

Orion Holdings Corporation and Subsidiaries

Consolidated Financial Statements

December 31, 2020 and 2019

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Independent Auditors' Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Orion Holdings Corporation

Opinion

We have audited the accompanying consolidated financial statements of Orion Holdings Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, 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.

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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

(1) Promotion on sales of goods

Why it is determined to be a key audit matter

The Group manufactures and sells confectioneries and others. Considering the nature of the goods, the Group applies various method for sales promotion and encouraging policies. As explained in Note 2 of the consolidated financial statements, the Group accounts for consideration payable to a customer as an expense or sales reduction, depending on whether the payment to the customer is in exchange for a distinct good or service. Revenue in the consolidated financial statements is one of the key financial performance indicators of the Group, and are measured by taking into account considerations to be paid to customers such as sales incentives. As a result of considering the significance of the classification between revenue deduction and selling, general and administrative expenses, and the importance of the amount, we have identified the overstatement of revenue due to an error in recognizing the consideration to be paid to customers as a significant risk.

How our audit addressed the key audit matter

We have performed following audit procedures to address the key audit matter. We:

- Obtained an understanding of types of considerations to be paid to customers, assessed the appropriateness of accounting policies for each classification, and obtained an understanding and assessed related internal control.
- Assessed the appropriateness the recognition of the consideration to be paid to the customers in the contract by obtaining contracts and testing related transactions.
- Assessed the adequacy of revenue amount by reviewing the appropriateness of deducting revenue of the consideration to be paid to customers and reviewing the appropriateness of the account classification between revenue deduction and selling, general and administrative expenses.

(2) Goodwill impairment assessment

Why it is determined to be a key audit matter

As disclosed in Note 8 to the consolidated financial statements, the amount of goodwill held by the Group as at December 31, 2020, is ₩ 874,328 million, and goodwill is tested annually for impairment. We focused our audit effort on Cash Generating Unit (CGU) of Orion Corporation, a subsidiary and the Group to which goodwill is allocated, taking into account business performance and size of related goodwill amounts. Corresponding goodwill amounts recognized are ₩ 873,853 million.

The Group engaged external evaluation experts for the impairment assessment of the CGU above to which goodwill is allocated, and concluded that there is sufficient headroom between the recoverable amount of the CGU and its carrying amounts. However, we considered goodwill impairment assessment to be a key audit matter given the size of the goodwill and the extent of significant management judgments involved in valuation models to use for estimating recoverable amount and assumptions including future business forecasts, and discount rates.

How our audit addressed the key audit matter

We have performed following audit procedures to address the key audit matter. We:

- Assessed the appropriateness of valuation models used by management to estimate the recoverable amounts.
- Agreed the cash flow forecasts used in the impairment models to management approved forecasts
- Assessed the reasonableness of the key assumptions used for the recoverable amounts estimation.
 - Evaluated the reasonableness of the sales growth rate, cost to sales rate and investment activity forecasts on the business plan by comparing them with market conditions.
 - Compared the economic and industry forecasts with long-term growth rate.
 - Compared the discount rates used by management with those calculated independently using observable information.
- Assessed the competence and objectivity of experts engaged by management in evaluating the recoverable amounts.
- Assessed the key assumptions and judgements used for evaluating the recoverable amounts through discussion with management and its experts.
- Assessed the appropriateness of the Group's disclosure around the goodwill impairment assessment as included in the notes to the consolidated financial statements.

Other Matter

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Seung Hee, Certified Public Accountant.

March 10, 2021

Seoul, Korea

This report is effective as of March 10, 2021, 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.

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2020 and 2019

<i>(in thousands of Korean won)</i>	Notes	2020		2019	
Assets					
Property, plant and equipment	6	₩	1,933,053,426	₩	1,918,489,682
Intangible assets	7		460,302,103		525,862,325
Goodwill	8		874,327,688		874,133,264
Investments property	9		79,756,936		80,107,578
Right-of-use assets	10		96,942,271		92,838,921
Investments in associates and joint ventures	11		31,078,448		34,488,179
Financial assets at fair value through profit or loss	12,33		6,197,551		6,315,822
Financial assets at fair value through other comprehensive income	12,33		19,295,426		20,693,054
Long-term trade and other receivables	15,33,35		1,467,406		2,026,998
Long-term deposits	16,33,35		9,097,745		5,089,353
Other non-current assets	13		24,864,714		23,423,205
Deferred income tax assets	34		18,700,511		22,039,165
Total non-current assets			3,555,084,225		3,605,507,546
Inventories	14		204,062,043		172,458,677
Trade and other receivables	15,33,35		169,050,165		193,174,232
Financial assets at fair value through profit or loss	12,33		7,006,400		43,290,187
Short-term deposits	16,33,35		77,968,290		74,688,026
Other current assets	13		97,272,986		78,043,864
Current income tax assets	34		377,592		8,852,052
Cash and cash equivalents	16,33,35		386,729,245		190,319,070
Total current assets			942,466,721		760,826,108
Total assets		₩	4,497,550,946	₩	4,366,333,653

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	Notes	2020	2019
Equity			
Capital stock	17	₩ 31,322,711	₩ 31,322,711
Capital surplus	17	1,251,350,081	1,251,350,081
Treasury shares	18	(11,625,409)	(11,625,409)
Other capital	19	349,634,162	363,680,452
Reserves	20	153,116,523	145,806,014
Retained earnings		192,613,299	145,596,954
Equity attributable to owners of the Parent		<u>1,966,411,367</u>	<u>1,926,130,803</u>
Non-controlling interest	4	<u>1,528,298,538</u>	<u>1,411,494,643</u>
Total equity		<u>3,494,709,905</u>	<u>3,337,625,446</u>
Liabilities			
Long-term debts	25,33,35	229,674,753	219,776,995
Long-term trade and other payables	23,33,35	2,521,042	2,624,591
Non-current lease liabilities	10	11,361,765	6,396,868
Net defined benefit liabilities	26	871,342	1,883,821
Deferred tax liabilities	34	318,963,722	302,039,321
Other non-current liabilities	27	1,256,805	581,734
Total non-current liabilities		<u>564,649,429</u>	<u>533,303,330</u>
Current portion of long-term debts	25,33,35	60,000,000	120,005,915
Short-term borrowings	25,33,35	19,516,963	6,980,144
Trade and other payables	23,33,35	276,435,392	277,935,526
Current lease liabilities	10	7,910,375	5,771,722
Current income tax liabilities	34	31,353,878	30,985,287
Other current liabilities	24,27	42,975,004	53,726,283
Total current liabilities		<u>438,191,612</u>	<u>495,404,877</u>
Total liabilities		<u>1,002,841,041</u>	<u>1,028,708,207</u>
Total equity and liabilities	₩	<u>4,497,550,946</u>	₩ <u>4,366,333,653</u>

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

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2020 and 2019

(in thousands of Korean won,
except earnings per share)

	Notes	2020	2019
Revenue	28	₩ 2,280,487,378	₩ 2,103,591,289
Cost of sales	28,32	(1,317,085,603)	(1,175,362,310)
Gross profit		<u>963,401,775</u>	<u>928,228,979</u>
Selling expenses	29,32	(492,061,382)	(518,416,382)
General and administrative expenses	29,32	(162,711,758)	(143,153,084)
Operating profit		<u>308,628,635</u>	<u>266,659,513</u>
Net other income (expenses)	30	13,086,781	(23,710,403)
Net finance income	31,33	2,540,142	163,615
Share of profit of associates and joint ventures	11	21,196	1,004,322
Profit before income tax		<u>324,276,754</u>	<u>244,117,047</u>
Income tax expense	34	(105,744,875)	(87,727,266)
Profit for the year		<u>218,531,879</u>	<u>156,389,781</u>
Other comprehensive income (loss):			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		(36,234,055)	42,825,444
Share of other comprehensive income of associates and joint ventures	11	32,260	91,076
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial loss	26,34	(182,432)	(4,793,155)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	12	(1,397,629)	1,308,716
Share of defined benefit plan actuarial gain (loss) of joint ventures		14,464	(5,239)
Income tax of other comprehensive income		37,020	839,398
Total comprehensive income for the year		<u>₩ 180,801,507</u>	<u>₩ 196,656,021</u>

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2020 and 2019

*(in thousands of Korean won,
except earnings per share)*

	Notes	2020	2019
Profit attributable to:			
Owners of the Parent	₩	77,512,476	₩ 48,378,510
Non-controlling interests		<u>141,019,403</u>	<u>108,011,271</u>
Profit for the year	₩	<u>218,531,879</u>	<u>₩ 156,389,781</u>
Total comprehensive income attributable to			
Owners of the Parent	₩	63,396,847	₩ 63,248,729
Non-controlling interests		<u>117,404,660</u>	<u>133,407,292</u>
Total comprehensive income for the year	₩	<u>180,801,507</u>	<u>₩ 196,656,021</u>
Earnings per share: (in Korean won)	21		
Basic earnings per share	₩	1,289	₩ 804
Diluted earnings per share		1,289	804

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

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2020 and 2019

<i>(in thousands of Korean won)</i>		<u>Capital stock</u>	<u>Capital surplus</u>	<u>Treasury shares</u>	<u>Other capital</u>	<u>Reserve</u>	<u>Retained earnings</u>	<u>Non-controlling interests</u>	<u>Total equity</u>							
Balance at January 1, 2019	₩	31,322,147	₩	1,251,311,079	₩	(11,625,409)	₩	338,420,505	₩	114,844,532	₩	151,793,558	₩	1,300,521,543	₩	3,176,587,955
Changes in accounting policy		-	-	-	-	-	-	(358,096)	-	-	-	-	-	(586,500)	-	(944,596)
After adjustments		31,322,147	1,251,311,079	(11,625,409)	338,420,505	114,844,532	151,435,462	1,299,935,043	3,175,643,358							
Comprehensive income:																
Profit for the year		-	-	-	-	-	48,378,510	108,011,271	156,389,781							
Other comprehensive income:																
Gain (loss) on valuation of financial assets at fair value through other comprehensive income		-	-	-	562,929	-	-	668,399	1,231,328							
Exchange differences on translating foreign operations		-	-	-	15,989,569	-	-	26,835,876	42,825,444							
Share of other comprehensive income of associates and joint ventures		-	-	-	56,262	-	-	34,813	91,076							
Share of retained earnings of joint ventures		-	-	-	-	-	(1,958)	(3,281)	(5,239)							
Remeasurements of net defined benefit liability		-	-	-	-	-	(1,736,583)	(2,139,785)	(3,876,369)							
Total comprehensive income for the year		-	-	-	16,608,761	-	46,639,969	133,407,292	196,656,021							
Total transactions with owners of the Company, recognized directly in equity																
Exercise of stock options and others		565	39,002	-	(23,334)	-	-	66,768	83,000							
Dividends		-	-	-	-	-	(21,516,995)	(17,686,174)	(39,203,169)							
Decrease of non-controlling interests		-	-	-	-	-	-	(4,228,285)	(4,228,285)							
Transfer to statutory reserve		-	-	-	-	4,798,479	(4,798,479)	-	-							
Transfer to voluntary reserve		-	-	-	-	26,163,003	(26,163,003)	-	-							
Others		-	-	-	8,674,521	-	-	-	8,674,521							
Total transactions with owners of the Company, recognized directly in equity		565	39,002	-	8,651,187	30,961,482	(52,478,477)	(21,847,691)	(34,673,933)							
Balance at December 31, 2019	₩	31,322,711	₩	1,251,350,081	₩	(11,625,409)	₩	363,680,452	₩	145,806,014	₩	145,596,954	₩	1,411,494,643	₩	3,337,625,446

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2020 and 2019

(in thousands of Korean won)

	Capital stock	Capital surplus	Treasury shares	Other capital	Reserve	Retained earnings	Non-controlling interests	Total equity
Balance at January 1, 2020	₩ 31,322,711	₩ 1,251,350,081	₩ (11,625,409)	₩ 363,680,452	₩ 145,806,014	₩ 145,596,954	₩ 1,411,494,643	₩ 3,337,625,446
Comprehensive income:								
Profit for the year	-	-	-	-	-	77,512,476	141,019,403	218,531,879
Other comprehensive income:								
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	-	-	-	(514,573)	-	-	(873,044)	(1,387,617)
Exchange differences on translating foreign operations	-	-	-	(13,567,937)	-	-	(22,666,118)	(36,234,055)
Share of other comprehensive income of associates and joint ventures	-	-	-	36,220	-	-	(3,960)	32,260
Share of retained earnings of joint ventures	-	-	-	-	-	5,405	9,059	14,464
Remeasurements of net defined benefit liability	-	-	-	-	-	(74,745)	(80,680)	(155,424)
Total comprehensive income for the year	-	-	-	(14,046,290)	-	77,443,137	117,404,660	180,801,507
Total transactions with owners of the Company, recognized directly in equity								
Dividends	-	-	-	-	-	(23,116,283)	(16,172,290)	(39,288,573)
Transfer to statutory reserve	-	-	-	-	5,360,452	(5,360,452)	-	-
Transfer to voluntary reserve	-	-	-	-	17,450,058	(17,450,058)	-	-
Transfer from voluntary reserve	-	-	-	-	(15,500,000)	15,500,000	-	-
Issuance of stock options	-	-	-	-	-	-	15,571,525	15,571,525
Total transactions with owners of the Company, recognized directly in equity	-	-	-	-	7,310,509	(30,426,792)	(600,765)	(23,717,048)
Balance at December 31, 2020	₩ 31,322,711	₩ 1,251,350,081	₩ (11,625,409)	₩ 349,634,162	₩ 153,116,523	₩ 192,613,299	₩ 1,528,298,538	₩ 3,494,709,905

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

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

(in thousands of Korean won)

	2020	2019
Cash flows from operating activities		
Profit from continuing operations	₩ 218,531,879	₩ 156,389,781
Adjustments for:		
Retirement benefits	14,468,316	11,976,058
Depreciation of property, plant and equipment	126,617,814	117,310,442
Depreciation of investment property	391,411	407,037
Amortization	101,119,079	129,026,787
Depreciation of right-of-use assets	9,951,770	8,559,088
Share-based compensation expense	16,487,783	61,170
Impairment loss on property, plant and equipment	-	1,447,965
Impairment loss on intangible assets	440,718	77,899
Impairment loss on right-of-use assets	705,051	480,050
Impairment loss on prepayments	2,153,068	-
Bad debt expenses	170,706	160,414
Loss on sale of trade receivables	37,967	19,774
Loss on sale of property, plant and equipment	8,456,809	23,698,451
Loss on sale of intangible assets	26,065	1,891
Loss on sale of financial assets at fair value through profit or loss	106,881	165,937
Loss on valuation of financial assets at fair value through profit or loss	4,045	270,768
Loss on sale of investments in associates	-	252,233
Bad debt expenses on other receivables	21,388	385
Foreign currency translation loss	419,310	248,873
Interest expense	9,019,145	10,940,121
Other expenses	1,460,206	4,695,450
Income tax expense	105,744,875	87,727,266
Share of profit of associates and joint ventures	(21,196)	(1,004,322)
Gain on sale of property, plant and equipment	(4,987,266)	(3,111,840)
Gain on sale of intangible assets	(402,217)	-
Reversal of impairment loss on tangible assets	(785,000)	-
Reversal of impairment loss on intangible assets	(476,700)	-
Gain on sale of investment in associates	(1,901,340)	(7,317)
Foreign currency translation gain	(191,351)	(183,504)
Gain on sale of financial assets at fair value through profit or loss	(407,178)	(571,626)
Gain on valuation of financial assets at fair value through profit or loss	(308,370)	(641,289)
Interest income	(11,817,841)	(8,540,663)
Dividend income	(502,917)	(298,625)
Other income	(94,863)	(637,310)
	<u>375,906,166</u>	<u>382,531,566</u>

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

<i>(in thousands of Korean won)</i>	2020		2019	
Changes in:				
Trade receivables	₩	28,030,358	₩	(3,915,803)
Other receivables		(5,305,044)		6,645,814
Inventories		(35,408,975)		6,463,555
Other current assets		(56,336,966)		(64,450,736)
Other non-current assets		(1,762,102)		110,255
Trade payables		15,052,685		(7,554,788)
Other payables		(16,606,177)		(5,291,265)
Other current liabilities		(11,950,779)		(12,556,944)
Other non-current liabilities		-		21,969
Plan assets		(7,818,881)		(8,816,442)
Payment of defined benefit obligations		(6,341,153)		(7,525,290)
		<u>(98,447,035)</u>		<u>(96,869,674)</u>
Interest received		11,339,097		7,321,315
Dividend received		521,317		1,762,994
Interest paid		(9,046,543)		(10,515,243)
Income tax paid		(78,501,607)		(98,032,978)
Net cash inflow from operating activities	₩	<u>420,303,273</u>	₩	<u>342,587,760</u>
Cash flows from investing activities				
Proceeds from sale of investment in associates	₩	1,927,291	₩	1,043,267
Proceeds from sale of property, plant and equipment		7,213,269		6,679,838
Proceeds from sale of intangible assets		3,808,509		50,000
Decrease in operation deposits		124,580		35,229
Decrease in rental deposits		1,186,505		258,796
Collection of short-term loans		1,236,671		245,000
Net increase in financial assets at fair value through profit or loss		37,006,681		28,660,145
Increase in financial assets at fair value through other comprehensive income		-		(18,589,948)
Acquisition of property, plant and equipment		(164,327,947)		(201,888,751)
Acquisition of intangible assets		(6,335,030)		(4,943,919)
Acquisition of investment property		-		(15,950)
Increase in operation deposits		(128,690)		(119,580)
Increase in rental deposits		(712,830)		(212,767)
Increase in short-term loans		-		(245,000)
Net increase in deposits		(12,335,072)		(53,986,522)
Increase in cash due to business combination		1,408,665		-
Net cash outflow from investing activities	₩	<u>(129,927,399)</u>	₩	<u>(243,030,162)</u>

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

<i>(in thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Cash flows from financing activities		
Proceeds from exercise of stock options and others	₩ -	₩ 16,232
Increase in deposits received	-	205,031
Increase in short-term borrowings	452,505,737	936,967,036
Increase in long-term borrowings	-	30,000,000
Increase in debentures	69,753,780	-
Decrease in deposits received	(90,000)	(107,000)
Redemption of short-term borrowings	(439,977,037)	(1,038,918,197)
Redemption of current portion of long-term borrowings	(60,000)	(60,000)
Redemption of current portion of debentures	(120,000,000)	(50,000,000)
Dividends paid	(39,288,573)	(39,253,492)
Redemption of lease liabilities	(7,761,055)	(7,103,003)
Changes of non-controlling interests	-	(4,196,694)
Net cash outflow from financing activities	₩ <u>(84,917,148)</u>	₩ <u>(172,450,085)</u>
Effect of exchange rate fluctuations on cash and cash equivalents, and others	<u>(9,048,551)</u>	<u>5,426,297</u>
Net increase (decrease) in cash and cash equivalents	196,410,175	(67,466,189)
Cash and cash equivalents at the beginning of year	<u>190,319,070</u>	<u>257,785,259</u>
Cash and cash equivalents at the end of year	₩ <u>386,729,245</u>	₩ <u>190,319,070</u>

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

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. General Information

Description of the Controlling Company

Orion Holdings Corporation ("the Company" or the "Parent Company") was founded on July 25, 1956, and listed on the Korea Stock Exchange on June 27, 1975. As at December 31, 2020, the Company engages in the business of manufacturing and selling confectioneries with its headquarters in Baekbum-ro, Yongsan-gu, Seoul, Korea. The Company has increased its capital stock several times since incorporation and as at December 31, 2020, the Company has capital stock of ₩31,323 million, and its major stockholders are Lee Hwa Kyoung (32.63%) and six related individuals (31.21%).

In the meantime, the Company decided to equity spin off of the Investment business division and the confectionery manufacturing and selling division at the Board of Directors on November 22, 2016 and this resolution was approved by Shareholders' meeting on March 31, 2017. The Company established the Orion Corporation as a result of equity spin off as at June 1, 2017 and the Company, the surviving firm from the equity spin off changed its name to Orion Holdings Corporation.

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

The Company and its consolidated subsidiaries as at December 31, 2020 and 2019, are as follows:

Name	Location	Immediate controlling party	2020 Percentage of ownership		
			The		
			Company	Subsidiary	Total
Orion Holdings Corporation	Korea	The Ultimate Parent Company	-	-	-
Orion Corporation ¹	Korea	Orion Holdings Corporation	37.37%	-	37.37%
RION Asset Development Co, Ltd.	Korea	Orion Holdings Corporation	100.00%	-	100.00%
SHOWBOX Corp.	Korea	Orion Holdings Corporation	57.50%	-	57.50%
Mega Mark Co., Ltd.	Korea	Orion Holdings Corporation	100.00%	-	100.00%
PAN Orion Corp. Limited.	Hong Kong	Orion Corporation	-	95.15%	95.15%
Orion International Euro LLC.	Russia	Orion Corporation	-	100.00%	100.00%
Orion Food VINA Co., Ltd.	Vietnam	Orion Corporation	-	100.00%	100.00%
Orion Nutritionals Private Ltd.	India	Orion Corporation	-	100.00%	100.00%
Supreme Star Investment Limited. ²	Hong Kong	Orion Holdings Corporation	62.66%	11.23%	73.89%
HighLand D&C Co., Ltd.	Korea	Orion Holdings Corporation	100.00%	-	100.00%
SHOWBOX Inc.	China	SHOWBOX Corp.	-	100.00%	100.00%
Misoin Co., Ltd.	Korea	Mega Mark Co., Ltd.	-	100.00%	100.00%
Orion Food Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%
Orion Food(Shanghai) Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%
Orion Food Guangzhou Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%
Orion Food (Shen Yang) Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019

Name	Location	Immediate controlling party	2020		
			Percentage of ownership		
			The Company	Subsidiary	Total
Orion(Bei Tun) Agro Processing Co.,Ltd	China	Orion Food Co., Ltd.	-	100.00%	100.00%
Orion Agro BeiTun Co.,Ltd ³	China	Orion(Bei Tun) Agro Processing Co.,Ltd	-	-	-
Orion Consulting Co., Ltd.	China	Supreme Star Investment Limited	-	100.00%	100.00%
Orion Agro Co., Ltd.	China	Orion Food Co., Ltd.	-	100.00%	100.00%
Orion Agro DuoLun Co., Ltd.	China	Orion Food Co., Ltd.	-	100.00%	100.00%
Beijing mega media Co., Ltd ⁴	China	Orion Holdings Corporation	-	-	-
LangFang Green Eco Packaging Co.,Ltd. ⁵	China	Orion Food Co., Ltd	-	100.00%	100.00%
Orion JeJu Yongam Soo Corp. ⁶	Korea	Orion Holdings Corporation	94.56%	-	94.56%
Orion Investment Development Corp. ⁴	Korea	Orion Holdings Corporation	-	-	-
Beijing Zhongguan MegaboxCinema Co.,Ltd. ⁷	China	Supreme Star Investment Limited	-	90.00%	90.00%

Name	Location	Immediate controlling party	2019		
			Percentage of ownership		
			The Company	Subsidiary	Total
Orion Holdings Corporation	Korea	The Ultimate Parent Company	-	-	-
Orion Corporation ¹	Korea	Orion Holdings Corporation	37.37%	-	37.37%
RION Asset Development Co, Ltd.	Korea	Orion Holdings Corporation	100.00%	-	100.00%
SHOWBOX Corp.	Korea	Orion Holdings Corporation	57.50%	-	57.50%
Mega Mark Co., Ltd.	Korea	Orion Holdings Corporation	100.00%	-	100.00%
PAN Orion Corp. Limited.	Hong Kong	Orion Corporation	-	95.15%	95.15%
Orion International Euro LLC.	Russia	Orion Corporation	-	100.00%	100.00%
Orion Food VINA Co., Ltd.	Vietnam	Orion Corporation	-	100.00%	100.00%
Orion Nutritionals Private Ltd.	India	Orion Corporation	-	100.00%	100.00%
Supreme Star Investment Limited. ²	Hong Kong	Orion Holdings Corporation	62.66%	11.23%	73.89%
HighLand D&C Co., Ltd.	Korea	Orion Holdings Corporation	100.00%	-	100.00%
SHOWBOX Inc.	China	SHOWBOX Corp.	-	100.00%	100.00%
MisoIn Co., Ltd.	Korea	Mega Mark Co., Ltd.	-	100.00%	100.00%
Orion Food Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%
Orion Food(Shanghai) Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%
Orion Food Guangzhou Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%
Orion Food (Shen Yang) Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019

Name	Location	Immediate controlling party	2019 Percentage of ownership		
			The		
			Company	Subsidiary	Total
Orion(Bei Tun) Agro Processing Co.,Ltd	China	Orion Food Co., Ltd.	-	100.00%	100.00%
Orion Agro BeiTun Co.,Ltd ³	China	Orion(Bei Tun) Agro Processing Co.,Ltd	-	100.00%	100.00%
Orion Consulting Co., Ltd.	China	Supreme Star Investment Limited	-	100.00%	100.00%
Orion Agro Co., Ltd.	China	Orion Food Co., Ltd.	-	100.00%	100.00%
Orion Agro DuoLun Co., Ltd.	China	Orion Food Co., Ltd.	-	100.00%	100.00%
Beijing mega media Co., Ltd ⁴	China	Orion Holdings Corporation	100.00%	-	100.00%
LangFang Green Eco Packaging Co.,Ltd. ⁵	China	Orion Food Co., Ltd	-	100.00%	100.00%
Orion JeJu Yongam Soo Corp. ⁶	Korea	Orion Holdings Corporation	94.56%	-	94.56%
Orion Investment Development Corp. ⁴	Korea	Orion Holdings Corporation	100.00%	-	100.00%
Beijing Zhongguan MegaboxCinema Co., Ltd. ⁷	China	Supreme Star Investment Limited	-	49.00%	49.00%

¹ The Company's ownership of Orion Corporation is less than 50%, but it is classified as a subsidiary based on the judgement that the Company has control over Orion Corporation considering the presence of contracts on exercising of the voting rights with major shareholders and others.

² In 2019, Supreme Star Investment Limited issued pro rata capital reduction.

³ In 2020, Orion Agro BeiTun Co.,Ltd went through liquidation.

⁴ In 2020, Beijing mega media Co., Ltd went through liquidation.

⁵ In 2020, LANGFANG IPAK Co., Ltd. changed its name into LangFang Green Eco Packaging Co.,Ltd.

⁶ In 2019, JeJu Yongam Soo Corp. changed its name into Orion Jeju Yongam Soo Corp. The Company issued capital increase of Orion Jeju Yongam Soo Corp. amounting to ₩ 46,200 million, which the ownership changed to 94.56%.

⁷ In 2020, Beijing Zhongguan Megabox Cinema Co., Ltd. was included in subsidiaries as the Group acquired additional shares (Note 40).

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019

Financial information of the Company and its consolidated subsidiaries is summarized as follows:

(In millions of Korean won)

Name	Main business	2020					
		Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Comprehensive income (loss)
Orion Holdings Corporation	Investment	₩ 1,926,894	₩ 43,333	₩ 1,883,561	₩ 26,052	₩ 13,482	₩ 13,505
Orion Corporation	Manufacturing and selling confectioneries	1,206,951	398,318	808,633	769,223	75,659	75,580
Mega Mark Co., Ltd.	Construction	27,334	398	26,936	-	(111)	(111)
RION Asset Development Co., Ltd.	Real estate	8,001	52,273	(44,272)	-	(2,023)	(2,023)
HighLand D&C Co., Ltd.	Developing and selling buildings for residence	6,661	39,410	(32,749)	-	(1,532)	(1,532)
Misoin Co., Ltd.	Developing and supplying buildings for residence	10,651	75,233	(64,582)	-	(2,466)	(2,466)
SHOWBOX Corp.	Movie, broadcasting and performance	150,430	15,918	134,512	46,686	(2,612)	(3,082)
SHOWBOX Inc.	Planning and developing movie	765	4	761	147	(382)	(369)
PAN ORION Corp. Limited	Holding company	336,283	623	335,660	-	(228)	(1,580)
Orion International Euro LLC	Manufacturing and selling confectioneries	79,246	9,116	70,130	89,040	13,873	13,873
Orion Food VINA Co., Ltd.	Manufacturing and selling confectioneries	325,030	48,004	277,026	291,989	56,645	56,645
Orion Nutritionals Private Ltd.	Selling confectioneries	20,499	677	19,822	348	(1,921)	(1,921)
Supreme Star Investment Limited	Investment Holding company	7,846	3,172	4,674	-	(713)	(713)
Orion Food Co., Ltd.	Manufacturing and selling confectionerie	688,817	211,014	477,803	1,095,335	108,420	108,420
Orion Food(Shanghai) Co., Ltd.	Manufacturing confectioneries	314,797	36,935	277,862	171,835	15,753	15,753
Orion Food Guangzhou Co., Ltd.	Manufacturing confectioneries	208,932	35,282	173,650	125,105	15,126	15,126
Orion Food (Shen Yang) Co., Ltd.	Manufacturing confectioneries	169,236	53,301	115,935	78,743	8,172	8,172
Orion(Bei Tun) Agro Processing Co., Ltd.	Processing the agricultural products	18,333	9	18,324	-	12,006	12,006

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019

(In millions of Korean won)

Name	Main business	2020					
		Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Comprehensive income (loss)
Orion Agro BeiTun Co. Ltd ¹	Harvesting and selling the agricultural products	-	-	-	-	391	391
Orion Agro Co., Ltd.	Manufacturing food and beverages	9,538	596	8,942	10,796	1,035	1,035
Orion Agro DuoLun Co., Ltd.	Processing the agricultural products	3,433	179	3,254	3,720	237	237
Orion Consulting Co., Ltd.	Consulting	3,928	1	3,927	-	1,907	1,907
Beijing mega media Co., Ltd ²	Consulting for making movie	-	-	-	-	(5)	(5)
LangFang Green Eco Packaging Co.,Ltd.	Manufacturing pulp and paper	27,153	5,198	21,955	25,364	3,360	3,360
Orion JeJu Yongam Soo Corp.	Beverage Business	127,726	60,714	67,012	7,963	(6,137)	(6,209)
Orion Investment Development Corp. ²	Investment	-	-	-	-	(4)	(4)
Beijing Zhongguan Megabox Cinema Co., Ltd. ³	Selling confectioneries	14,067	7,887	6,180	2,506	(846)	(846)
Total		₩ 5,692,551	₩ 1,097,595	₩ 4,594,956	₩ 2,744,852	₩ 307,086	₩ 305,149

¹ In 2020, Orion Agro BeiTun Co., Ltd. went through liquidation and the amount stated above presents financial information before liquidation.

² In 2020, Orion Investment Development Corp. and Beijing mega media Co., Ltd went through liquidation and the amount stated above presents financial information before liquidation.

³ The financial information on Beijing Zhongguan Megabox Cinema Co., Ltd. presents the amounts after the Company gained control over the entity.

Above summarized financial information is based on the separate financial statements.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019

(In millions of Korean won)

Name	Main business	2019					
		Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Comprehensive income (loss)
Orion Holdings Corporation	Investment	₩ 1,930,161	₩ 38,123	₩ 1,892,038	₩ 28,973	₩ 7,966	₩ 7,790
Orion Corporation	Manufacturing and selling confectioneries	1,190,810	443,632	747,178	732,835	76,478	73,305
Mega Mark Co., Ltd.	Construction	27,445	399	27,046	-	175	175
RION Asset Development Co, Ltd.	Real estate	7,773	50,022	(42,249)	-	(2,259)	(2,259)
HighLand D&C Co., Ltd.	Developing and Selling buildings for residence	6,493	37,710	(31,217)	-	(1,705)	(1,705)
Misoin Co., Ltd.	Developing and Supplying buildings for residence	10,283	72,400	(62,117)	-	(2,848)	(2,848)
SHOWBOX Corp.	Movie, broadcasting, and performance	165,251	24,591	140,660	78,650	3,259	3,103
SHOWBOX Inc.	Planning and developing movie	1,133	6	1,127	23	(353)	(413)
PAN ORION Corp. Limited ¹	Holding company	330,422	80	330,342	175,801	158,124	159,144
Orion International Euro LLC	Manufacturing and selling confectioneries	85,947	12,174	73,773	77,303	10,457	10,457
Orion Food VINA Co., Ltd.	Manufacturing and selling confectioneries	277,237	38,908	238,329	252,321	43,865	43,865
Supreme Star Investment Limited	Investment Holding Company	5,357	-	5,357	-	1,060	1,060
Orion Food Co., Ltd.	Manufacturing and selling confectionerie	598,873	233,249	365,624	974,426	61,153	61,153
Orion Food(Shanghai) Co., Ltd.	Manufacturing confectioneries	293,498	33,429	260,069	157,297	18,288	18,288
Orion Food Guangzhou Co., Ltd.	Manufacturing confectioneries	213,881	56,548	157,333	106,943	11,927	11,927
Orion Food (Shen Yang) Co., Ltd.	Manufacturing confectioneries	169,340	62,555	106,785	66,099	5,196	5,196
Orion(Bei Tun) Agro Processing Co., Ltd. ²	Processing the agricultural products	6,659	113	6,546	8,307	(27,504)	(27,504)
Orion Agro BeiTun Co. Ltd	Harvesting and selling the agricultural products	137	504	(367)	3,671	(1,072)	(1,072)
Orion Agro Co., Ltd.	Manufacturing food and beverages	8,800	953	7,847	8,401	1,242	1,242

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019

(In millions of Korean won)

Name	Main business	2019					
		Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Comprehensive income (loss)
Orion Agro DuoLun Co., Ltd.	Processing the agricultural products	3,220	220	3,000	3,271	40	40
Orion Consulting Co., Ltd.	Consulting	2,138	88	2,050	477	170	170
Beijing mega media Co., Ltd	Consulting for making movie	369	6	363	-	(54)	(54)
LANGFANG IPAK Co., Ltd.	Manufacturing pulp and paper	23,154	4,647	18,507	20,951	784	784
Orion JeJu Yongam Soo Corp.	Beverage Business	136,152	62,932	73,220	1,179	(2,805)	(2,892)
Orion Investment Development Corp.	Investment	98	-	98	-	(1)	(1)
Orion Nutritionals Private Ltd.	Selling confectioneries	10,571	337	10,234	-	(829)	(829)
Total		₩ 5,505,202	₩ 1,173,626	₩ 4,331,576	₩ 2,696,928	₩ 360,754	₩ 358,122

¹ Sales of PAN Orion Corp. Limited is dividend received from Orion Food Co., Ltd.

² Due to a fire, Orion(Bei Tun) Agro Procession Co., Ltd. recognized loss of ₩ 21,538 million (Note 39).

Above summarized financial information is based on the separate financial statements.

Subsidiaries newly included in the consolidation for the year ended December 31, 2020:

Subsidiary	Location	Reason
Beijing Zhongguan MegaboxCinema Co., Ltd.	China	A business combination achieved in stages

In 2020, Orion Agro BeiTun Co.,Ltd., Orion Investment Development Corp. and Beijing mega media Co., Ltd went through liquidation, and there are no other changes in the scope of the consolidation for the year ended December 31, 2020.

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

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 the consolidated 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 3.

2.2 Changes in Accounting Policies and Disclosures

2.2.1 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, 2020.

(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements and Korean IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

The amendments clarify the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments do not have a significant impact on the consolidated financial statements.

(b) Amendments to Korean IFRS 1103 Business Combination – Definition of a Business

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and the definition of output excludes the returns in the form of lower costs and other economic benefits. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, an entity may elect to apply an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments do not have a significant impact on the consolidated financial statements.

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(c) Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement and Korean IFRS 1107 Financial Instruments: Disclosure – Interest Rate Benchmark Reform

The amendments allow to apply the exceptions in relation the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions require the Group assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based on is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The amendments do not have a significant impact on the consolidated financial statements.

(d) Amendments to Korean IFRS 1116 Lease – Practical expedient for COVID-19 - Related Rent Exemption, Concessions, Suspension

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. If a change in lease payments due to a rent concession and others is not a lease modification, a lessee who made such election is required to account for with a consistency with Korean IFRS 1116. With the earlier application of the amendments, the Group has changed its accounting policy. The Group has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard. There is no cumulative impact of initially applying the standard to retained earnings as at January 1, 2020, in relation to the adoption; therefore, the Group has not restated comparatives for the 2019 reporting period.

2.2.2 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting period and have not been early adopted by the Group.

(a) Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendments should be applied for annual periods beginning on or after January 1, 2021, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(b) Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(c) Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

(d) Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(e) Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 *Leases* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

(f) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability include the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

2.3 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.

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

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

(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 the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an 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. If an associate uses accounting policies other than those of the

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Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

(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.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which 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. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges, or are attributable to monetary part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to transactions with financial institutions are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss within 'other income or other expenses'.

Non-monetary items 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 assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

(c) Translation to the presentation currency

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period,
- income and expenses for each statement of profit or loss are translated at average exchange rates,
- equity is translated at the historical exchange rate, and
- all resulting exchange differences are recognized in other comprehensive income.

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2.5 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

2.6 Financial Assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

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

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

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. Changes in fair value of non-designated equity investment are recognized in profit or loss.

(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.

A. 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

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foreign exchange gains and losses which are recognized in profit or 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 'finance income or costs' and impairment losses are presented in 'finance costs'.

- 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 consolidated statement of comprehensive income within 'finance income or costs' in the year in which it arises.

B. 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, which held for long-term investment or strategic purpose, 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 'finance 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 'finance income or costs' in the consolidated statement of comprehensive income 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 and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(d) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

(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.

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2.7 Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'finance income (costs)' based on the nature of transactions.

2.8 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance.

2.9 Inventories

The cost of inventories is determined by the specific identification method for materials-in-transit and by the weighted average method for all other inventories. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The allocation of fixed manufacturing overheads which are included in the costs of products and work-in-process is based on the normal capacity of the production facilities.

The carrying amount of inventories is recognized as cost of sales during the period when revenue from the sale of related goods is recognized.

Inventories are stated at the lower of cost and net realizable value. Amounts of inventory written down to net realizable value due to losses occurring in the normal course of business are recognized as cost of sales and are deducted as an allowance from the carrying value of inventories.

The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense (cost of sales) in the period in which the reversal occurs.

2.10 Property, Plant and Equipment

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

Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

<u>Asset</u>	<u>Useful lives (years)</u>
Buildings	15 ~ 55
Structures	10 ~ 30
Machinery	5 ~ 17
Others	3 ~ 10, Indefinite

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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2.11 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 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.

2.12 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 consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

2.13 Intangible Assets

Goodwill is measured as described in Note 2.3 (a), and carried at cost less accumulated impairment losses.

Intangible assets, except for goodwill, are initially recognized at its historical cost, and carried at cost less accumulated amortization and accumulated impairment losses.

Software development costs that are directly attributable to internally generated by the Group are recognized when the criteria; such as, technically feasible, generate probable future economic benefits and other, are met. Customer contracts acquired in a business combination are recognized at fair value at the acquisition date. Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

<u>Asset</u>	<u>Useful lives (years)</u>
Industrial property rights	5~10
Copyright	Period over which related revenue is realized
Customer relationships value, Brand value	5~10
Others	5

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

2.14 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 30 ~ 55 years.

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

2.15 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.

2.16 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Financial Liabilities

(a) Classification and measurement

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

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

Preferred shares that require mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares using the effective interest method are recognized in the consolidated statement of comprehensive income as 'finance costs', together with interest expenses recognized from other financial liabilities.

(b) Derecognition

Financial liabilities are removed from the consolidated 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. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.18 Provisions

Provisions for sales rebates, make good obligation, and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. 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.

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2.19 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 current income 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, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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 profit 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 when the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2.20 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 has been paid. The contribution is 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 consolidated 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

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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.

(b) Share-based payments

Equity-settled share-based payment is recognized at fair value of equity instruments granted, and employee benefit expense is recognized over the vesting period. At the end of each reporting period, the quantity of equity instruments expected to be vested is remeasured taking into account non-market performance conditions, and changes from the estimates at the beginning of the reporting period are recognized in profit or loss and equity.

The proceeds received, net of any directly attributable transaction costs, are recognized as share capital (nominal value) and share premium.

For share-based payment transactions among group entities, the entity receiving the goods or services measures the goods or services received as either an equity-settled or a cash-settled share-based payment transaction by assessing: (a) the nature of the awards granted, and (b) its own rights and obligations. The amount recognized by the entity receiving the goods or services may differ from the amount recognized by the Group or by another group entity settling the share-based payment transaction.

The entity receiving the goods or services measures the goods or services received as an equity-settled share-based payment transaction when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction.

(c) Other long-term employee benefits

Certain entities within the Group provide long-term employee benefits that are entitled to employees with service period for [ten] years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by an independent qualified actuary.

2.21 Revenue from Contracts with Customers

(a) Revenue from contracts with customers

Revenue from the sale of goods, rendering of services or use of the Group assets is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates, and are recognized as a reduction of revenue. Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

① Variable consideration

The Group estimates an amount of variable consideration by using the method that the Group expects to better predict the amount of consideration to which it will be entitled for discount, incentive, penalty and others to be paid to customers.

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② Consideration payable to a customer

The Group accounts for consideration payable to a customer as an expense or reduction of the revenue, depending on whether the payment to the customer is in exchange for a distinct good or service.

2.22 Leases

(a) Lessor

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

(b) Lessee

The Group leases various equipment and cars. Lease contracts are typically made for fixed periods, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for certain leases of real estate for which the Group is lessee, the Group applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider a termination penalty in determining the period for which the contract is enforceable.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

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The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT-equipment and small items of office furniture.

(c) Variable lease payments

Variable lease payments include conditions that are linked to the usage of pallets, forklift trucks, etc. The contractual term that pays variable lease are used for a myriad of reasons following the frequent change of the number of usages. Such variable lease payments are recognized as profit or loss in periods where certain conditions cause variable lease payments.

Some property leases contain variable payment terms that are linked to sales generated from a store. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

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(d) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts.

2.23 Operating Segments

All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. As described in Note 5, the Group has five confectionaries segments which are the Group's strategic operating segment units. The strategic operating segment units are operated separately from others because strategic operating segments provide different products and render different services and each segments require different technology and marketing strategy.

2.24 Approval of Issuance of the Financial Statements

The consolidated financial statements were authorized to be issued by the Board of Directors on February 3, 2021, and will be approved with or without a modification on the shareholders' meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of consolidated financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions 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. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

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. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

(a) Estimated goodwill impairment

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.

(b) 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. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. 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.

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(c) Impairment of financial assets

The provisions for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(d) 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.

(e) Impairment of non-financial assets

The recoverable amount to review an impairment of non-financial assets is determined based on a higher of value-in use calculations or fair value less costs to disposal.

(f) Share-based payments

The Group measures the cost of share-based payments based on fair value at the date of granting share options, and estimates the fair value by using an appropriate valuation model considering the vesting conditions.

Also, the Group is required to determine the most appropriate pricing inputs for valuation model, including share options' variation, risk-free interest rates and others, and establish assumption on the inputs.

See Note 22 for the inputs and valuation models used.

(g) Lease

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(h) COVID-19

During 2020, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on the global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the consolidated financial position and financial performance of the Group.

Significant accounting estimates and assumptions applied in the preparation of the consolidated financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot presently be determined.

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4. Non-Controlling Interests

The following table summarizes the information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations.

Major consolidated subsidiaries are summarized as follows:

Subsidiary	Location	Non-controlling interest percentage	
		2020	2019
Orion Corp.	Korea	62.63%	62.63%
SHOWBOX Corp.	Korea	42.50%	42.50%

Cumulative non-controlling interests and dividends paid to non-controlling interests:

(in thousands of Korean won)

Subsidiary	2020		
	Profit allocated to non-controlling interests	Cumulative non-controlling interests	Dividends paid to non-controlling interests
Orion Corp.	₩ 142,863,392	₩ 1,465,832,559	₩ 14,852,190
SHOWBOX Corp.	(1,106,305)	57,483,922	1,320,100

(in thousands of Korean won)

Subsidiary	2019		
	Profit allocated to non-controlling interests	Cumulative non-controlling interests	Dividends paid to non-controlling interests
Orion Corp.	₩ 106,730,650	₩ 1,345,834,057	₩ 14,850,887
SHOWBOX Corp.	1,164,866	59,856,030	1,320,100

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Financial position and financial performance:

(in thousands of Korean won)

		2020	
		Orion Corp.	SHOWBOX Corp.
Current assets	₩	797,543,594	₩ 105,475,920
Non-current assets ¹		2,401,074,917	44,978,438
Current liabilities		345,503,462	13,185,740
Non-current liabilities		552,712,872	2,736,187
Revenue		2,229,819,934	46,799,889
Profit (loss) for the year		225,078,208	(2,628,586)
Comprehensive income (loss)		187,558,153	(3,085,262)

(in thousands of Korean won)

		2019	
		Orion Corp.	SHOWBOX Corp.
Current assets	₩	596,321,881	₩ 112,081,167
Non-current assets ¹		2,454,099,204	53,170,172
Current liabilities		464,461,397	21,569,158
Non-current liabilities		464,528,319	3,021,856
Revenue		2,023,296,057	78,650,191
Profit for the year		165,931,004	3,259,345
Comprehensive income		247,945,132	3,103,358

¹ The non-current assets of Orion Corp. do not include goodwill arising from the business combination.

Cash flow:

(in thousands of Korean won)

		2020	
		Orion Corp.	SHOWBOX Corp.
Cash flows from operating activities	₩	460,996,137	₩ (34,401,560)
Cash flows from investing activities		(163,179,779)	36,911,010
Cash flows from financing activities		(86,498,675)	(3,390,615)
Effect of exchange rate fluctuations on cash held		(8,857,532)	(20,910)
Net increase (decrease) in cash and cash equivalents		202,460,151	(902,075)

(in thousands of Korean won)

		2019	
		Orion Corp.	SHOWBOX Corp.
Cash flows from operating activities	₩	347,826,333	₩ (149,056)
Cash flows from investing activities		(187,462,728)	(1,272,798)
Cash flows from financing activities		(184,384,587)	(3,433,493)
Effect of exchange rate fluctuations on cash held		4,367,171	(78,610)
Net increase (decrease) in cash and cash equivalents		(19,653,811)	(4,933,957)

Summarized financial information of Orion Corp. and SHOW BOX Corp. is based on each consolidated financial statement.

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5. Operating Segments

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

Operating segments	Principal operations
Confectioneries	Manufacturing and selling of snacks and confectioneries
Entertainment	Film investments and distribution
Construction	Construction and sale of real estate
Holding business	The holding company's dividend, royalty, rental income and others
Others	Beverage, business Information services, Investment and Trading business

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Segment results for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020							Consolidated Total
	Confectioneries	Entertainment	Construction	Holding	Others	Reportable Segment Total	Elimination	
Total segment sales	₩ 2,661,497,701	₩ 49,338,835	₩ — -	₩ 26,051,792	₩ 7,962,866	₩ 2,744,851,194	₩ (464,363,816)	₩ 2,280,487,378
Less: Inter segment sales	(431,677,767)	(69,819)	-	(24,653,364)	(7,962,866)	(464,363,816)	464,363,816	-
External sales	2,229,819,934	49,269,016	-	1,398,428	-	2,280,487,378	-	2,280,487,378
Depreciation ¹	(139,076,407)	(32,519,121)	-	(923,657)	(5,895,171)	(178,414,356)	(59,665,717)	(238,080,073)
Profit (loss) for the year	375,974,713	(2,996,334)	(333,318)	13,166,359	(4,854,522)	380,956,898	(72,328,263)	308,628,635

¹ Depreciation of property, plant and equipment, intangible assets, investment property and right of use assets are included.

(in thousands of Korean won)

	2019							Consolidated Total
	Confectioneries	Entertainment	Construction	Holding	Others	Reportable Segment Total	Elimination	
Total segment sales	₩ 2,587,625,526	₩ 78,672,849	₩ — -	₩ 28,973,423	₩ 477,113	₩ 2,695,748,911	₩ (592,157,622)	₩ 2,103,591,289
Less: Inter segment sales	(564,196,433)	(9,443)	-	(27,951,746)	-	(592,157,622)	592,157,622	-
External sales	2,023,429,093	78,663,406	-	1,021,677	477,113	2,103,591,289	-	2,103,591,289
Depreciation	(132,335,785)	(60,667,883)	(19)	(454,508)	(1,437,668)	(194,895,863)	(60,407,491)	(255,303,354)
Profit (loss) for the year	326,111,998	1,942,204	(282,081)	17,597,906	(2,633,723)	342,736,304	(76,076,791)	266,659,513

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Segment assets and liabilities as at December 31, 2020 and 2019, as follows:

(in thousands of Korean won)

	2020							Consolidated Total
	Confectioneries	Entertainment	Construction	Holding	Others	Reportable Segment Total	Elimination	
Total assets	₩ 3,408,247,875	₩ 165,261,743	₩ 52,647,013	₩ 1,926,893,842	₩ 139,499,998	₩ 5,692,550,471	₩ (1,194,999,525)	₩ 4,497,550,946
Total liabilities	799,252,152	23,808,437	167,314,109	43,333,263	63,887,267	1,097,595,228	(94,754,187)	1,002,841,041
Investments in joint ventures	31,656,116	-	-	-	-	31,656,116	(577,668)	31,078,448
Increase of non-current assets	608,820	6,319,427	785,000	8,262	316,934	8,038,443	(57,250,436)	(49,211,993)

Financial assets, goodwill and deferred tax assets have been excluded from non-current assets above.

(in thousands of Korean won)

	2019							Consolidated Total
	Confectioneries	Entertainment	Construction	Holding	Others	Reportable Segment Total	Elimination	
Total assets	₩ 3,212,548,550	₩ 166,384,183	₩ 51,993,958	₩ 1,930,161,016	₩ 144,114,423	₩ 5,505,202,130	₩ (1,138,868,477)	₩ 4,366,333,653
Total liabilities	887,347,086	24,597,330	160,529,626	38,122,868	63,026,508	1,173,623,418	(144,915,211)	1,028,708,207
Investments in associates and joint ventures	33,452,480	3,997,747	-	-	-	37,450,227	(2,962,048)	34,488,179
Increase of non-current assets	26,347,690	2,701,871	(19)	842,084	76,260,460	106,152,086	(77,322,855)	28,829,231

Financial assets, goodwill and deferred tax assets have been excluded from non-current assets above.

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The Group analyses and categorizes its revenue and non-financial assets according to geographical locations. The information on revenue from each segment is specified based on the regions where the related revenue is earned and the information on non-financial assets from each segment is based on where the listed assets are located.

Information on regional sales (after inter-company eliminations) for the years ended December 31, 2020 and 2019, is as follows:

(in thousands of Korean won)

		2020							
		Domestic		China		Others		Total	
Continuing operation	₩	800,618,880	₩	1,100,131,665	₩	379,736,833	₩	2,280,487,378	

(in thousands of Korean won)

		2019							
		Domestic		China		Others		Total	
Continuing operation	₩	797,291,137	₩	976,826,014	₩	329,474,138	₩	2,103,591,289	

Information on regional non-current assets (after inter-company eliminations) for the years ended December 31, 2020 and 2019, is as follows:

(in thousands of Korean won)

	2020		2019	
Domestic	₩	1,476,768,502	₩	1,545,409,606
China		816,564,945		829,427,363
Other		230,505,182		207,534,001
Total	₩	<u>2,523,838,629</u>	₩	<u>2,582,370,970</u>

See Note 28 for the detailed information on revenues of the Group for the years ended December 31, 2020 and 2019.

There is no main customer who contributes more than 10% of the Group's revenues for the year ended December 31, 2020.

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6. Property, Plant and Equipment

Changes in property, plant and equipment for the year ended December 31, 2020, are as follows:

<i>(in thousands of Korean won)</i>	<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Machinery</u>	<u>Others</u>	<u>Construction in-progress</u>	<u>Total</u>
Acquisition Cost							
Balance at January 1, 2020	₩ 385,537,747	₩ 692,346,459	₩ 19,711,884	₩ 897,008,896	₩ 68,348,387	₩ 52,864,890	₩ 2,115,818,263
Additions	-	1,022,937	279,394	24,244,323	7,153,255	134,218,892	166,918,801
Disposals	(1,684,175)	(5,109,616)	(1,244,979)	(57,932,547)	(10,040,377)	(456,626)	(76,468,320)
Increase due to business combination	-	-	-	526,077	112,862	-	638,939
Transfers	-	35,164,112	45,996	73,793,574	13,168,245	(122,171,927)	-
Others	(342,472)	(4,283,196)	(814,751)	(18,564,634)	1,012,699	444,772	(22,547,582)
Balance at December 31, 2020	₩ <u>383,511,100</u>	₩ <u>719,140,696</u>	₩ <u>17,977,544</u>	₩ <u>919,075,689</u>	₩ <u>79,755,071</u>	₩ <u>64,900,001</u>	₩ <u>2,184,360,101</u>
Accumulated depreciation and impairment							
Balance at January 1, 2020	₩ -	₩ (45,203,838)	₩ (2,092,705)	₩ (144,188,659)	₩ (5,843,379)	₩ -	₩ (197,328,581)
Depreciation	-	(19,906,020)	(1,515,174)	(92,617,197)	(12,579,422)	-	(126,617,813)
Reversal of impairment loss	-	-	-	-	785,000	-	785,000
Disposals	-	1,342,055	1,242,909	53,776,338	9,423,626	-	65,784,928
Others	-	744,856	325,302	5,594,923	(595,290)	-	6,069,791
Balance at December 31, 2020	₩ -	₩ <u>(63,022,947)</u>	₩ <u>(2,039,668)</u>	₩ <u>(177,434,595)</u>	₩ <u>(8,809,465)</u>	₩ -	₩ <u>(251,306,675)</u>
Book amount							
Balance at January 1, 2020	₩ <u>385,537,747</u>	₩ <u>647,142,621</u>	₩ <u>17,619,179</u>	₩ <u>752,820,237</u>	₩ <u>62,505,008</u>	₩ <u>52,864,890</u>	₩ <u>1,918,489,682</u>
Balance at December 31, 2020	₩ <u>383,511,100</u>	₩ <u>656,117,749</u>	₩ <u>15,937,876</u>	₩ <u>741,641,094</u>	₩ <u>70,945,606</u>	₩ <u>64,900,001</u>	₩ <u>1,933,053,426</u>

Fluctuations due to foreign currency translation of foreign operations are included in others.

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Changes in property, plant and equipment for the year ended December 31, 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Machinery</u>	<u>Others</u>	<u>Construction in-progress</u>	<u>Total</u>
Acquisition Cost							
Balance at January 1, 2019	₩ 383,053,746	₩ 619,678,277	₩ 7,654,770	₩ 793,944,069	₩ 62,865,081	₩ 63,290,360	₩ 1,930,486,303
Additions	786,641	5,661,598	261,098	23,049,124	6,387,087	165,040,803	201,186,351
Disposals	(1,593,499)	(1,366,754)	(12,573)	(19,872,014)	(18,314,523)	-	(41,159,363)
Others	<u>3,290,859</u>	<u>68,373,338</u>	<u>11,808,589</u>	<u>99,887,717</u>	<u>17,410,742</u>	<u>(175,466,273)</u>	<u>25,304,972</u>
Balance at December 31, 2019	₩ <u>385,537,747</u>	₩ <u>692,346,459</u>	₩ <u>19,711,884</u>	₩ <u>897,008,896</u>	₩ <u>68,348,387</u>	₩ <u>52,864,890</u>	₩ <u>2,115,818,263</u>
Accumulated depreciation and impairment							
Balance at January 1, 2019	₩ -	₩ (25,741,759)	₩ (860,806)	₩ (69,842,401)	₩ (10,046,451)	₩ -	₩ (106,491,417)
Depreciation	-	(17,793,297)	(1,071,091)	(86,581,296)	(11,864,758)	-	(117,310,442)
Impairment loss ¹	-	(949,492)	-	(496,875)	(1,598)	-	(1,447,965)
Disposals ¹	-	495,071	12,572	19,122,321	16,916,974	-	36,546,938
Others	-	<u>(1,214,361)</u>	<u>(173,380)</u>	<u>(6,390,408)</u>	<u>(847,546)</u>	-	<u>(8,625,695)</u>
Balance at December 31, 2019	₩ -	₩ <u>(45,203,838)</u>	₩ <u>(2,092,705)</u>	₩ <u>(144,188,659)</u>	₩ <u>(5,843,379)</u>	₩ -	₩ <u>(197,328,581)</u>
Book amount							
Balance at January 1, 2019	₩ <u>383,053,746</u>	₩ <u>593,936,518</u>	₩ <u>6,793,964</u>	₩ <u>724,101,668</u>	₩ <u>52,818,630</u>	₩ <u>63,290,360</u>	₩ <u>1,823,994,886</u>
Balance at December 31, 2019	₩ <u>385,537,747</u>	₩ <u>647,142,621</u>	₩ <u>17,619,179</u>	₩ <u>752,820,237</u>	₩ <u>62,505,008</u>	₩ <u>52,864,890</u>	₩ <u>1,918,489,682</u>

¹ Due to a fire, the Group recognized loss on disposal of property, plant and equipment and impairment loss of ₩ 16,695 million.

Fluctuations due to foreign currency translation of foreign operations are included in others.

Borrowing costs of ₩ 110,460 thousand (2019: ₩ 1,634,929 thousand) in relation to the completion of construction, were capitalized as part of the cost of qualifying assets for the year ended December 31, 2020. The capitalization rates were 2.40% (2019: 2.42%~3.45%) for the year ended December 31, 2020.

As at December 31, 2020, the Group has entered into purchase agreements with respect to buildings and machinery, and the amount expected to be incurred in the future is ₩ 50,865 million (2019: ₩ 48,063 million).

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As at December 31, 2020, the Group has fire and other insurance coverage from Hyundai Marine & Fire Insurance Co., Ltd and others on the Group's inventories, property, plant and equipment against fire and others.

As at December 31, 2020, Orion Jeju Yongam Soo Corp has fire and other insurance coverage from Hyundai Marine & Fire Insurance Co., Ltd and others of up to ₩ 124,673 million on the company's buildings, machinery and others against fire and others. The rights to claim the insured amounts of ₩ 45,508 million are pledged in relation to the borrowings of Kookmin Bank.

Details of property, plant and equipment provided as collateral as at December 31, 2020, are as follows:

(in thousands of Korean won)

Asset	Lender	Type of borrowings	Borrowing amount	2020	
				Book amount	Collateralized amount
Land	Kookmin Bank	Facility loan	₩ 60,000,000	₩ 52,763,996	₩ 72,000,000

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7. Intangible Assets

Changes in intangible assets for the year ended December 31, 2020, are as follows:

<i>(in thousands of Korean won)</i>		Industrial property rights	Publication rights	Rights to use facility	Other intangible assets	Brand value	Customer relationships value	Total						
Acquisition Cost														
Balance at January 1, 2020	₩	10,269,803	₩	607,107,914	₩	15,472,038	₩	17,578,241	₩	229,102,750	₩	390,278,921	₩	1,269,809,667
Additions		765,990	-	1,921,014	-	3,345,991	-	-	-	-	-	-	-	6,032,995
Disposals		-	-	(797,658)	(11,605)	-	-	-	-	-	-	-	-	(809,263)
Increase due to business combination		-	-	-	10,263	-	-	-	-	-	-	-	-	10,263
Others		72,433	29,625,999	7,703	(165,447)	(2,354,545)	614,702	27,800,845						
Balance at December 31, 2020	₩	<u>11,108,226</u>	₩	<u>636,733,913</u>	₩	<u>16,603,097</u>	₩	<u>20,757,443</u>	₩	<u>226,748,205</u>	₩	<u>390,893,623</u>	₩	<u>1,302,844,507</u>
Accumulated amortization and impairment														
Balance at January 1, 2020	₩	(3,061,776)	₩	(605,731,065)	₩	(647,010)	₩	(4,804,886)	₩	(45,820,550)	₩	(83,882,056)	₩	(743,947,343)
Amortization		(1,531,564)	(30,293,461)	-	(3,029,828)	(23,259,141)	(43,005,085)	(101,119,079)						
Impairment loss		-	-	(440,718)	-	-	-	(440,718)						
Reversal of impairment loss		-	-	476,700	-	-	-	476,700						
Disposals		-	-	-	7,894	-	-	7,894						
Others		(4,421)	-	4,630	38,171	1,055,230	1,386,532	2,480,142						
Balance at December 31, 2020	₩	<u>(4,597,761)</u>	₩	<u>(636,024,526)</u>	₩	<u>(606,398)</u>	₩	<u>(7,788,649)</u>	₩	<u>(68,024,461)</u>	₩	<u>(125,500,609)</u>	₩	<u>(842,542,404)</u>
Book amount														
Balance at January 1, 2020	₩	7,208,027	₩	1,376,849	₩	14,825,028	₩	12,773,355	₩	183,282,200	₩	306,396,865	₩	525,862,324
Balance at December 31, 2020	₩	<u>6,510,465</u>	₩	<u>709,387</u>	₩	<u>15,996,699</u>	₩	<u>12,968,794</u>	₩	<u>158,723,744</u>	₩	<u>265,393,014</u>	₩	<u>460,302,103</u>

Others mainly include transfers from prepayments and fluctuation due to foreign currency translation of foreign operations during 2020.

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Changes in intangible assets for the year ended December 31, 2019, are as follows:

<i>(in thousands of Korean won)</i>		Industrial property rights	Publication rights	Rights to use facility	Other intangible assets	Brand value	Customer relationships value	Total						
Acquisition Cost														
Balance at January 1, 2019	₩	9,030,964	₩	551,524,873	₩	15,229,700	₩	11,757,267	₩	224,603,034	₩	383,601,607	₩	1,195,747,445
Additions		1,223,012		702,008		274,716		5,160,898		-		-		7,360,634
Disposals		-		-		(50,446)		(156,145)		-		-		(206,591)
Others		15,827		54,881,033		18,068		816,221		4,499,716		6,677,314		66,908,179
Balance at December 31, 2019	₩	<u>10,269,803</u>	₩	<u>607,107,914</u>	₩	<u>15,472,038</u>	₩	<u>17,578,241</u>	₩	<u>229,102,750</u>	₩	<u>390,278,921</u>	₩	<u>1,269,809,667</u>
Accumulated amortization and impairment														
Balance at January 1, 2019	₩	(1,646,873)	₩	(545,074,742)	₩	(647,010)	₩	(2,541,500)	₩	(22,460,303)	₩	(41,168,424)	₩	(613,538,852)
Amortization		(1,403,166)		(59,774,381)		-		(2,229,517)		(23,118,975)		(42,500,748)		(129,026,787)
Impairment loss ¹		-		-		-		(77,899)		-		-		(77,899)
Disposals		-		-		-		156,145		-		-		156,145
Others		(11,737)		(881,942)		-		(112,115)		(241,272)		(212,884)		(1,459,950)
Balance at December 31, 2019	₩	<u>(3,061,776)</u>	₩	<u>(605,731,065)</u>	₩	<u>(647,010)</u>	₩	<u>(4,804,886)</u>	₩	<u>(45,820,550)</u>	₩	<u>(83,882,056)</u>	₩	<u>(743,947,343)</u>
Book amount														
Balance at January 1, 2019	₩	7,384,091	₩	6,450,131	₩	14,582,690	₩	9,215,767	₩	202,142,731	₩	342,433,183	₩	582,208,593
Balance at December 31, 2019	₩	<u>7,208,027</u>	₩	<u>1,376,849</u>	₩	<u>14,825,028</u>	₩	<u>12,773,355</u>	₩	<u>183,282,200</u>	₩	<u>306,396,865</u>	₩	<u>525,862,324</u>

¹Due to a fire, the Group recognized impairment loss of ₩ 78 million

Others mainly include transfers from prepayments and fluctuation due to foreign currency translation of foreign operations during 2019.

As at December 31, 2020, the Group has entered into purchase agreements with respect to the acquisition of other intangible assets. The amount expected to be incurred in the future is ₩ 1,726 million (2019: ₩ 645 million).

Orion Holdings Corporation and Subsidiaries
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8. Goodwill

Details of goodwill as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>	<u>Acquisitor</u>	<u>Description</u>
Orion Corporation and subsidiaries	₩ 873,853,289	₩ 873,853,289	Orion Holdings Corp.	Acquisition of Orion Corp. from the business combination
Orion Jeju Yongam Soo Corp.	279,975	279,975	Orion Holdings Corp.	Acquisition of JeJu Yongam Soo Corp. from business combination
Beijing Zhongguan Megabox Cinema Co., Ltd.	194,424	-	Supreme Star	Acquisition of Beijing Zhongguan Megabox Cinema Co., Ltd. from business combination
	<u>₩ 874,327,688</u>	<u>₩ 874,133,264</u>		

The Group assesses goodwill for impairment at the end of each reporting period. As a result of performing the annual impairment test, the Group concluded that the book amount of cash generating units did not exceed the recoverable amount.

The recoverable amount of a key cash generating unit(group) on the consolidated financial statement is measured based on the fair value less costs of disposal (net fair value). The fair value calculation is based on the share price at the date of the valuation, and costs of disposal are the incremental costs directly attributable to the disposal of the asset. Meanwhile, the calculation of the net fair value includes the control premium.

The key assumptions used for impairment tests for goodwill are as follows:

<i>(in Korean won)</i>	<u>2020</u>		
	<u>Share price¹</u>	<u>Management premium²</u>	<u>Costs of disposal³</u>
Orion Corporation and subsidiaries	₩ 131,000	30.4%	1%

<i>(in Korean won)</i>	<u>2019</u>		
	<u>Share price¹</u>	<u>Management premium²</u>	<u>Costs of disposal³</u>
Orion Corporation and subsidiaries	₩ 98,400	23.4%	1%

¹ It is the share price on September 30, 2020 (2019: September 30, 2020), the evaluation date.

² It is calculated by comparing the transaction price with standard share price (the average of one month, one week, and the latest share price) based on the details of changes in the largest shareholder of listed companies in Korea, which was disclosed in the electronic disclosure system of the Financial Supervisory Service for one year before the evaluation date.

³ The incremental costs directly attributable to the disposal of the asset include legal costs, stamp duties and similar transaction taxes, asset retirement costs and incremental costs directly related to the process of making the asset available for sale.

The Group expects that the carrying values of the CGUs may not exceed the recoverable amounts if the assumptions applied by the management in order to determine the recoverable amount of the CGUs change within the reasonably probable range.

The recoverable amount of the CGUs depends on the assumptions for the key variables used in the Group's goodwill impairment assessment. There is no impact on the impairment loss if the key assumptions, such as share prices, increase or decrease by 5%.

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9. Investment Property

Changes in investment property for the year ended December 31, 2020, are as follows:

<i>(in thousands of Korean won)</i>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Acquisition Cost			
Balance at January 1, 2020	₩ 68,201,105	₩ 16,818,224	₩ 85,019,329
Others	-	51,434	51,434
Balance at December 31, 2020	₩ <u>68,201,105</u>	₩ <u>16,869,658</u>	₩ <u>85,070,763</u>
Accumulated depreciation			
Balance at January 1, 2020	₩ (1,260,925)	₩ (3,650,826)	₩ (4,911,751)
Depreciation	-	(391,411)	(391,411)
Others	-	(10,665)	(10,665)
Balance at December 31, 2020	₩ <u>(1,260,925)</u>	₩ <u>(4,052,902)</u>	₩ <u>(5,313,827)</u>
Book amount			
Balance at January 1, 2020	₩ <u>66,940,180</u>	₩ <u>13,167,398</u>	₩ <u>80,107,578</u>
Balance at December 31, 2020	₩ <u>66,940,180</u>	₩ <u>12,816,756</u>	₩ <u>79,756,936</u>

Changes in investment property for the year ended December 31, 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Acquisition Cost			
Balance at January 1, 2019	₩ 72,568,410	₩ 18,516,575	₩ 91,084,985
Additions	-	15,950	15,950
Reclassification to property, plant and equipment	(4,367,305)	(1,825,677)	(6,192,982)
Others	-	111,376	111,376
Balance at December 31, 2019	₩ <u>68,201,105</u>	₩ <u>16,818,224</u>	₩ <u>85,019,329</u>
Accumulated depreciation			
Balance at January 1, 2019	₩ (1,260,925)	₩ (3,854,086)	₩ (5,115,011)
Depreciation	-	(407,037)	(407,037)
Reclassification to property, plant and equipment	-	610,297	610,297
Balance at December 31, 2019	₩ <u>(1,260,925)</u>	₩ <u>(3,650,826)</u>	₩ <u>(4,911,751)</u>
Book amount			
Balance at January 1, 2019	₩ <u>71,307,485</u>	₩ <u>14,662,489</u>	₩ <u>85,969,974</u>
Balance at December 31, 2019	₩ <u>66,940,180</u>	₩ <u>13,167,398</u>	₩ <u>80,107,578</u>

The amounts recognized in profit or loss from investment property for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Rental income	₩ 1,321,700	₩ 1,358,294
Direct operating expense	1,311,490	1,396,001

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The fair values of investment property as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>		2020		2019
Land	₩	83,293,313	₩	79,417,984
Buildings		11,327,871		13,016,088
	₩	<u>94,621,184</u>	₩	<u>92,434,072</u>

As at December 31, 2020, the Group has fire and other insurance coverage from Hyundai Marine & Fire Insurance Co., Ltd and others on the Group's inventories, property, plant and equipment against fire and others. The Group also maintains insurance policies covering directors' and officers' liability.

As at December 31, 2020 and 2019, investment property (buildings) of the Group is secured by leasehold rights for ₩ 300 million.

Operating lease

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment property as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>		2020		2019
Within one year	₩	617,410	₩	884,132
Later than one year but not later than five years		452,300		1,009,710
Later than five years		-		60,000
Total	₩	<u>1,069,710</u>	₩	<u>1,953,842</u>

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
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10. Leases

Set out below is information for leases when the Group is a lessee.

(a) Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

<i>(in thousands of Korean won)</i>	2020		2019	
Right-of-use assets				
Properties	₩	95,053,702	₩	91,377,366
Machinery		12,312		-
Vehicles		1,876,257		1,461,555
	₩	<u>96,942,271</u>	₩	<u>92,838,921</u>

<i>(in thousands of Korean won)</i>	2020		2019	
Lease liabilities				
Current	₩	7,910,375	₩	5,771,722
Non-current		11,361,765		6,396,868
	₩	<u>19,272,140</u>	₩	<u>12,168,590</u>

(b) Amounts recognized in the consolidated statement of profit or loss

The consolidated statement of income shows the following amounts relating to leases:

<i>(in thousands of Korean won)</i>	2020		2019	
Depreciation of right-of-use assets				
Properties	₩	9,095,887	₩	7,719,121
Machinery		1,050		-
Vehicles		854,833		839,967
	₩	<u>9,951,770</u>	₩	<u>8,559,088</u>
Interest expense relating to lease liabilities (recognized in finance cost)	₩	591,957	₩	670,249
Expense relating to short-term leases (recognized in cost of goods sold and selling and administrative expenses)		16,941,502		11,853,805
Expense relating to leases of low-value assets excluding short-term leases of low-value assets (recognized in cost of goods sold and administrative expenses)		509,205		461,046
Expense relating to variable lease payments not included in the measurement of lease liabilities (recognized in cost of goods sold and administrative expenses)		1,627,619		1,850,279

The total cash outflow for leases in 2020 was ₩ 27,431 million (2019: ₩ 21,268 million).

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Movements in carrying amounts of right-of-use assets for the year ended December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)	2020							Ending balance
	Beginning balance	Increase	Effects of business combination	Decrease	Depreciation	Impairment ¹	Others ²	
Property	₩ 91,377,366	₩ 8,024,828	₩ 6,764,860	₩ (227,867)	₩ (9,095,887)	₩ (705,051)	₩ (1,084,547)	₩ 95,053,702
Machinery	-	-	13,554	-	(1,050)	-	(192)	12,312
Vehicles	1,461,555	1,286,204	-	(6,795)	(854,833)	-	(9,874)	1,876,257
	₩ <u>92,838,921</u>	₩ <u>9,311,032</u>	₩ <u>6,778,414</u>	₩ <u>(234,662)</u>	₩ <u>(9,951,770)</u>	₩ <u>(705,051)</u>	₩ <u>(1,094,613)</u>	₩ <u>96,942,271</u>

¹ Due to a fire in 2019, the Group recognized impairment loss on right-of-use assets of ₩ 705 million.

² Fluctuations due to foreign currency translation of foreign operations are included in the others.

(In thousands of Korean won)	2019							Ending balance
	Beginning balance	Effects of changes in accounting policy	Increase	Decrease	Depreciation	Impairment ¹	Others ²	
Property ¹	₩ -	₩ 93,779,405	₩ 4,088,191	₩ (2,520,034)	₩ (7,719,121)	₩ (480,050)	₩ 4,228,975	₩ 91,377,366
Vehicles	-	1,290,889	1,084,395	(26,695)	(839,967)	-	(47,067)	1,461,555
	₩ <u>-</u>	₩ <u>95,070,294</u>	₩ <u>5,172,586</u>	₩ <u>(2,546,729)</u>	₩ <u>(8,559,088)</u>	₩ <u>(480,050)</u>	₩ <u>4,181,908</u>	₩ <u>92,838,921</u>

¹ Due to a fire, the Group recognized impairment loss on right-of-use assets of ₩ 480 million.

² Fluctuations due to foreign currency translation of foreign operations are included in the others.

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11. Investments in Associate and Joint ventures

Investments in associates and joint ventures as at December 31, 2020 and 2019, are summarized as follows:

(in thousands of Korean won)

		2020		2019	
		Percentage of ownership	Book value	Percentage of ownership	Book value
	Name				
Associate	Beijing Zhongguan MEGABOX Cinema Co., Ltd. ¹	-	₩ -	49.00%	₩ 3,997,748
Associate	Daehan distributor Corp. ²	-	-	35.28%	-
Joint venture	Delfi-Orion Pte Ltd.	50.00%	660,736	50.00%	627,104
Joint venture	Orion Nonghyup Agri, inc. ³	49.00%	30,417,712	49.00%	29,863,328
			<u>₩ 31,078,448</u>		<u>₩ 34,488,180</u>

¹ The Group acquired additional shares of Beijing Zhongguan MEGABOX Cinema Co., Ltd. during the year ended December 31, 2020 and classified the entity as a subsidiary.

² Daehan distributor Corp. was disposed during the year ended December 31, 2020.

³ The Group holds 49% shares of Orion Nonghyup Agri, inc.; however, the Group classified Orion Nonghyup Agri, inc. as a joint venture since it satisfied the classification of joint venture pursuant to the contract which specifies the unanimous consent of the parties that collectively control the arrangement and others. And an agreement that NongHyup Agribusiness Group Inc. sells 1% shares of total issued shares to the Group on January 12, 2023, the date after five years from the approval date of plant usage, and the Group purchases them is included in the contract.

The Group concluded to classify them as joint ventures since all the joint arrangements which the Group has the joint control of are structured through a separate vehicle and the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The reporting date of the financial statements of associates and joint ventures which are used in order to prepare the consolidated financial statements is December 31, 2020.

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Changes in investments in associates and joint ventures for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

Name	2020				
	Balance at beginning of year	Share of profit (loss) of joint ventures	Other ¹	Business combination	Balance at end of year
Beijing Zhongguan MEGABOX Cinema Co., Ltd.	₩ 3,997,747	₩ (596,206)	₩ 76,110	₩ (3,477,651)	-
Daehan distributor Corp.	-	-	-	-	-
Delfi-Orion Pte Ltd.	627,104	77,482	(43,850)	-	660,736
Orion Nonghyup Agri, inc.	29,863,328	539,920	14,464	-	30,417,712
	₩ <u>34,488,179</u>	₩ <u>21,196</u>	₩ <u>46,724</u>	₩ <u>(3,477,651)</u>	₩ <u>31,078,448</u>

¹ Fluctuations due to foreign currency translation of foreign operations are included in others.

(in thousands of Korean won)

Name	2019						
	Balance at beginning of year	Acquisition	Disposal	Share of profit (loss) of joint ventures	Dividend	Other ¹	Balance at end of year
Beijing Zhongguan MEGABOX Cinema Co., Ltd.	₩ 3,616,446	₩ -	₩ -	₩ 1,172,915	₩ (852,475)	₩ 60,861	₩ 3,997,747
Michigan Global Contents Investment Fund #4	812,969	-	(812,969)	-	-	-	-
SMCI Korea Film Fund #5	1,356,245	-	(475,214)	(250,737)	(630,294)	-	-
Daehan distributor Corp.	-	-	-	-	-	-	-
Delfi-Orion Pte Ltd.	810,431	-	-	(213,541)	-	30,214	627,104
Orion Nonghyup Agri, inc.	29,572,883	-	-	295,685	-	(5,240)	29,863,328
	₩ <u>36,168,974</u>	₩ <u>-</u>	₩ <u>(1,288,183)</u>	₩ <u>1,004,322</u>	₩ <u>(1,482,769)</u>	₩ <u>85,835</u>	₩ <u>34,488,179</u>

¹ Fluctuations due to foreign currency translation of foreign operations are included in others.

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Summary of financial information of associates and joint ventures as at December 31, 2020 and 2019, is as follows:

(in thousands of Korean won)

Name	2020					
	Assets	Liabilities	Equity	Revenue	Profit(loss) for the year	Total comprehensive income (loss)
Beijing Zhongguan MEGABOX Cinema Co., Ltd. ¹	₩ 15,732,951	₩ 8,612,524	₩ 7,120,427	₩ 705,795	₩ (1,216,746)	₩ (1,216,746)
Daehan distributor Corp. ²	6,727,074	20,488,740	(13,761,666)	-	(148,780)	(148,780)
Delfi-Orion Pte Ltd.	2,009,615	688,142	1,321,473	1,881,067	154,965	154,965
Orion Nonghyup Agri, inc.	71,206,732	10,177,090	61,029,642	36,139,632	615,198	644,125

¹ During 2020, Beijing Zhongguan Megabox Cinema Co., Ltd. was classified as a subsidiary and the amount stated above includes financial performance before reclassification.

¹ During 2020, Daehan distributor Corp. was disposed and the amount stated includes financial performance before disposal.

(in thousands of Korean won)

Name	2019					
	Assets	Liabilities	Equity	Revenue	Profit(loss) for the year	Total comprehensive income (loss)
Beijing Zhongguan MEGABOX Cinema Co., Ltd.	₩ 10,559,129	₩ 2,400,461	₩ 8,158,668	₩ 17,308,011	₩ 2,393,798	₩ 2,393,798
Michigan Global Contents Investment Fund #4 ¹	-	-	-	-	-	-
SMCI Korea Film Fund #5 ¹	-	-	-	1,503,247	(967,127)	(967,127)
Daehan distributor Corp.	6,715,899	20,328,785	(13,612,886)	-	(356,271)	(356,271)
Delfi-Orion Pte Ltd.	2,278,951	1,024,742	1,254,209	3,137,163	(427,083)	(427,083)
Orion Nonghyup Agri, inc.	69,553,753	9,660,944	59,892,809	31,218,622	623,290	612,812

¹ During 2019, Michigan Global Contents Investment Fund #4 and SMCI Korea Film Fund #5 went through liquidation and the amount stated above presents financial information before liquidation.

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The details of investments in associates and joint ventures as at December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

Name	2020			
	Net assets	Percentage of ownership(%)	Group's share of net assets	Book amount
Delfi-Orion Pte Ltd.	₩ 1,321,473	50.00	₩ 660,736	₩ 660,736
Orion Nonghyup Agri, inc.	61,029,642	49.00	29,904,525	30,417,712

(in thousands of Korean won)

Name	2019			
	Net assets	Percentage of ownership(%)	Group's share of net assets	Book amount
Beijing Zhongguan MEGABOX Cinema Co., Ltd.	₩ 8,158,668	49.00	₩ 3,997,748	₩ 3,997,748
Daehan distributor Corp.	(13,612,886)	35.28	(4,805,349)	-
Delfi-Orion Pte Ltd.	1,254,209	50.00	627,104	627,104
Orion Nonghyup Agri, inc.	59,892,809	49.00	29,347,476	29,863,328

The amount of unrecognized share of losses of associate and joint venture due to the discontinued recognition of its share of losses of associates as at December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

Name	2020		2019	
	Unrecognized share of losses	Unrecognized share of cumulative losses	Unrecognized share of losses	Unrecognized share of cumulative losses
Daehan distributor Corp. ¹	₩ -	₩ -	₩ (125,684)	₩ (4,805,269)

¹ Daehan distributor Corp. was disposed during the year ended December 31, 2020.

12. Financial Assets

Details of financial assets at fair value through profit or loss as at December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020	2019
Current		
Special purpose bonds	₩ 7,006,400	₩ 43,290,187
	<u>7,006,400</u>	<u>43,290,187</u>
Non-current		
Beneficiary certificates	6,045,186	6,185,006
Equity investments	152,365	130,816
	<u>6,197,551</u>	<u>6,315,822</u>
	₩ <u>13,203,951</u>	₩ <u>49,606,009</u>

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Amounts recognized in profit or loss related to financial assets at fair value through profit or loss for the year ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>		<u>2019</u>	
Gain on valuation of financial assets at fair value through profit or loss	₩	308,370	₩	641,289
Gain on disposal of financial assets at fair value through profit or loss		407,178		571,626
Loss on valuation of financial assets at fair value through profit or loss		(4,045)		(270,769)
Loss on disposal of financial assets at fair value through profit or loss		(106,881)		(165,937)
Interest income		45,602		708,916
	₩	<u>650,224</u>	₩	<u>1,485,125</u>

Details of financial assets at fair value through other comprehensive income as at December 31, 2020 and 2019, are summarized as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>		<u>2019</u>	
	<u>Book amount</u>	<u>Fair value</u>	<u>Book amount</u>	<u>Fair value</u>
Listed				
- Crown Haitai Holdings Corp.	₩ 53	₩ 53	₩ 62	₩ 62
- Crown Confectionery Co., Ltd.	71	71	70	70
- Lotte Holdings Corp.	600	600	662	662
- Lotte Confectionery Co., Ltd.	204	204	299	299
- Taokaenoi Food & Marketing Public Company Limited	18,257,921	18,257,921	19,610,041	19,610,041
	<u>18,258,849</u>	<u>18,258,849</u>	<u>19,611,134</u>	<u>19,611,134</u>
Unlisted				
- Daegu Football Club	3,000	3,000	3,000	3,000
- E-mart everyday	81	81	81	81
- Chung Gu Co., Ltd	195	195	195	195
- The Korea Economics Daily Co., Ltd	28,400	28,400	28,400	28,400
- Eland Retail	1,077	1,077	1,077	1,077
- ELAND PARK LIMITED	80	80	80	80
- Tong Yang leisure	993,990	993,990	1,039,334	1,039,334
- Howon	9,753	9,753	9,753	9,753
	<u>1,036,576</u>	<u>1,036,576</u>	<u>1,081,920</u>	<u>1,081,920</u>
	₩ <u>19,295,425</u>	₩ <u>19,295,425</u>	₩ <u>20,693,054</u>	₩ <u>20,693,054</u>

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13. Other Assets

Other assets as at December 31, 2020 and 2019, are summarized as follows:

*(in thousands of
Korean won)*

	2020		2019	
	Current	Non-current	Current	Non-current
Prepayments	₩ 88,466,791	₩ 18,742,896	₩ 69,840,045	₩ 19,734,446
Prepaid expenses	4,980,632	4,362,082	6,217,281	2,115,198
Others	3,825,562	1,759,736	1,986,537	1,573,561
	<u>₩ 97,272,985</u>	<u>₩ 24,864,714</u>	<u>₩ 78,043,863</u>	<u>₩ 23,423,205</u>

14. Inventories

Inventories as at December 31, 2020 and 2019, are summarized as follows:

(in thousands of Korean won)

	2020		
	Amount before write-down	Provision for write-down	Book amount
Merchandise	₩ 32,280,348	₩ (710,849)	₩ 31,569,499
Finished goods	46,855,095	(32,954)	46,822,141
Work-in-progress	15,512,461	(6,787,227)	8,725,234
Raw materials	69,143,193	-	69,143,193
Agricultural Products	1,953,130	-	1,953,130
Raw materials-in-transit	22,299,611	-	22,299,611
Sites for construction	45,768,501	(22,219,266)	23,549,235
	<u>₩ 233,812,339</u>	<u>₩ (29,750,296)</u>	<u>₩ 204,062,043</u>

(in thousands of Korean won)

	2019		
	Amount before write-down	Provision for write-down	Book amount
Merchandise	₩ 24,276,264	₩ -	₩ 24,276,264
Finished goods	44,983,598	-	44,983,598
Work-in-progress	15,166,347	(6,787,227)	8,379,120
Raw materials	55,698,858	-	55,698,857
Agricultural Products	2,322,362	-	2,322,362
Raw materials-in-transit	13,249,241	-	13,249,241
Sites for construction	45,768,501	(22,219,266)	23,549,235
	<u>₩ 201,465,171</u>	<u>₩ (29,006,493)</u>	<u>₩ 172,458,677</u>

The amount of inventories recognized as an expense and included as a part of cost of sales during the year is ₩ 891,961 million (2019: ₩ 806,395 million).

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15. Trade and Other Receivables

Trade and other receivables as at December 31, 2020 and 2019, are summarized as follows:

(in thousands of Korean won)

	2020		2019	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 179,517,280	₩ 894,133	₩ 207,683,225	₩ 1,622,486
Less: allowance for bad debts	(24,218,807)	-	(24,264,808)	-
Other receivables	10,605,744	-	7,103,585	-
Less: allowance for bad debts	(1,044,996)	-	(1,200,156)	-
Accrued income	2,054,649	15,024	298,346	6,934
Guarantee deposits	1,872,965	558,249	2,013,937	397,578
Loans	885,655	-	2,162,428	-
Less: allowance for bad debts	(622,325)	-	(622,325)	-
	<u>₩ 169,050,165</u>	<u>₩ 1,467,406</u>	<u>₩ 193,174,232</u>	<u>₩ 2,026,998</u>

Trade and other receivables are financial instruments incurred in the ordinary course of business and consist of trade receivables, other receivables and others. The Group holds the trade receivables with the objective to collect the contractual cash flows and, therefore, measures them subsequently at amortized cost. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 35.

16. Cash and Cash Equivalents, and Restricted Deposits

Cash and cash equivalents as at December 31, 2020 and 2019, are summarized as follows:

(in thousands of Korean won)

	2020	2019
Cash on hand	₩ 45,367	₩ 49,155
Demand deposits	386,683,878	190,269,915
Total	<u>₩ 386,729,245</u>	<u>₩ 190,319,070</u>

Deposits which are restricted in use as at December 31, 2020 and 2019, are summarized as follows:

(in thousands of Korean won)

	2020	2019
Long-term deposits	₩ 4,000	₩ 4,000
	132,970	85,353
Short-term deposits	-	47,617
Total	<u>₩ 136,970</u>	<u>₩ 136,970</u>

Deposit for checking account
Pledge
Pledge

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17. Capital Stock and Capital Surplus

Details of capital stock as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won, except number of shares)</i>	<u>2020</u>	<u>2019</u>
Number of common shares:		
- Authorized	480,000,000	480,000,000
- Issued	62,645,422	62,645,422
- Share capital	₩ 31,322,711	₩ 31,322,711
Par value per share <i>(in Korean won)</i>	₩ 500	₩ 500

Changes in the capital stock and capital surplus for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of won, except number of shares)</i>	<u>2020</u>			<u>2019</u>		
	<u>Number of Common shares</u>	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Number of Common shares</u>	<u>Share capital</u>	<u>Share premium</u>
Beginning of year	62,645,422	₩ 31,322,711	₩ 1,251,350,081	62,644,293	₩ 31,322,147	₩ 1,251,311,079
Issuance of ordinary shares upon exercise of stock options	-	-	-	1,129	564	39,002
End of year	<u>62,645,422</u>	<u>₩ 31,322,711</u>	<u>₩ 1,251,350,081</u>	<u>62,645,422</u>	<u>₩ 31,322,711</u>	<u>₩ 1,251,350,081</u>

According to its Articles of Incorporation, cumulative participating preferred stocks can be issued as non-voting registered stocks for up to 240,000,000 shares with dividend rate of more than 5% preferred dividend rates based on the face amount with the approval of the Board of Directors. As at December 31, 2020, no preferred stocks have been issued.

The Company is allowed to grant stock options within 15/100 of the total number of stocks issued with the approval from the shareholders and within 3/100 of the total number of stocks issued with the approval of the Board of Directors to its employees who contribute or are able to contribute to the establishment, management, or technological innovation of the Company. The stock options that have been granted as at December 31, 2020, are described in Note 22.

According to its Articles of Incorporation, the Company can issue convertible bonds and bonds with stock warrants up to the face value of ₩ 300 billion with the approval from the Board of Directors. As at December 31, 2020, no convertible bonds or bonds with stock warrants have been issued.

18. Treasury Shares

The Group has 2,488,769 treasury shares as at December 31, 2020 with the acquisition cost of ₩ 11,625,409 thousand. The Group intends to dispose of the treasury shares in the future depending on the market conditions.

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19. Other Capital

Details of other capital as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Changes from equity transactions	₩ 43,976,187	₩ 43,976,187
Gains on sale of treasury stock	312,098,858	312,098,858
Changes in fair value of financial assets at fair value through other comprehensive income	(448,110)	66,462
Exchange differences on translating foreign operations	(5,516,172)	8,055,396
Share of other comprehensive income of associates	333,820	293,969
Others	(810,421)	(810,421)
	<u>₩ 349,634,162</u>	<u>₩ 363,680,451</u>

20. Reserves

Details of reserves as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Legal reserve	₩ 95,003,463	₩ 89,643,011
Voluntary reserve	58,113,060	56,163,003
	<u>₩ 153,116,523</u>	<u>₩ 145,806,014</u>

Legal Reserve

The Korean Commercial Code requires the Group to appropriate a legal reserve at the minimum 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve may be used to reduce a deficit or may be transferred to ordinary shares in connection with a free issuance of shares. 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 in accordance with a resolution of the shareholders' meeting.

21. Earnings per Share

Basic earnings per share from continuing operations

<i>(in Korean won, except share information)</i>	<u>2020</u>	<u>2019</u>
Profit for the year from continuing operations attributable to owners of the Group	₩ 77,512,476,206	₩ 48,378,510,223
Weighted-average number of ordinary shares	60,156,653	60,156,610
Basic earnings per share from continuing operations	<u>₩ 1,289</u>	<u>₩ 804</u>

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Weighted average number of ordinary shares

<i>(in shares)</i>	<u>2020</u>	<u>2019</u>
The number of ordinary shares issued at January 1	62,645,422	62,644,293
Effect of exercise of stock options	-	1,086
Treasury shares	<u>(2,488,769)</u>	<u>(2,488,769)</u>
Weighted average number of ordinary shares	<u>60,156,653</u>	<u>60,156,610</u>

Diluted earnings per share

<i>(in Korean won, except share information)</i>	<u>2020</u>	<u>2019</u>
Profit for the year from continuing operations attributable to owners of the Group	₩ 77,512,476,206	₩ 48,378,510,223
Adjusted profit for the year attributable to owners of the Group	77,512,476,206	48,378,510,223
Diluted weighted average number of ordinary shares	<u>60,156,653</u>	<u>60,156,654</u>
Diluted earnings per share from continuing operations	₩ <u>1,289</u>	₩ <u>804</u>

Diluted weighted average number of ordinary shares

<i>(in shares)</i>	<u>2020</u>	<u>2019</u>
Basic weighted average number of ordinary shares	60,156,653	60,156,610
Effect of stock options	-	44
Diluted weighted average number of ordinary shares	<u>60,156,653</u>	<u>60,156,654</u>

The average market value of the shares of the Company for the purpose of calculating diluted effects of the stock option is based on the average market price of the common shares during the reporting period.

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22. Share-based Payments

The terms and conditions of grants as at December 31, 2020, are as follows:

1) PAN Orion Corp. Limited.

Pan Orion Corp. Limited, a subsidiary of the Group, has granted share-based payments to management and employees of certain entities in the Group of Orion Holdings Co., Ltd, the Parent Company of the Group, with the approval of the Board of Directors. The entities including the Company, which received services from management and employees recognized the share-based payments and obligation to settle the share-based payment transaction lies with Pan Orion Corp. Limited.

Details of share-based payment arrangement, which the Group granted as at December 31, 2020, are as follows:

<i>(in Korean won, except number of shares)</i>	2020.10.19	2020.10.19
Arrangement	Share-based	Cash-based
The first grant quantity	170,876,500	39,613,000
Exercise quantity	-	-
Cancel quantity	-	-
Number of shares at the end of the year	170,876,500	39,613,000
Available at the end of the year ¹	-	-
	HKD 1.31	HKD 1.31
Exercise price	(₩ 184, ₩ 140.35/HKD as at December 31, 2020)	(₩ 184, ₩ 140.35/HKD as at December 31, 2020)
Date of maturity	2030.10.19	2030.10.19
Vesting conditions	1.5 months service	12.5 months service

¹ Disposal or similar transaction of shares acquired by exercising the option is prohibited during the period from the effective date and ending on the 180th after the date on which dealings in the first commence on the HongKong Stock Exchange Market.

2) Showbox Corp.

<i>(in Korean won, except number of shares)</i>	2018.4.1	2019.4.1	2020.4.1
Arrangement	Showbox Corp.	Showbox Corp.	Showbox Corp.
The first grant quantity	106,000	195,000	186,000
Exercise quantity	-	-	-
Cancel quantity	(30,000)	(25,000)	(9,500)
Number of shares at the end of the year	76,000	170,000	176,500
Available at the end of the year	-	-	-
Exercise price	₩ 5,785	₩ 3,316	₩ 3,819
Date of maturity	2028.3.31	2026.3.31	2027.3.31
Vesting conditions	3 years' service	3 years' service	3 years' service

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The inputs used in the measurement of the fair values at grant date of the share-based payment are the following:

1) PAN Orion Corp. Limited.

(in Korean won)

	Inputs	
	Share-based	Cash-based
Date of grant	2020.10.19	2020.10.19
Fair value at grant date	HKD 0.59, HKD 0.64, HKD 1.39 (₩ 83, ₩ 90, ₩ 195, ₩ 140.35/HKD as at December 31, 2020)	HKD 0.54 (₩ 75, ₩ 140.35/HKD as at December 31, 2020)
Fair value at settlement date	HKD 0.59, HKD 0.64, HKD 1.39 (₩ 83, ₩ 90, ₩ 195, ₩ 140.35/HKD as at December 31, 2020)	HKD 0.54 (₩ 75, ₩ 140.35/HKD as at December 31, 2020)
Risk-free interest rate	3.22%	3.13%
Applied volatility	32.8%	29.7%
Model used	Binomial option price model	Binomial option price model

2) Showbox Corp.

(in Korean won)

	Inputs		
	2018.4.1	2019.4.1	2020.4.1
Date of grant	2018.4.1	2019.4.1	2020.4.1
Fair value at grant date	₩ 1,207	₩ 504	₩ 651
Risk-free interest rate	2.645%	1.820%	1.355%
Discount rate	7.724%	9.735%	-
Applied volatility	17.56%	19.10%	50.78%
Model used	CRR binomial model	CRR binomial model	CRR binomial model

The Group recognized ₩ 552 million for cash-settled share-based payments and ₩ 15,858 million for share-based payments, and recognized cost of sale for ₩ 412 million, general and administrative expenses for ₩ 15,998 million, non-controlling interest for ₩ 15,572 million, and accrued expenses for ₩ 540 million, for the year ended December 31, 2020.

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23. Trade and Other Payables

Trade and other payables as at December 31, 2020 and 2019, are summarized as follows:

<i>(in thousands of Korean won)</i>	2020		2019	
	Current	Non-current	Current	Non-current
Trade payables	₩ 103,344,469	₩ 575,715	₩ 89,295,525	₩ 360,549
Other payables	103,716,222	873,521	100,074,799	593,195
Withholdings	12,539,214	441,484	20,875,034	592,679
Accrued expenses	55,635,555	-	67,268,889	-
Deposits received	1,199,621	630,322	420,969	1,078,168
Others	311	-	310	-
	<u>₩ 276,435,392</u>	<u>₩ 2,521,042</u>	<u>₩ 277,935,526</u>	<u>₩ 2,624,591</u>

24. Assets and Liabilities related to Contracts with Customers

Details of liabilities related to contracts with customers as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Contract liabilities ¹	₩ 39,974,132	₩ 50,085,914

¹ Contract liabilities are recognized as other current liabilities on the consolidated statements of financial position.

25. Borrowings and Debentures

Borrowings and debentures as at December 31, 2020 and 2019, are summarized as follows:

<i>(in thousands of Korean won)</i>	2020		2019	
	Current	Non-current	Current	Non-current
Long-term borrowings				
Debentures	₩ -	₩ 230,000,000	₩ 120,000,000	₩ 160,000,000
Less: discount	-	(325,247)	(54,085)	(223,005)
Long-term debts	<u>60,000,000</u>	<u>-</u>	<u>60,000</u>	<u>60,000,000</u>
	<u>60,000,000</u>	<u>229,674,753</u>	<u>120,005,915</u>	<u>219,776,995</u>
Short-term borrowings				
Short-term borrowings in Korean won	18,735,370	-	1,844,225	-
Short-term borrowings in foreign currency	<u>781,593</u>	<u>-</u>	<u>5,135,919</u>	<u>-</u>
	<u>19,516,963</u>	<u>-</u>	<u>6,980,144</u>	<u>-</u>
	<u>₩ 79,516,963</u>	<u>₩ 229,674,753</u>	<u>₩ 126,986,059</u>	<u>₩ 219,776,995</u>

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Terms and conditions of debentures as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	Maturity	Interest rate		2020	2019
100th	2020-04-24	-	₩	- ₩	70,000,000
101th	2022-03-02	2.24%		60,000,000	60,000,000
102th	2022-05-29	2.37%		50,000,000	50,000,000
103th-1	2020-11-06	-		-	50,000,000
103th-2	2022-11-06	2.87%		50,000,000	50,000,000
104th	2023-04-23	1.80%		70,000,000	-
				<u>230,000,000</u>	<u>280,000,000</u>
Less: current portion of debentures				-	(120,000,000)
			₩	<u>230,000,000</u> ₩	<u>160,000,000</u>

Terms and conditions of long-term debts as at December 31, 2020 and 2019 are as follows:

<i>(in thousands of Korean won)</i>	Maturity	Interest rate	Currency	2020	2019
		MOR			
		6M+0.76%			
Kookmin Bank	2021	+1.57%	KRW ₩	60,000,000 ₩	60,000,000
Siheung Environmental Management Center	2020	-	KRW	-	60,000
				<u>60,000,000</u>	<u>60,060,000</u>
Less: current portion				(60,000,000)	(60,000)
			₩	<u>- ₩</u>	<u>60,000,000</u>

Short-term borrowings as at December 31, 2020 and 2019 are as follows:

<i>(in thousands of Korean won)</i>	Contents	Interest rate		2020	2019
Kookmin Bank	Usance	Libor 3M+0.3%	₩	67,456 (USD 62,000)	1,304,184 (USD 1,126,433)
	Usance	-		-	2,740,172 (EUR 2,112,000)
	Bills bought	Libor 1M+1 %		98,547 (USD 90,576)	350,787 (USD 302,977)
Shinhan Bank	Usance	Libor 3M+0.3%		615,590 (EUR 460,000)	629,902 (EUR 485,500)
	Usance	-		-	110,874 (USD 95,763)
Hyundai Card	Purchasing card	1.44%		1,735,370	1,844,225
KB Securities	Commercial paper	1.35%		17,000,000	-
			₩	<u>19,516,963</u>	<u>6,980,144</u>

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The following assets are pledged as collateral for the Group's trade and other payables, short-term borrowings, long-term debts and debentures as at December 31, 2020 and 2019:

(in thousands of Korean won)

Asset	Lender	Type of borrowings	Borrowing amount	2020	
				Book amount	Collateralized amount
Land and buildings	Kookmin Bank	Facility loan	₩ 60,000,000	₩ 52,763,996	₩ 72,000,000

(in thousands of Korean won)

Asset	Lender	Type of borrowings	Borrowing amount	2019	
				Book amount	Collateralized amount
Land and buildings	Siheung Environmental Management Center	General loan	₩ 60,000	₩ 9,027,935	₩ 780,000
Land and buildings	Kookmin Bank	Facility loan	₩ 60,000,000	₩ 53,749,263	₩ 72,000,000
			₩ <u>60,060,000</u>	₩ <u>62,777,198</u>	₩ <u>72,780,000</u>

Book amount and fair value of borrowings as at December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020		2019	
	Book amount	Fair value ¹	Book amount	Fair value ¹
Short-term borrowings	₩ 79,516,963	₩ 79,516,963	₩ 126,986,059	₩ 126,986,059
Long-term borrowings	₩ 229,674,753	₩ 230,007,652	₩ 219,776,995	₩ 218,567,747
	₩ <u>309,191,716</u>	₩ <u>309,524,615</u>	₩ <u>346,763,054</u>	₩ <u>345,553,806</u>

¹ The fair values of short-term borrowings are equal to their book amounts as the impact of discounting is not significant. The fair values of long-term liabilities are based on discounted cash outflows at the weighted average borrowing rates of 2.23% for long-term borrowings (2019 : 2.64%).

26. Employee Benefits

The Group operates a defined benefit plan and a defined contribution plan as a retirement benefit plan for employees, and the actuarial evaluation of the defined benefit obligation was performed by qualified independent actuaries using the projected unit credit method.

The retirement benefit expenses for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020		2019	
Contributions to defined contribution plans	₩	1,201,996	₩	1,152,520
Expenses related to post-employment defined benefit plans		14,468,316		11,976,058
	₩	<u>15,670,312</u>	₩	<u>13,128,578</u>

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Changes in net defined benefit liability for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2020	2019	2020	2019	2020	2019
Balance at January 1	₩ 97,538,324	₩ 84,645,930	₩ (95,654,503)	₩ (84,608,643)	₩ 1,883,821	₩ 37,287
Included in profit or loss:						
Current service costs	14,427,695	12,001,322	-	-	14,427,695	12,001,322
Interest costs (income)	1,783,807	1,835,516	(1,743,187)	(1,860,780)	40,621	(25,264)
	<u>16,211,502</u>	<u>13,836,838</u>	<u>(1,743,187)</u>	<u>(1,860,780)</u>	<u>14,468,316</u>	<u>11,976,058</u>
Included in other comprehensive income:						
Remeasurements loss (gain)						
- Actuarial loss (gain) arising from:						
Experience adjustment	(1,976,009)	2,829,823	-	-	(1,976,009)	2,829,823
Demographic assumptions	(525,430)	62,390	-	-	(525,430)	62,390
Financial assumptions	2,830,095	1,644,417	-	-	2,830,095	1,644,417
- Return on plan assets excluding interest income	-	-	(146,224)	256,525	(146,224)	256,525
	<u>328,656</u>	<u>4,536,630</u>	<u>(146,224)</u>	<u>256,525</u>	<u>182,432</u>	<u>4,793,155</u>
Others:						
Contributions paid by the employer	-	-	(14,122,247)	(16,326,077)	(14,122,247)	(16,326,079)
Transfer from affiliated companies	44,943	3,453,569	(44,943)	(2,041,082)	-	1,412,487
Transfer to affiliated companies	(24,492)	(1,415,920)	20,188	1,415,920	(4,304)	-
Benefits paid	(7,645,139)	(7,525,290)	6,303,366	7,509,634	(1,341,773)	(15,656)
Exchange difference	(194,903)	6,567	-	-	(194,903)	6,567
	<u>(7,819,591)</u>	<u>(5,481,074)</u>	<u>(7,843,636)</u>	<u>(9,441,605)</u>	<u>(15,663,227)</u>	<u>(14,922,679)</u>
Balance at December 31	₩ <u>106,258,891</u>	₩ <u>97,538,324</u>	₩ <u>(105,387,549)</u>	₩ <u>(95,654,503)</u>	₩ <u>871,342</u>	₩ <u>1,883,821</u>

The components of plan assets as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Debt securities	₩ 100,588,925	₩ 72,135,103
Others	4,798,624	23,519,402
	<u>₩ 105,387,549</u>	<u>₩ 95,654,505</u>

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The principal actuarial assumptions as at December 31, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	1.63%~2.55%	1.93%~2.37%
Future salary growth	4.35%~6.88%	3.74%~6.32%

For the purpose of calculating present value of defined benefit obligation, the Group used the discount rate determined based on the yield rate of bonds with good ratings which are in line with defined benefit obligations in terms of currency and maturity.

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

<i>(in thousands of Korean won)</i>	<u>2020</u>	
	<u>1% increase</u>	<u>1% decrease</u>
Discount rate	₩ (4,880,636)	₩ 5,484,025
Future salary growth	5,315,322	(4,833,931)

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

The weighted average duration of the defined benefit obligations is 3.254 ~ 10.84 years as at December 31, 2020 (2019: 3.579 ~ 10.236 years).

The expected maturity analysis of undiscounted pension benefits as at December 31, 2020, is as follows:

<i>(in thousands of Korean won)</i>	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Pension benefits	₩ 17,419,337	₩ 14,135,279	₩ 37,688,795	₩ 50,438,436	₩ 119,681,847

Expected contributions to post-employment benefit plans for the year ending December 31, 2021, are ₩ 12,392 million.

27. Other Liabilities

Other liabilities as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>		<u>2019</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Advances received	₩ 39,974,132	₩ -	₩ 50,085,914	₩ -
Unearned revenue	9,798	30,126	26,131	186,023
Provision for warranty	2,863,526	-	2,853,606	-
Others	127,548	1,226,679	760,631	395,711
	<u>₩ 42,975,004</u>	<u>₩ 1,256,805</u>	<u>₩ 53,726,282</u>	<u>₩ 581,734</u>

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28. Sales and Cost of Sales

(a) Revenue from Contracts with Customers

<i>(in thousands of Korean won)</i>	2020		2019	
Revenue from contracts with customers	₩	2,279,165,678	₩	2,102,232,995
Revenue from other sources		<u>1,321,700</u>		<u>1,358,294</u>
Total revenue	₩	<u>2,280,487,378</u>	₩	<u>2,103,591,289</u>

(b) Disaggregation of Revenue from Contracts with Customers

<i>(in thousands of Korean won)</i>	2020			
	Sale of goods	Royalty	Other	Total
Recognized at a point in time	₩ 2,242,781,019	₩ -	₩ 3,938,821	₩ 2,246,719,840
Recognized over time	<u>-</u>	<u>111,105</u>	<u>32,334,733</u>	<u>32,445,838</u>
	₩ <u>2,242,781,019</u>	₩ <u>111,105</u>	₩ <u>36,273,554</u>	₩ <u>2,279,165,678</u>

<i>(in thousands of Korean won)</i>	2019			
	Sale of goods	Royalty	Other	Total
Recognized at a point in time	₩ 2,094,467,193	₩ -	₩ 4,102,044	₩ 2,098,569,237
Recognized over time	<u>-</u>	<u>11,741</u>	<u>3,652,017</u>	<u>3,663,758</u>
	₩ <u>2,094,467,193</u>	₩ <u>11,741</u>	₩ <u>7,754,061</u>	₩ <u>2,102,232,995</u>

(c) Cost of Sales

<i>(in thousands of Korean won)</i>	2020		2019	
Sales of goods	₩	1,234,782,485	₩	1,098,634,252
Service costs		32,334,733		-
Others		<u>49,968,386</u>		<u>76,728,059</u>
	₩	<u>1,317,085,604</u>	₩	<u>1,175,362,311</u>

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29. Selling Expenses and General and Administrative Expenses

Details of selling expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>		2020		2019
Salaries	₩	154,055,189	₩	163,320,257
Retirement benefits		5,199,212		4,881,803
Employee welfare		25,342,817		15,492,402
Travel expenses		4,681,866		6,417,938
Taxes and dues		16,226,861		15,957,199
Rental expenses		9,555,644		9,959,245
Depreciation		7,777,302		5,909,093
Amortization		1,822,405		1,539,901
Advertising expenses		32,956,825		38,205,048
Ordinary development expense		1,138,091		1,166,988
Freight expenses		71,915,708		87,524,502
Commissions		58,940,831		58,906,431
Promotion		10,488,109		18,306,780
Bad debt expenses		170,706		160,414
Depreciation and amortization relating to business combination ¹		66,856,571		66,349,406
Depreciation of right-of-use assets		3,045,625		2,360,979
Others		21,887,620		21,957,995
	₩	<u>492,061,382</u>	₩	<u>518,416,381</u>

¹ Depreciation and amortization relating to business combination in selling and general and administrative expenses is the depreciation and amortization expense for valuation of property, plant and equipment and intangible assets that are incurred in the acquisition of control over Orion Corp. during 2017.

Details of general and administrative expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>		2020		2019
Salaries	₩	67,348,836	₩	64,022,400
Retirement benefits		7,970,459		6,643,215
Employee welfare		10,538,231		10,881,542
Share-based payments		15,997,483		-
Travel expenses		1,283,471		2,330,990
Taxes and dues		3,052,295		3,767,566
Rental expenses		4,904,631		5,210,696
Depreciation		7,525,456		7,778,967
Amortization		2,805,110		2,239,117
Commissions		25,846,440		24,323,575
Depreciation of right-of-use assets		5,736,530		5,932,468
Others		9,702,816		10,022,548
	₩	<u>162,711,758</u>	₩	<u>143,153,084</u>

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30. Other Income and Other Expenses

Details of other income and other expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Other income		
Foreign currency transaction gain	₩ 777,911	₩ 723,109
Foreign currency translation gain	5,310	79,175
Gain on sale of property, plant and equipment	4,987,266	3,111,840
Gain on sale of intangible assets	402,217	-
Reversal of impairment loss on property, plant and equipment	785,000	-
Reversal of impairment loss on intangible assets	476,700	-
Gain on disposal of investment in associates	1,901,340	7,317
Insurance income ¹	13,164,595	-
Others	9,814,234	6,204,285
	<u>32,314,573</u>	<u>10,125,726</u>
Other expenses		
Foreign currency transaction loss	(570,197)	(353,598)
Foreign currency translation loss	(76,176)	(65,315)
Loss on sale of property, plant and equipment	(8,456,809)	(23,698,451)
Impairment loss on property, plant and equipment	-	(1,447,965)
Loss on sale of intangible assets	(26,065)	(1,891)
Impairment loss on intangible assets	(440,718)	(77,899)
Impairment loss on right-of-use assets	(705,051)	(480,050)
Loss on disposition of investments in associates	-	(252,233)
Donation	(1,178,219)	(1,588,738)
Loss on sale of trade receivables	(37,967)	(19,774)
Impairment loss on prepayments	(2,153,068)	-
Others ²	(5,583,523)	(5,850,214)
	<u>(19,227,793)</u>	<u>(33,836,128)</u>
Net other income (expenses)	<u>₩ 13,086,780</u>	<u>₩ (23,710,402)</u>

¹ Insurance income is the insurance benefit received from insurance company regarding the fire incident in Orion(Bei Tun)Agro Processing Co., Ltd., a subsidiary.

² Due to a fire in 2019, the Group recognized a loss of ₩ 21,539 million(Note 39).

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31. Finance Income and Costs

Details of finance income and costs for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>		<u>2019</u>	
Finance income				
Interest income	₩	11,817,842	₩	8,540,663
Foreign currency transaction gain		1,733,276		2,823,624
Foreign currency translation gain		186,041		104,329
Gain on valuation of financial assets at fair value through profit or loss		308,370		641,289
Gain on disposal of financial assets at fair value through profit or loss		407,178		571,626
		<u>14,452,707</u>		<u>12,681,531</u>
Finance cost				
Interest expense		(9,019,144)		(10,940,121)
Foreign currency transaction loss		(2,439,360)		(957,530)
Foreign currency translation loss		(343,135)		(183,559)
Loss on valuation of financial assets at fair value through profit or loss		(4,045)		(270,769)
Loss on disposal of available-for-sale financial assets		(106,881)		(165,937)
		<u>(11,912,565)</u>		<u>(12,517,916)</u>
Net finance income (cost)	₩	<u>2,540,142</u>	₩	<u>163,615</u>

32. Expenses By Nature

Details of expenses by nature for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>		
	<u>Cost of sales</u>	<u>Selling, general and administrative expense</u>	<u>Total</u>
Raw materials used	₩ 786,523,580	₩ -	₩ 786,523,580
Purchasing merchandise	115,331,830	-	115,331,830
Changes in inventories	(9,893,996)	-	(9,893,996)
Employee benefits expense	82,381,048	250,571,180	332,952,228
Depreciation and amortization	141,341,459	86,786,844	228,128,303
Depreciation of right-of-use assets	1,169,615	8,782,155	9,951,770
Service fees	39,690,471	84,787,271	124,477,742
Advertising expenses	-	32,956,825	32,956,825
Freight and custody	1,198,668	71,915,708	73,114,376
Others	159,342,929	118,973,157	278,316,086
	<u>₩ 1,317,085,604</u>	<u>₩ 654,773,140</u>	<u>₩ 1,971,858,744</u>

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(in thousands of Korean won)

	2019		
	Cost of sales	Selling, general and administrative expense	Total
Raw materials used	₩ 770,453,369	₩ -	₩ 770,453,369
Purchasing merchandise	33,677,872	-	33,677,872
Changes in inventories	2,263,684	-	2,263,684
Employee benefits expense	75,993,050	238,867,675	314,860,725
Depreciation and amortization	162,927,782	83,816,484	246,744,266
Depreciation of investment in properties	265,641	8,293,447	8,559,088
Service fees	28,412,398	83,230,007	111,642,405
Advertising expenses	375	38,205,048	38,205,423
Freight and custody	1,037,729	87,524,502	88,562,231
Others	100,330,410	121,632,303	221,962,713
	₩ <u>1,175,362,310</u>	₩ <u>661,569,466</u>	₩ <u>1,836,931,776</u>

33. Financial Instruments by Categories

Finance income and cost by categories for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)	2020				
	Finance income	Finance cost	Net income	Other comprehensive income	Total comprehensive income
Financial assets					
Financial assets at amortized cost	₩ 13,446,605	₩ -	₩ 13,446,605	₩ -	₩ 13,446,605
Financial assets at fair value through profit or loss	761,150	(110,925)	650,225	-	650,225
Financial assets at fair value through other comprehensive income ¹	-	-	-	(1,397,629)	(1,397,629)
	<u>14,207,755</u>	<u>(110,925)</u>	<u>14,096,830</u>	<u>(1,397,629)</u>	<u>12,699,201</u>
Financial liabilities					
Financial liabilities measured at amortized cost	244,952	(11,209,683)	(10,964,731)	-	(10,964,731)
Lease liabilities	-	(591,957)	(591,957)	-	(591,957)
	<u>244,952</u>	<u>(11,801,640)</u>	<u>(11,556,688)</u>	<u>-</u>	<u>(11,556,688)</u>
	₩ <u>14,452,707</u>	₩ <u>(11,912,565)</u>	₩ <u>2,540,142</u>	₩ <u>(1,397,629)</u>	₩ <u>1,142,513</u>

¹ Dividend income from financial assets at fair value through other comprehensive income is included in revenue.

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<i>(in thousands of Korean won)</i>	2019									
	Finance income		Finance cost		Net income		Other compre- hensive income	Total compre- hensive income		
Financial assets										
Financial assets at amortized cost	₩	10,668,912	₩	-	₩	10,668,912	₩	-	₩	10,668,912
Financial assets at fair value through profit or loss		1,922,899		(436,706)		1,486,193		-		1,486,193
Financial assets at fair value through other comprehensive income ¹		-		-		-		1,308,716		1,308,716
		<u>12,591,811</u>		<u>(436,706)</u>		<u>12,155,105</u>		<u>1,308,716</u>		<u>13,463,821</u>
Financial liabilities										
Financial liabilities measured at amortized cost		89,718		(11,410,959)		(11,321,241)		-		(11,321,241)
Lease liabilities		-		(670,249)		(670,249)		-		(670,249)
		<u>89,718</u>		<u>(12,081,208)</u>		<u>(11,991,490)</u>		<u>-</u>		<u>(11,991,490)</u>
	₩	<u>12,681,529</u>	₩	<u>(12,517,914)</u>	₩	<u>163,615</u>	₩	<u>1,308,716</u>	₩	<u>1,472,331</u>

¹ Dividend income from financial assets at fair value through other comprehensive income is included in revenue.

The book amount and the fair value of financial instruments as at December 31, 2020 and 2019, are summarized as follows:

<i>(in thousands of Korean won)</i>	2020		2019					
	Book Value	Fair value	Book Value	Fair value				
Financial assets								
Financial assets at amortized cost	₩	644,213,424	₩	644,213,424	₩	465,231,262	₩	465,231,262
Financial assets at fair value through profit or loss		13,203,951		13,203,951		49,606,008		49,606,008
Financial assets at fair value through other comprehensive income		<u>19,295,426</u>		<u>19,295,426</u>		<u>20,693,054</u>		<u>20,693,054</u>
	₩	<u>676,712,801</u>	₩	<u>676,712,801</u>	₩	<u>535,530,324</u>	₩	<u>535,530,324</u>
Financial liabilities								
Financial liabilities measured at amortized cost	₩	564,723,795	₩	565,056,695	₩	612,765,306	₩	611,556,058
Lease liabilities		<u>19,272,140</u>		<u>19,272,140</u>		<u>12,168,590</u>		<u>12,168,590</u>
	₩	<u>583,995,935</u>	₩	<u>584,328,835</u>	₩	<u>624,933,896</u>	₩	<u>623,724,648</u>

The Group estimates the book amounts of financial assets, other than and long-term borrowings and financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, at reasonable amounts that approximate fair values.

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The levels of the fair value hierarchy and its application to financial assets and liabilities are described below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs, other than quoted prices, that are observable from market for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value measurements classified by fair value hierarchy as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2020				
Financial assets at fair value through profit or loss ₩	-	₩ 12,066,546	₩ 1,137,405	₩ 13,203,951
Financial assets at fair value through other comprehensive income	₩ 18,258,849	-	₩ 1,036,576	₩ 19,295,425
December 31, 2019				
Financial assets at fair value through profit or loss ₩	-	₩ 48,693,040	₩ 912,968	₩ 49,606,008
Financial assets at fair value through other comprehensive income	₩ 19,611,134	-	₩ 1,081,920	₩ 20,693,054

34. Income Taxes

Income tax expense for the years ended December 31, 2020 and 2019 consists of:

<i>(in thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Current income tax expense	₩ 85,321,883	₩ 70,818,477
Adjustment for prior periods	122,917	11,674,561
Origination and reversal of temporary differences	<u>20,263,055</u>	<u>(4,517,311)</u>
Total income tax effect	105,707,855	77,975,727
Income taxes related to items recognized outside profit or loss	37,020	9,751,539
Total income tax expense	<u>₩ 105,744,875</u>	<u>₩ 87,727,266</u>

Origination and reversal of temporary differences for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Deferred tax liabilities net, year-end	₩ (300,263,211)	₩ (280,000,156)
(-)Deferred tax liabilities net, beginning	<u>(280,000,156)</u>	<u>(284,517,466)</u>
Origination and reversal of temporary differences	<u>₩ (20,263,055)</u>	<u>₩ 4,517,310</u>

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Income taxes related to items recognized outside profit or loss for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Remeasurements of the defined benefit liability	₩ 27,008	₩ 916,786
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	10,012	(77,388)
Gains on sale of treasury stock	-	8,403,995
Accumulated changes from equity transactions	-	270,525
Changes in accounting policy	-	237,620
Income tax expense recognized other than in profit or loss	<u>₩ 37,020</u>	<u>₩ 9,751,538</u>

Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2020 and 2019, follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Profit before income tax	₩ 324,276,754	₩ 244,117,047
Income tax using the Group's statutory tax rate	79,392,380	74,445,027
Adjustments:		
Non-deductible expense (revenue)	1,581,841	(1,881,053)
Tax credits	(3,533,814)	(2,753,385)
Adjustments for prior periods	122,917	11,674,561
Tax on promotion of investment and mutual cooperation	4,874,120	-
Tax effects of profit or loss and others of subsidiaries	19,936,919	3,710,150
Impact of changes in Korean tax rate	-	1,513,728
Others	3,370,512	1,018,239
Income tax expense	<u>₩ 105,744,875</u>	<u>₩ 87,727,267</u>
Effective tax rate	<u>32.61%</u>	<u>35.94%</u>

The net deferred tax liabilities are reflected in the consolidated statements of financial position after offsetting assets and liabilities only if there is the legal right to offset current tax assets and liabilities and they are levied by the same taxing authority.

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Changes in deferred tax assets and liabilities for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

		2020			
		Beginning balance	Profit or loss	Directly reflected in capital	Ending balance
Bad debt expense	₩	818,017	₩ (297,103)	₩ -	₩ 520,914
Provision for warranty		690,573	(124,523)	-	566,050
Accumulated depreciation		(82,522,872)	(9,617,615)	-	(92,140,487)
Defined benefit liability		11,104	(30,577)	27,008	7,535
Land		(44,319,572)	47,597	-	(44,271,975)
Increase in the value of buildings and machinery		12,450,265	(2,103,746)	-	10,346,519
Prepaid expenses		(9,019,832)	(468,848)	-	(9,488,680)
Identifiable intangible assets		(119,486,910)	15,691,386	-	(103,795,524)
Investments in subsidiaries		(49,171,038)	(20,915,345)	-	(70,086,383)
Others		10,550,109	(2,481,301)	10,012	8,078,820
	₩	<u>(280,000,156)</u>	₩ <u>(20,300,075)</u>	₩ <u>37,020</u>	₩ <u>(300,263,211)</u>

(in thousands of Korean won)

		2019			
		Beginning balance	Profit or loss	Directly reflected in capital	Ending balance
Bad debt expense	₩	1,271,626	₩ (453,609)	₩ -	₩ 818,017
Provision for warranty		672,698	17,875	-	690,573
Accumulated depreciation		(72,415,405)	(10,107,467)	-	(82,522,872)
Defined benefit liability		939,242	(1,844,924)	916,786	11,104
Land		(48,067,922)	3,748,350	-	(44,319,572)
Increase in the value of buildings and machinery		14,653,288	(2,203,023)	-	12,450,265
Prepaid expenses		(12,250,028)	3,230,196	-	(9,019,832)
Identifiable intangible assets		(132,148,296)	12,661,386	-	(119,486,910)
Investments in subsidiaries		(51,625,573)	2,454,535	-	(49,171,038)
Others		14,452,904	(12,737,547)	8,834,752	10,550,109
	₩	<u>(284,517,466)</u>	₩ <u>(5,234,228)</u>	₩ <u>9,751,538</u>	₩ <u>(280,000,156)</u>

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The amount of deductible temporary differences for which deferred tax assets are not recognized as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>		<u>2020</u>		<u>2019</u>
Investments in subsidiaries	₩	162,329,031	₩	162,329,031
Allowance for doubtful accounts		105,356,433		105,236,669
Others		35,756,750		36,818,417
Tax loss carryforwards		47,503,324		56,634,666

The Group does not recognize any deferred tax asset for the deductible temporary differences stated above as these are not probable to reverse in the foreseeable future and sufficient future taxable profits will not be available against which tax loss carryforwards can be used.

The amounts of tax loss carryforwards for which no deferred tax assets are recognized for the year ended December 31, 2020, are as follows:

<i>(in thousands of Korean won)</i>		<u>Tax loss</u>	<u>Expiration year</u>
Year of incurrence			
2011	₩	7,474,664	2021
2012		6,101,256	2022
2013		3,454,768	2023
2014		3,229,028	2024
2015		4,395,051	2025
2016		3,058,755	2026
2017		4,073,866	2027
2018		4,459,938	2028
2019		6,006,736	2029
2020		5,249,264	2030
	₩	<u>47,503,326</u>	

The amounts of taxable temporary differences for which no deferred tax liabilities are recognized as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>		<u>2020</u>		<u>2019</u>
Investments in subsidiaries	₩	(414,825,985)	₩	(414,825,985)
Others		(16,084,729)		(16,104,872)

As at December 31, 2020 and 2019, the Group does not recognize any deferred tax liability for the above, because the Group is able to control the timing of the reversal of taxable temporary differences related to investments of subsidiaries and it is probable that the temporary difference will not reverse in the foreseeable future.

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The analysis of deferred tax assets and liabilities as at December 31, 2020 and 2019, is as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 60,767,922	₩ 23,477,730
Deferred tax asset to be recovered within 12 months	9,019,868	9,032,205
	<u>69,787,790</u>	<u>32,509,935</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(369,934,983)	(312,285,771)
Deferred tax liability to be recovered within 12 months	(116,018)	(224,320)
	<u>(370,051,001)</u>	<u>(312,510,091)</u>
Deferred tax assets (liabilities), net	<u>₩ (300,263,211)</u>	<u>₩ (280,000,156)</u>

35. Financial Risk Management

The levels of risk management

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

- Credit risk
- Liquidity risk
- Currency risk
- Interest risk
- Other price risk

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

Risk management activities

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Finance Department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Finance Department; these limits are reviewed quarterly.

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There are no significant concentrations of credit risk as at December 31, 2020 and 2019.

The carrying amount of financial assets is maximum exposure to credit risk. The maximum exposure to credit risk as at December 31, 2020 and 2019, is as follows:

<i>(in thousands of Korean won)</i>		<u>2020</u>		<u>2019</u>
Short-term and long-term deposits	₩	87,066,036	₩	79,777,378
Trade and other receivables		170,517,571		195,201,230
Cash equivalents ¹		386,729,245		190,319,070
	₩	<u>644,312,852</u>	₩	<u>465,297,678</u>

¹ The rest of cash and cash equivalents on the consolidated statements of financial position is cash held by the Group.

On the one hand, the Group deposits cash and cash equivalents in financial institutions such as Shinhan Bank and credit risk from financial institutions is limited because it deals with financial institutions with superior credit ratings.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance 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 expected loss rates are based on the payment profiles of sales over a period of 12 month before December 31, 2020, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect forward-looking information affecting the ability of the customers to settle the receivables.

The loss allowance as at December 31, 2020 and 2019, was determined as follows for trade receivables:

<i>(in thousands of Korean won)</i>		<u>Current</u>		<u>More than 60 days past due</u>		<u>More than 90 days past due</u>		<u>More than 120 days past due</u>		<u>Bad debts¹</u>		<u>Total</u>
December 31, 2020:												
Expected loss rate		0.02%		0.05%		0.12%		72.64%		81.12%		13.42%
Gross carrying amount	₩	132,237,996	₩	14,450,530	₩	605,541	₩	31,598,082	₩	1,519,264	₩	180,411,413
Loss allowance provision		23,884		7,637		713		22,954,143		1,232,430		24,218,807
December 31, 2019:												
Expected loss rate		0.03%		0.09%		0.22%		99.72%		94.08%		11.68%
Gross carrying amount	₩	127,536,020	₩	45,309,110	₩	10,535,156	₩	24,664,108	₩	1,261,317	₩	209,305,711
Loss allowance provision		38,230		39,485		23,681		22,976,760		1,186,652		24,264,808

¹ The Group analyzed individual bad debt and recognized loss allowance.

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Movements in the loss allowance provision for trade receivables for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>	<u>2019¹</u>
Beginning balance	₩ 24,264,808	₩ 25,023,547
Increase (decrease) in loss allowance recognized in profit or loss during the year	(25,806)	183,786
Receivables written off during the year as uncollectible	(15,807)	(984,095)
Others	(4,388)	41,570
Ending balance	<u>₩ 24,218,807</u>	<u>₩ 24,264,808</u>

Trade receivables are written off or non-performing receivables are disposed when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, impossibility of collection due to the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables are presented as net impairment losses on trade receivables within impairment loss in the consolidated statements of comprehensive income. Subsequent recoveries of amounts previously written off are recognized as 'other income'.

Movements in loss allowance provision for other financial assets at amortized cost for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Beginning balance	₩ 1,822,481	₩ 1,845,853
Increase in loss allowance recognized in profit or loss during the year	2,370,967	(22,987)
Receivables written off during the year as uncollectible	(368,082)	(385)
Others	(4,977)	-
Ending balance	<u>₩ 3,820,389</u>	<u>₩ 1,822,481</u>

As at December 31, 2020, other financial assets at amortized cost include other receivables, loans and others. The Group recognizes the loss allowance on credit-impaired other receivables and loans.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's management manages liquidity risk by setting both short-term and long-term fund management plan, and immunizing the maturity of financial assets and financial liabilities by reviewing and analyzing cash out flow forecasts and realized cash outflows consistently. The Group's management believes that the Group has sufficient liquid resources from operating cash flows and financial assets to meet finance charges and principal repayments on its debt instruments. Meanwhile, in order to manage the Group's liquidity risks, the Group has entered into an overdraft protection provided by Shinhan Bank and etc.

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The maturity analysis of financial liabilities as at December 31, 2020 and 2019, is as follows:

<i>(in thousands of Korean won)</i>	2020					
	Book Value	Contractual cash flow	Within 6 months	6-12 months	1-2 years	Over 2 years
Debentures and borrowings	₩ 309,191,716	₩ 319,284,723	₩ 82,417,823	₩ 2,613,600	₩ 163,624,350	₩ 70,628,950
Trades and other payables	255,532,080	255,597,293	252,323,071	981,316	791,595	1,501,311
Lease liabilities	19,272,140	21,290,670	4,239,461	3,774,119	5,914,920	7,362,170
	<u>₩ 583,995,936</u>	<u>₩ 596,172,686</u>	<u>₩ 338,980,355</u>	<u>₩ 7,369,035</u>	<u>₩ 170,330,865</u>	<u>₩ 79,492,431</u>

<i>(in thousands of Korean won)</i>	2019					
	Book Value	Contractual cash flow	Within 6 months	6-12 months	1-2 years	Over 2 years
Debentures and borrowings	₩ 346,763,054	₩ 359,398,544	₩ 80,420,894	₩ 82,641,900	₩ 33,969,300	₩ 162,366,450
Trades and other payables	266,002,252	266,240,005	240,352,727	23,027,965	1,626,397	1,232,917
Lease liabilities	12,168,590	19,267,451	3,319,920	2,635,178	3,065,870	10,246,483
	<u>₩ 624,933,896</u>	<u>₩ 647,057,289</u>	<u>₩ 324,164,052</u>	<u>₩ 108,537,821</u>	<u>₩ 38,949,567</u>	<u>₩ 175,405,850</u>

The Group does not expect that this cash flow will appear substantially earlier than or substantially different in amounts from what the Group forecasts.

Currency risk

The Group's exposure to foreign currency risk occurs on the assets and liabilities that are not presented with functional currency. The Group's exposure to foreign currency risk is as follows based on notional amounts:

<i>(in thousands of Korean won)</i>	USD	JPY	EUR	CNY	HKD	AUD
December 31, 2020						
Cash and cash equivalents	₩ 4,625,513	₩ 12,031	₩ 1	₩ 1,670	₩ -	₩ -
Trade and other receivables	4,636,614	1,091,141	-	1,616,782	-	-
Trade and other payables	(5,015,718)	(129,138)	(1,210,677)	(21,015)	-	-
Borrowings	(166,003)	-	(615,590)	-	-	-
	<u>₩ 4,080,406</u>	<u>₩ 974,034</u>	<u>₩ (1,826,266)</u>	<u>₩ 1,597,437</u>	<u>₩ -</u>	<u>₩ -</u>

<i>(in thousands of Korean won)</i>	USD	JPY	EUR	CNY	HKD	AUD
December 31, 2019						
Cash and cash equivalents	₩ 3,027,546	₩ 112,973	₩ 823	₩ 1,657	₩ 4	₩ 25,482
Trade and other receivables	5,324,041	1,035,283	-	1,375,333	-	-
Trade and other payables	(403,134)	(127,933)	-	(34,457)	-	-
Borrowings	(1,765,845)	-	(3,370,074)	-	-	-
	<u>₩ 6,182,608</u>	<u>₩ 1,020,323</u>	<u>₩ (3,369,251)</u>	<u>₩ 1,342,533</u>	<u>₩ 4</u>	<u>₩ 25,482</u>

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The exchange rates as at December 31, 2020 and 2019, are as follows:

<i>(in Korean won)</i>	<u>2020</u>		<u>2019</u>	
USD	₩	1,088.00	₩	1,157.80
JPY		10.54		10.63
EUR		1,338.24		1,297.43
CNY		166.96		165.74
HKD		140.35		148.66
AUD		-		810.34

As at December 31, 2020 and 2019, the effects of a 10% appreciating or depreciating of foreign currencies against functional currency on profit before tax are as follows:

<i>(in thousands of Korean won)</i>		<u>2020</u>		<u>2019</u>				
		<u>10% strengthening</u>	<u>10% weakening</u>	<u>10% strengthening</u>	<u>10% weakening</u>			
USD	₩	408,041	₩	(408,041)	₩	618,261	₩	(618,261)
JPY		97,403		(97,403)		102,032		(102,032)
EUR		(182,627)		182,627		(336,925)		336,925
CNY		159,744		(159,744)		134,253		(134,253)
AUD		-		-		2,548		(2,548)
	₩	<u>482,561</u>	₩	<u>(482,561)</u>	₩	<u>520,169</u>	₩	<u>(520,169)</u>

Interest rate risk

At the reporting date the variable rate financial liabilities are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>		<u>2019</u>	
Short-term borrowings	₩	781,593	₩	5,135,919
Long-term debts		60,000,000		60,000,000
	₩	<u>60,781,593</u>	₩	<u>65,135,919</u>

As at December 31, 2020 and 2019, the effects of a 100bp fluctuation of the interest rates on profit (loss) except long-term debts hedged at floating risk were as follows:

<i>(in thousands of Korean won)</i>		<u>2020</u>		<u>2019</u>				
		<u>10% increase</u>	<u>10% decrease</u>	<u>10% increase</u>	<u>10% decrease</u>			
Net finance costs	₩	(60,782)	₩	60,782	₩	(65,136)	₩	65,136

Since the Group operates financial deposits for the purpose of obtaining interest income at December 31, 2020, the size of interest income may be affected by changes in the market interest rates applied when depositing financial instruments.

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Capital management

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's main objective is to maximize shareholder's profit and monitoring the level of dividends as a mean of capital management. Capital structure of the Group consists of net debts which is Debts and borrowings less cash and cash equivalents and equity.

As at December 31, 2020 and 2019, the Group's net debt-to-equity ratio as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Net debt:		
Debts and borrowings	₩ 309,191,716	₩ 346,763,054
Less: Cash and cash equivalents	<u>(386,729,245)</u>	<u>(190,319,070)</u>
	(77,537,529)	156,443,984
Equity	3,494,709,905	3,337,625,446
Net debt-to-equity ratio	(2.22%)	4.69%

36. Financial Commitments and Contingencies

Financial commitments to financial institutions as at December 31, 2020 and 2019, are as follows:

*(in thousands of Korean won, US dollars,
Chinese yuan)*

<u>Borrower</u>	<u>Lender</u>	<u>Type of commitment</u>	<u>Currency</u>	<u>2020</u>	<u>2019</u>
Orion Holdings Corporation	Hana Bank	Bank overdraft	KRW	5,000,000	5,000,000
	DBS Bank	Credit loan	KRW	20,000,000	20,000,000
Orion Corporation	Kookmin Bank	Usance	USD	10,000,000	10,000,000
		Purchasing loan	KRW	20,000,000	20,000,000
	Shinhan Bank	Bank overdraft	KRW	5,000,000	5,000,000
		Usance	USD	5,900,000	5,900,000
	Hana Bank	Purchasing loan	KRW	30,000,000	30,000,000
	Muzuho Bank	Credit loan	KRW	20,000,000	-
	DBS Bank	Credit loan	KRW	-	20,000,000
Hyundai Card	Group purchase card	KRW	12,000,000	12,000,000	
Orion Food Co., Ltd.	Korea Development Bank	Usance	USD	5,000,000	5,000,000
		Usance	EUR	2,000,000	2,000,000
	Bank of China	Usance	CNY	60,000,000	-
Orion Food (Shanghai) Co., Ltd.	Industrial and Commercial bank of China	General loan	CNY	80,000,000	-
		General loan	CNY	140,000,000	140,000,000
	Bank of China	Usance	CNY	15,000,000	-
		General loan	CNY	40,000,000	-
Orion Food (Shen Yang) Co.,Ltd.	Hana Bank	Usance	EUR	1,000,000	-

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(in thousands of Korean won, US dollars,
Chinese yuan)

<u>Borrower</u>	<u>Lender</u>	<u>Type of commitment</u>	<u>Currency</u>	<u>2020</u>	<u>2019</u>
Orion Food Guangzhou Co.,Ltd.	Hana Bank	Usance	EUR	2,000,000	-
Orion Food VINA Co., Ltd	Korea Development Bank	Usance	USD	-	5,000,000
	Techcombank	Usance	VND	120,000,000,000	-
	Shinhan Bank	Usance	USD	5,000,000	-
Orion JeJu Yongam Soo Corp.	Kookmin Bank	Facility loan	KRW	60,000,000	60,000,000
Showbox Corp.	Hana Bank	Credit loan	KRW	3,000,000	-
			KRW	175,000,000	172,000,000
			USD	25,900,000	25,900,000
		Total	CNY	335,000,000	140,000,000
			EUR	5,000,000	2,000,000
			VND	120,000,000,000	-

The Group has been provided with guarantees by financial institutions for collecting receivables from local film distributors which are as follows:

(in thousands of Korean won)

<u>Counterparty</u>	<u>Guarantor</u>	<u>2020</u>	<u>2019</u>	<u>Classification</u>
Seoul Young Baesa	Hana Bank	₩ 300,000	₩ 400,000	Performance guarantee
Taegyeong Picture	Woori Bank	300,000	300,000	
Dongbo Cinema	Standard Chartered Bank	200,000	200,000	
Sung Won Lim	Seoul Guarantee Insurance	-	40,000	Deposit guarantee insurance
CGV Shindorim Co., Ltd	Seoul Guarantee Insurance	-	52,050	
Home and Shopping Co.,Ltd	Seoul Guarantee Insurance	100,000	100,000	Performance guarantee
Total		₩ 900,000	₩ 1,092,050	

As at December 31, 2020, the Group has factoring agreements with Woori Bank, for trade receivables of Coupang Corp. The trade receivables provided by the Group in the factoring transaction which meet the requirements for asset derecognition, were derecognized because there is no recourse obligation for the above trade receivables in case of debtors' default and accordingly Woori Bank retains substantially all the risks and rewards.

As at December 31, 2020, guarantees of ₩ 2,142 million (2019: ₩ 4,654 million) are provided to the Group by Seoul Guarantee Insurance Company, etc. for the performance of contracts.

As at December 31, 2020, guarantees of ₩ 186 million (2019: ₩ 186 million) are provided to the Group by Construction Guarantee for the performance of contracts.

As at December 31, 2020, the Group has entered into a purchase agreement and others with PARSONS Pvt., Ltd.

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As at December 31, 2020, the Company provides guarantees to the customers with the maximum amount of ₩ 12,000 million (2019: ₩ 12,000 million) in relation to the Corporate Purchase Card of Hyundai Card.

The construction business registration of Mega Mark Co., Ltd., a subsidiary, was cancelled on July 11, 2016, for a reason of nonfulfillment of declaring registration details; therefore, the entity is not allowed to enter into a new construction contract from the date of registration cancellation.

Details of lawsuit pendings as at December 31, 2020, are summarized as follows.

(in thousands of Korean won)

Plaintiff	Defendant	Contents	Amounts	Progress
Orion Holdings Corp.	Former executive and employees of related party	Compensation for damages	₩ 2,989,830	Third trial in progress
Former executive and employees of related party	Orion Holdings Corp.	Unfair gains	517,132	First trial in progress
Pureum A&D Architect Co., Ltd.	Orion Corp.	Construction receivables payment order	219,160	First trial in progress
CJ Logistics Coporation	Orion Corp.	Unpaid transportation fees	363,000	First trial in progress
Employee of Saegil Patent and Law firm	Orion Corp.	Claim of fees on fulfilled service	22,000	First trial in progress (withdrew on January 13, 2021)
MBF	Orion Corp.	Claim of payments for deduction of capital	228,691	Trial in the Supreme Court not determined
Company Holiday LLC..	Orion International Euro LLC	Claim of a refund of collected payments of receivables	330,735	Won in the first trial
Interfood Rusmol	Orion International Euro LLC	Claim of a penalty on a delay of repayment	111,529	First trial in progress
Former executives and employees	Orion Food Co., Ltd.	Claim for wages	161,139	Second trial in progress

As at Decemebr 31, 2020, the Group has entered into a mutual benefit agreement with Jeju Special Self-governing Province for development of the local economy in Jeju and promotion of general industrial area of lava seawater.

As at Decemebr 31, 2020, Orion Corp., the ultimate parent company, and Orion Food Co., Ltd., a subsidiary, have entered into a joint investment agreement with Shandong Lukang Biotechnology Development Co., Ltd.

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37. Related Party Transactions

Related parties as at December 31, 2020, are as follows, excluding subsidiaries:

<u>Relationship</u>	<u>Related Party</u>
Associates ¹	-
Joint ventures	Delfi-Orion Pte Ltd. Orion Nonghyup Agri, inc.
Other	Orion Foundation

¹ During 2020, Beijing Zhongguan Megabox Cinema Co., Ltd. was classified as a subsidiary, and Daehan distributor Corp. was disposed.

Related parties as at December 31, 2019, are as follows, excluding subsidiaries:

<u>Relationship</u>	<u>Related Party</u>
Associates ¹	Daehan distributor Corp. Beijing Zhongguan Megabox Cinema Co., Ltd.
Joint ventures	Delfi-Orion Pte Ltd. Orion Nonghyup Agri, inc.
Other	Orion Foundation

¹ During 2019, Michigan Global Contents Investment Fund #4 and S.M.Contents Investment Fund No.5 went through liquidation.

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Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2020 and 2019, are summarized as follows:

(in thousands of Korean won)

Related party	Transaction	2020	2019
Associates			
Michigan Global Contents Investment Fund #4	Reduction of capital	₩ -	₩ 560,736
	Reduction of capital	-	1,112,825
	Other revenues	-	2,097
S.M.Contents Investment Fund No.5 ¹	Payment of investment deposits	-	(1,417,858)
	Purchases	-	658,115
	Settlement of film revenue(cost) ¹	-	430,401
Joint venture			
Delfi-Orion Pte Ltd	Sales	1,404,393	2,405,638
	Sales	4,267	5,084
	Other revenues	-	995
Orion Nonghyup Agri, inc.	Sale of property, plant and equipment	-	30,000
	Purchases	29,258,213	26,002,559
Others			
Orion Foundation	Sales	373,575	311,145
	Purchases	-	1,000,000
Major shareholders	Other revenues	48,784	51,176

¹ The Group recognizes the settlement of revenue (expense) in film as cost of sales.

Accounts receivable, payable balances with related parties as at December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

Relationship	Related party	2020				
		Receivables		Payables		
		Trade receivables	Other receivables	Trade payables	Deposit received	Guarantee deposits
Joint venture	Delfi-Orion Pte Ltd	₩ 333,645	₩ -	₩ -	₩ -	-
	Orion Nonghyup Agri, inc.	-	891,577	5,873,937	49,505	-
Others	Orion Foundation	2,161	526	-	-	396,000
	Major shareholders	1,050	-	-	-	-
		₩ <u>336,856</u>	₩ <u>892,103</u>	₩ <u>5,873,937</u>	₩ <u>49,505</u>	₩ <u>396,000</u>

(in thousands of Korean won)

Relationship	Related party	2019				
		Receivables		Payables		
		Trade receivables	Other receivables	Trade payables	Deposit received	Guarantee deposits
Joint venture	Delfi-Orion Pte Ltd	₩ 499,840	₩ -	₩ -	₩ -	-
	Orion Nonghyup Agri, inc.	-	529,953	4,773,729	10,999	-
Others	Orion Foundation	2,090	582	-	-	396,000
		₩ <u>501,930</u>	₩ <u>530,535</u>	₩ <u>4,773,729</u>	₩ <u>10,999</u>	₩ <u>396,000</u>

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Details of fund transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

<u>Relationship</u>	<u>Related party</u>	<u>Contents of Trade</u>	<u>2020</u>	<u>2019</u>
Associates	Beijing Zhongguan Megabox Cinema Co., Ltd.	Dividend received	₩ -	₩ 852,475
	S.M.Contents Investment Fund No.5	Liquidation	-	1,114,921
	Michigan Global Contents Investment Fund #4	Liquidation	-	560,736
Others	Major shareholders	Dividend paid	(11,530,127)	(11,443,901)
		Reduction of capital	-	(4,228,285)

Details of key management personnel compensation for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	₩ 18,822,083	₩ 17,649,081
Share-based payments	3,471,002	-
Post-employment benefits	3,502,219	3,194,279
	<u>₩ 25,795,304</u>	<u>₩ 20,843,360</u>

Key management consists of executive officers and auditors who have the authority and responsibility in the planning, directing and control of the Group's operations.

As of December 31, 2020 and 2019, the Group has entered into agreements with a major shareholder, regarding the exercise of voting rights of Orion corporation.

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38. Cash Flows

The principal non-cash transactions for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Reclassification from construction in progress to property, plant and equipment ₩	122,171,927 ₩	174,992,399
Reclassification from construction in progress to intangible assets	2,771,648	-
Other payables regarding the acquisition of property, plant and equipment	2,590,854	(868,993)
Other payables regarding the acquisition of intangible assets	(302,035)	2,416,715
Other payables regarding the pension benefit payments	1,341,773	-
Other receivables regarding dividend income	18,400	(18,400)
Reclassification from prepaid expenses to current portion	1,793,816	683,954
Reclassification from prepayments to publication rights	29,626,067	55,484,437
Reclassification from long-term receivables to short-term receivables	10,103	368,097
Reclassification from long-term rental deposits to short-term rental deposits	210,000	837,638
Reclassification from long-term leasehold deposits to short-term leasehold deposits	578,921	105,838
Reclassification from long-term borrowings to short-term borrowings	60,000,000	119,984,739
Reclassification from long-term prepayments to short-term prepayments	2,690,000	2,391,703
Write-off of trade receivables and others	383,889	984,480
Increase of right-of-use assets from adjustment for changes in accounting policy	-	(95,070,294)
Increase of lease liabilities from adjustment for changes in accounting policy	-	13,487,490
Increase of right-of-use assets from new lease contracts	(9,311,032)	(5,172,584)
Increase of lease liabilities from new lease contracts	9,301,128	5,158,344
Decrease in right-of-use assets from changes in lease agreement conditions	234,662	-
Decrease in lease liabilities from changes in lease agreement conditions	(240,815)	-
Increase of right-of-use assets due to business combination	(6,778,414)	-
Increase of lease liabilities due to business combination	6,714,956	-
Reclassification from lease liabilities to current portion	3,565,509	4,804,165
Reclassification from long-term prepaid expenses to right-of-use assets	-	82,387,663
Substitution to vehicles from lease deposits	-	108,200

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The reconciliation of the liabilities arising from cash flows from financing activities for the years ended December 31, 2020 and 2019, is as follows:

<i>(in thousands of Korean won)</i>	2020.1.1	Non cash flow					2020.12.31
		Cash flows from financing activities	Depreciation and others	Effects of changes in foreign exchange rates	Reclassification to current portion	Others	
Short-term borrowings	₩ 6,980,144	₩ 12,528,700	₩ -	₩ 8,119	₩ -	₩ -	₩ 19,516,963
Current portion of long-term borrowings	120,005,916	(120,060,000)	54,084	-	60,000,000	-	60,000,000
Long-term borrowings	219,776,995	69,753,780	143,978	-	(60,000,000)	-	229,674,753
Current portion of leasehold deposits received	420,969	(40,000)	5,981	-	578,921	233,750	1,199,621
Leasehold deposits received	1,078,167	(50,000)	182,501	-	(578,921)	(1,426)	630,321
Current portion of lease liabilities	5,771,722	(7,761,055)	-	(294,553)	3,565,509	6,628,752	7,910,375
Lease liabilities	6,396,868	-	-	(814,529)	(3,565,509)	9,344,935	11,361,765
	₩ <u>360,430,781</u>	₩ <u>(45,628,575)</u>	₩ <u>386,544</u>	₩ <u>(1,100,963)</u>	₩ <u>-</u>	₩ <u>16,206,011</u>	₩ <u>330,293,798</u>

<i>(in thousands of Korean won)</i>	2019.1.1	Non cash flow					2019.12.31	
		Effects of changes in accounting policy	Cash flows from financing activities	Depreciation and others	Effects of changes in foreign exchange rates	Reclassification to current portion		Others
Short-term borrowings	₩ 105,318,223	₩ -	₩ (101,951,161)	₩ -	₩ 3,613,082	₩ -	₩ -	₩ 6,980,144
Current portion of long-term borrowings	50,046,414	-	(50,060,000)	34,763	-	119,984,739	-	120,005,916
Long-term borrowings	309,611,588	-	30,000,000	150,146	-	(119,984,739)	-	219,776,995
Current portion of leasehold deposits received	272,586	-	43,000	(455)	-	105,838	-	420,969
Leasehold deposits received	1,222,080	-	55,031	(97,753)	-	(105,838)	4,647	1,078,167
Current portion of lease liabilities	-	5,990,304	(7,103,003)	309,323	237,931	4,804,164	1,533,003	5,771,722
Lease liabilities	-	7,497,185	-	360,927	584,909	(4,804,164)	2,758,011	6,396,868
	₩ <u>466,470,891</u>	₩ <u>13,487,489</u>	₩ <u>(129,016,133)</u>	₩ <u>756,951</u>	₩ <u>4,435,922</u>	₩ <u>-</u>	₩ <u>4,295,661</u>	₩ <u>360,430,781</u>

The Group is presenting net amount of cash flow caused by financial assets at fair value through profit or loss whose amount is big due to frequent transactions and maturity comes in a short period of time.

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39. Unusual Items

Depending on the contents, size, or frequency of occurrence, significant unusual items are consolidated as related accounts on the consolidated statement of comprehensive income. The following information and amounts about the unusual items provide useful information to predict the Company's business performance.

Amounts recognized in the statement of profit or loss relating to the unusual items for the year ended December 31, 2019, are as follows :

<i>(in thousands of Korean won)</i>	2019	
Loss on disposal of property, plant and equipment and impairment loss ¹	₩	16,694,847
Impairment loss of intangible assets ¹		77,899
Impairment loss of right-of-use assets ¹		480,050
Miscellaneous expense ²		4,286,184
	₩	<u>21,538,980</u>

¹ Due to a fire of a subsidiary, Orion(Bei Tun) Agro Processing Co., Ltd, impairment loss and other losses are recognized.

² The amount of disposal of inventory due to a fire of a subsidiary, Orion(Bei Tun) Agro Procession Co., Ltd.

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40. Business Combination

On July 6, 2020, Supreme Star Investment Limited, a subsidiary, acquired 41.0% of additional shares of Beijing Zhongguan Megabox Cinema Co., Ltd. which is in cinema operation business. This is an increase in share responding to the abolition of limits on ownership right on cinema entities in China. After the additional acquisition, the Group's interest in Beijing Zhongguan Megabox Cinema Co., Ltd. changed to 90%. If Beijing Zhongguan Megabox Cinema Co., Ltd. was in consolidation from January 1, 2020, revenue would have been increased by ₩ 722 million and net profit would have been decreased by ₩ 510 million on the consolidated statement of other comprehensive income.

<i>(in thousands of Korean won)</i>	Amount
Consideration	
Cash	₩ 3,104,778
Investment in associates (existing interest)	3,501,175
Total consideration transferred	<u>₩ 6,605,953</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	₩ 4,513,443
Trade and other receivables	730,772
Inventories	102,173
Other current assets	2,858,282
Property and equipment	638,940
Right-of-use assets	6,778,414
Intangible assets	10,263
Other non-current assets	100,664
Trade and other payables	(1,352,654)
Lease liabilities	(6,714,956)
Other liabilities	(544,914)
Other financial liabilities	<u>(712,043)</u>
Fair value of identifiable net assets	<u>6,408,384</u>
Goodwill	<u>197,569</u>
	<u>₩ 6,605,953</u>

The amount of assets and liabilities recognized in the consolidated financial statements as a result of the business combination is determined provisionally because the final valuation is not completed and the amount can be adjusted in the future.

41. Events After the Reporting Period

In January, 2021, Orion Consulting Co., Ltd., a subsidiary, went through liquidation.

The Group have decided to incorporate ORION F&B US, INC. for sales in United States with the approval of the Board of Directors meeting on February 17, 2021