

ORION CORPORATION AND ITS SUBSIDIARIES

**Consolidated Financial Statements
December 31, 2023**

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

(Based on a report originally issued in Korean)

To the Shareholders and Board of Directors of
Orion Corp.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Orion Corp. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2023, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising of material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

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

Key Audit Matter

Key audit matter is such matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Promotion activities in relation to sale of goods

The Group's goods sales revenue is generated by selling confectionery and others, and various types of sales rebates and policies are executed by the Group to increase sales considering the characteristics of the goods. As disclosed in Note 4 to the consolidated financial statements, the Group accounts for consideration payable to a customer as an expense or reduction of the revenue, depending on whether the payment to the customer is in exchange for a distinct goods or services. Sales are measured by deducting the consideration to be paid to customers, such as sales incentives. As sales incentive items and calculation methods differ depending on the customer, there is a possibility that errors may occur regarding the appropriateness of the sales deduction amount and the amount is significant; thus, we identified the accuracy and completeness of sales deductions for sales promotion activities as a key audit matter.



The primary audit procedures we performed to address this key audit matter are as follows:

- Obtained an understanding of the types of considerations to be paid to customers, assessed appropriateness of accounting policies for each classification, and obtained an understanding and assessed related internal control
- Assessed appropriateness of the recognition of considerations to be paid to the customers by inspecting relevant documents such as contracts, on a sampling basis and testing relevant transactions
- Assessed adequacy of the amount of revenue by reviewing the appropriateness of the account classification between reduction of the revenue and recognizing as selling, general and administrative expenses

Other Matters

The consolidated financial statements of the Group for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on March 15, 2023.

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Lee, Ju Hyung.

KPMG Samjong Accounting Corp.

Seoul, Korea

March 13, 2024

This report is effective as of March 13, 2024, 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.

Orion Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2023 and 2022

<i>(In thousands of Korean Won)</i>	Notes	2023	2022
Assets			
Property, plant and equipment	7	₩ 1,658,385,977	₩ 1,667,582,034
Intangible assets	8	29,911,554	31,155,473
Goodwill	9	23,848,783	23,886,984
Investment property	10	35,381,317	35,568,253
Right-of-use assets	11	63,304,325	62,018,557
Investment in joint ventures	12	33,100,131	32,467,835
Financial assets at fair value through other comprehensive income	13,34	5,425,867	20,615,039
Long-term deposits	17,34,36	2,000	2,000
Net defined benefit asset	27	11,035,123	2,875,411
Other non-current financial assets	16,34,36,38	19,057,526	19,300,198
Other non-current assets	14	13,721,265	5,775,417
Deferred income tax assets	35	6,024	3,877
Total non-current assets		1,893,179,892	1,901,251,078
Inventories	15	259,736,428	234,883,242
Other current assets	14	22,932,594	16,042,976
Other current financial assets	16,34,36,38	57,846,174	21,046,822
Current tax assets	35	326,262	69,976
Trade receivables	16,34,36,38	191,029,000	203,103,219
Short-term deposits	17,34,36	730,485,108	385,563,538
Cash and cash equivalents	17,34,36	365,849,670	609,723,063
Total current assets		1,628,205,236	1,470,432,836
Total assets		₩ 3,521,385,128	₩ 3,371,683,914

Orion Corporation and Subsidiaries
Consolidated Statements of Financial Position, Continued
December 31, 2023 and 2022

<i>(In thousands of Korean Won)</i>	Notes	2023	2022
Equity			
Capital stock	1,18 W	19,768,066	19,768,066
Capital surplus		598,172,192	598,172,192
Treasury shares	19	(604,361)	(604,361)
Other capital	20	684,882,469	718,196,487
Reserves	21	332,275,964	255,268,311
Unappropriated retained earnings	21	1,227,905,260	962,982,146
Equity attributable to owners of the Parent		2,862,399,590	2,553,782,840
Non-controlling interest	5	93,077,359	85,445,992
Total equity		2,955,476,949	2,639,228,833
Liabilities			
Non-current lease liabilities	11,34,36,38	14,296,468	13,780,676
Deferred tax liabilities	35	151,443,253	161,513,315
Other non-current liabilities	28	975,096	779,726
Other non-current financial liabilities	24,34,36,38	273,453	201,785
Total non-current liabilities		166,988,270	176,275,503
Current portion of long-term debts	26,34,36	-	69,973,925
Short-term borrowings	26,34,36	3,812,744	23,907,383
Trade payables	34,36,38	122,719,827	149,983,831
Current lease liabilities	11,34,36,38	10,499,671	10,337,604
Current tax liabilities	35	51,481,138	57,221,335
Other current liabilities	25,28	47,493,087	54,573,480
Other current financial liabilities	24,34,36,38	162,913,442	190,182,020
Total current liabilities		398,919,909	556,179,578
Total liabilities		565,908,179	732,455,082
Total equity and liabilities	W	3,521,385,128	W 3,371,683,914

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

Orion Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
December 31, 2023 and 2022

<i>(In thousands of Korean Won)</i>	Notes	2023	2022
Revenue	6,29,38	₩ 2,912,358,051	₩ 2,873,246,771
Cost of revenue	29,33,38	(1,784,947,055)	(1,782,078,953)
Gross profit		1,127,410,996	1,091,167,818
Selling expenses	30,33	(482,412,666)	(482,105,169)
General and administrative expenses	30,33,38	(152,607,180)	(142,408,147)
Operating profit		492,391,150	466,654,503
Net other expense	31	(7,133,928)	(3,699,280)
Net finance income	32,34	34,191,345	23,165,972
Share of profit of associates and joint ventures	12	569,340	606,921
Profit before income tax		520,017,907	486,728,116
Income tax expense	35	(135,035,952)	(88,420,041)
Profit for the year		384,981,955	398,308,075
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		(32,679,057)	(36,693,315)
Share of other comprehensive income of joint ventures	12	17,331	52,930
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial gain (loss)	27	1,399,077	10,362,482
Income tax of other comprehensive income	35	(321,837)	(2,494,227)
Share of defined benefit plan actuarial gain of joint ventures	12	45,625	152,840
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	34	357,371	6,883,590
Other comprehensive income (loss) for the period, net of tax		(31,181,490)	(21,735,699)
Total comprehensive income for the period		₩ 353,800,465	₩ 376,572,376

Orion Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income, Continued
December 31, 2023 and 2022

<i>(In thousands of Korean Won)</i>	Notes	2023	2022
Profit attributable to:			
Owners of the Parent		₩ 376,646,553	₩ 392,351,424
Non-controlling interests	5	<u>8,335,402</u>	<u>5,956,651</u>
Profit for the year		<u>₩ 384,981,955</u>	<u>₩ 398,308,075</u>
Total comprehensive income attributable to:			
Owners of the Parent		₩ 346,169,098	₩ 372,620,356
Non-controlling interests		<u>7,631,367</u>	<u>3,952,020</u>
Total comprehensive income for the year		<u>₩ 353,800,465</u>	<u>₩ 376,572,376</u>
Earnings per share			
	22		
Basic earnings per share (in Korean won)		₩ 9,528	₩ 9,926
Diluted earnings per share (in Korean won)		9,528	9,926

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

Orion Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended December 31, 2023 and 2022

(In thousands of Korean Won)									
		Capital Stock	Capital Surplus	Treasury shares	Other capital	Reserves	Retained earnings	Non-controlling interests	Total equity
Balance as of January 1, 2022	₩	19,768,066	₩ 598,172,192	₩ (604,361)	₩ 746,261,113	₩ 190,491,475	₩ 656,956,021	₩ 81,505,966	2,292,550,472
Comprehensive income:									
Profit for the year		-	-	-	-	-	392,351,424	5,956,651	398,308,075
Other comprehensive income:									
Gain on valuation of financial assets at fair value through other comprehensive income		-	-	-	6,549,918	-	-	333,672	6,883,590
Transfer of gain(loss) on disposal of equity investments at fair value through other comprehensive income		-	-	-	(77,034)	-	77,034	-	-
Exchange differences on translating foreign operations		-	-	-	(34,355,011)	-	-	(2,338,304)	(36,693,315)
Share of other comprehensive income of joint ventures		-	-	-	52,930	-	-	-	52,930
Share of defined benefit plan actuarial gain of joint ventures		-	-	-	-	-	152,840	-	152,840
Remeasurements of net defined benefit liability		-	-	-	-	-	7,868,255	-	7,868,255
Total Comprehensive income for the year		-	-	-	(27,829,196)	-	400,449,553	3,952,020	376,572,376
Total transactions with owners of the Company, recognized directly in equity :									
Share-based compensation expenses		-	-	-	(235,430)	-	-	(11,994)	(247,424)
Dividends paid		-	-	-	-	-	(29,646,592)	-	(29,646,592)
Addition to legal reserves		-	-	-	-	4,991,528	(4,991,528)	-	-
Addition to discretionary reserves		-	-	-	-	59,785,309	(59,785,309)	-	-
Total transactions with owners of the Company, recognized directly in equity		-	-	-	(235,430)	64,776,837	(94,423,428)	(11,994)	(29,894,016)
Balance as of December 31, 2022	₩	19,768,066	₩ 598,172,192	₩ (604,361)	₩ 718,196,487	₩ 255,268,311	₩ 962,982,146	₩ 85,445,992	2,639,228,833

Orion Corporation and Subsidiaries

Consolidated Statements of Changes in Equity, Continued

Years Ended December 31, 2023 and 2022

(In thousands of Korean Won)									
		Capital Stock	Capital Surplus	Treasury shares	Other capital	Reserves	Retained earnings	Non-controlling interests	Total equity
Balance as of January 1, 2023	₩	19,768,066	₩ 598,172,192	₩ (604,361)	₩ 718,196,487	₩ 255,268,311	₩ 962,982,146	₩ 85,445,992	2,639,228,833
Comprehensive income:									
Profit for the year		-	-	-	-	-	376,646,553	8,335,402	384,981,955
Other comprehensive income:									
Gain on valuation of financial assets at fair value through other comprehensive income		-	-	-	340,048	-	-	17,323	357,371
Transfer of gain(loss) on disposal of equity investments at fair value through other comprehensive income		-	-	-	(1,713,698)	-	1,713,698	-	-
Exchange differences on translating foreign operations		-	-	-	(31,957,699)	-	-	(721,358)	(32,679,057)
Share of other comprehensive income of joint ventures		-	-	-	17,331	-	-	-	17,331
Share of defined benefit plan actuarial gain of joint ventures		-	-	-	-	-	45,625	-	45,625
Remeasurements of net defined benefit liability		-	-	-	-	-	1,077,240	-	1,077,240
Total Comprehensive income for the year		-	-	-	(33,314,018)	-	379,483,116	7,631,367	353,800,465
Total transactions with owners of the Company, recognized directly in equity :									
Dividends paid		-	-	-	-	-	(37,552,349)	-	(37,552,349)
Addition to legal reserves		-	-	-	-	2,034,470	(2,034,470)	-	-
Addition to discretionary reserves		-	-	-	-	74,973,183	(74,973,183)	-	-
Total transactions with owners of the Company, recognized directly in equity		-	-	-	-	77,007,653	(114,560,002)	-	(37,552,349)
Balance as of December 31, 2023	₩	19,768,066	₩ 598,172,192	₩ (604,361)	₩ 684,882,469	₩ 332,275,964	₩ 1,227,905,260	₩ 93,077,360	2,955,476,949

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

Orion Corporation and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2023 and 2022

(In thousands of Korean won)

	2023	2022
Cash flows from operating activities		
Profit for the year	₩ 384,981,955	₩ 398,308,075
Adjustments for:		
Retirement benefits	11,856,017	11,455,131
Depreciation of property, plant and equipment	140,281,523	144,312,380
Amortization	3,447,676	4,512,303
Depreciation of investment property	166,011	162,914
Depreciation of right-of-use assets	13,296,761	12,666,238
Loss on sale of trade receivables	428,124	3,926,126
Other bad debt expenses	3,611	1,013
Loss on sale of property, plant and equipment	8,916,977	7,986,548
Loss on sale of intangible assets	72	1,624
Share-based compensation expense	38,449	27,131
Foreign currency translation loss	1,412,213	527,495
Interest expense	3,600,108	4,394,395
Income tax expense	135,035,952	88,420,041
Other expense	1,204,910	1,864,344
Gain on sale of property, plant and equipment	(665,739)	(3,203,594)
Gain on sale of intangible assets	(29,829)	(1,559,304)
Gain on disposal of financial assets at fair value through profit or loss	-	(588,991)
Foreign currency translation gain	(2,220,095)	(686,662)
Interest income	(37,267,740)	(24,891,097)
Share of profit of associates and joint ventures	(569,340)	(606,921)
Dividend income	-	(465,936)
Reversal of other bad debt expenses	-	(68,941)
Other Income	(546,251)	(65,665)
Subtotal	278,389,410	248,120,571
Changes in:		
Trade receivables	9,094,098	(32,318,734)
Other current financial assets	1,890,529	(1,139,676)
Other current assets	(6,767,013)	3,849,051
Inventories	(30,239,953)	(30,242,102)
Other non-current assets	(11,052,981)	(1,461,076)
Other non-current financial assets	9,254	(20,239)
Trade Payables	(24,186,501)	35,116,437
Other Payables	-	2,973
Other current liabilities	(5,881,176)	(16,375,866)

Orion Corporation and Subsidiaries
Consolidated Statements of Cash Flows, Continued
Years Ended December 31, 2023 and 2022

<i>(In thousands of Korean won)</i>	2023	2022
Other current financial liabilities	(22,644,843)	64,611,473
Plan assets	(11,926,004)	1,407,321
Payment of defined benefit obligations	(5,998,684)	(7,789,039)
Payment of long-term employee benefit liabilities	(106,658)	(131,465)
Subtotal	(107,809,932)	15,509,057
Interest received	36,350,943	20,523,263
Dividend received	-	318,779
Interest paid	(4,080,961)	(7,764,475)
Income tax paid	(150,869,441)	(128,822,632)
Net cash inflow from operating activities	436,961,974	546,192,637
Cash flow from investing activities		
Increase in short-term loan	(37,083,486)	-
Proceeds from disposal of property, plant and equipment	1,192,613	10,377,462
Proceeds from disposal of intangible assets	511,742	4,170,526
Decrease in financial assets at fair value through profit or loss	-	45,208,026
Decrease in rental deposits	712,979	749,917
Decrease in operation deposits	179,850	93,400
Increase in short-term financial deposits	(344,921,568)	(257,786,861)
Increase in financial assets at fair value through other comprehensive income	-	(2,282,581)
Decrease in financial assets at fair value through other comprehensive income	10,264,294	-
Acquisition of investment in joint ventures	(622,000)	-
Acquisition of property, plant and equipment	(166,473,272)	(85,331,322)
Acquisition of intangible assets	(2,331,377)	(5,541,975)
Increase in rental deposits	(1,825,616)	(1,624,469)
Increase in operation deposits	(131,940)	(179,850)
Net cash outflow from investing activities	(540,527,781)	(292,147,728)
Cash flow from financing activities		
Increase in short-term borrowings	435,289,932	276,718,983
Redemption of short-term borrowings	(454,379,035)	(252,935,267)
Redemption of current portion of long-term borrowings	(70,000,000)	(160,000,000)
Redemption of lease liabilities	(11,479,597)	(11,178,454)
Increase in leasehold deposits	80,000	-
Decrease in leasehold deposits	(2,000)	(63,000)

Orion Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

<i>(In thousands of Korean won)</i>	2023	2022
Dividends paid	(37,552,349)	(29,646,592)
Net cash outflow from financing activities	(138,043,049)	(177,104,330)
Effect on exchange rate fluctuations on cash held, and others	(2,264,537)	(17,626,700)
Net increase(decrease) in cash and cash equivalents	(243,873,393)	59,313,879
Cash and cash equivalents at the beginning of the period	609,723,063	550,409,184
Cash and cash equivalents at the end of the period	₩ 365,849,670	₩ 609,723,063

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

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

1. General Information

These financial statements are consolidated financial statement prepared by Orion Corporation (“the Company” or the “Parent Company”) and its subsidiaries(collectively referred to as the “Group”), which are subject to consolidation, in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

Description of the Controlling Company

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

The Company is manufacturing and selling various kinds of confectionery with its headquarters in Baekbumro, Yongsan-gu, Seoul, and a factory in Iksan, Jeollabuk-do, and others. As at December 31, 2023, the Company’s capital stock is ₩19,768 million. Major shareholders of the Company are Orion Holdings Co., Ltd.(37.37%) and seven other related parties (6.43%).

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

1. General Information, Continued

The Company and its consolidated subsidiaries as at December 31, 2023 and 2022, are as follows:

Name	Location	Immediate controlling party	Percentage of ownership					
			2023			2022		
			The Company	Subsidiary	Total	The Company	Subsidiary	Total
Orion Corporation	Korea	The Ultimate Parent Company	-	-	-	-	-	-
PAN Orion Corp. Limited	Hong Kong	Orion Corporation	95.15%	-	95.15%	95.15%	-	95.15%
Orion International Euro LLC	Russia	Orion Corporation, PAN Orion Corp. Limited	73.27%	26.73%	100.00%	73.27%	26.73%	100.00%
Orion Food VINA Co., Ltd.	Vietnam	Orion Corporation	100.00%	-	100.00%	100.00%	-	100.00%
Orion Nutritionals Private Ltd.	India	Orion Corporation	100.00%	-	100.00%	100.00%	-	100.00%
Orion Food Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%	-	100.00%	100.00%
Orion Food (Shanghai) Co., Ltd	China	PAN Orion Corp. Limited	-	100.00%	100.00%	-	100.00%	100.00%
Orion Food (Guangzhou) Co., Ltd	China	PAN Orion Corp. Limited	-	100.00%	100.00%	-	100.00%	100.00%
Orion Food (Shen Yang) Co., Ltd	China	PAN Orion Corp. Limited	-	100.00%	100.00%	-	100.00%	100.00%
Orion Agro Co., Ltd	China	Orion Food Co., Ltd.	-	100.00%	100.00%	-	100.00%	100.00%
Orion Agro DuoLun Co., Ltd	China	Orion Food Co., Ltd.	-	100.00%	100.00%	-	100.00%	100.00%
LangFang Green Eco Packaging Co., Ltd	China	Orion Food Co., Ltd.	-	100.00%	100.00%	-	100.00%	100.00%
Orion F&B US, Inc.	United States of America	Orion Corporation	100.00%	-	100.00%	100.00%	-	100.00%

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

1. General Information, Continued

Financial information of the Company and its consolidated subsidiaries as at December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022 is summarized as follows:

(In millions of Korean won)

(In millions of Korean won)		2023						
Name	Main Business	Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Total Comprehensive Income(loss)	
Orion Corporation	Manufacturing and selling confectioneries	₩ 1,334,301	₩ 179,527	₩ 1,154,774	₩ 1,069,994	₩ 239,706	₩ 240,636	
PAN Orion Corp. Limited	Holding company	908,246	4,130	904,116	272,719	282,121	282,478	
Orion International Euro LLC	Manufacturing and selling confectioneries	182,675	24,302	158,373	200,298	27,656	27,656	
Orion Food VINA Co., Ltd.	Manufacturing and selling confectioneries	496,017	67,211	428,806	475,498	84,753	84,753	
Orion Nutritionals Private Ltd.	Manufacturing and selling confectioneries	36,503	7,312	29,191	20,457	(15,471)	(15,471)	
Orion Food Co., Ltd.	Manufacturing and selling confectioneries	658,416	156,470	501,946	1,171,643	130,247	130,247	
Orion Food (Shanghai) Co., Ltd	Manufacturing confectioneries	217,323	36,221	181,102	216,871	17,471	17,471	
Orion Food (Guangzhou) Co., Ltd	Manufacturing confectioneries	197,991	29,965	168,026	134,125	12,904	12,904	
Orion Food (Shen Yang) Co., Ltd	Manufacturing confectioneries	173,740	20,838	152,902	82,843	9,386	9,386	
Orion Agro Co., Ltd	Manufacturing food and beverages	9,617	1,427	8,190	19,731	1,561	1,561	
Orion Agro DuoLun Co., Ltd	Processing the agricultural products	4,963	727	4,236	4,543	345	345	
LangFang Green Eco Packaging Co., Ltd	Manufacturing pulp and paper	23,712	4,951	18,761	26,769	2,517	2,517	
Orion F&B US, Inc.	Selling confectioneries	4,126	3,682	444	4,805	229	229	
Total		₩ 4,247,630	₩ 536,763	₩ 3,710,867	₩ 3,700,296	₩ 793,425	₩ 794,712	

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

1. General Information, Continued

(In millions of Korean won)

(In millions of Korean won)		2022							
Name	Main Business	Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Total Comprehensive Income(loss)		
Orion Corporation	Manufacturing and selling confectioneries	₩ 1,228,501	₩ 276,811	₩ 951,690	₩ 939,113	₩ 104,657	₩ 112,493		
PAN Orion Corp. Limited	Holding company	659,867	4,125	655,742	347,838	345,218	352,101		
Orion International Euro LLC	Manufacturing and selling confectioneries	189,511	36,044	153,467	209,827	30,196	30,196		
Orion Food VINA Co., Ltd.	Manufacturing and selling confectioneries	526,274	68,903	457,371	472,902	82,374	82,375		
Orion Nutritionals Private Ltd.	Manufacturing and selling confectioneries	29,195	6,815	22,380	13,615	(11,628)	(11,628)		
Orion Food Co., Ltd.	Manufacturing and selling confectioneries	787,447	198,988	588,459	1,265,189	134,612	134,612		
Orion Food (Shanghai) Co., Ltd	Manufacturing confectioneries	240,328	43,286	197,042	220,316	16,770	16,770		
Orion Food (Guangzhou) Co., Ltd	Manufacturing confectioneries	204,793	29,226	175,567	150,347	11,859	11,859		
Orion Food (Shen Yang) Co., Ltd	Manufacturing confectioneries	168,168	24,002	144,166	105,506	10,874	10,874		
Orion Agro Co., Ltd	Manufacturing food and beverages	9,710	1,749	7,961	16,552	1,520	1,520		
Orion Agro DuoLun Co., Ltd	Processing the agricultural products	4,761	849	3,912	3,704	253	253		
LangFang Green Eco Packaging Co., Ltd	Manufacturing pulp and paper	25,362	6,095	19,267	30,962	3,483	3,483		
Orion F&B US, Inc.	Selling confectioneries	912	698	214	1,470	26	26		
Total		₩ 4,074,829	₩ 697,591	₩ 3,377,238	₩ 3,777,341	₩ 730,214	₩ 744,934		

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

There are no material changes in the scope of the consolidation for the year ended December 31, 2023 and 2022.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

2. Basis of Presenting Financial Statements

The Group has prepared financial statements in accordance with the Korean International Financial Reporting Standards (K-IFRS), which are accounting standards adopted by the International Accounting Standards Board (IASB) as stipulated in Article 5, Paragraph 1, Item 1 of the External Audit of Stock Companies Act.

The consolidated financial statements were approved for issue by the Board of Directors on February 7, 2024, and are subject to change with the approval of shareholders at their Annual General Meeting on March 21, 2024.

(1) Basis of Measurement

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

- Net defined benefit liabilities (defined benefit assets) recognized at the present value of defined benefit obligations less the fair value of plan assets
- Financial assets at fair value through other comprehensive income("FVOCI")
- Liabilities for cash-settled share-based compensation measured at fair value

(2) Functional and Presentation Currency

Each subsidiary's financial statements within the Group are presented in the subsidiary's functional currency, which is the currency of the primary economic environment in which each subsidiary operates. The consolidated financial statements are presented in Korean won, which is the Controlling Company's functional currency.

(3) Estimation and Judgement

K-IFRS requires the use of estimates and assumptions about the future, including climate-related risks and opportunities based on management's best judgment, on the application of accounting policies in preparing financial statements or on the reporting amount of assets, liabilities, revenues and expenses as of the end of the reporting period. Estimates and actual results may differ when estimates and assumptions based on management's best judgment are different from the actual environment as of the end of the reporting period.

Estimates and the underlying assumptions about estimates are constantly being reviewed in relation to risk management of consolidated entities and their consistency with climate-related arrangements, and changes to accounting estimates are recognized during periods when estimates have changed and during periods that will be affected in the future.

Management judgments and estimates and assumptions about significant risks that may affect the adjustment of asset and liability bookings in the next fiscal year are as follows; Additional information on significant judgments and estimates for some items is included in relevant notes.

Russia's war on Ukraine is continuing and Russia is imposed to the international sanctions. As a result, the Group may experience situations such as a decrease in value of financial assets or operating assets owned by the Group regarding the conflict, an increase in receivable payment terms, limitation to transfer funds, a decrease in profit.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

2. Basis of Presenting Financial Statements, Continued

(3) Estimation and Judgement, Continued

Significant accounting estimates and assumptions applied in the preparation of the financial statements can be adjusted depending on changes in the uncertainty from conflicts between Russia and Ukraine and international sanctions against Russia. Also, the ultimate effect of such conflict and sanctions to the Group's business financial position and financial performance cannot be presently be determined.

(a) Management judgement

Information on key management decisions relating to the application of accounting policies that significantly affect the amount recognized in consolidated financial statements is as follows.

- Lease

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

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

(b) Uncertainty of assumptions and estimates

Information on the uncertainties of assumptions and estimates that pose a significant risk of significant adjustments occurring within the following reporting periods is as follows.

- Net defined benefit asset

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

(c) Fair value measurement

The Group's accounting policies and disclosures require fair value measurements for a number of financial and non-financial assets and liabilities. The Group establishes fair value assessment policies and procedures. The policy and procedures include the operation of the evaluation department responsible for reviewing all significant fair value measures, including fair value classified as Level 3 in the fair value hierarchy, and the results are reported directly to the CFO.

The assessment department regularly reviews significant inputs and assessment adjustments that are not observable. If third-party information, such as brokerage prices or assessment agencies, is used to measure fair value, the assessment department is determining whether it can conclude that the assessment based on information obtained from a third party contains classification by level within the fair value hierarchy and meets the requirements of that standard.

The Group reports a significant evaluation issue to the Audit Committee.

When measuring the fair value of an asset or liability, the Group uses market-observable inputs as much as possible. Fair value is classified within the fair value hierarchy based on the inputs used in the valuation technique as follows.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

2. Basis of Presenting Financial Statements, Continued

(3) Estimation and Judgement, Continued

(c) Fair value measurement, Continued

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

If several inputs used to measure the fair value of an asset or liability are classified at different levels within the fair value hierarchy, the entity classifies the entire fair value measurement at the same level as the lowest level input in the fair value hierarchy, which is significant throughout the measurement, and recognizes the shift between levels of the fair value hierarchy at the end of the reporting period when the change occurs.

Detailed information on the assumptions used to assess fair value is as follows.

- Estimated goodwill impairment

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

- Impairment of financial assets

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

- Share based payment

The Group measures the cost of share-based payment transaction by reference to the fair value of equity instruments granted at the grant date and the fair value is estimated using valuation model which considers the conditions upon which equity instruments are granted. Also, the Group shall decide the most appropriate price determining factors for valuation model including volatility of the rights and risk-free interest rate and others. The applied assumptions and evaluation models are described in Note 23.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

3. Changes in Accounting Policies

3.1 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognize the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

Following the amendments, the Group has recognized a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balance qualify for offset under paragraph 74 of K-IFRS 1012. There was no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognized.

3.2 Global Minimum Tax

The amendments clarify that K-IFRS 1012, Income Taxes, applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules issued by the Organization for Economic Co-operation and Development(OECD).

However, a temporary exemption from the requirements of K-IFRS 1012, Income Taxes, has been adopted to allow the Company to neither recognize nor disclose deferred tax assets and liabilities relating to Pillar Two income Taxes.

3.3 Material Accounting Policy Information

Since January 1, 2023, the Group has applied Disclosure of Accounting Policies(K-IFRS No. 1001 'Presentation of Financial Statements'). Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclose of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made update to the information disclosed in Note 4 Material Accounting policies.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

4. Material Accounting Policies

The material accounting policies applied by the Group in preparing the financial statements in accordance with Korean International Financial Reporting Standards (K-IFRS) are described below, and the financial statements for the current and comparative periods, excluding changes in accounting policies described in Note 3, have been prepared using the same accounting policies.

The Group adopted accounting policy disclosure amendments (K-IFRS 1001 'Presentation of Financial Statements') effective January 1, 2023. These amendments require disclosure of 'material' accounting policies rather than 'significant' accounting policies. While these amendments do not result in a change in the accounting policies themselves, they do impact the disclosure of accounting policy information in these financial statements.

4.1 Basis of consolidation

4.1.1 Non-controlling interests

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

4.1.2 Elimination of intercompany transactions

Intercompany transactions, balances, income and expenses and unrealized gains and losses (excluding foreign exchange gains and losses) are eliminated on consolidation. The Company's share of unrealized losses on transactions with associates accounted for using the equity method are eliminated in the same way as unrealized gains unless there is evidence of impairment of the asset.

4.1.3 Business combinations under common control

Combining entities or businesses under common control recognizes the acquired assets and liabilities as the book value in the consolidated financial statements of the ultimate controlling entity. The Group adjusts the difference between consideration transferred and the book value of net assets acquired in the capital surplus.

4.2 Cash and Cash Equivalents

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

4.3 Inventories

The cost of inventories is determined by the specific identification method for materials-in-transit and by the weighted average method for all other inventories. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The allocation of fixed manufacturing overheads which are included in the costs of products and work-in-process is based on the normal capacity of the production facilities.

4.4 Non-derivative financial assets

4.4.1 Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

4. Material Accounting Policies, Continued

4.4 Non-derivative financial assets, Continued

4.4.2 Classification and subsequent measurement

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

The business model of the Group is as follows.

Held to collect - The Group holds financial assets arise from its confectionery business and investment property. The objective of the business model for these financial instruments is to collect the amounts due from the Group's receivables and to earn contractual interest income on the amounts collected.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

4. Material Accounting Policies, Continued

4.5 Impairment of financial asset

4.5.1 Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortised cost ('cash and cash equivalents' and 'trade and other receivables')
- contract assets defined in K-IFRS 1115

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk(i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security(if any is held);

4.5.2 Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization
- the disappearance of an active market for a security because of financial difficulties

4.5.3 Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

4. Material Accounting Policies, Continued

4.5 Impairment of financial asset, Continued

4.5.4 Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4.6 Property, plant and equipment

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values under the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	Estimated useful lives (years)
Buildings	15 ~ 55
Structures	10 ~ 30
Machinery	5 ~ 17
Others	4 ~ 10, Indefinite

4.7 Intangible assets

Goodwill is measured as describes in Note 9, and carried at cost less accumulated impairment losses.

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

Intangible assets are amortised using a straight-line method for the following useful life from the time they become available, with the residual value as zero ("0"). In the case of certain intangible assets, where the expected period of use is not reasonably determinable, such intangible assets are evaluated to have an indefinite useful life, thus not amortised.

	Estimated useful lives (years)
Industrial property rights	10
Others	5

4.8 Investment property

An investment property is measured initially at its cost. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses.

Among investment property, land is not depreciated.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

4. Material Accounting Policies, Continued

4.9 Leases

4.9.1 As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Generally, the Group uses its incremental borrowing rate as the discount rate.

To determine the incremental borrowing rate, the Group uses:

- Recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- Makes adjustments specific to the lease, for example term and security.

The Group presents right-of-use assets that do not meet the definition of investment property in 'right-of-use assets' and lease liabilities in 'lease liabilities' in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4.9.2 As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

4.10 Non-derivative financial liabilities

The Group classifies financial liabilities at fair value through profit or loss and other financial liabilities and recognizes them on consolidated statement of financial position when the Group becomes a party to a contract, depending on the substance of the contractual terms and definition of financial liabilities.

4.11 Employee Benefits

The defined benefit liability is calculated annually by an independent actuary using the projected unit credit method.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

4. Material Accounting Policies, Continued

4.12 Provision

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

4.13 Foreign Currency

If the functional currency of an foreign operation is not the currency of hyperinflationary economy, the assets and liabilities in the statement of financial position(including the statement of financial position that is presented in comparison) are translated at the exchange rates at the reporting date. The income and expenses in the statement of comprehensive income are translated at the exchange rates at the average exchange rate for the reporting period and foreign currency differences arising from translation are recognized in OCI.

4.14 Revenue from contracts with customers

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

4.14.1 Variable consideration

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

4.14.2 Consideration payable to a customer

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

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

4. Material Accounting Policies, Continued

4.15 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the net gain or loss on the disposal of financial assets at FVTPL

Interest income or expense is recognized under the effective interest method. Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

4.16 Income tax

The Group has applied a temporary mandatory relief to the recognition and disclosure of deferred tax assets and liabilities related to the Pillar Two Model Rules. Furthermore, as the relevant legislation will be effective from January 1, 2024, the Group has not recognized any current tax expense related to Pillar Two in the fiscal year ended December 31, 2023.

4.17 New and amended standards not yet adopted by the Group

The amended accounting standards and interpretations that have been issued but not yet effective for the annual reporting period commencing on January 1, 2023 are as follows: The group has not early adopted the following new or amended accounting standards.

4.17.1 Amendments to K-IFRS 1001, Presentation of Financial Statements, Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting period beginning on or after 1 January 2024. There is no impact of this amendment on the consolidated financial statements.

4.17.2 Amendments to K-IFRS 1007, Statement of Cash Flows, and 1107, Financial Instruments : Presentation – Supplier Finance Arrangements

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual reporting period beginning on or after 1 January 2024. There is no impact of this amendment on the consolidated financial statements.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

4. Material Accounting Policies, Continued

4.17 New and amended standards not yet adopted by the Group, Continued

4.17.3 Other accounting standards

The following new and amended accounting standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Lease Liability in a Sale and Leaseback (Amendments to K-IFRS 1116, Lease)
- Lack of Exchangeability (Amendments to K-IFRS 1021, The Effect of Changes in Foreign Exchange Rates)

5. Non-Controlling Interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2023 and 2022, is as follows.

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

Subsidiary	Location	Non-controlling interests percentage	
		2023	2022
PAN Orion Corp. Limited	Hong Kong	4.85%	4.85%

Cumulative non-controlling interests and dividends paid to non-controlling interests as at December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

Subsidiary		2023		
		Profit allocated to non-controlling interests	Cumulative non-controlling interests	Dividends paid to non-controlling interests
PAN Orion Corp. Limited	₩	8,335,403 ₩	93,077,360 ₩	-

(In thousands of Korean won)

Subsidiary		2022		
		Profit allocated to non-controlling interests	Cumulative non-controlling interests	Dividends paid to non-controlling interests
PAN Orion Corp. Limited	₩	5,956,651 ₩	85,445,992 ₩	-

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

5. Non-Controlling Interests, Continued

Financial position and financial performance as at and for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

Subsidiary	2023				
	PAN Orion Corp. Limited	Orion Food Co., Ltd.	Orion Food (Shanghai) Co., Ltd.	Orion Food (Guangzhou) Co., Ltd.	Orion Food (Shen Yang) Co., Ltd.
Current assets	₩ 578,201,343	₩ 343,805,367	₩ 51,413,351	₩ 38,746,603	₩ 29,356,326
Non-current assets	330,044,692	314,610,612	165,910,019	159,244,611	144,384,043
Current liabilities	4,129,932	127,745,223	19,204,776	13,801,602	7,716,416
Non-current liabilities	-	28,725,169	17,016,427	16,162,947	13,121,855
Equity	904,116,103	501,945,587	181,102,167	168,026,665	152,902,098
Revenue	272,719,005	1,171,643,098	216,871,354	134,125,211	82,842,540
Profit for the year	282,121,035	130,247,238	17,470,967	12,904,316	9,385,642
Total comprehensive income	282,478,406	130,247,238	17,470,967	12,904,316	9,385,642

(In thousands of Korean won)

Subsidiary	2022				
	PAN Orion Corp. Limited	Orion Food Co., Ltd.	Orion Food (Shanghai) Co., Ltd.	Orion Food (Guangzhou) Co., Ltd.	Orion Food (Shen Yang) Co., Ltd.
Current assets	₩ 313,533,586	₩ 444,187,130	₩ 68,258,993	₩ 31,498,966	₩ 13,659,767
Non-current assets	346,333,413	343,259,661	172,069,373	173,293,874	154,507,959
Current liabilities	4,123,380	167,101,535	25,853,118	12,897,087	11,593,793
Non-current liabilities	1,882	31,886,604	17,432,663	16,329,278	12,408,536
Equity	655,741,737	588,458,652	197,042,585	175,566,475	144,165,397
Revenue	347,838,384	1,265,188,584	220,316,305	150,347,421	105,506,023
Profit for the year	345,217,773	134,612,268	16,769,917	11,859,223	10,874,353
Total comprehensive income	352,101,363	134,612,268	16,769,917	11,859,223	10,874,353

The Company owns 95.15% shares of PAN Orion Corp. Limited. PAN Orion Corp. Limited owns 100% shares of 7 companies including Orion Food Co., Ltd. In addition to the above significant subsidiaries, 3 companies including LangFang Green Eco Packaging Co., Ltd are not indicated because their non-controlling interests are not material.

Orion Corporation and Subsidiaries
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5. Non-Controlling Interests, Continued

Cash flow:

(In thousands of Korean won)

Subsidiary	2023					
	PAN Orion Corp. Limited ¹	Orion Food Co., Ltd. ¹	Orion Food (Shanghai) Co., Ltd.	Orion Food (Guangzhou) Co., Ltd.	Orion Food (Shen Yang) Co., Ltd.	
Cash flows from operating activities	₩ 252,652,531	₩ 133,198,974	₩ 24,753,956	₩ 28,715,251	₩ 15,748,027	
Cash flows from investing activities	(405,170,415)	(4,425,054)	(10,395,908)	(1,050,077)	(436,525)	
Cash flows from financing activities	(8,707)	(220,493,304)	(33,045,546)	(20,011,228)	-	
Effect of exchange rate fluctuations on cash held	2,233,869	692,702	172,014	(211,784)	(302,866)	
Net increase (decrease) in cash and cash equivalents	(150,292,722)	(91,026,682)	(18,515,484)	7,442,162	15,008,636	

¹ Summarized financial information of each company is based on its separate financial statements.

(In thousands of Korean won)

Subsidiary	2022					
	PAN Orion Corp. Limited ¹	Orion Food Co., Ltd. ¹	Orion Food (Shanghai) Co., Ltd.	Orion Food (Guangzhou) Co., Ltd.	Orion Food (Shen Yang) Co., Ltd.	
Cash flows from operating activities	₩ 310,147,386	₩ 238,811,882	₩ 33,959,189	₩ 25,953,448	₩ 30,031,036	
Cash flows from investing activities	(164,757,877)	(3,237,614)	36,134,761	(324,009)	34,063	
Cash flows from financing activities	(88,002)	(162,598,345)	(147,493,367)	(39,827,304)	(34,099,460)	
Effect of exchange rate fluctuations on cash held	(8,052,467)	(9,976,825)	765,250	(179,652)	(64,395)	
Net increase (decrease) in cash and cash equivalents	137,249,040	62,999,098	(76,634,167)	(14,377,517)	(4,098,756)	

¹ Summarized financial information of each company is based on its separate financial statements.

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6. Operating Segments

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

Segment sales for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

	2023		
	Confectioneries	Elimination	Consolidated Total
Total segment sales	₩ 3,700,295,540	₩ (787,937,489)	₩ 2,912,358,051
Less: Inter segment sales	(787,937,489)	787,937,489	-
External sales	2,912,358,051	-	2,912,358,051
Depreciation and others ¹	156,025,310	1,166,661	157,191,971
Operating profit	494,144,927	(1,753,777)	492,391,150

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

(In thousands of Korean won)

	2022		
	Confectioneries	Elimination	Consolidated Total
Total segment sales	₩ 3,777,341,079	₩ (904,094,308)	₩ 2,873,246,771
Less: Inter segment sales	(904,094,308)	904,094,308	-
External sales	2,873,246,771	-	2,873,246,771
Depreciation and others ¹	161,762,216	(108,382)	161,653,834
Operating profit	464,630,322	2,024,181	466,654,503

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

Segment assets and liabilities as at December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

	2023		
	Confectioneries	Elimination	Consolidated Total
Total assets	₩ 4,247,631,219	₩ (726,246,091)	₩ 3,521,385,128
Total liabilities	536,763,963	29,144,215	565,908,178
Investments in joint venturers	60,796,084	(27,695,953)	33,100,131
Increase of non-current assets ¹	(1,589,355)	832,259	(757,096)

¹ Financial assets, goodwill and deferred tax assets have been excluded from non-current assets above.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
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6. Operating Segments, Continued

(In thousands of Korean won)

	2022		
	Confectioneries	Elimination	Consolidated Total
Total assets	₩ 4,074,828,451	₩ (703,144,537)	₩ 3,371,683,914
Total liabilities	697,590,283	34,864,799	732,455,082
Investments in joint venturers	60,892,766	(28,424,931)	32,467,835
Increase of non-current assets ¹	(81,796,957)	1,669,448	(80,127,509)

¹ Financial assets, goodwill and deferred tax assets have been excluded from non-current assets above.

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

Information on regional sales for the years ended December 31, 2023 and 2022, is as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Domestic	₩ 1,035,760,579	₩ 907,587,912
China	1,172,905,549	1,268,207,782
Other	703,691,923	697,451,077
Total	₩ <u>2,912,358,051</u>	₩ <u>2,873,246,771</u>

Information on regional non-current assets as a December 31, 2023 and 2022, is as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Domestic	₩ 698,901,388	₩ 670,195,325
China	754,231,665	813,406,554
Other	380,677,420	350,965,689
Total	₩ <u>1,833,810,473</u>	₩ <u>1,834,567,568</u>

See Note 29 for detailed information on revenues of the Group for the years ended December 31, 2023 and 2022.

There is no main customer who contributes more than 10% of the Group's revenues for the years ended December 31, 2023 and 2022.

Orion Corporation and Subsidiaries
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7. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of Korean won)

(In thousands of Korean won)		2023						
		Land	Buildings	Structures	Machinery	Others	Construction in-progress	Total
Acquisition Cost								
Balance at January 1, 2023	₩	173,925,095	₩ 897,036,933	₩ 26,606,460	₩ 1,661,693,998	₩ 165,636,546	₩ 40,748,415	₩ 2,965,647,447
Additions		-	551,725	150,005	6,472,840	7,021,719	147,418,639	161,614,928
Disposals		(105,639)	(3,246,537)	(898,057)	(28,320,727)	(8,439,509)	(11,200)	(41,021,669)
Transfers		-	5,566,341	3,175,601	89,646,459	7,187,643	(105,576,044)	-
Others¹		(233,563)	(13,707,145)	(1,788,472)	(15,933,444)	1,777,630	(1,312,860)	(31,197,854)
Balance at December 31, 2023	₩	173,585,893	₩ 886,201,317	₩ 27,245,537	₩ 1,713,559,126	₩ 173,184,029	₩ 81,266,950	₩ 3,055,042,852
Accumulated depreciation and impairment								
Balance at January 1, 2023	₩	-	₩ (211,344,566)	₩ (14,957,495)	₩ (965,857,063)	₩ (105,906,289)	₩ -	₩ (1,298,065,413)
Depreciation		-	(23,140,303)	(1,067,681)	(102,622,654)	(13,450,885)	-	(140,281,523)
Disposals		-	891,470	505,230	22,339,986	7,841,132	-	31,577,818
Others¹		-	3,099,168	365,120	6,081,274	566,681	-	10,112,243
Balance at December 31, 2023	₩	-	₩ (230,494,231)	₩ (15,154,826)	₩ (1,040,058,457)	₩ (110,949,361)	₩ -	₩ (1,396,656,875)
Book amount								
Balance at January 1, 2023	₩	173,925,095	₩ 685,692,367	₩ 11,648,965	₩ 695,836,935	₩ 59,730,257	₩ 40,748,415	₩ 1,667,582,034
Balance at December 31, 2023	₩	173,585,893	₩ 655,707,086	₩ 12,090,711	₩ 673,500,669	₩ 62,234,668	₩ 81,266,950	₩ 1,658,385,977

¹Others mainly include fluctuation due to foreign currency translation of foreign operations.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
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7. Property, Plant and Equipment, Continued

(In thousands of Korean won)

	2022						
	Land	Buildings	Structures	Machinery	Others	Construction in-progress	Total
Acquisition Cost							
Balance at January 1, 2022	₩ 202,968,206	₩ 856,043,713	₩ 18,282,016	₩ 1,654,244,741	₩ 162,958,983	₩ 73,217,165	₩ 2,967,714,824
Additions	7,534	1,036,043	108,140	9,240,999	5,521,315	76,885,519	92,799,550
Disposals	(836,405)	(841,500)	-	(29,910,471)	(7,083,778)	(99,176)	(38,771,330)
Transferred to investment property	(28,319,494)	(971,761)	-	-	-	-	(29,291,255)
Transfers	-	60,115,900	9,131,350	46,201,461	4,575,069	(120,023,780)	-
Others ¹	105,254	(18,345,462)	(915,046)	(18,082,732)	(335,043)	10,768,687	(26,804,342)
Balance at December 31, 2022	₩ 173,925,095	₩ 897,036,933	₩ 26,606,460	₩ 1,661,693,998	₩ 165,636,546	₩ 40,748,415	₩ 2,965,647,447
Accumulated depreciation and impairment							
Balance at January 1, 2022	₩ -	₩ (190,982,559)	₩ (13,842,352)	₩ (890,099,343)	₩ (99,073,845)	-	₩ (1,193,998,099)
Depreciation	-	(23,899,079)	(1,084,350)	(105,735,449)	(13,593,502)	-	(144,312,380)
Disposals	-	225,437	-	20,991,500	6,103,027	-	27,319,964
Transferred to investment property	-	100,112	-	-	-	-	100,112
Others ¹	-	3,211,523	(30,793)	8,986,229	658,031	-	12,824,990
Balance at December 31, 2022	₩ -	₩ (211,344,566)	₩ (14,957,495)	₩ (965,857,063)	₩ (105,906,289)	-	₩ (1,298,065,413)
Book amount							
Balance at January 1, 2022	₩ 202,968,206	₩ 665,061,154	₩ 4,439,664	₩ 764,145,398	₩ 63,885,138	₩ 73,217,165	₩ 1,773,716,725
Balance at December 31, 2022	₩ 173,925,095	₩ 685,692,367	₩ 11,648,965	₩ 695,836,935	₩ 59,730,257	₩ 40,748,415	₩ 1,667,582,034

¹Others mainly include fluctuation due to foreign currency translation of foreign operations.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

7. Property, Plant and Equipment, Continued

Borrowing costs of ₩ 478,798 thousand in relation to the completion of construction, were capitalized as part of the cost of qualifying assets for the year ended December 31, 2023. The capitalization rates were 7.94% for the years ended December 31, 2023.

As at December 31, 2023, the Group has made purchase agreements with respect to buildings, machinery and equipment and others and it is expected to spend ₩ 37,329 million (2022 : ₩ 58,709 million) in the future.

As at December 31, 2023, the Group has comprehensive property insurance coverage on the Group's inventories, property, plant and equipment. In addition, as at December 31, 2023, the Group maintains insurance policies covering loss and liability arising from gas accidents, products, directors' and officers' liability and automobile accidents.

8. Intangible Assets

Changes in intangible assets for the years ended December 31, 2023 and 2022, are as follows:

		(In thousands of Korean won)				
		2023				
		Rights to use facility	Industrial property rights	Other intangible assets	Construction in-progress	Total
Acquisition Cost						
Balance at January 1, 2023	₩	17,468,965 ₩	23,050,252 ₩	29,360,868 ₩	831,558 ₩	70,711,643
Additions		-	-	230,730	2,433,996	2,664,726
Disposals		(116,588)	(15)	(1,522,532)	(132,118)	(1,771,253)
Transfers		442,337	346,233	1,281,863	(2,070,433)	-
Others ¹		(2,739)	(3,957)	(37,860)	(4,814)	(49,370)
Balance at December 31, 2023	₩	17,791,975 ₩	23,392,513 ₩	29,313,069 ₩	1,058,189 ₩	71,555,746
Accumulated amortization and impairment						
Balance at January 1, 2023	₩	(1,528,421) ₩	(18,775,859) ₩	(19,251,890) ₩	- ₩	(39,556,170)
Amortization		-	(995,831)	(2,451,845)	-	(3,447,676)
Disposals		-	-	1,289,269	-	1,289,269
Others ¹		709	3,923	65,753	-	70,385
Balance at December 31, 2023	₩	(1,527,712) ₩	(19,767,767) ₩	(20,348,713) ₩	- ₩	(41,644,192)
Book amount						
Balance at January 1, 2023	₩	15,940,544 ₩	4,274,393 ₩	10,108,978 ₩	831,558 ₩	31,155,473
Balance at December 31, 2023	₩	16,264,263 ₩	3,624,746 ₩	8,964,356 ₩	1,058,189 ₩	29,911,554

¹ Others mainly include fluctuation due to foreign currency translation of foreign operations.

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8. Intangible Assets, Continued

(In thousands of Korean won)

		2022				
		Rights to use facility	Industrial property rights	Other intangible assets	Construction in-progress	Total
Acquisition Cost						
Balance at January 1, 2022	₩	18,106,497 ₩	22,601,839 ₩	26,579,150 ₩	2,233,169 ₩	69,520,655
Additions		-	1,432	77,272	5,575,109	5,653,813
Disposals		(3,871,646)	-	(8,150)	-	(3,879,796)
Transfers		3,248,577	478,766	3,282,751	(7,024,124)	(14,030)
Others ¹		(14,463)	(31,785)	(570,155)	47,404	(568,999)
Balance at December 31, 2022	₩	17,468,965 ₩	23,050,252 ₩	29,360,868 ₩	831,558 ₩	70,711,643
Accumulated amortization and impairment						
Balance at January 1, 2022	₩	(2,432,914) ₩	(17,727,135) ₩	(16,211,128) ₩	- ₩	(36,371,177)
Amortization		-	(1,074,560)	(3,437,743)	-	(4,512,303)
Disposals		898,800	-	8,150	-	906,950
Others ¹		5,693	25,836	388,831	-	420,360
Balance at December 31, 2022	₩	(1,528,421) ₩	(18,775,859) ₩	(19,251,890) ₩	- ₩	(39,556,170)
Book amount						
Balance at January 1, 2022	₩	15,673,583 ₩	4,874,704 ₩	10,368,022 ₩	2,233,169 ₩	33,149,478
Balance at December 31, 2022	₩	15,940,544 ₩	4,274,393 ₩	10,108,978 ₩	831,558 ₩	31,155,473

¹Others mainly include fluctuation due to foreign currency translation of foreign operations.

As at December 31, 2023, the Group has made purchase agreements with respect to other intangible asset and it is expected to spend ₩ 27,611 million (2022 : ₩ 327 million) in the future.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
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9. Goodwill

Changes in goodwill for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Balance at beginning of year	₩ 23,886,984	₩ 24,193,863
Fluctuations due to foreign currency translation	<u>(38,201)</u>	<u>(306,879)</u>
Balance at end of year	<u>₩ 23,848,783</u>	<u>₩ 23,886,984</u>

Impairment test for goodwill

Goodwill as at December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

CGUs	<u>2023</u>	<u>2022</u>	<u>Acquisitor</u>	<u>Description</u>
Orion Corp.	₩ 12,335,100	₩ 12,335,100	Orion Corp.	Transferred when Orion Snack International Corp. was merged into Orion Corp.
LangFang Green Eco Packaging Co., Ltd. ¹	11,513,683	11,551,884	Orion Food Co., Ltd.	Acquired in a business combination with LANGFANG IPACK Co., LTD.
	<u>₩ 23,848,783</u>	<u>₩ 23,886,984</u>		

¹ The amount represents goodwill arising from business combination with STELLA WAY LIMITED (including LANGFANG IPACK Co., Ltd) and the CGU was reallocated to LANGFANG IPACK Co., Ltd due to liquidation of STELLA WAY LIMITED prior to the year ended December 31, 2021

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

The recoverable amount of the CGU is based on its value in use. The value in use is determined by discounting the future pre-tax cash flows which were based on the estimated financial budget for the next five years and the financial budget is confirmed by the management. The expected growth rate of sale for the next five years and the permanent growth rate for the years after the next five years do not exceed the long-term average growth rate of the industry that the cash generating unit belongs to. The assumption of constant growth rate is used in order to calculate the expected future cash flow.

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9. Goodwill, Continued

As at December 31, 2023 and 2022, the key assumptions used for calculating the cash generating units which significant goodwill was allocated to, are as follows:

	2023			
	Gross Profit Margin¹	Growth rate of sale²	Permanent growth rate³	Pre-tax rate⁴
Orion Corp.	40.56%	3.61%	1.00%	10.37%
LangFang Green Eco Packaging Co. Ltd	16.58%	2.23%	1.50%	12.47%

	2022			
	Gross Profit Margin¹	Growth rate of sale²	Permanent growth rate³	Pre-tax rate⁴
Orion Corp.	40.68%	2.38%	1.00%	12.03%
LangFang Green Eco Packaging Co. Ltd	16.90%	3.90%	1.50%	12.24%

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

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

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

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

Orion Corporation and Subsidiaries
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10. Investment Property

Changes in investment property for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

		2023		
		Land	Buildings	Total
Acquisition Cost				
Balance at January 1, 2023	₩	28,319,494	₩ 8,172,462	₩ 36,491,956
Others ¹		-	(27,026)	(27,026)
Balance at December 31, 2023	₩	28,319,494	₩ 8,145,436	₩ 36,464,930
Accumulated depreciation and impairment				
Balance at January 1, 2023	₩	-	₩ (923,703)	₩ (923,703)
Depreciation		-	(166,011)	(166,011)
Others ¹		-	6,101	6,101
Balance at December 31, 2023	₩	-	₩ (1,083,613)	₩ (1,083,613)
Book amount				
Balance at January 1, 2023	₩	28,319,494	₩ 7,248,759	₩ 35,568,253
Balance at December 31, 2023	₩	28,319,494	₩ 7,061,823	₩ 35,381,317

¹Others mainly include fluctuation due to foreign currency translation of foreign operations.

(In thousands of Korean won)

		2022		
		Land	Buildings	Total
Acquisition Cost				
Balance at January 1, 2022	₩	-	₩ 7,444,739	₩ 7,444,739
Transfer from property, plant and equipment		28,319,494	971,761	29,291,255
Others ¹		-	(244,038)	(244,038)
Balance at December 31, 2022	₩	28,319,494	₩ 8,172,462	₩ 36,491,956
Accumulated depreciation and impairment				
Balance at January 1, 2022	₩	-	₩ (692,506)	₩ (692,506)
Depreciation		-	(162,914)	(162,914)
Transfer from property, plant and equipment		-	(100,112)	(100,112)
Others ¹		-	31,829	31,829
Balance at December 31, 2022	₩	-	₩ (923,703)	₩ (923,703)
Book amount				
Balance at January 1, 2022	₩	-	₩ 6,752,233	₩ 6,752,233
Balance at December 31, 2022	₩	28,319,494	₩ 7,248,759	₩ 35,568,253

¹Others mainly include fluctuation due to foreign currency translation of foreign operations.

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10. Investment Property, Continued

Income or expense related to the investment property for the years ended December 31, 2023, and 2022, are as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>		<u>2022</u>
Rental income	₩	4,291,636	₩	941,721
Rental cost ¹		166,011		162,914

¹Rental cost includes depreciation of investment property.

As at December 31, 2023, total fair value of investment property is ₩ 95,485 million (2022 : ₩ 95,521 million).

As of December 31, 2023, the Group's investment properties are insured with Hyundai Marine & Fire Insurance Co., Ltd. to prepare for losses due to fire, etc. In addition to the above, the Group also insures directors' and officers' liability insurance.

Operating lease

The investment properties are leased to tenants under operating lease with rental payable monthly. There are no other variable lease payments that depend on an index or rate.

The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment property as at December 31, 2023, and 2022, are as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>		<u>2022</u>
Within one year	₩	4,473,826	₩	4,475,336
Later than 1 year and Within 5 years		17,895,305		17,901,346
Later than 5 years		184,697,817		188,717,619
	₩	<u>207,066,948</u>	₩	<u>211,094,301</u>

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11. Leases

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

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

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

<i>(In thousands of Korean won)</i>		2023		2022
Right-of-use assets				
Properties	₩	59,129,729	₩	59,862,676
Machinery		2,257		15,850
Vehicles		4,172,339		2,140,031
	₩	<u>63,304,325</u>	₩	<u>62,018,557</u>

<i>(In thousands of Korean won)</i>		2023		2022
Lease liabilities				
Current	₩	10,499,671	₩	10,337,604
Non-current		14,296,468		13,780,676
	₩	<u>24,796,139</u>	₩	<u>24,118,280</u>

Additions to the right-of-use assets in 2023 is ₩20,941 million (2022: ₩8,742 million).

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

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

<i>(In thousands of Korean won)</i>		2023		2022
Depreciation of right-of-use assets				
Properties	₩	11,428,290	₩	11,085,165
Machinery		13,794		14,344
Vehicles		1,854,677		1,566,730
	₩	13,296,761	₩	12,666,239
Interest expense on lease liabilities (recognized in finance cost)	₩	1,033,508		819,898
Expense relating to short-term leases (recognized in cost of goods sold and administrative expenses)		18,385,485		17,519,489
Expense relating to leases of low-value assets excluding short-term leases of low-value assets (recognized in cost of goods sold and administrative expenses)		642,276		704,533
Expenses relating to variable lease payments not included in the measurement of lease liabilities. (recognized in cost of goods sold and administrative expenses)		1,192,877		1,343,652

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11. Leases, Continued

The total cash outflow for leases in 2023 is ₩33,310 million (2022: ₩ 31,566 million).

Movements in carrying amounts of right-of-use assets for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of Korean won)

	2023					
	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Depreciation</u>	<u>Others¹</u>	<u>Ending Balance</u>
Property	₩ 59,862,676	₩ 16,874,229	₩ (5,922,164)	₩ (11,428,290)	₩ (256,722)	₩ 59,129,729
Machinery	15,850	-	-	(13,794)	201	2,257
Vehicles	<u>2,140,031</u>	<u>4,066,342</u>	<u>(173,739)</u>	<u>(1,854,677)</u>	<u>(5,618)</u>	<u>4,172,339</u>
	<u>₩ 62,018,557</u>	<u>₩ 20,940,571</u>	<u>₩ (6,095,903)</u>	<u>₩ (13,296,761)</u>	<u>₩ (262,139)</u>	<u>₩ 63,304,325</u>

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

(In thousands of Korean won)

	2022					
	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Depreciation</u>	<u>Others¹</u>	<u>Ending Balance</u>
Property	₩ 62,125,804	₩ 10,350,307	₩ (876,783)	₩ (11,085,165)	₩ (651,487)	₩ 59,862,676
Machinery	30,218	-	-	(14,344)	(24)	15,850
Vehicles	<u>2,274,897</u>	<u>1,523,909</u>	<u>(74,972)</u>	<u>(1,566,730)</u>	<u>(17,073)</u>	<u>2,140,031</u>
	<u>₩ 64,430,919</u>	<u>₩ 11,874,216</u>	<u>₩ (951,755)</u>	<u>₩ (12,666,239)</u>	<u>₩ (668,584)</u>	<u>₩ 62,018,557</u>

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

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12. Investments in Joint Ventures and Associates

Investments in joint ventures as at December 31, 2023 and 2022, are summarized as follows:

(In thousands of Korean won)

	Location	2023		2022	
		Percentage of ownership	Book value	Percentage of ownership	Book value
Delfi-Orion Pte Ltd	Singapore	50.00%	₩ 861,186	50.00%	₩ 931,909
Orion Nonghyup Agri, Inc. ¹	Domestic	50.00%	<u>32,238,945</u>	49.00%	<u>31,535,926</u>
			<u>₩ 33,100,131</u>		<u>₩ 32,467,835</u>

¹ According to an agreement that NongHyup Agribusiness Group inc. sells 1% shares of total issued shares to the Company on January 12, 2023, which is the date after five years from the approval date of plant usage (January 12, 2018), Company acquired 622,000 shares equivalent to 1% stake in Orion Nonghyup Agri, Inc, which is joint venture, resulting in a 50% stake as of the end of the current period.

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

The reporting date of the financial statements of joint ventures which are used in order to prepare the consolidated financial statements is December 31, 2023.

Changes in investments in joint ventures for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

Name	2023			
	Balance at beginning of year	Share of profit(loss) of joint ventures	Others ¹	Balance at end of year
Delfi-Orion Pte Ltd. ₩	931,909	₩ (88,054)	₩ 17,331	₩ 861,186
Orion Nonghyup Agri, Inc.	31,535,926	657,394	45,625	32,238,945
	<u>₩ 32,467,835</u>	<u>₩ 569,340</u>	<u>₩ 62,956</u>	<u>₩ 33,100,131</u>

¹ Other mainly include fluctuation due to foreign currency translation of foreign joint ventures.

(In thousands of Korean won)

Name	2022			
	Balance at beginning of year	Share of profit(loss) of joint ventures	Others ¹	Balance at end of year
Delfi-Orion Pte Ltd. ₩	791,336	₩ 87,643	₩ 52,930	₩ 931,909
Orion Nonghyup Agri, Inc.	30,863,807	519,278	152,841	31,535,926
	<u>₩ 31,655,143</u>	<u>₩ 606,921</u>	<u>₩ 205,771</u>	<u>₩ 32,467,835</u>

¹ Other mainly include fluctuation due to foreign currency translation of foreign joint ventures.

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12. Investments in Joint Ventures and Associates, Continued

Summary of financial information of joint ventures is as follows:

(In thousands of Korean won)

		2023										
		Assets		Liabilities		Equity		Revenue		Profit(Loss) for the year		Total compre- hensive income
Delfi-Orion Pte												
Ltd.	₩	3,338,155	₩	1,615,782	₩	1,722,373	₩	4,036,328	₩	(176,108)	₩	(176,108)
Orion Nonghyup												
Agri, Inc.		71,430,638		6,740,358		64,690,280		46,736,216		1,309,579		1,400,829

Financial information of 2023 represents financial position as at December 31, 2023 and financial performance for the year ended December 31, 2023.

(In thousands of Korean won)

		2022											
		Assets		Liabilities		Equity		Revenue		Profit(Loss) for the year		Total comprehensive income	
Delfi-Orion Pte Ltd.		₩	2,677,742	₩	813,924	₩	1,863,818	₩	3,899,081	₩	124,124	₩	124,124
Orion Nonghyup Agri, Inc.			72,154,187		8,864,736		63,289,451		45,292,702		1,050,309		1,355,989

Financial information of 2022 represents financial position as at December 31, 2022 and financial performance for the year ended December 31, 2022.

The details of investments in joint ventures as at December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

		2023			
Name		Net assets	Percentage of ownership (%)	Group's share of net assets	Book amount
Delfi-Orion Pte Ltd.	₩	1,722,373	50.00	₩ 861,186	₩ 861,186
Orion Nonghyup Agri, Inc.		64,690,280	50.00	32,345,140	32,238,945

(In thousands of Korean won)

Name	2022			
	Net assets	Percentage of ownership (%)	Group's share of net assets	Book amount
Delfi-Orion Pte Ltd.	₩ 1,863,818	50.00	₩ 931,909	₩ 931,909
Orion Nonghyup Agri, Inc.	63,289,451	49.00	31,011,831	31,535,926

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13. Financial Assets at Fair Value Through Profit or Loss and Financial Assets at Fair Value Through Other Comprehensive Income

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

There are no financial assets at fair value through profit or loss as at December 31, 2023 and 2022.

Amounts recognized in profit or loss related to financial assets at fair value through profit or loss for the year ended December 31, 2022, are as follows:

<i>(In thousands of Korean won)</i>		2022
Gain on disposal of financial assets at fair value through profit or loss	₩	588,991

(b) Financial assets at fair value through other comprehensive income

Details of financial assets at fair value through other comprehensive income as at December 31, 2023 and 2022, are summarized as follows:

		2023		2022	
		Book amount	Fair value	Book amount	Fair value
Listed stock					
Taokaenoi Food & Marketing Public Company Limited					
	₩	-	₩ -	₩ 15,171,169	₩ 15,171,169
		-	-	15,171,169	15,171,169
Unlisted stock					
Shandong Lukang Biotechnology Development Co., Ltd.					
		5,425,867	5,425,867	5,443,870	5,443,870
		5,425,867	5,425,867	5,443,870	5,443,870
	₩	5,425,867	₩ 5,425,867	₩ 20,615,039	₩ 20,615,039

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14. Other Assets

Other assets as at December 31, 2023 and 2022, are summarized as follows:

(In thousands of Korean won)

	2023		2022	
	Current	Non-Current	Current	Non-Current
Prepayments	₩ 7,284,979	₩ -	₩ 6,278,898	₩ -
Prepaid expenses	4,993,732	12,003,235	5,044,260	5,284,692
Prepaid value added tax	9,982,964	-	4,065,419	-
Others	670,919	1,718,030	654,398	490,725
	<u>₩ 22,932,594</u>	<u>₩ 13,721,265</u>	<u>₩ 16,042,975</u>	<u>₩ 5,775,417</u>

15. Inventories

Inventories as of December 31, 2023 and 2022 are summarized as follows:

(In thousands of Korean won)

	2023			2022		
	Amount before write-down	Provision for write-down	Carrying amount	Amount before write-down	Provision for write-down	Carrying amount
Merchandise	₩ 2,415,860	₩ (154,408)	₩ 2,261,452	₩ 5,266,086	₩ (162,970)	₩ 5,103,116
Finished goods	97,480,973	(21,386)	97,459,587	81,234,965	(6,756)	81,228,209
Work-in-progress	9,543,481	-	9,543,481	8,477,513	-	8,477,513
Raw materials	120,867,252	-	120,867,252	110,521,926	-	110,521,926
Supplies	2,069,500	-	2,069,500	1,384,993	-	1,384,993
Raw materials-in-transit	27,535,156	-	27,535,156	28,167,485	-	28,167,485
	<u>₩ 259,912,222</u>	<u>₩ (175,794)</u>	<u>₩ 259,736,428</u>	<u>₩ 235,052,968</u>	<u>₩ (169,726)</u>	<u>₩ 234,883,242</u>

The amount of inventories recognized as an expense and included as part of sales during 2023 is ₩ 1,309,077 million (2022: ₩ 1,310,632 million)

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16. Trade and Other Receivables

Trade receivables as at December 31, 2023 and 2022, are summarized as follows:

(In thousands of Korean won)

	2023		2022	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 196,223,370	₩ -	₩ 207,903,127	₩ -
Allowance for bad debts	<u>(5,194,370)</u>	<u>-</u>	<u>(4,799,908)</u>	<u>-</u>
	<u>₩ 191,029,000</u>	<u>₩ -</u>	<u>₩ 203,103,219</u>	<u>₩ -</u>

Other financial assets as at December 31, 2023 and 2022, are summarized as follows:

(In thousands of Korean won)

	2023		2022	
	Current	Non-current	Current	Non-current
Other receivables	₩ 8,788,772	₩ -	₩ 11,286,764	₩ -
Allowance for bad debts	(15,507)	-	(10,961)	-
Accrued income	10,588,697	-	7,634,399	-
Operation deposits	131,940	-	179,850	-
Rental deposits	1,949,180	19,057,526	1,956,770	19,300,198
Loans	<u>36,403,092</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>₩ 57,846,174</u>	<u>₩ 19,057,526</u>	<u>₩ 21,046,822</u>	<u>₩ 19,300,198</u>

Trade receivables and other financial assets are financial instruments incurred in the ordinary course of business and consist of trade receivables, other receivables and others. The Group holds the trade receivables and other financial assets with the objective to collect the contractual cash flows and, therefore, measures them subsequently at amortised cost. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 36.

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17. Cash and Cash Equivalents, and Restricted Deposits

Cash and cash equivalents as of December 31, 2023 and 2022, are summarized as follows:

<i>(In thousands of Korean won)</i>		2023		2022
Cash on hand	₩	50,748	₩	32,193
Demand deposits		365,798,922		609,690,870
	₩	<u>365,849,670</u>	₩	<u>609,723,063</u>

Deposits which are restricted in use as at December 31, 2023 and 2022, are summarized as follows:

<i>(In thousands of Korean won)</i>		2023		2022	Restriction
Long-term deposits	₩	2,000	₩	2,000	Deposit for checking account
Short-term deposits		5,000,000		5,000,000	Cooperation loans
	₩	<u>5,002,000</u>	₩	<u>5,002,000</u>	

18. Capital stock

Details of capital stock as at December 31, 2023 and 2022 are as follows:

There is no change in share capital for the year ended December 31, 2023 and 2022.

<i>(In Korean won)</i>		2023		2022
Number of ordinary shares: <i>(in shares)</i>				
- Authorized		480,000,000		480,000,000
- Issued		39,536,132		39,536,132
Capital stock	₩	19,768,066,000	₩	19,768,066,000
Per value per share	₩	500	₩	500

According to its Articles of Incorporation, cumulative participating preferred shares can be issued as non-voting registered shares for up to 240,000,000 shares with dividend rate of more than 5% preferred dividend rates based on the face amount with the approval of the Board of Directors. As at December 31, 2023, no preferred shares have been issued.

According to its Articles of Incorporation, the Company is allowed to grant stock options within 15/100 of the total number of shares issued with the approval from the shareholders and within 3/100 of the total number of shares issued with the approval of the Board of Directors to its employees who contribute or are able to shares to the performance of the Company.

According to its Articles of Incorporation, the Company can issue convertible bonds and bonds with stock warrants up to the face value of ₩ 300 billion with the approval from the Board of Directors. As at December 31, 2023, no convertible bonds or bonds with stock warrants have been issued.

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19. Treasury Shares

The Group has 7,344 treasury shares as at December 31, 2023 with the acquisition cost of ₩ 604,361 thousand, which were odd-lot shares acquired at the market price resulted from spin-off. The Group intends to dispose of the treasury shares in the future depending on the market conditions.

20. Other Capital

Other components of equity as of December 31, 2023 and 2022, are as follows

(In thousands of Korean won)

	2023	2022
Changes from equity transactions	₩ 624,451,038	₩ 624,451,038
Others	(2,071,744)	(2,071,744)
Exchange differences on translating foreign operations	62,409,902	94,367,601
Share of other comprehensive income of joint ventures	66,950	49,619
Gain (loss) of financial assets at fair value through other comprehensive income	-	1,373,650
Changes in percentage of ownership due to acquisition of subsidiaries	26,323	26,323
	<u>₩ 684,882,469</u>	<u>₩ 718,196,487</u>

21. Retained Earnings

Details of retained earnings as at December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

	2023	2022
Legal reserves	₩ 56,370,289	₩ 54,335,819
Discretionary reserves	275,905,675	200,932,492
Retained earnings before appropriation	1,227,905,260	962,982,146
	<u>₩ 1,560,181,224</u>	<u>₩ 1,218,250,457</u>

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22. Earnings per Share

(a) Basic earnings per share

(In Korean won, except share information)

	2023	2022
Profit for the year attributable to owners of the Parent Company	₩ 376,646,552,736	₩ 392,351,423,524
Weighted-average number of ordinary shares <i>(In shares)</i>	<u>39,528,788</u>	<u>39,528,788</u>
Basic earnings per share	₩ <u>9,528</u>	₩ <u>9,926</u>

Weighted average number of ordinary shares

<i>(In shares)</i>	2023	2022
Beginning balance	39,536,132	39,536,132
Treasury shares	<u>(7,344)</u>	<u>(7,344)</u>
Weighted average number of ordinary shares	<u>39,528,788</u>	<u>39,528,788</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at December 31, 2023 and 2022, there are no dilutive potential ordinary shares, and basic earnings per share of 2023 and 2022 are identical to diluted earnings per share of 2023 and 2022.

23. Share-based Payments

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

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23. Share-based Payments, Continued

Details of the contract for share-based payments, which PAN Orion Corp. Limited, a subsidiary of the Group, granted as at December 31, 2023, are as follows:

(In Hongkong dollars)

Classification	Share-based payments	Cash-settled share-base payments
Granted date	October 19, 2020	October 19, 2020
Number of shares initially granted	160,014,000 shares	30,135,667 shares
Number of shares exercised	-	-
Number of shares cancelled	-	-
Number of shares as at December 31, 2023	160,014,000 shares	30,135,667 shares
Exercisable number of shares as at December 31, 2023 ¹	160,014,000 shares	30,135,667 shares
Exercise price	HKD 1.31	HKD 1.31
Maturity date	October 19, 2030	October 19, 2030
Vesting conditions ¹	Period of service provided: 1.5 month	Period of service provided: 12.5 month

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

Details of information used to measure fair value of the share-based payments of PAN Orion Corp. Limited at granted date, as at December 31, 2023 and 2022, are as follows:

(In Hongkong dollars)

Classification	2023	
	Share-based payments	Cash-settled share-base payments
Granted date	October 19, 2020	October 19, 2020
Fair value as at granted date	0.59 HKD, 0.64 HKD, 1.39 HKD	0.54 HKD
Fair value as at settlement date	0.59 HKD, 0.64 HKD, 1.39 HKD	0.63 HKD
Risk-free rate (%)	3.22	2.60
Applied volatility (%)	32.80	32.76
Model	Binomial price model	Binomial price model

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23. Share-based Payments, Continued

<i>(In Hongkong dollars)</i>		2022	
Classification	Share-based payments	Cash-settled share-base payments	
Granted date	October 19, 2020	October 19, 2020	
Fair value as at granted date	0.59 HKD, 0.64 HKD, 1.39 HKD	0.54 HKD	
Fair value as at settlement date	0.59 HKD, 0.64 HKD, 1.39 HKD	0.58 HKD	
Risk-free rate (%)	3.22	2.83	
Applied volatility (%)	32.80	33.37	
Model	Binomial price model	Binomial price model	

Share-based payments recognized as expenses for the year ended December 31, 2023 amount to ₩ 38 million (2022 : ₩ 27 million)

24. Other Financial Liabilities

Other financial liabilities as at December 31, 2023 and 2022 are summarized as follows:

(In thousands of Korean won)

		2023		2022	
		Current	Non-Current	Current	Non-Current
Other payables	₩	95,107,076	₩ 187,774	₩ 99,451,917	₩ 191,257
Accrued expenses		67,680,866	9,077	90,602,603	10,528
Leasehold deposit		125,500	76,602	127,500	-
	₩	<u>162,913,442</u>	<u>₩ 273,453</u>	<u>₩ 190,182,020</u>	<u>₩ 201,785</u>

25. Assets and Liabilities related to Contracts with Customers

Details of liabilities related to contracts with customers as at December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		2023	2022
Contract liabilities ¹	₩	23,559,930	₩ 31,444,273

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

Revenue recognized that was included in the contract liability balance at the end of the previous year amounted to ₩ 31,444 million.

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26. Borrowings and Debentures

Borrowings and debentures as at December 31, 2023 and 2022, are summarized as follows:

(In thousands of Korean won)

	2023		2022	
	Current	Non-Current	Current	Non-Current
Non-current				
Debentures	₩ -	₩ -	₩ 70,000,000	₩ -
Less: discount	-	-	(26,075)	-
Subtotal	-	-	69,973,925	-
Current				
Short-term borrowing in				
Korean won	703,348	-	12,949,122	-
Short-term borrowing in				
foreign currency	3,109,396	-	10,958,261	-
Subtotal	3,812,744	-	23,907,383	-
Total	₩ 3,812,744	₩ -	₩ 93,881,308	₩ -

Terms and conditions of debentures as of December 31, 2023 and 2022, are as follows:

(In thousands of Korean won, US dollars, Russian ruble)

	Maturity	Interest rate (%)	2023	2022
104th	2023-04-23	-	₩ -	₩ 70,000,000
Less: current portion of debentures			-	(70,000,000)
			₩ -	₩ -

Short-term borrowings as at December 31, 2023 and 2022, are as follows:

(In thousands of Korean won, US dollars, Russian ruble)

	Description	Interest rate (%)	2023	2022
Kookmin Bank	Usance	-	₩ -	273,483 (USD 215,800)
	Bills bought	TERM SOFR + 1.39	157,551 (USD 122,188.99)	544,778 (USD 429,873)
	Line of credit	-	-	12,000,000
Nonghyup Bank	Purchasing card	1.44%	703,348	949,122
Hyundai Card	Line of credit	8.14%	2,951,845 (RUB 200,000,000)	10,140,000 (RUB 600,000,000)
Hana Bank			₩ 3,812,744	₩ 23,907,383

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26. Borrowings and Debentures, Continued

There are no assets provided as collateral for liabilities of the Group as at December 31, 2023 and 2022.

Book amount and fair value of borrowings as at December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

	2023		2022	
	<u>Book amount</u>	<u>Fair value</u>	<u>Book amount</u>	<u>Fair value</u>
Short-term borrowings ₩	3,812,744	₩ 3,812,744	₩ 93,881,308	₩ 93,881,308

The fair value of short-term borrowings equal to their book amounts as the impact of discounting is not significant.

27. Employee benefits

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

The retirement benefit expenses for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

	<u>2023</u>	<u>2022</u>
Contribution to defined contribution plans ₩	1,282,187	₩ 1,183,088
Expenses related to post-employment defined benefit plans	<u>11,856,017</u>	<u>11,455,131</u>
₩	<u>13,138,204</u>	<u>₩ 12,638,219</u>

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27. Employee benefits, Continued

Changes in net defined benefit liability (asset) for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2023	2022	2023	2022	2023	2022
Beginning balance	₩ 95,933,288	₩ 100,442,171	₩ (98,808,699)	₩ (98,648,962)	₩ (2,875,411)	₩ 1,793,209
Included in profit or loss:						
Current service costs	12,269,979	12,234,839	-	-	12,269,979	12,234,839
Interest costs (Income)	4,325,255	1,594,195	(4,739,217)	(2,373,903)	(413,962)	(779,708)
	<u>16,595,234</u>	<u>13,829,034</u>	<u>(4,739,217)</u>	<u>(2,373,903)</u>	<u>11,856,017</u>	<u>11,455,131</u>
Included in other comprehensive income:						
Remeasurements loss (gain)						
- Actuarial loss (gain) arising from:						
Experience adjustment	(1,423,987)	(10,620,270)	-	-	(1,423,987)	(10,620,270)
Demographic assumptions	2,718,295	6,313,522	-	-	2,718,295	6,313,522
Financial assumptions	-	3,840	-	-	-	3,840
- Return on plan assets excluding interest income	(4,142,282)	(16,937,632)	-	-	(4,142,282)	(16,937,632)
	<u>-</u>	<u>-</u>	<u>24,910</u>	<u>257,788</u>	<u>24,910</u>	<u>257,788</u>
	<u>(1,423,987)</u>	<u>(10,620,270)</u>	<u>24,910</u>	<u>257,788</u>	<u>(1,399,077)</u>	<u>(10,362,482)</u>
Others:						
Contributions paid by the employer	-	-	(16,898,375)	(5,735,622)	(16,898,375)	(5,735,622)
Transferred from a related party	155,368	735,432	(155,368)	(89,336)	-	646,096
Transferred to a related party	(572,834)	(638,393)	572,834	638,393	-	-
Benefits paid	<u>(7,636,263)</u>	<u>(7,814,686)</u>	<u>5,917,986</u>	<u>7,142,943</u>	<u>(1,718,277)</u>	<u>(671,743)</u>
	<u>(8,053,729)</u>	<u>(7,717,647)</u>	<u>(10,562,923)</u>	<u>1,956,378</u>	<u>(18,616,652)</u>	<u>(5,761,269)</u>
Ending balance	₩ <u>103,050,806</u>	₩ <u>95,933,288</u>	₩ <u>(114,085,929)</u>	₩ <u>(98,808,699)</u>	₩ <u>(11,035,123)</u>	₩ <u>(2,875,411)</u>

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27. Employee benefits, Continued

The components of plan assets as at December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		2023	2022
Debt securities	₩	100,188,446	₩ 78,994,462
Others		13,897,483	19,814,237
	₩	<u>114,085,929</u>	<u>₩ 98,808,699</u>

The principal actuarial assumptions as at December 31, 2023 and 2022, are as follows:

	2023	2022
Discount rate	4.03%	5.23%
Future salary growth	2.00% ~ 5.79%	3.00% ~ 7.97%

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

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

<i>(In thousands of Korean won)</i>		2023	
		1% increase	1% decrease
Discount rate	₩	(5,292,784)	₩ 5,982,095
Future salary growth		5,998,076	(5,403,649)

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

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

The weighted average duration of the defined benefit obligations is 6.27 years (2022: 6.47 years) as at December 31, 2023.

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27. Employee benefits, Continued

The expected maturity analysis of undiscounted pension benefits as at December 31, 2023, is as follows:

(In thousands of Korean won)

		<u>Less than 1 year</u>	<u>Between 1-2 years</u>	<u>Between 2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Pension benefits	₩	10,216,223	₩ 9,718,064	₩ 62,490,943	₩ 176,416,150	₩ 258,841,380

Expected contributions to post-employment benefit plans for the year ending December 31, 2024 is ₩ 9,661 million.

28. Other Liabilities

Other liabilities as at December 31, 2023 and 2022, are summarized as follows:

(In thousands of Korean won)

	<u>2023</u>		<u>2022</u>	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Advanced received ¹	₩ 23,559,930	₩ -	₩ 31,444,273	₩ -
Unearned revenue	-	3,360	1,454	-
Provision for warranty	2,735,238	-	1,916,446	-
Withholdings	3,985,508	-	4,993,604	-
Value added tax withheld	14,655,138	-	15,967,854	-
Others	<u>2,557,274</u>	<u>971,736</u>	<u>249,849</u>	<u>779,726</u>
	₩ <u>47,493,088</u>	₩ <u>975,096</u>	₩ <u>54,573,480</u>	₩ <u>779,726</u>

¹ Entire amounts of advances received as at December 31, 2023 and 2022, are contract liabilities recognized in relation to revenue from contracts with customers.

Changes in provision for warranty for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

	<u>2023</u>	<u>2022</u>
Beginning balance	₩ 1,916,446	₩ 1,937,839
Increase	1,961,659	1,215,122
Decrease	<u>(1,142,867)</u>	<u>(1,236,515)</u>
Ending balance	₩ <u>2,735,238</u>	₩ <u>1,916,446</u>

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29. Sales and Cost of Sales

Sales and cost of sales for the years ended December 31, 2023 and 2022, are as follows:

The amounts recognized as revenue for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		2023		2022
Revenue from contracts with customers	₩	2,907,797,442	₩	2,872,284,717
Revenue from other sources		4,560,609		962,054
	₩	<u>2,912,358,051</u>	₩	<u>2,873,246,771</u>

Details of revenue from contracts with customers for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)		2023			
		Sales of goods	Royalty	Services and Other	Total
Recognized at a point in time	₩	2,865,443,392	₩ -	₩ 3,095,022	₩ 2,868,538,414
Recognized over time		-	13,711	39,245,317	39,259,028
	₩	2,865,443,392	₩ 13,711	₩ 42,340,339	₩ 2,907,797,442

(In thousands of Korean won)		2022			
		Sales of goods	Royalty	Services and Other	Total
Recognized at a point in time	₩	2,815,208,076	₩ -	₩ 5,338,347	₩ 2,820,546,423
Recognized over time		-	37,022	51,701,272	51,738,294
	₩	2,815,208,076	₩ 37,022	₩ 57,039,619	₩ 2,872,284,717

Details of cost of sales for the years ended December 31, 2023 and 2022, are as follows.

<i>(In thousands of Korean won)</i>		2023		2022
Sale of goods	₩	1,741,265,280	₩	1,725,439,905
Service costs and others		43,681,775		56,639,048
	₩	<u>1,784,947,055</u>	₩	<u>1,782,078,953</u>

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30. Selling Expenses and General and Administrative Expenses

Details of selling expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		2023		2022
Salaries	₩	171,491,959	₩	165,075,183
Retirement benefits		4,614,665		4,865,330
Employee welfare		36,218,033		35,302,217
Travel expenses		6,995,252		5,055,830
Taxes and dues		19,068,111		20,186,316
Rental expenses		13,725,192		16,560,396
Depreciation		8,467,373		8,726,343
Amortization		1,801,349		1,797,483
Advertising expenses		25,707,625		32,359,954
Ordinary development expense		1,216,647		1,039,499
Freight expenses		96,459,385		93,279,434
Commissions		58,804,308		56,846,618
Promotion		9,340,427		8,042,654
Bad debt expenses		428,124		3,926,126
Depreciation of right-of-use assets		5,327,250		4,943,600
Others		22,746,966		24,098,186
	₩	<u>482,412,666</u>	₩	<u>482,105,169</u>

Details of general and administrative expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		2023		2022
Salaries	₩	63,928,445	₩	58,637,586
Share-based payments		38,449		27,131
Retirement benefits		5,972,051		5,760,191
Employee welfare		14,490,324		11,280,204
Travel expenses		1,659,816		1,015,196
Taxes and dues		2,954,466		2,411,837
Rental expenses		3,545,117		3,511,113
Depreciation		6,273,893		6,755,841
Amortization		1,627,097		2,696,891
Commissions		35,347,539		35,162,137
Depreciation of right-of-use assets		6,959,252		6,700,291
Others		9,810,731		8,449,729
	₩	<u>152,607,180</u>	₩	<u>142,408,147</u>

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31. Other Income and Other Expenses

Details of other income and expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Other income		
Foreign currency transaction gain	₩ 3,543,627	₩ 1,771,004
Foreign currency translation gain	118,571	460,148
Gain on sale of property, plant and equipment	665,739	3,203,594
Gain on sale of intangible assets	29,829	1,559,304
Reversal of other bad debt expenses	2,460	68,941
Other	3,468,902	4,664,700
	<u>₩ 7,829,128</u>	<u>₩ 11,727,691</u>
Other expenses		
Foreign currency transaction loss	₩ (1,078,624)	₩ (1,522,045)
Foreign currency translation loss	(757,250)	(110,686)
Loss on sale of property, plant and equipment	(8,916,977)	(7,986,548)
Loss on sale of intangible assets	(72)	(1,624)
Donation	(2,285,898)	(2,565,140)
Other bad debt expenses	(3,611)	(1,013)
Other	(1,920,624)	(3,239,915)
	<u>(14,963,056)</u>	<u>(15,426,971)</u>
Net other expense	<u>₩ (7,133,928)</u>	<u>₩ (3,699,280)</u>

32. Finance Income and Costs

Details of finance income and costs for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Finance income		
Interest income	₩ 37,267,740	₩ 24,891,097
Dividend income	-	465,936
Foreign currency transaction gain	1,621,554	3,766,522
Foreign currency translation gain	2,101,524	226,517
Gain on disposal of financial assets at fair value through profit or loss	-	588,991
	<u>₩ 40,990,818</u>	<u>₩ 29,939,063</u>
Finance cost		
Interest expense	₩ (3,600,108)	₩ (4,394,395)
Foreign currency transaction loss	(2,544,401)	(1,961,887)
Foreign currency translation loss	(654,964)	(416,809)
	<u>(6,799,473)</u>	<u>(6,773,091)</u>
Net finance income	<u>₩ 34,191,345</u>	<u>₩ 23,165,972</u>

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33. Expenses by Nature

Details of expenses by nature for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of Korean won)

	2023			2022		
	Cost of sales	Selling, general and administrative expense	Total	Cost of sales	Selling, general and administrative expense	Total
Raw materials and consumables used	₩ 1,181,476,503	₩ -	₩ 1,181,476,503	₩ 1,172,675,627	₩ -	₩ 1,172,675,627
Purchasing merchandise	138,827,078	-	138,827,078	120,486,834	-	120,486,834
Changes in inventories of finished goods and merchandise	(11,226,590)	-	(11,226,590)	17,469,722	-	17,469,722
Employee benefits expense	100,877,190	246,045,570	346,922,760	100,961,186	234,365,421	335,326,607
Taxes and dues	18,016,473	22,022,577	40,039,050	16,531,629	22,598,153	39,129,782
Rental expenses	1,068,323	17,270,309	18,338,632	490,487	20,071,510	20,561,997
Depreciation and amortization	125,725,498	18,169,712	143,895,210	129,011,038	19,976,557	148,987,595
Depreciation of right-of-use assets	1,010,259	12,286,502	13,296,761	1,022,348	11,643,891	12,666,239
Advertising expenses	-	25,707,625	25,707,625	-	32,359,954	32,359,954
Freight and custody	2,245,568	96,459,385	98,704,953	2,281,134	93,279,434	95,560,568
Maintenance cost of vehicles	248,030	3,928,415	4,176,445	232,834	3,945,031	4,177,865
Commission	59,262,832	94,151,847	153,414,679	52,773,703	92,008,755	144,782,458
Other	167,415,891	98,977,904	266,393,795	168,142,411	94,264,609	262,407,020
	₩ <u>1,784,947,055</u>	₩ <u>635,019,846</u>	₩ <u>2,419,966,901</u>	₩ <u>1,782,078,953</u>	₩ <u>624,513,315</u>	₩ <u>2,406,592,268</u>

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34. Financial Instruments by Categories

Finance income and cost by categories for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

	2023				
	Finance income	Finance cost	Net income (loss)	Other comprehensive income (before income tax)	Total comprehensive income (loss)
Financial assets					
Financial assets at amortised cost	₩ 40,292,773	₩ -	₩ 40,292,773	₩ -	₩ 40,292,773
Financial assets at fair value through other comprehensive income	-	-	-	357,371	357,371
	<u>40,292,773</u>	<u>-</u>	<u>40,292,773</u>	<u>357,371</u>	<u>40,650,144</u>
Financial liabilities					
Financial liabilities measured at amortised cost	698,045	(5,765,965)	(5,067,920)	-	(5,067,920)
Lease liabilities	-	(1,033,508)	(1,033,508)	-	(1,033,508)
	<u>698,045</u>	<u>(6,799,473)</u>	<u>(6,101,428)</u>	<u>-</u>	<u>(6,101,428)</u>
	<u>₩ 40,990,818</u>	<u>₩ (6,799,473)</u>	<u>₩ 34,191,345</u>	<u>₩ 357,371</u>	<u>₩ 34,548,716</u>

(In thousands of Korean won)

	2022				
	Finance income	Finance cost	Net income (loss)	Other comprehensive income (before income tax)	Total comprehensive income (loss)
Financial assets					
Financial assets at amortised cost	₩ 28,085,192	₩ -	₩ 28,085,192	₩ -	₩ 28,085,192
Financial assets at fair value through profit or loss	588,991	-	588,991	-	588,991
Financial assets at fair value through other comprehensive income	465,936	-	465,936	6,883,590	7,349,526
	<u>29,140,119</u>	<u>-</u>	<u>29,140,119</u>	<u>6,883,590</u>	<u>36,023,709</u>
Financial liabilities					
Financial liabilities measured at amortised cost	798,944	(5,953,193)	(5,154,249)	-	(5,154,249)
Lease liabilities	-	(819,898)	(819,898)	-	(819,898)
	<u>798,944</u>	<u>(6,773,091)</u>	<u>(5,974,147)</u>	<u>-</u>	<u>(5,974,147)</u>
	<u>₩ 29,939,063</u>	<u>₩ (6,773,091)</u>	<u>₩ 23,165,972</u>	<u>₩ 6,883,590</u>	<u>₩ 30,049,562</u>

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34. Financial Instruments by Categories, Continued

The book amount and the fair value of financial instruments as at December 31, 2023 and 2022, are summarized as follows:

(In thousands of Korean won)

	2023		2022	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets at amortised cost	₩ 1,364,269,478	₩ 1,364,269,478	₩ 1,238,738,841	₩ 1,238,738,841
Financial assets at fair value through other comprehensive income	5,425,867	5,425,867	20,615,039	20,615,039
	<u>1,369,695,345</u>	<u>1,369,695,345</u>	<u>1,259,353,880</u>	<u>1,259,353,880</u>
Financial liabilities				
Financial liabilities measured at amortised cost	258,063,498	258,063,498	411,206,645	411,206,645
Lease liabilities ¹	24,796,139	24,796,139	24,118,280	24,118,280
	<u>₩ 282,859,637</u>	<u>₩ 282,859,637</u>	<u>₩ 435,324,925</u>	<u>₩ 435,324,925</u>

¹It is lease liabilities that are not financial liabilities categorized.

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

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

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

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

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

The fair value measurements classified by fair value hierarchy as at December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Financial assets at fair value through other comprehensive income	₩ -	₩ -	₩ 5,425,867	₩ 5,425,867
December 31, 2022				
Financial assets at fair value through other comprehensive income	₩ 15,171,169	₩ -	₩ 5,443,870	₩ 20,615,039

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34. Financial Instruments by Categories, Continued

Valuation techniques and inputs used in the recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy as at December 31, 2023, are as follows:

<i>(In thousands of Korean won)</i>	<u>Fair value</u>	<u>Level</u>	<u>Valuation techniques</u>	<u>Inputs</u>
December 31, 2023				
Financial assets at fair value				
through other	₩ 5,425,867	3	Cost method ¹	-
comprehensive income				
December 31, 2022				
Financial assets at fair value				
through other	₩ 5,443,870	3	Cost method ¹	-
comprehensive income				

¹In the case where the fair value of the financial instruments cannot be measured reliably, its acquisition cost was determined as a reasonable approximation of the fair value.

35. Income Taxes

Income tax expenses for the years ended December 31, 2023 and 2022, consist of:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Current income tax expense	₩ 149,573,879	₩ 149,274,287
Adjustments to income tax of prior periods	(4,143,880)	(860,480)
Origination and reversal of temporary differences	(10,072,210)	(57,499,539)
Total income tax effect	<u>135,357,789</u>	<u>90,914,268</u>
Income taxes related to items recognized outside profit or loss	(321,837)	(2,494,227)
Total income tax expense	<u>₩ 135,035,952</u>	<u>₩ 88,420,041</u>

Origination and reversal of temporary differences for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Deferred tax liabilities net, ending balance	₩ (151,443,253)	₩ (161,513,315)
Deferred tax liabilities net, beginning balance	(161,513,315)	(219,012,603)
Deferred tax assets net, ending balance	6,024	3,877
Deferred tax assets net, beginning balance	3,877	3,626
Origination and reversal of temporary differences	<u>₩ (10,072,209)</u>	<u>₩ (57,499,539)</u>

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35. Income Taxes, Continued

Income taxes related to items recognized outside profit or loss for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Remeasurements of the defined benefit liability	₩ (321,837)	₩ (2,494,227)
Income tax expense recognized other than in profit or loss	₩ (321,837)	₩ (2,494,227)

Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2023 and 2022, is as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Profit before income tax	₩ 520,017,907	₩ 486,728,116
Income tax using the Group's statutory tax rate	193,978,628	150,014,614
Adjustment:		
Non-deductible expense	541,479	2,149,853
Tax-exempt income	(43,582,455)	-
Tax credits	(3,228,588)	(5,322,758)
Adjustments to income tax of prior periods	(4,143,880)	(860,480)
Tax for promotion of investment and collaborative cooperation	-	3,865,116
Tax effect on profit or loss of subsidiaries and others	(4,627,626)	(61,194,885)
Effects of changes in tax rates	(151,301)	(1,943,519)
Others	(3,750,305)	1,712,100
Income tax expense	₩ 135,035,952	₩ 88,420,041
Effective tax rate	25.97%	18.17%

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

Orion Corporation and Subsidiaries
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35. Income Taxes, Continued

Change in deferred tax assets and liabilities for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

		2023			
		Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Bad debt expense	₩	946,727	₩ 27,979	₩ -	₩ 974,706
Provision for warranty		504,625	651,919	-	1,156,544
Accumulated					
depreciation		(106,579,983)	3,929,071	-	(102,650,912)
Defined benefit liability		48,479	396,501	(321,837)	123,143
Land		(10,794,200)	62,132	-	(10,732,068)
Investments in					
subsidiaries		(48,538,628)	4,786,053	-	(43,752,575)
Others		2,903,541	540,392	-	3,443,933
	₩	<u>(161,509,439)</u>	₩ <u>10,394,047</u>	₩ <u>(321,837)</u>	₩ <u>(151,437,229)</u>

(In thousands of Korean won)

		2022			
		Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Bad debt expense	₩	128,907	₩ 817,821	₩ -	₩ 946,728
Provision for warranty		287,863	216,762	-	504,625
Accumulated					
depreciation		(110,237,300)	3,657,316	-	(106,579,984)
Defined benefit liability		(8,545)	2,551,249	(2,494,227)	48,477
Land		(11,271,806)	477,607	-	(10,794,199)
Investments in					
subsidiaries		(101,686,105)	53,147,478	-	(48,538,627)
Others		3,778,009	(874,467)	-	2,903,542
	₩	<u>(219,008,977)</u>	₩ <u>59,993,766</u>	₩ <u>(2,494,227)</u>	₩ <u>(161,509,438)</u>

The amount of deductible temporary differences for which deferred tax assets are not recognized as at December 31, 2023 and 2022 are as follows:

(In thousands of Korean won)

	2023	2022
Investments in subsidiaries	₩ 66,113,217	₩ 62,917,227
Other	759,731	401,820

Orion Corporation and Subsidiaries
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35. Income Taxes, Continued

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

The amounts of taxable temporary differences for which no deferred tax liabilities are recognized as at December 31, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>		<u>2022</u>
Investments in subsidiaries	₩	(12,652,675)	₩	(28,422,733)

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

The analysis of deferred tax assets and liabilities as at December 31, 2023 and 2022, is as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>		<u>2022</u>
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	₩	28,758,550	₩	25,722,374
Deferred tax assets to be recovered within 12 months		<u>2,114,907</u>		<u>1,278,214</u>
	₩	<u>30,873,457</u>	₩	<u>27,000,588</u>
Deferred tax liabilities				
Deferred tax liabilities to be recovered after more than 12 months	₩	(182,310,686)	₩	(188,509,905)
Deferred tax liabilities to be recovered within 12 months		<u>-</u>		<u>(121)</u>
		<u>(182,310,686)</u>		<u>(188,510,026)</u>
Deferred tax liabilities, net	₩	<u>(151,437,229)</u>	₩	<u>(161,509,438)</u>

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

36. Financial Risk Management

Overview of risk management

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

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

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

Risk management framework

The Group's risk management aims to identify potential risks that affect the Group's financial performance and to reduce, eliminate or avoid them to an acceptable level. The Group has established and operates enterprise-wide risk management policies and procedures, and the Group's Finance Department has overall responsibility for risk management.

Credit risk

Credit risk refers to the risk of financial loss due to the failure of a customer or counterparty to fulfill its contractual obligations under a financial instrument and arises primarily from trade receivables from customers. To manage credit risk, the Group's management has established policies and procedures to ensure that the Group only transacts with counterparties with a certain level of creditworthiness and that the Group has policies and procedures in place to enhance the creditworthiness of its financial assets. The Group evaluates the creditworthiness of its customers using disclosed financial information and information provided by credit rating agencies when entering into contracts with new customers, and determines the credit limit based on this, and obtains collateral or payment guarantees. In addition, the Group periodically reevaluates the creditworthiness of its customers to review the credit limit and adjust the level of collateral. For financial assets whose collection is delayed, the Group reports the status of delayed collection and collection measures on a quarterly basis and takes appropriate measures depending on the reason for the delay.

Orion Corporation and Subsidiaries
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December 31, 2023 and 2022

36. Financial Risk Management, Continued

Credit risk, Continued

1) Exposure to credit risk

The carrying amount of financial assets is maximum exposure to credit risk. The maximum exposure to credit risk as at December 31, 2023 and 2022 is as follows:

<i>(In thousands of Korean won)</i>		2023		2022
Short-term deposits	₩	730,485,108	₩	385,563,538
Long-term deposits		2,000		2,000
Trade and other receivables		191,029,000		203,103,219
Other financial assets		76,903,700		40,347,020
Cash equivalents ¹		365,798,922		609,690,870
	₩	<u>1,364,218,730</u>	₩	<u>1,238,706,647</u>

¹ The differences from cash and cash equivalents on the consolidated statements of financial position is cash hold by the Group.

As at December 31, 2023 and 2022, these are no significant concentrations of credit risk and diversified to various customers. Meanwhile, the Group is depositing cash or cash equivalents to financial institutes such as Shinhan Bank whose credit rating is high. Thus, credit risk from financial institution is limited.

Besides above, as at December 31, 2023 the Group is obligated to repay spin-off debt (₩ 487 million) in solidarity with Orion Holdings Corporation (formerly, Orion Corporation) as of the spin-off date (June 1, 2017) by the Commercial Law article 530-9 (1) in Republic of Korea. Above liability is allocated to the earliest period in which the Group is required to pay.

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36. Financial Risk Management, Continued

Credit risk, Continued

2) Impairment of financial assets

(a) *Trade receivables*

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the day past due. The expected loss rates are based on the payment profiles of sales over a period of 24 month before December 31, 2022, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect forward-looking information affecting the ability of the customers to settle the receivables.

The loss allowance as at December 31, 2023 and 2022, was determined as follows for trade receivables:

(In thousands of Korean won)

	Current	More than 60 days past due	More than 90 days past due	More than 180 days past due	Bad debt ¹	Total
December 31, 2023						
Expected loss rate	0.01%	0.15%	0.02%	0.58%	18.35%	2.65%
Gross carrying amount	₩ 160,850,315	₩ 3,671,172	₩ 3,038,871	₩ 487,337	₩ 28,175,675	₩ 196,223,370
Loss allowance Provision	14,440	5,640	692	2,816	5,170,782	5,194,370
December 31, 2022						
Expected loss rate	0.03%	0.11%	0.15%	25.44%	55.28%	2.31%
Gross carrying amount	₩ 182,757,041	₩ 13,468,538	₩ 2,202,262	₩ 1,695,895	₩ 7,779,391	₩ 207,903,127
Loss allowance provision	50,185	14,665	3,269	431,504	4,300,286	4,799,909

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

Movements in the loss allowance provision for trade receivables for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)	2023	2022
Beginning balance	₩ 4,799,909	₩ 1,156,896
Increase in loss allowance recognized in profit or loss during the year	428,124	3,926,126
Receivables written off during the year as uncollectible	(16,538)	(84,028)
Other	(17,125)	(199,085)
Ending balance	₩ 5,194,370	₩ 4,799,909

Orion Corporation and Subsidiaries
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December 31, 2023 and 2022

36. Financial Risk Management, Continued

Credit risk, Continued

2) Impairment of financial assets, Continued

(a) *Trade receivables, Continued*

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

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

(b) *Other financial assets*

(In thousands of Korean won)

		2023		2022
Beginning balance	₩	10,961	₩	77,793
Increase in loss allowance recognized in profit or loss during the year		6,308		(67,929)
Receivables written off during the year as uncollectible		(1,747)		(966)
Other		14,700		2,063
Ending balance	₩	<u>30,222</u>	₩	<u>10,961</u>

As at December 31, 2023 and 2022, other financial assets at amortised cost include other receivables, leasehold deposits received, accrued income and others. The Group recognizes the loss allowance on credit-impaired other receivables.

Liquidity risk

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

Details of analysis of liquidity risk as at December 31, 2023 and 2022, are as follows. The tables below analyze the Group's financial liabilities into relevant maturity groupings, and the amounts disclosed in the table are the contractual undiscounted cash flows.

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36. Financial Risk Management, Continued

Liquidity risk, Continued

(In thousands of Korean won)

	<u>Book Value</u>	<u>Contractual cash flow</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>Over 2 years</u>
December 31, 2023						
Borrowings	₩ 3,812,744	₩ 3,873,810	₩ 3,873,810	₩ -	₩ -	₩ -
Trade payables	122,719,827	122,719,827	122,719,827	-	-	-
Other current financial liabilities	162,913,442	162,913,442	162,787,942	125,500	-	-
Other non-current financial liabilities	273,453	273,453	-	-	273,453	-
Lease liabilities	24,796,139	27,189,405	5,643,868	5,079,833	7,607,135	8,858,569
	<u>₩ 314,515,605</u>	<u>₩ 316,969,937</u>	<u>₩ 295,025,447</u>	<u>₩ 5,205,333</u>	<u>₩ 7,880,588</u>	<u>₩ 8,858,569</u>
December 31, 2022						
Borrowings	₩ 93,881,308	₩ 94,275,048	₩ 94,275,048	₩ -	₩ -	₩ -
Trade payables	149,983,831	149,983,831	149,983,831	-	-	-
Other current financial liabilities	190,182,020	190,182,020	32,631,336	157,550,684	-	-
Other non-current financial liabilities	201,785	201,785	-	-	201,785	-
Lease liabilities	24,118,280	24,481,888	5,255,738	5,116,964	7,317,569	6,791,617
	<u>₩ 458,367,224</u>	<u>₩ 459,124,572</u>	<u>₩ 282,145,953</u>	<u>₩ 162,667,648</u>	<u>₩ 7,519,354</u>	<u>₩ 6,791,617</u>

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

Besides above, as at December 31, 2023 the Group is obligated to repay spin-off debt (₩ 487 million) in solidarity with Orion Holdings Corporation (formerly, Orion Corporation) as of the spin-off date (June 1, 2017) by the Commercial Law article 530-9 (1) in Republic of Korea. Above liability is allocated to the earliest period in which the Group is required to pay.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
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36. Financial Risk Management, Continued

Currency risk

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

<i>(In thousands of Korean won)</i>	<u>USD</u>	<u>JPY</u>	<u>EUR</u>
December 31, 2023			
Cash and cash equivalents	₩ 28,906,620	₩ -	₩ -
Trade and other financial assets	8,655,382	-	2,168
Trade and other financial liabilities	(9,557,702)	(179,033)	(6,911,871)
Borrowings	(157,551)	-	-
	<u>₩ 27,846,749</u>	<u>₩ (179,033)</u>	<u>₩ (6,909,703)</u>
December 31, 2022			
Cash and cash equivalents	₩ 8,367,355	₩ -	₩ -
Trade and other financial assets	4,417,736	-	150,632
Trade and other financial liabilities	(16,572,831)	(4,340,782)	(7,990,445)
Borrowings	(818,261)	-	-
	<u>₩ (4,606,001)</u>	<u>₩ (4,340,782)</u>	<u>₩ (7,839,813)</u>
<i>(In thousands of Korean won)</i>	<u>RUB</u>	<u>CHF</u>	<u>VND</u>
December 31, 2023			-
Cash and cash equivalents	₩ 12	₩ -	₩ -
Trade and other financial assets	-	-	-
Trade and other financial liabilities	-	(15,740)	-
Borrowings	-	-	-
	<u>₩ 12</u>	<u>₩ (15,740)</u>	<u>₩ -</u>
December 31, 2022			
Cash and cash equivalents	₩ 968	₩ -	₩ 236
Trade and other financial assets	-	-	-
Trade and other financial liabilities	-	(9,270)	-
Borrowings	-	-	-
	<u>₩ 968</u>	<u>₩ (9,270)</u>	<u>₩ 236</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

36. Financial Risk Management, Continued

Currency risk, Continued

(In thousands of Korean won)

		<u>CNY</u>		<u>HKD</u>		<u>MMK</u>
December 31, 2023						
Cash and cash equivalents	₩	1,223,326	₩	6,266	₩	8,169
Trade and other financial assets		7,180		-		-
Trade and other financial liabilities		(1,805)		-		(11,883)
Borrowings		-		-		-
	₩	<u>1,228,701</u>	₩	<u>6,266</u>	₩	<u>(3,714)</u>
December 31, 2022						
Cash and cash equivalents	₩	1,500,324	₩	35,824	₩	11,248
Trade and other financial assets		-		-		-
Trade and other financial liabilities		(10,015)		-		(13,101)
Borrowings		(2,866,752)		-		-
	₩	<u>(1,376,443)</u>	₩	<u>35,824</u>	₩	<u>(1,853)</u>

As at December 31, 2023 and 2022, the effects of a 10% appreciating or depreciating of foreign currencies against functional currency on profit before tax are as follows:

(In thousands of Korean won)

		<u>2023</u>		<u>2022</u>	
		<u>10% strengthening</u>	<u>10% weakening</u>	<u>10% strengthening</u>	<u>10% weakening</u>
USD	₩	2,784,675	₩ (2,784,675)	₩ (460,600)	₩ 460,600
JPY		(17,903)	17,903	(434,078)	434,078
EUR		(690,970)	690,970	(783,981)	783,981
RUB		1	(1)	97	(97)
CHF		(1,574)	1,574	(927)	927
VND		-	-	24	(24)
CNY		122,870	(122,870)	(137,644)	137,644
HKD		627	(627)	3,582	(3,582)
MMK		(371)	371	(185)	185
	₩	<u>2,197,355</u>	<u>₩ (2,197,355)</u>	<u>₩ (1,813,712)</u>	<u>₩ 1,813,712</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
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36. Financial Risk Management, Continued

Inherent rate risk

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

<i>(In thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Short-term borrowings	₩	3,109,396	₩ 818,261

As at December 31, 2023 and 2022, the effects of a 100bp fluctuation of the interest rates on profit (loss) were as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>		<u>2022</u>	
		<u>10% increase</u>	<u>10% decrease</u>	<u>10% increase</u>	<u>10% decrease</u>
Net finance cost	₩	(31,094)	₩ 31,094	₩ (8,183)	₩ 8,183

Since the Group operates financial deposits for the purpose of obtaining interest income at December 31, 2023 and 2022, the size of interest income may be affected by changes in the market interest rates applied when depositing financial instruments.

Capital management

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

As at December 31, 2023 and 2022, the Group's net debt-to-equity ratio as follows:

<i>(In thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Net debt:			
Debts and borrowings	₩	3,812,744	₩ 93,881,308
Less: Cash and cash equivalents		<u>(365,849,670)</u>	<u>(609,723,063)</u>
		(362,036,926)	(515,841,755)
Equity		<u>2,955,476,949</u>	<u>2,639,228,833</u>
Net debt-to-equity ratio ¹	₩	<u>-</u>	₩ -

¹ Due to negative amounts of net debt at December 31, 2023 and 2022, Net debt-to-equity ratio is not be calculated.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

37. Financial Commitments and Contingencies

Financial commitments to financial institutions as at December 31, 2023 and 2022, are as follows:

(In thousands of Korean won, US dollars, Chinese yuan, European euro, Russian ruble)

Contract Company	Lender	Type of commitment	Currency	2023	2022
Orion Corporation	Kookmin Bank	Usance	USD	10,000,000	10,000,000
		Purchase loan	KRW	20,000,000	20,000,000
		Bank overdraft	KRW	5,000,000	5,000,000
	Shinhan Bank	Usance	USD	5,900,000	5,900,000
		Collateralized loans on trade receivables	KRW	-	4,000,000
		Credit loan	KRW	30,000,000	-
		Purchase loan	KRW	20,000,000	20,000,000
	NongHyup Bank	Credit loan	KRW	30,000,000	30,000,000
		Collateralized loans on trade receivables	KRW	5,000,000	30,000,000
	Mizuho Bank	Credit loan	KRW	20,000,000	20,000,000
	Hyundai Card	Group purchase card	KRW	12,000,000	12,000,000
Orion Food Co., Ltd.	Bank of China	Usance	CNY	60,000,000	60,000,000
	Bank of China	General loan	CNY	80,000,000	80,000,000
Orion Food (Shanghai) Co., Ltd.	Agricultural Bank of China	Usance	CNY	60,000,000	-
	Bank of China	Usance	CNY	55,000,000	55,000,000
Orion Food (Shen Yang) Co., Ltd.	Hana Bank	Usance	EUR	1,000,000	1,000,000
Orion Food (Guangzhou) Co., Ltd.	Hana Bank	Usance	EUR	3,000,000	2,000,000
Orion International Euro. LLC	Sumitomo Mitsui Rus Bank	Credit loan	RUB	-	500,000,000
	Hana Bank	Credit loan	RUB	200,000,000	600,000,000
Orion Food VINA Co., Ltd.	Shinhan Bank	Usance	USD	5,000,000	5,000,000
			KRW	142,000,000	141,000,000
Total			USD	20,900,000	20,900,000
			CNY	255,000,000	195,000,000
			EUR	4,000,000	3,000,000
			RUB	200,000,000	1,100,000,000

As at December 31, 2023 and 2022, the Group has factoring agreements with Woori Bank, for trade receivables of Coupang Corp. The trade receivables provided by the Group in the factoring transaction which meet the requirements for asset derecognition, were derecognized because there is no recourse obligation for the above trade receivables in case of debtors' default and accordingly Woori Bank retains substantially all the risks and rewards.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

37. Financial Commitments and Contingencies, Continued

As at December 31, 2023, guarantees of ₩ 731 million (2022 : ₩ 585 million) are provided to the Group by Seoul Guarantee Insurance Company etc. for the performance of contracts.

As at December 31, 2023 and 2022, the Group provides guarantees to the customers with the maximum amount of ₩ 12,000 million in relation to the Corporate purchase card of Hyundai Card.

As at December 31, 2023, the Group has entered into a purchase agreement with PARSONS Pvt. Ltd.

As at December 31, 2023, the Group is obligated to repay spin-off debt(₩ 487 million) in solidarity with Orion Holdings Corporation (formerly, Orion Corporation) as of the spin-off date (June 1, 2017) by the Commercial Law Article 530-9 (1) in Republic of Korea. Above liability is allocated to the earliest period in which the Group is required to pay.

As at December 31, 2023, Orion Holdings Corporation, a Parent Company of the Group and Orion Food Co., Ltd., a subsidiary, have entered into a joint investment contract for Shandong Lukang Biotechnology Development Co., Ltd.

As at December 31, 2023, the Group did not recognize the provision in relation to tax imposed by the Seoul Customs as it determined it had no current obligation to bear the tax.

Details of lawsuit pending as at December 31, 2023 are summarized as follows:

(In thousands of Korean won)

Plaintiff	Defendant	Contents	Amounts ¹	Progress
Orion Corp.	Director of Yongsan Tax Office	Cancellation of imposition of value-added tax	₩ 833,022	First trial in Progress
Former employees	Orion Corp.	Compensation for damages	70,000	First trial in Progress
Former employees	Orion Corp.	Claim for wages and others	125,122	First trial in Progress
Orion Food Co., Ltd.	Shanghai Suning Yigou Commercial Management Co., Ltd.	Claim for payment of receivables	15,306	First trial in Progress
Orion Food Co., Ltd.	NGS Supermarket Group. Co., Ltd.	Claim for payment of receivables	42,793	First trial in Progress
Orion Food Co., Ltd.	Zhejiang Huayun Co., Ltd	Claim for payment of receivables	3,306,791	First trial in Progress
Beijing Quhonga Trading Co., Ltd	Orion Food Co., Ltd.	Claim for payment	877,074	First trial in Waiting
Orion International Euro. LLC	Vyborg Customs	Appeal to additional tariffs	1,974,453	First trial in Progress

¹The lawsuit amount is translated to Korean won.

The ultimate outcome of the above litigations cannot be determined. However, effects of the litigation outcome on the financial statements are expected to be insignificant.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
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38. Related Party Transactions

Related parties as at December 31, 2023 and 2022, are as follows, excluding subsidiaries:

Relationship	2023
	Related Party
Parent	Orion Holdings Corp.
Joint ventures	Delfi-Orion Pte Ltd, Orion Nonghyup Agri, inc. Showbox Crop., Supreme Star Investment Corp. Limited,
Parent's subsidiaries	Orion JeJu Yongam Soo Corp., ORION BIOLOGICS CO., LTD., SHOWBOX Inc., Beijing Zhongguan Megabox Cinema Co., Ltd.
Parent's joint venture	Shandong Lukang Biotechnology Development Co.,Ltd.
Others	Orion Foundation, Capitalone Showbox-iMBC Contents Fund, and major share holders.

Relationship	2022
	Related Party
Parent	Orion Holdings Corp.
Joint ventures	Delfi-Orion Pte Ltd, Orion Nonghyup Agri, inc. Showbox Crop., Supreme Star Investment Corp. Limited,
Parent's subsidiaries ^{1,2}	Orion JeJu Yongam Soo Corp., ORION BIOLOGICS CO., LTD., SHOWBOX nc., Beijing Zhongguan Megabox Cinema Co., Ltd.
Parent's joint venture	Shandong Lukang Biotechnology Development Co.,Ltd.
Others	Orion Foundation, Capitalone Showbox-iMBC Contents Fund, and major share holders.

¹ Orion Holdings Corporation, a Parent Company of the Group, newly acquired shares of ORION BIOLOGICS CO., LTD.in 2022.

² Orion Holdings Corporation, a Parent Company of the Group, disposed shares in Mega Mark Co., Ltd, Highland D&C Corp., Reon A&D Corp, Misoin Corp. in 2022.

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38. Related Party Transactions, Continued

Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2023 and 2022, are summarized as follows:

Sales etc.

(In thousands of Korean won)

Relationship	Related Party	Transaction	2023	2022
Parents	Orion Holdings Corp.	Sales	₩ 4,159,743	₩ -
		Other income etc.	367,855	870,011
Parents' subsidiaries	Showbox Corp.	Sales	5,762	24,036
	Orion Jeju Yongam Soo Corp.	Sales	6,464	5,824
	ORION BIOLOGICS CO., LTD.	Sales	6,856	-
	Delfi-Orion Pte Ltd.	Sales	4,362,754	2,943,551
Joint ventures	Orion Nonghyup Agri, inc.	Sales	17,332	19,587
		Sales	389,560	241,755
Others	Orion Foundation	Sales	389,560	241,755
	Major shareholders	Other income etc.	37,637	8,604
			₩ <u>9,353,963</u>	₩ <u>4,113,368</u>

Purchase etc.

(In thousands of Korean won)

Relationship	Related Party	Transaction	2023	2022
Parents	Orion Holdings Corp.	Other expense	₩ 15,165,160	₩ 15,305,016
	Orion JeJu Yongam Soo Corp.	Purchase	15,745,861	12,550,972
Parents' subsidiaries	Mega Mark Co., Ltd.	Other expense	-	429
		Other expense	-	375
	Misoin Corp.	Purchase of property, plant and equipment	-	100,000
		Purchase of property, plant and equipment	-	844,800
	Reon A&D Corp.	Purchase of property, plant and equipment	-	528,000
	Highland D&C Corp.	Purchase of property, plant and equipment	-	387,200
Joint ventures	Orion Nonghyup Agri, inc.	Purchase	38,898,660	38,174,208
Others	Orion Foundation	Other expense	1,000,000	950,000
		Other expense	₩ <u>70,809,681</u>	₩ <u>68,841,000</u>

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38. Related Party Transactions, Continued

Accounts receivable and accounts payable balances with related parties as at December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

		2023							
Relationship	Related party	Receivables				Payables			
		Trade receivables	Other receivables	Leasehold deposits	Shor-term loan	Trade payables	Accounts payable ¹	Other payables	
Parents	Orion Holdings Corp.	₩ 381,261	₩ 55,015	₩ 17,340,000	₩ -	₩ -	₩ 3,977,112	₩ -	
Parents' subsidiaries	Orion JeJu Yongam Soo Corp.	-	3,001	-	36,403,092	954,168	-	-	
	Delfi-Orion Pte Ltd	702,890	-	-	-	-	-	-	
Joint ventures	Orion Nonghyup Agri, inc.	-	759,845	-	-	4,468,909	5,447	-	
Others	Major shareholders	3,499	-	-	-	-	-	4,119,079	
		₩ 1,087,650	₩ 817,861	₩ 17,340,000	₩ 36,403,092	₩ 5,423,077	₩ 3,982,559	₩ 4,119,079	

¹ As at December 31, 2023, other payables include ₩ 237 million that will be paid in January 2024, among the recognized lease liabilities of ₩ 9,347 million, related to lease transactions with Orion Holdings Corp.

(In thousands of Korean won)

		2022							
Relationship	Related party	Receivables				Payables			
		Trade receivables	Other receivables	Leasehold deposits	Trade payables	Accounts payable ¹	Other payables		
Parents	Orion Holdings Corp.	₩ -	₩ 462,942	₩ 17,340,000	₩ -	₩ 4,268,031	₩ -	-	
Parents' subsidiaries	Orion JeJu Yongam Soo Corp.	-	761	-	781,087	-	-	-	
	Delfi-Orion Pte Ltd.	347,672	-	-	-	-	-	-	
Joint ventures	Orion Nonghyup Agri, inc.	-	1,176,652	-	8,368,576	9,539	-	-	
Others	Major shareholders	1,458	-	-	-	-	-	3,730,252	
		₩ 349,130	₩ 1,640,355	₩ 17,340,000	₩ 9,149,663	₩ 4,277,570	₩ 3,730,252		

¹ As at December 31, 2022, other payables include ₩ 247 million that will be paid in January 2023, among the recognized lease liabilities of ₩ 7,222 million, related to lease transactions with Orion Holdings Corp.

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38. Related Party Transactions, Continued

Investments transactions with related parties as at December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

Relationship	Related Party	Transaction	2023	2022
Parents	Orion Holdings Corp.	Payment of dividends	₩ (14,036,382)	₩ (11,081,354)
		Redemption of lease liabilities	(2,846,708)	(2,381,443)
Parents' subsidiaries	Orion JeJu Yongam Soo Corp.	Loan collection	(36,403,092)	-
Parents' joint venture	Shandong Lukang Biotechnology Development Co., Ltd.	Contribution in cash	-	(2,308,318)
Others	Major Shareholders	Payment of dividends	(2,416,414)	(1,907,696)

Details of key management personnel (executive directors and controlling interest holder) compensation for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

	2023	2022
Short-term employee benefits	₩ 10,009,987	₩ 8,938,822
Post-employment benefits	1,905,015	2,114,370
Share-based compensation expense	38,449	27,131
	<u>₩ 11,953,451</u>	<u>₩ 11,080,323</u>

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

As at December 31, 2023, the Group has recognized ₩ 10,766 million of right-of-use assets, ₩ 9,347 million of lease liabilities with related parties, and recognized ₩ 3,124 million of depreciation of right-of-use assets and ₩ 347 million of interest expense during the year.

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39. Cash Flows

The principal non-cash transactions for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>		2023		2022
Reclassification from construction in progress to property, plant and equipment	₩	105,576,044	₩	120,023,780
Reclassification from construction in progress to intangible assets		2,070,433		7,024,124
Other payables regarding the acquisition of property, plant and equipment		5,548,642		10,411,774
Other payables regarding the acquisition of Intangible assets		535,061		201,712
Other payables regarding the pension benefit payments		2,698,728		1,061,149
Reclassification from long-term borrowings to short-term borrowings		-		69,911,356
Increase of right-of-use assets from changes in lease agreement conditions		(3,483,442)		(2,180,539)
Increase of lease liabilities from changes in lease agreement conditions		1,230,965		3,452,888
Increase of right-of-use assets from new lease contracts		(11,358,515)		(8,741,922)
Increase of lease liabilities from new lease contracts		9,993,181		7,682,994
Reclassification from lease liabilities to current portion		5,778,778		6,995,012
Reclassification from property, plant and equipment to investment property		-		29,191,144

Orion Corporation and Subsidiaries

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39. Cash Flows, Continued

Changes in liabilities arising from financial activities for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

		2023							
		Non cash flow activities							
		Beginning balance	Cash flows from financing activities	Depreciation etc	Effects on foreign currency change	Reclassification	Others	Ending balance	
Short-term borrowings	₩	23,907,383	₩ (19,089,103)	₩ -	₩ (1,005,536)	₩ -	₩ -	₩ 3,812,744	
Current portion of									
long-term borrowings		69,973,925	(70,000,000)	26,075	-	-	-	-	
Current leasehold									
deposits received		127,500	(2,000)	-	-	-	-	125,500	
Non-current leasehold									
deposits received		-	80,000	1,740	-	-	(5,138)	76,602	
Current lease liabilities		10,337,604	(11,479,597)	-	(118,964)	5,778,778	5,981,850	10,499,671	
Non-current lease									
liabilities		13,780,676	-	-	(74,691)	(5,778,778)	6,369,261	14,296,468	
	₩	118,127,088	₩ (100,490,700)	₩ 27,815	₩ (1,199,191)	₩ -	₩ 12,345,973	₩ 28,810,985	

(In thousands of Korean won)

	2022								
	Non cash flow activities								
	Beginning balance	Cash flows from financing activities	Depreciation etc	Effects on foreign currency change	Reclassification	Others	Ending balance		
Short-term borrowings	₩ 1,734,778	₩ 23,783,716	₩ -	₩ (1,611,111)	₩ -	₩ -	₩ 23,907,383		
Current portion of									
long-term borrowings	159,956,353	(160,000,000)	106,216	-	69,911,356	-	69,973,925		
Long-term borrowings	69,890,942	-	20,414	-	(69,911,356)	-	-		
Non-current leasehold deposits received	190,446	(63,000)	82	-	-	(28)	127,500		
Current lease liabilities	9,569,489	(11,178,454)	-	14,707	6,995,012	4,936,850	10,337,604		
Non-current lease liabilities	13,460,764	-	-	170,554	(6,995,012)	7,144,370	13,780,676		
	₩ 254,802,772	₩ (147,457,738)	₩ 126,712	₩ (1,425,850)	₩ -	₩ 12,081,192	₩ 118,127,088		

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

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40. Events After the Reporting Period

On January 15, 2024, PAN Orion Corp Limited, subsidiary of Orion Corp, entered into an agreement to acquire the shares of Legochem Bioscience Co., Ltd and increase paid-in capital through third-party allocation. The contract's expected closing date is March 29, 2024, and PAN Orion Corp Limited plans to acquire 25.73% (9,363,283 shares) of the common stock of Legochem Bioscience Co., Ltd for KRW 548,494 million.