) Incremental costs of obtaining a contract

Capitalized contract costs that were originally expensed at the beginning of the relevant construction, are expected to be amortized throughout the contract period based on the progress towards complete satisfaction of a performance obligation. However, it will not have a material impact on the financial statements. In addition, the Group is reviewing the nature of each capitalized contract costs whether these costs are eligible for capitalization.

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 recorded 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.

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(b) 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.

(c) Joint Arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

2.3 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 each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to long-term and short-term financial instrument, loans, borrowings and debentures are presented as 'finance income or costs' in the consolidated statements of comprehensive income. All other foreign exchange gains and losses are presented in the statements of comprehensive income within 'other income or expenses'.

Non-monetary financial assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on equity instruments classified as available-for-sale financial assets are recognized in other comprehensive income.

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The results and financial position of all the foreign operations that have a functional currency different from the presentation currency of the Group are translated into the presentation currency. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting date, and income and expenses for each statement of profit or loss are translated at average exchange rates, and all resulting exchange differences are recognized in other comprehensive income and presented as a separate component of equity (accumulated comprehensive income).

Exchange differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income and presented as a separate component of equity. When a foreign operation is partially disposed of or sold, the exchange differences that were recorded in equity are recognized in the statement of profit or loss where there is a loss of control.

(c) Translation of financial statements of overseas subsidiaries

Items on the statements of financial position are translated at the closing rate at the end of the reporting period, except historical exchange rate applied to equity accounts. Items on the statements of comprehensive are translated at average exchange rates. All resulting exchange differences are recognized in other comprehensive income and allocated to equity attributable to owners of the parent and non-controlling interests. Differences allocated to equity attributable to owners of the parent are presented on the consolidated statements of financial position as other component of equity (exchange differences).

2.4 Cash and Cash Equivalents Financial Assets

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

2.5 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services arising from the normal course of the business. Amounts disclosed as revenue are net of value added taxes, returns, rebates and discounts and after elimination of inter-company transactions.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group 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.

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(a) Sale of goods and sales commission

Sales are recognized when significant risk and rewards of ownership of the goods are transferred. Sale of merchandise is recognized when it is delivered to the customer, except export sales which are recognized upon shipment of product. Sales commission is recognized on an accrual basis when the transaction, where the Group serves as the selling agent, is completed.

(b) Contract revenue

Revenues from construction contracts are recognized using the percentage-of-completion method, measured principally by the percentage of costs incurred for work performed to date to estimated total contract costs to complete the contract work.

(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 reduces the carrying amount to its recoverable amount 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) Customer loyalty program

A customer loyalty program is operated by the Group to provide customers with incentives to buy their goods or services. If a customer buys goods or services, the Group grants the customer award credits (often described as 'points'). The customer can redeem the award credits for awards such as free or discounted goods or services. The award credits are recognized as a separately identifiable component of the initial sale transaction. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The fair value of the award credits is measured by taking into account the proportion of the award credits that are not expected to be redeemed by customers.

(f) Royalty income

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

(g) Multiple-element arrangements

Where such multiple-element arrangements exist, the amount of revenue allocated to each element is based upon the relative fair values of the various elements. Revenue relating to the service element is recognized on a straight-line basis over the service period. The fair values of each element are determined based on the current market price of each of the elements when sold separately. In case of discount, the discounted amount is distributed to each element's fair value proportionately.

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2.6 Construction contracts

A construction contract is defined by Korean IFRS 1011 *Construction Contracts*, as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss on the construction contract is immediately recognized as an expense.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured. Contract costs are recognized as an expense in the period in which they are incurred.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred during the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These amounts are recognized as inventory, advance payments or other assets.

On the statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings (due from customers for contract work); a contract represents a liability where the opposite is the case (due to customers for contract work).

Meanwhile, revenue from the sale of real-estate of apartment units are recognized using the percentage-of-completion method in accordance with Korea Accounting Institute Q&A "2011-I-KQA", effective under Korean IFRS Section based on the Article 13.1.1 of the Act on External Audit in Korea.

2.7 Financial Assets

(a) Classification

From January 1, 2017, the Group classifies its financial assets into the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

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The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 11 for details about each type of financial asset.

The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

(b) Measurement

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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or

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loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other gains and losses' and impairment losses are presented in 'other expenses'.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'other gains and losses' in the year in which it arises.

Equity Instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'other income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other gains and losses' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables (including due from customer for contract work), the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(d) 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 "short-term borrowings" in the statements of financial position.

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(e) 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.

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the specific identification method or moving average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories are reduced for the estimated losses arising from excess, obsolescence, and decline in value. This reduction is determined by estimating market value based on future customer demand. The losses on inventory obsolescence are recorded as a part of cost of sales.

2.9 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The costs that are estimated to be incurred to dismantle, remove assets, or restore sites are also included in the historical costs.

Depreciation of all property, plant and equipment, other than land, is calculated using the straight-line method (except property, plant and equipment for developing natural resources, which are depreciated using the units of production method) to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Useful lives
Buildings, structures	20 - 50 years
Others	4 - 50

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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2.10 Government Grants

Grants from the government 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 assets are presented in the statement of financial position either by deducting the grant in arriving at the carrying amount of the asset, and government grants related to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.11 Intangible Assets

Intangible assets are initially measured at their historical cost, and carried at cost less accumulated amortization. Intangible assets, except for mineral rights amortized using the units of production method, are amortized using the straight-line method to allocate their cost to their residual values of nil over their estimated useful lives, as stated below. Membership and certain brands are regarded as intangible assets with indefinite useful life and are not subject to amortization, because there is no foreseeable limit to the period over which the assets are expected to be utilized.

Goodwill arising on a business combination is cost of a business combination exceeding over the acquisition consideration to the fair value of the identifiable assets required, liabilities assumed and contingent liabilities at acquisition date. Goodwill is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Useful lives

Industrial property rights	5 - 10 years
Right to use property	14 - 20 years
Memberships and certain brands	Indefinite
Others	5 - 20 years

2.12 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 25 ~ 50 years.

2.13 Biological Assets

A biological asset shall be measured on initial recognition and at the end of each reporting date at its fair value less estimated costs to sell. The fair value of a biological asset is measured by an independent professional organization by using Discounted Cash Flow (DCF) method. The cash

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flows during the life expectancy of a biological asset are determined under consideration of agricultural produce such as Fresh Fruit Bunch at the point of harvest, market price and the estimated cultivating costs and other variations.

2.14 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.

2.15 Financial Liabilities

(a) Classification and measurement

All financial liabilities are subsequently measured at amortized cost, except for the followings:

- Financial liabilities at fair value through profit or loss. Such liabilities including derivative liabilities are subsequently measured at fair value.
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. Note 2.7 applies to the measurement of such financial liabilities.
- Financial guarantee contracts. Financial guarantee contracts are initially measured at fair value and the issuer of the contract subsequently measures it at the higher amount of the followings:
 - a) Loss allowance determined in accordance with expected credit losses
 - b) Amount initially recognized less the cumulative amount of income in accordance with Korean IFRS 1115
- Commitments to provide a loan at a below-market interest rate. After initial recognition, an issuer of such a commitment subsequently measures it at the higher amount of the followings:
 - a) Loss allowance determined in accordance with expected credit losses
 - b) Amount initially recognized less the cumulative amount of income in accordance with Korean IFRS 1115
- Contingent consideration recognized by an acquirer in a business combination to which Korean IFRS 1103 applies. Such contingent consideration is subsequently measured at fair value through profit or loss.

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(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.

2.16 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.

2.17 Employee Benefits

(a) Post-employment benefits

The Group operates both defined contribution and defined benefit pension plans.

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution have been paid. The contribution are recognized as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability 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 approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

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(b) Long-term employee benefit fund

Long-term employee benefit fund are held by the Group. The Group recognizes the fund as an asset to the net amount that the prepayment will lead to a reduction in related future payments of employee benefits.

2.18 Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.19 Derivative Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The Group applies cash flow hedge accounting to hedge the interest rate risk associated with borrowings. The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income, and the ineffective portion is recognized in 'other income (expenses)'.

The effective portion of changes in fair value of derivatives that are cumulatively recognized as other comprehensive income are included within the initial cost of the asset when the hedged item subsequently results in the recognition of a non-financial asset. The amounts are ultimately recognized in profit or loss as 'cost of sales'. When the forecast transactions is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately reclassified to profit or loss within 'other income (expenses)'.

The Group applies fair value hedge accounting to hedge the changes in the fair value of unrecognized firm commitments in relation to purchase contracts. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss within 'financial expenses'. The gain or loss relating to the ineffective portion is recognized in profit or loss within 'other income (expenses)'. However, changes in the fair value of the hedged items attributable to hedged risk are recognized as 'financial expenses'.

When a hedge no longer meets the criteria for hedge accounting, any adjustment made in the carrying amount of the hedged item is amortized to profit or loss over the period of maturity using an 'effective interest rate method'.

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2.20 Dividend Distribution

Dividend distribution to the Group's shareholders is recognized when the dividends are approved.

2.21 Current and Deferred 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 Earnings per Share

Basic earnings per share is calculated by dividing net profit for the period available to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated using the weighted-average number of ordinary shares outstanding adjusted to include the potentially dilutive effect of equivalent ordinary shares outstanding.

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2.23 Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Corporate Management Committee that makes strategic decisions.

2.24 Share Capital

Ordinary shares and preferred shares with no repayment obligations are classified as equity. When the Company purchases its ordinary shares, the acquisition cost including direct transaction costs are deducted from equity until the redemption or reissuance of treasury shares. Consideration received on the subsequent or issue of treasury shares is credited to equity.

2.25 Non-current Assets (or Disposal Group) Held for Sale

Non-current assets (or disposal group) are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

2.26 Lease

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases in which a significant 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 charge to profit or loss on a straight-line basis over the period of lease.

Leases where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost.

If the Group is a lessor, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership at the inception of the lease. A lease other than a finance lease is classified as an operating lease. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

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2.27 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 *Income Taxes* and K-IFRS 1019 *Employee Benefits*, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered in to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with KIFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the fair value of the consideration transferred (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of fair value of the consideration transferred, (if any) the excess is recognized immediately in profit or loss as a bargain purchase gain.

2.28 Approval of Issuance of the Financial Statements

The consolidated financial statements 2017 were approved for issue by the Board of Directors on February 1, 2018 and are subject to change with the approval of shareholders at their Annual General Meeting.

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3. United States Dollar Amounts

The Company and its domestic subsidiaries operate primarily in Korean won and their official accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information solely for the convenience of the reader. All Korean won amounts, other than those in statements of comprehensive income, have been translated into U.S. dollars at the exchange rate of ₩ 1,071.4 to US\$ 1, while Korean won amounts in the statements of comprehensive income have been translated into U.S. dollars at the exchange rate of ₩ 1,131.08 to US\$ 1. Such presentation is not in accordance with generally accepted accounting principles in either the Republic of Korea or the United States, and should not be construed as a representation that the Korean won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

4. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements 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) Construction contract

- Uncertainty of the estimated total contract revenue

Total contract revenue is measured based on contractual amount initially agreed. The contract revenue can be increased by additional contract work, claims and incentive payments in the course of construction, or decreased by the penalty when the completion of contract is delayed due to the Group's fault. Therefore, this measurement of contract revenue is affected by the uncertainty of the occurrence of future events. The change in contract revenue is recognized when it is probable that the customer will approve the increase in revenue due to the changes in contract work, or when it is probable that the Group will be able to satisfy the performance requirements, and the amount can be estimated reliably.

- Uncertainty of the estimated total contract revenue due to construction delay

The measurement of contract revenue is affected by the uncertainty of the occurrence of future events. The contract revenue can be decreased by the claims of liquidated damages when the completion of contract is delayed due to the Group's fault. Therefore, the damage claims for the delay are estimated based on historical experience in case the completion date is expected to be delayed.

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- Uncertainty of the estimated total contract costs

Construction revenue is recognized according to the percentage of completion, which is measured on the basis of the gross amount incurred to date. Total contract costs are estimated based on future estimates of material costs, labor costs, construction period and others.

(b) 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.

(c) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate.

(d) Income taxes

The Group's taxable income generated from these operations are 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 or 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. Accordingly, the measurement of current and deferred income tax is affected by the tax effects. As the Group's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(e) Provisions

As at December 31, 2017, the Group recognizes provisions for warranties, repairs and others as explained in Note 2.18. These provisions are estimated based on past experience.

(f) Estimated impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations.

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5. Construction Contracts

Details of recognized construction profit or loss for construction contracts for the years ended December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
Buildings	₩	7,092,868	₩	7,046,433
Civil engineering		2,500,304		2,345,855
Plant		2,277,655		3,471,505
Landscaping		166,932		131,688
	₩	<u>12,037,759</u>	₩	<u>12,995,481</u>

As at December 31, 2017, the Group's remaining balance of construction contracts amounts to ₩ 29,984,442 million.

The Group provides the certificates of payment from financial institutions to the customers or reserves certain amount for guarantees for bidding, performance, repayment of advance received and warranty relating to the construction contracts mentioned above, which are presented in the statement of financial position as guarantee deposits received. As at December 31, 2017, the Group has reserves of ₩ 313,027 million relating to the constructions in progress.

As at December 31, 2017, the Group has accumulated revenues and costs¹ on the ongoing construction projects amounting to ₩ 33,805,467 million and ₩ 31,825,200 million, respectively. As at December 31, 2017, the total accumulated revenues and costs¹ incurred on all construction projects, including those completed during the current period, are ₩ 39,061,224 million and ₩ 36,839,098 million, respectively.

¹The accumulated revenues and costs include the accumulated revenues and costs of the former Samsung C&T Corporation prior to the merger.

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The account balances of outstanding construction contracts as at December 31, 2017 and 2016, are summarized as follows:

<i>(in millions of Korean won)</i>	December 31, 2017					December 31, 2016
	Buildings	Civil engineering	Plant	Landscaping	Total	Total
Receivables from construction contracts	₩ 2,043,915	₩ 236,279	₩ 189,139	₩ 57,824	₩ 2,527,157	₩ 2,515,582
Due from customer for construction work	608,657	375,481	243,023	16,221	1,243,382	1,522,540
Advance payments	189,038	203,724	68,295	-	461,057	443,850
Prepaid expenses	283,038	11,266	1,861	256	296,421	280,707
Guarantee deposits	83,760	122,893	106,373	1	313,027	324,239
Long-term loans	190,974	-	-	2,356	193,330	355,044
Short-term loans	196,551	-	-	-	196,551	152,880
Advances received	156,761	286,789	99,176	1,980	544,706	713,206
Due to customer for contract work	1,499,542	349,931	223,450	5,721	2,078,644	2,061,994

The Group is provided with payment guarantees amounting to ₩ 10,378,068 million (2016: ₩ 12,197,460 million), ₩ 1,577,175 million (2016: ₩ 1,613,587 million), ₩ 17,485 million (2016: ₩ 8,941 million), and ₩ 26,211 million (2016: ₩ 27,897 million) from financial institutions, Construction Guarantee Cooperative, Software Guarantee Cooperative, and Engineering Guarantee Cooperative, respectively, in relation to the construction performance and others.

As at December 31, 2017, construction sites are covered by construction work insurance amounting to ₩ 8,380,972 million with Samsung Fire & Marine Insurance Co., Ltd. and others.

The Group arranges housing finance for the members engaged in redevelopment and reconstruction projects that the Group manages. Advances on housing finance temporarily received but not executed amounts to ₩ 1,163,912 million. The Group has provided a joint guarantee limit of ₩ 3,538,100 million (balance of ₩ 3,356,410 million) with regard to the housing finance in accordance with the agreements with the relevant financial institutions.

Meanwhile, payment guarantees provided by the Group for borrowings of the developer as at December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>						
Business location	Financial institution	Amount	Maximum amount	Details	Period	Type
Seoul, Korea	Banks and others	₩ 140,000	₩ 140,000	Acceptances for debt	Oct. 30, 2015 ~ Mar. 5, 2018	Other PF loans

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As at December 31, 2017 and 2016, information of each contract where contract revenue for the years ended December 31, 2017 and 2016, is more than 5% of the previous year's revenues, is as follows:

(in millions of Korean won)

	Contract date	Contractual due date	Percentage of completion	Due from customers		Trade receivables (receivables from construction contracts)		
				Gross amount	Accumulated impairment loss	Gross amount	Provision for impairment	
Saudi RABIGH 2 IPP	Nov. 2013	Jun. 2017	96.1%	₩	- ₩	- ₩	51,432 ₩	-
Turkey Kirikkale	Oct. 2014	Jun. 2017	90.4%		-	-	30,441	-
Vietnam SDC Module 3	May. 2016	Dec. 2017	78.7%		-	-	11,943	-
Pyeong-taek P-PJT	May. 2015	Feb. 2018	96.4%		-	-	77,675	-
Qatar FAC D IWPP	May. 2015	Jun. 2018	89.3%		-	-	-	-
Saudi Riyadh Metro	Oct. 2013	Oct. 2018	65.5%		-	-	23,207	-
Garak Siyoung Complex 1	Oct. 2015	Dec. 2018	53.6%		-	-	-	-
Australia Westconnex Stage 1b (M4 East)	Jun. 2015	Mar. 2019	63.7%		-	-	19,141	-
Singapore Changi Airport Pkg.1	Oct. 2015	Jul. 2019	65.4%		33,769	-	20,612	-
Algeria Naama	Feb. 2014	Feb. 2020	58.7%		-	-	27,930	-
Australia Westconnex Stage2 (M5 Main Tunnel)	Nov. 2015	Mar. 2020	35.0%		-	-	23,466	-
UAE nuclear power plant	Mar. 2010	May 2020	85.1%		688	-	-	-
Algeria Mostaghanem	Feb. 2014	Apr. 2021	30.3%		-	-	15,446	-
Gangneung Anin coal-fired power plant	Feb. 2014	Mar. 2022	2.5%		37,884	-	12,970	-
Singapore Thomson East Coast Line T313	Mar. 2016	Feb. 2024	21.4%		29,648	-	7,557	-
India Mumbai DAICEC(Overseas)	Dec. 2016	Sep. 2017	44.7%		6,935	-	25,716	-
Malaysia KL118 Tower	Nov. 2015	Dec. 2019	14.5%		29,025	-	-	-

¹ Construction projects that are practically completed as at December 31, 2017, are excluded.

² As at December 31, 2017, the contractual due dates have passed but the construction is still in process due to the customer's request for additional construction works. The Group is continuing the negotiation with the customer in relation to the extension of contractual due date.

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(in millions of Korean won)

	Contract date	Contractual due date	Percentage of completion	Due from customers		Trade receivables (receivables from construction contracts)	
				Gross amount	Accumulated impairment loss	Gross amount	Provision for impairment
Australia RH PROJECT	Apr. 2013	Dec. 2015	100.0%	₩ -	₩ -	₩ 60,621	₩ -
Hwasung A	Feb. 2014	Jul. 2016	100.0%	-	-	-	-
SR-Project 2nd	Aug. 2013	Oct. 2016	100.0%	-	-	-	-
Pyeong-taek P-PJT	May 2015	Feb. 2017	95.0%	-	-	38,179	-
Saudi RABIGH 2 IPP	Nov. 2013	Jun. 2017	89.6%	73,418	-	-	-
Turkey Kirikkale CCPP	Oct. 2014	Jun. 2017	80.6%	-	-	-	-
Algeria Mostaghanem	Feb. 2014	Aug. 2017	14.8%	38,880	-	10,247	-
Algeria Naama	Feb. 2014	Aug. 2017	35.3%	15,944	-	32,059	-
Vietnam SDC Module 3	May 2016	Aug. 2017	44.5%	150,928	-	92,820	-
Qatar FAC D IWPP	May 2015	Jun. 2018	63.1%	-	-	-	-
Qatar Doha Metro42	Jun. 2013	Jun. 2018	26.8%	31,482	27,191	7,676	-
Saudi Riyadh Metro	Oct. 2013	Oct. 2018	47.1%	6,081	-	83,285	-
Garak Siyoung Complex 1	Oct. 2015	Dec. 2018	19.3%	-	-	-	-
Australia Westconnex Stage 1b (M4 East)	Jun. 2015	Mar. 2019	25.0%	-	-	14,771	-
Singapore Changi Airport Pkg.1	Oct. 2015	Jul. 2019	24.1%	5,522	-	32,228	-
Kazakhstan Balkhash	Dec. 2014	Mar. 2020	3.4%	34,895	-	2,429	-
Australia Westconnex Stage2 (M5 Main Tunnel)	Nov. 2015	Mar. 2020	9.3%	-	-	17,679	-
UAE nuclear power plant	Mar. 2010	May 2020	78.6%	144,250	-	100	-
Gangneung Anin coal-fired power plant	Feb. 2014	Mar. 2022	2.0%	28,709	-	3,800	-
Singapore Thomson East Coast Line T313	Mar. 2016	Feb. 2024	3.1%	4,475	-	-	-
India Mumbai DAICEC(Overseas)	Dec. 2013	Sep. 2017	32.8%	-	-	24,680	-
Malaysia KL118 Tower	Nov. 2015	Dec. 2019	5.8%	27,324	-	-	-

¹ Construction projects that are practically completed as at December 31, 2016, are excluded.

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Details of major joint venture construction as at December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	Total contract amount	Amount of the Group	Percentage of ownership	Representative company
UAE nuclear power plant	₩ 6,761,642	₩ 3,042,739	45.0%	Hyundai Engineering & Construction Co., Ltd.
Saudi Riyadh Metro	8,832,694	2,487,640	28.2%	FCC
Australia Westconnex Stage2 (M5 Main Tunnel)	3,403,910	1,021,173	30.0%	CPB
Australia Westconnex Stage 1b (M4 East)	2,352,334	784,033	33.3%	CPB
Singapore Changi Airport Expansion Pkg.1	891,589	624,112	70.0%	Samsung C&T Corporation
Shin-Kori nuclear power plant #5, 6	1,148,127	585,545	51.0%	Samsung C&T Corporation
Hong Kong Metro SCLC1109	897,607	538,564	60.0%	Samsung C&T Corporation
Bujeon-Masan DoubleTrack Electric Railway	421,377	299,936	71.2%	Samsung C&T Corporation
Suseo-Pyeongtaek High-speed Railway Area 5	304,716	274,244	90.0%	Samsung C&T Corporation
Singapore TuasFinger1	795,079	222,622	28.0%	Samsung C&T Corporation
Malaysia KL118 Tower	1,509,390	905,634	60.0%	Samsung C&T Corporation
Canada Site C	1,534,091	575,284	37.5%	Acciona S.A.
United Kingdom Mersey Gateway	368,577	258,004	33.3%	FOC, S.A & Petroserv L
Saudi Tadawul Tower PJT	386,726	232,036	60.0%	Samsung C&T Corporation

Changes in the estimated total contract revenue and estimated total contract costs by construction types for contracts in progress for the year ended December 31, 2017, and its impact on the Group's profit or loss for the year and in the succeeding periods are as follows:

Construction type	Changes in estimated total contract revenue	Changes in estimated total contract costs	Impact on profit or loss for the year	Impact on profit or loss for the succeeding year	Changes in due from (to) customers for contract work	Provisions for expected losses
Buildings	₩ 2,660,447	₩ 2,571,255	₩ 126,905	₩ (37,713)	₩ 126,905	₩ 31,117
Civil engineering	391,220	591,706	(164,111)	(36,375)	(164,111)	60,061
Plant	321,258	335,420	(35,561)	21,399	(35,561)	27,964
Landscaping	241	(105)	498	(152)	498	-
	<u>₩ 3,373,166</u>	<u>₩ 3,498,276</u>	<u>₩ (72,269)</u>	<u>₩ (52,841)</u>	<u>₩ (72,269)</u>	<u>₩ 119,142</u>

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Uncertainty of the estimated total contract revenue due to construction delay

The measurement of contract revenue is affected by the uncertainty of the occurrence of future events. The contract revenue can be decreased by the claims of liquidated damages when the completion of contract is delayed due to the Group's fault. Therefore, the damage claims for the delay are estimated based on historical experience in case the completion date is expected to be delayed. The Group strives to minimize damage claims by requesting extension of the completion date from the customers, and by giving evidence that the construction delay is not attributable to the Group. The Group will also undertake measures not to bear the damage claims from the delay.

For the year ended December 31, 2017, changes in provision for estimated warranty costs for the completed projects and provisions for construction losses from construction contract are as follows:

<i>(in millions of Korean won)</i>	Beginning	Increase	Decrease	Ending
Provision for construction warranties (provision)	₩ 176,855	₩ 35,169	₩ (31,391)	₩ 180,633
Reserve for construction losses (other current liabilities)	160,518	36,115	(77,491)	119,142

6. Inventories

Inventories as at December 31, 2017 and 2016, consist of the following:

<i>(in millions of Korean won)</i>	December 31, 2017			December 31, 2016		
	Acquisition cost	Valuation allowance	Book amount	Acquisition cost	Valuation allowance	Book amount
Merchandise	₩ 595,545	₩ (42,082)	₩ 553,463	₩ 465,399	₩ (43,346)	₩ 422,053
Finished good	408,400	(45,081)	363,319	434,629	(68,312)	366,317
Raw materials	202,706	(7,986)	194,720	184,238	(10,337)	173,901
Land held for housing projects	62,827	(612)	62,215	8,971	(612)	8,359
Materials-in-transit	220,225	-	220,225	220,280	-	220,280
Semi-finished goods and work-in-progress	53,609	(7)	53,602	52,498	(2,426)	50,072
Others	86,168	(678)	85,490	71,847	-	71,847
	<u>₩ 1,629,480</u>	<u>₩ (96,446)</u>	<u>₩1,533,034</u>	<u>₩1,437,862</u>	<u>₩ (125,033)</u>	<u>₩1,312,829</u>

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7. Financial Instruments by Category

Details of financial instruments by category as at December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017		December 31, 2016	
Financial assets at fair value through profit or loss	₩	24,439	₩	-
Financial assets at fair value through other comprehensive income		23,204,733		-
Available-for-sale financial assets		-		17,499,229
Financial assets at amortized cost				
Cash and cash equivalents ¹		2,993,152		2,698,530
Short-term financial instruments		100,721		1,058,872
Trade receivables ²		3,839,631		3,934,795
Other current assets		1,426,890		1,651,154
Other non-current assets ³		670,322		794,832
Derivative instruments				
Held for trading		18,149		32,879
Hedging instruments		6,351		9,404
	₩	<u>32,284,388</u>	₩	<u>27,679,695</u>

¹ Cash and cash equivalents amounting to ₩ 909 million (2016: ₩ 611 million) are subject to withdrawal restrictions in relation to termination of Mongolian railroad project.

² Due from customer for contract work amounting to ₩ 1,152,828 million (2016: ₩ 1,449,058 million) is excluded.

³ Bank deposits amounting to ₩ 97 million (2016: ₩ 98 million) are subject to withdrawal restrictions in relation to the Group's loan facility agreement.

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<i>(in millions of Korean won)</i>	December 31, 2017		December 31, 2016	
Liabilities at amortized cost				
Trade payables	₩	1,785,617	₩	1,823,810
Short-term borrowings		1,646,863		1,451,566
Current portion of long-term liabilities		1,346,801		1,607,367
Other current liabilities		3,820,107		3,953,086
Debentures and long-term borrowings		2,594,095		3,657,278
Other non-current liabilities		78,276		112,189
Derivative instruments				
Held for trading		1,948,372		1,895,471
Hedging instruments		8,788		12,294
Other liabilities				
Short-term borrowings		446,447		414,249
Financial guarantee liabilities		36,420		34,967
	₩	<u>13,711,786</u>	₩	<u>14,962,277</u>

Fair value of financial instruments is the same as book amount, except for those which do not have market prices in active market and whose fair value cannot be reliably measured.

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Financial income (expenses) categorized by assets and liabilities for the years ended December 31, 2017 and 2016, is as follows:

<i>(in millions of Korean won)</i>	2017	2016
Dividend income		
Available-for-sale financial assets	₩ -	₩ 218,397
Fair value through other comprehensive income (held during the year)	351,319	-
Fair value through profit or loss (derecognized during the year)	30	-
Fair value through profit or loss (held during the year)	262	-
Interest income/expense		
Available-for-sale financial assets	-	4,746
Fair value through other comprehensive income	12	-
Fair value through profit or loss	4,702	-
Amortized cost	(82,704)	(79,282)
Other current liabilities	(7,514)	(5,002)
Gain (loss) on disposal of reclassified available-for-sale financial assets		
Loss on disposal (profit or loss)	-	(20,708)
Gain on disposal (reclassification) ¹	-	47,880
Gain on disposal of financial assets at fair value through profit or loss		
Gain on disposal	5,214	-
Gain (loss) on valuation of financial assets		
Fair value through profit or loss	(316)	-
Fair value through other comprehensive income	5,730,256	-
Gain on valuation of available-for-sale financial securities		
Equity instruments	-	1,360,913
Net impairment loss (reversal)		
Available-for-sale financial assets	-	(7,361)
Trade receivables	31,523	(75,935)
Financial assets at amortized cost	(16,375)	15,539
Derivative instruments		
Ineffective portion	(39)	4
Loss on derivative instruments held for trading	(64,563)	(57,597)
Other income/expense		
Loss on disposal of trade receivables	(18,693)	(12,904)
Gain on valuation of committed transactions	3,922	50
Net gain (loss) on foreign currency translation	<u>(10,125)</u>	<u>34,377</u>
	<u>₩ 5,926,911</u>	<u>₩ 1,423,117</u>

¹Accumulated other comprehensive income was reclassified as profit or loss for the year.

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8. Trade Receivables and Other Assets

Trade receivables and other assets as at December 31, 2017 and 2016, are as follows:

(in millions of Korean won)

	December 31, 2017			December 31, 2016
	Gross amount	Provision for impairment	Net amount	Net amount
Trade receivables				
Financial assets at amortized cost	₩ 3,929,605	₩ (89,974)	₩ 3,839,631	₩ 3,934,795
Due from customer for contract work	1,243,382	(90,554)	1,152,828	1,449,058
	<u>5,172,987</u>	<u>(180,528)</u>	<u>4,992,459</u>	<u>5,383,853</u>
Other current assets				
Financial assets at amortized cost :				
Short-term loans	311,725	(97,459)	214,266	149,353
Current portion of long-term receivables (Note 9)	6,017	-	6,017	139,202
Non-trade receivables	581,089	(21,970)	559,119	663,841
Accrued income	212,048	(44,389)	167,659	204,153
Deposits	492,991	(13,161)	479,830	494,604
	<u>1,603,870</u>	<u>(176,979)</u>	<u>1,426,891</u>	<u>1,651,153</u>
Derivative instruments	24,499	-	24,499	42,284
Advance payments	697,905	(26,336)	671,569	678,858
Prepaid expenses	444,928	(173,756)	271,172	272,216
Prepaid corporate income tax	191,665	-	191,665	185,759
Others	43,076	-	43,076	51,645
	<u>3,005,943</u>	<u>(377,071)</u>	<u>2,628,872</u>	<u>2,881,915</u>
Other non-current assets				
Financial asset at amortized cost:				
Long-term receivables (Note 9)	673,280	(219,018)	454,262	586,638
Long-term financial instruments	533	-	533	589
Deposits	205,931	(875)	205,056	197,133
Overseas natural resources development	33,237	(22,765)	10,472	10,472
	<u>912,981</u>	<u>(242,658)</u>	<u>670,323</u>	<u>794,832</u>
Others	40,803	-	40,803	54,111
	<u>953,784</u>	<u>(242,658)</u>	<u>711,126</u>	<u>848,943</u>
	<u>₩ 9,132,714</u>	<u>₩ (800,257)</u>	<u>₩ 8,332,457</u>	<u>₩ 9,114,711</u>

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	<u>December 31, 2017</u>			<u>December 31, 2016</u>
	Gross amount	Provision for impairment	Net amount	Net amount
Third party receivables	₩ 8,240,260	₩ (792,688)	₩ 7,447,572	₩ 8,686,998
Related party receivables	892,454	(7,569)	884,885	427,713
	<u>₩ 9,132,714</u>	<u>₩ (800,257)</u>	<u>₩ 8,332,457</u>	<u>₩ 9,114,711</u>

As at December 31, 2017, trade receivables amounting to ₩ 446,447 million (2016: ₩ 414,249 million), which were transferred to financial institutions but have not matured yet, are recognized as trade receivables and collateralized borrowings, respectively, due to a recourse in the event the debtor fails to pay (Note 17).

The Group classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding

With implementation of Korean IFRS 1109, changes in accounting policy and effects on the classification of financial assets are described in Note 36. And, refer to Note 2 for the accounting policy in respect of other financial assets.

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

(in millions of Korean won)

	January 1, 2017	Effect of Korean IFRS 1109 adoption	Impairment loss / reversal	Write-off	Others ¹	December 31, 2017
Trade receivables	₩ 192,561	₩ 12,059	₩ 13,077	₩ (35,920)	₩ (1,249)	₩ 180,528
Other current assets						
Financial assets at amortized cost:						
Short-term loans	87,827	6,469	2,856	-	307	97,459
Non-trade receivables	30,788	-	469	(7,954)	(1,333)	21,970
Accrued income	41,831	1,211	7,875	(6,011)	(517)	44,389
Deposits	6,472	-	6,689	-	-	13,161
	<u>166,918</u>	<u>7,680</u>	<u>17,889</u>	<u>(13,965)</u>	<u>(1,543)</u>	<u>176,979</u>
Advance payments	25,926	-	550	-	(140)	26,336
Prepaid expenses	159,555	-	14,201	-	-	173,756
	<u>352,399</u>	<u>7,680</u>	<u>32,640</u>	<u>(13,965)</u>	<u>(1,683)</u>	<u>377,071</u>
Other non-current assets						
Financial assets at amortized cost						
Long-term receivables	285,735	1,766	(1,513)	(67,035)	65	219,018
Deposits	875	-	-	-	-	875
Overseas natural resources development	22,765	-	-	-	-	22,765
	<u>309,375</u>	<u>1,766</u>	<u>(1,513)</u>	<u>(67,035)</u>	<u>65</u>	<u>242,658</u>
	<u>₩ 854,335</u>	<u>₩ 21,505</u>	<u>₩ 44,204</u>	<u>₩ (116,920)</u>	<u>₩ (2,867)</u>	<u>₩ 800,257</u>

¹ Others include exchange differences, consolidation adjustments and others.

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<i>(in millions of Korean won)</i>	January 1, 2016	Impairment loss / reversal	Write-off	Others ¹	December 31, 2016
Trade receivables	₩ 133,095	₩ 67,335	₩ (5,251)	₩ (2,618)	₩ 192,561
Other current assets					
Financial assets:					
Short-term loans	94,831	(6,881)	-	(123)	87,827
Non-trade receivables	31,383	246	(2,027)	1,186	30,788
Accrued income	31,913	12,397	(1,294)	(1,185)	41,831
Deposits	14,571	(7,998)	(100)	(1)	6,472
	172,698	(2,236)	(3,421)	(123)	166,918
Advance payments	25,875	-	-	51	25,926
Prepaid expenses	167,145	(7,915)	-	325	159,555
	365,718	(10,151)	(3,421)	253	352,399
Other non-current assets					
Financial assets:					
Long-term receivables	300,312	(4,737)	(9,934)	94	285,735
Deposits	925	(50)	-	-	875
Overseas natural resources development	22,682	83	-	-	22,765
	323,919	(4,704)	(9,934)	94	309,375
	₩ 822,732	₩ 52,480	₩ (18,606)	₩ (2,271)	₩ 854,335

¹ Others include exchange differences, consolidation adjustments and others.

Impairment losses from trade receivables and other receivables are included in selling and administrative expenses, and other operating expenses, respectively, in the consolidated statement of comprehensive income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

As at December 31, 2017 and 2016, fair values of trade receivables, other current assets and other non-current assets are equal to their book amount. The maximum exposure of trade and other receivables to credit risk is the book amount of each class of receivables mentioned above.

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9. Long-Term Receivables

Details of long-term receivables (including current portion) as at December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017	December 31, 2016
Loans for others	₩ 34,263	₩ 27,093
Loans for redevelopment and reconstruction projects	422,761	548,505
Proceeds from disposal of shares ²	-	142,129
Other long-term receivables	18,195	30,342
Less: Present value discount	(14,940)	(22,229)
	<u>460,279</u>	<u>725,840</u>
Less: Current portion of long-term receivables	(6,017)	(139,202)
	<u>₩ 454,262</u>	<u>₩ 586,638</u>

¹ During the year ended December 31, 2017, the Group wholly collected the long-term receivables related to the disposal of shares of Hanwha General Chemical Co., Ltd. (formerly Samsung General Chemicals Co., Ltd.) and Hanwha Techwin Co., Ltd. (formerly Samsung Techwin Co., Ltd.).

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10. Other Liabilities

Details of other liabilities as at December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017	December 31, 2016
Other current liabilities		
Financial instruments at amortized costs:		
Non-trade payables	₩ 1,007,924	₩ 855,127
Accrued expenses	790,655	1,108,303
Advances received related to housing business	857,617	891,351
Guarantee deposits received	<u>1,163,912</u>	<u>1,098,305</u>
	<u>3,820,108</u>	<u>3,953,086</u>
Other financial instruments		
Derivative instruments	1,957,159	1,907,765
Finance guarantee contract	<u>36,420</u>	<u>34,967</u>
	1,993,579	1,942,732
Advances received	2,962,568	3,111,865
Withholdings	249,860	264,745
Provisions (Note 19)	122,191	55,909
Others	<u>32,528</u>	<u>28,092</u>
	<u>9,180,834</u>	<u>9,356,429</u>
Other non-current liabilities		
Financial instruments at amortized costs:		
Long-term non-trade payables	77,736	111,621
Leasehold deposits received	<u>530</u>	<u>568</u>
	78,266	112,189
Long-term unearned revenue	1,209	1,447
Contingent liabilities	<u>155,132</u>	<u>244,856</u>
	<u>234,607</u>	<u>358,492</u>
	<u>₩ 9,415,441</u>	<u>₩ 9,714,921</u>

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11. Financial Assets Measured at Fair Value

(a) Financial Assets at Fair Value through Profit or Loss

The Group classifies the following financial assets at fair value through profit or loss:

- debt investments that do not qualify for measurement at either amortized cost or at fair value through other comprehensive income
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognize fair value gains and losses through other comprehensive income.

Changes in financial assets at fair value through profit or loss for the year ended December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	2017	
Beginning balance	₩	39,449
Acquisition		2,986
Disposal		(7,140)
Transfer and others		(10,540)
Loss on valuation		(316)
Ending balance	₩	<u>24,439</u>

Details of financial assets at fair value through profit or loss as at December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017		December 31, 2016¹	
Equity instruments				
Domestic listed equities	₩	2,165	₩	-
Foreign non-listed equities		6,319		-
Debt instruments				
Beneficiary certificates		157		
SOC shares		15,798		-
	₩	<u>24,439</u>	₩	<u>-</u>

¹ The above instruments were classified as available-for-sale financial assets in 2016.

Details of changes in accounting policies and reclassification of certain available-for-sale financial assets to financial assets at fair value through profit or loss are disclosed in Note 36.

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Details of listed equity instruments measured at fair value through profit or loss as at December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017				
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Market value	Book amount
Badaro No.19 Ship Investment Company	750,000	4.93	₩ 3,023	₩ 2,164	₩ 2,164
Sambu Construction Co.,Ltd.	182	0.00	9	1	1
			₩ 3,032	₩ 2,165	₩ 2,165

Details of non-listed equity instruments and debt instruments measured at fair value through profit or loss as at December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017				
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Net asset value or fair value	Book amount
ACWA GUC	1,128,011	16.11	₩ 9,106	₩ 9,106	₩ 9,106
Smart Rail Co.,Ltd.	1,000,000	8.70	6,692	6,692	6,692
POSCO INDIA CHENNAI STEEL PROCESSING CENTRE PVT.LTD. and others	-	-	1,999	6,476	6,476
			₩ 17,797	₩ 22,274	₩ 22,274

The amount recognized in profit or loss from financial assets at fair value through profit or loss for the year ended December 31, 2017, is as follows:

<i>(in millions of Korean won)</i>	2017	
Profit or loss related to equity instruments at fair value through profit or loss	₩	6,052
Profit or loss related to debt instruments at fair value through profit or loss		3,852
	₩	9,904

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(b) Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at fair value through other comprehensive income comprise:

- equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss as these are strategic investments and the group considered this to be more relevant, and
- debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

Changes in equity and debt instruments at fair value through other comprehensive income for the year ended December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	2017
Beginning balance	₩ 17,459,780
Acquisition	15,282
Disposal	(1,240)
Transfer and others	655
Gain on valuation	5,730,256
Ending balance	<u>₩ 23,204,733</u>

Details of financial instruments at fair value through other comprehensive income as at December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017	December 31, 2016¹
Equity instruments		
Listed equities	₩ 22,883,966	₩ -
Non-listed equities	275,364	-
Equity contribution	44,588	-
Debt instruments	815	-
	<u>₩ 23,204,733</u>	<u>₩ -</u>
Current portion	309	-
Non-current portion	<u>23,204,424</u>	<u>-</u>

¹ The above instruments were classified as available-for-sale financial assets in 2016.

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Details of listed equities, including preferred shares, measured at fair value through other comprehensive income as at December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017				
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Market value	Book amount
Samsung Electronics Co., Ltd.	5,976,362	4.06	₩ 6,484,353	₩ 15,227,770	₩ 15,227,770
Samsung Life Insurance Co., Ltd.	38,688,000	19.34	34,819	4,816,656	4,816,656
Samsung SDS Co., Ltd.	13,215,822	17.08	3,396,466	2,643,164	2,643,164
Samsung Heavy Industries Co., Ltd. and others	-	-	199,723	196,376	196,376
			<u>₩ 10,115,361</u>	<u>₩ 22,883,966</u>	<u>₩ 22,883,966</u>

Details of non-listed equities measured at fair value through other comprehensive income as at December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017				
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Net asset value or fair value	Book amount
Domestic Companies					
HAN ALL Co., Ltd.	1,128,011	16.11	₩ 11,280	₩ 15,098	₩ 15,098
SECUI Co., Ltd.	1,000,000	8.70	500	13,709	13,709
The Korea Economic Daily ¹	1,187,563	6.35	7,095	7,656	7,656
Samsung Economics Research Institute ¹	120,000	1.00	903	903	903
Oil Hub Korea and others ¹	-	-	43,228	40,353	40,353
			<u>63,006</u>	<u>77,719</u>	<u>77,719</u>
Overseas Companies					
Korea Ras laffan LNG Ltd.	2,783,333	10.00	80,279	72,601	72,601
iMaketAsia Co., Ltd.	772,657	19.32	8,941	20,217	20,217
Samsung SDI (Hongkong) Limited ¹	5,500,000	2.44	4,477	4,477	4,477
Beijing Samsung Real Estate Co., Ltd and others	-	-	104,401	100,350	100,350
			<u>198,098</u>	<u>197,645</u>	<u>197,645</u>
Equity Contribution					
Korea Construction Financial Cooperative	28,717	0.73	39,569	41,885	41,885
Others	-	-	2,515	2,703	2,703
			<u>42,084</u>	<u>44,588</u>	<u>44,588</u>
			<u>₩ 303,188</u>	<u>₩ 319,952</u>	<u>₩ 319,952</u>

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Changes in gain or loss on valuation of equity instruments measured at fair value through other comprehensive income for the year ended December 31, 2017, recorded as other component of equity, consist of the following:

	December 31, 2017				
	Balance at January 1, 2017 ¹	Effect on applying IFRS 9	Change for the year	Income tax allocated	Balance at December 31, 2017
Gain (loss) on valuation of financial assets at fair value	₩ 4,846,982	₩ 551	₩ 5,730,256	₩ (1,866,413)	₩ 8,711,376

¹ Accumulated other comprehensive income related to available-for-sale financial assets under Korean IFRS 1039

Upon disposal of these equity investments, any balance in the accumulated other comprehensive income for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

In the prior financial year, the Group had designated equity investments as available-for-sale when the management intended to hold them for the medium to long-term. Details of changes in accounting policies and reclassification of certain available-for-sale financial assets to financial assets at fair value through profit or loss are disclosed in Note 36.

Since the disposal occurred prior to the date of the initial adoption of Korean IFRS 1109 and the Group has elected not to apply Korean IFRS 1109 retrospectively, the loss and associated tax impact were reclassified from equity to profit or loss for that period in accordance with the Group's accounting policy for the prior period.

As at December 31, 2017 and 2016, debt instruments at fair value through other comprehensive income are as follows and the contractual cash flows under the instruments solely represent payments of principal and interest.

<i>(in millions of Korean won)</i>	December 31, 2017	December 31, 2016 ¹
Current portion		
Government bonds	₩ 309	₩ -
Non-current portion		
Government bonds	506	-
	<u>₩ 815</u>	<u>₩ -</u>

¹ The above instruments were classified as available-for-sale financial assets in 2016.

Upon disposal of these debt investments, any balance in the accumulated other comprehensive income for these debt investments is reclassified to profit or loss. Details of reclassification of available-for-sale financial assets to financial assets at amortized costs in 2017, are disclosed in Note 36.

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12. Available-for-sale Financial Assets

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

<i>(in millions of Korean won)</i>	2016
Beginning balance	₩ 15,976,707
Acquisition	108,117
Disposal and others	(398,658)
Impairment losses	(7,361)
Transfer	12,342
Changes in the fair value	1,805,626
Exchange differences	2,456
Ending balance	<u>₩ 17,499,229</u>

Details of available-for-sale financial assets as at December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Detail	December 31, 2016
Listed equities	(1)	₩ 17,135,811
Non-listed equities	(2)	360,531
Debt securities		<u>2,887</u>
		<u>₩ 17,499,229</u>
Current portion		2,033
Non-current portion		<u>17,497,196</u>

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(1) Listed equities

Listed equities, including preferred shares, as at December 31, 2016, consist of the following:

(in millions of Korean won)

	December 31, 2016				
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Market value	Book amount
Samsung Electronics Co., Ltd.	5,976,362	3.71	₩ 6,484,353	₩ 10,769,404	₩ 10,769,404
Samsung Life Insurance Co., Ltd.	38,688,000	19.34	34,819	4,352,400	4,352,400
Samsung SDS Co., Ltd.	13,215,822	17.08	3,396,466	1,843,607	1,843,607
Samsung Heavy Industries Co., Ltd. and others	-	-	199,964	170,400	170,400
			<u>₩ 10,115,602</u>	<u>₩ 17,135,811</u>	<u>₩ 17,135,811</u>

The difference between the acquisition cost and market value of the above listed equities are recognized as changes in the fair value of available-for-sale financial assets of accumulated other comprehensive income item after tax effect.

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(2) Non-listed equities

Non-listed equities as at December 31, 2016, consist of the following:

(in millions of Korean won)

	December 31, 2016				
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Fair value or Net asset value	Book amount
Domestic Companies					
HAN ALL Co., Ltd.	1,128,011	16.11	₩ 11,280	₩ 12,809	₩ 12,809
SECUI Co., Ltd.	1,000,000	8.70	500	13,594	13,594
The Korea Economic Daily ¹	1,187,563	6.35	7,095	7,656	7,656
Samsung Economics Research Institute ¹	120,000	1.00	903	912	903
Oil Hub Korea and others ¹	-	-	54,432	57,894	51,951
			<u>74,210</u>	<u>92,865</u>	<u>86,913</u>
Overseas Companies					
Korea Ras laffan LNG Ltd.	2,783,333	10.00	80,279	96,499	96,499
iMaketAsia Co., Ltd.	772,657	19.32	8,941	18,967	18,967
Samsung SDI (Hongkong) Limited ¹	5,500,000	2.44	4,477	4,477	4,477
Posco India Delhi Steel Processing Centre PVT.LTD. and others ¹	-	-	117,258	129,804	110,665
			<u>210,955</u>	<u>249,747</u>	<u>230,608</u>
Equity Contribution					
Korea Construction Financial Cooperative	28,717	0.73	39,569	40,368	40,368
Others ¹	-	-	2,565	3,055	2,642
			<u>42,134</u>	<u>43,423</u>	<u>43,010</u>
			<u>₩ 327,299</u>	<u>₩ 386,035</u>	<u>₩ 360,531</u>

¹ Non-listed equities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

As at December 31, 2016, the debt securities amounting to ₩ 2,887 million, are composed of national and municipal bonds, which have rates of return of 1.25% to 5.0% per annum.

As at December 31, 2016, the maximum amount exposed to credit risk, relating to available-for-sale financial assets, is equal to the book amount.

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Changes in the fair value of available-for-sale financial assets for the year ended December 31, 2016, recorded as other component of equity, consist of the following:

<i>(in millions of Korean won)</i>	Balance at January 1, 2016	Change for the year	Income tax allocated	Balance at December 31, 2016
Gain on valuation of available-for-sale financial assets	₩ 3,486,069	₩ 1,805,626	₩ (444,713)	₩ 4,846,982

13. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures as at December 31, 2017 and 2016, are as follows (Note 1.3):

<i>(in millions of Korean won)</i>		Percentage	December 31, 2017			December 31, 2016		
Location	of ownership(%)	Acquisition cost	Net assets	Book amount	Acquisition cost	Net assets	Book amount	
Associates								
Dongducheon Dream Power Co., Ltd. ²	Korea	31.15	₩ 81,191	₩ 68,698	₩ 43,548	₩ 81,191	₩ 79,024	₩ 53,874
Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd.	China	40.00	10,968	12,424	10,189	10,968	12,937	10,386
Songdo Landmark City Limited ³	Korea	43.94	20,522	20,522	20,522	20,522	20,522	20,522
KST POWER NORTE S.A. DE C.V.	Mexico	34.00	6,229	23,122	21,847	6,229	19,509	18,157
Chongqing Shanxia Technology Textile Co., Ltd. ⁵	China	20.00	30,461	27,998	29,105	30,461	29,444	29,444
Samsung Bioepis Co., Ltd. ⁴	Korea	94.61	5,208,496	465,298	4,882,445	5,008,482	357,053	4,780,772
Others			363,325	558,052	359,652	359,742	435,730	361,518
			<u>5,721,192</u>	<u>1,176,114</u>	<u>5,367,308</u>	<u>5,517,595</u>	<u>954,219</u>	<u>5,274,673</u>
Joint ventures								
Korea LNG Limited	Bermuda	20.00	83,507	35,837	35,837	83,507	52,713	52,713
Southgate Solar LP	Canada	-	-	-	-	13,141	9,382	7,976
SP Belle River LP	Canada	42.49	26,243	28,706	25,570	26,243	28,291	27,504
Others			453,287	358,548	362,666	435,620	437,509	357,365
			<u>563,037</u>	<u>423,091</u>	<u>424,073</u>	<u>558,511</u>	<u>527,895</u>	<u>445,558</u>
			<u>6,284,229</u>	<u>1,599,205</u>	<u>5,791,381</u>	<u>6,076,106</u>	<u>1,482,114</u>	<u>5,720,231</u>
Less : Asset held for sale								
Songdo Landmark City Limited ³	Korea	43.94	(20,522)	(20,522)	(20,522)	(20,522)	(20,522)	(20,522)
Chongqing Shanxia Technology Textile Co., Ltd. ⁵	China	20.00	(30,461)	(27,998)	(29,105)	-	-	-
			<u>₩ 6,233,246</u>	<u>₩ 1,550,685</u>	<u>₩ 5,741,754</u>	<u>₩ 6,055,584</u>	<u>₩ 1,461,592</u>	<u>₩ 5,699,709</u>

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¹ The investments in associates and joint ventures are all non-listed.

² As at December 31, 2017, investments in Dongducheon Dream Power Co., Ltd., (Acquisition cost: ₩ 81,191 million), are pledged as collateral to a financial institution for the borrowings (total borrowing limit of ₩ 1,285,000 million) of Dongducheon Dream Power Co., Ltd. (Note 32). In addition, the Group provides fund supplement commitment on expected working capital deficit of Dongducheon Dream Power Co., Ltd. up to ₩ 8,100 million.

³ The Group has entered into a contract to sell equity interests, receivables, and others of Songdo Landmark City Limited to joint venture partners and classified the investee as asset held for sale.

⁴ Samsung Bioepis Co., Ltd. is included in associates although the percentage of ownership is 94.61% since the Group holds no control considering the potential voting rights held by other entities (Note 20).

⁵ The investment in the associate was reclassified to an asset held for sale since the Group entered into an agreement to dispose the investment for the year ended December 31, 2017.

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Changes in investments in associates and joint ventures for the years ended December 31, 2017 and 2016, are as follows:

(in millions of Korean won)

	2017					
	January 1, 2017	Acquisition	Disposal and others	Share of profit (loss) of investments in associates and joint ventures	Others ¹	December 31, 2017
Associates						
Dongducheon Dream Power Co., Ltd.	₩ 53,874	₩ -	₩ -	₩ (10,326)	₩ -	₩ 43,548
Sino-Singapore Tianjin Eco-City Development Co., Ltd.	10,386	-	-	209	(406)	10,189
Songdo Landmark City Limited	20,522	-	-	-	-	20,522
KST POWER NORTE S.A. DE C.V.	18,157	-	-	5,973	(2,283)	21,847
Chongqing Shanxia Technology Textile Co., Ltd.	29,444	-	-	173	(512)	29,105
Samsung Bioepis Co., Ltd.	4,780,772	200,014	-	(98,888)	547	4,882,445
Others	361,518	-	(5,260)	4,617	(1,223)	359,652
	<u>5,274,673</u>	<u>200,014</u>	<u>(5,260)</u>	<u>(98,242)</u>	<u>(3,877)</u>	<u>5,367,308</u>
Joint ventures						
Korea LNG Limited	52,713	-	-	6,489	(23,365)	35,837
Southgate Solar LP	7,976	-	(11,335)	3,029	330	-
SP Belle River LP	27,504	-	-	(2,095)	161	25,570
Others	357,365	48,695	(34,173)	45,310	(54,531)	362,666
	<u>445,558</u>	<u>48,695</u>	<u>(45,508)</u>	<u>52,733</u>	<u>(77,405)</u>	<u>424,073</u>
	5,720,231	248,709	(50,768)	(45,509)	(81,282)	5,791,381
Less : Asset held for sale						
Songdo Landmark City Limited	(20,522)	-	-	-	-	(20,522)
Chongqing Shanxia Technology Textile Co., Ltd.	-	-	-	-	(29,105)	(29,105)
	<u>₩ 5,699,709</u>	<u>₩ 248,709</u>	<u>₩ (50,768)</u>	<u>₩ (45,509)</u>	<u>₩ (110,387)</u>	<u>₩ 5,741,754</u>

¹Others include dividends, exchange differences, and others.

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	2016					
	January 1, 2017	Acquisition	Disposal and others	Share of profit (loss) of investments in associates and joint ventures	Others ¹	December 31, 2017
Associates						
Dongducheon Dream Power Co., Ltd.	₩ 75,187	₩ -	₩ -	₩ (21,313)	₩ -	₩ 53,874
Sino-Singapore Tianjin Eco-City Development Co., Ltd.	10,911	-	-	177	(702)	10,386
Songdo Landmark City Limited	20,522	-	-	-	-	20,522
KST POWER NORTE S.A. DE C.V.	7,413	-	-	8,961	1,783	18,157
Chongqing Shanxia Technology Textile Co., Ltd.	30,216	-	-	113	(885)	29,444
Samsung Bioepis Co., Ltd.	4,693,732	199,904	-	(111,677)	(1,187)	4,780,772
Others	357,545	3,000	(4,723)	(395)	6,091	361,518
	<u>5,195,526</u>	<u>202,904</u>	<u>(4,723)</u>	<u>(124,134)</u>	<u>5,100</u>	<u>5,274,673</u>
Joint ventures						
Korea LNG Limited	51,547	-	-	6,392	(5,226)	52,713
K2 Wind Ontario LP	29,321	-	(24,842)	6,409	(10,888)	-
Southgate Solar LP	6,545	6,597	-	(4,282)	(884)	7,976
SP Belle River LP	4,777	24,553	(2,179)	(848)	1,201	27,504
Others	374,864	39,143	(3,359)	43,587	(96,870)	357,365
	<u>467,054</u>	<u>70,293</u>	<u>(30,380)</u>	<u>51,258</u>	<u>(112,667)</u>	<u>445,558</u>
	5,662,580	273,197	(35,103)	(72,876)	(107,567)	5,720,231
Less : Asset held for sale						
Songdo Landmark City Limited	(20,522)	-	-	-	-	(20,522)
	<u>₩ 5,642,058</u>	<u>₩ 273,197</u>	<u>₩ (35,103)</u>	<u>₩ (72,876)</u>	<u>₩ (107,567)</u>	<u>₩ 5,699,709</u>

¹Others include dividends, exchange differences, and others.

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Summarized financial information of major associates and joint ventures, including dividends received by the Group, as at and for the years ended December 31, 2017 and 2016, is as follows:

(in millions of Korean won)

	2017										
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Non-controlling interests	Revenue	Profit(loss) for the year	Other comprehensive income	Total comprehensive income	Dividends received	
Associates											
Dongducheon Dream Power Co., Ltd.	₩ 110,624	₩1,460,293	₩ 305,650	₩1,068,987	₩ -	₩ 728,561	₩ (46,891)	₩ -	₩ (46,891)	₩ -	
Sino-Singapore Tianjin Eco City Shengxing Development Co., Ltd.	31,980	1	922	-	-	-	522	-	522	-	
KST POWER NORTE S.A. DE C.V.	69,017	477,226	61,715	416,521	-	120,151	16,152	-	16,152	-	
Chongqing Shanxia Technology Textile Co., Ltd.	339,239	89,645	286,495	2,398	-	118,890	721	-	721	-	
Samsung Bioepis Co., Ltd. ¹	608,052	631,088	510,873	236,438	-	312,330	(91,415)	701	(90,714)	-	
Joint ventures											
Korea LNG Limited	670	178,598	3	83	-	34,640	32,446	(57,502)	(25,056)	6,439	
Southgate Solar LP	-	-	-	-	-	-	-	-	-	553	
SP Belle River LP	31,442	264,785	17,198	211,468	-	8,286	832	3,602	4,434	-	

¹ Based on consolidated financial information.

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(in millions of Korean won)

	2016										
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Non-controlling interests	Revenue	Profit(loss) for the year	Other comprehensive income	Total comprehensive income	Dividends received	
Associates											
Dongducheon Dream Power Co., Ltd.	₩ 178,590	₩ 1,505,413	₩ 403,362	₩ 1,054,858	₩ -	₩ 106,612	₩ (45,426)	₩ -	₩ (45,426)	₩ -	
Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd.	34,476	2	2,135	-	-	8,885	443	-	443	-	
KST POWER NORTE S.A. DE C.V.	55,557	541,281	54,565	484,895	-	147,652	26,206	-	26,206	-	
Chongqing Shanxia Technology Textile Co., Ltd.	354,566	96,203	284,305	19,244	-	197,603	1,637	-	1,637	-	
Samsung Bioepis Co., Ltd. ¹	437,924	570,868	540,272	85,876	-	139,184	(106,384)	(1,407)	(107,791)	-	
Joint ventures											
Korea LNG Limited	20,442	262,828	19,650	54	-	33,035	31,962	-	31,962	6,342	
Southgate Solar LP	15,341	141,158	27,829	109,906	-	6	(172)	(2,620)	(2,792)	-	
SP Belle River LP	20,897	122,071	73,915	2,470	-	-	(140)	(148)	(288)	-	

¹ Based on consolidated financial information.

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Reconciliation of financial information to book amount of the major investments in associates and joint ventures for the years ended December 31, 2017 and 2016, is as follows:

(in millions of Korean won)

	Net assets	Percentage of ownership (%)	Share in net assets	2017		Book amount
				Difference between the cost of the investment and share in the investee's equity	Intragroup transactions	
Associates						
Dongducheon Dream Power Co., Ltd. ¹	₩ 196,280	31.15	₩ 68,698	₩ (1,175)	₩ (23,975)	₩ 43,548
Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd.	31,059	40.00	12,424	(2,235)	-	10,189
KST POWER NORTE S.A. DE C.V.	68,007	34.00	23,122	-	(1,275)	21,847
Chongqing Shanxia Technology Textile Co., Ltd.	139,991	20.00	27,998	-	1,107	29,105
Samsung Bioepis Co., Ltd.	491,829	94.61	465,298	4,417,147	-	4,882,445
Joint ventures						
Korea LNG Limited	179,183	20.00	35,837	-	-	35,837
Southgate Solar LP	-	-	-	-	-	-
SP Belle River LP	67,560	42.49	28,706	-	(3,136)	25,570

¹ Since the disproportionate capital increase by the other investor was classified as financial liabilities, the Group applied 35% of ownership interest when calculating share of profit or loss of the associate.

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	2016					
	Net assets	Percentage of ownership (%)	Share in net assets	Difference between the cost of the investment and share in the investee's equity	Intragroup transactions	Book amount
Associates						
Dongducheon Dream Power Co., Ltd. ¹	₩ 225,783	31.15	₩ 79,024	₩ -	₩ (25,150)	₩ 53,874
Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd.	32,343	40.00	12,937	-	(2,551)	10,386
KST POWER NORTE S.A. DE C.V.	57,378	34.00	19,509	-	(1,352)	18,157
Chongqing Shanxia Technology Textile Co., Ltd.	147,220	20.00	29,444	-	-	29,444
Samsung Bioepis Co., Ltd.	382,644	93.31	357,053	4,423,719	-	4,780,772
Joint ventures						
Korea LNG Limited	263,566	20.00	52,713	-	-	52,713
Southgate Solar LP	18,764	49.99	9,384	2,792	(4,198)	7,978
SP Belle River LP	66,583	42.49	28,291	-	(787)	27,504

¹ Since the disproportionate capital increase by the other investor was classified as financial liabilities, the Group applied 35% of ownership interest when calculating share of profit or loss of the associate.

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14. Property, Plant and Equipment, and Intangible Assets

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

(in millions of Korean won)

	2017					
	Land	Buildings and structures	Animals& plants	Others	Construction in progress	Total
Beginning balance						
Acquisition cost	₩ 2,232,229	₩ 2,211,981	₩ 72,042	₩ 1,792,328	₩ 287,496	₩ 6,596,076
Accumulated impairment and depreciation	-	(575,226)	(4,459)	(731,932)	-	(1,311,617)
Beneficiary's share of construction cost	-	-	-	(3,250)	-	(3,250)
	2,232,229	1,636,755	67,583	1,057,146	287,496	5,281,209
Changes during the year						
Acquisition	14,040	10,818	2,128	102,092	543,873	672,951
Disposal	(27,439)	(17,637)	(126)	(51,825)	-	(97,027)
Depreciation	-	(67,474)	(2,466)	(189,239)	-	(259,179)
Transfer	(384,165)	175,701	78	157,688	(541,652)	(592,350)
Impairment	(7,349)	-	-	-	-	(7,349)
Others ¹	(775)	(1,267)	(4,518)	(4,897)	(854)	(12,311)
Ending balance	1,826,541	1,736,896	62,679	1,070,965	288,863	4,985,944
Acquisition cost	1,826,541	2,361,047	69,108	1,952,215	288,863	6,497,774
Accumulated impairment and depreciation	-	(624,151)	(6,429)	(878,268)	-	(1,508,848)
Beneficiary's share of construction cost	-	-	-	(2,982)	-	(2,982)
	₩ 1,826,541	₩ 1,736,896	₩ 62,679	₩ 1,070,965	₩ 288,863	₩ 4,985,944

¹ Others include exchange differences, changes in scope of consolidation and others.

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	2016					
	Land	Buildings and structures	Animals& plants	Others	Construction in progress	Total
Beginning balance						
Acquisition cost	₩ 2,247,048	₩ 2,090,638	₩ 63,995	₩ 1,131,765	₩ 485,443	₩ 6,018,889
Accumulated impairment and depreciation	-	(432,184)	(2,116)	(446,799)	-	(881,099)
Beneficiary's share of construction cost	-	-	-	(3,508)	-	(3,508)
	<u>2,247,048</u>	<u>1,658,454</u>	<u>61,879</u>	<u>681,458</u>	<u>485,443</u>	<u>5,134,282</u>
Changes during the year						
Acquisition	20,633	16,326	451	193,638	252,627	483,675
Disposal	(49,149)	(23,743)	(173)	(39,403)	(347)	(112,815)
Depreciation	-	(69,184)	(2,320)	(183,396)	-	(254,900)
Transfer	12,411	75,265	2,609	402,651	(425,749)	67,187
Others ¹	1,286	(20,362)	5,136	2,198	(24,478)	(36,220)
Ending balance	<u>2,232,229</u>	<u>1,636,756</u>	<u>67,582</u>	<u>1,057,146</u>	<u>287,496</u>	<u>5,281,209</u>
Acquisition cost	2,232,229	2,211,981	72,041	1,792,328	287,496	6,596,075
Accumulated impairment and depreciation	-	(575,225)	(4,459)	(731,932)	-	(1,311,616)
Beneficiary's share of construction cost	-	-	-	(3,250)	-	(3,250)
	<u>₩ 2,232,229</u>	<u>₩ 1,636,756</u>	<u>₩ 67,582</u>	<u>₩ 1,057,146</u>	<u>₩ 287,496</u>	<u>₩ 5,281,209</u>

¹ Others include exchange differences, changes in scope of consolidation and others.

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

(in millions of Korean won)

	2017									
	Mineral rights	Memberships	Software	Right to use property	Goodwill	Customer relationships	Brands	Orders on hand	Others	Total
Beginning balance	₩ 543,519	₩ 81,307	₩ 118,837	₩ 7,116	₩ 60,758	₩ 53,939	₩ 189,553	₩ 484,608	₩ 61,666	₩1,601,303
Acquisition	38,180	562	5,632	-	-	-	-	-	19,687	64,061
Disposal	-	(60,038)	(93)	(550)	-	-	-	-	(397)	(61,078)
Amortization	(23,146)	(12)	(63,366)	(1,134)	-	(5,487)	(725)	(103,805)	(19,068)	(216,743)
Impairment	-	(1,560)	-	-	-	-	-	-	-	(1,560)
Reversal	-	27,114	-	-	-	-	-	-	-	27,114
Transfer ²	(22,330)	-	17,429	-	-	-	-	-	(4,948)	(9,849)
Others ¹	(96,529)	5,622	(130)	(58)	(626)	-	-	-	(55)	(91,776)
Ending balance	<u>₩ 439,694</u>	<u>₩ 52,995</u>	<u>₩ 78,309</u>	<u>₩ 5,374</u>	<u>₩ 60,132</u>	<u>₩ 48,452</u>	<u>₩ 188,828</u>	<u>₩ 380,803</u>	<u>₩ 56,885</u>	<u>₩1,311,472</u>

¹ Others include exchange differences, changes in scope of consolidation and others.

² Mineral rights of ₩ 22,330 million were reclassified to assets held for sale since the Group entered into an agreement to dispose of the rights during the year 2017.

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	2016									
	Mineral rights	Memberships	Software	Right to use property	Goodwill	Customer relationships	Brands	Orders on hand	Others	Total
Beginning balance	₩ 594,057	₩ 82,143	₩ 143,204	₩ 8,264	₩ 61,524	₩ 59,427	₩ 190,940	₩ 617,813	₩ 82,800	₩1,840,172
Acquisition	11,171	657	19,301	-	-	-	-	-	17,063	48,192
Disposal	(558)	(204)	(138)	(10)	-	-	-	-	(54)	(964)
Amortization	(18,181)	-	(62,626)	(1,149)	-	(5,488)	(1,387)	(133,205)	(22,115)	(244,151)
Impairment	(90,200)	(362)	-	-	-	-	-	-	-	(90,562)
Transfer	25,062	-	14,487	-	-	-	-	-	(11,377)	28,172
Others ¹	22,168	(927)	4,609	11	(766)	-	-	-	(4,651)	20,444
Ending balance	₩ 543,519	₩ 81,307	₩ 118,837	₩ 7,116	₩ 60,758	₩ 53,939	₩ 189,553	₩ 484,608	₩ 61,666	₩1,601,303

¹ Others include exchange differences, changes in scope of consolidation and others.

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Goodwill is monitored by the management at the operating segment level. The following is a summary of goodwill allocation for each operating segment (cash-generating unit or groups of cash-generating units) as at December 31, 2017 and 2016:

<i>(in millions of Korean won)</i>	December 31, 2017	December 31, 2016
Fashion segment: acquisition of fashion business segment of Samsung SDI Co., Ltd.	₩ 56,262	₩ 56,262
Others	3,870	4,496
	<u>₩ 60,132</u>	<u>₩ 60,758</u>

Goodwill or intangible assets with indefinite useful lives are tested annually for impairment.

(a) Fashion segment: acquisition of fashion business segment of Samsung SDI Co., Ltd.

The recoverable amounts of cash generating unit (CGU) 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 five-year period. The key assumptions used for value-in-use calculations of the CGU as at December 31, 2017, are as follows:

	Key assumptions
Gross margin (% of revenue)	58.8% ~ 59.2%
Sales growth rate ¹	-1.1% ~ 7.3%
Perpetual growth rate	-
Pre-tax discount rate ²	11.58%

¹ The growth rate is a weighted average sales growth rate used to estimate cash flows for five years and determined based on past performance and the Group's expectations of market development.

² The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

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(b) Construction segment: Raemian brand

The recoverable amount of the brand has been determined by income approach, which is based on the excess earnings of the relevant operating segment. These calculations use operating profit projections based on financial budgets approved by management covering five-year period. The key assumptions used for calculation of the brand value as at December 31, 2017, are as follows:

	Key assumptions
Excess earnings ratio	0.8%
EBIT%	4.5% ~ 5.4%
Perpetual growth rate	-
Pre-tax discount rate ¹	16.89%

¹ The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

As at December 31, 2017, the value of land owned by the Group, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately ₩ 1,756,493 million.

The Group entered into a Collateral Trust Agreement with KB Real Estate Trust Co., Ltd., which the Group provided its land and building located in Yongin-si, Gyeonggi-do as trust property. Simultaneously, the Group pledged the primary beneficiary certificate of the trust property as collateral to Woori Bank in relation to the short-term borrowings.

The right to use property is on the off-street parking area donated to the Seoul city government, and others. The Group is able to use the facility for free for 14 - 20 years after the completion of the construction.

Depreciation and amortization expenses are allocated to cost of sales, selling and general administrative expense, and other expenses amounting to ₩ 227,224 million, ₩ 185,840 million and ₩ 62,858 million, respectively.

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15. Investment Properties

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

(in millions of Korean won)

	2017			2016		
	Land	Building	Total	Land	Building	Total
Beginning balance	₩ 88,197	₩ 28,084	₩ 116,281	₩ 95,239	₩ 37,807	₩ 133,046
Disposal	-	(527)	(527)	(3,257)	(3,230)	(6,487)
Depreciation	-	(4,071)	(4,071)	-	(579)	(579)
Transfer	386,987	174,616	561,603	(3,786)	(5,907)	(9,693)
Others ¹	-	(1,625)	(1,625)	-	(6)	(6)
Ending balance	<u>₩ 475,184</u>	<u>₩ 196,477</u>	<u>₩ 671,661</u>	<u>₩ 88,196</u>	<u>₩ 28,085</u>	<u>₩ 116,281</u>

¹ Others include adjustments due to exchange difference.

As at December 31, 2017, fair value of the investment properties above is ₩ 733,665 million (2016: ₩ 135,610 million).

The rental income for the years ended December 31, 2017 and 2016, arising from the investment properties above, amounts to ₩ 38,555 million and ₩ 4,317 million, respectively.

As at December 31, 2017, the Group provided land and buildings, which are located in Seocho-gu, Seoul, Republic of Korea, as collateral to Samsung Fire & Marine Insurance Co., Ltd. and Samsung Life Insurance Co., Ltd. for establishment of the right to collateral security according to lease agreements, with total secured amount of ₩ 31,037 million.

16. Biological Assets

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

(in millions of Korean won)

	2017	2016
Beginning balance	₩ 2,505	₩ 2,415
Exchange differences	(301)	90
Ending balance	<u>₩ 2,204</u>	<u>₩ 2,505</u>

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17. Debentures and Borrowings

Details of debentures and borrowings as at December 31, 2017 and 2016, are as follows:

(in millions of Korean won)

	December 31, 2017	December 31, 2016
Current liabilities		
Short-term borrowings	₩ 2,093,310	₩ 1,865,815
Current portion of long-term borrowings	327,319	367,824
Current portion of debentures	1,020,000	1,240,000
Less: Discount on debentures	(518)	(457)
	<u>3,440,111</u>	<u>3,473,182</u>
Non-current liabilities		
Long-term borrowings	987,270	1,282,092
Debentures	1,610,000	2,380,000
Less: Discount on debentures	(3,174)	(4,815)
	<u>2,594,096</u>	<u>3,657,277</u>
	<u>₩ 6,034,207</u>	<u>₩ 7,130,459</u>

Short-term borrowings as at December 31, 2017 and 2016, consist of the following:

(in millions of Korean won)

	Creditors	Annual interest rate (%)	December 31, 2017	December 31, 2016
Samsung C&T and domestic subsidiaries				
Loans in local currency ¹	Woori Bank and others	1.40 - 2.82	₩ 681,223	₩ 494,223
Loans in foreign currency	SMBC and others	2.11 - 2.99	135,294	147,452
Banker's usance	Woori Bank and others	L+0.4 - 1.60	38,810	73,622
Secured loans (Note 8)	Woori Bank and others	L+0.4 - 1.95	445,049	411,425
			<u>1,300,376</u>	<u>1,126,722</u>
Foreign subsidiaries				
General loans	Citi Bank and others	0.31 - 4.50	791,536	736,269
Secured loans (Note 8)	BTMU	2.875	1,398	2,824
			<u>792,934</u>	<u>739,093</u>
			<u>₩ 2,093,310</u>	<u>₩ 1,865,815</u>

¹ In relation to the borrowings, the land and building of the Group are provided as collateral to Woori Bank(Note 14).

As at December 31, 2017, the Group has entered into bank overdraft facility agreements amounting to ₩ 158,500 million and credit facility agreements amounting to ₩ 818,000 million with 11 banks, including Woori Bank. Also, the Group has entered into credit agreements using its notes receivables which are guaranteed, as collateral for up to ₩ 154,000 million with three banks, including Shinhan Bank.

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Long-term borrowings (including foreign currency) as at December 31, 2017 and 2016, consist of the following:

(in millions of Korean won)

Creditors	Annual interest rate (%)	December 31, 2017	December 31, 2016
Denominated in Korean won			
Samsung C&T and domestic subsidiaries			
KEB Hana Bank (Energy facility loans)	-	₩ -	₩ 22,701
Korea Development Bank and others (Facility loans)	2.83 - 3.57	380,800	490,800
Korea Housing & Urban Guarantee Corporation and others (Working capital loans)	-	7,537	7,814
Shinhan Bank (Long-term commercial paper)	1.95 - 2.14	400,000	300,000
		788,337	821,315
Less: Current portion of long-term borrowings		(49,028)	(150,278)
		<u>739,309</u>	<u>671,037</u>
Denominated in foreign currency			
Samsung C&T and domestic subsidiaries			
Korea Energy Agency (Condition loans)	0.75 - 5.00	32,064	37,236
Citibank Korea Inc. (General borrowings)	Libor + 0.80	106,330	
Mizuho Corporate Bank (General borrowings)	-	-	119,936
SMBC (General borrowings)	Libor + 0.70	163,924	329,921
The Export-Import Bank of Korea and others (Facility loans)	Libor+1.50	25,186	132,339
Foreign subsidiaries			
SC Bank and others (General borrowings)	0.80 - 8.64	198,748	209,169
		526,252	828,601
Less: Current portion of long-term borrowings		(278,291)	(217,546)
		<u>247,961</u>	<u>611,055</u>
		<u>₩ 987,270</u>	<u>₩ 1,282,092</u>

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The annual maturities of long-term debts outstanding (excluding current portion) as at December 31, 2017, are as follows:

(in millions of Korean won)

	Debentures (Face value)	Borrowings in Korean Won	Borrowings in foreign currencies	Total
January 1, 2019~				
December 31, 2019	₩ 1,020,000	₩ 520,579	₩ 125,620	₩ 1,666,199
January 1, 2020~				
December 31, 2020	250,000	211,929	52,545	514,474
January 1, 2021~				
December 31, 2021	290,000	379	6,277	296,656
After January 1, 2022	50,000	6,422	63,519	119,941
	<u>₩ 1,610,000</u>	<u>₩ 739,309</u>	<u>₩ 247,961</u>	<u>₩ 2,597,270</u>

Long-term borrowings and debentures by currencies as at December 31, 2017 and 2016, are as follows:

(in millions of Korean won)

	Long-term borrowings		Debentures	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
US Dollars	₩ 160,152	₩ 547,803	₩ -	₩ -
Korean Won	739,309	671,037	1,606,826	2,375,185
Japanese Yen	6,641	7,715	-	-
Euro	81,168	55,537	-	-
	<u>₩ 987,270</u>	<u>₩ 1,282,092</u>	<u>₩ 1,606,826</u>	<u>₩ 2,375,185</u>

18. Net Defined Benefit Liabilities

Details of net defined benefit liabilities as at December 31, 2017 and 2016, are as follows:

(in millions of Korean won)

	December 31, 2017	December 31, 2016
Defined benefit obligation	₩ 748,931	₩ 715,702
Less: Plan assets	(689,776)	(614,100)
Less: Contribution to National Pension Fund	(798)	(915)
	<u>₩ 58,357</u>	<u>₩ 100,687</u>

The Group under defined benefit plans is required to pay post-employment benefits to any employee who has provided one year or more of services as at reporting date, in accordance with the Group's policies on payment of post-employment benefits (in accordance with local regulations for overseas subsidiaries). Additionally, as at December 31, 2017, the Group is under contracts with Samsung Life Insurance Co., Ltd. and others for operations management and asset management of their defined benefit pension plans.

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Details of defined benefit liabilities recognized in the consolidated statements of financial position as at December 31, 2017 and 2016, are determined as follows:

<i>(in millions of Korean won)</i>	December 31, 2017	December 31, 2016
Present value of funded defined benefit obligations	₩ 748,931	₩ 715,702
Fair value of plan assets ¹	<u>(690,574)</u>	<u>(615,015)</u>
Net defined benefit liabilities	<u>₩ 58,357</u>	<u>₩ 100,687</u>

¹ The amount includes contributions to the National Pension Fund of ₩ 798 million (2016: ₩ 915 million).

Movements in the defined benefit obligations for the years ended December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Beginning balance	₩ 715,702	₩ 726,439
Current service cost	98,573	108,315
Interest expense	21,444	21,677
Remeasurement (before tax effect)		
Actuarial loss (gain) from change in demographic assumptions	45	(243)
Actuarial gain from change in financial assumptions	(17,894)	(5,366)
Actuarial loss from experience adjustments	19,162	4,380
Benefits paid	(88,521)	(138,979)
Transfer-in (out)	1,577	(979)
Changes due to transfer of business	-	(79)
Others changes ¹	<u>(1,157)</u>	<u>537</u>
Ending balance	<u>₩ 748,931</u>	<u>₩ 715,702</u>

¹ Other changes include adjustments due to exchange differences.

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Movements in the fair value of plan assets for the years ended December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Beginning balance	₩ 615,015	₩ 605,014
Return on plan assets	17,522	17,400
Remeasurement (before tax effect)	(8,498)	(8,869)
Employer contributions	130,059	121,878
Benefits paid	(64,281)	(120,516)
Transfer-in (out)	757	176
Changes due to transfer of business	-	(68)
Ending balance	<u>₩ 690,574</u>	<u>₩ 615,015</u>

¹ Other changes include adjustments due to exchange differences.

The amounts recognized in the statements of comprehensive income for the years ended December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Defined benefit plan		
Current service cost	₩ 98,573	₩ 108,315
Interest expense	21,444	21,677
Return on plan assets	(17,522)	(17,400)
Defined contribution plan		
Post-employment benefits	3,024	1,906
Others	90,547	160,442
	<u>₩ 196,066</u>	<u>₩ 274,940</u>

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

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	₩ 60,175	₩ 131,258
Selling and administrative expenses (post-employment benefits)	120,737	116,578
Selling and administrative expenses (research and development)	9,564	20,363
Other assets	5,590	6,741
	<u>₩ 196,066</u>	<u>₩ 274,940</u>

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The significant actuarial assumptions as at December 31, 2017 and 2016, are as follows:

<i>(in Percentage)</i>	December 31, 2017	December 31, 2016
Discount rate	3.30% - 3.90%	2.80% - 3.70%
Salary growth rate	2.80% - 6.12%	2.90% - 5.92%

Discount rate is measured by reference to corporate bond rated AA-. Mortality rate for defined benefit pension plan announced by Korea Insurance Development Institute is adopted and the retirement rate is measured by reference to the historical record of retirement.

Accumulated actuarial gains and losses recognized as other comprehensive income amount to ₩ 66,151 million as at December 31, 2017 (2016: ₩ 60,481 million).

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

<i>(in percentage)</i>	Impact on defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	6% decrease	7% increase
Salary growth rate	1%	7% increase	6% decrease

Plan assets as at December 31, 2017 and 2016, consist of:

<i>(in millions of Korean won)</i>	December 31, 2017		December 31, 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Equity and debt securities	₩ 390,589	56.56	₩ 348,283	56.63
Loans	258,482	37.43	220,114	35.79
Deposits and others	41,503	6.01	46,618	7.58
	<u>₩ 690,574</u>	<u>100.00</u>	<u>₩ 615,015</u>	<u>100.00</u>

The estimated amount that the Group's management expects to contribute to plan assets within 12 months after the end of the reporting period is ₩ 90,401 million.

Actual income on plan assets for the year ended December 31, 2017, is ₩ 9,024 million.

Expected maturity analysis of undiscounted pension benefits as at December 31, 2017, is as follows:

<i>(in millions of Korean won)</i>	Less than 1	Between 1	Between 2	Over 5 years	Total
	year	and 2 years	and 5 years		
Pension benefits	₩ 76,080	₩ 108,167	₩ 257,565	₩ 435,753	₩ 877,565

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19. Provisions

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

(in millions of Korean won)

	2017			
	Construction warranties ¹	Restoring cost ²	Other ³	Total
January 1, 2017	₩ 176,855	₩ 43,078	₩ 114,268	₩ 334,201
Additional provisions	35,169	6,249	111,198	152,616
Used and reversal	(27,125)	(794)	(62,871)	(90,790)
Exchange differences	(4,266)	(5,164)	(7,380)	(16,810)
December 31, 2017	₩ 180,633	₩ 43,369	₩ 155,215	₩ 379,217
Current (Note 10)	-	13,129	109,063	122,192
Non-current	180,633	30,240	46,152	257,025

¹ The Group recognizes expenses, which are expected to be spent for future repairs, as a provision based on historical experience.

² The Group recognizes amounts discounted at present value, which are expected to be spent for future dismantling and removing of the equipment of oil and gas subsidiaries or restoring the site, as a provision.

³ Others include provisions for product warranty and provisions reflecting risk of business.

(in millions of Korean won)

	2016			
	Construction warranties ¹	Restoring cost ²	Other	Total
January 1, 2016	₩ 171,983	₩ 44,613	₩ 24,481	₩ 241,077
Additional provisions	29,342	1,048	103,579	133,969
Used and reversal	(25,068)	(2,819)	(13,706)	(41,593)
Exchange differences	598	1,288	(86)	1,800
Other changes	-	(1,052)	-	(1,052)
December 31, 2016	₩ 176,855	₩ 43,078	₩ 114,268	₩ 334,201
Current (Note 10)	-	-	55,909	55,909
Non-current	176,855	43,078	58,359	278,292

¹ The Group recognizes expenses, which are expected to be spent for future repairs, as a provision based on historical experience.

² The Group recognizes amounts discounted at present value, which are expected to be spent for future dismantling and removing of the equipments of oil and gas subsidiaries or restoring the site, as a provision.

³ Others include provisions for product warranty and provisions reflecting risk of business.

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20. Contingencies and Commitments

As at December 31, 2017, the Group has agreements with several financial institutions, including Woori Bank, for the guarantees of letters of credit related to the Group's export and import, totaling USD 500,441 thousand, for the guarantee of the performance of export contracts amounting to USD 382,847 thousand and for the guarantee of various trade finance with a limit of USD 2,270,172 thousand. The receivables from export transactions sold to financial institutions, which amount to USD 459,998 thousand, are not yet due as at December 31, 2017.

As at December 31, 2017, the Group has provided a note amounting to ₩ 500 million, and 21 blank checks and notes as collateral to related institutions for borrowings, performance guarantees, construction payment guarantees, and others.

As at December 31, 2017, the Group is contingently liable for loan guarantees, principally for foreign associates and joint ventures amounting to USD 165,426 thousand (Note 32). The Group provides performance guarantees on the construction contracts of its foreign operations limited to USD 146,487 thousand, and the Group provides guarantees for the performance of other construction companies' projects amounting to ₩ 269,455 million. Conversely, other construction companies provide guarantees for the performance of the Group's projects amounting to ₩ 1,218,071 million.

As at December 31, 2017, the Group has short-term export insurance with Korea Trade Insurance Corporation. The certificates issued by Korea Trade Insurance Corporation (insured amount of ₩ 126,107 million) relating to guarantees provided by financial institutions are pledged as collateral.

As at December 31, 2017, the Group has been named as the defendant in certain lawsuits brought against it in the normal course of business. The aggregate amount of 161 claims brought against the Group, is approximately ₩ 426,182 million and USD 365,887 thousand. The Group also files 91 counterclaims amounting to ₩ 513,161 million and USD 936,430 thousand. The Group's management believes that the ultimate resolution of these cases will not have a material adverse effect on the operations or financial position of the Group.

As at December 31, 2017, the Group has 1,230 forward exchange contracts amounting to USD 535,733 thousand, JPY 98,678 thousand, EUR 13,527 thousand, SGD 1,858 thousand, GBP 283 thousand, CNY 870 thousand, CHF 60 thousand and SEK 1,460 thousand and, and 11 interest rate swap contracts with financial institutions whose contracts amount to ₩ 400,000 million, USD 48,125 thousand and EUR 19,578 thousand. These forward exchange contracts and interest rate swap contracts are intended to hedge foreign exchange risk and interest risk exposures of the Group. In addition, the Group has entered into two currency swap contracts with contract prices amounting to USD 99,244 thousand and 174 commodity futures contracts with financial institutions with contract prices amounting to USD 220,368 thousand. For the year ended December 31, 2017, realized gains and losses from the contracts mentioned above, included in 'foreign exchange gain and loss', amount to approximately ₩ 84,844 million and ₩ 95,123 million, respectively.

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As at December 31, 2017, details of gain (loss) on valuation of derivative instruments are as follows:

(in millions of Korean won)

	Gain on valuation		Loss on valuation		Other comprehensive income
Currency forward contracts	₩	6,133	₩	(5,929)	₩ (42)
Interest swap contracts		-		-	10,621
Currency swaps contracts		30		(1,169)	27
Commodity futures contracts		(5,779)		1,205	-

As at December 31, 2017, the Group has corporate purchase card agreements and collateral loan agreements using the trade receivables amounting to ₩ 375,000 million with financial institutions, including Woori Bank.

On February 14, 2012, the Group entered into a share purchase agreement with JSC Samruk-Energy to purchase its shares related to the construction of and business investment in the coal-fired electrical power plant located in Kazakhstan. On August 31, 2016, the Group exercised the put option against JSC Samruk-Energy to re-sell the shares purchased from JSC Samruk-Energy considering the uncertainty of the investment (exercise price amount to USD 192,452 thousand). In addition, on August 31, 2016, the Group notified the customer for contract work of a contract termination considering the uncertainty of the business. The Group is continuing the negotiation with the customer in relation to the termination of contract, and the outcome cannot be estimated reliably.

On April 30, 2015, the former Samsung C&T Corporation sold 22.99% of equity shares of Hanwha General Chemicals Co., Ltd. (formerly Samsung General Chemical Co., Ltd.) to Hanwha Chemical Co., Ltd. and Hanwha Energy Corporation (collectively "Acquirers"). According to the Share Purchase Agreement, the Group has the right to receive additional proceeds depending on the subsequent operating performance of Hanwha Total Petrochemical Co., Ltd. (formerly Samsung Total Petrochemical Co., Ltd.). The Group also has a priority right to request the Acquirers to purchase the remaining equity shares when Hanwha General Chemicals Co., Ltd. is publically listed. However, if Hanwha General Chemicals Co., Ltd. is not listed within 6 years (7 years if requested by Acquirers) from the closing date of the transaction, the Group and the Acquirers have the right to exercise put option and call option, respectively, on the remaining equity shares. In addition, the Acquirers have the right of first refusal when the Group attempts to dispose of the remaining equity shares. Also, if the Acquirers attempt to dispose of the equity shares of Hanwha General Chemicals Co., Ltd., the Group and the Acquirers respectively have tag-along right and drag-along right.

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In accordance with the joint venture agreement between Biogen Idec Therapeutics Inc. and the Group, Biogen Idec Therapeutics Inc. has an option to purchase additional shares of Samsung BioEpi Co., Ltd. that would allow Biogen Idec Therapeutics Inc. to increase its ownership interest up to 49.99%. The option can be exercised until the end of 2018, and the exercise price of the option is a sum of the acquisition price of the investment (49.9% of the amount invested in biosimilar development less the amounts already invested in Biogen Idec Therapeutics Inc.) and the cumulative interests on the investment (interests calculated based on return on equity according to the agreement). The fair value of the option can vary significantly depending on the market condition and the exercisability of the option. In relation to this contract that may be settled in the Group's own equity instruments, the Group recognizes option liability of ₩ 1,910,372 million as at December 31, 2017. However, if Biogen Idec Therapeutics Inc. does not exercise the option until its maturity, the Group's assessment on the existence of control over Samsung Bioepi Co., Ltd. may be changed.

In relation to the land lease agreement with Incheon Metropolitan City ("Incheon"), the Group receives exemption of rent from Incheon since the Group fulfilled the requirements set by the Public Property Management Ordinance of Incheon. The Group recognizes the fair value of exempt rent as intangible assets, and at the same time, the Group recognizes the same amount of government grants as deduct of the carrying amount of the asset. Details of the lease agreement are as follows:

(a) Period

With the total lease period of 50 years, the initial lease period is 20 years from April 28, 2011, and can be extended on a 10-year basis.

(b) Exemption requirement

In order to remain qualified for rent exemption in accordance with Article 32 of Shared Assets Management Act of Incheon Metropolitan City, the Group has to meet certain requirements such as it shall maintain foreign direct investment of USD 20 million for the first 5 years of the lease period, and for the period thereafter the Group shall remain as foreign investment enterprise with employees over 300.

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Lease agreements

(a) Operating lease- The Group as a lessee

As at December 31, 2017, the Group has entered into operating lease agreements related to the domestic headquarters buildings and details are as follows:

Lessor	Sublessor	Lessee	Leased Premises
ALPADOHM CITY CO.,LTD.	-	Headquarters of construction segment	Alpharium Tower I, II
Korean Veterans Association	Samsung SDS Co.,Ltd.	Headquarters of trading segment	Korva Tower
Military Mutual Aid Association	-	Headquarters of fashion segment	Military Mutual Aid Association Building

The total of future minimum lease payments to be payable to the lessor and sublessor according to the lease agreements for the above leased premises as at December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017	December 31, 2016
Within one year	₩ 39,944	₩ 39,616
Later than one year but not later than five years	116,808	139,749
	<u>₩ 156,752</u>	<u>₩ 179,365</u>

The lease payments recognized as expenses related to the lease agreements for the year ended December 31, 2017 amount to ₩ 39,616 million.

(b) Operating lease- The Group as a lessor

The Group has entered into an operating lease agreement with Samsung Fire & Marine Insurance Co., Ltd (a lessee) for Samsung Town Building B (leased premises). The future minimum lease payments expected to be received in relation to the operating lease agreement for the leases premises as at December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017	December 31, 2016
Within one year	₩ 30,875	₩ 30,875
Later than one year but not later than five years	87,011	117,886
	<u>₩ 117,886</u>	<u>₩ 148,761</u>

Total rental payment of ₩ 30,875 million is recognized as profit during the current year in respect to the above operating lease agreement.

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21. Share Capital

The Group is authorized to issue 500 million shares with a par value of ₩ 100 per share. As at December 31, 2017, 189,690,043 shares of ordinary share and 1,627,440 shares of preferred share are issued and outstanding.

On September 14, 2015, the Group issued 56,317,483 shares (54,690,043 shares of ordinary share and 1,627,440 shares of preferred share) of new share for the merger with the former Samsung C&T Corporation.

As authorized in its Articles of Incorporation, the Group is able to issue convertible bonds which can be converted into ordinary shares and preferred shares of the Group, and bonds with warrants which grant the right to purchase new preferred shares to the amount of ₩ 850 billion each. As at December 31, 2017, there are no convertible bonds and bonds with warrants issued under these terms.

Details of treasury shares as at December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won, except number of shares)</i>	December 31, 2017		December 31, 2016	
	Preferred share	Ordinary share	Preferred share	Ordinary share
Number of shares	159,849	26,225,503	159,849	26,225,503
Acquisition cost	₩ 16,978	₩ 1,895,517	₩ 16,978	₩ 1,895,517

22. Other Components of Equity

Other components of equity as at December 31, 2017 and 2016, consist of:

<i>(in millions of Korean won)</i>	December 31, 2017		December 31, 2016	
Treasury shares (Note 21)	₩	(1,912,495)	₩	(1,912,495)
Other capital adjustments		(245,046)		(245,045)
Changes in the fair value of available-for-sale financial assets, net (Note 12)		-		4,846,982
Gain on valuation of financial assets at fair value through other comprehensive income (Note 11)		8,711,376		-
Share of other comprehensive income of associates and joint ventures		27,441		14,046
Share of other comprehensive loss of associates and joint ventures		(92,859)		(67,967)
Exchange differences		(185,181)		(51,634)
Cash flow hedge (Note 20)		10,714		324
	₩	<u>6,313,950</u>	₩	<u>2,584,211</u>

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23. Consolidated Retained Earnings

Consolidated retained earnings as at December 31, 2017 and 2016, consist of:

<i>(in millions of Korean won)</i>	December 31, 2017		December 31, 2016	
Legal reserves ¹	₩	9,566	₩	9,566
Discretionary reserves		5,093,498		4,779,499
Retained earnings before appropriation		652,341		440,913
	₩	<u>5,755,405</u>	₩	<u>5,229,978</u>

¹ The Korean Commercial Code requires the Group to appropriate, as a legal reserve, an amount equal to a minimum of 10% of annual cash dividends paid, until the reserve equals 50% of share capital. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed.

24. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
Salaries and others	₩	705,814	₩	799,369
Welfare		105,823		135,033
Depreciation		181,148		184,058
Travel		48,110		56,617
Commission		803,168		898,960
Rent		217,986		236,916
Freight		271,013		256,443
Taxes and dues		39,729		53,323
Advertising		47,816		69,957
Research and development		84,335		117,337
Impairment loss		(31,626)		75,935
Computational service fee		51,518		52,264
Sales promotion cost		36,955		40,611
Others		208,998		215,385
	₩	<u>2,770,787</u>	₩	<u>3,192,208</u>

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25. Other Income and Expenses

Other income and expenses for the years ended December 31, 2017 and 2016, consist of:

(in millions of Korean won)

	2017		2016
Other income			
Share of profit of associates and joint ventures	₩ 85,812	₩	86,686
Dividend income	351,610		218,397
Foreign exchange gain	285,202		497,433
Gain on translation of foreign currency	131,812		135,601
Gain on disposal of investments	62,363		230,003
Gain on disposal of property, plant and equipment	8,169		23,805
Gain on disposal of intangible assets	5,049		493
Reversal of impairment loss on intangible assets	27,114		-
Reversal of provision for impairment	12,624		91,549
Gain on insurance settlement	168		175
Others	113,460		215,166
	<u>₩ 1,083,383</u>	₩	<u>1,499,308</u>
Other expenses			
Share of loss of associates and joint ventures	₩ 7,307	₩	8,565
Foreign exchange loss	307,186		573,779
Loss on translation of foreign currency	203,962		187,693
Loss on valuation of financial assets at fair value through profit or loss	316		-
Impairment loss on investments	-		64,797
Loss on disposal of investments	3,266		12,800
Impairment loss on property, plant and equipment	7,349		1,029
Loss on disposal of property, plant and equipment	32,246		28,998
Impairment loss on intangible assets	1,560		90,562
Loss on disposal of intangible assets	5,982		72
Loss on disposal of trade receivables	18,693		12,904
Donations	19,359		30,568
Other impairment loss	43,854		68,094
Others	272,045		284,151
	<u>₩ 923,125</u>	₩	<u>1,364,012</u>

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26. Breakdown of Expenses by Nature

Expenses recorded by nature as cost of sales, selling and administrative expenses in the consolidated statements of comprehensive income for the years ended December 31, 2017 and 2016, consist of:

<i>(in millions of Korean won)</i>	2017		2016	
Changes in finished goods and work-in-process	₩	14,832,306	₩	13,435,789
Construction outsourcing		6,208,188		6,572,700
Employee benefit expenses		2,350,409		2,778,345
Commission		1,664,378		1,508,346
Freight		294,809		272,665
Research and development		84,327		117,337
Heavy construction equipment usage		198,825		189,826
Rent		359,814		403,249
Taxes and dues		167,804		180,028
Depreciation and amortization		433,227		413,313
Insurance		61,546		63,415
Outsourcing fee		432,841		525,738
Others		1,309,303		1,502,408
	₩	<u>28,397,777</u>	₩	<u>27,963,159</u>

27. Employee Benefits

Employee benefits for the years ended December 31, 2017 and 2016, consist of:

<i>(in millions of Korean won)</i>	2017		2016	
Wages and salaries	₩	1,815,532	₩	2,144,251
Welfare		352,827		386,258
Post-employment benefits		182,050		247,836
	₩	<u>2,350,409</u>	₩	<u>2,778,345</u>

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28. Adjusted Operating Profit and Loss

Details of adjusted operating profit that are voluntarily classified based on the Group's own criteria by adjusting other income or expense items reflecting the operating performance of the Group from items that are not included within operating profit in the consolidated statements of comprehensive income for the years ended December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
Operating profit in the consolidated statement of comprehensive income	₩	881,268	₩	139,525
Share of profit of associates and joint ventures (other income/other expenses)		78,505		78,121
Dividends income		351,610		218,397
Foreign exchange loss		(21,984)		(76,346)
Loss on translation of foreign currency		(72,150)		(52,092)
Loss on valuation of financial assets at fair value through profit or loss		(316)		-
Impairment loss on investments		-		(64,797)
Gain on disposal of investments		59,097		217,203
Impairment loss on property, plant and equipment		(7,349)		(1,029)
Loss on disposal of property, plant and equipment		(24,077)		(5,193)
Reversal of impairment loss on intangible assets		27,114		-
Impairment loss on intangible assets		(1,560)		(90,562)
Gain (loss) on disposal of intangible assets		(933)		421
Reversal of provision for impairment (other impairment loss)		(31,230)		23,455
Donations		(19,359)		(30,568)
Loss on disposal of trade receivables		(18,693)		(12,904)
Others		(158,417)		(68,811)
Adjusted operating profit	₩	<u>1,041,526</u>	₩	<u>274,820</u>

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29. Financial Income and Expenses

Financial income and expenses for the years ended December 31, 2017 and 2016, consist of:

<i>(in millions of Korean won)</i>	2017		2016	
Interest income:				
Deposits in bank	₩	40,933	₩	20,686
Securities		4,702		4,746
Loans		19,073		21,354
Overdue interest		25		113
Present value discounts		3,382		14,570
Others		17,591		68,216
Foreign exchange gain		35,699		46,222
Gain on translation of foreign currency		98,953		144,531
Total financial income		<u>220,358</u>		<u>320,438</u>
Interest expense:				
Short-term borrowings		51,765		37,272
Long-term borrowings		23,926		52,313
Debentures		82,444		115,719
Others		25,415		12,069
Capitalized interests		(12,340)		(8,149)
Foreign exchange loss		40,119		30,133
Loss on translation of foreign currency		101,529		115,114
Total financial expenses		<u>312,858</u>		<u>354,471</u>
Financial expenses, net	₩	<u>92,500</u>	₩	<u>34,033</u>

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30. Income Tax Expense

Income tax expense for the years ended December 31 2017 and 2016, consist of:

<i>(in millions of Korean won)</i>	2017	2016
Current income taxes of the Parent Company	₩ 92,324	₩ 99,336
Deferred taxes from changes of temporary differences	1,906,823	552,983
Income tax directly charged to equity	<u>(1,864,997)</u>	<u>(443,046)</u>
Income tax expense of the Parent Company	134,150	209,273
Income tax expense (benefit) of subsidiaries	<u>209,757</u>	<u>(140,335)</u>
Income tax expense	<u>₩ 343,907</u>	<u>₩ 68,938</u>

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

<i>(in millions of Korean won)</i>	2017	2016
Profit before income tax	₩ 825,011	₩ 89,780
Tax at domestic tax rates applicable to profits in the respective countries	197,453	113,195
Tax effect of:		
- Expenses (income) not deductible (taxable) for tax purposes	(43,203)	34,734
- Tax credit	(119)	(69,398)
- Tax effects on loss of subsidiaries and others	8,894	21,312
- Remeasurement of deferred tax – change in the Korean tax rate	(19,459)	-
- Others	32,257	(29,974)
Net adjustment items	<u>168,084</u>	<u>(931)</u>
Income tax expense	<u>₩ 343,907</u>	<u>₩ 68,938</u>

The analysis of deferred tax assets and liabilities as at December 31, 2017 and 2016, is as follows:

<i>(in millions of Korean won)</i>	December 31, 2017	December 31, 2016
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	₩ 977,844	₩ 1,346,231
Deferred tax assets to be recovered within 12 months	681,679	192,184
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	(7,872,654)	(5,733,913)
Deferred tax liabilities to be recovered within 12 months	(6,756)	(4,793)
	<u>₩ (6,219,887)</u>	<u>₩ (4,200,291)</u>

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

(in millions of Korean won)

	2017					
	Temporary differences			Deferred tax assets(liabilities)		
	Beginning balance	Increase /decrease	Ending balance	Beginning balance	Increase /decrease	Ending balance
Deferred taxes						
Provisions	₩ 1,916,527	₩ (170,762)	₩ 1,745,765	₩ 463,801	₩ (2,919)	₩ 460,882
Equity investments	(1,425,667)	82,410	(1,343,257)	(346,876)	(3,158)	(350,034)
Impairment losses on assets	499,544	(4,436)	495,108	120,890	9,819	130,709
Foreign currency						
receivables/payables	3,493	(138)	3,355	846	40	886
Long-term receivables	-	856	856	-	226	226
Others	43,996	(32,861)	11,135	76,985	(43,995)	32,990
	<u>1,037,893</u>	<u>(124,931)</u>	<u>912,962</u>	<u>315,646</u>	<u>(39,987)</u>	<u>275,659</u>
Income taxes directly charged to equity						
Available-for-sale financial						
assets	(16,139,385)	(5,730,918)	(21,870,303)	(3,905,731)	(1,868,029)	(5,773,760)
Cash flow hedges	17,520	(3,183)	14,337	4,240	(455)	3,785
Advanced depreciation						
provision for land	(21,260)	-	(21,260)	(5,145)	(468)	(5,613)
Changes in investment in						
associates and joint ventures	-	-	-	-	-	-
Remeasurements of net						
defined benefit liabilities	64,077	7,430	71,507	15,507	1,808	17,315
	<u>(16,079,048)</u>	<u>(5,726,671)</u>	<u>(21,805,719)</u>	<u>(3,891,129)</u>	<u>(1,867,144)</u>	<u>(5,758,273)</u>
				<u>(3,575,483)</u>	<u>(1,907,131)</u>	<u>(5,482,614)</u>
Deferred taxes of subsidiaries						
				<u>(624,808)</u>	<u>(112,465)</u>	<u>(737,273)</u>
				<u>₩ (4,200,291)</u>	<u>₩ (2,019,596)</u>	<u>₩ (6,219,887)</u>

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(in millions of Korean won)

	2016					
	Temporary differences			Deferred tax assets(liabilities)		
	Beginning balance	Increase /decrease	Ending balance	Beginning balance	Increase /decrease	Ending balance
Deferred taxes						
Provisions	₩ 2,089,004	₩ (172,477)	₩ 1,916,527	₩ 505,539	₩ (41,738)	₩ 463,801
Equity investments	(1,463,619)	37,952	(1,425,667)	(356,777)	9,901	(346,876)
Impairment losses on assets	238,128	261,416	499,544	57,627	63,263	120,890
Foreign currency receivables/payables	3,493	-	3,493	846	-	846
Long-term receivables	11,856	(11,856)	-	2,869	(2,869)	-
Financial guarantee liabilities	266,391	(266,391)	-	64,466	(64,466)	-
Others	613,534	(223,319)	390,215	204,277	(43,507)	160,770
	<u>1,758,787</u>	<u>(374,675)</u>	<u>1,384,112</u>	<u>478,847</u>	<u>(79,416)</u>	<u>399,431</u>
Income taxes directly charged to equity						
Available-for-sale financial assets	(14,648,020)	(1,837,582)	(16,485,602)	(3,544,821)	(444,695)	(3,989,516)
Cash flow hedges	16,607	913	17,520	4,019	221	4,240
Advanced depreciation provision for land	(21,260)	-	(21,260)	(5,145)	-	(5,145)
Changes in investment in associates and joint ventures	407	(407)	-	98	(98)	-
Remeasurements of net defined benefit liabilities	57,771	6,306	64,077	13,981	1,526	15,507
	<u>(14,594,495)</u>	<u>(1,830,770)</u>	<u>(16,425,265)</u>	<u>(3,531,868)</u>	<u>(443,046)</u>	<u>(3,974,914)</u>
				<u>(3,053,021)</u>	<u>(522,462)</u>	<u>(3,575,483)</u>
Deferred taxes of subsidiaries				<u>(846,346)</u>	<u>221,538</u>	<u>(624,808)</u>
				<u>₩ (3,899,367)</u>	<u>₩ (300,924)</u>	<u>₩ (4,200,291)</u>

The Group annually assesses its ability to recover deferred tax assets, and recognizes deferred tax assets to the extent that it is almost certain that benefits from such deferred tax assets will be realized. However, deferred tax assets have not been recognized for temporary differences arising from investments in subsidiaries, associates and joint ventures, as it is not probable that such differences will reverse in the foreseeable future due to disposal of equity shares or dividends. Deferred tax liabilities have been recognized for temporary differences arising from undistributed profits of subsidiaries, associates and joint ventures, considering the probability that such differences will subsequently reverse due to dividends.

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31. Earnings per Share

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

<i>(in Korean won and in shares)</i>	2017	2016
Profit for the year ¹	₩ 639,798 million	₩ 107,357 million
Profit for the year attributable to ordinary shares	634,032 million	106,329 million
Weighted average number of ordinary shares outstanding	163,464,540 shares	164,026,682 shares
Basic earnings per ordinary share	₩ 3,879	₩ 650

¹ The amount is the profit attributable to the owners of the Parent Company for the year.

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

<i>(in Korean won and in shares)</i>	2017	2016
Profit for the year ¹	₩ 639,798 million	₩ 107,357 million
Profit for the year attributable to preferred shares	5,766 million	1,028 million
Weighted average number of preferred shares outstanding	1,467,591 shares	1,467,591 shares
Basic earnings per preferred share	₩ 3,929	₩ 700

¹ The amount is the profit attributable to the owners of the Parent Company for the year.

Since there is no dilutive potential ordinary share, the diluted earnings per ordinary share and the basic earnings per ordinary share are the same for the years ended December 31, 2017 and 2016, respectively.

32. Related Party Transactions

As at December 31, 2017, the Group's related parties consist of 50 associates and joint ventures, including Samsung Bioepis Co., Ltd. and other related parties (Note 1.3). Meanwhile, the Enterprise Group, which the Group belongs to, in accordance with the Monopoly Regulation and Fair Trade Act of the Republic of Korea, consists of 63 entities including Samsung Electronics Co., Ltd., as at December 31, 2017.

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Significant transactions between the Parent Company and associates, joint ventures and other related party for the years ended December 31, 2017 and 2016, and the related account balances as at December 31, 2017 and 2016, consist of the following:

<i>(in millions of Korean won)</i>	Sales		Purchases		Receivables		Payables	
	2017	2016	2017	2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Associates								
Samsung Bioepis Co., Ltd.	₩ 15,512	₩ 208	₩ -	₩ -	₩ 3,614	₩ 45	₩ -	₩ -
Waris Gigih Engineering & Technology Sdn. Bhd.	717	628	-	-	-	-	-	-
Chongqing Shanxia Technology Textile Co., Ltd.	-	63,872	-	238	-	19,468	-	-
Dongducheon Dream Power Co., Ltd.	119	18,086	35	-	30,817	-	-	-
Busan Green Energy Co., Ltd.	30,916	125,833	-	-	-	8,370	-	-
Gangneung Eco Power Co., Ltd.	10,513	17,029	-	-	12,970	3,800	-	-
Gaziantep Hospital Management Investment Company	39,245	425	-	-	34	-	-	-
Rabigh Investment Company	-	-	-	-	49,774	-	-	-
Others	579	1,542	1,601	32,836	159	93	1	362
Joint ventures								
FCC Saudi LLC	16,879	31,977	104	-	80	137	-	-
Others	122	148	-	-	912	1,163	-	-
Other related party								
Samsung Electronics Co., Ltd.	3,315,880	2,576,681	123,401	39,853	617,069	268,839	218,983	207,463
Others^{1,2}								
Samsung Display Co., Ltd.	431,196	151,553	23,652	2,523	99,398	60,411	23,350	22,748
Samsung Heavy Industries Co., Ltd.	8,230	89,665	7	2	104	3,599	4,398	4,398
Samsung Life Insurance Co., Ltd. ³	45,045	57,841	3,504	5,158	17,771	30,108	41,767	41,767
Others	134,295	184,891	197,069	253,290	972,531	1,242,439	213,636	235,481

¹ The entities are not included in the scope of related parties in accordance with Korean IFRS 1024, but are included in the scope of Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act of the Republic of Korea.

² Unbilled revenue from construction contracts based on the percentage of completion of ₩ (-) 121,474 million (2016: ₩ 9,015 million) is excluded from sales. In addition, Due from customer for contract work amounting to ₩ 310,656 million (December 31, 2016: ₩ 129,133 million) and due to

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customers for contract work amounting to ₩ 549,233 million (December 31, 2016: ₩ 236,703 million) are excluded from receivables and payables, respectively.

³ As at December 31, 2017, the Group deposited ₩ 515,323 million (December 31, 2016: ₩ 476,129 million) in Samsung Life Insurance Co., Ltd. as plan assets. The amount contributed by the Group for the year ended December 31, 2017, is ₩ 88,000 million.

Significant transactions between the Group and associates and joint ventures (the above transactions are excluded) for the years ended December 31, 2017 and 2016, and the related account balances as at December 31, 2017 and 2016, consist of the following:

<i>(in millions of Korean won)</i>	Sales		Purchases		Receivables		Payables	
	2017	2016	2017	2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Associates								
Samsung Bioepis Co., Ltd.	₩ 26,082	₩ 12,947	₩ 1	₩ -	₩ 3,682	₩ 1,819	₩ -	₩ -
Chongqing Shanxia Technology Textile Co., Ltd.	117	41	-	106	111	-	-	59
KST POWER NORTE S.A. DE C.V.	2,025	2,083	-	-	37,720	40,383	-	-
Others	157	118	-	-	25	-	-	-
Joint ventures								
South Kent Wind LP	456	452	-	-	42	43	-	-
SP Belle River LP	6,182	1,857	-	-	1,077	9,714	-	-
Windsor Solar LP	81	123	-	-	-	12	-	-
LJG Green Source Energy Alpha S.R.L.	1,422	1,466	-	-	18,966	17,382	-	-
Kelar S.A.	2,085	-	-	-	27,099	-	-	-
Others	23,083	13,600	144	-	1,702	1,991	5	-
Other related party								
Samsung Electronics Co., Ltd.	419,570	325,918	15,828	51,882	79,032	58,254	8,247	9,852
Others^{1,2}								
Samsung Display Co., Ltd.	96,377	90,006	73	77	22,790	17,675	481	472
Samsung Heavy Industries Co., Ltd.	203,586	369,632	9	35	42,922	60,032	360	360
Samsung Life Insurance Co., Ltd. ³	14,628	12,628	7,324	7,547	4,736	1,012	1,410	1,410
Others ³	380,150	365,665	414,967	266,177	32,845	36,929	102,523	114,180

¹ The entities are not included in the scope of related parties in accordance with Korean IFRS 1024, but are included in the scope of Enterprise Group in accordance with the Monopoly Regulation and

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Fair Trade Act of the Republic of Korea.

² Unbilled revenue from construction contracts based on the percentage of completion of ₩ 5,198 million (2016: ₩ 25,380 million) is excluded from sales. In addition, Due from customer for contract work amounting to ₩ 14,936 million (December 31, 2016: ₩ 10,379 million) and due to customers for contract work amounting to ₩ 22,284 million (December 31, 2016: ₩ 11,989 million) are excluded from receivables and payables, respectively.

³ As at December 31, 2017, the Group (except for the Parent Company) deposited ₩ 138,339 million (December 31, 2016: ₩ 117,485 million) and ₩ 35,445 million (December 31, 2016: ₩ 20,577 million) as plan assets in Samsung Life Insurance Co., Ltd. and Samsung Fire & Marine Insurance Co., Ltd., respectively.

Major fund transactions with a related party for the years ended December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	Loans	Repayments	Loans	Repayments
Associates				
Kelar S.A.	₩ 27,495	₩ -	₩ -	₩ -
LJG Green Source Energy Alpha S.R.L.	8,983	-	-	-
LLC. Ulegorskugol	-	1,456	-	1,902
Rabigh Investment Company	52,214	-	-	-

Payment guarantees for the liabilities of associates and joint ventures provided by the Group as at December 31, 2017 and 2016, are as follows:

<i>(in thousands of US dollars)</i>	Principal debtor	Guaranteed period	Guaranteed amount	
			Actual borrowings	Guaranteed amount
Associates				
Terminal KMS de GNL, S. de R.L. de C.V.	Santander and others	September 1, 2029	\$ 87,248	\$ 87,248
KST Electric Power Company, SAPI de C.V.	Hana Bank and others	December 30, 2018	13,035	13,035
Joint venture				
Kelar S.A.	BTMU and others	April 30, 2031	13,654	34,654
			<u>\$ 113,937</u>	<u>\$ 134,937</u>

As at December 31, 2017, the Group provided land and buildings, which are located in Seocho-gu, Seoul, Republic of Korea, as collateral to Samsung Fire & Marine Insurance Co., Ltd. and Samsung Life Insurance Co., Ltd. for establishment of the right to collateral security according to lease agreements, with total secured amount of ₩ 31,037 million (Note 14).

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As at December 31, 2017, investments in Dongducheon Dream Power Co., Ltd., (Acquisition cost: ₩ 81,191 million), are pledged as collateral to a financial institution for the borrowings (total borrowing limit of ₩ 1,285,000 million) of Dongducheon Dream Power Co., Ltd. (Note 13). In addition, the Group provides fund supplement commitment on expected working capital deficit of Dongducheon Dream Power Co., Ltd. up to ₩ 8,100 million.

The Company recognized salaries and post-employment benefits for the key management as expenses, amounting to ₩ 6,599 million and ₩ 967 million, respectively. The key management includes directors (executive and non-executive), auditors and other managements. Meanwhile, the Group introduced long-term incentive plans for its executives based on a three-year management performance criteria and has made a provision for the cumulative estimated incentive cost for the past periods. For the year ended December 31, 2017, the Group recognized expenses amounting to ₩ 4,207 million.

33. Cash Generated from Operations

Reconciliation between operating profit and net cash inflow (outflow) from operating activities is as follows:

<i>(in Korean won)</i>	2017	2016
Profit for the year	₩ 481,104,477,540	₩ 20,841,926,913
Addition		
Income tax expense	343,906,966,550	68,937,804,736
Interest expense	171,210,281,242	209,223,702,564
Depreciation and amortization	479,991,965,665	499,629,687,120
Post-employment benefits	101,357,283,133	112,591,795,780
Impairment loss	(31,626,124,645)	75,935,039,332
Other impairment loss	43,854,432,106	68,094,259,339
Transfer in provision for construction losses	36,115,385,754	198,311,711,607
Transfer in provision for construction warranties	35,169,147,721	29,342,095,263
Loss on foreign currency translation	305,491,614,960	302,806,319,015
Loss on valuation of financial assets at fair value through profit or loss	315,690,000	-
Loss on disposal of investments	3,266,473,551	12,799,840,145
Impairment loss on investments	-	64,796,938,178
Loss on disposal of property, plant and equipment	32,246,084,424	28,997,688,127
Impairment loss on property, plant and equipment	7,348,500,000	1,028,841,024
Loss on disposal of intangible assets	5,982,130,403	72,135,710
Impairment loss on intangible assets	1,560,161,486	90,561,639,931
Share of loss of associates and joint ventures	150,803,324,721	176,306,978,882
Others expenses	62,684,292,470	83,266,821,233
	<u>1,749,677,609,541</u>	<u>2,022,703,297,986</u>

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<i>(in Korean won)</i>	2017	2016
Deduction		
Interest income	(85,706,421,094)	(129,685,409,262)
Dividend income	(351,610,467,691)	(218,396,571,425)
Gain on foreign exchange translation	(230,765,374,625)	(280,131,775,122)
Reversal of provision for construction losses	(77,491,388,196)	(268,415,813,575)
Reversal of provision for impairment	(12,623,786,592)	(91,548,590,555)
Gain on disposal of investments	(62,362,525,603)	(230,003,259,873)
Gain on disposal of property, plant and equipment	(8,169,349,968)	(23,805,344,392)
Gain on disposal of intangible assets	(5,048,560,270)	(493,156,503)
Reversal of impairment loss on intangible assets	(27,114,000,000)	-
Share of profit of associates and joint ventures	(105,294,169,870)	(103,418,939,275)
Other income	(13,861,262,093)	(1,514,823,540)
	<u>(980,047,306,002)</u>	<u>(1,347,413,683,522)</u>
Changes in operating assets and liabilities		
Decrease in trade receivables	171,649,949,808	187,758,419,406
Decrease in other current assets	146,374,359,386	281,947,248,301
Decrease (increase) in inventories	(207,326,800,771)	84,044,573,705
Increase in trade payables	55,695,908,496	72,017,641,597
Increase (decrease) in other current liabilities	(121,936,401,406)	247,346,640,223
Decrease in provisions for construction warranties	(27,124,831,472)	(25,067,750,415)
Decrease in long-term unearned income	-	(194,446,036)
Increase (decrease) in long-term non-trade payables	(31,689,123,054)	34,576,579,807
Payment of defined benefit liability	(88,520,555,897)	(138,978,722,806)
Increase in plan assets	(65,777,511,283)	(1,361,609,281)
Transfer in (out) of defined benefit liability	820,191,985	(1,154,506,356)
Others	8,002,222,035	(25,769,959,493)
	<u>(159,832,592,173)</u>	<u>715,164,108,652</u>
Cash generated from operations	<u>₩ 1,090,902,188,906</u>	<u>₩ 1,411,295,650,029</u>

Changes in liabilities arising from financial activities for the years ended December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>		<u>Transactions without cash flows</u>			
	At January 1, 2017	Cash flows from financial activities	Amortization	Others²	At December 31, 2017
Short-term borrowings	₩ 1,865,815	₩ 258,361		₩ (30,866)	₩ 2,093,310
Long-term borrowings ¹	1,649,916	(287,182)		(48,145)	1,314,589
Debentures	3,614,728	(990,848)	₩ 2,428	-	2,626,308
	<u>₩ 7,130,459</u>	<u>₩ (1,019,669)</u>	<u>₩ 2,428</u>	<u>₩ (79,011)</u>	<u>₩ 6,034,207</u>

¹ Long-term borrowings include current portion of borrowings and debentures.

² Others include changes due to exchange differences and others.

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34. Segment Information

The strategic steering committee is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purposes of allocating resources and assessing performance.

Summary of information on the Group's operations by business segment as at and for the years ended December 31, 2017 and 2016, is as follows:

*(in millions of
Korean won)*

	2017							
	Construction	Trading	Fashion	Resort	Food and beverages	Bio	Common	Total
External sales	₩ 12,038,981	₩ 15,467,077	₩ 1,836,966	₩ 701,907	₩ 1,917,686	₩ 459,763	₩ -	₩ 32,422,380
Internal sales	(56,043)	(2,912,144)	(87,416)	(10,686)	(77,045)	-	-	(3,143,334)
Net sales	11,982,938	12,554,933	1,749,550	691,221	1,840,641	459,763	-	29,279,046
Operating profit	501,436	149,672	32,698	63,070	117,149	17,243	-	881,268
Adjusted operating profit	498,768	292,106	80,934	113,522	105,859	(49,663)	-	1,041,526
Total assets ¹	10,179,059	3,885,364	1,271,113	2,440,499	628,524	7,459,438	23,184,906	49,048,903

¹ For total assets, the common amount is separately presented.

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Korean won)

	2016							Total
	Construction ²	Trading	Fashion	Resort	Food and beverages	Bio	Common	
External sales	₩ 13,020,332	₩ 12,938,662	₩ 1,941,300	₩ 678,034	₩ 1,860,016	₩ 294,540	₩ -	₩30,732,884
Internal sales	(67,536)	(2,400,215)	(98,279)	(1,143)	(63,027)	-	-	(2,630,200)
Net sales	12,952,796	10,538,447	1,843,021	676,891	1,796,989	294,540	-	28,102,684
Operating profit (loss)	34,346	70,114	(45,223)	46,649	109,879	(76,240)	-	139,525
Adjusted operating profit (loss)	118,799	144,037	(10,490)	58,839	96,313	(132,678)	-	274,820
Total assets ¹	10,750,328	3,700,917	1,339,708	2,488,166	655,826	7,857,298	17,666,272	44,458,515

¹ For total assets, the common amount is separately presented.

² Construction segment of the former Samsung C&T Corporation and that of the former Cheil Industries Inc. were integrated during the year ended December 31, 2016.

Also, a summary of information on the Group's operations by business segment as at and for the years ended December 31, 2017 and 2016, is prepared after elimination of intercompany transactions in operating profit, and liabilities of operating segments are not included as those are not periodically reported to the Group's management.

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Summary of information on the Group's operations by geographic areas for the years ended December 31, 2017 and 2016, is as follows:

<i>(in millions of Korean won)</i>	2017				
	Domestic	Asia	Europe	The Americas	Total
Total revenue	₩ 22,983,678	₩ 6,559,669	₩ 1,148,289	₩ 1,730,744	₩ 32,422,380
Intercompany revenue	<u>(2,073,822)</u>	<u>(802,337)</u>	<u>(260,368)</u>	<u>(6,807)</u>	<u>(3,143,334)</u>
Revenue from external customers	<u>₩ 20,909,856</u>	<u>₩ 5,757,332</u>	<u>₩ 887,921</u>	<u>₩ 1,723,937</u>	<u>₩ 29,279,046</u>
<i>(in millions of Korean won)</i>	2016				
	Domestic	Asia	Europe	The Americas	Total
Total revenue	₩ 22,353,413	₩ 5,782,194	₩ 1,230,352	₩ 1,366,925	₩ 30,732,884
Intercompany revenue	<u>(1,643,778)</u>	<u>(715,226)</u>	<u>(265,045)</u>	<u>(6,151)</u>	<u>(2,630,200)</u>
Revenue from external customers	<u>₩ 20,709,635</u>	<u>₩ 5,066,968</u>	<u>₩ 965,307</u>	<u>₩ 1,360,774</u>	<u>₩ 28,102,684</u>

35. Financial Risk Management

35.1 Financial Risk Management

The Group is exposed to credit risk, liquidity risk and market risk. Market risk arises from currency risk, interest rate risk and fair value risk associated with investments and others. The Group has a risk management program in place to monitor and actively manage such risks.

The Group's financial assets that are under financial risk management are composed of cash and cash equivalents, trade receivables, other financial instruments at amortized costs, financial instruments at fair value through other comprehensive income, financial instruments at fair value through profit or loss and others. The Group's financial liabilities under financial risk management are composed of trade and other payables, borrowings, debentures and others.

(a) Market risk

i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from international operations and transactions with different foreign currencies. Most widely used foreign currencies are the US Dollar, Euro, Japanese Yen and others. Foreign exchange risk management is carried out by considering the nature of the businesses and using risk management tools. The Group operates a system to manage receivables and payables denominated in foreign currencies. The risks of foreign currency exposure to receivables and payables are periodically evaluated, managed and reported through the system.

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Details of foreign assets and liabilities of the Group as at December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017			
	USD	EUR	JPY	Others
Financial assets	₩ 1,409,590	₩ 120,964	₩ 18,221	₩ 194,338
Financial liabilities	2,026,742	153,631	21,248	34,447

<i>(in millions of Korean won)</i>	December 31, 2016			
	USD	EUR	JPY	Others
Financial assets	₩ 1,366,617	₩ 115,887	₩ 36,851	₩ 151,931
Financial liabilities	2,487,397	148,983	23,848	98,558

The table below summarizes the impact of weakened/strengthened Korean won on the Group's profit before income tax. The analysis is based on the assumption that Korean won has weakened/strengthened by 5% with all other variables held constant.

<i>(in millions of Korean won)</i>	December 31, 2017	
	Strengthened	Weakened
Financial assets	₩ (87,156)	₩ 87,156
Financial liabilities	111,803	(111,803)
Net effect	₩ 24,647	₩ (24,647)

<i>(in millions of Korean won)</i>	December 31, 2016	
	Strengthened	Weakened
Financial assets	₩ (83,564)	₩ 83,564
Financial liabilities	137,939	(137,939)
Net effect	₩ 54,375	₩ (54,375)

ii) Equity price risk

The Group's investment portfolio consists of direct and indirect investments in listed and non-listed securities for utilization of finances and enhancement of enterprise value. The book amount of the Group's equity investments as at December 31, 2017 and 2016, are ₩ 23,229,172 million and ₩ 17,496,342 million, respectively (Notes 11 and 12). As at December 31, 2017 and 2016, if listed share prices fluctuate by 1% without other variables changing, the effects on other comprehensive income and loss are ₩ 168,442 million and ₩ 129,889 million, respectively.

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iii) Interest rate risk

The Group is exposed to interest rate risk fluctuations since the value of financial statement line items and interest expenses changes as a result of investment risk. The Group's position with regard to interest rate risk exposure is mainly related to debt obligations such as debentures. To mitigate interest rate risk, the Group manages interest rate risk proactively by establishing and operating policies for minimizing interest risks, monitoring periodically interest rate trends in domestic and international markets and preparing countermeasures.

As at December 31, 2017 and 2016, financial liabilities exposed to interest rate risk are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017		December 31, 2016	
Financial liabilities	₩	1,636,400	₩	1,838,619

Interest sensitivity of the Group is determined based on the following assumption:

- Changes in market interest rate which influence interest expense related to floating interest rate financial instruments.

As at December 31, 2017 and 2016, under the assumption above, if interest rates fluctuate by 1% without other variables changing, the effects on expenses related to borrowings with variable interest rates are as follows:

<i>(in millions of Korean won)</i>	December 31, 2017		December 31, 2016	
	1% increase	1% decrease	1% increase	1% decrease
Decrease (increase) of interest expense	₩ (16,364)	₩ 16,364	₩ (18,386)	₩ 18,386

(b) Credit risk

Credit risk arises in connection with the normal course of transactions and investing activities, where clients or other parties fail to discharge an obligation. The Group monitors and sets the counterparty's credit limit on a periodic basis based on the counterparty's financial conditions, default history and other important factors.

Credit risk arises from cash and cash equivalents, savings and derivative instruments transactions with financial institutions. To mitigate or eliminate certain of those exposures, the Group transacts only with highly rated financial institutions. The maximum amount exposed to credit risks by each financial instrument is its book amount.

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i) Trade receivables

The Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at December 31, 2017 is determined as follows; the expected credit losses below also include forward looking information.

(in millions of Korean won)

	Less than 30 days past due and within due	Less than 180 days past due	Less than 270 days past due	Less than 1 year past due	More than 1 year past due	Impaired receivables	Total
Expected loss rate	0.23%	5.98%	7.49%	18.50%	35.43%	39.41%	
Gross carrying amount	₩ 4,651,361	₩ 70,625	₩ 28,149	₩ 6,637	₩ 47,864	₩ 368,351	₩ 5,172,987
Loss allowance provision	(10,843)	(4,222)	(2,107)	(1,228)	(16,957)	(145,171)	(180,528)

Movements in the loss allowance provision for trade receivables for the years ended December 31, 2017 and 2016, are as follows:

(in millions of Korean won)

	2017	2016
Beginning balance - Korean IFRS 1039	₩ 192,561	₩ 133,095
Amounts restated through beginning balance of retained earnings	12,059	-
Loss allowance as at initial application date - calculated under Korean IFRS 1109	204,620	-
Increase in loss allowance recognized in profit or loss during the year	13,077	67,335
Receivables written off during the year as uncollectible	(35,920)	(5,251)
Others ²	(1,249)	(2,618)
Ending balance (the amount as at December 31, 2016 calculated under Korean IFRS 1039) ¹	₩ 180,528	₩ 192,561

¹ In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. For these receivables, the estimated impairment losses were recognized in a separate provision for impairment. The other receivables were assessed collectively, to determine whether there was an objective evidence that an impairment had been incurred but not yet been identified. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties for of the debtor
- probability that the debtor will enter bankruptcy or financial reorganization, and
- default or delinquency in payments

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² Others include exchange differences, consolidation adjustments and others.

The gross carrying amount of trade receivables (including due from customer for contract work), reflecting the maximum exposure to credit risk, is ₩ 4,992,459 million (2016: ₩ 5,383,853 million).

The amounts recognized in profit or loss in relation to impaired receivables for the years ended December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Impairment loss		
- Selling and administrative expenses	₩ 13,077	₩ 67,335

ii) Other financial assets at amortized costs

The loss allowance provision for other financial assets at amortized costs recognized is limited to 12 months expected loss when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. However, when a significant increase in credit risk is identified, the loss allowance provision for lifetime expected credit losses should be recognized.

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Movements in loss allowance provision for other financial assets at amortized cost for the years ended December 31, 2017 and 2016 are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Beginning balance - Korean IFRS 1039	₩ 661,774	₩ 689,637
Amounts restated through beginning balance of retained earnings	9,446	-
Loss allowance as at initial application date - calculated under Korean IFRS 1109	671,220	-
Increase in loss allowance recognized in profit or loss during the year	31,127	(14,855)
Receivables written off during the year as uncollectible	(81,000)	(13,355)
Others ²	(1,618)	347
Ending balance (the amount as at December 31, 2016 calculated under Korean IFRS 1039) ¹	₩ 619,729	₩ 661,774

¹ In the prior year, the impairment of other financial assets at amortized costs was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. For these receivables, the estimated impairment losses were recognized in a separate provision for impairment. The other receivables were assessed collectively, to determine whether there was an objective evidence that an impairment had been incurred but not yet been identified. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties for of the debtor
- probability that the debtor will enter bankruptcy or financial reorganization, and
- default or delinquency in payments

² Others include exchange differences, consolidation adjustments and others.

The gross carrying amount of other financial assets at amortized costs, reflecting the maximum exposure to credit risk, is ₩ 2,097,214 million (2016: ₩ 2,445,985 million).

The amounts recognized in profit or loss in relation to impaired receivables for the years ended December 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Impairment loss		
- Other expenses	₩ 31,127	₩ (14,855)

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(c) *Liquidity risk*

The Group manages its liquidity risk to maintain adequate net working capital by constantly managing projected cash flows. Beyond effective working capital and cash management, the Group mitigates liquidity risk by factoring and contracting with financial institutions with respect to bank overdrafts and others. In addition, for efficient application of funds, the Group monitors its cash flows through medium and long-term management planning and short-term management strategy.

As at December 31, 2017 and 2016, the financial liabilities are classified according to the remaining period of time to the expiration date of the contract.

(in millions of Korean won)

	December 31, 2017					
	Book amount	Cash flows by terms of contract	Cash flow schedule until the expiration date			
			1 year or less	1 year ~ 2 years	2 years ~ 3 years	More than 3 years
Borrowings	₩ 3,407,899	₩ 3,481,678	₩ 2,522,287	₩ 623,379	₩ 252,190	₩ 83,822
Debentures	2,626,308	2,738,916	1,076,542	1,054,475	313,542	294,357
Derivative liabilities ¹	12,824	12,853	12,528	292	16	17
Financial guarantee liabilities ²	36,420	3,356,410	1,148,310	1,103,000	629,100	476,000
Trade payables	1,785,617	1,785,617	1,785,617	-	-	-
Other payables	2,734,461	2,734,461	2,656,195	15,653	23,480	39,133
	<u>₩10,603,529</u>	<u>₩14,109,935</u>	<u>₩ 9,201,479</u>	<u>₩ 2,796,799</u>	<u>₩ 1,218,328</u>	<u>₩ 893,329</u>

¹ The cash flow of derivative liability is estimated based on the net amount for payment.

² The cash flow presented is principal amount of the borrowings for which the Group provides the financial guarantee.

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	December 31, 2016					
	Book amount	Cash flows by terms of contract	Cash flow schedule until the expiration date			
			1 year or less	1 year ~ 2 years	2 years ~ 3 years	More than 3 years
Borrowings	₩ 3,515,732	₩ 3,604,183	₩ 2,382,338	₩ 271,784	₩ 828,276	₩ 121,785
Debentures	3,614,728	3,788,986	1,316,730	1,130,730	1,238,765	102,761
Derivative liabilities ¹	21,887	21,994	20,360	1,345	289	-
Financial guarantee liabilities ²	34,967	3,671,903	1,292,060	847,377	896,000	636,466
Trade payables	1,823,810	1,823,810	1,823,810	-	-	-
Other payables	2,966,970	2,966,970	2,854,781	22,438	33,657	56,094
	<u>₩11,978,094</u>	<u>₩15,877,846</u>	<u>₩ 9,690,079</u>	<u>₩ 2,273,674</u>	<u>₩ 2,996,987</u>	<u>₩ 917,106</u>

¹ The cash flow of derivative liability is estimated based on the net amount for payment.

² The cash flow presented is principal amount of the borrowings for which the Group provides the financial guarantee.

35.2 Capital Risk Management

The objective of capital management is to maintain sound capital structure. The Group's capital management considers the Group's debt ratio, computed by dividing total liabilities by total equity disclosed in the financial statements.

As at December 31, 2017 and 2016, debt-to-equity ratios are as follows:

(in millions of Korean won)

	December 31, 2017	December 31, 2016
Liabilities (A)	₩ 23,897,653	₩ 23,352,805
Equity (B)	<u>25,151,250</u>	<u>21,105,711</u>
Debt-to-equity ratio (A/B)	<u>95.02%</u>	<u>110.65%</u>

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35.3 Assumptions in Determining Fair Value

The fair value of the financial instruments traded in wide market, such as available-for-sale financial assets and others, are estimated based on the publicly announced market price as at the reporting date. If there is no market for such financial instruments, the fair value is estimated by using certain valuation methods. For assessing the fair value, the Group uses various valuation methods, and establishes the assumptions based on the market condition as at the reporting date. For long-term liabilities, the official market price or dollar-asking price of the similar instruments is used. In addition, the Group uses various valuation methods such as estimated cash flows discount method to estimate fair value. Fair values of interest rate swap and currency swap are calculated by discounting future estimated cash flows. The fair values of metal futures and currency forward contract are estimated by using the official price and the official forward exchange rate as at the reporting date, respectively. The Group records the net book amount after deducting the provision for impairment from the gross amount as the approximate value of the trade receivables and other financial assets at amortized costs. The fair value of the financial liabilities is the discounted amount of the future cash flow under the terms of the contract by using current market interest rate applied on similar financial instruments.

Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value is disclosed as at December 31, 2017, are as follows:

(in millions of Korean won)

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through other comprehensive income	₩ 22,883,966	₩ 815	₩ 319,952	₩ 23,204,733
Financial assets at fair value through profit or loss	2,165	-	22,274	24,439
Derivative financial instruments:				-
Held for trading	-	18,149	-	18,149
Hedging	-	6,351	-	6,351
	<u>₩ 22,886,131</u>	<u>₩ 25,315</u>	<u>₩ 342,226</u>	<u>₩ 23,253,672</u>
Liabilities measured at fair value				
Derivative financial instruments:				
Held for trading	₩ -	₩ 14,810	₩ 1,933,562	₩ 1,948,372
Hedging		8,788	-	8,788
	<u>₩ -</u>	<u>₩ 23,598</u>	<u>₩ 1,933,562</u>	<u>₩ 1,957,160</u>

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	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Available-for-sale financial assets:				
Equity securities	₩ 17,135,811	₩ -	₩ 182,237	₩ 17,318,048
Debt securities	-	2,887	-	2,887
Derivative instruments for hedging activities:				
Derivative financial assets	-	9,404	-	9,404
Financial instruments measured at fair value through profit or loss:				
Derivative financial assets	-	32,879	-	32,879
	<u>₩ 17,135,811</u>	<u>₩ 45,170</u>	<u>₩ 182,237</u>	<u>₩ 17,363,218</u>
Liabilities measured at fair value				
Derivative instruments for hedging activities:				
Derivative financial liabilities	₩ -	₩ 12,294	₩ -	₩ 12,294
Financial instruments measured at fair value through profit or loss:				
Derivative financial liabilities	-	21,000	1,874,471	1,895,471
	<u>₩ -</u>	<u>₩ 33,294</u>	<u>₩ 1,874,471</u>	<u>₩ 1,907,765</u>

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

During the year ended December 31, 2017, there has been no significant change in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities.

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Valuation techniques and the inputs used in the fair value measurement related to recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy and disclosed fair value are as follows:

<i>(in millions of Korean won)</i>	Fair value	Level	Fair value measurements	Inputs
Financial assets measured at fair value				
Energy industry equities	₩ 72,601	3	Net asset value method, discounted cash flow method and others	Growth rate, discount rate and others
Cooperative contribution	41,885	3	Net asset value method, discounted cash flow method and others	Growth rate, discount rate and others
Other equities	63,434	3	Net asset value method, discounted cash flow method and others	Growth rate, discount rate and others
Investment bonds	815	2	Discounted cash flow method	Counterparty credit risk and others
Derivatives (assets)				
Currency forwards and others	24,500	2	Market approach	Currency forwards rate , discount rate and others
Derivatives (liabilities)				
Currency forwards and others	23,598	2	Market approach	Currency forwards rate , discount rate and others
Option	1,933,562	3	Binomial option pricing model	Fair value of underlying asset (Samsung Bioepis Co., Ltd.)

Valuation process of fair value measurements classified in level 3

The finance department of the Group's divisions is responsible for fair value measurements which contain fair value measurement categorized in Level 3 for the purpose of financial report and the said department reports periodically the fair value valuation process and its outcome on reporting schedule at the end of every year.

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable.

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The results of the sensitivity analysis for the effect on profit or loss from changes in inputs for each financial instrument, which is categorized within Level 3 and subject to sensitivity analysis, are as follows:

(in millions of Korean won)

	2017			
	Favorable changes		Unfavorable changes	
	Profit (loss) for the year	Equity	Profit (loss) for the year	Equity
Financial assets at fair value through other comprehensive income ¹	₩ -	₩ 22,377	₩ -	₩ (18,796)
Derivative financial instruments (option) ²	426,934	426,934	(516,234)	(516,234)

¹ For equity securities, changes in their fair value are calculated by increasing or decreasing the discount rate (-1%~1%), which are significant unobservable inputs. Beneficiary certificates are excluded from sensitivity analysis, as sensitivity computation of parameters is impracticable.

² For derivative financial instruments, changes in their fair value are calculated by increasing or decreasing the weighted average cost of capital (-1%~1%), perpetual growth rate (-0.5%~0.5%), and other significant unobservable inputs.

36. Changes in Accounting Policy

As explained in Note 2 above, the Group has adopted Korean IFRS 1109, which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures have not been restated.

Korean IFRS 1109 replaces the provisions of Korean IFRS 1039 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. Korean IFRS 1109 also significantly amends other standards dealing with financial instruments such as Korean IFRS 1107 *Financial Instruments: Disclosures*.

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36.1 Classification and Measurement of Financial Instruments

The total impact on the Group's consolidated retained earnings due to classification and measurement of financial instruments as at January 1, 2017, is as follows:

<i>(in millions of Korean won)</i>	Notes	Amount
Consolidated retained earnings		
Beginning balance - Korean IFRS 1039		₩ 5,229,978
Reclassification of available-for-sale securities to financial assets at fair value through profit or loss	11	(551)
Increase in provision for impairment of trade receivables	8	(12,059)
Increase in provision for impairment of financial assets at amortized cost	8	(9,446)
Increase in deferred tax relating to the provision for impairment		5,505
Adjustments to retained earnings from adoption of Korean IFRS 1109		(16,551)
Beginning balance of consolidated retained earnings - Korean IFRS 1109		₩ 5,213,427

On the date of initial application of Korean IFRS 1109, January 1, 2017, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate Korean IFRS 1109 categories. The main effects resulting from this reclassification are as follows:

<i>(in millions of Korean won)</i>	Notes	Fair value through profit or loss²	Fair value through other comprehensive income (Available-for-sale financial assets in 2016)	Amortized cost³	Total
Financial assets – January 1, 2017					
Beginning balance – Korean IFRS 1039 ¹		₩ 42,283	₩ 17,499,229	₩ 10,138,183	₩ 27,679,695
Reclassification from available-for-sale financial instruments(equity instruments) to financial assets at fair value through profit or loss	11	8,693	(8,693)		
Reclassification from available-for-sale financial instruments(debt instruments) to financial assets at fair value through profit or loss	11	30,756	(30,756)		
Beginning balance - Korean IFRS 1109 ¹		₩ 81,732	₩ 17,459,780	₩ 10,138,183	₩ 27,679,695

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¹ The beginning balance as at January 1, 2017, presented available-for-sale equity instruments as financial assets at fair value through other comprehensive income, and available-for-sale debt instruments as financial assets at amortized costs. These reclassifications have no impact on the measurement categories.

² Includes derivative instruments

³ Includes cash and cash equivalents.

The impact on these changes on the Group's equity is as follows:

<i>(in millions of Korean won)</i>	Effect on accumulated other comprehensive income		Effects on fair value through other comprehensive income reserve		Effect on retained earnings¹	
Beginning balance – Korean IFRS 1039 ¹	₩	4,846,982	₩	-	₩	5,229,978
Reclassification of equity investments that are not held for trading from available-for-sale financial assets to financial assets at fair value through other comprehensive income		(4,847,533)		4,847,533		
Reclassification from available-for-sale financial assets(debt instruments) to financial assets at fair value through profit or loss		551				(551)
Beginning balance - Korean IFRS 1109 ¹	₩	-	₩	4,847,533	₩	5,229,427

¹ Before adjustment for impairment (Note 35.1)

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Reasons of changes in accounting policies and changes by accounts are as follows:

(a) Reclassification from available-for-sale to fair value through profit or loss

Certain SOC shares, funds, and beneficiary certificates were reclassified from available-for-sale to financial assets at fair value through profit or loss (₩ 39,449 million as at January 1, 2017). They do not meet the criteria to be classified as at amortized cost in accordance with Korean IFRS 1109, because their cash flows do not represent solely payments of principal and interest, and they also do not meet the criteria to be classified as equity instruments. Related fair value gains of ₩ 551 million were transferred from the available-for-sale financial assets to retained earnings on January 1, 2017. For the year ended December 31, 2017, fair value gains related to these investments amounting to ₩ 315 million were recognized in profit or loss

(b) Available-for-sale equity instruments classified as fair value through other comprehensive income

The Group elected to present changes in the fair value of some of its equity investments previously classified as available-for-sale, because these investments are not held for trading, in other comprehensive income. As a result, assets with a fair value of ₩17,458,889 million were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income, and fair value gains of ₩ 4,847,533 million were reclassified from the accumulated other comprehensive income to the financial assets at fair value through other comprehensive income reserve on January 1, 2017.

(c) Available-for-sale debt instruments classified as fair value through other comprehensive income

Certain debt instruments were reclassified from available for sale to fair value through other comprehensive income, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. As a result, debt instruments with a fair value of ₩ 891 million were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income on January 1, 2017. The contractual cash flows of these investments are solely principal and interest.

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On the date of initial application, January 1, 2017, the financial instruments of the Group with any reclassifications noted, were as follows:

(in millions of Korean won)

	Korean IFRS 1039	Korean IFRS 1109	Korean IFRS 1039	Korean IFRS 1109	Difference
Current financial assets					
Trade receivables ¹	Amortized costs	Amortized costs	₩ 4,992,459	₩ 4,980,400	₩ 12,059
Cash and cash equivalents	Amortized costs	Amortized costs	2,993,152	2,993,152	-
Other receivables	Amortized costs	Amortized costs	1,426,891	1,419,211	7,680
Derivative instruments	Financial assets at fair value through profit or loss ³	Fair value through profit or loss ³	42,283	42,283	-
Non-current financial assets					
Equity instruments	Available-for-sale financial assets	Fair value through other comprehensive income ²	17,467,581	17,459,780	7,801
Debt Instruments	Available-for-sale financial assets	Fair value through profit or loss ³	31,648	39,449	(7,801)
Other receivables	Amortized costs	Amortized costs	794,832	793,066	1,766
Current financial liabilities					
Derivative instruments	Financial assets at fair value through profit or loss ³	Fair value through profit or loss ³	1,907,765	1,907,765	-

¹ Includes due from customer for construction work.

² Financial assets measured at fair value through other comprehensive income: Investments on equity and debt instruments.

³ Financial assets measured at fair value through profit or loss

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36.2 Impairment of Financial Assets

The Group has three types of financial assets subject to Korean IFRS 1109's new expected credit loss model:

- trade receivables for sales of inventory and others
- debt investments carried at fair value through other comprehensive income, and
- debt investments carried at amortized cost.

The Group was required to revise its impairment methodology under Korean IFRS 1109 for each of these classes of assets. The impact of the change in impairment methodology on the Group's equity is disclosed in the table on Note 35.1 above.

(a) Trade receivables

The Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

(b) Debt instruments other than trade receivables

The provision for impairment for debt investments other than trade receivables, at amortized cost and those at fair value through other comprehensive income, is determined as 12 months expected credit losses when there is no significant increase in credit risk after initial recognition. However, when there is a significant increase in credit risk, the provision for impairment is determined as lifetime expected credit losses.

36.3 Measurement of Financial Liabilities

The Group has two types of financial liabilities subject to Korean IFRS 1109's new expected credit loss model:

- financial guarantee contracts, and
- loan commitments

The Group measures the financial liabilities listed above initially at fair value, and the issuer of these contracts subsequently measures them at the higher amount of the followings

- a) Loss allowance determined in accordance with expected credit losses
- b) Amount initially recognized less the cumulative amount of income in accordance with Korean IFRS 1115:

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36.4 Summary of Impact on the Consolidated Financial Statements Due to Changes in Accounting Policies

(a) Impact on the consolidated statements of comprehensive income

<i>(in millions of Korean won)</i>	Three-month period ended		Six-month period ended		Nine-month period ended		Year-ended	
	March 31, 2017		June 30, 2017		September 30, 2017		December 31, 2017	
	Korean IFRS 1039	Korean IFRS 1109	Korean IFRS 1039	Korean IFRS 1109	Korean IFRS 1039	Korean IFRS 1109	Korean IFRS 1039	Korean IFRS 1109
Net sales	₩6,702,302	₩6,702,302	₩14,021,547	₩14,021,547	₩21,514,192	₩21,514,192	₩29,279,046	₩29,279,046
Operating profit	136,999	137,375	392,449	387,969	612,628	598,022	880,569	881,268
Profit before income tax	279,860	282,262	446,797	446,325	622,557	611,999	825,933	825,011
Profit for the year	185,508	187,641	297,132	297,323	436,125	428,685	481,309	481,104
Total comprehensive income for the year	1,061,637	1,063,770	3,429,451	3,428,543	4,164,142	4,155,603	4,163,910	4,162,606

Effects on each element of the consolidated statements of comprehensive income affected are due to the change in impairment of financial assets under the new expected credit loss model and others upon adoption of Korean IFRS 1109.

(b) Impact on the consolidated statements of financial position

As at December 31, 2017, the Group's total assets, total liabilities, total equity, and consolidated retained earnings decreased by ₩ 24,228 million, ₩ 5,820 million, ₩ 18,408 million, and ₩ 17,860 million, respectively, due to the changes in impairment of financial assets under the new expected credit loss model of Korean IFRS 1109, and others.

(c) Impact on the consolidated statements of cash flows

There is no impact on the Group's consolidated statements of cash flows for the year ended December 31, 2017 in relation to the adoption of Korean IFRS 1109.

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37. Events after the Reporting Period

On January 24, 2018, the Group decided to dispose of Geum-cheon logistics center to Gasanwaelseu Holdings Co., Ltd. in order to improve efficiency and financial stability, with the approval of the Management Committee. The proceeds from disposal and the carrying amount of the disposed asset are ₩ 230,000 million, and ₩ 144,874 million, respectively.