

Orion 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 Corporation

Opinion

We have audited the accompanying consolidated financial statements of Orion 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 ended December 31, 2020 and 2019, 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.

Promotion activities in relation to sale 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.

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 Seung-Hee Lee, 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 Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2020 and 2019

<i>(In thousands of Korean won)</i>	Notes	<u>2020</u>	<u>2019</u>
Assets			
Property, plant and equipment	6	₩ 1,662,546,140	₩ 1,655,508,964
Intangible assets	7	32,531,563	31,812,687
Goodwill	8	22,965,074	22,887,400
Investment property	9	6,189,230	6,271,219
Right-of-use assets	10	63,172,734	65,429,554
Investments in associates and joint ventures	5,11,37	31,078,448	32,286,796
Financial assets at fair value through other comprehensive income	12,33	18,257,921	19,610,041
Long-term trade and other receivables	15,33,35 ,37	16,467,802	16,409,269
Long-term deposits	16,33,35	8,962,775	2,000
Other non-current assets	13	5,691,153	3,358,601
Deferred income tax assets	34	-	2,408,852
Total Non-current assets		<u>1,867,862,840</u>	<u>1,855,985,383</u>
Inventories	14	179,741,704	147,604,540
Other current assets	13	13,071,795	18,510,257
Current tax assets	34	161,518	8,583,387
Trade and other receivables	15,33,35 ,37	167,374,849	185,518,002
Short-term deposits	33,35	69,768,290	71,140,408
Cash and cash equivalents	16,33,35	367,425,438	164,965,287
Total Current assets		<u>797,543,594</u>	<u>596,321,881</u>
Total assets		<u>₩ 2,665,406,434</u>	<u>₩ 2,452,307,264</u>

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

<i>(In thousands of Korean won)</i>	Notes	2020	2019
Equity			
Capital stock	1,17	₩ 19,768,066	₩ 19,768,066
Capital surplus		598,172,192	598,172,192
Treasury shares	18	(604,361)	(604,361)
Other capital	19	590,452,126	626,929,529
Reserves	20	133,168,318	72,610,786
Retained earnings		488,999,368	305,762,314
Equity attributable to owners of the Parent		1,829,955,709	1,622,638,526
Non-controlling interest	4	67,552,557	44,904,752
Total equity		1,897,508,266	1,667,543,278
Liabilities			
Long-term debts	25,33,35 ,37	229,674,753	159,776,995
Long-term trade and other payables	23,33,35 ,37	903,137	612,511
Non-current lease liabilities	10,33,35	16,454,553	17,110,219
Net defined benefit liabilities	26	854,466	1,694,870
Deferred tax liabilities	34	173,679,900	141,107,317
Other non-current liabilities	27	827,897	676
Total Non-current liabilities		422,394,706	320,302,588
Current portion of long-term debts	25,33,35 ,37	-	120,005,915
Short-term borrowings	25,33,35 ,37	2,516,963	6,980,144
Trade and other payables	23,33,35 ,37	263,989,663	258,018,570
Current lease liabilities	10,33	7,561,712	7,334,189
Current income tax liabilities	34	31,285,522	21,614,263
Other current liabilities	27	40,149,602	50,508,317
Total Current liabilities		345,503,462	464,461,398
Total liabilities		767,898,168	784,763,986
Total equity and liabilities	₩	₩ 2,665,406,434	₩ 2,452,307,264

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

Orion 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	<u>2020</u>	<u>2019</u>
Revenue	5,28,37	₩ 2,229,819,934	₩ 2,023,296,057
Cost of sales	28,32,37	<u>(1,276,757,946)</u>	<u>(1,110,079,910)</u>
Gross profit		953,061,988	913,216,147
Selling expenses	29,32	(428,868,963)	(457,930,854)
General and administrative expenses	29,32	<u>(148,071,012)</u>	<u>(127,696,548)</u>
Operating profit		376,122,013	327,588,745
Net other income (expenses)	30	17,224,879	(17,350,820)
Net finance income (expense)	31,33	3,439,211	(2,136,300)
Share of profit of associates and joint ventures	11	564,912	7,494
Profit before income tax		<u>397,351,015</u>	<u>308,109,119</u>
Income tax expense	34	<u>(122,788,740)</u>	<u>(87,641,211)</u>
Profit for the year		<u>274,562,275</u>	<u>220,467,908</u>
Other comprehensive income (loss):			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		(33,851,986)	29,797,364
Share of other comprehensive income of associates and joint ventures	11	11,860	13,531
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial loss	26	(117,365)	(4,417,579)
Income tax of other comprehensive income	34	28,402	1,069,054
Share of defined benefit plan actuarial gain (loss) of joint ventures		14,464	(5,239)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	33	<u>(1,352,120)</u>	<u>1,020,093</u>
Other comprehensive income (loss) for the period, net of tax		<u>(35,266,745)</u>	<u>27,477,224</u>
Total comprehensive income for the year		<u>₩ 239,295,530</u>	<u>₩ 247,945,132</u>

Orion 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	<u>2020</u>	<u>2019</u>
Profit attributable to:			
Owners of the Parent	₩	267,586,358	₩ 215,579,327
Non-controlling interests		6,975,917	4,888,581
Profit for the year	₩	<u>274,562,275</u>	<u>₩ 220,467,908</u>
Total comprehensive income attributable to:			
Owners of the Parent	₩	232,088,201	₩ 242,031,513
Non-controlling interests		7,207,329	5,913,619
Total comprehensive income for the year	₩	<u>239,295,530</u>	<u>₩ 247,945,132</u>
Earnings per share: (in Korean won)			
	21		
Basic earnings per share	₩	6,769	₩ 5,454
Diluted earnings per share		6,769	5,454

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

Orion 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>Reserves</u>	<u>Retained earnings</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Balance at January 1, 2019	₩ 19,766,981	₩ 598,141,686	₩ (604,361)	₩ 597,123,578	₩ 8,977,129	₩ 182,144,352	₩ 38,992,816	₩ 1,444,542,180
Changes in accounting policy	-	-	-	-	-	(1,257,972)	(1,682)	(1,259,654)
After adjustments	<u>19,766,981</u>	<u>598,141,686</u>	<u>(604,361)</u>	<u>597,123,578</u>	<u>8,977,129</u>	<u>180,886,380</u>	<u>38,991,134</u>	<u>1,443,282,526</u>
Comprehensive income:								
Profit for the year	-	-	-	-	-	215,579,327	4,888,581	220,467,908
Other comprehensive income:								
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	970,645	-	-	49,448	1,020,093
Exchange differences on translating foreign operations	-	-	-	28,820,965	-	-	976,399	29,797,364
Share of other comprehensive income of joint ventures and associates	-	-	-	14,341	-	-	(809)	13,532
Share of defined benefit plan actuarial loss of joint ventures	-	-	-	-	-	(5,239)	-	(5,239)
Remeasurements of net defined benefit liability	-	-	-	-	-	(3,348,526)	-	(3,348,526)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,805,951</u>	<u>-</u>	<u>212,225,562</u>	<u>5,913,619</u>	<u>247,945,132</u>
Total transactions with owners of the Company, recognized directly in equity:								
Exercise of stock options	1,085	30,506	-	-	-	-	-	31,592
Dividends paid	-	-	-	-	-	(23,715,971)	-	(23,715,971)
Addition to legal reserves	-	-	-	-	12,359,651	(12,359,651)	-	-
Transfer to discretionary reserves	-	-	-	-	51,274,006	(51,274,006)	-	-
Total transactions with owners of the Company, recognized directly in equity	<u>1,085</u>	<u>30,506</u>	<u>-</u>	<u>-</u>	<u>63,633,657</u>	<u>(87,349,628)</u>	<u>-</u>	<u>(23,684,379)</u>
Balance at December 31, 2019	<u>₩ 19,768,066</u>	<u>₩ 598,172,192</u>	<u>₩ (604,361)</u>	<u>₩ 626,929,529</u>	<u>₩ 72,610,786</u>	<u>₩ 305,762,314</u>	<u>₩ 44,904,752</u>	<u>₩ 1,667,543,278</u>

Orion 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>Reserves</u>	<u>Retained earnings</u>	<u>Non- controlling interests</u>	<u>Total equity</u>
Balance at January 1, 2020	₩ 19,768,066	₩ 598,172,192	₩ (604,361)	₩ 626,929,529	₩ 72,610,786	₩ 305,762,314	₩ 44,904,752	₩ 1,667,543,278
Comprehensive income:								
Profit for the year	-	-	-	-	-	267,586,358	6,975,917	274,562,275
Other comprehensive income:								
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	-	(1,286,577)	-	-	(65,542)	(1,352,120)
Exchange differences on translating foreign operations	-	-	-	(34,146,240)	-	-	294,254	(33,851,986)
Share of other comprehensive income of associates and joint ventures	-	-	-	9,159	-	-	2,700	11,860
Share of defined benefit plan actuarial gain of joint ventures	-	-	-	-	-	14,464	-	14,464
Remeasurements of net defined benefit liability	-	-	-	-	-	(88,962)	-	(88,962)
Total comprehensive income for the year	-	-	-	(35,423,658)	-	267,511,859	7,207,329	239,295,530
Total transactions with owners of the Company, recognized directly in equity:								
Issuance of stock options	-	-	-	(1,053,745)	-	-	15,440,476	14,386,731
Dividends paid	-	-	-	-	-	(23,717,273)	-	(23,717,273)
Addition to legal reserves	-	-	-	-	13,863,704	(13,863,704)	-	-
Transfer to discretionary reserves	-	-	-	-	46,693,827	(46,693,827)	-	-
Total transactions with owners of the Company, recognized directly in equity	-	-	-	(1,053,745)	60,557,531	(84,274,805)	15,440,476	(9,330,543)
Balance at December 31, 2020	₩ 19,768,066	₩ 598,172,192	₩ (604,361)	₩ 590,452,126	₩ 133,168,318	₩ 488,999,368	₩ 67,552,557	₩ 1,897,508,266

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

Orion 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 for the year	₩ 274,562,275	₩ 220,467,908
Adjustments for:		
Retirement benefits	12,718,703	10,436,720
Depreciation of property, plant and equipment	125,174,624	119,223,067
Amortization	4,257,209	3,446,282
Depreciation of investment property	136,647	134,808
Depreciation of right-of-use assets	9,395,505	9,388,098
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
Loss on sale of trade receivables	37,967	19,774
Bad debt expenses of trade receivables (reversal)	(41,044)	183,786
Other bad debt expenses	21,388	385
Loss on sale of property, plant and equipment	4,042,706	16,255,799
Loss on sale of intangible assets	21,665	446
Share-based compensation expense	15,276,988	-
Foreign currency translation loss	234,368	199,781
Interest expense	7,362,309	10,920,164
Income tax expense	122,788,740	87,641,212
Other expenses	1,252,679	4,689,752
Gain on sale of property, plant and equipment	(3,735,021)	(3,111,840)
Reversal of Impairment loss on intangible assets	(874,917)	-
Gain on disposal of investments in joint ventures	(127,707)	-
Foreign currency translation gain	(187,199)	(99,321)
Interest income	(11,061,054)	(7,219,993)
Share of loss (profit) of associates and joint ventures	(564,912)	(7,494)
Dividend income	(469,022)	(209,675)
Other income	(45,645)	(548,802)
Subtotal	286,760,746	253,348,863
Changes in:		
Trade receivables	26,259,196	(15,347,190)
Other receivables	(4,990,942)	5,332,340
Other current assets	2,654,181	(3,119,646)
Inventories	(35,948,754)	7,768,457
Other non-current assets	(4,120,759)	100,040
Trade payables	15,057,849	(304,009)
Other payables	(10,661,803)	4,983,808
Other current liabilities	(10,989,191)	(13,510,839)
Plan assets	(6,529,746)	(6,871,304)
Payment of defined benefit obligations	(5,689,501)	(7,344,351)
Subtotal	₩ (34,959,470)	₩ (28,312,694)

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

<i>(In thousands of Korean won)</i>	2020	2019
Interest received	₩ 10,344,323	₩ 5,698,347
Dividend received	469,022	209,675
Interest paid	(7,381,788)	(10,306,593)
Income tax paid	(68,798,972)	(93,279,173)
Net cash inflow from operating activities	<u>460,996,136</u>	<u>347,826,333</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	7,168,419	6,677,967
Proceeds from disposal of intangible assets	972,117	50,000
Proceeds from disposal of investments in joint ventures	1,927,291	-
Increase in financial assets at fair value through profit or loss	-	33,716,000
Decrease in rental deposits	1,089,035	340,086
Decrease in operation deposits	124,580	35,229
Increase in financial deposits	(12,635,072)	(59,772,487)
Increase in financial assets at fair value through other comprehensive income	-	(18,589,948)
Acquisition of property, plant and equipment	(151,810,727)	(125,846,727)
Acquisition of intangible assets	(5,927,182)	(3,445,570)
Increase in rental deposits	(712,830)	(18,620,002)
Increase in operation deposits	(128,690)	(119,580)
Increase in short-term loan	(3,246,720)	-
Acquisition of investments in associates	-	(1,887,696)
Net cash outflow from investing activities	<u>(163,179,779)</u>	<u>(187,462,728)</u>

Orion 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 financing activities		
Increase in short-term borrowings	262,505,737	936,967,036
Increase in debentures	69,753,780	-
Increase in security deposits	-	27,000
Exercise of stock options	-	31,592
Redemption of short-term borrowings	(266,977,037)	(1,038,918,197)
Redemption of current portion of debentures	(120,000,000)	(50,000,000)
Redemption of current portion of long-term borrowings	(60,000)	(60,000)
Redemption of lease liabilities	(7,913,881)	(8,713,260)
Decrease in leasehold deposits	(90,000)	(7,000)
Dividends paid	(23,717,273)	(23,711,758)
Net cash outflow from financing activities	(86,498,674)	(184,384,587)
Effect of exchange rate fluctuations on cash held, and others	(8,857,532)	4,367,171
Net increase (decrease) in cash and cash equivalents	202,460,151	(19,653,811)
Cash and cash equivalents at the beginning of the period	164,965,287	184,619,098
Cash and cash equivalents at the end of the period	₩ 367,425,438	₩ 164,965,287

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

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

1. General Information

Description of the Controlling Company

Orion Corporation (the Company or the Parent Company) was established on June 1, 2017, based on the Orion Holdings Co.'s resolution of the general meeting of shareholders on March 31, 2017, by splitting the manufacturing and sales of confectionery of Orion Holdings Co. and listed on the Korea Exchange on July 7, 2017.

The Company is manufacturing and selling various kinds of confectionery with its headquarters in Baekbumro, Yongsan-gu, Seoul, and a factory in Iksan, Jeollabuk-do, and others. As at December 31, 2020, the Company's capital stock is ₩ 19,768 million. Major shareholders of the Company are Orion Holdings Co., Ltd. (37.37%) and six other related parties (6.43%).

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 joint ventures.

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

Name	Location	Immediate controlling party	Percentage of ownership					
			2020			2019		
			The Company	Subsidiary	Total	The Company	Subsidiary	Total
Orion Corporation	Korea	The Ultimate Parent Company	-	-	-	-	-	-
PAN Orion Corp. Limited.	Hong Kong	Orion Corporation	95.15%	-	95.15%	95.15%	-	95.15%
Orion International Euro LLC.	Russia	Orion Corporation	100.00%	-	100.00%	100.00%	-	100.00%
Orion Food VINA Co., Ltd.	Vietnam	Orion Corporation	100.00%	-	100.00%	100.00%	-	100.00%
Orion Nutritionals Private Ltd.	India	Orion Corporation	100.00%	-	100.00%	100.00%	-	100.00%
Orion Food Co., Ltd.	China	PAN Orion Corp. Limited.	-	100.00%	100.00%	-	100.00%	100.00%
Orion Food (Shanghai) Co., Ltd.	China	PAN Orion Corp. Limited.	-	100.00%	100.00%	-	100.00%	100.00%
Orion Food Guangzhou Co., Ltd.	China	PAN Orion Corp. Limited.	-	100.00%	100.00%	-	100.00%	100.00%
Orion Food (Shen Yang) Co., Ltd.	China	PAN Orion Corp. Limited.	-	100.00%	100.00%	-	100.00%	100.00%
Orion (Bei Tun) Agro Processing Co., Ltd.	China	Orion Food Co., Ltd.	-	100.00%	100.00%	-	100.00%	100.00%
Orion Agro Co., Ltd.	China	Orion Food Co., Ltd.	-	100.00%	100.00%	-	100.00%	100.00%

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Name	Location	Immediate controlling party	Percentage of ownership					
			2020			2019		
			The Company	Subsidiary	Total	The Company	Subsidiary	Total
Orion Agro DuoLun Co., Ltd.	China	Orion Food Co., Ltd	-	100.00%	100.00%	-	100.00%	100.00%
LangFang Green Eco Packaging Co., Ltd. ¹	China	Orion Food Co., Ltd	-	100.00%	100.00%	-	100.00%	100.00%
Orion Agro BeiTun Co. Ltd ²	China	Orion (Bei Tun) Agro Processing Co., Ltd.	-	-	-	-	100.00%	100.00%

¹ LangFang IPAK Co., Ltd. changed entity name to Lang Fang Green Eco Packaging Co., Ltd. in 2020.

² Orion Argo BeiTun Co., Ltd. went through liquidation in 2020.

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Financial information of the Company and its consolidated subsidiaries as at December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019 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	Total comprehensive income (loss)
Orion Corporation	Manufacturing and selling confectioneries	₩ 1,206,951	₩ 398,318	₩ 808,633	₩ 769,223	₩ 75,659	₩ 75,580
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)
Orion Food Co., Ltd.	Manufacturing and selling confectioneries	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 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
LangFang Green Eco Packaging Co., Ltd.	Manufacturing pulp and paper	27,153	5,198	21,955	25,364	3,360	3,360
Orion Agro BeiTun Co. Ltd ¹	Harvesting and selling the agricultural products	-	-	-	-	391	391
Total		₩ 3,408,248	₩ 799,252	₩ 2,608,996	₩ 2,661,498	₩ 308,528	₩ 307,097

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

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

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(In millions of Korean won)

Name	Main business	2019					
		Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)
Orion Corporation	Manufacturing and selling confectioneries	₩ 1,190,810	₩ 443,632	₩ 747,178	₩ 732,835	₩ 76,478	₩ 73,305
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	38,907	238,330	252,321	43,865	43,865
Orion Nutritionals Private Ltd.	Selling confectioneries	10,571	337	10,234	-	(829)	(829)
Orion Food Co., Ltd.	Manufacturing and selling confectioneries	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 Co., Ltd.	Manufacturing food and beverages	8,800	953	7,847	8,401	1,242	1,242
Orion Agro DuoLun Co., Ltd.	Processing the agricultural products	3,219	219	3,000	3,271	40	40
LANGFANG IPAK Co., Ltd.	Manufacturing pulp and paper	23,154	4,647	18,507	20,951	784	784
Orion Agro BeiTun Co. Ltd	Harvesting and selling the agricultural products	137	504	(367)	3,671	(1,072)	(1,072)
Total		₩ 3,212,548	₩ 887,347	₩ 2,325,201	₩ 2,587,626	₩ 358,149	₩ 355,996

¹ Sales of PAN Orion Corp. Limited are dividends received from Orion Food Co., Ltd. in 2019.

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

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

Orion Agro BeiTun Co. Ltd went through liquidation in 2020 and there are no other material changes in the scope of the consolidation for the year ended December 31, 2020 and 2019.

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2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

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

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

(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

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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. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. With implementation of Korean IFRS 1116 Lease, the Group has changed accounting policy. The Group has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard. There was no cumulative impact on the beginning balance of retained earnings as at January 1, 2020 by retrospectively applying this standard, and the Group did not restate 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 periods 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.

(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

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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.

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.

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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 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.

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Foreign exchange gains and losses that relate to transactions with financial institution are presented in the consolidated statement of comprehensive income, within finance income or 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.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the end of the reporting period.

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

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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 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 as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive

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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.

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 consolidated statements of comprehensive income 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. 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

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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.

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
Business right	10

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Copyright	Period over which related revenue is realized
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. 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.

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', and 'borrowings' in the consolidated statement of financial position.

Preferred shares that require mandatory redemption on a specific 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.

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(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 service warranties, 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.

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.

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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 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) Long-term employee benefits

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.

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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. Trade discounts and volume rebates are recognized as a reduction of revenue.

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.

- 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.

- 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 offices, warehouses, retail stores, equipment and cars. Lease contracts are typically made for fixed periods, but may have extension options.

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 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 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.

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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

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 and makes adjustments specific to the lease, for example term, country, currency and security.

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 office equipment and small items of office furniture.

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(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.

(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 segment

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 a single confectionaries segment which is the Group's strategic operating segment unit. The strategic operating segment unit is operated separately from others because strategic operating segments provide different products and render different services and each segments require different technology and marketing strategy.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.24 Approval of issuance of the consolidated financial statements

The consolidated financial statements were approved for issue by the Board of Directors on February 3, 2021 and are subject to change with the approval of shareholders at their Annual General 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

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calculations for which the ultimate tax determination is uncertain.

If certain portion of the taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System for Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects 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.

(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) 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.

(f) Share based payments

The Group measures the cost of share-based payment transaction by reference to the fair value of equity instruments granted at the grant date and the fair value is estimated using valuation models which considers the conditions upon which equity instruments are granted. Also, the Group shall decide the most appropriate price determining factors for valuation model including volatility of the rights and risk-free interest rate and others. Assumptions and valuation models applied are described in Note 22.

(g) Coronavirus disease 2019 ("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.

Information on the Group's subsidiaries that has material non-controlling interests is summarized as follows:

Subsidiary	Location	Non-controlling interests percentage	
		2020	2019
PAN Orion Corp. Limited	Hong Kong	4.85%	4.85%

Cumulative non-controlling interests and dividends paid to non-controlling interests as at December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

Subsidiary	2020		
	Profit allocated to non-controlling interests	Cumulative non-controlling interests	Dividends paid to non-controlling interests
PAN Orion Corp. Limited	₩ 6,975,917	₩ 67,552,557	₩ -

(In thousands of Korean won)

Subsidiary	2019		
	Profit allocated to non-controlling interests	Cumulative non-controlling interests	Dividends paid to non-controlling interests
PAN Orion Corp. Limited	₩ 4,888,581	₩ 44,904,752	₩ -

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Financial position and financial performance as at and for the years ended December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

Subsidiary	2020				
	PAN Orion Corp. Limited	Orion Food Co., Ltd.	Orion Food (Shanghai) Co., Ltd.	Orion Food Guangzhou Co., Ltd.	Orion Food (Shen Yang) Co., Ltd.
Current assets	₩ 40,218,785	₩ 311,640,464	₩ 132,149,201	₩ 26,043,286	₩ 17,139,061
Non-current assets	296,064,080	377,176,968	182,648,077	182,888,588	152,096,924
Current liabilities	623,282	186,819,444	22,469,565	21,411,802	45,239,611
Non-current liabilities	-	24,194,690	14,465,077	13,870,480	8,061,143
Equity	335,659,583	477,803,298	277,862,636	173,649,592	115,935,231
Revenue	-	1,095,334,552	171,834,557	125,104,540	78,742,570
Profit (loss)	(228,025)	108,419,831	15,752,970	15,126,148	8,172,140
Total comprehensive income (loss)	(1,580,145)	108,419,831	15,752,970	15,126,148	8,172,140

(In thousands of Korean won)

Subsidiary	2019				
	PAN Orion Corp. Limited	Orion Food Co., Ltd.	Orion Food (Shanghai) Co., Ltd.	Orion Food Guangzhou Co., Ltd.	Orion Food (Shen Yang) Co., Ltd.
Current assets	₩ 37,701,441	₩ 212,333,666	₩ 121,697,212	₩ 24,984,226	₩ 14,669,248
Non-current assets	292,720,220	386,538,908	171,800,887	188,896,573	154,671,220
Current liabilities	80,384	209,000,822	21,749,420	44,707,370	55,280,592
Non-current liabilities	-	24,247,926	11,679,392	11,840,244	7,274,491
Equity	330,341,277	365,623,826	260,069,287	157,333,185	106,785,385
Revenue	175,800,514	974,426,205	157,297,038	106,943,244	66,098,603
Profit	158,123,889	61,153,054	18,288,234	11,926,977	5,195,559
Total comprehensive income	159,143,982	61,153,054	18,288,234	11,926,977	5,195,559

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The Company owns 95.15% shares of PAN Orion Corp. Ltd. Pan Orion Corp. Ltd owns 100% shares of 8 companies including Orion Food Co., Ltd. In addition to the above significant subsidiaries, 4 companies including Orion(Bei Tun) Agro Processing Co., Ltd are not indicated because their non-controlling interests are not material.

Cash flow:

(In thousands of Korean won)

Subsidiary	2020				
	PAN Orion Corp. Limited	Orion Food Co., Ltd.	Orion Food(Shanghai) Co., Ltd.	Orion Food Guangzhou Co., Ltd.	Orion Food (Shen Yang) Co., Ltd.
Cash flows from operating activities	₩ 505,073	₩ 141,468,586	₩ 31,792,721	₩ 29,832,469	₩ 20,307,050
Cash flows from investing activities	(1,319,429)	(9,324,762)	12,655,499	(5,503,853)	(5,920,544)
Cash flows from financing activities	-	(3,505,840)	-	(23,752,320)	(14,012,160)
Effect of exchange rate fluctuations on cash held	108,935	(2,594,237)	(994,409)	(10,355)	(3,139)
Net increase (decrease) in cash and cash equivalents	(705,421)	126,043,747	43,453,811	565,941	371,207

(In thousands of Korean won)

Subsidiary	2019				
	PAN Orion Corp. Limited	Orion Food Co., Ltd.	Orion Food(Shanghai) Co., Ltd.	Orion Food Guangzhou Co., Ltd.	Orion Food (Shen Yang) Co., Ltd.
Cash flows from operating activities	₩ 157,752,289	₩ 90,121,313	₩ 32,632,801	₩ 25,562,263	₩ 23,258,637
Cash flows from investing activities	(20,477,644)	65,426,553	(31,820,582)	(1,906,428)	(9,851,802)
Cash flows from financing activities	(105,789,396)	(179,056,693)	-	(23,938,360)	(13,823,560)
Effect of exchange rate fluctuations on cash held	(430,353)	1,682,963	33,600	16,755	27,696
Net increase (decrease) in cash and cash equivalents	31,054,896	(21,825,864)	845,819	(265,770)	(389,029)

Summarized financial information of each company is based on its separate financial statements.

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5. Operating Segments

The Group has a single confectionaries segment which is the Group's strategic holdings segment unit. The Group's CEO reviews internal management reports on at least a quarterly basis.

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

(In thousands of Korean won)

	2020		
	Confectioneries	Elimination	Consolidated Total
Total segment sales	₩ 2,661,497,701	₩ (431,677,767)	₩ 2,229,819,934
Less: Inter segment sales	(431,677,767)	431,677,767	-
External sales	2,229,819,934	-	2,229,819,934
Depreciation and others ¹	139,076,407	(112,421)	138,963,986
Profit for the year	375,974,713	147,300	376,122,013

¹ Includes depreciation of property, plant and equipment and intangible assets, investment property, and the right-of-use assets.

(In thousands of Korean won)

	2019		
	Confectioneries	Elimination	Consolidated Total
Total segment sales	₩ 2,411,824,526	₩ (388,528,469)	₩ 2,023,296,057
Less: Inter segment sales	(388,528,469)	388,528,469	-
External sales	2,023,296,057	-	2,023,296,057
Depreciation and others ¹	131,618,007	574,245	132,192,252
Profit for the year	326,111,998	1,476,747	327,588,745

¹ Includes depreciation of property, plant and equipment and intangible assets, investment property, and the right-of-use assets.

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

(In thousands of Korean won)

	2020		
	Confectioneries	Elimination	Consolidated Total
Total assets	₩ 3,408,247,875	₩ (742,841,441)	₩ 2,665,406,434
Total liabilities	799,252,152	(31,353,984)	767,898,168
Investments in joint ventures	31,656,116	(577,668)	31,078,448
Increase of non-current assets	608,820	715,628	1,324,448

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

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(In thousands of Korean won)

	2019		
	Confectioneries	Elimination	Consolidated Total
Total assets	₩ 3,212,548,210	₩ (760,240,946)	₩ 2,452,307,264
Total liabilities	887,347,086	(102,583,101)	784,763,985
Investments in joint ventures and associates	33,452,480	(1,165,684)	32,286,796
Increase of non-current assets	(727,223)	659,739	(67,484)

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

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 for the years ended December 31, 2020 and 2019, is as follows:

(In thousands of Korean won)

	2020	2019
Domestic	₩ 752,456,983	₩ 717,473,018
China	1,097,626,118	976,348,901
Other	379,736,833	329,474,138
Total	₩ <u>2,229,819,934</u>	₩ <u>2,023,296,057</u>

Information on regional non-current assets as at December 31, 2020 and 2019 is as follows:

(In thousands of Korean won)

	2020	2019
Domestic	₩ 701,701,855	₩ 713,281,866
China	857,459,802	871,234,922
Other	236,830,612	210,151,034
Total	₩ <u>1,795,992,269</u>	₩ <u>1,794,667,822</u>

See Note 28 for 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 years ended December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

	2020						
	<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	₩ 202,740,301	₩ 730,736,407	₩ 19,504,785	₩ 1,467,211,276	₩ 138,059,683	₩ 52,803,841	₩ 2,611,056,293
Additions	-	914,345	277,085	14,136,152	6,828,203	134,111,442	156,267,227
Disposals	(1,443,029)	(2,007,306)	(1,244,979)	(54,781,128)	(9,809,596)	(456,626)	(69,742,664)
Transfers	-	35,070,612	45,996	73,793,574	13,135,246	(122,045,428)	-
Others	(406,384)	(4,629,297)	(815,051)	(17,596,360)	1,018,037	444,773	(21,984,282)
Balance at December 31, 2020	₩ <u>200,890,888</u>	₩ <u>760,084,761</u>	₩ <u>17,767,836</u>	₩ <u>1,482,763,514</u>	₩ <u>149,231,573</u>	₩ <u>64,858,002</u>	₩ <u>2,675,596,574</u>
Accumulated depreciation and impairment							
Balance at January 1, 2020	₩ -	₩ (143,871,208)	₩ (13,461,643)	₩ (711,061,639)	₩ (87,152,839)	₩ -	₩ (955,547,329)
Depreciation	-	(18,066,857)	(915,820)	(94,439,453)	(11,752,494)	-	(125,174,624)
Disposals	-	1,127,638	1,242,909	50,658,819	9,237,195	-	62,266,561
Others	-	753,772	327,828	4,922,766	(599,408)	-	5,404,958
Balance at December 31, 2020	₩ -	₩ <u>(160,056,655)</u>	₩ <u>(12,806,726)</u>	₩ <u>(749,919,507)</u>	₩ <u>(90,267,546)</u>	₩ -	₩ <u>(1,013,050,434)</u>
Book amount							
Balance at January 1, 2020	₩ 202,740,301	₩ 586,865,199	₩ 6,043,142	₩ 756,149,637	₩ 50,906,844	₩ 52,803,841	₩ 1,655,508,964
Balance at December 31, 2020	₩ <u>200,890,888</u>	₩ <u>600,028,106</u>	₩ <u>4,961,110</u>	₩ <u>732,844,007</u>	₩ <u>58,964,027</u>	₩ <u>64,858,002</u>	₩ <u>1,662,546,140</u>

Others mainly include fluctuation due to foreign currency translation of foreign operations.

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	2019						
	<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	₩ 203,372,133	₩ 705,267,854	₩ 18,862,371	₩ 1,412,270,207	₩ 142,148,770	₩ 25,765,820	₩ 2,507,687,155
Additions	786,641	1,426,698	65,098	19,802,805	5,717,689	96,467,605	124,266,536
Disposals	(1,593,499)	(1,366,754)	(12,573)	(19,872,014)	(18,016,876)	-	(40,861,716)
Others	175,026	25,408,609	589,889	55,010,278	8,210,100	(69,429,584)	19,964,318
Balance at December 31, 2019	₩ <u>202,740,301</u>	₩ <u>730,736,407</u>	₩ <u>19,504,785</u>	₩ <u>1,467,211,276</u>	₩ <u>138,059,683</u>	₩ <u>52,803,841</u>	₩ <u>2,611,056,293</u>
Accumulated depreciation and impairment							
Balance at January 1, 2019	₩ -	₩ (125,859,688)	₩ (12,355,410)	₩ (631,974,706)	₩ (91,517,575)	₩ -	₩ (861,707,379)
Depreciation	-	(16,720,961)	(947,941)	(90,209,068)	(11,345,097)	-	(119,223,067)
Impairment Loss ¹	-	(949,492)	-	(496,875)	(1,598)	-	(1,447,965)
Disposals ¹	-	495,071	12,572	19,122,321	16,648,196	-	36,278,160
Others	-	(836,138)	(170,864)	(7,503,311)	(936,765)	-	(9,447,078)
Balance at December 31, 2019	₩ -	₩ <u>(143,871,208)</u>	₩ <u>(13,461,643)</u>	₩ <u>(711,061,639)</u>	₩ <u>(87,152,839)</u>	₩ -	₩ <u>(955,547,329)</u>
Book amount							
Balance at January 1, 2019	₩ 203,372,133	₩ 579,408,166	₩ 6,506,961	₩ 780,295,501	₩ 50,631,195	₩ 25,765,820	₩ 1,645,979,776
Balance at December 31, 2019	₩ <u>202,740,301</u>	₩ <u>586,865,199</u>	₩ <u>6,043,142</u>	₩ <u>756,149,637</u>	₩ <u>50,906,844</u>	₩ <u>52,803,841</u>	₩ <u>1,655,508,964</u>

¹ Due to a fire, the Group recognized loss on disposal of property, plant and equipment and impairment loss of ₩ 16,695 million in 2019.

Others mainly include fluctuation due to foreign currency translation of foreign operations.

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Borrowing costs of ₩ 110,460 thousand (2019: ₩ 82,275 thousands) in relation to the completion of construction, were capitalized as part of the cost of qualifying assets for the years ended December 31, 2020. The capitalization rates were 2.40% (2019: 2.42%) for the years ended December 31, 2020.

As at December 31, 2020, the Group has made purchase agreements with respect to buildings, machinery and equipment and others and It is expected to spend ₩ 50,723 million (2019: ₩ 36,102 million) in the future.

As at December 31, 2020, the Group has fire and other insurance coverage on the Group's inventories, property, plant and equipment against fire and others. In addition, as at December 31, 2020, the Group maintains insurance policies covering loss and liability arising from products, burglary, gas accidents, directors' and officers' liability and automobile accidents.

7. Intangible Assets

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

(In thousands of Korean won)

	2020			
	Rights to use facility	Industrial property rights	Other intangible assets	Total
Acquisition cost				
Balance at January 1, 2020	₩ 16,319,731	₩ 21,666,829	₩ 21,173,389	₩ 59,159,949
Additions	1,916,614	560,015	3,070,953	5,547,582
Disposals	(992,008)	-	(2,307)	(994,315)
Others	7,702	5,745	(60,843)	(47,396)
Balance at December 31, 2020	₩ 17,252,039	₩ 22,232,589	₩ 24,181,192	₩ 63,665,820
Accumulated amortization and impairment				
Balance at January 1, 2020	₩ (3,001,792)	₩ (15,058,259)	₩ (9,287,211)	₩ (27,347,262)
Amortization	-	(1,447,359)	(2,809,850)	(4,257,209)
Impairment loss	(440,718)	-	-	(440,718)
Reversal of impairment loss	874,917	-	-	874,917
Disposals	533	-	-	533
Others	4,630	(4,420)	35,272	35,482
Balance at December 31, 2020	₩ (2,562,430)	₩ (16,510,038)	₩ (12,061,789)	₩ (31,134,257)
Book amount				
Balance at January 1, 2020	₩ 13,317,939	₩ 6,608,570	₩ 11,886,178	₩ 31,812,687
Balance at December 31, 2020	₩ 14,689,609	₩ 5,722,551	₩ 12,119,403	₩ 32,531,563

Others mainly include fluctuation due to foreign currency translation of foreign operations.

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(In thousands of Korean won)

	2019			
	<u>Rights to use facility</u>	<u>Industrial property rights</u>	<u>Other intangible assets</u>	<u>Total</u>
Acquisition cost				
Balance at January 1, 2019	₩ 16,277,391	₩ 20,812,719	₩ 15,735,162	₩ 52,825,272
Additions	74,716	838,283	4,784,332	5,697,331
Disposals	(50,446)	-	(156,145)	(206,591)
Others	18,070	15,827	810,040	843,937
Balance at December 31, 2019	₩ 16,319,731	₩ 21,666,829	₩ 21,173,389	₩ 59,159,949
Accumulated amortization and impairment				
Balance at January 1, 2019	₩ (3,001,792)	₩ (13,704,942)	₩ (7,148,642)	₩ (23,855,376)
Amortization	-	(1,341,580)	(2,104,703)	(3,446,283)
Impairment loss ¹	-	-	(77,899)	(77,899)
Disposals	-	-	156,145	156,145
Others	-	(11,737)	(112,112)	(123,849)
Balance at December 31, 2019	₩ (3,001,792)	₩ (15,058,259)	₩ (9,287,211)	₩ (27,347,262)
Book amount				
Balance at January 1, 2019	₩ 13,275,599	₩ 7,107,777	₩ 8,586,520	₩ 28,969,896
Balance at December 31, 2019	₩ 13,317,939	₩ 6,608,570	₩ 11,886,178	₩ 31,812,687

¹ Due to a fire, the Group recognized impairment loss of ₩ 78 million in 2019.

Others mainly include fluctuation due to foreign currency translation of foreign operations.

As at December 31, 2020 and 2019, the Group has made purchase agreements with respect to other intangible asset and it is expected to spend ₩ 1,726 million (2019: ₩ 479 million) in the future.

8. Goodwill

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

(In thousands of Korean won)

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	₩ 22,887,400	₩ 22,697,670
Fluctuations due to foreign currency translation	77,674	189,730
Balance at end of year	₩ 22,965,074	₩ 22,887,400

Impairment tests for goodwill

(In thousands of Korean won)

CGUs	<u>2020</u>	<u>2019</u>	Acquisitor	Description
Orion Corp.	₩ 12,335,100	₩ 12,335,100	Orion Corp.	Transferred when Orion Snack International Corp. was merged into Orion Corp.
LangFang Green Eco Packaging Co., Ltd. ¹	10,629,974	10,552,300	Orion Food Co., Ltd.	Acquired in a business combination with LANGFANG IPACK Co., Ltd
	₩ 22,965,074	₩ 22,887,400		

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¹ The amount represents goodwill arising from business combination with STELLA WAY LIMITED (including LANGFANG IPACK Co., Ltd) and the CGU was reallocated to LANGFANG IPACK Co., Ltd due to liquidation of STELLA WAY LIMITED prior to the year ended December 31, 2019.

The Group assess 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 the CGU is based on its value in use. The value in use is determined by discounting the future pre-tax cash flows which were based on the estimated financial budget for the next five years and the financial budget is confirmed by the management. The expected growth rate of sale for the next five years and the permanent growth rate for the years after the next five years do not exceed the long-term average growth rate of the industry that the cash generating unit belongs to. The assumption of constant growth rate is used in order to calculate the expected future cash flow. At the end of the reporting period, the key assumptions used for calculating the cash generating units which significant goodwill was allocated to, are as follows:

	2020			
	Gross Profit Margin¹	Growth rate of sale²	Permanant growth rate³	Pre-tax rate⁴
Orion Corp.	46.34%	1.67%	1.00%	9.44%
LangFang Green Eco Packaging Co., Ltd.	17.14%	5.45%	1.50%	10.68%
	2019			
	Gross Profit Margin¹	Growth rate of sale²	Permanant growth rate³	Pre-tax rate⁴
Orion Corp.	46.22%	2.57%	1.00%	9.78%
Langfang IPAK Co., Ltd ⁵	15.34%	5.99%	1.50%	11.72%

¹ This is the average gross profit margin for the next five years.

² This is the average growth rate of sale for the next five years.

³ This is the permanant growth rate expected after 5 years later.

⁴ This is the pre-tax rate applied to the expected future cash flows.

⁵ Langfang IPAK Co., Ltd changed its entity name to LangFang Green Eco Packaging Co., Ltd.in 2020

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9. Investment Property

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

(In thousands of Korean won)

	2020		
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Acquisition cost			
Balance at January 1, 2020	₩ -	₩ 6,621,892	₩ 6,621,892
Others	-	51,434	51,434
Balance at December 31, 2020	₩ -	₩ 6,673,326	₩ 6,673,326
Accumulated depreciation and impairment			
Balance at January 1, 2020	₩ -	₩ (350,673)	₩ (350,673)
Depreciation	-	(136,647)	(136,647)
Others	-	3,224	3,224
Balance at December 31, 2020	₩ -	₩ (484,096)	₩ (484,096)
Book amount			
Balance at January 1, 2020	₩ -	₩ 6,271,219	₩ 6,271,219
Balance at December 31, 2020	₩ -	₩ 6,189,230	₩ 6,189,230

Others mainly include fluctuation due to foreign currency translation of foreign operations.

(In thousands of Korean won)

	2019		
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Acquisition cost			
Balance at January 1, 2019	₩ -	₩ 6,505,454	₩ 6,505,454
Others	-	116,438	116,438
Balance at December 31, 2019	₩ -	₩ 6,621,892	₩ 6,621,892
Accumulated depreciation and impairment			
Balance at January 1, 2019	₩ -	₩ (214,672)	₩ (214,672)
Depreciation	-	(134,808)	(134,808)
Others	-	(1,193)	(1,193)
Balance at December 31, 2019	₩ -	₩ (350,673)	₩ (350,673)
Book amount			
Balance at January 1, 2019	₩ -	₩ 6,290,782	₩ 6,290,782
Balance at December 31, 2019	₩ -	₩ 6,271,219	₩ 6,271,219

Others mainly include fluctuation due to foreign currency translation of foreign operations.

Income or expense relates to the investment property as at December 31, 2020, and 2019, are as follows:

(In thousands of Korean won)

	<u>2020</u>	<u>2019</u>
Rental income	₩ 349,795	₩ 325,712
Rental cost ¹	136,647	134,808

¹ Rental cost includes depreciation of investment property.

As at December 31, 2020, total fair value of investment property is ₩ 6,613 million (2019: ₩ 7,419 million).

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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 millions of Korean won)</i>	<u>2020</u>	<u>2019</u>
Right-of-use assets		
Properties	₩ 61,376,571	₩ 64,141,889
Vehicles	1,796,163	1,287,665
	<u>₩ 63,172,734</u>	<u>₩ 65,429,554</u>

<i>(In millions of Korean won)</i>	<u>2020</u>	<u>2019</u>
Lease liabilities		
Current	₩ 7,561,712	₩ 7,334,189
Non-current	16,454,553	17,110,219
	<u>₩ 24,016,265</u>	<u>₩ 24,444,408</u>

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

The consolidated statement of profit or loss shows the following amounts relating to leases:

<i>(In millions of Korean won)</i>	<u>2020</u>	<u>2019</u>
Depreciation of right-of-use assets		
Properties	₩ 8,634,468	₩ 8,681,086
Vehicles	761,037	707,012
	<u>₩ 9,395,505</u>	<u>₩ 9,388,098</u>
Interest expense on lease liabilities (recognized in finance cost)	₩ 743,008	₩ 989,539
Expense relating to short-term leases (recognized in cost of goods sold and administrative expenses)	16,903,273	11,597,279
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)	491,440	443,779
Expenses 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 is ₩ 27,679 million (2019: ₩ 23,594 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						
	Beginning balance	Increase	Decrease	Depreciation	Impairment ¹	Others	Ending balance
Property	₩ 64,141,889	₩ 7,421,821	₩ (227,867)	₩ (8,634,468)	₩ (705,051)	₩ (619,753)	₩ 61,376,571
Vehicles	1,287,665	1,286,204	(6,795)	(761,037)	-	(9,874)	1,796,163
	₩ 65,429,554	₩ 8,708,025	₩ (234,662)	₩ (9,395,505)	₩ (705,051)	₩ (629,627)	₩ 63,172,734

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

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

(In thousands of Korean won)	2019							
	Beginning balance	Effects of changes in accounting policy	Increase	Decrease	Depreciation	Impairment ¹	Others	Ending balance
Property ¹	₩ -	₩ 78,926,621	₩ 2,815,459	₩ (9,767,152)	₩ (8,681,086)	₩ (480,050)	₩ 1,328,097	₩ 64,141,889
Vehicles	-	1,075,297	966,447	(48,126)	(707,012)	-	1,059	1,287,665
	₩ -	₩ 80,001,918	₩ 3,781,906	₩ (9,815,278)	₩ (9,388,098)	₩ (480,050)	₩ 1,329,156	₩ 65,429,554

¹ Due to a fire in 2019, the Group recognized impairment loss on right-of-use assets of ₩ 480 million.

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

11. Investments in Joint Ventures and Associates

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

(In thousands of Korean won)	Location	2020		2019	
		Percentage of ownership	Book value	Percentage of ownership	Book value
Associate Daehan distributor Corp. ¹	Domestic	-	₩ -	35.28%	₩ 1,796,364
Joint venture Delfi-Orion Pte Ltd.	Singapore	50.00%	660,736	50.00%	627,104
Joint venture Orion Nonghyup Agri, inc. ²	Domestic	49.00%	30,417,712	49.00%	29,863,328
			₩ 31,078,448		₩ 32,286,796

¹ During the year ended December 31, 2019, the Group acquired ₩ 1,888 million amount of shares of Daehan distributor Corp. from the Ultimate Parent Company, Orion Holdings Co., Ltd. The Group disposed entire shares during the year ended December 31, 2020.

² The Group holds 49.00% 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, which is the date after five years from the approval date of plant usage (January 12, 2018) and the Group purchases them is included in the contract.

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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 arrangements.

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.

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	Disposition	Share of profit (loss) of joint ventures	Others	Balance at end of year
Daehan distributor Corp	₩ 1,796,364	₩ (1,799,584)	₩ (52,490)	₩ 55,710	₩ -
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>₩ 32,286,796</u>	<u>₩ (1,799,584)</u>	<u>₩ 564,912</u>	<u>₩ 26,324</u>	<u>₩ 31,078,448</u>

Others mainly include fluctuation due to foreign currency translation of foreign joint ventures and associates.

(In thousands of Korean won)

Name	2019				
	Balance at beginning of year	Acquisition	Share of profit (loss) of joint ventures	Others	Balance at end of year
Daehan distributor Corp	₩ -	₩ 1,887,696	₩ (74,650)	₩ (16,682)	₩ 1,796,364
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>₩ 30,383,314</u>	<u>₩ 1,887,696</u>	<u>₩ 7,494</u>	<u>₩ 8,292</u>	<u>₩ 32,286,796</u>

Others mainly include fluctuation due to foreign currency translation of foreign joint ventures.

Summary of financial information of joint ventures and associates is as follows:

(In thousands of Korean won)

	2020					
	Assets	Liabilities	Equity	Revenue	Profit for the year	Total comprehensive loss
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

Financial information of 2020 represents financial position as at December 31, 2020 and financial performance for the year ended December 31, 2020.

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<i>(In thousands of Korean won)</i>	2019					
	Assets	Liabilities	Equity	Revenue	Profit (loss) for the year	Total comprehensive loss
Daehan distributor Corp ¹	₩ 10,018,421	4,878,921	5,139,500	-	(211,592)	(211,592)
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 Financial information Daehan distributor Corp.'s financial information represents financial position as at December 31, 2019, and financial performance for the year ended December 31, 2019, from the acquisition date.

Financial information of 2019 represents financial position as at December 31, 2019 and financial performance for the year ended December 31, 2019.

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

<i>(In thousands of Korean won)</i>	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

<i>(In thousands of Korean won)</i>	2019			
	Net assets	Percentage of ownership(%)	Group's share of net assets	Book amount
Daehan distributor Corp	₩ 5,139,500	35.28%	₩ 1,813,216	₩ 1,796,364
Delfi-Orion Pte Ltd.	1,254,209	50.00%	627,104	627,104
Orion Nonghyup Agri, inc.	59,892,808	49.00%	29,347,476	29,863,328

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12. Financial Assets

Amounts recognized in profit or loss related to financial assets at fair value through 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>
Gain from financial assets at fair value through profit or loss	₩ 45,602	₩ 708,916

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>
Listed Taokaenoi Food & Marketing Public Company stock Limited	₩ 18,257,921	₩ 19,610,041

13. Other Assets

Other assets 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>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Prepayments	₩ 5,242,028	₩ -	₩ 13,456,554	₩ -
Prepaid expenses	4,711,506	4,261,575	3,735,694	2,115,198
Others	3,118,261	1,429,578	1,318,009	1,243,403
	<u>₩ 13,071,795</u>	<u>₩ 5,691,153</u>	<u>₩ 18,510,257</u>	<u>₩ 3,358,601</u>

14. Inventories

Inventories 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>Amount before write-down</u>	<u>Provision for write-down</u>	<u>Carrying amount</u>	<u>Amount before write-down</u>	<u>Provision for write-down</u>	<u>Carrying amount</u>
Merchandise	₩ 32,233,989	₩ (710,849)	₩ 31,523,140	₩ 24,380,871	₩ -	₩ 24,380,871
Finished goods	46,716,473	(32,954)	46,683,519	44,648,498	-	44,648,498
Work-in-progress	8,305,282	-	8,305,282	7,544,344	-	7,544,344
Raw materials	68,977,022	-	68,977,022	55,459,224	-	55,459,224
Supplies	1,953,130	-	1,953,130	2,322,362	-	2,322,362
Raw materials-in-transit	22,299,611	-	22,299,611	13,249,241	-	13,249,241
	<u>₩ 180,485,507</u>	<u>₩ (743,803)</u>	<u>₩ 179,741,704</u>	<u>₩ 147,604,540</u>	<u>₩ -</u>	<u>₩ 147,604,540</u>

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The amount of inventories recognized as an expense and included as part of cost of sales during 2020 is ₩ 898,540 million (2019: ₩ 808,167 million).

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	₩ 152,646,537	₩ -	₩ 179,889,009	₩ -
Less: allowance for bad debts	(1,154,857)	-	(1,216,096)	-
Other receivables	8,932,878	-	4,875,984	-
Less: allowance for bad debts	(76,807)	-	(56,817)	-
Accrued income	1,985,979	-	1,679	-
Guarantee deposits	1,868,879	16,467,802	1,984,140	16,409,269
Loans	3,172,240	-	40,103	-
	<u>₩ 167,374,849</u>	<u>₩ 16,467,802</u>	<u>₩ 185,518,002</u>	<u>₩ 16,409,269</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	₩ 36,730	₩ 45,583
Demand deposits	367,388,708	164,919,704
	<u>₩ 367,425,438</u>	<u>₩ 164,965,287</u>

As at December 31, 2020 and 2019, long-term deposits of ₩ 2 million are deposit for checking account, which are restricted in use.

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17. Capital stock

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

<i>(In Korean won, except number of shares)</i>	<u>2020</u>	<u>2019</u>
Number of ordinary shares:		
- Authorized	480,000,000	480,000,000
- Issued	39,536,132	39,536,132
Capital stock	₩ 19,768,066,000	19,768,066,000
Par value per share	₩ 500	500

According to its Articles of Incorporation, cumulative participating preferred shares can be issued as non-voting registered shares 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 shares have been issued.

According to its Articles of Incorporation, the Company is allowed to grant stock options within 15/100 of the total number of shares issued with the approval from the shareholders and within 3/100 of the total number of shares issued with the approval of the Board of Directors to its employees who contribute or are able to shares to the establishment, management, or technological innovation of the Company. Details of stock options granted as at December 31, 2020, are included 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 7,343 treasury shares as at December 31, 2020 with the acquisition cost of ₩ 604,361 thousand, which were odd-lot shares acquired at the market price resulted from spin-off. The Group intends to dispose of the treasury shares in the future depending on the market conditions.

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	₩ 624,451,038	₩ 624,451,038
Issuance of stock options	(1,053,745)	-
Exchange differences on translating foreign operations	(32,564,239)	1,582,001
Share of other comprehensive income of joint ventures	(64,996)	(74,155)
Profit (loss) of financial assets at fair value through other comprehensive income	(315,932)	970,645
	₩ <u>590,452,126</u>	₩ <u>626,929,529</u>

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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 reserves	₩ 35,200,484	₩ 21,336,780
Discretionary reserves	97,967,834	51,274,006
	<u>₩ 133,168,318</u>	<u>₩ 72,610,786</u>

Legal reserves

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

<i>(In Korean won, except share information)</i>	<u>2020</u>	<u>2019</u>
Profit for the year attributable to owners of the Parent Company	₩ 267,586,357,691	₩ 215,579,326,901
Weighted-average number of ordinary shares	39,528,789	39,528,741
Basic earnings per share	<u>₩ 6,769</u>	<u>₩ 5,454</u>

Weighted average number of ordinary shares

<i>(In shares)</i>	<u>2020</u>	<u>2019</u>
Beginning balance	39,536,132	39,533,961
Treasury shares	(7,343)	(7,343)
Exercise of stock options	-	2,123
Weighted average number of ordinary shares	<u>39,528,789</u>	<u>39,528,741</u>

Diluted earnings per share

<i>(In Korean won, except share information)</i>	<u>2020</u>	<u>2019</u>
Profit for the year attributable to owners of the Parent Company	₩ 267,586,357,691	₩ 215,579,326,901
Adjusted profit for the year attributable to owners of the Parent Company	267,586,357,691	215,579,326,901
Diluted weighted average number of ordinary shares	39,528,789	39,528,787
Diluted earnings per share	<u>₩ 6,769</u>	<u>₩ 5,454</u>

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Diluted weighted average number of ordinary shares

<i>(In shares)</i>	2020	2019
Basic weighted average number of ordinary shares	39,528,789	39,528,741
Effect of stock options	-	46
Diluted weighted average number of ordinary shares	39,528,789	39,528,787

When calculating dilution of share options, the Company's average market price of shares was based on the average market price of the ordinary shares for the year ended December 31, 2020.

22. Share-based Payments

The initial quantity of share-based payment arrangement given by Orion Holdings Co., Ltd. on February 27, 2009, prior to the spin-off was 4,797 shares. After the spin-off, it was divided by the equity spin-off ratio of Orion Corporation. All share options issued by the Company have been exercised therefore, there are no exercisable options as at December 31, 2020.

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:

PAN Orion Corp. Limited

Classification	Share-based payments	Cash-settled share-based payments
Granted date	October 19, 2020	October 19, 2020
Number of shares initially granted	106,552,583 shares	11,340,833 shares
Number of shares exercised	-	-
Number of shares cancelled	-	-
Number of shares as at December 31, 2020	106,552,583 shares	11,340,833 shares
Exercisable number of shares as at December 31, 2020	106,552,583 shares	-
Exercise price	HKD 1.31 (equivalent to ₩ 184, Exchange rate as at December 31, 2020: ₩ 140.35/HKD)	HKD 1.31 (equivalent to ₩ 184, Exchange rate as at December 31, 2020: ₩ 140.35/HKD)
Maturity date	October 19, 2030	October 19, 2030
Vesting conditions¹	Period of service provided: 1.5 months	Period of service provided: 12.5 months

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.

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Details of information used to measure fair value of the share-based payments of PAN Orion Corp. Limited at granted date, are as follows:

PAN Orion Corp. Limited

(in Korean won)

Classification	Key Assumptions	
	Share-based payments	Cash-settled share-based payments
Granted date	October 19, 2020	October 19, 2020
Fair value as at granted date	0.59 HKD, 0.64HKD, 1.39 HKD (equivalent to ₩ 83, ₩ 90, ₩ 195 trading rate as at December 31, 2020: ₩ 140.35/HKD)	0.54 HKD (equivalent to ₩ 75 trading rate as at December 31, 2020: ₩ 140.35/HKD)
Fair value as at settlement date	0.59 HKD, 0.64HKD, 1.39 HKD (equivalent to ₩ 83, ₩ 90, ₩ 195 trading rate as at December 31, 2020: ₩ 140.35/HKD)	0.54 HKD (equivalent to ₩ 75 trading rate as at December 31, 2020: ₩ 140.35/HKD)
Risk-free rate (%)	3.22	3.13
Applied volatility (%)	32.8	29.7
Model	Binomial price model	Binomial price model

The Group recognized ₩ 540 million for cash-settled share-based payments and ₩ 15,494 million for share-based payments, and recognized cost of sale for ₩ 413 million, general and administrative expenses for ₩ 14,864 million, non-controlling interest for ₩ 15,440 million, and accrued expenses for ₩ 540 million, for the year ended December 31, 2020.

23. Trade and Other Payables

Trade and other payables 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 payables	₩ 102,566,480	₩ -	₩ 88,486,402	₩ -
Other payables	101,722,172	873,520	95,483,462	593,195
Withholdings	4,501,830	-	6,819,056	-
Accrued expenses	55,025,477	-	66,957,020	-
Leasehold deposit	173,704	29,617	272,630	19,316
	<u>₩ 263,989,663</u>	<u>₩ 903,137</u>	<u>₩ 258,018,570</u>	<u>₩ 612,511</u>

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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>	<u>2020</u>	<u>2019</u>
Contract liabilities ¹	₩ 37,156,365	₩ 46,889,112

¹ The contract liabilities are recognized as other current liabilities in consolidated statements of financial positions.

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>	<u>2020</u>		<u>2019</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Non-current				
Debentures	₩ -	₩ 230,000,000	₩ 120,000,000	₩ 160,000,000
Less discount	-	(325,247)	(54,085)	(223,005)
Long-term debts	-	-	60,000	-
Subtotal	<u>-</u>	<u>229,674,753</u>	<u>120,005,915</u>	<u>159,776,995</u>
Current				
Short-term borrowings in Korean won	1,735,370	-	1,844,225	-
Short-term borrowings in foreign currency	781,593	-	5,135,919	-
Subtotal	<u>2,516,963</u>	<u>-</u>	<u>6,980,144</u>	<u>-</u>
Total	<u>₩ 2,516,963</u>	<u>₩ 229,674,753</u>	<u>₩ 126,986,059</u>	<u>₩ 159,776,995</u>

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

<i>(In thousands of Korean won)</i>	<u>Maturity</u>	<u>Interest rate (%)</u>	<u>2020</u>	<u>2019</u>
100th	2020-04-24	-	₩ -	₩ 70,000,000
101st	2022-03-02	2.24	60,000,000	60,000,000
102nd	2022-05-29	2.37	50,000,000	50,000,000
103-1st	2020-11-06	-	-	50,000,000
103-2nd	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>

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

<i>(In thousands of Korean won)</i>	<u>Maturity</u>	<u>Annual interest rate (%)</u>	<u>2020</u>	<u>2019</u>
Siheung Environmental Management Center	2020-01-28	-	₩ -	₩ 60,000
Less: current portion			-	(60,000)
			<u>₩ -</u>	<u>₩ -</u>

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

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

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

<i>(In thousands of Korean won)</i>	<u>2020</u>		<u>2019</u>	
	<u>Book amount</u>	<u>Fair value¹</u>	<u>Book amount</u>	<u>Fair value¹</u>
Short-term borrowings	₩ 2,516,963	₩ 2,516,963	₩ 126,986,059	₩ 126,986,059
Long-term borrowings	<u>229,674,753</u>	<u>230,007,652</u>	<u>159,776,995</u>	<u>160,009,253</u>
	<u>₩ 232,191,716</u>	<u>₩ 232,524,615</u>	<u>₩ 286,763,054</u>	<u>₩ 286,995,312</u>

¹ The fair values of short-term borrowings 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 flows at the weighted average borrowing rates of 2.23% (2019: 2.51%) for long-term borrowings.

There are no assets provided as collateral for liabilities of the Group as at December 31, 2020.

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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:

<i>(In thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Contributions to defined contribution plans	₩ 1,135,233	₩ 1,094,089
Expenses related to post-employment defined benefit plans	<u>12,718,703</u>	<u>10,436,720</u>
	<u>₩ 13,853,936</u>	<u>₩ 11,530,809</u>

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

<i>(In thousands of Korean won)</i>	<u>Defined benefit obligation</u>		<u>Fair value of plan assets</u>		<u>Net defined benefit liability(asset)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Beginning balance	₩ 90,109,460	₩ 79,086,087	₩ (88,414,590)	₩ (79,448,915)	₩ 1,694,870	₩ (362,828)
Included in profit or loss:						
Current service costs	12,661,562	10,454,596	-	-	12,661,562	10,454,596
Interest costs (income)	<u>1,660,810</u>	<u>1,727,086</u>	<u>(1,603,669)</u>	<u>(1,744,962)</u>	<u>57,141</u>	<u>(17,876)</u>
	<u>14,322,372</u>	<u>12,181,682</u>	<u>(1,603,669)</u>	<u>(1,744,962)</u>	<u>12,718,703</u>	<u>10,436,720</u>
Included in other comprehensive income:						
Remeasurements loss (gain)						
- Actuarial loss (gain) arising from:						
Experience adjustment	(2,003,802)	2,550,567	-	-	(2,003,802)	2,550,567
Demographic assumptions	(525,430)	113,492	-	-	(525,430)	113,492
Financial assumptions	2,803,083	1,528,215	-	-	2,803,083	1,528,215
- Return on plan assets excluding interest income	<u>-</u>	<u>-</u>	<u>(156,487)</u>	<u>225,305</u>	<u>(156,487)</u>	<u>225,305</u>
	<u>273,851</u>	<u>4,192,274</u>	<u>(156,487)</u>	<u>225,305</u>	<u>117,364</u>	<u>4,417,579</u>
Others:						
Contributions paid by the employer	-	-	(12,219,247)	(14,200,000)	(12,219,247)	(14,200,000)
Transferred from a related party	200,253	3,421,079	(200,253)	(2,008,592)	-	1,412,487
Transferred to a related party	(43,970)	(1,433,878)	43,970	1,433,878	-	-
Benefits paid	(6,951,823)	(7,344,351)	5,689,502	7,328,696	(1,262,321)	(15,655)
Others	<u>(194,903)</u>	<u>6,567</u>	<u>-</u>	<u>-</u>	<u>(194,903)</u>	<u>6,567</u>
	<u>(6,990,443)</u>	<u>(5,350,583)</u>	<u>(6,686,028)</u>	<u>(7,446,018)</u>	<u>(13,676,471)</u>	<u>(12,796,601)</u>
Ending balance	<u>₩ 97,715,240</u>	<u>₩ 90,109,460</u>	<u>₩ (96,860,774)</u>	<u>₩ (88,414,590)</u>	<u>₩ 854,466</u>	<u>₩ 1,694,870</u>

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

<i>(In thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Debt securities	₩ 92,521,118	₩ 65,393,655
Others	4,339,656	23,020,935
	<u>₩ 96,860,774</u>	<u>₩ 88,414,590</u>

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

	<u>2020</u>	<u>2019</u>
Discount rate	1.63%	2.20%
Future salary growth	6.88%	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	₩ (4,568,719)	₩ 5,134,166
Future salary growth	4,973,726	(4,522,953)

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 5.18 years (2019: 6.32 years) as at December 31, 2020.

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

<i>(In thousands of Korean won)</i>	<u>Less than 1 year</u>	<u>Between 1-2 years</u>	<u>Between 2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Pension benefits	₩ 17,162,497	₩ 12,377,895	₩ 35,065,849	₩ 40,990,316	₩ 105,596,557

Expected contributions to post-employment benefit plans for the year ending December 31, 2021 is W 10,710 million.

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27. Other Liabilities

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

<i>(In thousands of Korean won)</i>	2020		2019	
	Current	Non-current	Current	Non-current
Advances received ¹	₩ 37,156,365	₩ -	₩ 46,889,112	₩ -
Unearned revenue	2,163	381	4,968	676
Provision for warranty	2,863,526	-	2,853,606	-
Others	127,549	827,517	760,631	-
	<u>₩ 40,149,603</u>	<u>₩ 827,898</u>	<u>₩ 50,508,317</u>	<u>₩ 676</u>

¹ Entire amount of advances received as at December 31, 2020 and 2019, are contract liabilities recognized in relation to revenue from contracts with customers.

28. Sales and Cost of Sales

Sales and cost of sales for the years ended December 31, 2020 and 2019, are as follows:

(a) Revenue from contracts with customers

<i>(In thousands of Korean won)</i>	2020		2019	
Revenue from contracts with customers	₩	2,229,470,138	₩	2,022,970,345
Revenue from other sources		349,796		325,712
	<u>₩</u>	<u>2,229,819,934</u>	<u>₩</u>	<u>2,023,296,057</u>

Details of revenue from contracts with customers for the years ended December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>	2020			
	Sale of goods	Royalty	Other	Total
Recognized at a point in time	₩ 2,193,813,912	₩ -	₩ 3,213,916	₩ 2,197,027,828
Recognized over time	-	107,577	32,334,733	32,442,310
	<u>₩ 2,193,813,912</u>	<u>₩ 107,577</u>	<u>₩ 35,548,649</u>	<u>₩ 2,229,470,138</u>

<i>(In thousands of Korean won)</i>	2019			
	Sale of goods	Royalty	Other	Total
Recognized at a point in time	₩ 2,019,633,499	₩ -	₩ 3,326,305	₩ 2,022,959,804
Recognized over time	-	10,541	-	10,541
	<u>₩ 2,019,633,499</u>	<u>₩ 10,541</u>	<u>₩ 3,326,305</u>	<u>₩ 2,022,970,345</u>

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(b) Cost of sales

(In thousands of Korean won)

	<u>2020</u>	<u>2019</u>
Sale of goods	₩ 1,241,641,059	₩ 1,108,223,922
Service costs and others	<u>35,116,887</u>	<u>1,855,988</u>
	₩ <u>1,276,757,946</u>	₩ <u>1,110,079,910</u>

29. Selling Expenses and General and Administrative Expenses

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

(In thousands of Korean won)

	<u>2020</u>	<u>2019</u>
Salaries	₩ 153,664,096	₩ 163,320,257
Retirement benefits	5,199,212	4,881,803
Employee welfare	25,293,349	15,519,947
Travel expenses	4,680,988	6,417,938
Taxes and dues	16,155,381	15,957,200
Rental expenses	12,529,603	13,875,108
Depreciation	7,764,610	5,909,093
Amortization	1,821,157	1,539,900
Advertising expenses	32,895,325	38,180,104
Ordinary development expense	1,138,091	1,166,988
Freight expenses	71,306,966	87,472,590
Commissions	60,993,111	60,996,218
Promotion	10,488,109	18,306,780
Bad debt expenses (reversal)	(41,044)	183,786
Depreciation of right-of-use assets	3,161,739	2,360,979
Others	<u>21,818,270</u>	<u>21,842,163</u>
	₩ <u>428,868,963</u>	₩ <u>457,930,854</u>

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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>	<u>2020</u>	<u>2019</u>
Salaries	₩ 57,503,319	₩ 54,165,167
Share-based payments	14,864,056	-
Retirement benefits	6,209,708	5,047,251
Employee welfare	9,187,332	9,375,306
Travel expenses	1,211,621	2,127,438
Taxes and dues	1,789,045	2,177,068
Rental expenses	3,292,010	2,850,157
Depreciation	6,878,163	7,281,122
Amortization	2,436,052	1,906,381
Commissions	29,882,247	27,370,135
Depreciation of right-of-use assets	5,959,161	6,761,478
Others	8,858,298	8,635,045
	<u>₩ 148,071,012</u>	<u>₩ 127,696,548</u>

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	₩ 692,189	₩ 548,561
Foreign currency translation gain	1,158	56,491
Gain on sale of property, plant and equipment	3,735,021	3,111,840
Reversal of impairment loss on intangible assets	874,917	-
Gain on disposal of investments in associates	127,707	-
Insurance income ¹	13,164,595	-
Others	8,585,672	4,923,390
	<u>27,181,259</u>	<u>8,640,282</u>
Other expenses		
Foreign currency transaction loss	(519,367)	(230,239)
Foreign currency translation loss	(76,176)	(65,315)
Loss on sale of property, plant and equipment ²	(4,042,706)	(16,255,799)
Loss on sale of intangible assets	(21,665)	(446)
Impairment loss on property, plant and equipment ²	-	(1,447,966)
Impairment loss on intangible assets ²	(440,718)	(77,900)
Impairment loss on right-of-use assets ²	(705,051)	(480,050)
Donation	(1,136,070)	(1,582,801)
Loss on sale of trade receivables	(37,967)	(19,774)
Others ²	(2,976,660)	(5,830,812)
	<u>(9,956,380)</u>	<u>(25,991,102)</u>
Net other income	<u>₩ 17,224,879</u>	<u>₩ (17,350,820)</u>

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¹ The amount is insurance compensation of Orion(Bei Tun)Argo Processing CO.,Ltd., a subsidiary, in relation to fire.

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

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	₩ 11,061,054	₩ 7,219,993
Foreign currency transaction gain	1,595,287	2,243,701
Foreign currency translation gain	186,040	42,830
Dividend Income	469,022	209,675
	<u>13,311,403</u>	<u>9,716,199</u>
Finance cost		
Interest expense	(7,362,309)	(10,920,164)
Foreign currency transaction loss	(2,351,691)	(797,869)
Foreign currency translation loss	(158,192)	(134,466)
	<u>(9,872,192)</u>	<u>(11,852,499)</u>
Net finance income (cost)	₩ <u>3,439,211</u>	₩ <u>(2,136,300)</u>

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32. Expenses by Nature

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

(In thousands of Korean won)	2020			2019		
	Cost of sales	Selling, general and administrative expense	Total	Cost of sales	Selling, general and administrative expense	Total
Raw materials and consumables used	₩ 785,645,250	₩ -	₩ 785,645,250	₩ 769,980,860	₩ -	₩ 769,980,860
Purchasing merchandise	123,399,303	-	123,399,303	34,752,383	-	34,752,383
Changes in inventories of finished goods and merchandise	(10,505,299)	-	(10,505,299)	3,433,560	-	3,433,560
Employee benefits expense	80,552,705	237,440,392	317,993,097	75,550,016	227,414,478	302,964,494
Taxes and Dues	2,285,750	17,944,426	20,230,176	2,050,178	18,134,268	20,184,446
Rental Expenses	181,863	15,821,613	16,003,476	1,075,567	16,725,265	17,800,832
Depreciation and amortization	110,668,499	18,899,982	129,568,481	106,167,660	16,636,496	122,804,156
Depreciation of right-of-use assets	274,605	9,120,900	9,395,505	265,641	9,122,457	9,388,098
Advertising expenses	-	32,895,325	32,895,325	-	38,180,104	38,180,104
Freight and custody	1,193,797	71,306,966	72,500,763	1,037,729	87,472,590	88,510,319
Maintenance cost of vehicles	167,505	3,733,367	3,900,872	147,166	4,273,251	4,420,417
Commission	38,923,140	90,875,358	129,798,498	27,834,232	88,366,353	116,200,585
Others	143,970,828	78,901,646	222,872,474	87,784,918	79,302,140	167,087,058
	<u>₩ 1,276,757,946</u>	<u>₩ 576,939,975</u>	<u>₩ 1,853,697,921</u>	<u>₩ 1,110,079,910</u>	<u>₩ 585,627,402</u>	<u>₩ 1,695,707,312</u>

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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 (before income tax)	Total comprehensive income (loss)
Financial assets					
Financial assets at amortized cost	₩ 12,551,828	₩ (2,893)	₩ 12,548,935	₩ -	₩ 12,548,935
Financial assets at fair value through profit or loss	45,602	-	45,602	-	45,602
Financial assets at fair value through other comprehensive income	469,022	-	469,022	(1,352,120)	(883,098)
	<u>13,066,452</u>	<u>(2,893)</u>	<u>13,063,559</u>	<u>(1,352,120)</u>	<u>11,711,439</u>
Financial liabilities					
Financial liabilities measured at amortized cost	244,951	(9,126,291)	(8,881,340)	-	(8,881,340)
Lease liabilities	-	(743,008)	(743,008)	-	(743,008)
	<u>244,951</u>	<u>(9,869,299)</u>	<u>(9,624,348)</u>	<u>-</u>	<u>(9,624,348)</u>
	<u>₩ 13,311,403</u>	<u>₩ (9,872,192)</u>	<u>₩ 3,439,211</u>	<u>₩ (1,352,120)</u>	<u>₩ 2,087,091</u>

(In thousands of Korean won)	2019				
	Finance income	Finance cost	Net income	Other comprehensive income (before income tax)	Total comprehensive income (loss)
Financial assets					
Financial assets at amortized cost	₩ 8,707,889	₩ -	₩ 8,707,889	₩ -	₩ 8,707,889
Financial assets at fair value through profit or loss	708,916	-	708,916	-	708,916
Financial assets at fair value through other comprehensive income	209,675	-	209,675	1,020,093	1,229,768
	<u>9,626,480</u>	<u>-</u>	<u>9,626,480</u>	<u>1,020,093</u>	<u>10,646,573</u>
Financial liabilities					
Financial liabilities measured at amortized cost	89,718	(10,862,959)	(10,773,241)	-	(10,773,241)
Lease liabilities	-	(989,539)	(989,539)	-	(989,539)
	<u>89,718</u>	<u>(11,852,498)</u>	<u>(11,762,780)</u>	<u>-</u>	<u>(11,762,780)</u>
	<u>₩ 9,716,198</u>	<u>₩ (11,852,498)</u>	<u>₩ (2,136,300)</u>	<u>₩ 1,020,093</u>	<u>₩ (1,116,207)</u>

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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	₩ 630,034,901	₩ 630,034,901	₩ 437,968,550	₩ 437,968,550
Financial assets at fair value through other comprehensive income	18,257,921	18,257,921	19,610,041	19,610,041
Financial liabilities				
Financial liabilities measured at amortized cost	475,874,053	476,206,953	531,373,739	531,605,997
Lease liabilities	24,016,264	24,016,264	24,444,408	24,444,408

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

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>	Level 1	Level 2	Level 3	Total
December 31, 2020				
Financial assets at fair value through other comprehensive income	₩ 18,257,921	₩ -	₩ -	₩ 18,257,921
December 31, 2019				
Financial assets at fair value through other comprehensive income	₩ 19,610,041	₩ -	₩ -	₩ 19,610,041

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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	₩ 86,860,215	₩ 68,643,566
Adjustments to income tax of prior periods	918,688	2,289,368
Origination and reversal of temporary differences	34,981,435	15,297,987
Total income tax effect	122,760,338	86,230,922
Income taxes related to items recognized outside profit or loss	28,402	1,410,291
Total income tax expense	₩ 122,788,740	₩ 87,641,212

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, ending balance	₩ (173,679,900)	₩ (138,698,465)
Deferred tax liabilities net, beginning balance	(138,698,465)	(123,400,478)
Origination and reversal of temporary differences	₩ (34,981,435)	₩ (15,297,988)

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	₩ 28,402	₩ 1,069,054
Changes in accounting policy	-	341,237
Income tax expense recognized other than in profit or loss	₩ 28,402	₩ 1,410,291

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

<i>(In thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Profit before income tax	₩ 397,351,015	₩ 308,109,119
Income tax using the Group's statutory tax rate	93,990,358	88,200,273
Adjustments :		
Non-deductible expense	2,749,180	418,208
Tax credits	(3,533,814)	(2,753,385)
Adjustments to income tax of prior periods	918,688	2,289,368
Tax for promotion of investment and collaborative cooperation	4,874,120	
Tax effect on profit or loss of subsidiaries and othes	22,420,734	(1,627,055)
Others	1,369,474	1,113,803
Income tax expense	₩ 122,788,740	₩ 87,641,211
Effective tax rate	30.90%	28.44%

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The net deferred tax liabilities and current 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.

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

<i>(In thousands of Korean won)</i>	2020			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Bad debt expense	₩ 111,717	₩ 25,996	₩ -	₩ 137,713
Provision for warranty	690,572	(124,523)	-	566,049
Accumulated depreciation	(83,633,668)	(9,641,709)	-	(93,275,377)
Defined benefit liability	11,104	(31,971)	28,402	7,535
Land	(11,273,828)	2,022	-	(11,271,806)
Investments in subsidiaries	(53,738,086)	(22,275,276)	-	(76,013,362)
Others	9,133,723	(2,964,375)	-	6,169,348
	<u>₩ (138,698,466)</u>	<u>₩ (35,009,836)</u>	<u>₩ 28,402</u>	<u>₩ (173,679,900)</u>

<i>(In thousands of Korean won)</i>	2019			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Bad debt expense	₩ 287,355	₩ (175,638)	₩ -	₩ 111,717
Provision for warranty	672,698	17,874	-	690,572
Accumulated depreciation	(73,463,020)	(10,170,648)	-	(83,633,668)
Defined benefit liability	905,240	(1,963,190)	1,069,054	11,104
Land	(11,589,839)	316,011	-	(11,273,828)
Investments in subsidiaries	(54,856,768)	1,118,682	-	(53,738,086)
Others	14,643,856	(5,851,370)	341,237	9,133,723
	<u>₩ (123,400,478)</u>	<u>₩ (16,708,279)</u>	<u>₩ 1,410,291</u>	<u>₩ (138,698,466)</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	₩ 91,036,747	₩ 91,036,747
Other	1,036,395	2,118,061

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 carry-forwards can be used.

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	₩ (37,576,205)	₩ (37,576,205)

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.

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>	<u>2020</u>	<u>2019</u>
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 22,915,987	₩ 24,847,922
Deferred tax asset to be recovered within 12 months	<u>9,013,074</u>	<u>8,341,632</u>
	<u>31,929,061</u>	<u>33,189,554</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(205,608,961)	(171,888,008)
Deferred tax liability to be recovered within 12 months	<u>-</u>	<u>(11)</u>
	₩ (205,608,961)	₩ (171,888,019)
Deferred tax liabilities, net	<u>(173,679,900)</u>	<u>(138,698,465)</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

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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.

There is no material concentration of credit risk.

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	₩ 78,731,065	₩ 71,142,408
Trade and other receivables	183,842,651	201,927,271
Cash equivalents ¹	<u>367,388,708</u>	<u>164,919,704</u>
	<u>₩ 629,962,424</u>	<u>₩ 437,989,383</u>

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

Meanwhile, the Group is depositing cash or cash equivalents to financial institutes such as Shinhan Bank whose credit rating is high. Thus credit risk from financial institution is limited.

Besides above, As at December 31, 2020, the Group is obligated to repay spin-off debt (₩ 487 million) in solidarity with Orion Holdings Corporation (formerly, Orion Corporation) as of the spin-off date (June 1, 2017) by the Commercial Law Article 530-9 (1) in Republic of Korea. Above liability is allocated to the earliest period in which the Group is required to pay.

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.

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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 debt¹</u>	<u>Total</u>
December 31, 2020						
Expected loss rate	0.02%	0.05%	0.12%	31.70%	79.12%	0.76%
Gross carrying amount	₩ 136,106,731	₩ 14,448,440	₩ 605,541	₩ 111,815	₩ 1,374,010	₩ 152,646,537
Loss allowance provision	23,884	7,637	713	35,447	1,087,176	1,154,857
December 31, 2019						
Expected loss rate	0.03%	0.09%	0.22%	55.45%	93.40%	0.68%
Gross carrying amount	₩ 122,810,376	₩ 45,307,460	₩ 10,535,156	₩ 104,716	₩ 1,131,301	₩ 179,889,009
Loss allowance provision	38,230	39,485	23,681	58,064	1,056,636	1,216,096

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

Movements in the loss allowance provision for trade receivables 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>
Beginning balance	₩ 1,216,096	₩ 1,974,835
Increase (decrease) in loss allowance recognized in profit or loss during the year	(41,044)	183,786
Receivables written off during the year as uncollectible	(15,807)	(984,095)
Others	(4,388)	41,570
Ending balance	₩ <u>1,154,857</u>	₩ <u>1,216,096</u>

Trade receivables are written off or 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 on trade receivables are presented as impairment losses on trade receivables in the consolidated statement 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>2019¹</u>
Beginning balance	₩ 56,817	₩ 56,817
Increase in loss allowance recognized in profit or loss during the year	21,388	385
Receivables written off during the year as uncollectible	(929)	(385)
Others	(469)	-
Ending balance	₩ <u>76,807</u>	₩ <u>56,817</u>

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

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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 have entered into an overdraft protection provided by Shinhanbank and etc.

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

<i>(In thousands of Korean won)</i>	Book Value	Contractual cash flow	Within 6 months	6-12 months	1-2 years	Over 2 years
December 31, 2020						
Borrowings	₩ 232,191,716	₩ 241,997,463	₩ 5,130,563	₩ 2,613,600	₩ 163,624,350	₩ 70,628,950
Trade and other payables	243,682,337	243,712,646	242,763,520	297,126	30,000	622,000
Lease liabilities	<u>24,016,264</u>	<u>26,617,607</u>	<u>4,071,554</u>	<u>3,582,766</u>	<u>5,846,043</u>	<u>13,117,244</u>
	<u>₩ 499,890,317</u>	<u>₩ 512,327,716</u>	<u>₩ 251,965,637</u>	<u>₩ 6,493,492</u>	<u>₩ 169,500,393</u>	<u>₩ 84,368,194</u>
December 31, 2019						
Borrowings	₩ 286,763,054	₩ 299,398,544	₩ 80,420,894	₩ 52,641,900	₩ 3,969,300	₩ 162,366,450
Trade and other payables	244,610,685	244,656,460	239,141,394	4,858,149	20,000	636,917
Lease liabilities	<u>24,444,408</u>	<u>32,580,165</u>	<u>4,144,027</u>	<u>3,236,681</u>	<u>4,618,703</u>	<u>20,580,754</u>
	<u>₩ 555,818,147</u>	<u>₩ 576,635,169</u>	<u>₩ 323,706,315</u>	<u>₩ 60,736,730</u>	<u>₩ 8,608,003</u>	<u>₩ 183,584,121</u>

Besides above As at December 31, 2020, the Group is obligated to repay spin-off debt (₩ 487 million) in solidarity with Orion Holdings Corporation (formerly, Orion Corporation) as of the spin-off date (June 1, 2017) by the Commercial Law Article 530-9 (1) in Republic of Korea. Above liability is allocated to the earliest period in which the Group is required to pay.

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

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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>	<u>USD</u>	<u>JPY</u>	<u>EUR</u>	<u>CNY</u>
December 31, 2020				
Cash and cash equivalents	₩ 3,887,474	₩ 12,031	₩ 1	₩ 1,670
Trade and other receivables	1,919,935	1,091,141	-	196,243
Trade and other payables	(5,015,718)	(129,138)	(1,210,677)	(21,015)
Borrowings	(166,003)	-	(615,590)	-
	<u>₩ 625,688</u>	<u>₩ 974,034</u>	<u>₩ (1,826,266)</u>	<u>₩ 176,898</u>
December 31, 2019				
Cash and cash equivalents	₩ 285,905	₩ 55,012	₩ -	₩ 1,657
Trade and other receivables	3,709,992	1,035,283	-	2,311,975
Trade and other payables	(403,134)	(127,933)	-	(34,457)
Borrowings	(1,765,845)	-	(3,370,074)	-
	<u>₩ 1,826,918</u>	<u>₩ 962,362</u>	<u>₩ (3,370,074)</u>	<u>₩ 2,279,175</u>

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

<i>(In thousands of 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

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	₩ 62,569	₩ (62,569)	₩ 182,692	₩ (182,692)
JPY	97,403	(97,403)	96,236	(96,236)
EUR	(182,627)	182,627	(337,007)	337,007
CNY	17,690	(17,690)	227,918	(227,918)
	<u>₩ (4,965)</u>	<u>₩ 4,965</u>	<u>₩ 169,838</u>	<u>₩ (169,838)</u>

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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

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 cost	₩ (7,816)	₩ 7,816	₩ (51,359)	₩ 51,359

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.

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	₩ 232,191,716	₩ 286,763,054
Less: Cash and cash equivalents	(367,425,438)	(164,965,287)
	<u>(135,233,722)</u>	<u>121,797,767</u>
Equity	<u>1,897,508,266</u>	<u>1,667,543,278</u>
Net debt-to-equity ratio	<u>(7.13%)</u>	<u>7.30%</u>

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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)

Contract Company	Lender	Type of commitment	Currency	2020	2019	
Orion Corporation	Kookmin Bank	Usance	USD	10,000,000	10,000,000	
		Purchase 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	Purchase loan	KRW	30,000,000	30,000,000	
	Mizuho Bank	Credit loan	KRW	20,000,000	-	
	DBS Bank	Credit loan	KRW	-	20,000,000	
Orion Food Co., Ltd.	Hyundai Card	Group purchase card	KRW	12,000,000	12,000,000	
			USD	5,000,000	5,000,000	
	Korea Development Bank	Usance	EUR	2,000,000	2,000,000	
		Usance	CNY	60,000,000	-	
	Orion Food (Shanghai) Co., Ltd.	BANK OF CHINA	General loan	CNY	80,000,000	-
			Industrial and Commercial Bank of China	General loan	CNY	140,000,000
		BANK OF CHINA	General loan	CNY	15,000,000	-
BANK OF CHINA		Usance	CNY	40,000,000	-	
Orion Food (Shen Yang) Co., Ltd.	Hana Bank	Usance	EUR	1,000,000	-	
			EUR	2,000,000	-	
Orion Food Guangzhou 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 Food VINA Co., Ltd.			KRW	87,000,000	87,000,000	
			USD	25,900,000	25,900,000	
			CNY	335,000,000	140,000,000	
			EUR	5,000,000	2,000,000	
			VND	120,000,000,000	-	
Total						

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, the Group provides guarantees to the customers with the maximum amount of ₩ 12,000 million in relation to the Corporate purchase card of Hyundai Card.

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As at December 31, 2020 and 2019, guarantees of ₩ 853 million (2019: ₩ 1,380 million) are provided to the Group by Seoul Guarantee Insurance Company etc. for the performance of contracts.

As at December 31, 2019, the Group has entered into a purchase contract and others with PARSONS Pvt. Ltd.

As at December 31, 2020, the Group is obligated to repay spin-off debt(₩ 487 million) in solidarity with Orion Holdings Corporation (formerly, Orion Corporation) as of the spin-off date (June 1, 2017) by the Commercial Law Article 530-9 (1) in Republic of Korea. Above liability is allocated to the earliest period in which the Group is required to pay.

As at December 31, 2020, Orion Holdings Corporation, a Parent Company of the Group and Orion Food Co., Ltd., a subsidiary, have entered into a joint investment contract for Shandong Lukang Biotechnology Development Co., Ltd.

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

(In thousands of Korean won)

Plaintiff	Defendant	Contents	Amounts ¹	Progress
Pureum A&D Architect Co., Ltd.	Orion Corp.	Order of construction receivables	₩ 219,160	First trial in progress
CJ Logistics Corporation	Orion Corp.	Freight payables	363,000	First trial in progress
Employee of Saegil Patent and Law firm	Orion Corp.	Billing for payment of success fee	22,000	First trial in progress (cancelled in January 13, 2021)
MBF	Orion Corp.	Billing for payment of potatoes	228,691	Undecided
Company Holiday LLC..	Orion International Euro LLC	Billing for collection of receivables	330,735	Won first trial
Interfood Rusmol	Orion International Euro LLC	Penalty for delayed payments	111,529	First trial in progress
All of the employees	Orion Food Co., Ltd.	Claim for wages	161,139	Second trial in progress

¹ The lawsuit amount is translated to Korean won.

37. Related Party Transactions

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

Relationship	Related Party
Parent	Orion Holdings Corp.
Joint ventures	Delfi-Orion Pte Ltd, Orion Nonghyup Agri, inc.
Parent's subsidiaries ^{1,2}	Reon A&D Corp, Showbox Corp., Mega Mark Co., Ltd., Supreme Star Investment Corp. Limited, Orion JeJu Yongam Soo Corp, Highland D&C Corp., Misoin Corp., Orion Consulting Co., Ltd., SHOWBOX Inc., Beijing Zhongguan Megabox Cinema Co., Ltd.
Others ³	Orion Foundation

¹ Orion Investment Development Corp. and Beijing Megamedia Co., Ltd. went through liquidation in 2020.

² In 2020, Beijing Zhongguan Megabox Cinema Co., Ltd. was transferred to a subsidiary of the Parent Company.

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³ Shares in Daehan distributor Corp. was disposed in 2020.

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

Sales etc.

(In thousands of Korean won)

Relationship	Related party	Transaction	2020	2019
Parents	Orion Holdings Corp.	Other income etc.	₩ 279,590	₩ 283,406
Parents' subsidiaries	Showbox Corp.	Sales	32,200	62,118
		Sales	4,393	14,522
	Orion JeJu Yongam Soo Corp	Sale of property, plant and equipment	4,500	-
		Other income etc.	22,693	311,245
		Other income etc.	24,346	-
Joint ventures	Supreme Star Investment Corp. Limited	Other income etc.	24,346	-
	Delfi-Orion Pte Ltd	Sales	1,404,393	2,405,638
	Orion Nonghyup Agri, inc.	Sales	4,267	5,084
		Other income etc.	-	995
Others	Orion Foundation	Sale of property, plant and equipment	-	30,000
		Sales	349,997	288,345
			<u>₩ 2,126,379</u>	<u>₩ 3,401,353</u>

Purchase etc.

(In thousands of Korean won)

Relationship	Related party	Transaction	2020	2019
Parents	Orion Holdings Corp.	Other expense	₩ 11,997,743	₩ 11,386,747
Parents' subsidiaries	Orion JeJu Yongam Soo Corp	Purchase	7,738,119	1,152,677
		Other expense	2,250	656
Joint ventures	Orion Nonghyup Agri, inc.	Purchase	29,258,213	26,002,559
Others	Orion Foundation	Other expense	-	1,000,000
			<u>₩ 48,996,325</u>	<u>₩ 39,542,639</u>

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

(In thousands of Korean won)

		2020											
Relationship	Related party	Receivables				Payables							
		Trade receivables	Other receivables	Leasehold deposits	Short-term loan	Trade payables	Other payables ¹						
Parents	Orion Holdings Corp.	₩	-	₩	21,947	₩	18,310,000	₩	-	₩	-	₩	3,109,238
Parents' subsidiaries	Orion JeJu Yongam Soo Corp.		-		19,975		-		-		949,893		-
	Showbox Corp.		-		5,295		-		-		-		-
	Mega Mark Co., Ltd.		-		-		-		-		-		206
	Supreme Star Investment Corp. Limited		-		-		-		3,172,240		-		-
Joint ventures	Delfi-Orion Pte Ltd		333,645		-		-		-		-		-
	Orion Nonghyup Agri, inc.		-		891,577		-		-		5,873,937		49,505
		₩	333,645	₩	938,794	₩	18,310,000	₩	3,172,240	₩	6,823,830	₩	3,158,949

¹ As at December 31, 2020, other payables include the recognized lease liabilities of ₩ 11,937 million, including ₩ 164 million that will be paid in January, related to lease transactions with Orion Holdings Corp.

(In thousands of Korean won)

		2019									
Relationship	Related party	Receivables			Payables						
		Trade receivables	Other receivables	Leasehold deposits	Trade payables	Other payables ¹					
Parents	Orion Holdings Corp.	₩	-	₩	91,100	₩	18,310,000	₩	-	₩	3,178,914
Parents' subsidiaries	Orion JeJu Yongam Soo Corp.		402		96,440		-		1,297,029		-
	Showbox Corp.		1,500		3,541		-		-		-
	Mega Mark Co., Ltd.		-		-		-		-		241
Joint ventures	Delfi-Orion Pte Ltd		499,840		-		-		-		-
	Orion Nonghyup Agri, inc.		-		529,953		-		4,773,729		10,999
		₩	501,742	₩	721,034	₩	18,310,000	₩	6,070,758	₩	3,190,154

¹ As at December 31, 2019, other payables include the recognized lease liabilities of ₩ 13,646 million, including ₩ 164 million that will be paid in 2020, related to lease transactions with Orion Holdings Corp.

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Investments transactions with related parties as at December 31, 2020 and 2019 are as follows:

(In thousands of Korean won)

Relationship	Related party	Transaction	2020	2019
Parents	Orion Holdings Corp.	Payment of dividends	₩ (8,865,083)	₩ (8,865,083)
		Redemption of lease liabilities	(1,970,192)	(2,081,178)
		Acquisition of investments in associates	-	(1,887,696)
Parents' subsidiaries	Supreme Star Investment Corp. Limited	Lending fund	(3,258,500)	-
Others	Major shareholders	Payment of dividends	(1,528,841)	(1,524,991)

Details of key management personnel (executive directors and controlling interest holder) compensation for the years ended December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

	2020	2019
Short-term employee benefits	₩ 13,375,732	₩ 11,954,652
Post-employment benefits	2,073,216	1,880,222
Share-based compensation expense	2,646,043	-
	<u>₩ 18,094,991</u>	<u>₩ 13,834,874</u>

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

As at December 31, 2020, the Group is obligated to repay spin-off debt(₩ 487 million) in solidarity with Orion Holdings Corporation (formerly, Orion Corporation) as of the spin-off date (June 1, 2017) by the Commercial Law Article 530-9 (1) in Republic of Korea. Above liability is allocated to the earliest period in which the Group is required to pay.

As at December 31, 2020, the Group has recognized ₩ 13,516 million of right-of-use assets, ₩ 11,937 million of lease liabilities with related parties, and recognized ₩ 2,107 million of depreciation of right-of-use assets and ₩ 261 million of interest expense during the year.

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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	₩ 122,045,427	73,020,817
Reclassification from construction in progress to intangible assets	2,704,961	4,065,106
Other payables regarding the acquisition of property, plant and equipment	4,456,499	(1,580,191)
Other payables regarding the acquisition of intangible assets	(379,601)	2,251,761
Other payables regarding the pension benefit payments	1,262,322	-
Reclassification from long-term borrowings to short-term borrowings	-	119,984,739
Reclassification from long-term prepaid expenses to short-term prepaid expenses	1,793,816	683,954
Reclassification from long-term rental deposits to short-term rental deposits	210,000	820,708
Reclassification from long-term leasehold deposits to short-term leasehold deposits	60,394	107,654
Write-off of trade receivables and others	16,736	984,480
Increase of right-of-use assets from adjustment for changes in accounting policy	-	(80,001,918)
Increase of lease liabilities from adjustment for changes in accounting policy	-	40,830,416
Decrease of right-of-use assets from changes in lease agreement conditions	234,662	9,815,278
Decrease of lease liabilities from changes in lease agreement conditions	(240,815)	(13,103,448)
Increase of right-of-use assets from new lease contracts	(8,708,025)	(3,781,906)
Increase of lease liabilities from new lease contracts	8,698,120	3,622,652
Reclassification from lease liabilities to current portion	4,000,844	6,779,189
Substitution to vehicles from lease deposits	-	108,200

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Changes in liabilities arising from financial activities for the years ended December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

	2020						
	Beginning Balance	Cash flows from financing activities	Non cashflow activities				Ending balance
			Depreciated on etc	Effects on foreign currency change	Reclassification	Others	
Short-term borrowings	₩ 6,980,143	₩ (4,471,300)	₩ -	₩ 8,120	₩ -	₩ -	₩ 2,516,963
Current portion of long-term borrowings	120,005,916	(120,060,000)	54,084	-	-	-	-
Long-term borrowings	159,776,994	69,753,780	143,979	-	-	-	229,674,753
Current Leasehold deposits received	272,630	(40,000)	1,468	-	(60,394)	-	173,704
Leasehold deposits received	19,316	(50,000)	1,333	-	60,394	(1,426)	29,617
Current lease liabilities	7,334,191	(7,913,881)	-	(254,836)	4,000,844	4,395,394	7,561,712
Non-current lease liabilities	17,110,219	-	-	(716,733)	(4,000,844)	4,061,911	16,454,553
	<u>₩ 311,499,409</u>	<u>₩ (62,781,401)</u>	<u>₩ 200,864</u>	<u>₩ (963,449)</u>	<u>₩ -</u>	<u>₩ 8,455,879</u>	<u>₩ 256,411,302</u>

(In thousands of Korean won)

	2019						
	Beginning Balance	Effects of changes in accounting policy	Cash flows from financing activities	Non cashflow activities			Ending balance
				Depreciated on etc	Effects on foreign currency change	Reclassification	
Short-term borrowings	₩ 105,318,223	₩ -	(101,951,161)	₩ -	₩ 3,613,081	₩ -	₩ 6,980,143
Current portion of long-term borrowings	50,046,414	-	(50,060,000)	34,763	-	119,984,739	120,005,916
Long-term borrowings	279,611,588	-	-	150,145	-	(119,984,739)	159,776,994
Current Leasehold deposits received	173,225	-	(7,000)	(1,249)	-	107,654	272,630
Leasehold deposits received	99,397	-	27,000	1,439	-	(107,654)	19,316
Current lease liabilities	-	9,228,114	(8,713,260)	339,563	235,818	6,779,189	7,334,191
Non-current lease liabilities	-	31,602,302	-	649,977	582,692	(6,779,189)	17,110,219
	<u>₩ 435,248,847</u>	<u>₩ 40,830,416</u>	<u>₩ (160,704,421)</u>	<u>₩ 1,174,638</u>	<u>₩ 4,431,591</u>	<u>₩ -</u>	<u>₩ 311,499,409</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 . 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 :

Unusual items

<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 ²	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 Miscellaneous expense is the amount of loss on disposal of inventory due to a fire of a subsidiary, Orion(Bei Tun) Agro Procession Co., Ltd.

40. Events After the Reporting Period

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