

ORION CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Orion Corporation:

We have audited the accompanying consolidated statements of financial statements of Orion Corporation and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards, 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 43 to the consolidated financial statements. As discussed in Note 43 to the consolidated financial statements, the effective period of the agreement related to sports promotion lottery business between Sports Toto Co., Ltd., a subsidiary of the Group, and Korea Sports Promotion Foundation will end on April 30, 2015.

Other Matter

The accompanying consolidated statement of financial position of the Group as of December 31, 2013, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, were audited by us in accordance with the previous auditing standards generally accepted in Republic of Korea. We did not audit the financial statements of eight subsidiaries whose financial statements represent 8.4% of consolidated total assets as of December 31, 2013, and 3.6% of consolidated revenue for each of the years then ended. Other auditors audited those financial statements and our report, insofar as it relates to the subsidiaries, is based solely on the reports of other auditors.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 16, 2015

<p>This report is effective as of March 16, 2015, 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 the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.</p>

ORION CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2014 and 2013

<i>In thousands of won</i>	<u>Note</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Assets			
Property, plant and equipment	9,28	₩ 1,727,056,590	1,708,491,215
Intangible assets	12	27,371,353	39,242,752
Investments property	10	22,162,095	14,670,809
Goodwill	7,8,11	12,335,100	38,990,708
Investment in associates	13	19,907,316	17,150,203
Available-for-sale financial assets	14,36	10,967,736	13,325,147
Held-to-maturity financial assets	14,36,39	2,347,505	2,532,710
Long-term trade and other receivables	16,36,39	12,727,092	11,635,641
Long-term deposits	17,36,39	202,099	72,815
Deferred tax assets	38	10,728,065	784,350
Other non-current assets	18	58,093,164	58,326,378
Non-current assets		<u>1,903,898,115</u>	<u>1,905,222,728</u>
Inventories	15	215,502,126	231,136,917
Current portion of available-for-sale financial assets	14,36	-	6,160
Current portion of held-to-maturity financial assets	14,36,39	265,925	1,699,375
Trade and other receivables	16,36,39	189,285,024	241,446,863
Short-term deposits	17,36,39	271,871,869	284,160,998
Other current assets	18	103,973,680	76,764,553
Cash and cash equivalent	17,36,39	216,225,991	233,179,143
Current assets		<u>997,124,615</u>	<u>1,068,394,009</u>
Non-current asset held for sale	8	31,496,489	-
Total assets		<u>₩ 2,932,519,219</u>	<u>2,973,616,737</u>

See accompanying notes to the consolidated financial statements.

ORION CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position, Continued
As of December 31, 2014 and 2013

<i>In thousands of won</i>	<u>Note</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Equity			
Share capital	19	₩ 29,874,845	29,855,675
Share premium	19	66,616,534	65,581,340
Treasury shares	20	(32,566,544)	(16,731,529)
Other capital	21	(17,111,253)	(11,892,366)
Reserves	22	652,201,558	641,873,095
Retained earnings	23	548,109,187	413,992,468
Equity attributable to owners of the Company		<u>1,247,124,327</u>	<u>1,122,678,683</u>
Non-controlling interests		<u>155,398,153</u>	<u>146,597,457</u>
Total equity		<u>1,402,522,480</u>	<u>1,269,276,140</u>
Liabilities			
Long-term debts	28,36,39,40	584,524,237	525,268,727
Long-term trade and other payables	27,36,39,41	3,032,486	2,715,564
Defined benefit liabilities	29	6,042,928	6,991,096
Deferred tax liabilities	38	70,767,316	67,374,308
Other non-current liabilities	30	2,128,958	698,740
Non-current liabilities		<u>666,495,925</u>	<u>603,048,435</u>
Current portion of long-term debts	28,36,39,40	185,133,610	170,806,756
Short-term borrowings	28,36,39,40	261,464,155	413,151,978
Trade and other payables	27,36,39,41	350,121,917	399,196,222
Derivative liabilities	26,36,39	3,302	3,658
Income taxes payable	38	16,566,874	24,284,397
Other current liabilities	30	44,125,060	93,849,151
Current liabilities		<u>857,414,918</u>	<u>1,101,292,162</u>
Liabilities related to non-current asset held for sale	8	<u>6,085,896</u>	<u>-</u>
Total liabilities		<u>1,529,996,739</u>	<u>1,704,340,597</u>
Total equity and liabilities		<u>₩ 2,932,519,219</u>	<u>2,973,616,737</u>

See accompanying notes to the consolidated financial statements.

ORION CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2014 and 2013

In thousands of won, except earnings per share

		<u>2014</u>	<u>2013</u>
Continuing operations			
Revenue	6,31,37	₩ 2,463,037,805	2,485,195,930
Cost of sales	31,33,41	<u>(1,360,632,333)</u>	<u>(1,407,923,899)</u>
Gross profit		<u>1,102,405,472</u>	<u>1,077,272,031</u>
Selling expenses	32,33	(672,214,463)	(669,789,789)
General and administrative expenses	32,33	<u>(151,141,315)</u>	<u>(148,001,169)</u>
Operating profit		279,049,694	259,481,073
Net other expenses	34	18,025,426	(6,569,305)
Net finance cost	35,36		
Finance income		11,747,195	18,035,730
Finance cost		(55,232,856)	(44,166,028)
Share of profit (loss) of associates	13	<u>1,373,750</u>	<u>241,368</u>
Profit before income tax		<u>254,963,209</u>	<u>227,022,838</u>
Income tax expense	38	<u>(50,605,291)</u>	<u>(65,853,615)</u>
Profit from continuing operations		<u>204,357,918</u>	<u>161,169,223</u>
Discontinued operations			
Loss from discontinued operations, net of tax	7,8	<u>(30,060,760)</u>	<u>(928,365)</u>
Profit for the year		<u>174,297,158</u>	<u>160,240,858</u>
Other comprehensive income(loss):	38		
Items that are or may be reclassified to loss			
Change in fair value of available-for-sale financial assets	14,36	611,122	4,045
Exchange differences on translating foreign operations		(68,107)	(261,291)
Share of other comprehensive income (loss) of associates	13	<u>(45,723)</u>	<u>(338,915)</u>
		<u>497,292</u>	<u>(596,161)</u>

See accompanying notes to the consolidated financial statements.

In thousands of won, except earnings per share

		<u>2014</u>	<u>2013</u>
Items that will never be reclassified to profit(loss)			
Defined benefit plan actuarial gain(loss)	29	<u>(3,309,883)</u>	<u>7,457,234</u>
Other comprehensive income(loss) for		<u>(2,812,591)</u>	<u>6,861,073</u>

ORION CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income, Continued
For the years ended December 31, 2014 and 2013

the year, net of tax				
Total comprehensive income for the year	₩	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-top: 1px solid black; border-bottom: 3px double black;">171,484,567</td> <td style="width: 50%; border-top: 1px solid black; border-bottom: 3px double black;">167,101,931</td> </tr> </table>	171,484,567	167,101,931
171,484,567	167,101,931			
Profit (loss) attributable to:				
Owners of the Company	₩	163,470,493		
Profit from continuing operations		163,470,493		
Loss from discontinued operations		-		
Non-controlling interests		10,826,665		
Profit from continuing operations		10,826,665		
Loss from discontinued operations		-		
Profit for the year		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-top: 1px solid black; border-bottom: 3px double black;">174,297,158</td> <td style="width: 50%; border-top: 1px solid black; border-bottom: 3px double black;">160,240,858</td> </tr> </table>	174,297,158	160,240,858
174,297,158	160,240,858			
Total comprehensive income attributable to				
Owners of the Company		159,468,970		
Non-controlling interests		12,015,597		
Total comprehensive income for the year	₩	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-top: 1px solid black; border-bottom: 3px double black;">171,484,567</td> <td style="width: 50%; border-top: 1px solid black; border-bottom: 3px double black;">167,101,931</td> </tr> </table>	171,484,567	167,101,931
171,484,567	167,101,931			
Earnings per share: (In won)				
	24			
Basic earnings per share from continuing operations		35,075		
Basic loss per share from discontinued operations		(4,025)		
Diluted earnings per share from continuing operations		35,060		
Diluted loss per share from discontinued operations		(4,025)		

See accompanying notes to the consolidated financial statements.

ORION CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the year ended December 31, 2013

In thousands of won

	Share capital	Share premium	Treasury shares	Other capital	Reserve	Retained earnings	Non- controlling interests	Total equity
Balance at January 1, 2013	₩ 29,834,450	64,461,578	(16,731,529)	(11,844,628)	645,672,045	273,104,475	143,481,545	1,127,977,936
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	145,694,946	14,545,912	160,240,858
Other comprehensive income:								
Change in fair value of available-for-sale financial assets	-	-	-	(17,448)	-	-	21,493	4,045
Exchange differences on translating foreign operations	-	-	-	(548,705)	-	-	287,414	(261,291)
Share of other comprehensive income of associates	-	-	-	(249,784)	-	-	(89,131)	(338,915)
Defined benefit plan actuarial gain	-	-	-	-	-	7,362,700	94,534	7,457,234
Total comprehensive income for the year	-	-	-	(815,937)	-	153,057,646	14,860,222	167,101,931
Dividends	-	-	-	-	-	(15,772,971)	(5,422,216)	(21,195,187)
Exercise of stock options	21,225	1,119,762	-	(341,935)	-	-	-	799,052
Discount on stock issuance	-	-	-	290,155	-	(290,155)	-	-
Acquisition of non-controlling interests	-	-	-	1,407,817	-	-	(6,599,386)	(5,191,569)
Transfer from voluntary reserve	-	-	-	-	(18,000,000)	18,000,000	-	-
Transfer to statutory reserve	-	-	-	-	10,201,050	(10,201,050)	-	-
Transfer to voluntary reserve	-	-	-	-	4,000,000	(4,000,000)	-	-
Other equity transactions	-	-	-	(587,838)	-	94,523	277,292	(216,023)
Balance at December 31, 2013	₩ 29,855,675	65,581,340	(16,731,529)	(11,892,366)	641,873,095	413,992,468	146,597,457	1,269,276,140

See accompanying notes to the consolidated financial statements.

ORION CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity, Continued
For the year ended December 31, 2014

In thousands of won

	Share capital	Share premium	Treasury shares	Other capital	Reserve	Retained earnings	Non- controlling interests	Total equity
Balance at January 1, 2014	₩ 29,855,675	65,581,340	(16,731,529)	(11,892,366)	641,873,095	413,992,468	146,597,457	1,269,276,140
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	163,470,493	10,826,665	174,297,158
Other comprehensive income:								
Change in fair value of available-for-sale financial assets	-	-	-	310,403	-	-	300,719	611,122
Exchange differences on translating foreign operations	-	-	-	(1,048,842)	-	-	980,735	(68,107)
Share of other comprehensive income of associates	-	-	-	(23,479)	-	-	(22,244)	(45,723)
Defined benefit plan actuarial gain	-	-	-	-	-	(3,239,605)	(70,278)	(3,309,883)
Total comprehensive income for the year	-	-	-	(761,918)	-	160,230,888	12,015,597	171,484,567
Dividends	-	-	-	-	-	(15,785,706)	(5,010,996)	(20,796,702)
Exercise of stock options	19,170	1,035,194	-	(331,867)	-	-	-	722,497
Acquisition of non-controlling interests	-	-	-	(3,865,376)	-	-	1,743,433	(2,121,943)
Transfer from voluntary reserve	-	-	-	-	(3,333,333)	3,333,333	-	-
Transfer to statutory reserve	-	-	-	-	9,661,796	(9,661,796)	-	-
Transfer to voluntary reserve	-	-	-	-	4,000,000	(4,000,000)	-	-
Other equity transactions	-	-	(15,835,015)	(259,726)	-	-	52,662	(16,042,079)
Balance at December 31, 2014	₩ 29,874,845	66,616,534	(32,566,544)	(17,111,253)	652,201,558	548,109,187	155,398,153	1,402,522,480

See accompanying notes to the consolidated financial statements.

ORION CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flow
For the years ended December 31, 2014 and 2013

In thousands of won

	2014	2013
Cash flows from operating activities		
Profit from continuing operations	₩ 204,357,918	161,169,223
Loss from discontinued operations	(30,060,760)	(928,365)
Adjustments for:		
Retirement benefits	8,932,241	11,753,786
Depreciation	94,261,376	79,811,429
Depreciation of investment property	154,694	131,327
Amortization	52,036,482	58,848,251
Bad debt expenses	9,276,949	7,828,332
Impairment loss on other receivables	3,413,656	-
Impairment loss on assets classified as held for sale	31,666,904	-
Impairment loss on other assets	-	17,259
Loss on sale of property, plant and equipment	4,335,785	2,933,064
Loss on sale of intangible assets	1,440,843	396
Impairment loss on property, plant and equipment	1,765,000	-
Impairment loss on intangible assets	2,068,531	2,061,813
Valuation loss on derivatives	4,228	3,658
Foreign currency translation loss	18,925,010	7,690,891
Impairment loss on available-for-sale financial assets	3,200,854	-
Loss on sale of available-for-sale financial assets	59,867	-
Interest expense	34,733,837	37,678,885
Share of loss (gain) of associates, net	(1,373,750)	(241,368)
Other expenses	3,162,497	2,178,184
Income tax expense	50,605,291	65,871,536
Gain on sale of property, plant and equipment	(4,222,108)	(5,377,442)
Foreign currency translation gain	(4,829,416)	(12,205,341)
Gain on sale of available-for-sale financial assets	(43,043)	-
Interest income	(9,952,695)	(9,098,988)
Dividend income	(449)	(452)
Gain on Valuation of Derivatives	(926)	-
Gain on bargain purchase	(29,939,987)	-
Other income	(34,466)	(24,552)
Changes in:		
Trade receivables	18,412,313	3,981,452
Other receivables	11,897,054	9,386,438

See accompanying notes to the consolidated financial statements.

ORION CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flow, Continued
For the years ended December 31, 2014 and 2013

<i>In thousands of won</i>	<u>2014</u>	<u>2013</u>
Accrued income	₩ 3,677,927	264,952
Advance payments	(70,111,500)	(52,126,432)
Prepaid expenses	148,758	(303,220)
Security deposits	3,585,405	(27,483,460)
Other current assets	(11,171,037)	(2,991,159)
Inventories	16,696,307	2,431,543
Other non-current assets	(2,941,024)	(286,046)
Trade payables	(23,044,747)	2,500,578
Other payables	(28,302,531)	30,223,156
Accrued expenses	1,324,676	(3,419,311)
Advance receipts	(42,651,177)	16,709,975
Unearned revenue	7,613	(24,097)
Withholdings	(9,056,784)	16,155,211
Other current liabilities	9,001,154	336,175
Provision for loss on sales return	(559,085)	(489,283)
Derivative liabilities	(3,658)	-
Other non-current liabilities	884,684	(2,203,270)
Plan asset	(4,300,668)	349,261
Payment of defined benefit obligations	(9,510,598)	(8,417,982)
Interest received	9,287,530	11,404,198
Dividend received	449	452
Interest paid	(37,671,609)	(38,944,147)
Income tax paid	(63,836,880)	(74,774,013)
Net cash provided by operating activities	<u>215,706,935</u>	<u>292,382,497</u>
 Cash flows from investing activities		
Proceeds received upon maturity of held-to-maturity financial assets	1,699,765	80,545
Collection of short-term loans	9,627,574	8,017,448
Decrease in financial deposits	434,717,101	339,595,378
Decrease in other current financial assets	72,080	14,225
Decrease in rental deposits	2,010,088	1,284,307
Proceeds from sale of investments in associates	2,770,560	-
Proceeds from sale of available-for-sale financial assets	1,802,371	171,940
Decrease in other non-current financial assets	65,303	1,492,750

See accompanying notes to the consolidated financial statements.

ORION CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flow, Continued
For the years ended December 31, 2014 and 2013

<i>In thousands of won</i>	<u>2014</u>	<u>2013</u>
Proceeds from sale of property, plant and equipment	₩ 8,839,142	37,123,852
Proceeds from sale of intangible assets	3,729,520	6,840,045
Increase in short-term loans	(2,408,947)	(2,724,976)
Increase in financial deposits	(409,890,010)	(346,048,481)
Increase in long-term loans	(23,333)	-
Increase in rental deposits	(1,467,436)	(1,495,127)
Acquisition of available-for-sale financial assets	(600,290)	(2,850,000)
Acquisition of held-to-maturity financial assets	(81,610)	(1,390,155)
Acquisition of investments in subsidiaries	(10,128,787)	-
Acquisition of investments in associates	(3,500,000)	-
Increase in other non-current financial assets	(71,260)	(458,981)
Acquisition of property, plant and equipment	(155,008,441)	(422,912,427)
Acquisition of intangible assets	(2,796,564)	(3,587,156)
Net cash used in investing activities	<u>(120,643,174)</u>	<u>(386,846,813)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	205,292,808	563,859,768
Proceeds from issuance of debentures	99,663,200	-
Proceeds from long-term debts	129,906,529	97,967,852
Proceeds from exercise of stock options	722,497	799,052
Repayment of short-term borrowings	(352,795,148)	(464,976,713)
Repayment of current portion of debentures	(40,000,000)	-
Repayment of current portion of long-term debts	(77,003,339)	(40,515,063)
Repayment of long-term borrowings	(54,893,271)	(13,940,571)
Dividends paid	(20,796,702)	(21,195,187)
Acquisition of additional interests in subsidiaries	(2,121,943)	(5,191,569)
Other, net	67,167	330,849
Net cash provided by financing activities	<u>(111,958,202)</u>	<u>117,138,418</u>
Effect of exchange rate fluctuations on cash held	188,921	(967,411)
Net increase (decrease) in cash and cash equivalents	(16,705,520)	21,706,691
Cash and cash equivalents at January 1	<u>233,179,143</u>	<u>211,472,452</u>
Cash and cash equivalents at December 31	<u>₩ 216,473,623</u>	<u>233,179,143</u>

See accompanying notes to the consolidated financial statements.

ORION CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity

(1) Description of the controlling company

Orion Corporation (“the Company”) is a company domiciled in Korea. The Company was incorporated as Tong Yang Confectionery Corporation in 1956, under the laws of the Republic of Korea to engage in the business of manufacturing and selling confectioneries. On June 27, 1975, the Company was listed on the Korea Exchange. As of December 31, 2014, the Company’s major stockholders consist of Lee, Hwa Kyoung (14.48%) and seven related individuals (14.32%).

The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interests in associates.

(2) Consolidated subsidiaries are summarized as follows:

Subsidiary	Location	Immediate controlling party	2014		
			Percentage of ownership		
			The Company	Subsidiary	Total
Orion Reports Corp.	Korea	Orion Corporation	86.00	-	86.00
RION Asset Development Co, Ltd.(*1)	Korea	Orion Corporation	100.00	-	100.00
Mediaplex Corp.	Korea	Orion Corporation	57.50	-	57.50
Orion Snack International Corp.(*2)	Korea	Orion Corporation	-	-	-
Sports Toto Co., Ltd.(*1).	Korea	Orion Corporation	70.50	-	70.50
Mega Mark Co., Ltd.	Korea	Orion Corporation	100.00	-	100.00
PAN Orion Corp. Limited.(*2)	Hong Kong	Orion Corporation	95.15	-	95.15
Orion Food (Rus) Co., Ltd.(*2)	Russia	Orion Corporation	100.00	-	100.00
Orion Food NOVO Co., Ltd.(*2)	Russia	Orion Corporation	100.00	-	100.00
Orion International Euro Co., Ltd.	Russia	Orion Corporation	100.00	-	100.00
Orion Food VINA Co., Ltd.(*2)	Vietnam	Orion Corporation	100.00	-	100.00
Supreme Star Investment Limited.	Hong Kong	Orion Corporation	62.66	11.23	73.89
Orion Food Indonesia, PT.(*2)	Indonesia	Orion Corporation	100.00	-	100.00
HighLand D&C Co., Ltd.(*1,2)	Korea	Orion Corporation	100.00	-	100.00
Ipak Co., Ltd.	Korea	Orion Corporation	53.33	-	53.33
Gemini Contents Investment Partnership #8	Korea	Mediaplex Corp.	-	92.86	92.86
Supreme Star Holdings Limited.	Hong Kong	Mediaplex Corp.	-	100.00	100.00
Misoin Co., Ltd.(*1)	Korea	Mega Mark Co., Ltd.	-	100.00	100.00
Sports Toto Online Co., Ltd.	Korea	Sports Toto Co., Ltd.	30.00	70.00	100.00
Crespo Co., Ltd.	Korea	Sports Toto Co., Ltd.	-	100.00	100.00
Orion Food Co., Ltd.	China	PAN ORION Corp. Ltd.	-	100.00	100.00
Orion Food (Shanghai) Co., Ltd.	China	PAN ORION Corp. Ltd.	-	100.00	100.00
Orion Food Guangzhou Co., Ltd.	China	PAN ORION Corp. Ltd.	-	100.00	100.00
Orion Snack Co., Ltd.	China	PAN ORION Corp. Ltd.	-	100.00	100.00
Orion Food (Shen Yang) Co., Ltd.	China	PAN ORION Corp. Ltd.	-	100.00	100.00
Orion (Bei Tun) Agro Processing Co., Ltd.(*4)	China	PAN ORION Corp. Ltd.	-	100.00	100.00
Orion Consulting Co., Ltd.	China	Supreme Star Investment Limited.	-	100.00	100.00
Beijing Supreme Star Consulting Co., Ltd.	China	Supreme Star Holdings Limited.	-	100.00	100.00
Orion Argo Co., Ltd.	China	Orion Snack Co., Ltd.	-	100.00	100.00
Prime Link International Investment Limited.(*3)	Hong Kong	Ipak Co., Ltd.	-	100.00	100.00

1. Reporting Entity, Continued

ORION CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(*1) During this year, the Company acquired an additional interest in RION Asset Development Co, Ltd., HighLand D&C Co., Ltd., Misoin Co., Ltd. and Sports Toto Co., Ltd., increasing its ownership.

(*2) At the Board of Directors meeting on September 24, 2014, the Company decided to merge with Orion Snack International Corp., one of the subsidiaries, respectively to promote efficiency, and optimize synergy effect by enhancing the Group's competitiveness, and the mergers were completed on December 1, 2014.

The shares in subsidiaries such as PAN Orion Corp. Limited. which were owned by Orion Snack International Corp. before merger, were included as the Company's ownership.

(*3) The Company obtained control of Ipak Co., Ltd. by acquiring 100% shares on December 30, 2014. As a result of this acquisition, Ipak Co., Ltd. and Prime Link International Investment Limited. were newly included as consolidated subsidiaries.

(*4) PAN Orion Corp. Limited., one of the subsidiaries, established Orion (Bei Tun) Agro Processing Co., Ltd. and obtained 100% shares on November 4, 2014.

ORION CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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(2) Consolidated subsidiaries are summarized as follows, continued:

Subsidiary	Location	Immediate controlling party	2013 Percentage of ownership		
			The Company	Subsidiary	Total
Orion Reports Corp.	Korea	Orion Corporation	86.00	-	86.00
RION Asset Development Co, Ltd.	Korea	Orion Corporation	90.00	-	90.00
Mediaplex Corp.	Korea	Orion Corporation	57.50	-	57.50
Orion Snack International Corp.	Korea	Orion Corporation	100.00	-	100.00
Sports Toto Co., Ltd.	Korea	Orion Corporation	69.35	-	69.35
Mega Mark Co., Ltd.	Korea	Orion Corporation	100.00	-	100.00
PAN Orion Corp. Limited.	Hong Kong	Orion Corporation	85.83	9.32	95.15
Orion Food (Rus) Co., Ltd.	Russia	Orion Corporation	72.29	27.71	100.00
Orion Food NOVO Co., Ltd.	Russia	Orion Corporation	64.60	35.40	100.00
Orion International Euro Co., Ltd.	Russia	Orion Corporation	100.00	-	100.00
Orion Food VINA Co., Ltd.	Vietnam	Orion Corporation	63.41	36.59	100.00
Supreme Star Investment Limited.	Hong Kong	Orion Corporation	62.66	11.23	73.89
Orion Food Indonesia, PT.	Indonesia	Orion Corporation	70.00	30.00	100.00
Gemini Contents Investment Partnership #8	Korea	Mediaplex Corp.	-	92.86	92.86
Supreme Star Holdings Limited.	Hong Kong	Mediaplex Corp.	-	100.00	100.00
HighLand D&C Co., Ltd.	Korea	Orion Snack International Corp.	-	90.00	90.00
Misoin Co., Ltd.	Korea	Mega Mark Co., Ltd.	-	90.00	90.00
Sports Toto Online Co., Ltd.	Korea	Sports Toto Co., Ltd.	30.00	70.00	100.00
Crespo Co., Ltd.	Korea	Sports Toto Co., Ltd.	-	100.00	100.00
Orion Food Co., Ltd.	China	PAN ORION Corp. Ltd.	-	100.00	100.00
Orion Food (Shanghai) Co., Ltd.	China	PAN ORION Corp. Ltd.	-	100.00	100.00
Orion Food Guangzhou Co., Ltd.	China	PAN ORION Corp. Ltd.	-	100.00	100.00
Orion Snack Co., Ltd.	China	PAN ORION Corp. Ltd.	-	100.00	100.00
Orion Food (Shen Yang) Co., Ltd.	China	PAN ORION Corp. Ltd.	-	100.00	100.00
Orion Consulting Co., Ltd.	China	Supreme Star Investment Limited.	-	100.00	100.00
Beijing Supreme Star Consulting Co., Ltd.	China	Supreme Star Holdings Limited.	-	100.00	100.00
Orion Argo Co., Ltd.	China	Orion Snack International Corp.	-	100.00	100.00

ORION CORPORATION AND SUBSIDIARIES
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1. Reporting Entity, Continued

(3) Financial information of the Company and consolidated subsidiaries is summarized as follows:

In thousands of won

Company	December 31, 2014				
	Total assets	Total liabilities	Sales	Net income (loss)	Comprehensive income(loss)
Orion Corporation	₩ 1,428,068	581,192	751,707	5,209	2,004
Orion Reports Corp.	1,902	770	7,567	708	708
RION Asset Development Co., Ltd.	18,146	38,965	-	(2,656)	(2,656)
Mediaplex Corp.	141,413	37,062	72,014	(1,694)	(986)
Orion Snack International Corp.	-	-	157,394	20,335	20,087
Sports Toto Co., Ltd.	347,172	130,835	264,017	(32,401)	(32,401)
Mega Mark Co., Ltd.	52,638	683	1,725	(7,677)	(7,676)
PAN ORION Corp. Limited	321,326	184,265	-	(6,170)	(6,170)
Orion Food (Rus) Co., Ltd.	19,437	4,011	27,776	1,874	1,874
Orion Food NOVO Co., Ltd.	23,215	19,457	21,391	(7,814)	(7,814)
Orion International Euro Co., Ltd.	20,928	22,485	82,664	(878)	(878)
Orion Food VINA Co., Ltd.	155,281	62,273	150,091	8,351	8,351
Supreme Star Investment Limited	21,260	21	-	1,105	1,107
Orion Food Indonesia Co., PT.	1,111	625	1,519	(1,345)	(1,345)
HighLand D&C Co., Ltd.	13,143	29,519	-	(2,373)	(2,373)
Ipak Co., Ltd.	46,525	9,302	-	-	-
Gemini Contents Investment Partnership #8	4,337	36	379	(457)	(457)
Supreme Star Holdings Limited	4,418	-	-	(154)	(206)
Misoin Co., Ltd.	23,990	59,896	4,460	(7,811)	(7,811)
Sports Toto Online Co., Ltd.	63,618	9,020	15,390	8,818	8,818
Crespo Co., Ltd.	28,568	6,086	-	(7,169)	(7,169)
Orion Food Co., Ltd.	509,234	213,764	1,161,400	46,779	46,779
Orion Food(Shanghai) Co., Ltd.	210,266	63,391	169,121	19,709	19,709
Orion Food Guangzhou Co., Ltd.	242,519	157,394	118,888	12,135	12,135
Orion Snack Co., Ltd.	164,799	36,277	177,777	24,230	24,230
Orion Food (Shen Yang) Co., Ltd.	168,831	99,093	60,649	6,636	6,636
Orion(Bei Tun) Agro Processing Co., Ltd.	21,690	1	-	(28)	(28)
Orion Consulting Co., Ltd.	1,332	57	1,125	148	148
Beijing Supreme Star Consulting Co., Ltd.	925	2	-	14	14
Orion Argo Co., Ltd.	14,184	1,093	9,303	2,303	2,303
Prime Link International Investment Limited	65	-	-	-	-

1. Reporting Entity, Continued

ORION CORPORATION AND SUBSIDIARIES
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(3) Financial information of the Company and consolidated subsidiaries is summarized as follows, continued:

Company	December 31, 2013				
	Total assets	Total liabilities	Sales	Net income (loss)	Comprehensive income(loss)
Orion Corporation	₩ 1,316,405	597,035	792,164	10,930	17,636
Orion Reports Corp.	1,892	1,468	5,388	(1,015)	(1,015)
RION Asset Development Co., Ltd.	18,549	36,713	-	(2,710)	(2,710)
Mediaplex Corp.	168,468	62,966	106,863	2,353	2,626
Orion Snack International Corp.	200,599	59,924	178,784	19,492	20,054
Sports Toto Co., Ltd.	409,104	150,252	251,672	15,455	15,455
Mega Mark Co., Ltd.	103,670	44,038	1,387	(15,803)	(15,802)
PAN ORION Corp. Limited	292,630	148,145	-	(6,139)	(6,139)
Orion Food (Rus) Co., Ltd.	26,025	3,140	32,387	1,763	1,763
Orion Food NOVO Co., Ltd.	36,113	20,760	21,633	(449)	(449)
Orion International Euro Co., Ltd.	16,957	18,452	83,389	1,189	1,189
Orion Food VINA Co., Ltd.	146,634	64,429	160,375	9,143	9,143
Supreme Star Investment Limited	19,387	2	-	763	370
Orion Food Indonesia Co., PT.	1,024	278	609	(1,001)	(1,001)
Gemini Contents Investment Partnership #8	4,794	35	1,286	1,115	1,115
Supreme Star Holdings Limited	4,257	12	-	(1,208)	(1,132)
HighLand D&C Co., Ltd.	13,796	27,798	-	(2,179)	(2,179)
MisoIn Co., Ltd.	32,663	60,913	6,594	(3,712)	(3,712)
Sports Toto Online Co., Ltd.	55,202	9,421	13,299	5,701	5,701
Crespo Co., Ltd.	35,681	6,030	-	(932)	(932)
Orion Food Co., Ltd.	486,695	244,087	1,113,098	40,758	40,758
Orion Food(Shanghai) Co., Ltd.	214,208	90,001	172,726	19,839	19,839
Orion Food Guangzhou Co., Ltd.	237,614	166,353	108,635	12,342	12,342
Orion Snack Co., Ltd.	167,197	65,619	193,622	29,747	29,747
Orion Food (Shen Yang) Co., Ltd.	134,500	72,754	-	(3,364)	(3,364)
Orion Consulting Co., Ltd.	1,151	48	1,151	268	268
Beijing Supreme Star Consulting Co., Ltd.	900	4	-	3	3
Orion Argo Co., Ltd.	11,321	806	11,703	2,320	2,320

1. Reporting Entity, Continued

ORION CORPORATION AND SUBSIDIARIES
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(4) Acquisitions of Subsidiary

① General information

On December 31, 2014 the Group obtained control of Ipak Co., Ltd., a manufacturer and distributor of standard pulp and paper by acquiring 53.33% of the shares and voting interests in the company. As a result, the Group's equity expects cost reduction of confectionary segment.

② Identifiable assets acquired and liabilities assumed (December 30, 2014)

In thousands of won

	<u>2014</u>
Cash and cash equivalents	₩ 4,421,213
Trade and other receivables(*1)	7,402,277
Inventories	1,528,926
Available-for-sale financial assets(*2)	15,836,015
Investments in associates	548,601
Property, plant and equipment(*3)	21,403,674
Other assets	2,776,860
Trade and other payables	(5,575,545)
Short-term and long-term borrowings	(3,360,000)
Income taxes payable	(492,034)
Total identifiable net assets	₩ <u>44,489,987</u>

(*1) The gross contractual amounts of trade receivables are ₩7,485,880 thousand and allowance for doubtful account amounting ₩83,603 thousand are recognized for receivables not probable to be collected.

(*2) Listed equity securities are measured at fair value based on the market prices in active markets.

(*3) Fair value of tangible assets is based on the valuation report of an independent external appraiser as of acquisition date.

③ Gain on bargain purchase

In thousands of won

	<u>2014</u>
Total consideration transferred	₩ 14,550,000
Non-controlling interests	-
Less: fair value of identifiable net assets	(44,489,987)
Gain on bargain purchase	₩ <u>(29,939,987)</u>

The Group allocated net assets of Ipak Co., Ltd. to equity attribute to owners of the company and to non-controlling interests, based on the number of shares less the number of treasury stock held by Ipak Co., Ltd.

1. Reporting Entity, Continued

ORION CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

④ Acquisition related costs

The Group incurred acquisition-related costs of ₩63,117 thousand relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

⑤ Net cash flows from acquisitions of subsidiary

In thousands of won

	<u>2014</u>
Total consideration transferred	₩ 14,550,000
Less : Cash and cash equivalents of subsidiary acquired	<u>(4,421,213)</u>
Net cash flows from acquisitions of subsidiary	<u>₩ 10,128,787</u>

(5) Acquisition of additional interests in subsidiaries summarized as follows:

In 2014, the Group acquired an additional 1.15% interest in Sports Toto Co., Ltd. for ₩2,063,490 thousand in cash, increasing its ownership from 69.35% to 70.50%.

The Group recognized:

- ✓ a decrease in non-controlling interests of ₩3,004,689 thousand (carrying value)
- ✓ an increase in the other capital of ₩941,199 thousand

The carrying amount of Sports Toto Co., Ltd.'s net assets in the Group's consolidated financial statements as of December 31, 2014 was ₩216,337,323 thousand.

The following summarizes the changes in the Company's ownership interest in Sports Toto Co., Ltd.

In thousands of won

	<u>2014</u>
Company's ownership interest at January 1, 2014	₩ 179,524,443
Dividends	(5,103,093)
Decrease in Company's ownership interest as a result of disproportionate dividends	(1,911,428)
Effect of increase in Company's ownership interest	3,004,689
Share of comprehensive income	<u>(22,994,167)</u>
Company's ownership interest at December 31, 2014	<u>₩ 152,520,444</u>

During this year, the Company acquired additional interests in RION Asset Development Co, Ltd., HighLand D&C Co., Ltd. and Misoin Co., Ltd. for ₩58,453 thousand, increasing its ownership from 90% to 100%. The Group recognized an increase in non-controlling interest of ₩4,748,121 thousand and a decrease in other capital of ₩4,806,574 thousand.

1. Reporting Entity, Continued

(5) Acquisition of additional interests in subsidiaries summarized as follows, continued:

ORION CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

In 2013, the Group acquired an additional 2.71% interest in Sports Toto Co., Ltd. for ₩5,191,569 thousand in cash, increasing its ownership from 66.64% to 69.35%.

The Group recognized:

- ✓ a decrease in non-controlling interests of ₩6,599,386 thousand (carrying value)
- ✓ an increase in the other capital of ₩1,407,817 thousand

The carrying amount of Sports Toto Co., Ltd.'s net assets in the Group's consolidated financial statements as of December 31, 2013 was ₩258,852,472 thousand.

The following summarises the changes in the Company's ownership interest in Sports Toto Co., Ltd.

In thousands of won

		2013
Company's ownership interest at January 1, 2013	₩	169,087,888
Dividends		(4,903,590)
Decrease in Company's ownership interest as a result of disproportionate dividends		(1,977,796)
Effect of increase in Company's ownership interest		6,599,386
Share of comprehensive income		10,718,555
Company's ownership interest at December 31, 2013	₩	<u>179,524,443</u>

(6) Business combinations among Group entities

At the Board of Directors meeting on September 24, 2014, the Company decided to merge with Orion Snack International Corp., one of the subsidiaries, respectively to promote efficiency and optimize synergy effect by enhancing the Group's competitiveness, and the mergers were completed on December 1, 2014. The merge ratio is 1: 0 as the Company owned 100% shares of Orion Snack International Corp. and decided not to issue new shares.

2. Basis of Preparation

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

The consolidated financial statements were authorized for issue by the Board of Directors on February 12, 2015, which will be submitted for approval to the shareholders' meeting to be held on March 27, 2015.

(1) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- ✓ derivative financial instruments are measured at fair value
- ✓ available-for-sale financial assets are measured at fair value
- ✓ liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets and unrecognized past service costs

2. Basis of Preparation, Continued

(2) Functional and presentation currency

These consolidated financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Group operates.

ORION CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(3) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 10 - Investment property

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 11 - Goodwill

Note 29 - Measurement of defined benefit obligations for employees

Note 30 - Estimation of provision loss on sales return

Note 38 - Utilization of tax losses

Note 39 - Trade and other receivables

Note 40 - Financial commitments and contingencies

(iii) Measurement of fair values

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

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

Significant valuation issues are reported to the audit committee.

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

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

Level 2 : inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 : inputs for the assets or liability that are not based on observable market data (unobservable inputs)

2. Basis of Preparation, Continued

(3) Use of estimates and judgments, continued

(iii) Measurement of fair values, continued

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

ORION CORPORATION AND SUBSIDIARIES

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The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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

Note 8- Non-current Assets Held for Sale

Note 36 - Financial Income and Cost by categories

3. Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2014.

K-IFRS No. 1032 'Financial Instruments: Presentation'

Amendments to K-IFRS 1036, Recoverable Amount Disclosures for Non-Financial Assets

K-IFRS No. 2121 'Levies'

The nature and effects of these changes are explained below.

(i) Offsetting Financial Assets and Financial Liabilities (Amendments to K-IFRS 1032)

The Group has adopted amendments to K-IFRS 1032, 'Offsetting Financial Assets and Financial Liabilities' since January 1, 2014. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'. According to the amendments, the right to set off should not be contingent on a future event, and legally enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments also state that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.

In accordance with the transitional requirements of amendments to K-IFRS 1032, the Group applied the amendments retrospectively.

(ii) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to K-IFRS No.1036)

The Group has adopted amendments to K-IFRS 1036 'Impairment of Assets' since January 1, 2014. The amendments require the disclosure of information about the recoverable amount of impaired assets, if that amount is based on fair value less costs of disposal. They also require the disclosure of additional information about that fair value measurement. In addition, if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique, the amendments also require the disclosure of the discount rates that have been used in the current and previous measurements.

The Group retrospectively applied the amendments in accordance with the transitional requirements of K-IFRS 1036.

3. Changes in accounting policies, Continued

(iii) K-IFRS No.2121, 'Levies'

The Group has adopted K-IFRS No.2121, 'Levies' since January 1, 2014. K-IFRS No. 2121 is an Interpretation of K-IFRS No. 1037 Provisions, Contingent Liabilities and Contingent Assets, on the accounting for levies imposed by governments. K-IFRS 1037 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (or 'obligating event'). K-IFRS 2121 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

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The interpretation does not provide guidance on the accounting for the costs arising from recognizing the liability to pay a levy. Other K-IFRSs should be applied to determine whether the recognition of a liability to pay a levy gives rise to an asset or an expense.

The Group retrospectively applied the interpretation in accordance with the transitional requirements.

4. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the change in accounting policy as explained in Note 3.

(1) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. 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.

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.

The Group has four reportable segments as described in note 6.

(2) Basis of consolidation

(i) Business combination

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control.

The consideration transferred in the acquisition is generally measured at fair value, as are identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchases is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

4. Significant Accounting Policies, Continued

(2) Basis of consolidation, continued

(i) Business combination, continued

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(ii) Non-controlling Interests("NCI")

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NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in subsidiary that do not result in loss of control are accounted for as equity transaction.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Interests in equity-accounted Investees

The Group's interests in equity-accounted investees comprise interest in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Business combination under common control

The assets and liabilities acquired under business combinations under common control are recognized at the carrying amounts recognized previously in the consolidated financial statements of the ultimate parent. The difference between consideration transferred and carrying amounts of net assets acquired is recognized as part of share premium.

4. Significant Accounting Policies, Continued

(3) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and are

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used by the Group in management of its short-term commitments. Generally equity investments are excluded from cash and cash equivalents.

(5) Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs. The cost of inventories is determined by the specific identification method for materials-in-transit and by the moving average method for all other inventories. Amounts of inventory written down to net realizable value due to losses occurring in the normal course of business are recognized as cost of goods sales and are deducted as an allowance from the carrying value of inventories.

(6) Non-derivative financial assets

The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Group recognizes financial assets in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their 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 asset's acquisition or issuance.

(i) Financial assets at fair value through profit or loss

A financial asset is classified as financial assets are classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(ii) Held-to-maturity investments

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Group has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

4. Significant Accounting Policies, Continued

(6) Non-derivative financial assets, continued

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, with changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost. When a financial asset is derecognized or impairment losses are recognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Dividends on an available-for-sale equity instrument are recognized in profit or loss when the Group's right to receive payment is established.

(v) De-recognition of financial assets

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The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(vi) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(7) Derivative financial instruments

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

(8) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

4. Significant Accounting Policies, Continued

(8) Impairment of financial assets, continued

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Group can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows

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discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

(9) Property, plant and equipment

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

Subsequent to initial recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

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

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

4. Significant Accounting Policies, Continued

(9) Property, plant and equipment, continued

The estimated useful lives of the Group's assets are as follows:

	Useful lives (years)
Buildings	15 ~ 55
Structures	10 ~ 20
Machinery	8 ~ 17
Other	4 ~ 10, Indefinite

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

(10) Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

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To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. The Group immediately recognizes other borrowing costs as an expense. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

(11) Intangible assets

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

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

4. Significant Accounting Policies, Continued

(11) Intangible assets, continued

	Useful lives (years)
Industrial property rights	10
Rights to use facility	indefinite
Other	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.

(i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(ii) Subsequent expenditures

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

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(12) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Investment property except for land, are depreciated on a straight-line basis over 55 years as estimated useful lives.

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.

(13) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

4. Significant Accounting Policies, Continued

(13) Impairment of non-financial assets, continued

The Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

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

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Leases

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

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Operating leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease.

(15) Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade and other receivables in the consolidated statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as deferred income in the consolidated statement of financial position.

(16) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

4. Significant Accounting Policies, Continued

(16) Non-current assets held for sale, continued

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

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

(17) Non-derivative financial liabilities

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

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(ii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

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The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(18) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Retirement benefits: defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

4. Significant Accounting Policies, Continued

(18) Employee benefits, continued

(iii) Retirement benefits: defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of plan assets.

The calculation of defined benefit liability is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

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

(19) Provisions

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

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

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

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

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

4. Significant Accounting Policies, Continued

(20) Foreign currencies

(i) Foreign currency transactions

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

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation is treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and translated at the closing rate.

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When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

(21) Equity capital

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

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

4. Significant Accounting Policies, Continued

(22) Share-based payment transactions

The Company has granted shares or share options to its employees and other parties. For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity as a capital adjustment at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. If the fair value of the equity instruments cannot be estimated reliably at the measurement date, the Company measures them at their intrinsic value and recognizes the goods or services received based on the number of equity instruments that ultimately vest.

For cash-settled share-based payment transactions, the Company measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with changes in fair value recognized in profit or loss for the period.

(23) Revenue

Revenue from the sale of goods, rendering of services or use of the Group assets is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates, and are recognized as a reduction of revenue.

(i) Goods sold

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

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(ii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(iii) Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iv) Sports lottery

Revenue from sports lottery is recognized on each settlement day.

(v) Rental income

Rental income from investment property, net of lease incentives granted, is recognized in profit or loss on a straight-line basis over the term of the lease.

4. Significant Accounting Policies, Continued

(24) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(25) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting Profit for the year since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

(ii) Deferred tax

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates and joint ventures 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. Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

4. Significant Accounting Policies, Continued

(26) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(27) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2014, and the Group has not early adopted them. The Group believes the impact of the amendments on the Group's consolidated financial statements is not significant.

K-IFRS 1019 'Employee Benefits' – Employee contributions

Amendments to K-IFRS 1019 introduced a practical expedient to accounting for defined benefit plan, when employees or third parties pay contributions if certain criteria are met. According to the amendments, the entity is permitted to recognize those contributions as a reduction of the service cost in the period in which the related service is rendered, instead of forecast future contributions from employees or third parties and attribute them to periods or service as negative benefits.

5. 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.

(1) Major consolidated subsidiaries are summarized as follows:

Subsidiary	Location	Non-controlling interests percentage	
		2014	2013

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Mediaplex Corp.	Korea	42.50%	42.50%
Sports Toto Co., Ltd.	Korea	29.50%	30.65%

(2) Cumulative non-controlling interests and dividends paid to non-controlling interests

In thousands of won

Subsidiary		Profit allocated to non-controlling interests	Cumulative non-controlling interests	Dividends paid to non-controlling interests
Mediaplex Corp.	₩	(355,551)	45,131,248	-
Sports Toto Co., Ltd.		4,383,803	75,361,314	5,010,996

5. Non-Controlling Interests, Continued

(3) Financial position and financial performance

In thousands of won

Subsidiary		Mediaplex Corp.	Sports Toto Co., Ltd.
Current assets	₩	97,869,625	223,790,435
Non-current assets		44,525,215	123,382,123
Current liabilities		36,959,635	118,010,501
Non-current liabilities		50,688	12,824,734
Revenue		72,002,812	264,017,332
Profit		(792,513)	(32,401,060)
Comprehensive income		(164,246)	(32,401,060)

(4) Cash flow

In thousands of won

Subsidiary		Mediaplex Corp.	Sports Toto Co., Ltd.
Cash flows from operating activities	₩	(43,829,427)	23,893,923
Cash flows from investing activities		32,027,156	(10,537,002)
Cash flows from financing activities		-	(10,114,089)
Effect of exchange rate fluctuations on cash held		65,120	-
Net increase (decrease) in cash and cash equivalents		(11,737,151)	3,242,832

6. Operating Segments

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

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management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

<u>Operating segments</u>	<u>Principal operation</u>
Confectionary	Manufacturing and selling of snacks and candies
Sports/Leisure	Sports lottery and related business
Entertainment	Film investments and distribution
Construction	Construction and sale of real estate
Other	Sports Complex Development Project

The Group has reclassified the sports complex business with other operating segment from decision to dispose of Crespo Co., Ltd. which was included in the sports and leisure segment as described in Note 7. Comparative information has been re-presented accordingly.

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6. Operating Segments, Continued

(1) Segment results for the years ended December 31, 2014 and 2013 were as follows:

		2014						Consolidated
		Confectionary	Sports /Leisure	Entertainment	Construction	Other	Elimination	Total
Total segment sales	₩	2,889,680,241	286,973,951	73,517,880	6,184,597	-	(793,318,864)	2,463,037,805
Less: Inter-segment sales		(770,018,391)	(22,807,024)	(493,449)	-	-	793,318,864	-
External sales	₩	2,119,661,850	264,166,927	73,024,431	6,184,597	-	-	2,463,037,805
Profit for the year	₩	131,326,459	(22,874,498)	(1,038,030)	(20,517,236)	(7,169,242)	94,569,705	174,297,158

		2013						Consolidated
		Confectionary	Sports /Leisure	Entertainment	Construction	Elimination	Total	
Total segment sales	₩	2,869,123,770	270,359,490	109,299,694	7,981,589	(771,568,613)	2,485,195,930	
Less: Inter-segment sales		(753,301,392)	(18,198,512)	(68,709)	-	771,568,613	-	
External sales	₩	2,115,822,378	252,160,978	109,230,985	7,981,589	-	2,485,195,930	
Profit for the year	₩	136,570,516	19,209,626	3,293,490	(24,404,206)	25,571,432	160,240,858	

In thousands of won

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6. Operating Segments, Continued

(2) Segment assets and liabilities as of December 31, 2014 and 2013 as follows:

In thousands of won

		December 31, 2014						
		Confectionary	Sports/ Leisure	Entertainment	Construction	Other	Elimination	Consolidated
Total assets	₩	3,347,478,027	414,030,406	173,685,485	107,917,269	27,229,489	(1,137,821,457)	2,932,519,219
Total liabilities		1,454,622,426	140,624,681	37,178,507	129,063,072	6,085,896	(237,577,843)	1,529,996,739

In thousands of won

		December 31, 2013					
		Confectionary	Sports/ Leisure	Entertainment	Construction	Elimination	Consolidated
Total assets	₩	3,287,923,836	501,878,237	198,956,819	168,677,393	(1,183,819,548)	2,973,616,737
Total liabilities		1,551,781,221	167,171,089	63,068,403	169,462,349	(247,142,465)	1,704,340,597

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6. Operating Segments, Continued

(3) Information on regional sales for the years ended December 31, 2014 and 2013 are as follows:

In thousands of won

		2014			
		Domestic	China	Other	Consolidated
Regional sales	₩	1,084,625,219	1,160,116,279	218,296,307	2,463,037,805

In thousands of won

		2013			
		Domestic	China	Other	Consolidated
Regional sales	₩	1,150,775,941	1,113,648,005	220,771,984	2,485,195,930

The Group presents sales by regions based on where the customers are located.

(4) Information on regional non-current assets is as follows:

In thousands of won

		December 31, 2014	December 31, 2013
Domestic	₩	786,233,081	842,230,597
China		940,306,081	884,369,756
Other		140,386,457	150,271,712
Total	₩	<u>1,866,925,619</u>	<u>1,876,872,065</u>

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

7. Discontinued Operation

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In December, 2014, the Group decided to dispose of Crespo Co., Ltd., whose assets and liabilities were classified as held for sale as at December 31, 2014 and the result of the subsidiary was presented the discontinued operation separately from continuing operations.

(1) Results of discontinued operation

In thousands of won

	<u>2014</u>	<u>2013</u>
Results of discontinued operation		
Revenue	₩ -	-
Expenses	(588,864)	(701,568)
Results from operating activities	(588,864)	(701,568)
Non-operating income (expense)	(256,687)	(208,876)
Income tax	-	(17,921)
Results from operating activities, net of tax	(845,551)	(928,365)
Impairment loss on assets classified as held for sale	(2,559,601)	-
Goodwill impairment	(26,655,608)	-
Loss for the year	₩ <u>(30,060,760)</u>	<u>(928,365)</u>

(2) Cash flow used in discontinued operation

In thousands of won

	<u>2014</u>	<u>2013</u>
Cash flow used in discontinued operation		
Net cash used in operating activities	₩ (812,460)	(877,624)
Net cash used in investing activities	(128,335)	(4,446,940)
Net cash from financing activities	-	5,800,000
Net cash used in discontinued operation	₩ <u>(940,795)</u>	<u>475,436</u>

8. Non-current Assets and Liabilities Classified as Held for sale

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In December, 2014, the Group decided to dispose of Crespo Co., Ltd., whose assets and liabilities were classified as held for sale as at December 31, 2014. Non-current assets and Liabilities held for sale as of December 31, 2014 were as follows:

<i>In thousands of won</i>	<u>December 31, 2014</u>
Current assets	₩ 405,821
Non-current assets	29,383,269
Goodwill	<u>26,655,608</u>
Book value on assets classified as held for sale	56,444,698
Impairment loss on assets classified as held for sale	<u>(29,215,209)</u>
Fair value on assets classified as held for sale	₩ <u>27,229,489</u>
Current liabilities	₩ 6,035,896
Non-current liabilities	<u>50,000</u>
Book value on liabilities classified as held for sale	₩ <u>6,085,896</u>

The assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. The impairment loss (difference between their carrying amount and fair value less cost to sell) ₩29,215,209 thousand is recognized as loss from discontinued operations.

Also, in December, 2014, the Group decided to dispose some of its land, buildings of Sports leisure segment, whose assets were classified as held for sale as at December 31, 2014. Non-current assets held for sale as of December 31, 2014 were as follows:

<i>In thousands of won</i>	<u>December 31, 2014</u>
Land	₩ 4,921,242
Building	<u>1,797,452</u>
Book value on assets classified as held for sale	6,718,694
Impairment loss on assets classified as held for sale	<u>(2,451,694)</u>
Fair value on assets classified as held for sale	₩ <u>4,267,000</u>

The impairment loss (difference between their carrying amount and fair value less cost to sell) ₩2,451,694 thousand is recognized as other expenses.

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9. Property, Plant and Equipment

(1) Changes in property, plant and equipment for the year ended December 31, 2014 are as follows:

<i>In thousands of won</i>		<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Machinery</u>	<u>Others</u>	<u>Construction in-progress</u>	<u>Total</u>
Cost:								
Balance at January 1, 2014	₩	326,579,926	519,886,903	17,219,846	977,600,876	137,498,426	198,860,819	2,177,646,796
Additions		33,318	240,519	57,456	11,687,899	9,169,867	130,510,728	151,699,787
Disposals		(1,584,726)	(3,282,634)	(99,878)	(4,045,920)	(8,478,047)	(2,884,578)	(20,375,783)
Others(*)		5,912,876	115,114,792	685,084	147,169,334	11,484,470	(264,773,552)	15,593,004
Held for sale		(4,921,242)	(2,307,385)	-	-	(130,842)	(27,363,850)	(34,723,319)
Balance at December 31, 2014	₩	<u>326,020,152</u>	<u>629,652,195</u>	<u>17,862,508</u>	<u>1,132,412,189</u>	<u>149,543,874</u>	<u>34,349,567</u>	<u>2,289,840,485</u>
Accumulated depreciation and impairment:								
Balance at January 1, 2014	₩	-	(72,189,168)	(9,325,753)	(322,734,178)	(64,906,482)	-	(469,155,581)
Disposals		-	860,837	79,140	2,734,069	7,248,990	-	10,923,036
Depreciation		-	(13,861,710)	(1,237,327)	(63,971,868)	(15,190,471)	-	(94,261,376)
Impairment		-	-	-	-	(1,765,000)	-	(1,765,000)
Others(*)		-	(1,375,669)	(132,029)	(7,337,001)	(300,566)	-	(9,145,265)
Held for sale		-	509,932	-	-	110,359	-	620,291
Balance at December 31, 2014	₩	<u>-</u>	<u>(86,055,778)</u>	<u>(10,615,969)</u>	<u>(391,308,978)</u>	<u>(74,803,170)</u>	<u>-</u>	<u>(562,783,895)</u>
Carrying amount:								
Balance at January 1, 2014	₩	<u>326,579,926</u>	<u>447,697,735</u>	<u>7,894,093</u>	<u>654,866,698</u>	<u>72,591,944</u>	<u>198,860,819</u>	<u>1,708,491,215</u>
Balance at December 31, 2014	₩	<u>326,020,152</u>	<u>543,596,417</u>	<u>7,246,539</u>	<u>741,103,211</u>	<u>74,740,704</u>	<u>34,349,567</u>	<u>1,727,056,590</u>

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

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9. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the year ended December 31, 2013 were as follows:

<i>In thousands of won</i>		<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Machinery</u>	<u>Others</u>	<u>Construction in-progress</u>	<u>Total</u>
Cost:								
Balance at January 1, 2013	₩	301,114,457	427,287,052	16,490,913	825,381,431	127,754,065	130,191,423	1,828,219,341
Additions		236,511	1,387,153	341,421	15,574,955	13,441,818	394,367,484	425,349,342
Disposals		(12,703,307)	(2,883,798)	(15,817)	(13,715,061)	(9,314,847)	(14,775,384)	(53,408,214)
Others(*)		37,932,265	94,096,496	403,329	150,359,551	5,617,390	(310,922,704)	(22,513,673)
Balance at December 31, 2013	₩	<u>326,579,926</u>	<u>519,886,903</u>	<u>17,219,846</u>	<u>977,600,876</u>	<u>137,498,426</u>	<u>198,860,819</u>	<u>2,177,646,796</u>
Accumulated depreciation and impairment:								
Balance at January 1, 2013	₩	-	(61,528,522)	(8,320,052)	(281,150,942)	(56,405,197)	-	(407,404,713)
Disposals		-	436,933	15,816	10,693,272	5,530,968	-	16,676,989
Depreciation		-	(11,133,368)	(1,084,251)	(53,364,786)	(14,229,024)	-	(79,811,429)
Others(*)		-	35,789	62,734	1,088,278	196,771	-	1,383,572
Balance at December 31, 2013	₩	<u>-</u>	<u>(72,189,168)</u>	<u>(9,325,753)</u>	<u>(322,734,178)</u>	<u>(64,906,482)</u>	<u>-</u>	<u>(469,155,581)</u>
Carrying amount:								
Balance at January 1, 2013	₩	<u>301,114,457</u>	<u>365,758,530</u>	<u>8,170,861</u>	<u>544,230,489</u>	<u>71,348,868</u>	<u>130,191,423</u>	<u>1,420,814,628</u>
Balance at December 31, 2013	₩	<u>326,579,926</u>	<u>447,697,735</u>	<u>7,894,093</u>	<u>654,866,698</u>	<u>72,591,944</u>	<u>198,860,819</u>	<u>1,708,491,215</u>

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

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9. Property, Plant and Equipment, Continued

(3) Borrowing costs

Borrowing costs of ₩25,108 thousand and ₩4,773 thousand, in relation to the completion of construction, were capitalized as part of the cost of qualifying assets for the years ended December 31, 2014 and 2013, respectively. The capitalization rates were 3.62% and 3.89% for the years ended December 31, 2014 and 2013, respectively.

(4) Insurance

In thousands of won

Company	Type of Insurance	Assets	Book value	Amount	Insurance Company
Orion Reports Corp.	Fire insurance	Building	₩ 129,184,066	208,864,080	Hyundai Marine & Fire Insurance Co., Ltd.
		Structure	4,731,177	8,542,186	Meritz Fire & Marine Insurance Co., Ltd
		Machinery	194,756,871	324,799,738	
		Inventory	36,548,408	59,190,566	
		Other tangible assets	33,050,384	33,230,284	
Ipak Co., Ltd.	Fire insurance	Tangible asset & Inventory	10,206,935	27,285,206	Dongbu Insurance Co., Ltd.
		Equipment	2,444,125	4,451,087	Meritz Fire & Marine Insurance Co., Ltd
Sports Toto Co., Ltd.	Fire insurance	Building	5,668,039	14,192,000	Hanwha General Insurance Co., Ltd.

In addition, as of December 31, 2014, the Group maintained insurance policies covering loss and liability arising from cash robbery, products, gas accidents, directors' and officers' liability and automobile accidents.

10. Investment Property

(1) Changes in investment property for the year ended December 31, 2014 are as follows:

In thousands of won		Land	Buildings	Total
Cost:				
Balance at January 1, 2014	₩	8,651,677	7,222,959	15,874,636
Reclassification from property, plant and equipment		3,458,892	4,617,752	8,076,644
Balance at December 31, 2014	₩	12,110,569	11,840,711	23,951,280
Accumulated depreciation:				
Balance at January 1, 2014	₩	-	(1,203,827)	(1,203,827)
Depreciation		-	(154,694)	(154,694)
Reclassification from property, plant and equipment		-	(430,664)	(430,664)
Balance at December 31, 2014	₩	-	(1,789,185)	(1,789,185)
Carrying amount:				
Balance at January 1, 2014	₩	8,651,677	6,019,132	14,670,809
Balance at December 31, 2014	₩	12,110,569	10,051,526	22,162,095

10. Investment Property, Continued

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(2) Changes in investment property for the year ended December 31, 2013 are as follows:

<i>In thousands of won</i>		<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:				
Balance at January 1, 2013	₩	8,651,677	7,222,959	15,874,636
Additions		-	-	-
Balance at December 31, 2013	₩	<u>8,651,677</u>	<u>7,222,959</u>	<u>15,874,636</u>
Accumulated depreciation:				
Balance at January 1, 2013	₩	-	(1,072,500)	(1,072,500)
Depreciation		-	(131,327)	(131,327)
Balance at December 31, 2013	₩	<u>-</u>	<u>(1,203,827)</u>	<u>(1,203,827)</u>
Carrying amount:				
Balance at January 1, 2013	₩	<u>8,651,677</u>	<u>6,150,459</u>	<u>14,802,136</u>
Balance at December 31, 2013	₩	<u>8,651,677</u>	<u>6,019,132</u>	<u>14,670,809</u>

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10. Investment Property, Continued

(3) The amounts recognized in profit or loss from investment property for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	<u>2014</u>	<u>2013</u>
Rental income	₩ 1,240,691	875,024
Direct operating expense	(154,694)	(131,327)
	<u>₩ 1,085,997</u>	<u>743,697</u>

(4) The carrying amount and the fair value of investment property as of December 31, 2014 were as follows:

<i>In thousands of won</i>	<u>Fair value</u>	<u>Carrying amount</u>
Land	₩ 12,218,893	12,110,569
Buildings	17,757,752	10,051,526
	<u>₩ 29,976,645</u>	<u>22,162,095</u>

11. Goodwill

(1) Changes in goodwill for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	<u>2014</u>	<u>2013</u>
Cost:		
Balance at beginning of year	₩ 58,110,077	58,110,077
Reclassification to assets held for sale	(26,655,608)	-
Balance at end of year	<u>₩ 31,454,469</u>	<u>58,110,077</u>
Accumulated impairment:		
Balance at beginning of year	₩ (19,119,369)	(19,119,369)
Impairment	-	-
Balance at end of year	<u>₩ (19,119,369)</u>	<u>(19,119,369)</u>
Carrying amount:		
Balance at beginning of year	₩ 38,990,708	38,990,708
Balance at end of year	<u>₩ 12,335,100</u>	<u>38,990,708</u>

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11. Goodwill, Continued

(2) Impairment of goodwill

The Group's goodwill is allocated to one CGU (Domestic Snack Manufacturing).

As Crespo Co., Ltd. which was included in the sports and leisure segment was classified as held for sale as described in Note 7, the Group reclassified goodwill of 26,655,608 thousand which was allocated to the relevant-generating unit into non-current assets held for sale.

The Group tested recoverable amount of CGU as of December 31, 2014, no impairment of goodwill was recognized. The key assumptions used in the test were as follows.

The recoverable amount of the CGU was based on its value in use and was determined by discounting the estimated future cash flows to be generated from the continuing use of the CGU. Key assumptions to calculate the value in use reflected the management expectation of future trend of the industry considered with external and internal (historical) information. Expected growth rate of cash flow estimation is 1% after 2015. These expectations are based on statistical analysis for long-term market price trend. The recoverable amounts of the units were discounted at a pre-tax discount rate of 7.13%.

12. Intangible Assets

(1) Changes in intangible assets for the year ended December 31, 2014 are as follows:

<i>In thousands of won</i>		Rights to use facility	Industrial property rights	Publication rights	Other intangible assets	Total
Cost:						
Balance at January 1	₩	20,876,970	14,632,384	275,900,178	13,918,816	325,328,348
Additions		1,357,090	1,109,404	-	330,070	2,796,564
Disposals		(4,930,108)	-	-	(622,902)	(5,553,010)
Others		(3,927,217)	(335,307)	46,434,722	912,398	43,084,596
Held for sale		-	(1,518)	-	(6,599)	(8,117)
Balance at December 31	₩	13,376,735	15,404,963	322,334,900	14,531,783	365,648,381
Accumulated amortization and impairment:						
Balance at January 1	₩	(1,340,200)	(7,837,944)	(272,468,328)	(4,439,124)	(286,085,596)
Amortization		-	(1,420,929)	(49,356,145)	(1,259,408)	(52,036,482)
Impairment		(2,068,531)	-	-	-	(2,068,531)
Disposals		-	-	-	622,247	622,247
Others		1,340,200	280,143	-	(336,614)	1,283,729
Held for sale		-	1,160	-	6,445	7,605
Balance at December 31	₩	(2,068,531)	(8,977,570)	(321,824,473)	(5,406,454)	(338,277,028)
Carrying amount:						
Balance at January 1	₩	19,536,770	6,794,440	3,431,850	9,479,692	39,242,752
Balance at December 31	₩	11,308,204	6,427,393	510,427	9,125,329	27,371,353

Others mainly include transfers from construction-in progress and other assets and fluctuation due to foreign currency translation of foreign operations.

12. Intangible Assets, Continued

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(2) Changes in intangible assets for the year ended December 31, 2013 are as follows:

<i>In thousands of won</i>		Rights to use facility	Industrial property rights	Publication rights	Other intangible assets	Total
Cost:						
Balance at January 1	₩	24,742,006	13,647,891	216,897,786	13,367,046	268,654,729
Additions		24,208	1,006,685	2,199,000	357,263	3,587,156
Disposals		(3,906,188)	-	(4,311,545)	-	(8,217,733)
Others		16,944	(22,192)	61,114,937	194,507	61,304,196
Balance at December 31	₩	<u>20,876,970</u>	<u>14,632,384</u>	<u>275,900,178</u>	<u>13,918,816</u>	<u>325,328,348</u>
Accumulated amortization and impairment:						
Balance at January 1	₩	-	(6,421,537)	(215,743,004)	(3,044,210)	(225,208,751)
Amortization		-	(1,429,769)	(56,003,711)	(1,414,771)	(58,848,251)
Impairment		(1,340,200)	-	(721,613)	-	(2,061,813)
Disposals		-	-	-	-	-
Others		-	13,362	-	19,857	33,219
Balance at December 31	₩	<u>(1,340,200)</u>	<u>(7,837,944)</u>	<u>(272,468,328)</u>	<u>(4,439,124)</u>	<u>(286,085,596)</u>
Carrying amount:						
Balance at January 1	₩	<u>24,742,006</u>	<u>7,226,354</u>	<u>1,154,782</u>	<u>10,322,836</u>	<u>43,445,978</u>
Balance at December 31	₩	<u>19,536,770</u>	<u>6,794,440</u>	<u>3,431,850</u>	<u>9,479,692</u>	<u>39,242,752</u>

Others mainly include transfers from construction-in progress and other assets and fluctuation due to foreign currency translation of foreign operations.

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13. Investments in Associates

(1) Investments in associates as of December 31, 2014 and 2013 are summarized as follows:

In thousands of won

Associate	December 31, 2014		December 31, 2013	
	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount
Beijing Zhongguan MEGABOX Cinema Co., Ltd.	49.0%	₩ 3,714,246	49.0%	₩ 2,615,444
chigan Global Contents Investment Fund	20.0%	715,968	20.0%	1,082,232
Michigan Global Contents Investment Fund #3	43.3%	6,157,488	43.3%	5,836,670
Michigan Global Contents Investment Fund #4	23.0%	3,000,778	23.0%	2,909,430
Gemini Contents Investment Partnership #1	33.3%	22,473	33.3%	1,151,018
CJ Global Contents Venture Capital #11	25.0%	461,840	25.0%	1,496,573
Hubei Radio&TV Mega Trading Co., Ltd.	49.0%	1,787,780	49.0%	2,058,579
Baksugundal Culture Co., Ltd.	-	-	90.0%	257
SMCI Korea Film Fund #5	25.9%	3,498,142	-	-
Daehan distributor Corp.(*1)	35.3%	-	-	-
Beijing mega media Co., Ltd.(*2)	100.0%	548,601	-	-
Beijing media tech Co., Ltd.(*2)	100.0%	-	-	-
		₩ <u>19,907,316</u>		₩ <u>17,150,203</u>

(*1) Although above investment in associate was liquidated as of December 31, 2014, the lawsuit is in progress because the Group argue that the liquidation of the company was illegal. As of December 31, 2014, The Group cannot influence such as legal decisions to the investments in associates.

(*2) Although the Group owns 100% shares of Beijing mega media Co., Ltd. and Beijing media tech Co., Ltd., it is accounted for as Investments in associates because the impact to consolidation is insignificant.

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13. Investments in Associates, Continued

(2) Financial information of associates is summarized as follows:

In thousands of won

Associate	2014						Total comprehensive income (loss)
	Assets	Liabilities	Equity	Revenue	Profit(loss) for the year		
Beijing Zhongguan MEGABOX Cinema Co., Ltd.	₩ 13,255,898	5,675,804	7,580,094	19,716,738	2,070,738	2,242,454	
Michigan Global Contents Investment Fund	3,789,841	210,000	3,579,841	525,268	268,679	268,679	
Michigan Global Contents Investment Fund #3	15,291,193	158,827	15,132,366	2,521,667	2,263,342	2,263,342	
Michigan Global Contents Investment Fund #4	13,772,003	130,189	13,641,814	1,304,591	1,071,234	1,071,234	
Gemini Contents Investment Partnership #1	75,217	1,831	73,386	438,756	217,352	217,352	
CJ Global contents Venture Capital #11	1,672,381	2,080	1,670,301	1,198,967	1,168,014	1,168,014	
Hubei Radio&TV Mega Trading Co., Ltd.	17,116,960	13,468,525	3,648,435	20,029,538	(595,861)	(552,636)	
SMCI Korea Film Fund #5	13,492,834	-	13,492,834	41,395	(7,166)	(7,166)	
Daehan distributor Corp.	10,762,858	21,804,268	(11,041,410)	-	(1,424,653)	(1,424,653)	
Beijing mega media Co., Ltd.	563,081	14,480	548,601	-	(8,009)	9,574	
Beijing media tech Co., Ltd.	5,010	467,724	(462,714)	-	(5,225)	(5,225)	

In thousands of won

Associate	2013						Total comprehensive income (loss)
	Assets	Liabilities	Equity	Revenue	Profit(loss) for the year		
Beijing Zhongguan MEGABOX Cinema Co., Ltd.	₩ 10,461,480	5,123,840	5,337,640	19,822,858	1,518,748	729,013	
Michigan Global Contents Investment Fund	5,546,725	135,563	5,411,162	807,998	(498,785)	(498,785)	
Michigan Global Contents Investment Fund #3	13,398,882	5,981	13,392,901	2,158,771	(528,681)	(528,681)	
Michigan Global Contents Investment Fund #4	12,652,218	2,521	12,649,697	3,118,444	2,352,007	2,352,007	
Gemini Contents Investment Partnership #1	3,498,733	45,681	3,453,052	1,114,716	539,890	539,890	
CJ Global contents Venture Capital #11	6,021,312	35,021	5,986,291	1,693,860	370,163	370,163	
Hubei Radio&TV Mega Trading Co., Ltd.	18,620,565	14,419,494	4,201,071	26,360,087	(1,997,273)	(1,843,125)	
Baksugundal Culture Co., Ltd.	486	200	286	2,186	(9,714)	(9,714)	

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13. Investments in Associates, Continued

(3) Changes in investments in associates for the year ended December 31, 2014 and 2013 are as follows:

Associate	2014						
	Balance at beginning of year	Acquisition	Increase due to business combination	Disposal	Share of profit (loss) of associates	Other	Balance at end of year
Beijing Zhongguan MEGABOX Cinema Co., Ltd.	₩ 2,615,444	-	-	-	1,014,662	84,140	3,714,246
Michigan Global Contents Investment Fund	1,082,232	-	-	(420,000)	53,736	-	715,968
Michigan Global Contents Investment Fund #3	5,836,670	-	-	-	320,818	-	6,157,488
Michigan Global Contents Investment Fund #4	2,909,430	-	-	-	91,348	-	3,000,778
Gemini Contents Investment Partnership #1	1,151,018	-	-	(1,197,007)	68,462	-	22,473
CJ Global contents Venture Capital #11	1,496,573	-	-	(1,153,295)	118,562	-	461,840
Hubei Radio&TV Mega Trading Co., Ltd.	2,058,579	-	-	-	(291,980)	21,181	1,787,780
Baksugundal Culture Co., Ltd.	257	-	-	(257)	-	-	-
SMCI Korea Film Fund #5	-	3,500,000	-	-	(1,858)	-	3,498,142
Daehan distributor Corp.	-	-	-	-	-	-	-
Beijing mega media Co., Ltd.	-	-	548,601	-	-	-	548,601
Beijing media tech Co., Ltd.	-	-	-	-	-	-	-
	₩ 17,150,203	3,500,000	548,601	(2,770,559)	1,373,750	105,321	19,907,316

13. Investments in Associates, Continued

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(3) Changes in investments in associates for the year ended December 31, 2014 and 2013 are as follows, continued:

Associate		2013			
		Balance at beginning of year	Share of profit (loss) of associates	Other	Balance at end of year
Beijing Zhongguan MEGABOX Cinema Co., Ltd.		₩ 2,258,228	744,187	(386,971)	2,615,444
Michigan Global Contents Investment Fund		1,181,989	(99,757)	-	1,082,232
Michigan Global Contents Investment Fund #3		6,065,765	(229,095)	-	5,836,670
Michigan Global Contents Investment Fund #4		2,368,469	540,961	-	2,909,430
Gemini Contents Investment Partnership #1		971,054	179,964	-	1,151,018
CJ Global contents Venture Capital #11		1,404,032	92,541	-	1,496,573
Hubei Radio&TV Mega Trading Co., Ltd.		2,972,340	(978,690)	64,929	2,058,579
Baksugundal Culture Co., Ltd.		9,000	(8,743)	-	257
₩		<u>17,230,877</u>	<u>241,368</u>	<u>(322,042)</u>	<u>17,150,203</u>

(4) The details of investments in associates as of December 31, 2014 are as follows:

Associate		2014			
		Net assets	Percentage of ownership(%)	Group's share of net assets	Carrying amount
Beijing Zhongguan MEGABOX Cinema Co., Ltd.		₩ 7,580,094	49.0%	3,714,246	3,714,246
Michigan Global Contents Investment Fund		3,579,841	20.0%	715,968	715,968
Michigan Global Contents Investment Fund #3		15,132,366	43.3%	6,157,488	6,157,488
Michigan Global Contents Investment Fund #4		13,641,814	23.0%	3,000,778	3,000,778
Gemini Contents Investment Partnership #1		73,386	33.3%	22,473	22,473
CJ Global contents Venture Capital #11		1,670,301	25.0%	461,840	461,840
Hubei Radio&TV Mega Trading Co., Ltd.		3,648,435	49.0%	1,787,780	1,787,780
SMCI Korea Film Fund #5		13,492,834	25.9%	3,498,142	3,498,142
Daehan distributor Corp.		(11,041,410)	35.3%	(3,897,618)	-
Beijing mega media Co., Ltd.		548,601	100.0%	548,601	548,601
Beijing media tech Co., Ltd.		(462,714)	100.0%	(462,714)	-

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14. Available-for-sale Financial Assets and Held-to-maturity Financial Assets

(1) Changes in available-for-sale financial assets and held-to-maturity financial assets for the years ended December 31, 2014 and 2013 are as follows:

In thousands of won

	2014		2013	
	Available-for-sale Financial Assets	Held-to-maturity Financial Assets	Available-for-sale Financial Assets	Held-to-maturity Financial Assets
Balance at beginning of year	₩ 13,331,307	4,232,085	10,886,516	2,922,475
Acquisitions	600,290	81,610	2,850,000	1,390,155
Disposals	(1,819,194)	(1,700,265)	(171,940)	(80,545)
Net changes in fair value before tax	(28,986)	-	12,011	-
Impairment	(3,200,854)	-	-	-
Reclassification adjustments before tax	727,465	-	-	-
Other changes	1,357,708	-	(245,280)	-
Balance at end of year	₩ 10,967,736	2,613,430	13,331,307	4,232,085
- Current	₩ -	265,925	6,160	1,699,375
- Non-current	10,967,736	2,347,505	13,325,147	2,532,710
	₩ 10,967,736	2,613,430	13,331,307	4,232,085

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14. Available-for-sale Financial Assets and Held-to-maturity Financial Assets, Continued

(2) Available-for-sale financial assets as of December 31, 2014 and 2013 are summarized as follows:

<i>In thousands of won</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Available-for-sale financial assets:		
Listed		
- SBI Global Investment Co., Ltd.	₩ -	866
- Crown Confectionery Co., Ltd.	190	6,576
- Lotte Confectionery Co., Ltd.	1,780	34,416
- Savezone I&C Corp.	-	1,296
- Hanshin Construction Co., Ltd.	-	472
- Tong Yang Networks Co., Ltd.	105,278	-
	<u>107,248</u>	<u>43,626</u>
Unlisted		
- Orion Beverage Corp.	100,000	100,000
- KM Culture	50,000	500,000
- Boston Film Contents Investment Limited Partnership	30,503	444,776
- Michigan Global Film Contents Investment Limited Partnership	-	593,418
- Geon Contents Investment Limited#3	1,500,000	1,500,000
- Leading Asia Culture Investment Limited	1,700,000	1,700,000
- ACTI Culture & Contents Fund Limited Partnership	1,415,894	2,720,246
- TV Chosun & Daesung Win-Win Fund Limited Partnership	2,000,000	2,000,000
- CJ Global Contents Venture Capital #12	1,000,000	1,000,000
- Vision Hills co.	445,000	421,667
- KT-CKP New Media Venture Capital	1,200,000	600,000
- SMCI Culture Venture Capital #4	-	1,500,000
- Tong Yang leisure	1,215,841	-
- Others	203,250	207,574
	<u>10,860,488</u>	<u>13,287,681</u>
Total available-for-sale financial assets	<u>₩ 10,967,736</u>	<u>13,331,307</u>

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14. Available-for-sale Financial Assets and Held-to-maturity Financial Assets, Continued

(3) Held-to-maturity financial assets as of December 31, 2014 and 2013 are summarized as follows:

<i>In thousands of won</i>		<u>December 31, 2014</u>	<u>December 31, 2013</u>
Treasury bonds			
- Current	₩	265,925	1,699,375
- Non-current		2,347,505	2,532,710
	₩	<u>2,613,430</u>	<u>4,232,085</u>

15. Inventories

Inventories as of December 31, 2014 and 2013 are summarized as follows:

<i>In thousands of won</i>		<u>December 31, 2014</u>	<u>December 31, 2013</u>
Merchandise and finished goods	₩	83,723,868	93,129,877
Work-in-progress		10,888,362	10,986,962
Raw materials		63,160,610	61,650,323
Supplies		3,023,878	2,477,252
Raw materials-in-transit		8,362,525	12,290,217
Completed buildings		-	4,313,000
Sites for construction		45,768,501	45,793,310
Others		574,382	495,976
	₩	<u>215,502,126</u>	<u>231,136,917</u>

16. Trade and Other Receivables

(1) Trade and other receivables as of December 31, 2014 and 2013 are summarized as follows:

<i>In thousands of won</i>		<u>December 31, 2014</u>		<u>December 31, 2013</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Trade receivables	₩	152,111,095	-	166,313,781	-
Other receivables		33,017,306	840,000	47,099,067	-
Accrued income		1,454,993	6,934	1,958,325	6,934
Guarantee deposits		2,300,995	11,856,825	911,264	11,628,707
Loans		264,304	23,333	25,002,340	-
Others		136,331	-	162,086	-
	₩	<u>189,285,024</u>	<u>12,727,092</u>	<u>241,446,863</u>	<u>11,635,641</u>

16. Trade and Other Receivables, Continued

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(2) Trade and other receivables have been reported in the consolidated statements of financial position are as follows:

<i>In thousands of won</i>	December 31, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
Gross trade and other receivables	₩ 222,962,960	12,727,092	267,833,754	11,635,641
Allowance account:				
- Trade receivables	(24,678,454)	-	(20,047,497)	-
- Other receivables	(7,492,722)	-	(5,603,276)	-
- Loans	(1,506,760)	-	(736,118)	-
	<u>(33,677,936)</u>	<u>-</u>	<u>(26,386,891)</u>	<u>-</u>
Net trade and other receivables	₩ <u>189,285,024</u>	<u>12,727,092</u>	<u>241,446,863</u>	<u>11,635,641</u>

(3) Changes in the allowance accounts for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>		2014	2013
Balance at beginning of year	₩	26,386,891	22,665,890
Write - off		(5,483,163)	(4,107,331)
Impairment		12,690,605	7,828,332
Changes due to business combination		83,603	-
Balance at end of year	₩	<u>33,677,936</u>	<u>26,386,891</u>

Impairment losses and reversal of impairment losses on trade and other receivables are included as part of selling expense and other expenses in the consolidated statements of comprehensive income.

(4) Details of trade and other receivables that are measured at amortized cost are as follows:

<i>In thousands of won</i>	December 31, 2014		December 31, 2013	
	Effective interest rate	Non-current	Effective interest rate	Non-current
Guarantee deposits	2.32%~4.98%	₩ 12,052,792	2.51%~4.98%	₩ 11,927,000
Less discount		<u>(195,967)</u>		<u>(298,293)</u>
		₩ <u>11,856,825</u>		₩ <u>11,628,707</u>

There is no material difference between the carrying amount and their amortized cost except the above trade and other receivables, due to the short-term maturity of the majority of trade and other receivables.

17. Cash and Cash Equivalents and Restricted Deposits

(1) Cash and cash equivalents as of December 31, 2014 and 2013 are summarized as follows:

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<i>In thousands of won</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash on hand	₩ 215,013	287,194
Demand deposits	216,010,978	232,891,949
	<u>₩ 216,225,991</u>	<u>233,179,143</u>

(2) Deposits which are restricted in use for expenditures for certain business purposes as of December 31, 2014 and 2013 are summarized as follows:

<i>In thousands of won</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deposits	₩ 158,831,364	89,602,075

18. Other Assets

Other assets as of December 31, 2014 and 2013 are summarized as follows:

<i>In thousands of won</i>	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Prepayments	₩ 76,068,957	7,780,773	54,014,151	-
Prepaid expenses	4,672,089	41,355,473	6,577,352	42,231,760
Others	23,232,634	8,956,918	16,173,050	16,094,618
	<u>₩ 103,973,680</u>	<u>58,093,164</u>	<u>76,764,553</u>	<u>58,326,378</u>

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19. Share Capital and Share Premium

(1) Details of share capital as of December 31, 2014 and 2013 are as follows:

<i>In won, except number of shares</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Number of ordinary shares:		
- Authorized	48,000,000	48,000,000
- Issued	5,974,969	5,971,135
- Share capital	₩ 29,874,845,000	29,855,675,000
Par value	₩ 5,000	5,000

(2) Changes in the share capital and share premium for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousand of won, except number of shares</i>	<u>December 31, 2014</u>			<u>December 31, 2013</u>		
Number of shares	Ordinary shares	Share capital	Share premium	Ordinary shares	Share capital	Share premium
Beginning of year	5,971,135	₩ 29,855,675	65,581,340	5,966,890	₩ 29,834,450	64,461,578
Issuance of ordinary shares upon exercise of stock options	3,834	19,170	1,035,194	4,245	21,225	1,119,762
End of year	<u>5,974,969</u>	<u>₩ 29,874,845</u>	<u>66,616,534</u>	<u>5,971,135</u>	<u>₩ 29,855,675</u>	<u>65,581,340</u>

20. Treasury Shares

Details of treasury shares as of December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Treasury shares held by Controlling Company	₩ 32,423,771	16,588,756
Treasury shares held by subsidiary	142,773	142,773
	<u>₩ 32,566,544</u>	<u>16,731,529</u>

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21. Other Capital

Details of other capital as of December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Changes from equity transaction	₩ (4,183,341)	(58,240)
Changes in fair value of available-for sale financial assets	(166,773)	(477,175)
Stock options	165,567	497,435
Exchange differences on translating foreign operations	(13,656,083)	(12,607,241)
Share of other comprehensive income of associates	489,573	513,051
Others	239,804	239,804
	<u>₩ (17,111,253)</u>	<u>(11,892,366)</u>

22. Reserves

(1) Details of reserves as of December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Legal reserve	₩ 55,834,891	46,173,095
Voluntary reserve	596,366,667	595,700,000
	<u>₩ 652,201,558</u>	<u>641,873,095</u>

(2) Legal Reserve

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

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23. Retained Earnings

(1) Changes in retained earnings for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	<u>2014</u>	<u>2013</u>
Balance at beginning of year	₩ 413,992,468	273,104,475
Profit for the year	163,470,494	145,694,946
Actuarial losses, net of tax	(3,239,606)	7,362,700
Dividends	(15,785,706)	(15,772,971)
Transfer from voluntary reserve	3,333,333	18,000,000
Transfer to legal reserve	(9,661,796)	(10,201,050)
Transfer to voluntary reserve	(4,000,000)	(4,000,000)
Others	-	(195,632)
Balance at end of year	<u>₩ 548,109,187</u>	<u>413,992,468</u>

(2) Statements of appropriation of retained earnings for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	<u>2014</u>	<u>2013</u>
I. Unappropriated retained earnings	₩ 14,499,517	28,660,157
Unappropriated retained earnings	12,207,784	11,028,157
Net income	5,208,975	10,930,388
Actuarial losses	(2,917,242)	6,701,612
II. Transfer from voluntary reserves	22,666,666	3,333,333
Reserve for voluntary reserve	20,000,000	2,000,000
Reserve for research and human development reserves	2,666,666	1,333,333
III. Total (I + II)	37,166,183	31,993,490
Appropriation of retained earnings	31,594,416	19,785,706
Voluntary reserves	-	4,000,000
Dividends	31,594,416	15,785,706
IV. Unappropriated retained earnings to be carried over to subsequent year	<u>₩ 5,571,767</u>	<u>12,207,784</u>

Statements of appropriation of retained earnings above are prepared based on separate financial statements of the Controlling Company.

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24. Earnings per Share

(1) Basic earnings per share

Basic earnings per share for the years ended December 31, 2014 and 2013 are as follows:

<i>In won, except share information</i>	<u>2014</u>	<u>2013</u>
Profit for the year from continuing operations attributable to owners of the Group	₩ 184,663,694,771	146,338,803,659
Weighted-average number of ordinary shares outstanding	<u>5,264,794</u>	<u>5,260,204</u>
Basic earnings per share from continuing operations	₩ <u>35,075</u>	<u>27,820</u>

(2) Diluted earnings per share

Diluted earnings per share for the years ended December 31, 2014 and 2013 are as follows:

<i>In won, except share information</i>	<u>2014</u>	<u>2013</u>
Profit for the year from continuing operations attributable to owners of the Group	₩ 184,663,694,771	146,338,803,659
Adjusted Profit for the year attributable to owners of the Group	184,663,694,771	146,338,803,659
Weighted-average number of ordinary shares outstanding and common equivalent shares	<u>5,267,098</u>	<u>5,266,402</u>
Diluted earnings per share from continuing operations	₩ <u>35,060</u>	<u>27,787</u>

(3) Diluted weighted average number of ordinary shares

	<u>2014</u>	<u>2013</u>
Basic weighted average number of ordinary shares	5,264,794	5,260,204
Effect of share options on issue	<u>2,304</u>	<u>6,198</u>
Diluted weighted average number of ordinary shares	<u>5,267,098</u>	<u>5,266,402</u>

(4) Earnings per share of discontinued operation

<i>In won</i>	<u>2014</u>	<u>2013</u>
Basic and diluted earnings per share	₩ (4,025)	(122)

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25. Share-based Payments

(1) The terms and conditions of grants as of December 31, 2014 are as follows:

<i>In won, except number of shares</i>				
Arrangement	Equity or cash settled			
	2006.1.31	2007.3.23	2008.3.12	2009.2.27
Date of grant	2006.1.31	2007.3.23	2008.3.12	2009.2.27
Number of options granted	129	494	241	1,194
Exercise price	255,120	235,500	187,500	149,800
Contractual life	10 years	10 years	10 years	10 years
Vesting conditions	3 years' service	3 years' service	3 years' service	3 years' service

(2) Inputs for measurement of grant-date fair values

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

<i>In won</i>	Inputs			
	2006.1.31	2007.3.23	2008.3.12	2009.2.27
Date of grant	2006.1.31	2007.3.23	2008.3.12	2009.2.27
Exercise price	255,120	235,500	187,500	149,800
Expected volatility	42.2%	40.0%	39.5%	47.8%
Option life (expected weighted average life)	6 years	6 years	6 years	6 years
Expected dividend	0.4%	0.4%	0.8%	1.1%
Risk-free interest rate	5.40%	4.90%	5.40%	5.20%

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26. Derivative Instruments and Hedge Accounting

(1) Details of interest rate swaps and future contract outstanding as of December 31, 2014 and 2013 are summarized as follows:

In thousands of won

		December 31, 2014			
Bank	Item	Principal	Buying Rate	Selling Rate	Expiration
Korean Exchange Bank	Short-term borrowings	USD 3,500,000	LIBOR(1M) + 1.76%	2.18%	2015.06.12

In thousands of won

		December 31, 2013			
Bank	Item	Principal	Buying Rate	Selling Rate	Expiration
Korean Exchange Bank	Short-term borrowings	USD 3,500,000	LIBOR(1M) + 1.65%	2.08%	2014.06.19

Counter party	Commodity	Contract unit	Selling Currency	Exchange Rate	Expiration
Samsung futures	Australian Dollar	AUD 1,000,000	USD 887,800	0.8878	2014.03.17

(2) Details of losses on valuation of derivatives for the years ended December 31, 2014 and 2013 are as follows:

In thousands of won

		2014	
Type	Item	Valuation	Recognition
Trading purpose	Interest rate swaps	(3,302)	Net income

In thousands of won

		2013	
Type	Item	Valuation	Recognition
Trading purpose	Interest rate swaps	(3,658)	Net income

(3) Losses on disposals of derivatives in 2014 and 2013 are ₩980 thousand and ₩39,399 thousand, respectively, and gains on disposals in 2014 and 2013 are ₩53,759 thousand and ₩9,126 thousand, respectively, which are recognized in profit or loss.

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27. Trade and Other Payables

(1) Trade and other payables as of December 31, 2014 and 2013 are summarized as follows:

<i>In thousands of won</i>	December 31, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
Trade payables	₩ 100,108,772	-	111,029,849	-
Other payables	177,297,285	37,218	212,492,393	-
Withholdings	57,603,277	-	60,912,282	-
Accrued expenses	15,110,816	-	14,738,914	-
Deposits received	-	2,995,268	-	2,715,564
Others	1,767	-	22,784	-
	₩ 350,121,917	3,032,486	399,196,222	2,715,564

(2) Details of trade and other payables that are measured at amortized cost as of December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	December 31, 2014		December 31, 2013	
	Effective interest rate	Non-current	Effective interest rate	Non-current
Deposits received	2.75%~3.52%	₩ 3,056,224	2.77%~3.52%	₩ 2,762,507
Less discount		(60,956)		(46,943)
		₩ 2,995,268		₩ 2,715,564

There is no material difference between the carrying amount and their amortized cost except the above trade and other payables, due to the short-term maturity of the majority of trade and other payables.

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28. Borrowings and Debentures

(1) Loans, borrowings and debentures as of December 31, 2014 and 2013 are summarized as follows:

<i>In thousands of won</i>		<u>December 31, 2014</u>	<u>December 31, 2013</u>
Non-current			
Debentures	₩	340,000,000	280,000,000
Less discount		(786,765)	(769,713)
Long-term debts		<u>245,311,002</u>	<u>246,038,440</u>
		<u>584,524,237</u>	<u>525,268,727</u>
Current			
Current portion of debentures		40,000,000	40,000,000
Less discount		(11,274)	(6,085)
Current portion of long-term debts		145,144,884	130,812,841
Short-term borrowings		<u>261,464,155</u>	<u>413,151,978</u>
		<u>446,597,765</u>	<u>583,958,734</u>
	₩	<u>1,031,122,002</u>	<u>1,109,227,461</u>

(2) Terms and conditions of debentures as of December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>		<u>Maturity</u>	<u>Interest rate</u>		<u>December 31, 2014</u>	<u>December 31, 2013</u>
Controlling Company	94th	2014-02-07	4.52%	₩	-	40,000,000
	95th	2016-06-09	4.30%		80,000,000	80,000,000
	96th-1	2015-03-05	3.93%		40,000,000	40,000,000
	96th-2	2017-03-05	4.13%		60,000,000	60,000,000
	97th	2017-11-26	3.27%		100,000,000	100,000,000
	98th	2019-04-17	3.47%		50,000,000	-
	99th	2017-09-23	2.57%		<u>50,000,000</u>	-
						<u>380,000,000</u>
Less current portion of debentures					<u>(40,000,000)</u>	<u>(40,000,000)</u>
				₩	<u>340,000,000</u>	<u>280,000,000</u>

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28. Loans, Borrowings and Debentures, Continued

(3) Terms and conditions of long-term debts as of December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	<u>Maturity</u>	<u>Interest rate</u>	<u>Currency</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
The export- Import Bank of Korea	2014	LIBOR(3M)+3.70%	USD ₩	-	20,433,338
	2017	LIBOR(3M)+2.00%	USD	31,449,641	-
Kookmin Bank	2018	LIBOR(3M)+3.50%	USD	10,070,082	10,614,093
	2022	2.70%	KRW	610,046	631,455
Shinhan Bank	2015	3.50%	KRW	-	7,187,000
	2016	3.55%	KRW	-	15,500,000
Korea Exchange Bank	2014	LIBOR(3M)+3.20%	USD	-	4,234,452
	2015	LIBOR(3M)+3.20%	USD	4,409,092	4,234,452
Hana Bank	2015	LIBOR(3M)+2.65%	USD	38,618,369	36,983,385
	2016	5.94%	CNY	15,950,700	15,668,100
	2016	LIBOR(3M)+2.15%	USD	32,534,111	31,842,280
Industrial & Commercial Bank of China	2015	6.40%	CNY	-	6,559,711
	2015	3.46~3.47%	USD	-	4,033,496
	2017	LIBOR(3M)+2.70%	USD	21,689,407	-
Korea Development Bank	2014	5.89%	CNY	-	5,118,246
	2014	LIBOR(3M)+2.10%	USD	-	58,820,963
	2015	LIBOR(3M)+2.10~3.60%	USD	56,926,484	82,066,912
	2016	5.97%	CNY	14,053,520	12,780,311
	2016	LIBOR(3M)+1.45~2.70%	USD	30,481,295	10,600,112
	2017	LIBOR(3M)+2.10~3.60%	USD	17,637,148	-
DBS Bank	2014	LIBOR(3M)+1.70%	USD	-	22,401,365
	2015	LIBOR(3M)+2.40%	USD	27,584,549	-
Industrial Bank of Korea	2016	LIBOR(3M)+2.70%	USD	10,844,704	10,614,093
	2017	LIBOR(3M)+1.06%	USD	15,447,347	-
Woori Bank	2016	3.46%	KRW	-	7,000,000
	2017	LIBOR(3M)+1.60%	USD	27,584,549	-
European Investment Bank	2014	LIBOR(3M)+2.60%	USD	-	9,527,517
HSBC	2017	LIBOR(3M)+1.20~1.60%	USD	34,204,842	-
Siheung Environmental Management Center	2020	-	KRW	360,000	-
				390,455,886	376,851,281
Less current portion				(145,144,884)	(130,812,841)
			₩	<u>245,311,002</u>	<u>246,038,440</u>

28. Loans, Borrowings and Debentures, Continued

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(4) Short-term borrowings as of December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	<u>Interest rate</u>	<u>Currency</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Kookmin Bank	1.24~1.74%	USD ₩	-	1,952,429
	3.38%	KRW	-	25,000,000
NH Bank	1.43%	USD	329,628	-
Shinhan Bank	3.42%~4.12%	KRW	-	32,070,773
	5.25%~5.40%	CNY	18,752,068	15,668,100
	LIBOR(3M)+1.90~1.95%	USD	13,294,884	12,902,824
	1.23%	USD	873,336	1,253,240
	1.05%~1.06%	EUR	596,034	2,544,430
	LIBOR(3M)+2.90%	AUD	33,535	-
The export- Import Bank of Korea	LIBOR(3M)+1.45%	USD	5,422,352	5,307,047
	LIBOR(3M)+1.45%	USD	10,844,704	27,551,291
Korea Development Bank	3.23%	KRW	30,000,000	30,000,000
	5.54%	CNY	2,796,872	2,747,320
	LIBOR(3M)+1.23~2.50%	USD	23,316,113	28,677,489
	3.47%	KRW	3,000,000	-
Hana Bank	LIBOR(3M)+1.85~2.70%	USD	43,715,561	32,379,082
	2.83%~LIBOR(3M)+1.90%	USD	8,057,998	-
Industrial Bank of Korea	4.88%	CNY	14,178,400	8,704,500
	2.55%~LIBOR(3M)+2.10%	USD	14,317,997	33,913,298
Korea Exchange Bank	5.04%	CNY	-	3,481,800
Agriculture bank of China	2.33%	USD	37,596	3,048,113
	2.57%~2.76%	EUR	-	1,187,205
Woori Bank	LIBOR(3M)+1.18~2.35%	USD	18,855,456	12,268,626
	4.54%	KRW	-	9,000,000
HSBC	2.5%~Libor(3M)+1.55%	USD	7,629,116	22,780,917
	5.2%~5.7%	CNY	-	12,186,300
Industrial & Commercial Bank of China	5.04%	CNY	-	5,222,700
	1.15~2.44%	USD	6,412,505	-
Standard Chartered	2.63~2.67%	EUR	-	714,061
	2.74~2.89%	USD	-	7,026,374
Dreambuild Ltd. #4	4.11%	KRW	-	41,000,000
DBS Bank	3.04%	USD	-	2,122,818
China CITIC Bank	2.75%	USD	-	2,441,241
Woori Investment Bank	2.37%	KRW	10,000,000	-
Meritz Securities Co., Ltd.	2.18~2.88%	KRW	29,000,000	30,000,000
		₩	<u>261,464,155</u>	<u>413,151,978</u>

28. Loans, Borrowings and Debentures, Continued

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(5) The following assets were pledged as collateral for the Group's accounts and notes payable – trade, short-term borrowings, long-term debts and debentures as of December 31, 2014:

In thousands of won

<u>Asset</u>	<u>Lender</u>	<u>Type of borrowings</u>	<u>Borrowing amount</u>	<u>Book value</u>	<u>Collateralized amount</u>
Land and buildings	Kookmin Bank	Short & Long - term borrowing	₩ 610,046	1,742,041	1,209,600
	Woori Bank	Short & Long - term borrowing	6,000,000	17,213,724	8,435,000
	Hana Bank	Short & Long - term borrowing	3,360,000	11,660,702	11,622,000
Buildings and Machinery	Shinhan Bank	Short-term borrowing	7,197,899	9,644,322	9,644,322
			(USD 6,530,051)	(USD 8,770,958)	(USD 8,770,958)
			₩ 17,167,945	40,260,789	30,910,922

29. Employee Benefits

The Group operates defined benefit plan. According to this plan, the Group pays retirement benefits calculated under the plan's benefit formula at the time employees leave the Group. The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method.

(1) The retirement benefits expense for the years ended December 31, 2014 and 2013 are as follows:

In thousands of won

	<u>2014</u>	<u>2013</u>
Contributions to defined contribution plans	₩ 3,455,493	2,413,042
Expenses related to post-employment defined benefit plans	8,932,241	11,753,786
	₩ 12,387,734	14,166,828

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29. Employee Benefits, Continued

(2) Changes in net defined benefit liability for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	<u>Defined benefit obligation</u>		<u>Fair value of plan assets</u>		<u>Net defined benefit liability</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Balance at January 1	₩ 57,826,311	62,547,845	(50,835,215)	(49,539,465)	6,991,096	13,008,380
Included in profit or loss:						
Current service costs	8,716,785	11,340,280	-	-	8,716,785	11,340,280
Interest costs (incomes)	2,023,218	1,980,133	(1,807,762)	(1,566,627)	215,456	413,506
	<u>10,740,003</u>	<u>13,320,413</u>	<u>(1,807,762)</u>	<u>(1,566,627)</u>	<u>8,932,241</u>	<u>11,753,786</u>
Included in other comprehensive income:						
Remeasurements loss (gain)						
- Actuarial loss (gain) arising from:						
Experience adjustment	(3,033,903)	(251,306)	-	-	(3,033,903)	(251,306)
Demographic assumptions	(963,111)	736,165	-	-	(963,111)	736,165
Financial assumptions	7,869,616	(10,108,824)	-	-	7,869,616	(10,108,824)
- Return on plan assets excluding interest income	-	-	425,140	(78,384)	425,140	(78,384)
	<u>3,872,602</u>	<u>(9,623,965)</u>	<u>425,140</u>	<u>(78,384)</u>	<u>4,297,742</u>	<u>(9,702,349)</u>
Other:						
Contributions paid by the employer	-	-	(13,898,268)	(7,592,051)	(13,898,268)	(7,592,051)
Benefits paid	(9,510,597)	(8,417,982)	9,597,600	7,941,312	87,003	(476,670)
Changes due to Business combination	1,606,641	-	(1,973,527)	-	(366,886)	-
	<u>(7,903,956)</u>	<u>(8,417,982)</u>	<u>(6,274,195)</u>	<u>349,261</u>	<u>(14,178,151)</u>	<u>(8,068,721)</u>
Balance at December 31	₩ <u>64,534,960</u>	<u>57,826,311</u>	<u>(58,492,032)</u>	<u>(50,835,215)</u>	<u>6,042,928</u>	<u>6,991,096</u>

(3) The components of plan assets as of December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Equity securities	₩ 2,735,782	7,852,671
Debt securities	35,122,130	31,816,912
Others	20,634,120	11,165,632
	<u>₩ 58,492,032</u>	<u>50,835,215</u>

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29. Employee Benefits, Continued

(4) The principal actuarial assumptions as of December 31, 2014 and 2013 are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Discount rate	2.79%~2.90%	3.70%~3.95%
Future salary growth	3.97%~5.41%	4.00%~7.00%

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.

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

<i>In thousands of won</i>	<u>2014</u>	
	<u>1% increase</u>	<u>1% decrease</u>
Discount rate	₩ (3,886,160)	4,383,551
Future salary growth	4,325,633	(3,909,926)

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.

30. Other Liabilities

Other liabilities as of December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Advances received	₩ 38,330,720	-	87,382,012	-
Unearned revenue	3,309	59,955	543,607	46,359
Provision for loss on sales return	3,910,345	-	4,469,430	-
Others	1,880,686	2,069,003	1,454,102	652,381
	<u>₩ 44,125,060</u>	<u>2,128,958</u>	<u>93,849,151</u>	<u>698,740</u>

31. Sales and Cost of Sales

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Sales and cost of sales for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	<u>2014</u>	<u>2013</u>
Sales:		
Confectionary	₩ 2,119,661,850	2,115,822,378
Sports/Leisure	264,166,927	252,160,978
Entertainment	73,024,431	109,230,985
Construction	6,184,597	7,981,589
	<u>₩ 2,463,037,805</u>	<u>2,485,195,930</u>
Cost of sales:		
Confectionary	₩ 1,088,737,528	1,114,559,431
Sports/Leisure	203,904,099	193,421,003
Entertainment	62,211,509	92,708,724
Construction	5,779,197	7,234,741
	<u>₩ 1,360,632,333</u>	<u>1,407,923,899</u>

32. Selling Expenses and General and Administrative Expenses

(1) Details of selling expenses for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>	<u>2014</u>	<u>2013</u>
Salaries	₩ 176,394,382	163,281,492
Retirement and termination benefits	5,437,116	6,915,665
Employee welfare	17,637,618	19,076,058
Travel expenses	11,643,381	10,813,575
Taxes and dues	13,674,595	11,969,279
Rental expenses	18,013,099	20,903,382
Depreciation	7,067,321	6,142,300
Amortization	1,367,712	1,239,624
Advertising expenses	126,311,756	114,593,829
Ordinary development expense	3,315,379	2,014,879
Freight and custody	90,722,686	88,841,120
Commissions	55,346,948	47,178,505
Promotion	101,796,915	132,381,300
Bad debt expenses	9,276,949	7,828,332
Others	34,208,606	36,610,449
	<u>₩ 672,214,463</u>	<u>669,789,789</u>

32. Selling Expenses and General and Administrative Expenses, Continued

(2) Details of general and administrative expenses for the years ended December 31, 2014 and 2013 are as follows:

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<i>In thousands of won</i>		2014	2013
Salaries	₩	77,313,069	74,774,182
Retirement and termination benefits		4,076,345	4,254,118
Employee welfare		11,578,966	11,006,634
Travel expenses		3,043,388	2,910,915
Taxes and dues		12,629,732	13,222,384
Rental expenses		4,263,058	4,772,060
Depreciation		6,934,169	6,856,496
Amortization		1,226,696	1,440,986
Vehicle maintenance expenses		1,474,871	1,613,030
Commissions		15,619,190	15,895,552
Others		12,981,831	11,254,812
	₩	151,141,315	148,001,169

33. Nature of Expenses

Details of nature of expenses for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>		2014		
		Cost of sales	Selling, general and administrative expense	Total
Raw materials and consumables used	₩	733,359,273	-	733,359,273
Changes in inventories of finished goods and merchandise		11,707,099	-	11,707,099
Employee benefits expense		119,699,951	292,437,496	412,137,447
Depreciation and amortization		129,822,342	16,595,898	146,418,240
Service fees		192,172,591	70,966,138	263,138,729
Advertising expenses		-	126,311,756	126,311,756
Freight and custody		1,226,247	90,722,686	91,948,933
Others		172,644,830	226,321,804	398,966,634
	₩	1,360,632,333	823,355,778	2,183,988,111

33. Nature of Expenses, Continued

Details of nature of expenses for the years ended December 31, 2014 and 2013 are as follows, continued:

In thousands of won 2013

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		Cost of sales	Selling, general and administrative expense	Total
Raw materials and consumables used	₩	826,775,280	-	826,775,280
Changes in inventories of finished goods and merchandise		2,584,211	-	2,584,211
Employee benefits expense		117,016,057	279,308,149	396,324,206
Depreciation and amortization		123,064,748	15,679,406	138,744,154
Service fees		16,510,458	63,074,057	79,584,515
Advertising expenses		-	114,593,829	114,593,829
Freight and custody		1,094,414	88,841,120	89,935,534
Others		320,878,731	256,294,397	577,173,128
	₩	<u>1,407,923,899</u>	<u>817,790,958</u>	<u>2,225,714,857</u>

34. Other Income and Other Expenses

Details of other income and other expenses for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>		<u>2014</u>	<u>2013</u>
Other income:			
Foreign currency transaction gain	₩	5,500,458	1,142,138
Foreign currency translation gain		4,669,530	4,733,794
Gain on sale of property, plant and equipment bargain purchase		4,222,108	5,377,442
Others		29,939,987	-
		<u>8,094,059</u>	<u>7,362,973</u>
		<u>52,426,142</u>	<u>18,616,347</u>
Other expenses:			
Foreign currency transaction loss		5,500,786	2,340,040
Foreign currency translation loss		3,579,005	2,860,105
Loss on sale of property, plant and equipment		4,335,785	2,908,657
Loss on sale of intangible assets		1,440,843	396
Impairment loss on asset held for sale		2,451,694	-
Impairment loss on property, plant and equipment		1,765,000	-
Impairment loss on intangible assets		2,068,531	2,061,813
Impairment loss on other receivables		3,413,656	906,148
Donation		2,002,867	5,977,609
Others		7,842,549	8,130,884
		<u>34,400,716</u>	<u>25,185,652</u>
Net other expenses	₩	<u>18,025,426</u>	<u>(6,569,305)</u>

35. Net Finance Cost

Details of net finance costs for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>		<u>2014</u>	<u>2013</u>
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Finance income:		
Interest income	₩	9,952,695
Dividend income		449
Foreign currency transaction gain		1,536,436
Foreign currency translation gain		159,886
Gain on disposal of available-for-sale financial assets		43,043
Gain on derivatives valuation		926
Gain on derivatives translations		53,760
		<u>11,747,195</u>
		<u>18,035,730</u>
Finance cost:		
Interest expense		34,733,837
Foreign currency transaction loss		1,887,085
Foreign currency translation loss		15,346,005
Impairment loss on available-for-sale financial assets		3,200,854
Loss on disposal of available-for-sale financial assets		59,867
Loss on derivatives valuation		4,228
Loss on derivatives transactions		980
		<u>55,232,856</u>
		<u>44,166,028</u>
Net finance cost	₩	<u>(43,485,661)</u>
		<u>(26,130,298)</u>

36. Financial Income and Cost by Categories

(1) The carrying amount and the fair value of financial instruments as of December 31, 2014 and 2013 are summarized as follows:

<u>December 31, 2014</u>	<u>December 31, 2013</u>
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<i>In thousands of won</i>		<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Asset:					
Loans and receivables	₩	690,097,062	-	770,208,266	-
Available-for-sale financial assets		107,248	107,248	43,626	43,626
Available-for-sale financial assets (Unlisted)		10,860,488	-	13,287,681	-
Held-to-maturity investments		2,613,430	-	4,232,085	-
Total asset	₩	<u>703,678,228</u>	<u>107,248</u>	<u>787,771,658</u>	<u>43,626</u>
Liabilities:					
Derivative liabilities	₩	3,302	3,302	3,658	3,658
Financial liabilities measured at amortized cost		1,384,276,405	-	1,511,139,247	-
Total liabilities	₩	<u>1,384,279,707</u>	<u>3,302</u>	<u>1,511,142,905</u>	<u>3,658</u>

(2) Finance income and cost by categories for the years ended December 31, 2014 and 2013 are as follows:

2014					
<i>In thousands of won</i>		<u>Net income</u>		<u>Other comprehensive income</u>	<u>Total comprehensive income</u>
		<u>Finance income</u>	<u>Finance cost</u>		
Assets					
Loans and receivables	₩	9,679,404	-	-	9,679,404
Available-for-sale financial assets		43,492	(3,260,721)	698,479	(2,518,750)
Held-to-maturity financial assets		273,291	-	-	273,291
		<u>9,996,187</u>	<u>(3,260,721)</u>	<u>698,479</u>	<u>7,433,945</u>
Liabilities					
Derivative liabilities		54,685	(5,208)	-	49,477
Financial liabilities measured at amortized cost		-	(34,733,836)	-	(34,733,836)
		<u>54,685</u>	<u>(34,739,044)</u>	<u>-</u>	<u>(34,684,359)</u>
	₩	<u>10,050,872</u>	<u>(37,999,765)</u>	<u>698,479</u>	<u>(27,250,414)</u>

36. Financial Income and Cost by Categories, Continued

(2) Finance income and costs by categories for the years ended December 31, 2014 and 2013 are as follows, continued:

2013		
<u>Net income</u>	<u>Other</u>	<u>Total</u>

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<i>In thousands of won</i>		<u>Finance income</u>	<u>Finance cost</u>	<u>comprehensive income</u>	<u>comprehensive income</u>
Assets					
Loans and receivables	₩	9,063,303	-	-	9,063,303
Available-for-sale financial assets		452	-	12,011	12,463
Held-to-maturity financial assets		12,342	-	-	12,342
		<u>9,076,097</u>	<u>-</u>	<u>12,011</u>	<u>9,088,108</u>
Liabilities					
Derivative liabilities		9,126	(43,057)	-	(33,931)
Financial liabilities measured at amortized cost		-	(37,472,065)	-	(37,472,065)
		9,126	(37,515,122)	-	(37,505,996)
	₩	<u>9,085,223</u>	<u>(37,515,122)</u>	<u>12,011</u>	<u>(28,417,888)</u>

(3) The fair value measurements classified by fair value hierarchy as of December 31, 2014 and 2013 were as follows:

<i>In thousands of won</i>		<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
As of December 31, 2014:					
Available-for-sale financial assets	₩	107,248	-	-	107,248
Derivative liabilities		-	3,302	-	3,302
As of December 31, 2013:					
Available-for-sale financial assets	₩	43,626	-	-	43,626
Derivative liabilities		-	3,658	-	3,658

37. Construction Contracts

(1) Changes in amounts of construction contracts for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>		<u>2014</u>	<u>2013</u>
Balance at beginning of year	₩	2,001,996	1,276,849
Contracts		-	2,600,000
		2,001,996	3,876,849
Profit recognized		(1,704,771)	(1,874,853)
Balance at end of year	₩	<u>297,225</u>	<u>2,001,996</u>

37. Construction Contracts, Continued

(2) Details of construction contracts for the year ended December 31, 2014 are as follows:

<u>Construction site</u>	<u>Ordering organization</u>	<u>Gross contract amount</u>
Markhills	EV&A Corporation, Yuyeon D&C	2,600,000

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38. Income Taxes

(1) The components of income tax expense (benefit) for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>		<u>2014</u>	<u>2013</u>
Current income tax expense	₩	58,069,305	65,424,734
Adjustment for prior periods		(1,529,995)	4,763,802
Origination and reversal of temporary differences		(6,550,707)	(1,491,520)
Income tax recognized in other comprehensive income		<u>616,688</u>	<u>(2,825,480)</u>
Total income tax expense	₩	<u>50,605,291</u>	<u>65,871,536</u>

(2) Income taxes recognized directly in other comprehensive income for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>		<u>2014</u>	<u>2013</u>
Current:			
Defined benefit plan actuarial gains/losses	₩	987,069	(2,245,115)
Deferred:			
Gains/losses on valuation of available-for-sale securities		(87,357)	(7,967)
Shares of other comprehensive income of associate companies		6,622	(9,556)
Cumulative effect of foreign currency translation		(82,582)	7,740
Gains from changes in ownership interest in subsidiaries		<u>(207,064)</u>	<u>(570,582)</u>
Income tax recognized directly in other comprehensive income	₩	<u>616,688</u>	<u>(2,825,480)</u>

(3) Reconciliation of effective tax rate:

<i>In thousands of won</i>		<u>2014</u>	<u>2013</u>
Profit before income tax	₩	254,963,209	226,112,394
Income tax using the Company's statutory tax rate		60,764,239	56,665,613
Non-deductible expense		848,968	4,671,820
Tax credits		(2,262,650)	(3,646,151)
Adjustments for prior periods		(1,534,110)	4,763,802
Tax effects of temporary differences for which no deferred tax assets (liabilities) are recognized		13,033,478	5,726,750
Other		<u>(20,244,634)</u>	<u>(2,310,298)</u>
Income tax expenses	₩	<u>50,605,291</u>	<u>65,871,536</u>
Average effective tax rate		19.85%	29.13%

38. Income Taxes, Continued

(4) Changes in deferred tax assets and liabilities for the years ended December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>		<u>2014</u>			
		<u>Beginning balance</u>	<u>Profit or loss</u>	<u>Other comprehensive income</u>	<u>Ending balance</u>
Bad debt expense	₩	3,272,923	(1,562,728)	-	1,710,195

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Allowance for sales returns	1,050,316	(131,385)	-	918,931
Voluntary reserve	(3,446,667)	626,667	-	(2,820,000)
Depreciation	(30,307,890)	(5,935,872)	-	(36,243,762)
Defined benefit liability	201,802	(155,484)	-	46,318
Land	(16,520,490)	45,265	-	(16,475,225)
Investments in subsidiaries	(24,096,554)	7,312,033	-	(16,784,521)
Reserve for gain on investment in kind	(5,502,353)	5,502,353	-	-
Other adjustment for consolidation	8,758,955	1,220,239	(370,381)	9,608,813
₩	(66,589,958)	6,921,088	(370,381)	(60,039,251)

2013

<i>In thousands of won</i>	Beginning balance	Profit or loss	Other comprehensive income	Others	Ending balance
Bad debt expense	₩ 787,491	2,485,432	-	-	3,272,923
Allowance for sales returns	1,165,298	(114,982)	-	-	1,050,316
Voluntary reserve	(2,820,000)	(626,667)	-	-	(3,446,667)
Depreciation	(25,721,152)	(4,586,738)	-	-	(30,307,890)
Defined benefit liability	325,283	(123,481)	-	-	201,802
Land	(16,528,814)	8,324	-	-	(16,520,490)
Investments in subsidiaries	(28,821,984)	4,725,430	-	-	(24,096,554)
Reserve for gain on investment in kind	(11,004,705)	5,502,352	-	-	(5,502,353)
Other adjustment for consolidation	14,537,105	(5,203,266)	(580,365)	5,481	8,758,955
₩	(68,081,478)	2,066,404	(580,365)	5,481	(66,589,958)

(5) The net deferred tax liabilities are reflected in the 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.

38. Income Taxes, Continued

(6) The amount of deductible temporary differences for which no recognized as deferred tax assets is recognized as of December 31, 2014 is as follows:

<i>In thousands of won</i>	December 31, 2014
Investment in subsidiaries	₩ 187,953,000
Bad debt expense	100,083,118
Tax loss carry forward	17,826,333

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₩ 305,862,451

(7) As of December 31, 2014 the amount of total temporary differences related to investments of subsidiaries for which deferred tax liabilities were not recognized is ₩143,900,023 thousand because the Group is able to control the timing of the reversal of temporary differences.

(8) The aggregate amounts of tax assets and liabilities as of December 31, 2014 and 2013 before offsetting are as follows:

<i>In thousands of won</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Income taxes payable	₩ 56,539,310	70,188,536
Prepaid income taxes	<u>(39,972,436)</u>	<u>(45,904,139)</u>
Net income taxes payable	<u>₩ 16,566,874</u>	<u>24,284,397</u>

39. Financial Risk Management

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

- ✓ credit risk
- ✓ liquidity risk
- ✓ market risk

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

(1) Risk management activities

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Finance Department is responsible for developing and monitoring the Group's risk management policies.

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.

39. Financial Risk Management, Continued

(2) 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 and investment securities.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances.

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

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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.

The carrying amount of financial assets is maximum exposure to credit risk. The maximum exposure to credit risk as of December 31, 2014 and 2013 is as follows:

<i>In thousands of won</i>		<u>December 31, 2014</u>	<u>December 31, 2013</u>
Held-to-maturity financial assets	₩	2,613,430	4,232,085
Short-term and long-term deposits		272,073,967	284,233,812
Trade and other receivables		202,012,116	253,082,504
Cash and cash equivalents		<u>216,010,978</u>	<u>232,891,949</u>
	₩	<u>692,710,491</u>	<u>774,440,350</u>

The aging schedule of trade and other receivables which were past due but not impaired as of December 31, 2014 and 2013 is as follows:

<i>In thousands of won</i>		<u>December 31, 2014</u>	<u>December 31, 2013</u>
Within 6 months	₩	14,452,881	9,176,118
Between 6 and 12 months		4,211,874	2,079,956
Beyond 12 months		<u>537,220</u>	<u>109,774</u>
	₩	<u>19,201,975</u>	<u>11,365,848</u>

(3) 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 approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

39. Financial Risk Management, Continued

(3) Liquidity risk, Continued

The maturity analysis of financial liabilities as of December 31, 2014 is as follows:

<i>In thousands of won</i>		<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Beyond 5 years</u>
Debentures and borrowings	₩	1,031,122,002	1,065,061,924	365,003,358	94,749,803	180,020,353	424,377,138	911,272
Trades and other payables		<u>353,154,403</u>	<u>353,232,111</u>	<u>315,262,210</u>	<u>153,843</u>	<u>2,072,425</u>	<u>35,743,633</u>	<u>-</u>
	₩	<u>1,384,276,405</u>	<u>1,418,294,035</u>	<u>680,265,568</u>	<u>94,903,646</u>	<u>182,092,778</u>	<u>460,120,771</u>	<u>911,272</u>

The maturity analysis of financial liabilities as of December 31, 2013 is as follows:

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<i>In thousands of won</i>		<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Beyond 5 years</u>
Debentures and borrowings	₩	1,109,227,461	1,177,021,997	501,186,435	118,174,278	296,054,562	260,955,847	650,875
Trades and other payables		401,911,786	401,916,068	364,736,924	23,157	8,028,420	29,106,567	21,000
	₩	<u>1,511,139,247</u>	<u>1,578,938,065</u>	<u>865,923,359</u>	<u>118,197,435</u>	<u>304,082,982</u>	<u>290,062,414</u>	<u>671,875</u>

The estimated cash flows related to cash flow hedge derivatives as of December 31, 2014 and 2013 are as follows:

<i>In thousands of won</i>		<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 6 months</u>	<u>Between 6 months and 1 year</u>	<u>Beyond 1 year</u>
As of December 31, 2014:						
Derivative liabilities	₩	3,302	3,302	3,302	-	-
As of December 31, 2013:						
Derivative liabilities	₩	3,658	3,658	3,658	-	-

39. Financial Risk Management, Continued

(4) Currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

<i>In thousands of won</i>		<u>USD</u>	<u>JPY</u>	<u>EUR</u>	<u>AUD</u>	<u>CNY</u>	<u>HKD</u>
As of December 31, 2014:							
Cash and cash equivalents	₩	27,551,667	7,269	-	820,621	-	-
Trade receivables and other receivables		7,245,198	68,481	3,154,468	-	-	-
Trade payables and other payables		(5,289,134)	(529,661)	-	-	-	-
Borrowings		(159,292,841)	(596,034)	-	-	(33,535)	-
	₩	<u>(129,785,110)</u>	<u>(1,049,945)</u>	<u>3,154,468</u>	<u>820,621</u>	<u>(33,535)</u>	<u>-</u>

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As of December 31, 2013:

Cash and cash equivalents	₩	29,883,552	1,260,945	18,491	-	-	2,193,945
Short-term deposits		31,585	-	-	-	-	-
Trade receivables and other receivables		20,838,916	1,805,959	111,841	-	3,091,732	-
Trade payables and other payables		(7,043,242)	(90,525)	(362,433)	-	-	(15,835)
Borrowings		(238,853,639)	-	(2,770,263)	-	-	-
	₩	<u>(195,142,828)</u>	<u>2,976,379</u>	<u>(3,002,364)</u>	<u>-</u>	<u>3,091,732</u>	<u>2,178,110</u>

The exchange rates as of December 31, 2014 and 2013 are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
USD	1,099.20	1,055.30
JPY	9.20	10.05
EUR	1,336.52	1,456.26
AUD	899.09	939.96
CNY	177.23	174.09
HKD	176.81	136.09

39. Financial Risk Management, Continued

(4) Currency risk, Continued

As of December 31, 2014 and 2013, the effects of a 10% appreciating or depreciating of foreign currencies against functional currency on profit before tax are as follows:

		<u>December 31, 2014</u>		<u>December 31, 2013</u>	
		<u>10% strengthening</u>	<u>10% weakening</u>	<u>10% strengthening</u>	<u>10% weakening</u>
<i>In thousands of won</i>					
USD	₩	(12,978,511)	12,978,511	(21,311,438)	21,311,438
JPY		(104,995)	104,995	297,638	(297,638)
EUR		315,447	(315,447)	(293,171)	293,171
AUD		82,062	(82,062)	-	-
CNY		(3,354)	3,354	309,173	(309,173)

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HKD		-	-	217,811	(217,811)
	₩	<u>(12,689,351)</u>	<u>12,689,351</u>	<u>(20,779,987)</u>	<u>20,779,987</u>

(5) Interest rate risk

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

<i>In thousands of won</i>		<u>December 31, 2014</u>	<u>December 31, 2013</u>
Short-term borrowings	₩	138,042,735	131,201,276
Long-term debts		<u>373,535,139</u>	<u>172,126,645</u>
	₩	<u>511,577,874</u>	<u>303,327,921</u>

As of December 31, 2014 and 2013 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 won</i>		<u>December 31, 2014</u>		<u>December 31, 2013</u>	
		<u>10% increase</u>	<u>10% decrease</u>	<u>10% increase</u>	<u>10% decrease</u>
Profit (loss)	₩	(5,115,779)	5,115,779	(3,033,279)	3,033,279

39. Financial Risk Management, Continued

(6) 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 Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-redeemable preference shares and non-controlling interests, for maximizing shareholders' wealth. The Board of Directors also monitors the level of dividends to ordinary shareholders.

As of December 31, 2014 and 2013, the Group defines net debt to equity ratio as follows:

<i>In thousands of won</i>		<u>December 31, 2014</u>	<u>December 31, 2013</u>
Net debt:			
Debts and borrowings	₩	1,031,122,002	1,109,227,461
Less: Cash and cash equivalents		<u>(216,225,991)</u>	<u>(233,179,143)</u>
		814,896,011	876,048,318

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Equity	1,402,522,481	1,269,276,140
Net debt to equity percentage	58.10%	69.02%

40. Financial Commitments and Contingencies

(1) Financial commitments to financial institutions as of December 31, 2014 are as follows:

In thousands of won

<u>Lender</u>	<u>Type of commitment</u>	<u>Amount</u>	
Kookmin Bank	Usance	USD	10,000,000
	General loan	KRW	5,000,000
	General loan	USD	10,000,000
Hana Bank	Group purchase card	KRW	40,000,000
	Usance	USD	3,000,000
	General loan	KRW	16,000,000
	General loan	USD	62,789,614
	General loan	CNY	90,000,000

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	Bank overdraft	KRW	5,000,000
Nonghyup Bank	Trade bills bought	USD	1,000,000
	Bank overdraft	KRW	1,000,000
Shinhan Bank	Group purchase card	KRW	45,000,000
	Usance	USD	15,920,000
	B2B contract	KRW	7,000,000
	Bank overdraft	KRW	7,500,000
	Commercial paper discount	KRW	30,000,000
	Draft at sight	USD	3,000,000
	Foreign trade contract	USD	1,000,000
	General loan	KRW	17,500,000
	General loan	USD	7,000,000
	General loan	CNY	170,000,000
Citibank	General loan	KRW	10,000,000
Korea Exchange Bank	Usance	USD	8,000,000
	Foreign currency loan	USD	3,500,000
	Import and export loan	USD	10,000,000
	General working capital loan	USD	8,000,000
Woori Investment Bank	Commercial paper discount	KRW	10,000,000
Meritz Investment Bank	Commercial paper discount	KRW	30,000,000
Woori Bank	General loan	KRW	6,000,000
	General loan	USD	5,000,000
HSBC	General loan	USD	32,000,000
	Import and export loan	USD	5,000,000
Industrial Bank of Korea	General loan	USD	14,500,000
	General loan	CNY	80,000,000

39. Financial Commitments and Contingencies, Continued

(1) Financial commitments to financial institutions as of December 31, 2014 are as follows, continued:

In thousands of won

<u>Lender</u>	<u>Type of commitment</u>	<u>Amount</u>	
Korea Development Bank	General loan	USD	86,275,000
	General loan	CNY	105,781,030
	Import and export loan	USD	9,000,000
The export- Import Bank of Korea	General loan	USD	44,000,000
The Bank of China	General loan	CNY	130,000,000
		KRW	230,000,000
		USD	338,984,614
		CNY	575,781,030

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(2) The Group has been provided guarantees from financial institutes for collecting receivables of local film distributors which are as follows;

In thousands of won

Counter party	Guarantor	Amount
Seoul Yongbae Ltd.	Hana Bank	₩ 400,000
Taekyung Ltd.	Woori Bank	200,000
Dongbo Cinema Ltd.	Standard Chartered Bank	200,000
Global Media Tech Inc.	Seoul Guarantee Insurance	10,000

(3) The Group has been provided guarantees by Seoul Guarantee Insurance Company for money deposits made post-provisional attachment related to the recourse of investments are as follows;

In thousands of won

Insurant	Purpose	Amount
SAD corporation	Security provisional attachment	₩ 12,000

(4) As of December 31, 2014, guarantees of ₩26,217,679 thousand are provided to the Group by Shinhan Bank and Seoul Guarantee Insurance Company for the implementation of contracts.

40. Financial Commitments and Contingencies, Continued

(5) Consignment contract

Consignment contract of Sports Toto Co., Ltd. was concluded on February 15, 2001 upon Ministry of Culture and Tourism approval. Since the issuance of Sports Toto was temporally ceased on October 14, 2002 due to business depression, the details of consignment contract were changed to normalize it based on agreement on April 18, 2003.

Additionally, agreements and amendments were entered into to clarify the details of the original contract. The Group extended the contract effective period to September 30, 2012. After expiration date, the contract was further extended to the day before Sports Promotion Act would be revised. As an event after the reporting period, the effective period of the contract will end on April 30, 2015 by the announcement of Korean Sports Promotion Foundation. No adjustments have been made on the consolidated financial statements that may result from the termination of the contract as of December 31, 2014.

Consignment operating income is collected based on rate determined by the Minister of Culture-Sports at each year since 2007. Since the minimum amount to be settled is ₩3,000 million at the end of each year, ₩1,082,600 million has been collected in 2014.

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The Group issued performance bond whose face value was ₩3,000 million and beneficiary was Korea Sports Promotion Foundation.

The Group takes property insurance of ₩21,900 million as it is compulsory with regard to one contract.

The Group should contribute the amount of net income from sports promotion lottery business in excess of certain amount of revenue to Korea Sports Promotion Foundation pursuant to the related contract. There was no contribution made in 2014.

(6) The Group takes a performance guarantee insurance to repair defects with a regard to construction contracts.

(7) Lawsuit pendings

Details of lawsuit pendings as of December 31, 2014 are summarized as follows.

In thousands of won

<u>Company</u>	<u>Plaintiff</u>	<u>Defendant</u>	<u>Contents</u>	<u>Amounts</u>	<u>Progress</u>
Mediaplex Corp.	Wellmade Yedang. Inc.	Future, Inc.	Compensation for damages	₩ 1,915,000	Plaintiff partly prevail
	Taechang MP Film. Inc.	Future, Inc..	Compensation for damages	352,000	Plaintiff dismissed
Mega Mark Co., Ltd	Young Mi Park	Future, Inc.	Compensation for damages	3,200,000	Cannot reliably estimate
	Mega Mark Co., Ltd.	Future, Inc.	Payment for cost of construction	2,700,000	Cannot reliably estimate
Sports Toto Co., Ltd.	Korea Sports Promotion Foundation	Future, Inc.	Compensation for damages	1,000,000	The second trial in progress

41. Related Parties

(1) Related parties as of December 31, 2014 are as follows, except subsidiaries:

<u>Relationship</u>	<u>Related Company</u>
Associates	Michigan Global Contents Investment Fund
	Michigan Global Contents Investment Fund #3
	Michigan Global Contents Investment Fund #4
	CJ Global Contents Venture Capital #11
	Gemini Contents Investment Partnership #1
	Beijing mega media Co., Ltd.
	Beijing media tech Co., Ltd.
	Daehan distributor Corp.
	Hubei Radio&TV Mega Trading Co., Ltd.
	Beijing Zhongguan Megabox Cinema Co., Ltd.
Others	Orion drink Corp.
	Rangbang ae bou packing Co., Ltd

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Stellarway Limited.

(2) Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2014 and 2013 are summarized as follows:

In thousands of won

<u>Relationship</u>	<u>Transaction</u>		<u>2014</u>	<u>2013</u>
Associates	Receipt of investment deposits	₩	11,000,000	6,600,000
	Payment of investment deposits		9,908,452	11,075,045
	Settlement of film revenue(cost)		(402,281)	(321,108)
Other	Purchase		61,126,622	67,319,193
	Other expense		6,474	19,668
	Acquisition of tangible assets		-	21,251,000

(3) Accounts payable balances with related companies as of December 31, 2014 and 2013 were as follows:

In thousands of won

<u>Relationship</u>	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Trade payables</u>	<u>Other payables</u>	<u>Trade payables</u>	<u>Other payables</u>
Associates	₩ 285,150	8,554,731	1,944,253	7,463,183
Other	3,188,873	-	9,561,564	4,260
	₩ <u>3,474,023</u>	<u>8,554,731</u>	<u>11,505,817</u>	<u>7,467,443</u>

41. Related Parties, Continued

(4) Details of key management personnel compensation for the years ended December 31, 2014 and 2013 are summarized as follows:

In thousands of won

		<u>2014</u>	<u>2013</u>
Short-term employee benefits	₩	35,656,620	50,118,306
Post-employment benefits		1,109,143	730,637
	₩	<u>36,765,763</u>	<u>50,848,943</u>

42. Statements of Cash Flows

Non-cash transactions for years ended December 31 2014 was as follows:

In thousands of won

		<u>2014</u>
Reclassification from construction in progress to property, plant and equipment	₩	210,378,440
Reclassification from prepayments to publication right		45,959,825
Transferred from construction in progress to the Korea Sports Promotion Ordinance		4,568,569

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Reclassification from property, plant and equipment to investment property	7,645,980
Reclassification from property, plant and equipment to assets held for sale	34,103,028
Acquisition of property, plant and equipment	9,446,030
Disposal of intangible assets	279,200

43. The Impact of Termination of Sports Promotion Lottery Consignment Contract

The contract of sports promotion lottery consignment business that accounts for 99.8% of sales of the Sports Toto Co., Ltd. for the years ended December 31, 2014, will be ended for April 30, 2015. If the contract will be ended, the main business of Sports Toto Co., Ltd. cannot forecast.