

Orion Corporation and Subsidiaries

Consolidated Financial Statements

December 31, 2021 and 2020

Orion Corporation and Subsidiaries
Index
December 31, 2021 and 2020

Page(s)

Independent Auditor's Report	1 - 4
Consolidated Financial Statements	
Consolidated Statements of Financial Position	5 - 6
Consolidated Statements of Comprehensive Income	7 - 8
Consolidated Statements of Changes in Equity	9 - 10
Consolidated Statements of Cash Flows	11 - 13
Notes to the Consolidated Financial Statements	14 - 81



Independent Auditors' Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of Orion Corporation

Opinion

We have audited the accompanying consolidated financial statements of Orion Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

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

Key Audit Matters

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

Promotion activities in relation to sale of goods

Why it is determined to be a key audit matter

The Group manufactures and sell confectioneries and others. Considering the nature of the goods, the Group applies various method for sales promotion and encouraging policies. As explained in Note 2 of the consolidated financial statements, the Group accounts for consideration payable to a customer as an expense or reduction of the revenue, depending on whether the payment to the customer is in exchange for a distinct good or service. The revenue on consolidated statements of financial position is one of the key factors of financial performance, and is measured considering considerations paid to the customer, such as incentives for sales promotions and others. We have identified significant risk of overstatement of revenue from recognition error of considerations paid to the customers considering the significance of classification between reduction of the revenue and recognizing as selling, general and administrative expenses, and materiality of the amount.

How our audit addressed the key audit matter

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

- Obtained an understanding on 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 in the relevant documents such as contracts, on a test basis by 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements of the Group. Note 3 to the consolidated financial statements describes uncertainty relating to the impact of Coronavirus disease 2019 (COVID-19) on the Group's productivity and ability to satisfy customer's orders.

Other Matter

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

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

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

fraud or error.

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

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

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

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

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

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

events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

March 16, 2022

Seoul, Korea

This report is effective as of March 16, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Orion Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2021 and 2020

<i>(In thousands of Korean won)</i>	Notes	<u>2021</u>	<u>2020</u>
Assets			
Property, plant and equipment	6	₩ 1,773,716,725	₩ 1,662,546,140
Intangible assets	7	33,149,478	32,531,563
Goodwill	8	24,193,863	22,965,074
Investment property	9	6,752,233	6,189,230
Right-of-use assets	10	64,430,919	63,172,734
Investments in joint ventures	11	31,655,143	31,078,448
Financial assets at fair value through other comprehensive income	12,33	16,600,119	18,257,921
Long-term trade and other receivables	15,33,35 ,37	17,060,469	16,467,802
Long-term deposits	16,33,35	2,000	8,962,775
Other non-current assets	13	6,633,353	5,691,153
Deferred income tax assets	34	3,626	-
Total Non-current assets		<u>1,974,197,929</u>	<u>1,867,862,840</u>
Inventories	14	208,475,555	179,741,704
Other current assets	13	18,890,661	13,071,795
Current tax assets	34	3,563,744	161,518
Trade and other receivables	15,33,35	190,970,628	167,374,849
Financial assets at fair value through profit or loss	12,33	39,006,075	
Short-term deposits	16,33,35	134,914,886	69,768,290
Cash and cash equivalents	16,33,35	550,409,184	367,425,438
Total Current assets		<u>1,146,230,732</u>	<u>797,543,594</u>
Total assets		<u>₩ 3,120,428,661</u>	<u>₩ 2,665,406,434</u>

Orion Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2021 and 2020

<i>(In thousands of Korean won)</i>	Notes	2021	2020
Equity			
Capital stock	1,17	₩ 19,768,066	₩ 19,768,066
Capital surplus		598,172,192	598,172,192
Treasury shares	18	(604,361)	(604,361)
Other capital	19	746,261,113	590,452,126
Reserves	20	190,491,475	133,168,318
Unappropriated retained earnings		656,956,021	488,999,368
Equity attributable to owners of the Parent		2,211,044,506	1,829,955,709
Non-controlling interest	4	81,505,966	67,552,557
Total equity		2,292,550,472	1,897,508,266
Liabilities			
Long-term debts	25,33,35	69,890,942	229,674,753
Long-term trade and other payables	23,33,35	782,804	903,137
Non-current lease liabilities	10,33,35	13,460,764	16,454,553
Net defined benefit liabilities	26	1,793,209	854,466
Deferred tax liabilities	34	219,012,603	173,679,900
Other non-current liabilities	27	1,026,852	827,897
Total Non-current liabilities		305,967,175	422,394,706
Current portion of long-term debts	25,33,35	159,956,353	-
Short-term borrowings	25,33,35	1,734,778	2,516,963
Trade and other payables	23,33,35	267,794,757	263,989,663
Current lease liabilities	10,33,35	9,569,489	7,561,712
Current tax liabilities	34	36,121,802	31,285,522
Other current liabilities	24,27	46,733,834	40,149,602
Total Current liabilities		521,911,014	345,503,462
Total liabilities		827,878,189	767,898,168
Total equity and liabilities		₩ 3,120,428,661	₩ 2,665,406,434

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

Orion Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2021 and 2020

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

	Notes	<u>2021</u>	<u>2020</u>
Revenue	28	₩ 2,355,499,706	₩ 2,229,819,934
Cost of sales	28,32	<u>(1,409,109,816)</u>	<u>(1,276,757,946)</u>
Gross profit		946,389,889	953,061,988
Selling expenses	29,32	(442,663,563)	(428,868,963)
General and administrative expenses	29,32	<u>(130,816,419)</u>	<u>(148,071,012)</u>
Operating profit		372,909,907	376,122,013
Net other income (expense)	30	(1,879,149)	17,224,879
Net finance income	31,33	7,555,024	3,439,211
Share of profit of associates and joint ventures	11	461,508	564,912
Profit before income tax		<u>379,047,290</u>	<u>397,351,015</u>
Income tax expense	34	<u>(115,385,469)</u>	<u>(122,788,740)</u>
Profit for the year		<u>263,661,821</u>	<u>274,562,275</u>
Other comprehensive income (loss):			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		169,592,704	(33,851,986)
Share of other comprehensive income of joint ventures	11	61,685	11,860
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial loss	26	(3,735,490)	(117,365)
Income tax of other comprehensive income	34	903,989	28,402
Share of defined benefit plan actuarial gain of joint ventures		53,503	14,464
Loss on valuation of financial assets at fair value through other comprehensive income	33	<u>(5,026,978)</u>	<u>(1,352,120)</u>
Other comprehensive income (loss) for the period, net of tax		161,849,413	(35,266,745)
Total comprehensive income for the year		<u>₩ 425,511,233</u>	<u>₩ 239,295,530</u>

Orion Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2021 and 2020

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

	Notes	<u>2021</u>	<u>2020</u>
Profit attributable to:			
Owners of the Parent		₩ 257,704,401	₩ 267,586,358
Non-controlling interests	4	5,957,420	6,975,917
Profit for the year		<u>₩ 263,661,821</u>	<u>₩ 274,562,275</u>
Total comprehensive income attributable to:			
Owners of the Parent		₩ 411,491,636	₩ 232,088,201
Non-controlling interests		14,019,598	7,207,329
Total comprehensive income for the year		<u>₩ 425,511,233</u>	<u>₩ 239,295,530</u>
Earnings per share: (in Korean won)			
	21		
Basic earnings per share		₩ 6,519	₩ 6,769
Diluted earnings per share		6,519	6,769

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, 2021 and 2020

(In thousands of Korean won)

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

Orion Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2021 and 2020

(In thousands of Korean won)

	Capital stock	Capital surplus	Treasury shares	Other capital	Reserves	Retained earnings	Non- controlling interests	Total equity
Balance at January 1, 2021	₩ 19,768,066	₩ 598,172,192	₩ (604,361)	₩ 590,452,126	₩ 133,168,318	₩ 488,999,368	₩ 67,552,557	₩ 1,897,508,266
Comprehensive income:								
Profit for the year	-	-	-	-	-	257,704,401	5,957,420	263,661,821
Other comprehensive income:								
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	-	(4,783,302)	-	-	(243,676)	(5,026,978)
Exchange differences on translating foreign operations	-	-	-	161,286,851	-	-	8,305,853	169,592,704
Share of other comprehensive income of joint ventures	-	-	-	61,685	-	-	-	61,685
Share of defined benefit plan actuarial gain of joint ventures	-	-	-	-	-	53,503	-	53,503
Remeasurements of net defined benefit liability	-	-	-	-	-	(2,831,501)	-	(2,831,501)
Total comprehensive income for the year	-	-	-	156,565,234	-	254,926,402	14,019,598	425,511,233
Total transactions with owners of the Company, recognized directly in equity:								
Share-based compensation expense	-	-	-	(782,569)	-	-	(39,866)	(822,435)
Dividends paid	-	-	-	-	-	(29,646,592)	-	(29,646,592)
Addition to legal reserves	-	-	-	-	14,143,807	(14,143,807)	-	-
Addition to discretionary reserves	-	-	-	-	43,179,350	(43,179,350)	-	-
Changes in percentage of ownership due to acquisition of subsidiaries	-	-	-	26,323	-	-	(26,323)	-
Total transactions with owners of the Company, recognized directly in equity	-	-	-	(756,246)	57,323,157	(86,969,749)	(66,189)	(30,469,027)
Balance at December 31, 2021	₩ 19,768,066	₩ 598,172,192	₩ (604,361)	₩ 746,261,113	₩ 190,491,475	₩ 656,956,021	₩ 81,505,966	₩ 2,292,550,472

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, 2021 and 2020

(In thousands of Korean won)

	2021	2020
Cash flows from operating activities		
Profit for the year	₩ 263,661,821	₩ 274,562,275
Adjustments for:		
Retirement benefits	12,374,762	12,718,703
Depreciation of property, plant and equipment	134,464,791	125,174,624
Amortization	4,154,613	4,257,209
Depreciation of investment property	141,885	136,647
Depreciation of right-of-use assets	10,986,031	9,395,505
Loss on valuation of financial assets at fair value through profit or loss	421,813	-
Impairment loss on intangible assets	-	440,718
Impairment loss on right-of-use assets	-	705,051
Loss on sale of trade receivables	22,558	37,967
Bad debt expenses of trade receivables	21,494	(41,044)
Other bad debt expenses	15,693	21,388
Loss on sale of property, plant and equipment	3,469,958	4,042,706
Loss on sale of intangible assets	40,973	21,665
Share-based compensation expense	1,987,262	15,276,988
Foreign currency translation loss	82,105	234,368
Interest expense	6,389,281	7,362,309
Income tax expense	115,385,469	122,788,740
Other expenses	787,077	1,252,679
Gain on sale of property, plant and equipment	(892,082)	(3,735,021)
Reversal of impairment loss on intangible assets	(152,310)	(874,917)
Gain on disposal of investments in joint ventures	-	(127,707)
Foreign currency translation gain	(114,702)	(187,199)
Interest income	(14,198,665)	(11,061,054)
Share of profit of associates and joint ventures	(461,508)	(564,912)
Dividend income	(259,324)	(469,022)
Other income	(259,498)	(45,645)
Subtotal	274,407,675	286,760,746
Changes in:		
Trade receivables	(11,935,396)	26,259,196
Other receivables	1,664,420	(4,990,942)
Other current assets	3,365,496	2,654,181
Inventories	(14,468,924)	(35,948,754)
Other non-current assets	(1,061,415)	(4,120,759)
Trade payables	3,201,627	15,057,849
Other payables	(26,461,773)	(10,661,803)
Other current liabilities	2,065,683	(10,989,191)
Plan assets	(187,719)	(6,529,746)
Payment of defined benefit obligations	(15,209,280)	(5,689,501)
Payment of long-term employee benefit liabilities	(80,437)	-
Subtotal	₩ (59,107,719)	₩ (34,959,470)

Orion Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

<i>(In thousands of Korean won)</i>	2021	2020
Interest received	₩ 13,108,074	₩ 10,344,323
Dividend received	259,324	469,022
Interest paid	(5,708,225)	(7,381,788)
Income tax paid	(81,888,305)	(68,798,972)
Net cash inflow (outflow) from operating activities	404,732,645	460,996,136
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	3,460,061	7,168,419
Proceeds from disposal of intangible assets	1,714,065	972,117
Proceeds from disposal of investments in joint ventures	-	1,927,291
Increase in financial assets at fair value through profit or loss	(39,427,888)	-
Decrease in rental deposits	2,172,319	1,089,035
Decrease in operation deposits	133,690	124,580
Increase in financial deposits	(45,997,846)	(12,635,072)
Increase in financial assets at fair value through other comprehensive income	(3,209,453)	-
Acquisition of property, plant and equipment	(142,258,511)	(151,810,727)
Acquisition of intangible assets	(5,291,102)	(5,927,182)
Increase in rental deposits	(1,256,047)	(712,830)
Increase in operation deposits	(93,400)	(128,690)
Increase in short-term loan	-	(3,246,720)
Collection of short-term loan	3,371,170	-
Net cash outflow from investing activities	(226,682,942)	(163,179,779)

Orion Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

<i>(In thousands of Korean won)</i>	2021	2020
Cash flows from financing activities		
Increase in short-term borrowings	21,761,398	262,505,737
Increase in debentures	-	69,753,780
Redemption of short-term borrowings	(22,543,281)	(266,977,037)
Redemption of current portion of debentures	-	(120,000,000)
Redemption of current portion of long-term borrowings	-	(60,000)
Redemption of lease liabilities	(9,407,723)	(7,913,881)
Decrease in leasehold deposits	(13,500)	(90,000)
Dividends paid	(29,646,592)	(23,717,273)
Net cash outflow from financing activities	(39,849,698)	(86,498,674)
Effect of exchange rate fluctuations on cash held, and others	44,783,741	(8,857,532)
Net increase in cash and cash equivalents	182,983,746	202,460,151
Cash and cash equivalents at the beginning of the period	367,425,438	164,965,287
Cash and cash equivalents at the end of the period	₩ 550,409,184	₩ 367,425,438

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, 2021 and 2020

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, 2021, the Company's capital stock is ₩ 19,768 million. Major shareholders of the Company are Orion Holdings Co., Ltd. (37.37%) and six other related parties (6.43%).

The Company and its consolidated subsidiaries as at December 31, 2021 and 2020, are as follows:

Name	Location	Immediate controlling party	Percentage of ownership					
			2021			2020		
			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. ¹	Russia	Orion Corporation, PAN Orion Corp. Limited.	73.27%	26.73%	100.00%	100.00%	-	100.00%
Orion Food VINA Co., Ltd.	Vietnam	Orion Corporation	100.00%	-	100.00%	100.00%	-	100.00%
Orion Nutritionals Private Ltd.	India	Orion Corporation	100.00%	-	100.00%	100.00%	-	100.00%
Orion Food Co., Ltd.	China	PAN Orion Corp. Limited.	-	100.00%	100.00%	-	100.00%	100.00%
Orion Food (Shanghai) Co., Ltd.	China	PAN Orion Corp. Limited.	-	100.00%	100.00%	-	100.00%	100.00%
Orion Food Guangzhou Co., Ltd.	China	PAN Orion Corp. Limited.	-	100.00%	100.00%	-	100.00%	100.00%
Orion Food (Shen Yang) Co., Ltd.	China	PAN Orion Corp. Limited.	-	100.00%	100.00%	-	100.00%	100.00%
Orion (Bei Tun) Agro Processing Co., Ltd. ²	China	Orion Food Co., Ltd.	-	-	-	-	100.00%	100.00%
Orion Agro Co., Ltd.	China	Orion Food Co., Ltd.	-	100.00%	100.00%	-	100.00%	100.00%

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Name	Location	Immediate controlling party	Percentage of ownership					
			2021			2020		
			The Company	Subsidiary	Total	The Company	Subsidiary	Total
Orion Agro DuoLun Co., Ltd.	China	Orion Food Co., Ltd	-	100.00%	100.00%	-	100.00%	100.00%
LangFang Green Eco Packaging Co., Ltd.	China	Orion Food Co., Ltd	-	100.00%	100.00%	-	100.00%	100.00%
Orion F&B US, Inc. ³	United States of America	Orion Corporation	100.00%	-	100.00%	-	-	-

¹ PAN Orion Corp. Limited. invested for capital increase to Orion International Euro LLC. in 2021.

² Orion (Bei Tun) Agro Processing Co., Ltd. went through liquidation in 2021.

³ Orion F&B US, Inc. was established in 2021.

Financial information of the Company and its consolidated subsidiaries as at December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020 is summarized as follows:

(In millions of Korean won)

Name	Main business	2021						
		Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)	
Orion Corporation	Manufacturing and selling confectioneries	₩ 1,268,635	₩ 399,647	₩ 868,988	₩ 807,372	₩ 92,263	₩ 89,385	
PAN ORION Corp. Limited	Holding company	367,190	3,829	363,361	-	(1,231)	(6,257)	
Orion International Euro LLC	Manufacturing and selling confectioneries	132,318	13,158	119,160	116,987	13,780	13,780	
Orion Food VINA Co., Ltd.	Manufacturing and selling confectioneries	419,802	53,945	365,857	341,449	56,912	56,912	
Orion Nutritionals Private Ltd.	Manufacturing and selling confectioneries	23,885	1,908	21,977	3,129	(4,401)	(4,401)	
Orion Food Co., Ltd.	Manufacturing and selling confectioneries	791,318	164,862	626,456	1,100,237	88,737	88,735	
Orion Food(Shanghai) Co., Ltd.	Manufacturing confectioneries	368,552	39,174	329,378	192,572	18,099	18,099	
Orion Food Guangzhou Co., Ltd.	Manufacturing confectioneries	237,565	30,153	207,412	129,257	12,797	12,797	
Orion Food (Shen Yang) Co., Ltd.	Manufacturing confectioneries	188,502	51,080	137,422	91,701	7,458	7,458	
Orion(Bei Tun) Agro Processing Co., Ltd. ¹	Processing the agricultural products	-	-	-	-	111	111	
Orion Agro Co., Ltd.	Manufacturing food and beverages	12,412	1,589	10,823	10,460	807	807	
Orion Agro DuoLun Co., Ltd.	Processing the agricultural products	4,761	992	3,769	3,539	133	133	

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(In millions of Korean won)

Name	Main business	2021					
		Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)
LangFang Green Eco Packaging Co., Ltd.	Manufacturing pulp and paper	33,587	5,836	27,751	27,747	3,104	3,104
Orion F&B US, Inc.	Selling confectioneries	869	693	176	858	136	136
Total		₩ 3,849,396	₩ 766,866	₩ 3,082,530	₩ 2,825,308	₩ 288,705	₩ 280,799

¹ Orion(Bei Tun) Agro Processing Co., Ltd. went through liquidation in 2021 and the amount stated above presents financial information before the liquidation.

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

(In millions of Korean won)

Name	Main business	2020					
		Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)
Orion Corporation	Manufacturing and selling confectioneries	₩ 1,206,951	₩ 398,318	₩ 808,633	₩ 769,223	₩ 75,659	₩ 75,580
PAN ORION Corp. Limited	Holding company	336,283	623	335,660	-	(228)	(1,580)
Orion International Euro LLC	Manufacturing and selling confectioneries	79,246	9,116	70,130	89,040	13,873	13,873
Orion Food VINA Co., Ltd.	Manufacturing and selling confectioneries	325,030	48,004	277,026	291,989	56,645	56,645
Orion Nutritionals Private Ltd.	Selling confectioneries	20,499	677	19,822	348	(1,921)	(1,921)
Orion Food Co., Ltd.	Manufacturing and selling confectioneries	688,817	211,014	477,803	1,095,335	108,420	108,420
Orion Food(Shanghai) Co., Ltd.	Manufacturing confectioneries	314,797	36,935	277,862	171,835	15,753	15,753
Orion Food Guangzhou Co., Ltd.	Manufacturing confectioneries	208,932	35,282	173,650	125,105	15,126	15,126
Orion Food (Shen Yang) Co., Ltd.	Manufacturing confectioneries	169,236	53,301	115,935	78,743	8,172	8,172
Orion(Bei Tun) Agro Processing Co., Ltd.	Processing the agricultural products	18,333	9	18,324	-	12,006	12,006
Orion Agro Co., Ltd.	Manufacturing food and beverages	9,538	596	8,942	10,796	1,035	1,035
Orion Agro DuoLun Co., Ltd.	Processing the agricultural products	3,433	179	3,254	3,720	237	237
LangFang Green Eco Packaging Co., Ltd. ¹	Manufacturing pulp and paper	27,153	5,198	21,955	25,364	3,360	3,360
Orion Agro BeiTun Co. Ltd ²	Harvesting and selling the agricultural products	-	-	-	-	391	391
Total		₩ 3,408,248	₩ 799,252	₩ 2,608,996	₩ 2,661,498	₩ 308,528	₩ 307,097

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

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

² Orion Argo BeiTun Co., Ltd. went through liquidation in 2020 and the amount stated above presents financial information before the liquidation.

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

Orion (Bei Tun) Agro Processing Co., Ltd. went through liquidation and Orion F&B US, Inc. was newly established in 2021. Orion Agro BeiTun Co., Ltd. went through liquidation in 2020 and there are no other material changes in the scope of the consolidation for the years ended December 31, 2021 and 2020.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

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

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments)
- Defined benefit pension plans – plan assets measured at fair value

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2021.

(a) Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform (Phase 2 amendments)

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendment does not have a significant impact on the consolidated financial statements.

(b) Amendment to Korean IFRS 1116 Lease - Covid-19 - Related Rent Concessions beyond June 30, 2021

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. The Group has early adopted the amendment. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

2.2.2 New standards and interpretations not yet adopted by the Group

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group.

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

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

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

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

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

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

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

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This Standard should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS 1109 Financial Instruments. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(f) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The IASB amended IFRS Practice Statement 2 *Disclosure of Accounting Policies* to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(g) Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(h) Korean IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(i) Annual improvements to Korean IFRS 2018-2020

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

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

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

(c) Joint Arrangements

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

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges, or are attributable to monetary part of the net investment in a foreign operation.

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

(c) Translation to the presentation currency

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

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

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

2.5 Cash and cash equivalents

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

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

2.6 Financial assets

(a) Classification

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

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

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

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

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

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

A. Debt instruments

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

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

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

losses are presented in 'finance income or costs' and impairment losses are presented in 'finance costs'.

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

B. Equity instruments

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

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

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(d) Recognition and Derecognition

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

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

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.7 Trade receivables

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

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

2.8 Inventories

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

The carrying amount of inventories is recognized as cost of sales during the period when revenue from the sale of related goods is recognized. Inventories are stated at the lower of cost and net realizable value. Amounts of inventory written down to net realizable value due to losses occurring in the normal course of business are recognized as cost of sales and are deducted as an allowance from the carrying value of inventories. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense (cost of sales) in the period in which the reversal occurs.

2.9 Property, plant and equipment

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

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

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

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

2.10 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.11 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to assets are presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

2.12 Intangible assets

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

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

Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

<u>Asset</u>	<u>Useful lives (years)</u>
Industrial property rights	5 ~ 10
Business right	10
Copyright	Period over which related revenue is realized
Others	5

2.13 Investment property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Group depreciates investment properties, except for land, using the straight-line method over their useful lives of 30 ~55 years.

2.14 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.15 Trade and other payables

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

2.16 Financial liabilities

(a) Classification and measurement

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

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

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(b) Derecognition

Financial liabilities are removed from the consolidated statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.17 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.18 Current and deferred tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, The Group recognizes a deferred tax asset

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2.19 Employee benefits

(a) Post-employment benefits

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

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

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

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

(b) Share-based payments

Equity-settled share-based payment is recognized at fair value of equity instruments granted, and employee benefit expense is recognized over the vesting period. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Group issues new shares. The proceeds received, net of any directly attributable transaction costs, are recognized as share capital (nominal value) and share premium.

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

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

(c) Other long-term employee benefits

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

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

2.20 Revenue from contracts with customers

(a) Revenue from contracts with customers

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

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

- Variable consideration

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

- Consideration payable to a customer

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

2.21 Leases

(a) Lessor

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

(b) Lessee

The Group leases various offices, warehouses, retail stores, equipment, cars and others. Lease contracts are typically made for fixed periods, but may have extension options.

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option;

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider a termination penalty in determining the period for which the contract is enforceable.

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

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

Measurement of lease liability also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease.

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

To determine the incremental borrowing rate, the Group :

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

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

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

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

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

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

- restoration costs

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

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

(c) Variable lease payments

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

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

(d) Extension and termination options

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

2.22 Operating segment

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

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

2.23 Approval of issuance of the consolidated financial statements

The consolidated financial statements were approved for issue by the Board of Directors on February 9, 2022 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of consolidated financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

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

During 2021, the spread of Coronavirus disease 2019 (“COVID-19”) has a material impact on the global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Group.

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

(a) Estimated goodwill impairment

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

(b) Income taxes

The Group’s taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

If certain portion of the taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System for Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Group’s income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(c) Impairment of financial assets

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

(d) Net defined benefit liability

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

(e) Lease

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

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

(f) Share based payments

The Group measures the cost of share-based payment transaction by reference to the fair value of equity instruments granted at the grant date and the fair value is estimated using valuation models which

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

considers the conditions upon which equity instruments are granted. Also, the Group shall decide the most appropriate price determining factors for valuation model including volatility of the rights and risk-free interest rate and others. Assumptions and valuation models applied are described in Note 22.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

4. 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, 2021 and 2020, 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	
		2021	2020
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, 2021 and 2020, are as follows:

(In thousands of Korean won)

Subsidiary	2021		
	Profit allocated to non-controlling interests	Cumulative non-controlling interests	Dividends paid to non-controlling interests
PAN Orion Corp. Limited	₩ 5,957,420	₩ 81,505,966	₩ -

(In thousands of Korean won)

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Financial position and financial performance as at and for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)

Subsidiary	2021				
	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	₩ 13,867,156	₩ 409,594,363	₩ 173,780,549	₩ 44,341,564	₩ 16,925,451
Non-current assets	353,323,290	381,723,778	194,771,008	193,223,908	171,576,694
Current liabilities	3,812,513	132,379,239	20,420,751	13,700,346	39,383,821
Non-current liabilities	16,305	32,482,812	18,753,720	16,452,214	11,696,070
Equity	363,361,628	626,456,090	329,377,086	207,412,912	137,422,254
Revenue	-	1,100,236,598	192,571,775	129,256,893	91,701,489
Profit (loss) for the year	(1,230,744)	88,735,397	18,099,204	12,797,418	7,458,404
Total comprehensive income (loss)	(6,257,722)	88,735,397	18,099,204	12,797,418	7,458,404

(In thousands of Korean won)

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

The Company owns 95.15% shares of PAN Orion Corp. Ltd. Pan Orion Corp. Ltd 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.

Cash flow:

(In thousands of Korean won)

Subsidiary	2021				
	PAN Orion Corp. Limited ¹	Orion Food Co., Ltd.	Orion Food(Shanghai) Co., Ltd.	Orion Food Guangzhou Co., Ltd.	Orion Food (Shen Yang) Co., Ltd.
Cash flows from operating activities	₩ (763,580)	₩ 39,521,039	₩ 60,029,635	₩ 47,778,091	₩ 29,912,204
Cash flows from investing activities	(25,289,961)	4,423,518	12,639,069	(3,161,115)	(13,240,382)
Cash flows from financing activities	(56,172)	(4,185,149)	-	(11,382,403)	(7,629,490)
Effect of exchange rate fluctuations on cash held	2,947,018	22,150,983	9,035,851	1,764,389	578,480
Net increase (decrease) in cash and cash equivalents	(23,162,695)	61,910,391	81,704,555	34,998,962	9,620,812

¹ During 2021, PAN Orion Corp. Limited owned 26.7% shares of Orion International Euro LLC. through capital increase.

(In thousands of Korean won)

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

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

5. Operating Segments

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

Segment sales for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)

	2021		
	Confectioneries	Elimination	Consolidated Total
Total segment sales	₩ 2,825,307,202	₩ (469,807,496)	₩ 2,355,499,706
Less: Inter segment sales	(469,807,496)	469,807,496	-
External sales	2,355,499,706	-	2,355,499,706
Depreciation and others ¹	149,858,462	(111,142)	149,747,320
Operating profit	375,292,279	(2,382,372)	372,909,907

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

(In thousands of Korean won)

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

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

Segment assets and liabilities as at December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)

	2021		
	Confectioneries	Elimination	Consolidated Total
Total assets	₩ 3,849,395,663	₩ (728,967,002)	₩ 3,120,428,661
Total liabilities	766,866,082	61,012,107	827,878,189
Investments in joint ventures	61,669,445	(30,014,302)	31,655,143
Increase of non-current assets ¹	149,586,970	(29,241,388)	120,345,582

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
December 31, 2021 and 2020

(In thousands of Korean won)

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

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, 2021 and 2020, is as follows:

(In thousands of Korean won)

	2021	2020
Domestic	₩ 788,970,120	₩ 752,456,983
China	1,105,922,949	1,097,626,118
Other	460,606,637	379,736,833
Total	₩ <u>2,355,499,706</u>	₩ <u>2,229,819,934</u>

Information on regional non-current assets as at December 31, 2021 and 2020 is as follows:

(In thousands of Korean won)

	2021	2020
Domestic	₩ 687,595,795	₩ 701,701,855
China	916,564,515	857,459,802
Other	312,177,542	236,830,612
Total	₩ <u>1,916,337,852</u>	₩ <u>1,795,992,269</u>

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

See Note 28 for detailed information on revenues of the Group for the years ended December 31, 2021 and 2020.

There is no main customer who contributes more than 10% of the Group's revenues for the years ended December 31, 2021 and 2020.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

6. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)

	2021						
	Land	Buildings	Structures	Machinery	Others	Construction in-progress	Total
Acquisition cost							
Balance at January 1, 2021	₩ 200,890,888	₩ 760,084,761	₩ 17,767,836	₩ 1,482,763,514	₩ 149,231,573	₩ 64,858,002	₩ 2,675,596,574
Additions	1,946,889	900,209	153,381	11,632,982	8,433,726	115,539,288	138,606,475
Disposals	(21)	(1,209,037)	(26,000)	(20,439,295)	(10,888,105)	(1,804,474)	(34,366,932)
Transfers	7,153	33,674,709	-	69,746,753	6,674,623	(110,103,238)	-
Others ¹	123,297	62,593,071	386,799	110,540,787	9,507,166	4,727,587	187,878,707
Balance at December 31, 2021	₩ 202,968,206	₩ 856,043,713	₩ 18,282,016	₩ 1,654,244,741	₩ 162,958,983	₩ 73,217,165	₩ 2,967,714,824
Accumulated depreciation and impairment							
Balance at January 1, 2021	₩ -	₩ (160,056,655)	₩ (12,806,726)	₩ (749,919,507)	₩ (90,267,546)	₩ -	₩ (1,013,050,434)
Depreciation	-	(20,386,260)	(900,869)	(99,895,390)	(13,282,272)	-	(134,464,791)
Disposals	-	950,916	25,999	17,294,827	10,057,250	-	28,328,992
Others ¹	-	(11,490,560)	(160,756)	(57,579,273)	(5,581,277)	-	(74,811,866)
Balance at December 31, 2021	₩ -	₩ (190,982,559)	₩ (13,842,352)	₩ (890,099,343)	₩ (99,073,845)	₩ -	₩ (1,193,998,099)
Book amount							
Balance at January 1, 2021	₩ 200,890,888	₩ 600,028,106	₩ 4,961,110	₩ 732,844,007	₩ 58,964,027	₩ 64,858,002	₩ 1,662,546,140
Balance at December 31, 2021	₩ 202,968,206	₩ 665,061,154	₩ 4,439,664	₩ 764,145,398	₩ 63,885,138	₩ 73,217,165	₩ 1,773,716,725

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(In thousands of Korean won)

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

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Borrowing costs of ₩ 110,460 thousand in relation to the completion of construction, were capitalized as part of the cost of qualifying assets for the year ended December 31, 2020. The capitalization rates were 2.40% for the years ended December 31, 2020.

As at December 31, 2021, the Group has made purchase agreements with respect to buildings, machinery and equipment and others and it is expected to spend ₩ 70,333 million (2020: ₩ 50,723 million) in the future.

As at December 31, 2021, the Group has fire and other insurance coverage on the Group's inventories, property, plant and equipment against fire and others. In addition, as at December 31, 2021, the Group maintains insurance policies covering loss and liability arising from products, burglary, gas accidents, directors' and officers' liability and automobile accidents.

7. Intangible Assets

Changes in intangible assets for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)

	2021			
	Rights to use facility	Industrial property rights	Other intangible assets	Total
Acquisition cost				
Balance at January 1, 2021	₩ 17,252,039	₩ 22,232,589	₩ 24,181,192	₩ 63,665,820
Additions	2,459,920	4,619	2,782,191	5,246,730
Disposals	(1,720,973)	-	(160,051)	(1,881,024)
Others ¹	115,511	364,631	2,008,987	2,489,129
Balance at December 31, 2021	₩ 18,106,497	₩ 22,601,839	₩ 28,812,319	₩ 69,520,655
Accumulated amortization and impairment				
Balance at January 1, 2021	₩ (2,562,430)	₩ (16,510,038)	₩ (12,061,789)	₩ (31,134,257)
Amortization	-	(1,126,886)	(3,027,726)	(4,154,612)
Reversal of impairment loss	152,310	-	-	152,310
Disposals	-	-	125,986	125,986
Others ¹	(22,794)	(90,211)	(1,247,599)	(1,360,604)
Balance at December 31, 2021	₩ (2,432,914)	₩ (17,727,135)	₩ (16,211,128)	₩ (36,371,177)
Book amount				
Balance at January 1, 2021	₩ 14,689,609	₩ 5,722,551	₩ 12,119,403	₩ 32,531,563
Balance at December 31, 2021	₩ 15,673,583	₩ 4,874,704	₩ 12,601,191	₩ 33,149,478

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(In thousands of Korean won)

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

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

As at December 31, 2021, the Group has made purchase agreements with respect to other intangible asset and it is expected to spend ₩ 494 million (2020: ₩ 1,726 million) in the future.

8. Goodwill

Changes in goodwill for the years ended December 31, 2021 and 2020, are as follows:

	<u>2021</u>		<u>2020</u>	
(In thousands of Korean won)				
Balance at beginning of year	₩	22,965,074	₩	22,887,400
Fluctuations due to foreign currency translation		1,228,788		77,674
Balance at end of year	₩	24,193,862	₩	22,965,074

Impairment tests for goodwill

Goodwill as at December 31, 2021 and 2020, are as follows:

		<u>2021</u>		<u>2020</u>			
						<u>Acquisitor</u>	<u>Description</u>
(In thousands of Korean won)							
CGUs		<u>2021</u>	<u>2020</u>				
Orion Corp.	₩	12,335,100	₩ 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		11,858,762	10,629,974			Orion Food Co., Ltd.	Acquired in a business combination with LANGFANG IPACK Co., Ltd
	₩	<u>24,193,862</u>	₩ <u>22,965,074</u>				

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

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, 2020.

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.

As at December 31, 2021 and 2020, the key assumptions used for calculating the cash generating units which significant goodwill was allocated to, are as follows:

	2021			
	Gross Profit Margin¹	Growth rate of sale²	Permanant growth rate³	Pre-tax rate⁴
Orion Corp.	45.37%	1.44%	1.00%	10.79%
LangFang Green Eco Packaging Co., Ltd.	18.21%	6.41%	1.50%	12.89%
	2020			
	Gross Profit Margin¹	Growth rate of sale²	Permanant growth rate³	Pre-tax rate⁴
Orion Corp.	46.34%	1.67%	1.00%	9.44%
LangFang Green Eco Packaging Co., Ltd.	17.14%	5.45%	1.50%	10.68%

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

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

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

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

9. Investment Property

Changes in investment property for the year ended December 31, 2021 are as follows:

(In thousands of Korean won)

	2021		
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Acquisition cost			
Balance at January 1, 2021	₩ -	₩ 6,673,326	₩ 6,673,326
Others ¹	-	771,413	771,413
Balance at December 31, 2021	₩ -	₩ 7,444,739	₩ 7,444,739
Accumulated depreciation and impairment			
Balance at January 1, 2021	₩ -	₩ (484,096)	₩ (484,096)
Depreciation	-	(141,885)	(141,885)
Others ¹	-	(66,525)	(66,525)
Balance at December 31, 2021	₩ -	₩ (692,506)	₩ (692,506)
Book amount			
Balance at January 1, 2021	₩ -	₩ 6,189,230	₩ 6,189,230
Balance at December 31, 2021	₩ -	₩ 6,752,233	₩ 6,752,233

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

(In thousands of Korean won)

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

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

Income or expense relates to the investment property for the years ended December 31, 2021, and 2020, are as follows:

(In thousands of Korean won)

	<u>2021</u>	<u>2020</u>
Rental income	₩ 367,337	₩ 349,795
Rental cost ¹	141,885	136,647

¹ Rental cost includes depreciation of investment property.

As at December 31, 2021, total fair value of investment property is ₩ 8,471 million (2020: ₩ 6,613 million).

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

As at December 31, 2021, the Group has fire and other insurance coverage from Hyundai Marine & Fire Insurance Co., Ltd and others on the Group's investment properties against fire and others. The Group also maintains insurance policies covering directors' and officers' liability.

Operating lease

The investment properties are leased to tenants under operating leases with rentals 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, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Within one year	₩ 420,323	₩ 155,397
Later than 1 year Within 5 years	175,135	-
	<u>₩ 595,458</u>	<u>₩ 155,397</u>

10. Leases

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

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

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

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Right-of-use assets ¹		
Properties	₩ 62,125,804	₩ 61,376,571
Machinery	30,218	-
Vehicles	2,274,897	1,796,163
	<u>₩ 64,430,919</u>	<u>₩ 63,172,734</u>

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Lease liabilities ¹		
Current	₩ 9,569,489	₩ 7,561,712
Non-current	13,460,764	16,454,553
	<u>₩ 23,030,253</u>	<u>₩ 24,016,265</u>

¹ As a result of the change in lease contract conditions, right-of-use assets and lease liabilities were decreased by ₩ 4,861 million and ₩ 4,312 million, respectively.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(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>	<u>2021</u>	<u>2020</u>
Depreciation of right-of-use assets		
Properties	₩ 9,852,674	₩ 8,634,468
Machinery	11,071	-
Vehicles	1,122,286	761,037
	<u>₩ 10,986,031</u>	<u>₩ 9,395,505</u>
Interest expense on lease liabilities (recognized in finance cost)	₩ 934,742	₩ 743,008
Expense relating to short-term leases (recognized in cost of goods sold and administrative expenses)	18,025,057	16,903,273
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)	602,858	491,440
Expenses relating to variable lease payments not included in the measurement of lease liabilities (recognized in cost of goods sold and administrative expenses)	1,647,251	1,627,619

The total cash outflow for leases in 2021 is ₩ 30,618 million (2020: ₩ 27,679 million)

Movements in carrying amounts of right-of-use assets for the years ended December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	2021						
	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Depreciation</u>	<u>Impairment</u>	<u>Others¹</u>	<u>Ending balance</u>
Property	₩ 61,376,571	₩ 9,993,214	₩ (4,860,500)	₩ (9,852,674)	₩ -	₩ 5,469,193	₩ 62,125,804
Machinery	-	39,856	-	(11,071)	-	1,433	30,218
Vehicles	1,796,163	1,545,878	-	(1,122,286)	-	55,142	2,274,897
	<u>₩ 63,172,734</u>	<u>₩ 11,578,948</u>	<u>₩ (4,860,500)</u>	<u>₩ (10,986,031)</u>	<u>₩ -</u>	<u>₩ 5,525,768</u>	<u>₩ 64,430,919</u>

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

<i>(In thousands of Korean won)</i>	2020						
	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Depreciation</u>	<u>Impairment¹</u>	<u>Others²</u>	<u>Ending balance</u>
Property	₩ 64,141,889	₩ 7,421,821	₩ (227,867)	₩ (8,634,468)	₩ (705,051)	₩ (619,753)	₩ 61,376,571
Vehicles	1,287,665	1,286,204	(6,795)	(761,037)	-	(9,874)	1,796,163
	<u>₩ 65,429,554</u>	<u>₩ 8,708,025</u>	<u>₩ (234,662)</u>	<u>₩ (9,395,505)</u>	<u>₩ (705,051)</u>	<u>₩ (629,627)</u>	<u>₩ 63,172,734</u>

¹ Due to a fire in 2020, the Group recognized impairment loss on right-of-use assets of ₩ 705 million.

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

11. Investments in Joint Ventures and Associates

Investments in joint ventures as at December 31, 2021 and 2020 are summarized as follows:

(In thousands of Korean won)

	Location	2021		2020	
		Percentage of ownership	Book value	Percentage of ownership	Book value
Joint venture Delfi-Orion Pte Ltd.	Singapore	50.00%	791,336	50.00%	660,736
Joint venture Orion Nonghyup Agri, inc. ¹	Domestic	49.00%	30,863,807	49.00%	30,417,712
			<u>₩ 31,655,143</u>		<u>₩ 31,078,448</u>

¹ The Group holds 49.00% shares of Orion Nonghyup Agri, inc. however, the Group classified Orion Nonghyup Agri, inc. as a joint venture since it satisfied the classification of joint venture pursuant to the contract which specifies the unanimous consent of the parties that collectively control the arrangement and others. And an agreement that NongHyup Agribusiness Group Inc. sells 1% shares of total issued shares to the Group on January 12, 2023, which is the date after five years from the approval date of plant usage (January 12, 2018) and the Group purchases them is included in the contract.

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

The reporting date of the financial statements of joint ventures which are used in order to prepare the consolidated financial statements is December 31, 2021.

Changes in investments in joint ventures for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)

Name	2021				
	Balance at beginning of year	Disposition	Share of profit (loss) of joint ventures	Others ¹	Balance at end of year
Delfi-Orion Pte Ltd.	₩ 660,736	₩ -	₩ 68,915	₩ 61,685	₩ 791,336
Orion Nonghyup Agri, inc.	30,417,712	-	392,592	53,503	30,863,807
	<u>₩ 31,078,448</u>	<u>₩ -</u>	<u>₩ 461,507</u>	<u>₩ 115,188</u>	<u>₩ 31,655,143</u>

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

(In thousands of Korean won)

Name	2020				
	Balance at beginning of year	Acquisition	Share of profit (loss) of joint ventures	Others ¹	Balance at end of year
Daehan distributor Corp	₩ 1,796,364	₩ (1,799,584)	₩ (52,490)	₩ 55,710	₩ -
Delfi-Orion Pte Ltd.	627,104	-	77,482	(43,850)	660,736
Orion Nonghyup Agri, inc.	29,863,328	-	539,920	14,464	30,417,712
	<u>₩ 32,286,796</u>	<u>₩ (1,799,584)</u>	<u>₩ 564,912</u>	<u>₩ 26,324</u>	<u>₩ 31,078,448</u>

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Summary of financial information of joint ventures is as follows:

<i>(In thousands of Korean won)</i>	2021					
	Assets	Liabilities	Equity	Revenue	Profit for the year	Total comprehensive income
Delfi-Orion Pte Ltd.	₩ 2,099,605	₩ 516,933	₩ 1,582,672	₩ 2,675,508	₩ 137,829	₩ 137,829
Orion Nonghyup Agri, inc.	71,080,431	9,146,969	61,933,462	39,406,166	796,814	903,819

Financial information of 2021 represents financial position as at December 31, 2021 and financial performance for the year ended December 31, 2021.

<i>(In thousands of Korean won)</i>	2020					
	Assets	Liabilities	Equity	Revenue	Profit for the year	Total comprehensive income
Delfi-Orion Pte Ltd.	₩ 2,009,615	₩ 688,142	₩ 1,321,473	₩ 1,881,067	₩ 154,965	₩ 154,965
Orion Nonghyup Agri, inc.	71,206,732	10,177,090	61,029,642	36,139,632	615,198	644,125

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

The details of investments in joint ventures as at December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	2021				
	Name	Net assets	Percentage of ownership(%)	Group's share of net assets	Book amount
Delfi-Orion Pte Ltd.	₩	1,582,672	50.00%	₩ 791,336	₩ 791,336
Orion Nonghyup Agri, inc.		61,933,462	49.00%	30,347,396	30,863,807

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

12. 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

Details of financial assets at fair value through profit or loss as at December 31, 2021 and 2020, are summarized as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Current		
Special purpose bonds	₩ 39,006,075	₩ -

Amounts recognized in profit or loss related to financial assets at fair value through profit or loss for the years ended December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Loss on valuation of financial assets at fair value through profit or loss	₩ (421,813)	₩ -

(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, 2021 and 2020, are summarized as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>		<u>2020</u>	
	<u>Book amount</u>	<u>Fair value</u>	<u>Book amount</u>	<u>Fair value</u>
Listed stock				
Taokaenoi Food & Marketing Public Company Limited	₩ 13,230,944	₩ 13,230,944	₩ 18,257,921	₩ 18,257,921
	13,230,944	13,230,944	18,257,921	18,257,921
Unlisted stock				
Shandong Lukang Biotechnology Development Co., Ltd.	3,369,175	3,369,175	-	-
	3,369,175	3,369,175	-	-
	₩ 16,600,119	₩ 16,600,119	₩ 18,257,921	₩ 18,257,921

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

13. Other Assets

Other assets as at December 31, 2021 and 2020, are summarized as follows:

<i>(In thousands of Korean won)</i>	2021		2020	
	Current	Non-current	Current	Non-current
Prepayments	₩ 7,651,290	₩ -	₩ 5,242,028	₩ -
Prepaid expenses	4,684,761	4,990,580	4,711,506	4,261,575
Others	6,554,610	1,642,773	3,118,261	1,429,578
	<u>₩ 18,890,661</u>	<u>₩ 6,633,353</u>	<u>₩ 13,071,795</u>	<u>₩ 5,691,153</u>

14. Inventories

Inventories as at December 31, 2021 and 2020 are summarized as follows:

<i>(In thousands of Korean won)</i>	2021			2020		
	Amount before write-down	Provision for write-down	Carrying amount	Amount before write-down	Provision for write-down	Carrying amount
Merchandise	₩ 36,450,690	₩ (1,002,159)	₩ 35,448,531	₩ 32,233,989	₩ (710,849)	₩ 31,523,140
Finished goods	55,329,020	(71,599)	55,257,421	46,716,473	(32,954)	46,683,519
Work-in-progress	7,945,711	-	7,945,711	8,305,282	-	8,305,282
Raw materials	84,848,174	-	84,848,174	68,977,022	-	68,977,022
Supplies	1,707,739	-	1,707,739	1,953,130	-	1,953,130
Raw materials-in-transit	23,267,979	-	23,267,979	22,299,611	-	22,299,611
	<u>₩ 209,549,313</u>	<u>₩ (1,073,758)</u>	<u>₩ 208,475,555</u>	<u>₩ 180,485,507</u>	<u>₩ (743,803)</u>	<u>₩ 179,741,704</u>

The amount of inventories recognized as an expense and included as part of cost of sales during 2021 is ₩ 1,002,640 million (2020: ₩ 898,540 million).

15. Trade and Other Receivables

Trade and other receivables as at December 31, 2021 and 2020, are summarized as follows:

<i>(In thousands of Korean won)</i>	2021		2020	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 177,521,108	₩ -	₩ 152,646,537	₩ -
Less: allowance for bad debts	(1,156,896)	-	(1,154,857)	-
Other receivables	10,183,175	-	8,932,878	-
Less: allowance for bad debts	(77,793)	-	(76,807)	-
Accrued income	3,039,236	-	1,985,979	-
Guarantee deposits	1,461,798	17,060,469	1,868,879	16,467,802

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Loans	-	-	3,172,240	-
	₩ 190,970,628	₩ 17,060,469	₩ 167,374,849	₩ 16,467,802

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

16. Cash and Cash Equivalents, and Restricted Deposits

Cash and cash equivalents as at December 31, 2021 and 2020, are summarized as follows:

<i>(In thousands of Korean won)</i>		<u>2021</u>	<u>2020</u>
Cash on hand	₩	30,076	₩ 36,730
Demand deposits		550,379,108	367,388,708
	₩	<u>550,409,184</u>	₩ <u>367,425,438</u>

Deposits which are restricted in use as at December 31, 2021 and 2020, are summarized as follows:

<i>(In thousands of Korean won)</i>		<u>2021</u>	<u>2020</u>	<u>Restriction</u>
Long-term deposits	₩	2,000	₩ 2,000	Deposit for checking account
Short-term deposits		5,000,000	-	Cooperation loans
	₩	<u>5,002,000</u>	₩ <u>2,000</u>	

17. Capital stock

Details of capital stock as at December 31, 2021 and 2020 are as follows:

<i>(In Korean won, except number of shares)</i>		<u>2021</u>	<u>2020</u>
Number of ordinary shares:			
- Authorized		480,000,000	480,000,000
- Issued		39,536,132	39,536,132
Capital stock	₩	19,768,066,000	19,768,066,000
Par value per share	₩	500	500

According to its Articles of Incorporation, cumulative participating preferred shares can be issued as non-voting registered shares for up to 240,000,000 shares with dividend rate of more than 5% preferred dividend rates based on the face amount with the approval of the Board of Directors. As at December 31, 2021, no preferred shares have been issued.

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

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, 2021, no convertible bonds or bonds with stock warrants have been issued.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

18. Treasury Shares

The Group has 7,343 treasury shares as at December 31, 2021 with the acquisition cost of ₩ 604,361 thousand, which were odd-lot shares acquired at the market price resulted from spin-off. The Group intends to dispose of the treasury shares in the future depending on the market conditions.

19. Other Capital

Details of other capital as at December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Changes from equity transactions	₩ 624,451,038	₩ 624,451,038
Others	(1,836,314)	(1,053,745)
Exchange differences on translating foreign operations	128,722,611	(32,564,239)
Share of other comprehensive income of joint ventures	(3,311)	(64,996)
Loss of financial assets at fair value through other comprehensive income	(5,099,234)	(315,932)
Changes in percentage of ownership due to acquisition of subsidiaries	26,323	-
	<u>₩ 746,261,113</u>	<u>₩ 590,452,126</u>

20. Reserves

Details of reserves as at December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Legal reserves	₩ 49,344,291	₩ 35,200,484
Discretionary reserves	141,147,184	97,967,834
	<u>₩ 190,491,475</u>	<u>₩ 133,168,318</u>

21. Earnings per Share

(a) Basic earnings per share

<i>(In Korean won, except share information)</i>	<u>2021</u>	<u>2020</u>
Profit for the year attributable to owners of the Parent Company	₩ 257,704,400,534	₩ 267,586,357,691
Weighted-average number of ordinary shares	39,528,789	39,528,789
Basic earnings per share	<u>₩ 6,519</u>	<u>₩ 6,769</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Weighted average number of ordinary shares

<i>(In shares)</i>	2021	2020
Beginning balance	39,536,132	39,536,132
Treasury shares	(7,343)	(7,343)
Weighted average number of ordinary shares	39,528,789	39,528,789

(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, 2021 and 2020, there are no dilutive potential ordinary shares, and basic earnings per share of 2021 and 2020 are identical to diluted earnings per share of 2021 and 2020.

22. 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.

Details of the contract for share-based payments, which the Group granted as at December 31, 2021, are as follows:

PAN Orion Corp. Limited

Classification	Share-based payments	Cash-settled share-based payments
Granted date	October 19, 2020	October 19, 2020
Number of shares initially granted	160,014,000 shares	30,135,667 shares
Number of shares exercised	-	-
Number of shares cancelled	-	-
Number of shares as at December 31, 2021	160,014,000 shares	30,135,667 shares
Exercisable number of shares as at December 31, 2021¹	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 conditions¹	Period of service provided: 1.5 months	Period of service provided: 12.5 months

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

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, 2021 and 2020, are as follows:

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

PAN Orion Corp. Limited

<i>(in HKD)</i>		2021	
Classification	Share-based payments	Cash-settled share-based payments	
Granted date	October 19, 2020	October 19, 2020	
Fair value as at granted date	0.59 HKD, 0.64HKD, 1.39 HKD	0.54 HKD	
Fair value as at settlement date	0.59 HKD, 0.64HKD, 1.39 HKD	0.59 HKD	
Risk-free rate (%)	3.22	2.78	
Applied volatility (%)	32.8	33.12	
Model	Binomial price model	Binomial price model	

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

Share-based payments recognized as expenses for the year ended December 31, 2021 amount to ₩ 1,987 million (2020: ₩ 15,277 million)

23. Trade and Other Payables

Trade and other payables as at December 31, 2021 and 2020 are summarized as follows:

<i>(In thousands of Korean won)</i>	2021		2020	
	Current	Non-current	Current	Non-current
Trade payables	₩ 117,063,134	₩ -	₩ 102,566,480	₩ -
Other payables	81,374,755	782,804	101,722,172	873,520
Withholdings	5,685,482	-	4,501,830	-
Accrued expenses	63,480,940	-	55,025,477	-
Leasehold deposit	190,446	-	173,704	29,617
	<u>₩ 267,794,757</u>	<u>₩ 782,804</u>	<u>₩ 263,989,663</u>	<u>₩ 903,137</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

24. Assets and Liabilities related to Contracts with Customers

Details of liabilities related to contracts with customers as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Contract liabilities ¹	₩ 44,626,984	₩ 37,156,365

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 ₩ 37,156 million.

25. Borrowings and Debentures

Borrowings and debentures as at December 31, 2021 and 2020 are summarized as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>		<u>2020</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Non-current				
Debentures	₩ 160,000,000	₩ 70,000,000	₩ -	₩ 230,000,000
Less discount	(43,647)	(109,058)	-	(325,247)
Subtotal	<u>159,956,353</u>	<u>69,890,942</u>	<u>-</u>	<u>229,674,753</u>
Current				
Short-term borrowings in Korean won	1,294,432	-	1,735,370	-
Short-term borrowings in foreign currency	440,346	-	781,593	-
Subtotal	<u>1,734,778</u>	<u>-</u>	<u>2,516,963</u>	<u>-</u>
Total	<u>₩ 161,691,131</u>	<u>₩ 69,890,942</u>	<u>₩ 2,516,963</u>	<u>₩ 229,674,753</u>

Terms and conditions of debentures as at December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	<u>Maturity</u>	<u>Interest rate (%)</u>	<u>2021</u>	<u>2020</u>
101st	2022-03-02	2.24	₩ 60,000,000	₩ 60,000,000
102nd	2022-05-29	2.37	50,000,000	50,000,000
103-2nd	2022-11-06	2.87	50,000,000	50,000,000
104th	2023-04-23	1.8	70,000,000	70,000,000
			<u>230,000,000</u>	<u>230,000,000</u>
Less: current portion of debentures			(160,000,000)	-
			<u>₩ 70,000,000</u>	<u>₩ 230,000,000</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Short-term borrowings as at December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	<u>Interest rate (%)</u>	<u>2021</u>		<u>2020</u>	
Kookmin Bank	Libor 3M+0.3%	₩	34,024 (USD 28,700)	₩	67,456 (USD 62,000)
	Libor 1M+1%		406,322 (USD 342,743)		98,547 (USD 90,576)
Shinhan Bank	-		-		615,590 (EUR 460,000)
Hyundai Card	1.44%		1,294,432		1,735,370
		₩	<u>1,734,778</u>	₩	<u>2,516,963</u>

There are no assets provided as collateral for liabilities of the Group as at December 31, 2021.

Book amount and fair value of borrowings as at December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>		<u>2020</u>	
	<u>Book amount</u>	<u>Fair value</u>	<u>Book amount</u>	<u>Fair value</u>
Short-term borrowings	₩ 161,691,131	₩ 161,691,131	₩ 2,516,963	₩ 2,516,963
Long-term borrowings	<u>69,890,942</u>	<u>69,996,899</u>	<u>229,674,753</u>	<u>230,007,652</u>
	₩ <u>231,582,073</u>	₩ <u>231,688,030</u>	₩ <u>232,191,716</u>	₩ <u>232,524,615</u>

The fair values of short-term borrowings equal to their book amounts as the impact of discounting is not significant. The fair values of long-term borrowings are based on discounted cash flows at the weighted average borrowing rates of 2.47% (2020: 2.23%) for long-term borrowings.

26. Employee Benefits

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

The retirement benefit expenses for the years ended December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>		<u>2020</u>	
Contributions to defined contribution plans	₩	1,134,132	₩	1,135,233
Expenses related to post-employment defined benefit plans		<u>12,374,762</u>		<u>12,718,703</u>
	₩	<u>13,508,894</u>	₩	<u>13,853,936</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Changes in net defined benefit liability (asset) for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability(asset)	
	2021	2020	2021	2020	2021	2020
Beginning balance	₩ 97,715,240	₩ 90,109,460	₩ (96,860,774)	₩ (88,414,590)	₩ 854,466	₩ 1,694,870
Included in profit or loss:						
Current service costs	11,848,879	12,661,562	-	-	11,848,879	12,661,562
Interest costs (income)	1,990,171	1,660,810	(1,464,288)	(1,603,669)	525,883	57,141
	<u>13,839,050</u>	<u>14,322,372</u>	<u>(1,464,288)</u>	<u>(1,603,669)</u>	<u>12,374,762</u>	<u>12,718,703</u>
Included in other comprehensive income:						
Remeasurements loss (gain)						
- Actuarial loss (gain) arising from:						
Experience adjustment	3,875,493	273,851	-	(156,487)	3,875,493	273,851
Demographic assumptions	2,689,774	(2,003,802)	-	-	2,689,774	(2,003,802)
Financial assumptions	5,905,648	(525,430)	-	-	5,905,648	(525,430)
- Return on plan assets excluding interest income	(4,719,929)	2,803,083	-	-	(4,719,929)	2,803,083
	<u>-</u>	<u>-</u>	<u>(140,003)</u>	<u>(156,487)</u>	<u>(140,003)</u>	<u>(156,487)</u>
	<u>3,875,493</u>	<u>273,851</u>	<u>(140,003)</u>	<u>(156,487)</u>	<u>3,735,490</u>	<u>117,364</u>
Others:						
Contributions paid by the employer	-	-	(15,309,759)	(12,219,247)	(15,309,759)	(12,219,247)
Transferred from a related party	342,592	200,253	(1,946,918)	(200,253)	(1,604,326)	-
Transferred to a related party	(120,923)	(43,970)	1,950,740	43,970	1,829,817	-
Benefits paid	(15,209,280)	(6,951,823)	15,122,040	5,689,502	(87,240)	(1,262,321)
Others	(1)	(194,903)	-	-	(1)	(194,903)
	<u>(14,987,612)</u>	<u>(6,990,443)</u>	<u>(183,897)</u>	<u>(6,686,028)</u>	<u>(15,171,509)</u>	<u>(13,676,471)</u>
Ending balance	₩ <u>100,442,171</u>	₩ <u>97,715,240</u>	₩ <u>(98,648,962)</u>	₩ <u>(96,860,774)</u>	₩ <u>1,793,209</u>	₩ <u>854,466</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

The components of plan assets as at December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Debt securities	₩ 17,502,735	₩ 92,521,118
Others	81,146,227	4,339,656
	<u>₩ 98,648,962</u>	<u>₩ 96,860,774</u>

The principal actuarial assumptions as at December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	2.60%	1.63%
Future salary growth	7.58%	6.88%

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

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

<i>(In thousands of Korean won)</i>	<u>2021</u>	
	<u>1% increase</u>	<u>1% decrease</u>
Discount rate	₩ (6,415,127)	₩ 7,336,323
Future salary growth	7,171,814	(6,403,785)

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 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 7.19 years (2020: 5.18 years) as at December 31, 2021.

The expected maturity analysis of undiscounted pension benefits as at December 31, 2021, is as follows:

<i>(In thousands of Korean won)</i>	<u>Less than 1 year</u>	<u>Between 1-2 years</u>	<u>Between 2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Pension benefits	₩ 9,920,554	₩ 9,811,669	₩ 59,358,776	₩ 174,550,119	₩ 253,641,118

Expected contributions to post-employment benefit plans for the year ending December 31, 2022 is ₩ 11,927 million.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

27. Other Liabilities

Other liabilities as at December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	2021		2020	
	Current	Non-current	Current	Non-current
Advances received ¹	₩ 44,626,984	₩ -	₩ 37,156,365	₩ -
Unearned revenue	1,703	-	2,163	381
Provision for warranty	1,937,839	-	2,863,526	-
Others	167,308	1,026,852	127,549	827,517
	₩ <u>46,733,834</u>	₩ <u>1,026,852</u>	₩ <u>40,149,603</u>	₩ <u>827,898</u>

¹ Entire amount of advances received as at December 31, 2021 and 2020, are contract liabilities recognized in relation to revenue from contracts with customers.

Changes in provision for warranty for the years ended December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	2021	2020
Beginning balance	₩ 2,863,526	₩ 2,853,606
Increase	361,049	1,206,093
Decrease	(1,286,736)	(1,196,173)
Ending balance	₩ <u>1,937,839</u>	₩ <u>2,863,526</u>

28. Sales and Cost of Sales

Sales and cost of sales for the years ended December 31, 2021 and 2020, are as follows:

The amounts recognized as revenue for the years ended December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	2021	2020
Revenue from contracts with customers	₩ 2,355,132,369	₩ 2,229,470,138
Revenue from other sources	367,337	349,796
	₩ <u>2,355,499,706</u>	₩ <u>2,229,819,934</u>

Details of revenue from contracts with customers for the years ended December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	2021			
	Sale of goods	Royalty	Other	Total
Recognized at a point in time	₩ 2,306,472,630	₩ -	₩ 6,100,640	₩ 2,312,573,270
Recognized over time	-	242,056	42,317,043	42,559,099
	₩ <u>2,306,472,630</u>	₩ <u>242,056</u>	₩ <u>48,417,683</u>	₩ <u>2,355,132,369</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

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

Details of cost of sales for the years ended December 31, 2021 and 2020, are as follows.

(In thousands of Korean won)	2021	2020
Sale of goods	₩ 1,361,833,345	₩ 1,241,641,059
Service costs and others	47,276,471	35,116,887
	<u>₩ 1,409,109,816</u>	<u>₩ 1,276,757,946</u>

29. Selling Expenses and General and Administrative Expenses

Details of selling expenses for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021	2020
Salaries	₩ 155,583,994	₩ 153,664,096
Retirement benefits	4,893,341	5,199,212
Employee welfare	33,223,917	25,293,349
Travel expenses	5,200,291	4,680,988
Taxes and dues	17,677,140	16,155,381
Rental expenses	16,198,133	12,529,603
Depreciation	8,698,049	7,764,610
Amortization	1,596,640	1,821,157
Advertising expenses	31,011,485	32,895,325
Ordinary development expense	931,017	1,138,091
Freight expenses	74,135,034	71,306,966
Commissions	59,708,411	60,993,111
Promotion	7,946,319	10,488,109
Bad debt expenses (reversal)	21,494	(41,044)
Depreciation of right-of-use assets	4,310,241	3,161,739
Others	21,528,057	21,818,270
	<u>₩ 442,663,563</u>	<u>₩ 428,868,963</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Details of general and administrative expenses for the years ended December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Salaries	₩ 50,391,472	₩ 57,503,319
Share-based payments	1,987,262	14,864,056
Retirement benefits	6,284,443	6,209,708
Employee welfare	10,153,167	9,187,332
Travel expenses	1,014,219	1,211,621
Taxes and dues	1,767,431	1,789,045
Rental expenses	3,402,155	3,292,010
Depreciation	6,637,689	6,878,163
Amortization	2,557,973	2,436,052
Commissions	31,796,750	29,882,247
Depreciation of right-of-use assets	5,898,868	5,959,161
Others	8,924,990	8,858,298
	<u>₩ 130,816,419</u>	<u>₩ 148,071,012</u>

30. Other Income and Other Expenses

Details of other income and other expenses for the years ended December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Other income		
Foreign currency transaction gain	₩ 908,208	₩ 692,189
Foreign currency translation gain	30,825	1,158
Gain on sale of property, plant and equipment	892,082	3,735,021
Reversal of impairment loss on intangible assets	152,310	874,917
Gain on disposal of investments in associates	-	127,707
Insurance income ¹	-	13,164,595
Others	3,731,608	8,585,672
	<u>5,715,033</u>	<u>27,181,259</u>
Other expenses		
Foreign currency transaction loss	(160,506)	(519,367)
Foreign currency translation loss	(52,274)	(76,176)
Loss on sale of property, plant and equipment	(3,469,958)	(4,042,706)
Loss on sale of intangible assets	(40,973)	(21,665)
Impairment loss on intangible assets	-	(440,718)
Impairment loss on right-of-use assets	-	(705,051)
Donation	(2,718,082)	(1,136,070)
Loss on sale of trade receivables	(22,558)	(37,967)
Others	(1,129,831)	(2,976,660)
	<u>(7,594,182)</u>	<u>(9,956,380)</u>
Net other income (expense)	<u>₩ (1,879,149)</u>	<u>₩ 17,224,879</u>

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

31. Finance income and costs

Details of finance income and costs for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)

	<u>2021</u>	<u>2020</u>
Finance income		
Interest income	₩ 14,198,665	₩ 11,061,054
Dividend Income	259,324	1,595,287
Foreign currency transaction gain	1,207,675	186,040
Foreign currency translation gain	83,876	469,022
	<u>15,749,540</u>	<u>13,311,403</u>
Finance cost		
Interest expense	(6,389,281)	(7,362,309)
Foreign currency transaction loss	(1,353,592)	(2,351,691)
Foreign currency translation loss	(29,830)	(158,192)
Loss on valuation of financial assets at fair value through profit or loss	(421,813)	-
	<u>(8,194,516)</u>	<u>(9,872,192)</u>
Net finance income	₩ <u>7,555,024</u>	₩ <u>3,439,211</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

32. Expenses by Nature

Details of expenses by nature for the years ended December 31, 2021 and 2020 are as follows:

(In thousands of Korean won)	2021			2020		
	Cost of sales	Selling, general and administrative expense	Total	Cost of sales	Selling, general and administrative expense	Total
Raw materials and consumables used	₩ 903,652,915	₩ -	₩ 903,652,915	₩ 785,645,250	₩ -	₩ 785,645,250
Purchasing merchandise	108,751,785	-	108,751,785	123,399,303	-	123,399,303
Changes in inventories of finished goods and merchandise	(9,765,099)	-	(9,765,099)	(10,505,299)	-	(10,505,299)
Employee benefits expense	83,311,560	219,140,512	302,452,072	80,552,705	237,440,392	317,993,097
Taxes and dues	2,418,142	19,444,572	21,862,714	2,285,750	17,944,426	20,230,176
Rental expenses	200,134	19,600,288	19,800,422	181,863	15,821,613	16,003,476
Depreciation and amortization	119,270,938	19,490,350	138,761,288	110,668,499	18,899,982	129,568,481
Depreciation of right-of-use assets	776,922	10,209,109	10,986,031	274,605	9,120,900	9,395,505
Advertising expenses	-	31,011,485	31,011,485	-	32,895,325	32,895,325
Freight and custody	1,578,575	74,135,034	75,713,609	1,193,797	71,306,966	72,500,763
Maintenance cost of vehicles	195,143	3,905,798	4,100,941	167,505	3,733,367	3,900,872
Commission	43,737,296	91,505,162	135,242,458	38,923,140	90,875,358	129,798,498
Others	154,981,505	85,037,672	240,019,177	143,970,828	78,901,646	222,872,474
	<u>₩ 1,409,109,816</u>	<u>₩ 573,479,982</u>	<u>₩ 1,982,589,798</u>	<u>₩ 1,276,757,946</u>	<u>₩ 576,939,975</u>	<u>₩ 1,853,697,921</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

33. Financial Instruments by Categories

Finance income and cost by categories for the years ended December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	2021				
	Finance income	Finance cost	Net income (loss)	Other comprehensive income (before income tax)	Total comprehensive income (loss)
Financial assets					
Financial assets at amortized cost	₩ 15,176,491	₩ -	₩ 15,176,491	₩ -	₩ 15,176,491
Financial assets at fair value through profit or loss	-	(421,813)	(421,813)	-	(421,813)
Financial assets at fair value through other comprehensive income	259,324	-	259,324	(5,026,978)	(4,767,654)
	<u>15,435,815</u>	<u>(421,813)</u>	<u>15,014,002</u>	<u>(5,026,978)</u>	<u>9,987,024</u>
Financial liabilities					
Financial liabilities measured at amortized cost	313,725	(6,837,961)	(6,524,236)	-	(6,524,236)
Lease liabilities	-	(934,742)	(934,742)	-	(934,742)
	<u>313,725</u>	<u>(7,772,703)</u>	<u>(7,458,978)</u>	<u>-</u>	<u>(7,458,978)</u>
	₩ <u>15,749,540</u>	₩ <u>(8,194,516)</u>	₩ <u>7,555,024</u>	₩ <u>(5,026,978)</u>	₩ <u>2,528,046</u>

<i>(In thousands of Korean won)</i>	2020				
	Finance income	Finance cost	Net income (loss)	Other comprehensive income (before income tax)	Total comprehensive income (loss)
Financial assets					
Financial assets at amortized cost	₩ 12,551,828	₩ (2,893)	₩ 12,548,935	₩ -	₩ 12,548,935
Financial assets at fair value through profit or loss	45,602	-	45,602	-	45,602
Financial assets at fair value through other comprehensive income	469,022	-	469,022	(1,352,120)	(883,098)
	<u>13,066,452</u>	<u>(2,893)</u>	<u>13,063,559</u>	<u>(1,352,120)</u>	<u>11,711,439</u>
Financial liabilities					
Financial liabilities measured at amortized cost	244,951	(9,126,291)	(8,881,340)	-	(8,881,340)
Lease liabilities	-	(743,008)	(743,008)	-	(743,008)
	<u>244,951</u>	<u>(9,869,299)</u>	<u>(9,624,348)</u>	<u>-</u>	<u>(9,624,348)</u>
	₩ <u>13,311,403</u>	₩ <u>(9,872,192)</u>	₩ <u>3,439,211</u>	₩ <u>(1,352,120)</u>	₩ <u>2,087,091</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

The book amount and the fair value of financial instruments as at December 31, 2021 and 2020, are summarized as follows:

<i>(In thousands of Korean won)</i>	2021		2020	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets at amortized cost	₩ 893,082,946	₩ 893,082,946	₩ 630,034,901	₩ 630,034,901
Financial assets at fair value through profit or loss	39,006,075	39,006,075	-	-
Financial assets at fair value through other comprehensive income	16,600,119	16,600,119	18,257,921	18,257,921
	<u>948,689,140</u>	<u>948,689,140</u>	<u>648,292,822</u>	<u>648,292,822</u>
Financial liabilities				
Financial liabilities measured at amortized cost	469,763,951	469,869,907	475,874,053	476,206,953
Lease liabilities ¹	23,030,253	23,030,253	24,016,264	24,016,264
	<u>₩ 492,794,204</u>	<u>₩ 492,900,160</u>	<u>₩ 499,890,317</u>	<u>₩ 500,223,217</u>

¹ It 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 described below.

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

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

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

The fair value measurements classified by fair value hierarchy as at December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	Level 1	Level 2	Level 3	Total
December 31, 2021				
Financial assets at fair value through profit or loss	₩ -	₩ 39,006,075	₩ -	₩ 39,006,075
Financial assets at fair value through other comprehensive income	13,230,944	-	3,369,175	16,600,119
December 31, 2020				
Financial assets at fair value through other comprehensive income	₩ 18,257,921	₩ -	₩ -	₩ 18,257,921

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

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, 2021, are as follows:

<i>(In thousands of Korean won)</i>	2021			
	Fair value	Level	Valuation techniques	Inputs
Financial assets at fair value through profit or loss	₩ 39,006,075	2	DCF model	Discount rate
Financial assets at fair value through other comprehensive income	₩ 3,369,175	3	Cost method ¹	-

¹ In 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.

34. Income Taxes

Income tax expense for the years ended December 31, 2021 and 2020, consists of:

<i>(In thousands of Korean won)</i>	2021	2020
Current income tax expense	₩ 69,929,888	₩ 86,860,215
Adjustments to income tax of prior periods	(777,485)	918,688
Origination and reversal of temporary differences	45,329,076	34,981,435
Total income tax effect	114,481,479	122,760,338
Income taxes related to items recognized outside profit or loss	903,990	28,402
Total income tax expense	₩ 115,385,469	₩ 122,788,740

Origination and reversal of temporary differences for the years ended December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	2021	2020
Deferred tax liabilities net, ending balance	₩ (219,008,976)	₩ (173,679,900)
Deferred tax liabilities net, beginning balance	(173,679,900)	(138,698,465)
Origination and reversal of temporary differences	₩ (45,329,076)	₩ (34,981,435)

Income taxes related to items recognized outside profit or loss for the years ended December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	2021	2020
Remeasurements of the defined benefit liability	₩ 903,989	₩ 28,402
Income tax expense recognized other than in profit or loss	₩ 903,989	₩ 28,402

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2021 and 2020, is as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>		<u>2020</u>	
Profit before income tax	₩	379,047,290	₩	397,351,015
Income tax using the Group's statutory tax rate		90,826,648		93,990,358
Adjustments :				
Non-deductible expense		588,317		2,749,180
Tax credits		(1,836,867)		(3,533,814)
Adjustments to income tax of prior periods		(777,485)		918,688
Tax for promotion of investment and collaborative cooperation		3,092,756		4,874,120
Tax effect on profit or loss of subsidiaries and othes		23,652,140		22,420,734
Others		(160,040)		1,369,474
Income tax expense	₩	<u>115,385,469</u>	₩	<u>122,788,740</u>
Effective tax rate		30.44%		30.90%

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

Changes in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>		<u>2021</u>			
		<u>Beginning balance</u>	<u>Profit or loss</u>	<u>Other comprehensive income</u>	<u>Ending balance</u>
Bad debt expense	₩	137,713	₩ (8,806)	₩ -	₩ 128,907
Provision for warranty		566,050	(278,187)	-	287,863
Accumulated depreciation		(93,275,377)	(16,961,923)	-	(110,237,300)
Defined benefit liability		7,535	(920,069)	903,989	(8,545)
Land		(11,271,806)	-	-	(11,271,806)
Investments in subsidiaries		(76,013,362)	(1,220,995)	-	(77,234,357)
Others		6,169,347	(26,843,085)	-	(20,673,738)
	₩	<u>(173,679,900)</u>	₩ <u>(46,233,065)</u>	₩ <u>903,989</u>	₩ <u>(219,008,976)</u>

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Others	9,133,723	(2,964,375)	-	6,169,348
	<u>₩ (138,698,466)</u>	<u>₩ (35,009,836)</u>	<u>₩ 28,402</u>	<u>₩ (173,679,900)</u>

The amount of deductible temporary differences for which deferred tax assets are not recognized as at December 31, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		<u>2021</u>		<u>2020</u>
Investments in subsidiaries	₩	91,036,747	₩	91,036,747
Other		401,820		1,036,395

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, 2021 and 2020 are as follows:

<i>(In thousands of Korean won)</i>		<u>2021</u>		<u>2020</u>
Investments in subsidiaries	₩	(37,576,205)	₩	(37,576,205)

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

The analysis of deferred tax assets and liabilities as at December 31, 2021 and 2020, is as follows:

<i>(in thousands of Korean won)</i>		<u>2021</u>		<u>2020</u>
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	₩	25,779,022	₩	22,915,987
Deferred tax asset to be recovered within 12 months		<u>1,061,452</u>		<u>9,013,074</u>
		<u>26,840,474</u>		<u>31,929,061</u>
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months		(221,397,580)		(205,608,961)
Deferred tax liability to be recovered within 12 months		<u>(24,451,870)</u>		<u>-</u>
		<u>(245,849,450)</u>		<u>(205,608,961)</u>
Deferred tax liabilities, net	₩	<u>(219,008,976)</u>	₩	<u>(173,679,900)</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

35. Financial Risk Management

The levels of Risk management

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

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

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

Risk management activities

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

Credit risk

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

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, 2021 and 2020 is as follows:

<i>(In thousands of Korean won)</i>	2021	2020
Short-term deposits	₩ 134,914,886	₩ 69,768,290
Long-term deposits	2,000	8,962,775
Trade and other receivables	208,031,097	183,842,651
Cash equivalents ¹	550,379,108	367,388,708
	₩ 893,327,091	₩ 629,962,424

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

As at December 31, 2021 and 2020, there 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.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Besides above, as at December 31, 2021, 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.

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 days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 month before December 31, 2021, 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, 2021 and 2020, was determined as follows for trade receivables:

<i>(In thousands of Korean won)</i>	<u>Current</u>	<u>More than 60 days past due</u>	<u>More than 90 days past due</u>	<u>More than 120 days past due</u>	<u>Bad debt¹</u>	<u>Total</u>
December 31, 2021						
Expected loss rate	0.03%	0.08%	0.08%	2.46%	79.39%	0.65%
Gross carrying amount	₩ 158,337,355	₩ 12,505,257	₩ 3,901,447	₩ 1,443,094	₩ 1,333,954	₩ 177,521,107
Loss allowance provision	49,888	9,428	3,024	35,555	1,059,001	1,156,896
December 31, 2020						
Expected loss rate	0.02%	0.05%	0.12%	31.70%	79.12%	0.76%
Gross carrying amount	₩ 136,106,731	₩ 14,448,440	₩ 605,541	₩ 111,815	₩ 1,374,010	₩ 152,646,537
Loss allowance provision	23,884	7,637	713	35,447	1,087,176	1,154,857

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, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Beginning balance	₩ 1,154,857	₩ 1,216,096
Increase (decrease) in loss allowance recognized in profit or loss during the year	21,494	(41,044)
Receivables written off during the year as uncollectible	(25,387)	(15,807)
Others	5,932	(4,388)
Ending balance	₩ 1,156,896	₩ 1,154,857

Trade receivables are written off or disposed when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, impossibility of collection due to the failure of a debtor to engage in a repayment plan with the Group. Impairment on trade receivables are presented as impairment losses on trade receivables in the consolidated statement of comprehensive income. Subsequent recoveries of amounts previously written off are recognized as 'other income'.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Movements in loss allowance provision for other receivables at amortized cost for the years ended December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020¹</u>
Beginning balance	₩ 76,807	₩ 56,817
Increase in loss allowance recognized in profit or loss during the year	15,693	21,388
Receivables written off during the year as uncollectible	(75)	(929)
Others	(14,632)	(469)
Ending balance	<u>₩ 77,793</u>	<u>₩ 76,807</u>

As at December 31, 2021, other financial assets at amortized cost include other receivables, leasehold deposits received and others. The Group recognizes the loss allowance on credit-impaired other receivables.

Liquidity risk

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

Details of analysis of liquidity risk as at December 31, 2021 and 2020, 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.

<i>(In thousands of Korean won)</i>	<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, 2021						
Borrowings	₩ 231,582,073	₩ 235,988,078	₩ 114,011,928	₩ 51,347,200	₩ 70,628,950	-
Trade and other payables	238,181,878	238,197,167	237,414,667	160,500	622,000	-
Lease liabilities	<u>23,030,253</u>	<u>25,348,810</u>	<u>5,499,142</u>	<u>4,257,450</u>	<u>6,403,962</u>	<u>9,188,256</u>
	<u>₩ 492,794,204</u>	<u>₩ 499,534,055</u>	<u>₩ 356,925,737</u>	<u>₩ 55,765,150</u>	<u>₩ 77,654,912</u>	<u>₩ 9,188,256</u>
December 31, 2020						
Borrowings	₩ 232,191,716	₩ 241,997,463	₩ 5,130,563	₩ 2,613,600	₩ 163,624,350	₩ 70,628,950
Trade and other payables	243,682,337	243,712,646	242,763,520	297,126	30,000	622,000
Lease liabilities	<u>24,016,264</u>	<u>26,617,607</u>	<u>4,071,554</u>	<u>3,582,766</u>	<u>5,846,043</u>	<u>13,117,244</u>
	<u>₩ 499,890,317</u>	<u>₩ 512,327,716</u>	<u>₩ 251,965,637</u>	<u>₩ 6,493,492</u>	<u>₩ 169,500,393</u>	<u>₩ 84,368,194</u>

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, 2021, 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
December 31, 2021 and 2020

Currency risk

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

(In thousands of Korean won)

	USD		JPY		EUR	
December 31, 2021						
Cash and cash equivalents	₩	2,161,674	₩	45,757	₩	-
Trade and other receivables		5,934,931		1,881,581		532,071
Trade and other payables		(15,012,162)		(285,740)		(1,825,488)
Borrowings		(342,139)		-		-
	₩	<u>(7,257,696)</u>	₩	<u>1,641,598</u>	₩	<u>(1,293,418)</u>
December 31, 2020						
Cash and cash equivalents	₩	3,887,474	₩	12,031	₩	1
Trade and other receivables		1,919,935		1,091,141		-
Trade and other payables		(5,015,718)		(129,138)		(1,210,677)
Borrowings		(166,003)		-		(615,590)
	₩	<u>625,688</u>	₩	<u>974,034</u>	₩	<u>(1,826,266)</u>

(In thousands of Korean won)

	CNY		HKD		MMK	
December 31, 2021						
Cash and cash equivalents	₩	1,863	₩	239	₩	481
Trade and other receivables		-		-		-
Trade and other payables		-		-		(757)
Borrowings		-		-		0
	₩	<u>1,863</u>	₩	<u>239</u>	₩	<u>(276)</u>
December 31, 2020						
Cash and cash equivalents	₩	1,670	₩	-	₩	-
Trade and other receivables		196,243		-		-
Trade and other payables		(21,015)		-		-
Borrowings		-		-		-
	₩	<u>176,898</u>	₩	<u>-</u>	₩	<u>-</u>

As at December 31, 2021 and 2020, 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)

	2021				2020			
	10% strengthening		10% weakening		10% strengthening		10% weakening	
USD	₩	(725,770)	₩	725,770	₩	62,569	₩	(62,569)
JPY		164,160		(164,160)		97,403		(97,403)
EUR		(129,342)		129,342		(182,627)		182,627
CNY		186		(186)		17,690		(17,690)
HKD		24		(24)		-		-
MMK		(28)		28		-		-
	₩	<u>(690,770)</u>	₩	<u>690,770</u>	₩	<u>(4,965)</u>	₩	<u>4,965</u>

Interest rate risk

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Short-term borrowings	₩ 440,346	₩ 781,593

As at December 31, 2021 and 2020, the effects of a 100bp fluctuation of the interest rates on profit (loss) were as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>		<u>2020</u>	
	<u>10% increase</u>	<u>10% decrease</u>	<u>10% increase</u>	<u>10% decrease</u>
Net finance cost	₩ (4,403)	₩ 4,403	₩ (7,816)	₩ 7,816

Since the Group operates financial deposits for the purpose of obtaining interest income at December 31, 2021, the size of interest income may be affected by changes in the market interest rates applied when depositing financial instruments.

Capital management

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

As at December 31, 2021 and 2020, the Group's net debt-to-equity ratio as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Net debt:		
Debts and borrowings	₩ 231,582,073	₩ 232,191,716
Less: Cash and cash equivalents	(550,409,184)	(367,425,438)
	(318,827,111)	(135,233,722)
Equity	2,292,550,472	1,897,508,266
Net debt-to-equity ratio	(13.91%)	(7.13%)

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

36. Financial Commitments and Contingencies

Financial commitments to financial institutions as at December 31, 2021 and 2020 are as follows:

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

Contract Company	Lender	Type of commitment	Currency	2021	2020
Orion Corporation	Kookmin Bank	Usance	USD	10,000,000	10,000,000
		Purchase loan	KRW	20,000,000	20,000,000
	Shinhan Bank	Bank overdraft	KRW	5,000,000	5,000,000
		Usance	USD	5,900,000	5,900,000
	NongHyup Bank	Purchase loan	KRW	20,000,000	-
	Hana Bank	Purchase loan	KRW	30,000,000	30,000,000
	Mizuho Bank	Credit loan	KRW	20,000,000	20,000,000
Orion Food Co., Ltd.	Hyundai Card	Group purchase card	KRW	12,000,000	12,000,000
	BANK OF CHINA	General loan	CNY	80,000,000	80,000,000
	Korea Development Bank	Usance	USD	-	5,000,000
Orion Food (Shanghai) Co., Ltd.	Korea Development Bank	Usance	EUR	-	2,000,000
	BANK OF CHINA	General loan	CNY	-	15,000,000
Orion Food (Shen Yang) Co., Ltd.	BANK OF CHINA	Usance	CNY	55,000,000	40,000,000
Orion Food Guangzhou Co., Ltd.	Hana Bank	Usance	EUR	2,000,000	2,000,000
Orion International Euro. LLC	Sumitomo Mitsui Rus Bank	Credit loan	RUB	500,000,000	500,000,000
Orion Food VINA Co., Ltd.	Techcombank	Usance	VND	-	120,000,000,000
	Shinhan Bank	Usance	USD	5,000,000	5,000,000
			KRW	107,000,000	87,000,000
			USD	20,900,000	25,900,000
			CNY	195,000,000	335,000,000
	Total		EUR	3,000,000	5,000,000
			RUB	500,000,000	500,000,000
			VND	-	120,000,000,000

As at December 31, 2021 and 2020, the Group has factoring agreements with Woori Bank, for trade receivables of Coupang Corp. The trade receivables provided by the Group in the factoring transaction which meet the requirements for asset derecognition, were derecognized because there is no recourse obligation for the above trade receivables in case of debtors' default and accordingly Woori Bank retains substantially all the risks and rewards.

As at December 31, 2021, guarantees of ₩ 504 million (2020: ₩ 853 million) are provided to the Group by Seoul Guarantee Insurance Company etc. for the performance of contracts.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

As at December 31, 2021 and 2020, the Group provides guarantees to the customers with the maximum amount of ₩ 12,000 million in relation to the Corporate purchase card of Hyundai Card.

As at December 31, 2021, the Group has entered into a purchase contract and others with PARSONS Pvt. Ltd.

As at December 31, 2021, 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, 2021, Orion Holdings Corporation, a Parent Company of the Group and Orion Food Co., Ltd., a subsidiary, have entered into a joint investment contract for Shandong Lukang Biotechnology Development Co., Ltd.

Details of lawsuit pending as at December 31, 2021 are summarized as follows.

(In thousands of Korean won)

Plaintiff	Defendant	Contents	Amounts ¹	Progress
CJ Logistics Corporation	Orion Corp.	Freight payables	₩ 363,336	First trial in progress
MBF	Orion Corp.	Billing for payment of potatoes	249,184	Undecided
Orion Corp.	National Health Insurance Corporation	Lawsuits against unjust enrichment	543,519	First trial in progress
Orion Corp.	Individual	Land delivery, etc.	2,928	First trial in progress
All of the employees	Orion Food Co., Ltd.	Claim for wages	179,766	Second trial in progress
Orion Food Co., Ltd.	Gyeongyang Incandescent Island Trading Co., Ltd.	Return-related litigation	187,057	Court Arbitration Application
Orion International Euro. LLC	Sugar House	Lawsuits against unjust enrichment	579	First trial in progress

¹ The 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
December 31, 2021 and 2020

37. Related Party Transactions

Related parties as at December 31, 2021 and 2020, are as follows, excluding subsidiaries:

Relationship	2021
	Related Party
Parent	Orion Holdings Corp.
Joint ventures	Delfi-Orion Pte Ltd, Orion Nonghyup Agri, inc.
Parent's subsidiaries ¹	Reon A&D Corp, Showbox Corp., Mega Mark Co., Ltd., Supreme Star Investment Corp. Limited, Orion JeJu Yongam Soo Corp, Highland D&C Corp., Misoin Corp., SHOWBOX Inc., Beijing Zhongguan Megabox Cinema Co., Ltd.
Parent's joint venture ²	Shandong Lukang Biotechnology Development Co., Ltd.
Others ³	Orion Foundation

¹ Orion Consulting Co., Ltd. went through liquidation in 2021.

² Orion Holdings Corporation, a Parent Company of the Group, newly acquired shares of Shandong Lukang Biotechnology Development Co., Ltd. in 2021

³ SHOWBOX Inc., a subsidiary of Orion Holdings Corporation, newly acquired shares of Capitalone Showbox-iMBC Contents Fund in 2021.

Relationship	2020
	Related Party
Parent	Orion Holdings Corp.
Joint ventures	Delfi-Orion Pte Ltd, Orion Nonghyup Agri, inc.
Parent's subsidiaries ^{1,2}	Reon A&D Corp, Showbox Corp., Mega Mark Co., Ltd., Supreme Star Investment Corp. Limited, Orion JeJu Yongam Soo Corp, Highland D&C Corp., Misoin Corp., Orion Consulting Co., Ltd., SHOWBOX Inc., Beijing Zhongguan Megabox Cinema Co., Ltd.
Others ³	Orion Foundation, Capitalone Showbox-iMBC Contents Fund

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

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

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

Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2021 and 2020, are summarized as follows:

Sales etc.

(In thousands of Korean won)

Relationship	Related party	Transaction	2021	2020
Parents	Orion Holdings Corp.	Other income etc.	₩ 252,465	₩ 279,590
Parents' subsidiaries	Showbox Corp.	Sales	3,655	32,200
	Orion JeJu Yongam Soo Corp	Sales	3,963	4,393
		Sale of property, plant and equipment	-	4,500

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

		Other income etc.	-	22,693
	Supreme Star Investment Corp. Limited	Other income etc.	942	24,346
Joint ventures	Delfi-Orion Pte Ltd	Sales	2,004,287	1,404,393
	Orion Nonghyup Agri, inc.	Sales	13,527	4,267
Others	Orion Foundation	Sales	306,345	349,997
			<u>₩ 2,585,184</u>	<u>₩ 2,126,379</u>

Purchase etc.

(In thousands of Korean won)

<u>Relationship</u>	<u>Related party</u>	<u>Transaction</u>	<u>2021</u>	<u>2020</u>
Parents	Orion Holdings Corp.	Other expense	₩ 13,393,486	₩ 11,997,743
	Orion JeJu Yongam Soo Corp	Purchase	15,301,017	7,738,119
Parents' subsidiaries	Mega Mark Co., Ltd.	Other expense	1,500	2,250
	Showbox.corp	Purchase of intangible assets	840,909	-
Joint venture	Orion Nonghyup Agri, inc.	Purchase	31,712,832	29,258,213
Others	Orion Foundation	Other expense	1,150,000	-
			<u>₩ 62,399,744</u>	<u>₩ 48,996,325</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Accounts receivable and accounts payable balances with related parties as at December 31, 2021 and 2020 are as follows:

(In thousands of Korean won)

		2021					
Relationship	Related party	Receivables			Payables		
		Trade receivables	Other receivables	Leasehold deposits	Trade payables	Accounts payable ¹	Other payables ¹
Parents	Orion Holdings Corp.	₩ -	₩ 24,292	₩ 17,340,000	₩ -	₩ 3,684,693	₩ -
Parents' subsidiaries	Orion JeJu Yongam Soo Corp	-	6,877	-	1,356,774	-	-
	Showbox Corp.	-	6,127	-	-	-	-
	Mega Mark Co., Ltd.	-	-	-	-	138	-
Joint ventures	Delfi-Orion Pte Ltd	83,781	-	-	-	-	-
	Orion Nonghyup Agri, inc.	-	1,424,824	-	7,638,031	17,643	-
Others	Major shareholders	-	-	-	-	-	2,699,885
		₩ 83,781	₩ 1,462,120	₩ 17,340,000	₩ 8,994,805	₩ 3,702,474	₩ 2,699,885

¹ As at December 31, 2021, other payables include the recognized lease liabilities of ₩ 5,983 million, including ₩ 153 million that will be paid in January 2022, related to lease transactions with Orion Holdings Corp.

(In thousands of Korean won)

		2020						
Relationship	Related party	Receivables				Payables		
		Trade receivables	Other receivables	Leasehold deposits	Short-term loan	Trade payables	Accounts payable ¹	Other payables ¹
Parents	Orion Holdings Corp.	₩ -	₩ 21,947	₩ 18,310,000	₩ -	₩ -	₩ 3,109,238	₩ -
Parents' subsidiaries	Orion JeJu Yongam Soo Corp	-	19,975	-	-	949,893	-	-
	Showbox Corp.	-	5,295	-	-	-	-	-
	Mega Mark Co., Ltd.	-	-	-	-	-	206	-
	Supreme Star Investment Corp. Limited	-	-	-	3,172,240	-	-	-
Joint ventures	Delfi-Orion Pte Ltd	333,645	-	-	-	-	-	-
	Orion Nonghyup Agri, inc.	-	891,577	-	-	5,873,937	49,505	-
Others	Major shareholders	-	-	-	-	-	-	420,296
		₩ 333,645	₩ 938,794	₩ 18,310,000	₩ 3,172,240	₩ 6,823,830	₩ 3,158,949	₩ 420,296

¹ As at December 31, 2020, other payables include the recognized lease liabilities of ₩ 11,937 million, including ₩ 164 million that will be paid in January 2021, related to lease transactions with Orion Holdings Corp.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Investments transactions with related parties as at December 31, 2021 and 2020 are as follows:

(In thousands of Korean won)

Relationship	Related party	Transaction	2021	2020
Parents	Orion Holdings Corp.	Payment of dividends	₩ (11,081,354)	₩ (8,865,083)
		Redemption of lease liabilities	(1,919,612)	(1,970,192)
Parents' subsidiaries	Supreme Star Investment Corp. Limited	Lending fund	-	(3,258,500)
		Loan collection	3,371,170	-
Parents' joint venture	Shandong Lukang Biotechnology Development Co., Ltd	Contribution in cash	(3,117,563)	-
Others	Major shareholders	Payment of dividends	(1,907,696)	(1,528,841)

Details of key management personnel (executive directors and controlling interest holder) compensation for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)

	2021	2020
Short-term employee benefits	₩ 8,166,251	₩ 13,375,732
Post-employment benefits	1,965,930	2,073,216
Share-based compensation expense	1,987,262	2,646,043
	<u>₩ 12,119,443</u>	<u>₩ 18,094,991</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, 2021, 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, 2021, the Group has recognized ₩ 6,635 million of right-of-use assets, ₩ 5,983 million of lease liabilities with related parties, and recognized ₩ 2,053 million of depreciation of right-of-use assets and ₩ 213 million of interest expense during the year.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

38. Cash flows

The principal non-cash transactions for the years ended December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Reclassification from construction in progress to property, plant and equipment	₩ 110,103,238	122,045,427
Reclassification from construction in progress to intangible assets	1,825,956	2,704,961
Other payables regarding the acquisition of property, plant and equipment	(3,652,036)	4,456,499
Other payables regarding the acquisition of intangible assets	(44,372)	(379,601)
Other payables regarding the pension benefit payments	(225,492)	1,262,322
Reclassification from long-term borrowings to short-term borrowings	159,910,337	-
Reclassification from long-term prepaid expenses to short-term prepaid expenses	600,454	1,793,816
Reclassification from long-term rental deposits to short-term rental deposits	430,000	210,000
Reclassification from long-term leasehold deposits to short-term leasehold deposits	29,698	60,394
Write-off of trade receivables and others	49,777	16,736
Decrease of right-of-use assets from changes in lease agreement conditions	4,765,669	234,662
Decrease of lease liabilities from changes in lease agreement conditions	(4,311,788)	(240,815)
Increase of right-of-use assets from new lease contracts	(11,484,118)	(8,708,025)
Increase of lease liabilities from new lease contracts	11,483,847	8,698,120
Reclassification from lease liabilities to current portion	5,799,535	4,000,844

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Changes in liabilities arising from financial activities for the years ended December 31, 2021 and 2020, are as follows:

<i>(In thousands of Korean won)</i>	2021						
	Beginning Balance	Cash flows from financing activities	Non cashflow activities				Ending balance
			Depreciated on etc	Effects on foreign currency change	Reclassification	Others	
Short-term borrowings	₩ 2,516,963	₩ (781,883)	₩ -	₩ (302)	₩ -	₩ -	₩ 1,734,778
Current portion of long-term borrowings	-	-	46,016	-	159,910,337	-	159,956,353
Long-term borrowings	229,674,753	-	126,526	-	(159,910,337)	-	69,890,942
Current leasehold deposits received	173,704	(13,500)	544	-	29,698	-	190,446
Leasehold deposits received	29,617	-	81	-	(29,698)	-	-
Current lease liabilities	7,561,712	(9,407,723)	-	583,153	5,799,535	5,032,812	9,569,489
Non-current lease liabilities	16,454,553	-	-	666,500	(5,799,535)	2,139,246	13,460,764
	<u>₩ 256,411,302</u>	<u>₩ (10,203,106)</u>	<u>₩ 173,167</u>	<u>₩ 1,249,351</u>	<u>₩ -</u>	<u>₩ 7,172,058</u>	<u>₩ 254,802,772</u>

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

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.