

Orion Corporation and Subsidiaries

Consolidated Financial Statements

December 31, 2022 and 2021

Orion Corporation and Subsidiaries
Index
December 31, 2022 and 2021

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 - 80



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, 2022 and 2021, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

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

Key Audit Matters

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

Promotion activities in relation to sale of goods

Why it is determined to be a key audit matter

The Group manufactures and sells confectionaries and others, and applies various types of sales rebates and policies to increase sales considering the characteristic of the goods. As disclosed in Note 2 to the consolidated financial statements, the Group accounts for consideration payable to a customer as an expense or reduction of the revenue, depending on whether the payment to the customer is in exchange for a distinct good or service. The amount of sales of goods on the consolidated financial statements is one of the Group's key financial performance index and is measured taking into account of consideration payable to a customer such as sales rebates and others; thus, we identified overstating of revenue due to an error in recognition of consideration payable to a customer as a significant risk, as a result of considering the significance of classification between deductions in sales of goods and selling and administration expenses, materiality of the amount and others.

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.

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 Yun-Won Jang, Certified Public Accountant.

March 15, 2023

Seoul, Korea

This report is effective as of March 15, 2023, 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, 2022 and 2021

<i>(In thousands of Korean won)</i>	Notes	<u>2022</u>	<u>2021</u>
Assets			
Property, plant and equipment	6	₩ 1,667,582,034	₩ 1,773,716,725
Intangible assets	7	31,155,473	33,149,478
Goodwill	8	23,886,984	24,193,863
Investment property	9	35,568,253	6,752,233
Right-of-use assets	10	62,018,557	64,430,919
Investments in joint ventures	11	32,467,835	31,655,143
Financial assets at fair value through other comprehensive income	12,33	20,615,039	16,600,119
Long-term deposits	16,33,35	2,000	2,000
Net defined benefit asset	26	2,875,411	-
Other non-current financial assets	15,33,35	19,300,198	17,060,469
Other non-current assets	13	5,775,417	6,633,353
Deferred income tax assets	34	3,877	3,627
Total non-current assets		<u>1,901,251,078</u>	<u>1,974,197,929</u>
Inventories	14	234,883,242	208,475,555
Other current assets	13	16,042,976	18,890,660
Other current financial assets	15,33,35	21,046,822	14,606,416
Current tax assets	34	69,976	3,563,744
Trade receivables	15,33,35	203,103,219	176,364,212
Financial assets at fair value through profit or loss	12,33	-	39,006,075
Short-term deposits	16,33,35	385,563,538	134,914,886
Cash and cash equivalents	16,33,35	609,723,063	550,409,184
Total current assets		<u>1,470,432,836</u>	<u>1,146,230,732</u>
Total assets		<u>₩ 3,371,683,914</u>	<u>₩ 3,120,428,661</u>

Orion Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2022 and 2021

<i>(In thousands of Korean won)</i>	Notes	2022	2021
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	718,196,487	746,261,113
Reserves	20	255,268,311	190,491,475
Unappropriated retained earnings	20	962,982,146	656,956,021
Equity attributable to owners of the Parent		2,553,782,840	2,211,044,506
Non-controlling interest	4	85,445,992	81,505,966
Total equity		2,639,228,833	2,292,550,472
Liabilities			
Long-term debts	25,33,35	-	69,890,942
Non-current lease liabilities	10,33,35	13,780,676	13,460,764
Net defined benefit liabilities	26	-	1,793,209
Deferred tax liabilities	34	161,513,315	219,012,603
Other non-current liabilities	27	779,726	1,026,852
Other non-current financial liabilities	23,33,35	201,785	782,804
Total non-current liabilities		176,275,503	305,967,175
Current portion of long-term debts	25,33,35	69,973,925	159,956,353
Short-term borrowings	25,33,35	23,907,383	1,734,778
Trade payables	33,35	149,983,831	117,063,134
Current lease liabilities	10,33,35	10,337,604	9,569,489
Current tax liabilities	34	57,221,335	36,121,802
Other current liabilities	24,27	54,573,480	46,733,834
Other current financial liabilities	23,33,35	190,182,020	150,731,623
Total current liabilities		556,179,578	521,911,014
Total liabilities		732,455,082	827,878,189
Total equity and liabilities		₩ 3,371,683,914	₩ 3,120,428,661

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, 2022 and 2021

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

	Notes	<u>2022</u>	<u>2021</u>
Revenue	28	₩ 2,873,246,771	₩ 2,355,499,706
Cost of sales	28,32	<u>(1,782,078,953)</u>	<u>(1,409,109,816)</u>
Gross profit		1,091,167,818	946,389,889
Selling expenses	29,32	(482,105,169)	(442,663,563)
General and administrative expenses	29,32	<u>(142,408,147)</u>	<u>(130,816,419)</u>
Operating profit		466,654,503	372,909,907
Net other expense	30	(3,699,280)	(1,879,149)
Net finance income	31,33	23,165,972	7,555,024
Share of profit of associates and joint ventures	11	606,921	461,508
Profit before income tax		<u>486,728,116</u>	<u>379,047,290</u>
Income tax expense	34	<u>(88,420,041)</u>	<u>(115,385,469)</u>
Profit for the year		<u>398,308,075</u>	<u>263,661,821</u>
Other comprehensive income (loss):			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		(36,693,315)	169,592,704
Share of other comprehensive income of joint ventures	11	52,930	61,685
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial gain (loss)	26	10,362,482	(3,735,490)
Income tax of other comprehensive income	34	(2,494,227)	903,989
Share of defined benefit plan actuarial gain of joint ventures	11	152,840	53,503
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	33	6,883,590	(5,026,978)
Other comprehensive income (loss) for the period, net of tax		<u>(21,735,699)</u>	<u>161,849,413</u>
Total comprehensive income for the year		<u>₩ 376,572,376</u>	<u>₩ 425,511,233</u>

Orion Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2022 and 2021

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

	Notes	<u>2022</u>	<u>2021</u>
Profit attributable to:			
Owners of the Parent		₩ 392,351,424	₩ 257,704,401
Non-controlling interests	4	5,956,651	5,957,420
Profit for the year		<u>₩ 398,308,075</u>	<u>₩ 263,661,821</u>
Total comprehensive income attributable to:			
Owners of the Parent		₩ 372,620,356	₩ 411,491,636
Non-controlling interests		3,952,020	14,019,598
Total comprehensive income for the year		<u>₩ 376,572,376</u>	<u>₩ 425,511,233</u>
Earnings per share: (in Korean won)			
	21		
Basic earnings per share		₩ 9,926	₩ 6,519
Diluted earnings per share		9,926	6,519

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, 2022 and 2021

<i>(In thousands of Korean won)</i>	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Treasury shares</u>	<u>Other capital</u>	<u>Reserves</u>	<u>Retained earnings</u>	<u>Non- controlling interests</u>	<u>Total equity</u>
Balance at January 1, 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

Orion Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2022 and 2021

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

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, 2022 and 2021

(In thousands of Korean won)

	2022	2021
Cash flows from operating activities		
Profit for the year	₩ 398,308,075	₩ 263,661,821
Adjustments for:		
Retirement benefits	11,455,131	12,374,762
Depreciation of property, plant and equipment	144,312,380	134,464,791
Amortization	4,512,303	4,154,613
Depreciation of investment property	162,914	141,885
Depreciation of right-of-use assets	12,666,238	10,986,031
Loss on valuation of financial assets at fair value through profit or loss	-	421,813
Loss on sale of trade receivables	-	22,558
Bad debt expenses of trade receivables	3,926,126	21,494
Other bad debt expenses	1,013	15,693
Loss on sale of property, plant and equipment	7,986,548	3,469,958
Loss on sale of intangible assets	1,624	40,973
Share-based compensation expense	27,131	1,987,262
Foreign currency translation loss	527,495	82,105
Interest expense	4,394,395	6,389,281
Income tax expense	88,420,041	115,385,469
Other expenses	1,864,344	787,077
Gain on sale of property, plant and equipment	(3,203,594)	(892,082)
Gain on sale of intangible assets	(1,559,304)	-
Reversal of impairment loss on intangible assets	-	(152,310)
Gain on disposal of financial assets at fair value through profit or loss	(588,991)	-
Foreign currency translation gain	(686,662)	(114,702)
Interest income	(24,891,097)	(14,198,665)
Share of profit of associates and joint ventures	(606,921)	(461,508)
Dividend income	(465,936)	(259,324)
Reversal of other bad debt expenses	(68,941)	-
Other income	(65,665)	(259,498)
Subtotal	248,120,571	274,407,675
Changes in:		
Trade receivables	(32,318,734)	(11,935,396)
Other current financial assets	(1,139,676)	1,664,420
Other current assets	3,849,051	3,365,496
Inventories	(30,242,102)	(14,468,924)
Other non-current assets	(1,461,076)	(1,061,415)
Other non-current financial assets	(20,239)	-
Trade payables	35,116,437	3,201,627
Other payables	2,973	(26,461,773)
Other current liabilities	(16,375,866)	2,065,683
Other current financial liabilities	64,611,473	-
Plan assets	1,407,321	(187,719)
Payment of defined benefit obligations	(7,789,039)	(15,209,280)
Payment of long-term employee benefit liabilities	(131,465)	(80,437)
Subtotal	15,509,057	(59,107,719)

Orion Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

<i>(In thousands of Korean won)</i>	2022	2021
Interest received	20,523,263	13,108,074
Dividend received	318,779	259,324
Interest paid	(7,764,475)	(5,708,225)
Income tax paid	(128,822,632)	(81,888,305)
Net cash inflow from operating activities	<u>546,192,637</u>	<u>404,732,645</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	10,377,462	3,460,061
Proceeds from disposal of intangible assets	4,170,526	1,714,065
Decrease in financial assets at fair value through profit or loss	45,208,026	-
Increase in financial assets at fair value through profit or loss	-	(39,427,888)
Decrease in rental deposits	749,917	2,172,319
Decrease in operation deposits	93,400	133,690
Increase in short-term financial deposits	(257,786,861)	(45,997,846)
Increase in financial assets at fair value through other comprehensive income	(2,282,581)	(3,209,453)
Acquisition of property, plant and equipment	(85,331,322)	(142,258,511)
Acquisition of intangible assets	(5,541,975)	(5,291,102)
Increase in rental deposits	(1,624,469)	(1,256,047)
Increase in operation deposits	(179,850)	(93,400)
Collection of short-term loan	-	3,371,170
Net cash outflow from investing activities	<u>(292,147,728)</u>	<u>(226,682,942)</u>

Orion Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Cash flows from financing activities		
Increase in short-term borrowings	276,718,983	21,761,398
Redemption of short-term borrowings	(252,935,267)	(22,543,281)
Redemption of current portion of long-term borrowings	(160,000,000)	-
Redemption of lease liabilities	(11,178,454)	(9,407,723)
Decrease in leasehold deposits	(63,000)	(13,500)
Dividends paid	(29,646,592)	(29,646,592)
Net cash outflow from financing activities	<u>(177,104,330)</u>	<u>(39,849,698)</u>
Effect of exchange rate fluctuations on cash held, and others	(17,626,700)	44,783,741
Net increase in cash and cash equivalents	<u>59,313,879</u>	<u>182,983,746</u>
Cash and cash equivalents at the beginning of the period	550,409,184	367,425,438
Cash and cash equivalents at the end of the period	<u>₩ 609,723,063</u>	<u>₩ 550,409,184</u>

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, 2022 and 2021

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, 2022, 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, 2022 and 2021, are as follows:

Name	Location	Immediate controlling party	Percentage of ownership					
			2022			2021		
			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%	73.27%	26.73%	100.00%
Orion Food VINA Co., Ltd.	Vietnam	Orion Corporation	100.00%	-	100.00%	100.00%	-	100.00%
Orion Nutritionals Private Ltd.	India	Orion Corporation	100.00%	-	100.00%	100.00%	-	100.00%
Orion Food Co., Ltd.	China	PAN Orion Corp. Limited.	-	100.00%	100.00%	-	100.00%	100.00%
Orion Food (Shanghai) Co., Ltd.	China	PAN Orion Corp. Limited.	-	100.00%	100.00%	-	100.00%	100.00%
Orion Food Guangzhou Co., Ltd.	China	PAN Orion Corp. Limited.	-	100.00%	100.00%	-	100.00%	100.00%
Orion Food (Shen Yang) Co., Ltd.	China	PAN Orion Corp. Limited.	-	100.00%	100.00%	-	100.00%	100.00%
Orion Agro Co., Ltd.	China	Orion Food Co., Ltd.	-	100.00%	100.00%	-	100.00%	100.00%
Orion Agro DuoLun Co., Ltd.	China	Orion Food Co., Ltd.	-	100.00%	100.00%	-	100.00%	100.00%

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Name	Location	Immediate controlling party	Percentage of ownership					
			2022			2021		
			The Company	Subsidiary	Total	The Company	Subsidiary	Total
LangFang Green Eco Packaging Co., Ltd.	China	Orion Food Co., Ltd.	-	100.00%	100.00%	-	100.00%	100.00%
Orion F&B US, Inc. ²	United States of America	Orion Corporation	100.00%	-	100.00%	100.00%	-	100.00%

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

² Orion F&B US, Inc. was established in 2021.

Financial information of the Company and its consolidated subsidiaries as at December 31, 2022 and 2021 and for the years ended December 31, 2022 and 2021 is summarized as follows:

(In millions of Korean won)

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

(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)	(6,258)
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
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	₩ 280,798

¹ Orion(Bei Tun) Agro Processing Co., Ltd. went through liquidation in 2021.

² Orion F&B US, Inc. was established in 2021.

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. There are no other material changes in the scope of the consolidation for the years ended December 31, 2022 and 2021.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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, 2022.

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

The amendments update a reference of definition of assets and liabilities to be recognized 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 clarify that contingent assets should not be recognized at the acquisition date. The amendment does not have a significant impact on the 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 amendment does not have a significant impact on the financial statements.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(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 amendment does not have a significant impact on the financial statements.

(d) 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 amendment does not have a significant impact on the 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 1041 *Agriculture* – Measuring fair value

2.2.2 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Group.

(a) 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, 2024, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(b) 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 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 financial statements.

(c) 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 financial statements.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(d) 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 financial statements.

(e) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. 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 financial statements.

2.3 Consolidation

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

(a) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

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

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.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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 changed in carrying amount recognized in profit or loss.

(b) Associates

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

(c) Joint Arrangements

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

2.4 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings 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.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(c) Translation to the presentation currency

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

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

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

2.5 Cash and cash equivalents

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

2.6 Financial assets

(a) Classification

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

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

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

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

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair 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.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

A. *Debt instruments*

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

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

B. *Equity instruments*

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

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'finance income or costs' in the consolidated statement of comprehensive income as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive 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.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(d) Recognition and Derecognition

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

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

(e) Offsetting of financial instruments

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

2.7 Trade receivables

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

2.8 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.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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.

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	10, Period over which related revenue is realized
Others	5

2.13 Investment property

Investment property is property (including right-of-use assets) 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.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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

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

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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 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.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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

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

2.20 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.

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

- 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 consolidated statement of financial position based on their nature.

(b) Lessee

The Group leases various offices, 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; 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)

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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
- 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 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.

(c) Extension and termination options

Extension and termination options are included in property 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

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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 8, 2023, and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

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

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

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

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

looking estimates at the end of each reporting period.

(d) Net defined benefit liability

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

(e) Lease

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

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

(f) Share based payments

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021, 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	
		2022	2021
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, 2022 and 2021, are as follows:

(In thousands of Korean won)

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

(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	₩ -

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Financial position and financial performance as at and for the years ended December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

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

(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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

(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.

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, 2022 and 2021

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, 2022 and 2021, are as follows:

(In thousands of Korean won)

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

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

(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.

Segment assets and liabilities as at December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

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

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(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 and associates	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.

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, 2022 and 2021, is as follows:

(In thousands of Korean won)

	2022	2021
Domestic	₩ 907,587,912	₩ 788,970,120
China	1,268,207,782	1,105,922,949
Other	697,451,077	460,606,637
Total	₩ <u>2,873,246,771</u>	₩ <u>2,355,499,706</u>

Information on regional non-current assets as at December 31, 2022 and 2021 is as follows:

(In thousands of Korean won)

	2022	2021
Domestic	₩ 670,195,325	₩ 687,595,795
China	813,406,554	916,564,515
Other	350,965,689	312,177,542
Total	₩ <u>1,834,567,568</u>	₩ <u>1,916,337,852</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, 2022 and 2021.

There is no main customer who contributes more than 10% of the Group's revenues for the years ended December 31, 2022 and 2021.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

6. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

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

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(In thousands of Korean won)

	2021						
	<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, 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	₩ <u>202,968,206</u>	₩ <u>856,043,713</u>	₩ <u>18,282,016</u>	₩ <u>1,654,244,741</u>	₩ <u>162,958,983</u>	₩ <u>73,217,165</u>	₩ <u>2,967,714,824</u>
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	₩ -	₩ <u>(190,982,559)</u>	₩ <u>(13,842,352)</u>	₩ <u>(890,099,343)</u>	₩ <u>(99,073,845)</u>	₩ -	₩ <u>(1,193,998,099)</u>
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	₩ <u>202,968,206</u>	₩ <u>665,061,154</u>	₩ <u>4,439,664</u>	₩ <u>764,145,398</u>	₩ <u>63,885,138</u>	₩ <u>73,217,165</u>	₩ <u>1,773,716,725</u>

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Borrowing costs of ₩ 912,147 thousand in relation to the completion of construction, were capitalized as part of the cost of qualifying assets for the year ended December 31, 2022. The capitalization rates were 8.14% for the years ended December 31, 2022.

As at December 31, 2022, the Group has made purchase agreements with respect to buildings, machinery and equipment and others and it is expected to spend ₩ 58,709 million (2021: ₩ 70,333 million) in the future.

As at December 31, 2022, the Group has comprehensive property insurance coverage on the Group's inventories, property, plant and equipment. In addition, as at December 31, 2022, the Group maintains insurance policies covering loss and liability arising from gas accidents, products, directors' and officers' liability and automobile accidents.

7. Intangible Assets

Changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

	2022				
	<u>Rights to use facility</u>	<u>Industrial property rights</u>	<u>Other intangible assets</u>	<u>Construction in progress</u>	<u>Total</u>
Acquisition cost					
Balance at January 1, 2022	₩ 18,106,497	₩ 22,601,839	₩ 26,579,150	₩ 2,233,169	₩ 69,520,655
Additions	-	1,432	77,272	5,575,109	5,653,813
Disposals	(3,871,646)	-	(8,150)	-	(3,879,796)
Transfers	3,248,577	478,766	3,282,751	(7,024,124)	(14,030)
Others ¹	(14,463)	(31,785)	(570,155)	47,404	(568,999)
Balance at December 31, 2022	₩ <u>17,468,965</u>	₩ <u>23,050,252</u>	₩ <u>29,360,868</u>	₩ <u>831,558</u>	₩ <u>70,711,643</u>
Accumulated amortization and impairment					
Balance at January 1, 2022	₩ (2,432,914)	₩ (17,727,135)	₩ (16,211,128)	-	₩ (36,371,177)
Amortization	-	(1,074,560)	(3,437,743)	-	(4,512,303)
Disposals	898,800	-	8,150	-	906,950
Others ¹	5,693	25,836	388,831	-	420,360
Balance at December 31, 2022	₩ <u>(1,528,421)</u>	₩ <u>(18,775,859)</u>	₩ <u>(19,251,890)</u>	-	₩ <u>(39,556,170)</u>
Book amount					
Balance at January 1, 2022	₩ <u>15,673,583</u>	₩ <u>4,874,704</u>	₩ <u>10,368,022</u>	₩ <u>2,233,169</u>	₩ <u>33,149,478</u>
Balance at December 31, 2022	₩ <u>15,940,544</u>	₩ <u>4,274,393</u>	₩ <u>10,108,978</u>	₩ <u>831,558</u>	₩ <u>31,155,473</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, 2022 and 2021

(In thousands of Korean won)

	2021				
	<u>Rights to use facility</u>	<u>Industrial property rights</u>	<u>Other intangible assets</u>	<u>Construction in progress</u>	<u>Total</u>
Acquisition cost					
Balance at January 1, 2021	₩ 17,252,039	₩ 22,232,589	₩ 23,015,352	₩ 1,165,840	₩ 63,665,820
Additions	2,459,920	4,619	103,550	2,678,641	5,246,730
Disposals	(1,720,973)	-	(160,051)	-	(1,881,024)
Transfers	-	-	1,588,436	(1,825,956)	-
Others ¹	115,511	364,631	2,031,863	214,644	2,489,129
Balance at December 31, 2021	₩ 18,106,497	₩ 22,601,839	₩ 26,579,150	₩ 2,233,169	₩ 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	₩ 10,953,563	₩ 1,165,840	₩ 32,531,563
Balance at December 31, 2021	₩ 15,673,583	₩ 4,874,704	₩ 10,368,022	₩ 2,233,169	₩ 33,149,478

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

As at December 31, 2022, the Group has made purchase agreements with respect to other intangible asset and it is expected to spend ₩ 327 million (2021: ₩ 494 million) in the future.

8. Goodwill

Changes in goodwill for the years ended December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)	<u>2022</u>	<u>2021</u>
Balance at beginning of year	₩ 24,193,863	₩ 22,965,074
Fluctuations due to foreign currency translation	(306,879)	1,228,789
Balance at end of year	₩ 23,886,984	₩ 24,193,863

Impairment tests for goodwill

Goodwill as at December 31, 2022 and 2021, are as follows:

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(In thousands of Korean won)

CGUs	2022	2021	Acquisitor	Description
Orion Corp.	₩ 12,335,100	₩ 12,335,100	Orion Corp.	Transferred when Orion Snack International Corp. was merged into Orion Corp.
LangFang Green Eco Packaging Co., Ltd. ¹	11,551,884	11,858,763	Orion Food Co., Ltd.	Acquired in a business combination with LANGFANG IPACK Co., Ltd
	₩ <u>23,886,984</u>	₩ <u>24,193,863</u>		

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

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

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

As at December 31, 2022 and 2021, the key assumptions used for calculating the cash generating units which significant goodwill was allocated to, are as follows:

	2022			
	Gross Profit Margin ¹	Growth rate of sale ²	Permanant growth rate ³	Pre-tax rate ⁴
Orion Corp.	40.68%	2.38%	1.00%	12.03%
LangFang Green Eco Packaging Co., Ltd.	16.90%	3.90%	1.50%	12.24%
	2021			
	Gross Profit Margin ¹	Growth rate of sale ²	Permanant growth rate ³	Pre-tax rate ⁴
Orion Corp.	45.37%	1.44%	1.00%	10.79%
LangFang Green Eco Packaging Co., Ltd.	18.21%	6.41%	1.50%	12.89%

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, 2022 and 2021

9. Investment Property

Changes in investment property for the years ended December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

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

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

(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.

Income or expense relates to the investment property for the years ended December 31, 2022, and 2021, are as follows:

(In thousands of Korean won)

	<u>2022</u>	<u>2021</u>
Rental income	₩ 941,721	₩ 367,337
Rental cost ¹	162,914	141,885

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

¹ Rental cost includes depreciation of investment property.

As at December 31, 2022, total fair value of investment property is ₩ 95,521 million (2021: ₩ 8,471 million).

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, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Within one year	₩ 4,475,336	₩ 420,323
Later than 1 year Within 5 years	17,901,346	175,135
Later than 5 years	188,717,619	-
	<u>₩ 211,094,301</u>	<u>₩ 595,458</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>2022</u>	<u>2021</u>
Right-of-use assets		
Properties	₩ 59,862,676	₩ 62,125,804
Machinery	15,850	30,218
Vehicles	2,140,031	2,274,897
	<u>₩ 62,018,557</u>	<u>₩ 64,430,919</u>

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Lease liabilities		
Current	₩ 10,337,604	₩ 9,569,489
Non-current	13,780,676	13,460,764
	<u>₩ 24,118,280</u>	<u>₩ 23,030,253</u>

Additions to the right-of-use assets in 2022 were ₩ 8,742 million (2021: ₩ 11,484 million).

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(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>2022</u>	<u>2021</u>
Depreciation of right-of-use assets		
Properties	₩ 11,085,165	₩ 9,852,674
Machinery	14,344	11,071
Vehicles	1,566,730	1,122,286
	<u>₩ 12,666,239</u>	<u>₩ 10,986,031</u>
Interest expense on lease liabilities (recognized in finance cost)	₩ 819,898	₩ 934,742
Expense relating to short-term leases (recognized in cost of goods sold and administrative expenses)	17,519,489	18,025,057
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)	704,533	602,858
Expenses relating to variable lease payments not included in the measurement of lease liabilities (recognized in cost of goods sold and administrative expenses)	1,343,652	1,647,251

The total cash outflow for leases in 2022 is ₩ 31,566 million (2021: ₩ 30,618 million).

Movements in carrying amounts of right-of-use assets for the years ended December 31, 2022 and 2021 are as follows:

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

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

<i>(In thousands of Korean won)</i>	<u>2021</u>					
	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Depreciation</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>₩ 5,525,768</u>	<u>₩ 64,430,919</u>

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

11. Investments in Joint Ventures and Associates

Investments in joint ventures as at December 31, 2022 and 2021, are summarized as follows:

(In thousands of Korean won)

	Location	2022		2021	
		Percentage of ownership	Book value	Percentage of ownership	Book value
Joint venture Delfi-Orion Pte Ltd.	Singapore	50.00%	₩ 931,909	50.00%	₩ 791,336
Joint venture Orion Nonghyup Agri, inc. ¹	Domestic	49.00%	<u>31,535,926</u>	49.00%	<u>30,863,807</u>
			<u>₩ 32,467,835</u>		<u>₩ 31,655,143</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 the Company on January 12, 2023, which is the date after five years from the approval date of plant usage (January 12, 2018) and the the Company purchases them is included in the contract.

Shares and stock warrant for joint ventures held by the Group cannot be transferred to a third party without the prior written consent of co-investors in accordance with the joint investment agreement.

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, 2022.

Changes in investments in joint ventures for the years ended December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

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

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

(In thousands of Korean won)

Name	2021			
	Balance at beginning of year	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.	<u>30,417,712</u>	<u>392,592</u>	<u>53,503</u>	<u>30,863,807</u>
	<u>₩ 31,078,448</u>	<u>₩ 461,507</u>	<u>₩ 115,188</u>	<u>₩ 31,655,143</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

Summary of financial information of joint ventures is as follows:

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

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

<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.

The details of investments in joint ventures as at December 31, 2022 and 2021 are as follows:

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

<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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021, are summarized as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</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, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Gain on disposal of financial assets at fair value through profit or loss	₩ 588,991	₩ -
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, 2022 and 2021, are summarized as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>		<u>2021</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	₩ 15,171,169	₩ 15,171,169	₩ 13,230,944	₩ 13,230,944
	<u>15,171,169</u>	<u>15,171,169</u>	<u>13,230,944</u>	<u>13,230,944</u>
Unlisted stock				
Shandong Lukang Biotechnology Development Co., Ltd.	5,443,870	5,443,870	3,369,175	3,369,175
	<u>5,443,870</u>	<u>5,443,870</u>	<u>3,369,175</u>	<u>3,369,175</u>
	<u>₩ 20,615,039</u>	<u>₩ 20,615,039</u>	<u>₩ 16,600,119</u>	<u>₩ 16,600,119</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

13. Other Assets

Other assets as at December 31, 2022 and 2021, are summarized as follows:

(In thousands of Korean won)

	2022		2021	
	Current	Non-current	Current	Non-current
Prepayments	₩ 6,278,898	₩ -	₩ 7,651,290	₩ -
Prepaid expenses	5,044,260	5,284,692	4,684,761	4,990,580
Prepaid value added tax	4,065,419	-	-	-
Others	654,398	490,725	6,554,610	1,642,773
	₩ <u>16,042,975</u>	₩ <u>5,775,417</u>	₩ <u>18,890,661</u>	₩ <u>6,633,353</u>

14. Inventories

Inventories as at December 31, 2022 and 2021 are summarized as follows:

(In thousands of Korean won)

	2022			2021		
	Amount before write-down	Provision for write-down	Carrying amount	Amount before write-down	Provision for write-down	Carrying amount
Merchandise	₩ 5,266,086	₩ (162,970)	₩ 5,103,116	₩ 8,585,581	₩ (1,002,159)	₩ 7,583,422
Finished goods	81,234,965	(6,756)	81,228,209	83,194,129	(71,599)	83,122,530
Work-in-progress	8,477,513	-	8,477,513	7,945,711	-	7,945,711
Raw materials	110,521,926	-	110,521,926	84,848,174	-	84,848,174
Supplies	1,384,993	-	1,384,993	1,707,739	-	1,707,739
Raw materials-in-transit	28,167,485	-	28,167,485	23,267,979	-	23,267,979
	₩ <u>235,052,968</u>	₩ <u>(169,726)</u>	₩ <u>234,883,242</u>	₩ <u>209,549,313</u>	₩ <u>(1,073,758)</u>	₩ <u>208,475,555</u>

The amount of inventories recognized as an expense and included as part of cost of sales during 2022 is ₩ 1,310,632 million (2021: ₩ 1,002,640 million).

15. Trade and Other Receivables

Trade and other receivables as at December 31, 2022 and 2021, are summarized as follows:

(In thousands of Korean won)

	2022		2021	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 207,903,127	₩ -	₩ 177,521,108	₩ -
Allowance for bad debts	(4,799,908)	-	(1,156,896)	-
	₩ <u>203,103,219</u>	₩ <u>-</u>	₩ <u>176,364,212</u>	₩ <u>-</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Other financial assets as at December 31, 2022 and 2021, are summarized as follows:

(In thousands of Korean won)

	2022		2021	
	Current	Non-current	Current	Non-current
Other receivables	₩ 11,286,764	₩ -	₩ 10,183,175	₩ -
Allowance for bad debts	(10,961)	-	(77,793)	-
Accrued income	7,634,399	-	3,039,236	-
Operation deposits	179,850	-	-	-
Rental deposits	1,956,770	19,300,198	1,461,798	17,060,469
	₩ <u>21,046,822</u>	₩ <u>19,300,198</u>	₩ <u>14,606,417</u>	₩ <u>17,060,469</u>

Trade receivables and other financial assets are financial instruments incurred in the ordinary course of business and consist of trade receivables, other receivables and others. The Group holds the trade receivables and other financial assets with the objective to collect the contractual cash flows and, therefore, measures them subsequently at 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, 2022 and 2021, are summarized as follows:

(In thousands of Korean won)

	2022	2021
Cash on hand	₩ 32,193	₩ 30,076
Demand deposits	609,690,870	550,379,108
	₩ <u>609,723,063</u>	₩ <u>550,409,184</u>

Deposits which are restricted in use as at December 31, 2022 and 2021, are summarized as follows:

(In thousands of Korean won)

	2022	2021	Restriction
Long-term deposits	₩ 2,000	₩ 2,000	Deposit for checking account
Short-term deposits	5,000,000	5,000,000	Cooperation loans
	₩ <u>5,002,000</u>	₩ <u>5,002,000</u>	

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

17. Capital stock

Details of capital stock as at December 31, 2022 and 2021 are as follows:

<i>(In Korean won, except number of shares)</i>	<u>2022</u>	<u>2021</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, 2022, no preferred shares have been issued.

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

According to its Articles of Incorporation, the Company can issue convertible bonds and bonds with stock warrants up to the face value of ₩ 300 billion with the approval from the Board of Directors. As at December 31, 2022, no convertible bonds or bonds with stock warrants have been issued.

18. Treasury Shares

The Group has 7,344 treasury shares as at December 31, 2022 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, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Changes from equity transactions	₩ 624,451,038	₩ 624,451,038
Others	(2,071,744)	(1,836,314)
Exchange differences on translating foreign operations	94,367,601	128,722,611
Share of other comprehensive income of joint ventures	49,619	(3,311)
Gain (loss) of financial assets at fair value through other comprehensive income	1,373,650	(5,099,234)
Changes in percentage of ownership due to acquisition of subsidiaries	26,323	26,323
	₩ <u>718,196,487</u>	₩ <u>746,261,113</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

20. Retained Earnings

Details of retained earnings as at December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Legal reserves	₩ 54,335,819	₩ 49,344,291
Discretionary reserves	200,932,492	141,147,184
Retained earnings before appropriation	<u>962,982,146</u>	<u>656,956,021</u>
	<u>₩ 1,218,250,457</u>	<u>₩ 847,447,496</u>

21. Earnings per Share

(a) Basic earnings per share

<i>(In Korean won, except share information)</i>	<u>2022</u>	<u>2021</u>
Profit for the year attributable to owners of the Parent Company	₩ 392,351,423,524	₩ 257,704,400,534
Weighted-average number of ordinary shares	<u>39,528,788</u>	<u>39,528,789</u>
Basic earnings per share	<u>₩ 9,926</u>	<u>₩ 6,519</u>

Weighted average number of ordinary shares

<i>(In shares)</i>	<u>2022</u>	<u>2021</u>
Beginning balance	39,536,132	39,536,132
Treasury shares	<u>(7,344)</u>	<u>(7,343)</u>
Weighted average number of ordinary shares	<u>39,528,788</u>	<u>39,528,789</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at December 31, 2022 and 2021, there are no dilutive potential ordinary shares, and basic earnings per share of 2022 and 2021 are identical to diluted earnings per share of 2022 and 2021.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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, 2022, 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, 2022	160,014,000 shares	30,135,667 shares
Exercisable number of shares as at December 31, 2022¹	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, 2022 and 2021, are as follows:

PAN Orion Corp. Limited

(in HKD)

Classification	2022	
	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	0.58 HKD
Risk-free rate (%)	3.22	2.83
Applied volatility (%)	32.8	33.37
Model	Binomial price model	Binomial price model

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

<i>(in HKD)</i>	2021	
	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

Share-based payments recognized as expenses for the year ended December 31, 2022 amount to ₩ 27 million (2021: ₩ 1,987 million).

23. Other financial liabilities

Other financial liabilities as at December 31, 2022 and 2021 are summarized as follows:

<i>(In thousands of Korean won)</i>	2022		2021	
	Current	Non-current	Current	Non-current
Other payables	₩ 99,451,917	₩ 191,257	₩ 81,374,755	₩ 782,804
Withholdings	-	-	5,685,482	-
Accrued expenses	90,602,603	10,528	63,480,940	-
Leasehold deposit	127,500	-	190,446	-
	<u>₩ 190,182,020</u>	<u>₩ 201,785</u>	<u>₩ 150,731,623</u>	<u>₩ 782,804</u>

24. Assets and Liabilities related to Contracts with Customers

Details of liabilities related to contracts with customers as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Contract liabilities ¹	₩ 31,444,273	₩ 44,626,984

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 ₩ 44,627 million.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

25. Borrowings and Debentures

Borrowings and debentures as at December 31, 2022 and 2021 are summarized as follows:

(In thousands of Korean won)

	2022		2021	
	Current	Non-current	Current	Non-current
Non-current				
Debentures	₩ 70,000,000	₩ -	₩ 160,000,000	₩ 70,000,000
Less discount	(26,075)	-	(43,647)	(109,058)
Subtotal	69,973,925	-	159,956,353	69,890,942
Current				
Short-term borrowings in Korean won	12,949,122	-	1,294,432	-
Short-term borrowings in foreign currency	10,958,261	-	440,346	-
Subtotal	23,907,383	-	1,734,778	-
Total	₩ 93,881,308	₩ -	₩ 161,691,131	₩ 69,890,942

Terms and conditions of debentures as at December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

	Maturity	Interest rate (%)	2022	2021
101st	-	-	₩ -	₩ 60,000,000
102nd	-	-	-	50,000,000
103-2nd	-	-	-	50,000,000
104th	2023-04-23	1.8	70,000,000	70,000,000
			70,000,000	230,000,000
Less: current portion of debentures			(70,000,000)	(160,000,000)
			₩ -	₩ 70,000,000

Short-term borrowings as at December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

	Interest rate (%)	2022	2021
	TERM SOFR + 0.5	₩ 273,483 (USD 215,800)	₩ 34,024 (USD 28,700)
Kookmin Bank	-	-	406,322 (USD 342,743)
	TERM SOFR + 1.22	544,778 (USD 429,873)	-
Nonghyup Bank	4.53%	12,000,000	-
Hyundai Card	1.44%	949,122	1,294,432
Hana Bank	8.14%	10,140,000 (RUB 600,000,000)	-
		₩ 23,907,383	₩ 1,734,778

There are no assets provided as collateral for liabilities of the Group as at December 31, 2022 and 2021.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Book amount and fair value of borrowings as at December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	2022		2021	
	<u>Book amount</u>	<u>Fair value</u>	<u>Book amount</u>	<u>Fair value</u>
Short-term borrowings	₩ 93,881,308	₩ 93,881,308	₩ 161,691,131	₩ 161,691,131
Long-term borrowings	-	-	69,890,942	69,996,899
	<u>₩ 93,881,308</u>	<u>₩ 93,881,308</u>	<u>₩ 231,582,073</u>	<u>₩ 231,688,030</u>

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

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, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	2022	2021
Contributions to defined contribution plans	₩ 1,183,088	₩ 1,134,132
Expenses related to post-employment defined benefit plans	11,455,131	12,374,762
	<u>₩ 12,638,219</u>	<u>₩ 13,508,894</u>

Changes in net defined benefit liability (asset) for the years ended December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<u>Defined benefit obligation</u>		<u>Fair value of plan assets</u>		<u>Net defined benefit liability(asset)</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Beginning balance	₩ 100,442,171	₩ 97,715,240	₩ (98,648,962)	₩ (96,860,774)	₩ 1,793,209	₩ 854,466
Included in profit or loss:						
Current service costs	12,234,839	11,848,879	-	-	12,234,839	11,848,879
Interest costs (income)	1,594,195	1,990,171	(2,373,903)	(1,464,288)	(779,708)	525,883
	<u>13,829,034</u>	<u>13,839,050</u>	<u>(2,373,903)</u>	<u>(1,464,288)</u>	<u>11,455,131</u>	<u>12,374,762</u>
Included in other comprehensive income:						
Remeasurements loss (gain)						
- Actuarial loss (gain) arising from:						
Experience adjustment	(10,620,270)	3,875,493	-	-	(10,620,270)	3,875,493
Demographic assumptions	6,313,522	2,689,774	-	-	6,313,522	2,689,774
Financial assumptions	3,840	5,905,648	-	-	3,840	5,905,648
- Return on plan assets excluding interest income	(16,937,632)	(4,719,929)	-	-	(16,937,632)	(4,719,929)
	-	-	257,788	(140,002)	257,788	(140,002)
	<u>(10,620,270)</u>	<u>3,875,493</u>	<u>257,788</u>	<u>(140,002)</u>	<u>(10,362,482)</u>	<u>3,735,491</u>

Others:

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

<i>(In thousands of Korean won)</i>	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability(asset)	
	2022	2021	2022	2021	2022	2021
Contributions paid by the employer	-	-	(5,735,622)	(15,309,760)	(5,735,622)	(15,309,760)
Transferred from a related party	735,432	342,592	(89,336)	(1,946,917)	646,096	(1,604,325)
Transferred to a related party	(638,393)	(120,924)	638,393	1,950,740	-	1,829,816
Benefits paid	<u>(7,814,686)</u>	<u>(15,209,280)</u>	<u>7,142,943</u>	<u>15,122,039</u>	<u>(671,743)</u>	<u>(87,241)</u>
	<u>(7,717,647)</u>	<u>(14,987,612)</u>	<u>1,956,378</u>	<u>(183,898)</u>	<u>(5,761,269)</u>	<u>(15,171,510)</u>
Ending balance	₩ <u>95,933,288</u>	₩ <u>100,442,171</u>	₩ <u>(98,808,699)</u>	₩ <u>(98,648,962)</u>	₩ <u>(2,875,411)</u>	₩ <u>1,793,209</u>

The components of plan assets as at December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	2022	2021
Debt securities	₩ 78,994,462	₩ 17,502,735
Others	<u>19,814,237</u>	<u>81,146,227</u>
	₩ <u>98,808,699</u>	₩ <u>98,648,962</u>

The principal actuarial assumptions as at December 31, 2022 and 2021, are as follows:

	2022	2021
Discount rate	5.23%	2.60%
Future salary growth	3.00% ~ 7.97%	3.00% ~ 7.55%

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>	2022	
	1% increase	1% decrease
Discount rate	₩ (5,357,269)	₩ 6,042,106
Future salary growth	6,022,967	(5,440,990)

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

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

The weighted average duration of the defined benefit obligations is 6.47 years (2021: 7.19 years) as at December 31, 2022.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

The expected maturity analysis of undiscounted pension benefits as at December 31, 2022, 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	₩	10,460,540	₩ 10,476,265	₩ 64,839,556	₩ 210,350,499	₩ 296,126,860

Expected contributions to post-employment benefit plans for the year ending December 31, 2023 is ₩ 10,648 million.

27. Other Liabilities

Other liabilities as at December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>		<u>2021</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Advances received ¹	₩ 31,444,273	₩ -	₩ 44,626,984	₩ -
Unearned revenue	1,454	-	1,703	-
Provision for warranty	1,916,446	-	1,937,839	-
Withholdings	4,993,604	-	-	-
Value added tax withheld	15,967,854	-	-	-
Others	249,849	779,726	167,308	1,026,852
	₩ 54,573,480	₩ 779,726	₩ 46,733,834	₩ 1,026,852

¹ Entire amount of advances received as at December 31, 2022 and 2021, are contract liabilities recognized in relation to revenue from contracts with customers.

Changes in provision for warranty for the years ended December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>		<u>2021</u>	
Beginning balance	₩	1,937,839	₩	2,863,526
Increase		1,215,122		361,049
Decrease		(1,236,515)		(1,286,736)
Ending balance	₩	1,916,446	₩	1,937,839

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

28. Sales and Cost of Sales

Sales and cost of sales for the years ended December 31, 2022 and 2021, are as follows:

The amounts recognized as revenue for the years ended December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>		<u>2021</u>	
Revenue from contracts with customers	₩	2,872,284,717	₩	2,355,132,369
Revenue from other sources		<u>962,054</u>		<u>367,337</u>
	₩	<u>2,873,246,771</u>	₩	<u>2,355,499,706</u>

Details of revenue from contracts with customers for the years ended December 31, 2022 and 2021, are as follows:

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

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

Details of cost of sales for the years ended December 31, 2022 and 2021, are as follows.

<i>(In thousands of Korean won)</i>	<u>2022</u>		<u>2021</u>	
Sale of goods	₩	1,725,439,905	₩	1,361,833,345
Service costs and others		<u>56,639,048</u>		<u>47,276,471</u>
	₩	<u>1,782,078,953</u>	₩	<u>1,409,109,816</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

29. Selling Expenses and General and Administrative Expenses

Details of selling expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Salaries	₩ 165,075,183	₩ 155,583,994
Retirement benefits	4,865,330	4,893,341
Employee welfare	35,302,217	33,223,917
Travel expenses	5,055,830	5,200,291
Taxes and dues	20,186,316	17,677,140
Rental expenses	16,560,396	16,198,133
Depreciation	8,726,343	8,698,049
Amortization	1,797,483	1,596,640
Advertising expenses	32,359,954	31,011,485
Ordinary development expense	1,039,499	931,017
Freight expenses	93,279,434	74,135,034
Commissions	56,846,618	59,708,411
Promotion	8,042,654	7,946,319
Bad debt expenses	3,926,126	21,494
Depreciation of right-of-use assets	4,943,600	4,310,241
Others	24,098,186	21,528,057
	<u>₩ 482,105,169</u>	<u>₩ 442,663,563</u>

Details of general and administrative expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Salaries	₩ 58,637,586	₩ 50,391,472
Share-based payments	27,131	1,987,262
Retirement benefits	5,760,191	6,284,443
Employee welfare	11,280,204	10,153,167
Travel expenses	1,015,196	1,014,219
Taxes and dues	2,411,837	1,767,431
Rental expenses	3,511,113	3,402,155
Depreciation	6,755,841	6,637,689
Amortization	2,696,891	2,557,973
Commissions	35,162,137	31,796,750
Depreciation of right-of-use assets	6,700,291	5,898,868
Others	8,449,729	8,924,990
	<u>₩ 142,408,147</u>	<u>₩ 130,816,419</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

30. Other Income and Other Expenses

Details of other income and other expenses for the years ended December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Other income		
Foreign currency transaction gain	₩ 1,771,004	₩ 908,208
Foreign currency translation gain	460,148	30,825
Gain on sale of property, plant and equipment	3,203,594	892,082
Gain on sale of intangible assets	1,559,304	-
Reversal of impairment loss on intangible assets	-	152,310
Reversal of other bad debt expenses	68,941	-
Others	4,664,700	3,731,608
	<u>11,727,691</u>	<u>5,715,033</u>
Other expenses		
Foreign currency transaction loss	(1,522,045)	(160,506)
Foreign currency translation loss	(110,686)	(52,274)
Loss on sale of property, plant and equipment	(7,986,548)	(3,469,958)
Loss on sale of intangible assets	(1,624)	(40,973)
Donation	(2,565,140)	(2,718,082)
Loss on sale of trade receivables	-	(22,558)
Other bad debt expenses	(1,013)	-
Others	(3,239,915)	(1,129,831)
	<u>(15,426,971)</u>	<u>(7,594,182)</u>
Net other expense	<u>₩ (3,699,280)</u>	<u>₩ (1,879,149)</u>

31. Finance income and costs

Details of finance income and costs for the years ended December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Finance income		
Interest income	₩ 24,891,097	₩ 14,198,665
Dividend Income	465,936	259,324
Foreign currency transaction gain	3,766,522	1,207,675
Foreign currency translation gain	226,517	83,876
Gain on disposal of financial assets at fair value through profit or loss	588,991	-
	<u>29,939,063</u>	<u>15,749,540</u>
Finance cost		
Interest expense	(4,394,395)	(6,389,281)
Foreign currency transaction loss	(1,961,887)	(1,353,592)
Foreign currency translation loss	(416,809)	(29,830)
Loss on valuation of financial assets at fair value through profit or loss	-	(421,813)
	<u>(6,773,091)</u>	<u>(8,194,516)</u>
Net finance income	<u>₩ 23,165,972</u>	<u>₩ 7,555,024</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

32. Expenses by Nature

Details of expenses by nature for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of Korean won)	2022			2021		
	Cost of sales	Selling, general and administrative expense	Total	Cost of sales	Selling, general and administrative expense	Total
Raw materials and consumables used	₩ 1,172,675,627	₩ -	₩ 1,172,675,627	₩ 903,652,915	₩ -	₩ 903,652,915
Purchasing merchandise	120,486,834	-	120,486,834	108,751,785	-	108,751,785
Changes in inventories of finished goods and merchandise	17,469,722	-	17,469,722	(9,765,099)	-	(9,765,099)
Employee benefits expense	100,961,186	234,365,421	335,326,607	83,311,560	219,140,512	302,452,072
Taxes and dues	16,531,629	22,598,153	39,129,782	2,418,142	19,444,572	21,862,714
Rental expenses	490,487	20,071,510	20,561,997	200,134	19,600,288	19,800,422
Depreciation and amortization	129,011,038	19,976,557	148,987,595	119,270,938	19,490,350	138,761,288
Depreciation of right-of-use assets	1,022,348	11,643,891	12,666,239	776,922	10,209,109	10,986,031
Advertising expenses	-	32,359,954	32,359,954	-	31,011,485	31,011,485
Freight and custody	2,281,134	93,279,434	95,560,568	1,578,575	74,135,034	75,713,609
Maintenance cost of vehicles	232,834	3,945,031	4,177,865	195,143	3,905,798	4,100,941
Commission	52,773,703	92,008,755	144,782,458	43,737,296	91,505,162	135,242,458
Others	168,142,411	94,264,609	262,407,020	154,981,505	85,037,672	240,019,177
	<u>₩ 1,782,078,953</u>	<u>₩ 624,513,315</u>	<u>₩ 2,406,592,268</u>	<u>₩ 1,409,109,816</u>	<u>₩ 573,479,982</u>	<u>₩ 1,982,589,798</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

33. Financial Instruments by Categories

Finance income and cost by categories for the years ended December 31, 2022 and 2021, are as follows:

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

(In thousands of Korean won)	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>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

The book amount and the fair value of financial instruments as at December 31, 2022 and 2021, are summarized as follows:

<i>(In thousands of Korean won)</i>	2022		2021	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets at amortized cost	₩ 1,238,738,841	₩ 1,238,738,841	₩ 893,082,946	₩ 893,082,946
Financial assets at fair value through profit or loss	-	-	39,006,075	39,006,075
Financial assets at fair value through other comprehensive income	20,615,039	20,615,039	16,600,119	16,600,119
	<u>1,259,353,880</u>	<u>1,259,353,880</u>	<u>948,689,140</u>	<u>948,689,140</u>
Financial liabilities				
Financial liabilities measured at amortized cost	411,206,645	411,206,645	469,763,951	469,869,907
Lease liabilities ¹	24,118,280	24,118,280	23,030,253	23,030,253
	<u>₩ 435,324,925</u>	<u>₩ 435,324,925</u>	<u>₩ 492,794,204</u>	<u>₩ 492,900,160</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, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	Level 1	Level 2	Level 3	Total
December 31, 2022				
Financial assets at fair value through other comprehensive income	₩ 15,171,169	₩ -	₩ 5,443,870	₩ 20,615,039
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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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, 2022, are as follows:

<i>(In thousands of Korean won)</i>	2022			
	Fair value	Level	Valuation techniques	Inputs
Financial assets at fair value through profit or loss	₩ 5,443,870	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.

<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, 2022 and 2021, consists of:

<i>(In thousands of Korean won)</i>	2022	2021
Current income tax expense	₩ 149,274,287	₩ 69,929,886
Adjustments to income tax of prior periods	(860,480)	(777,483)
Origination and reversal of temporary differences	(57,499,539)	45,329,077
Total income tax effect	90,914,268	114,481,480
Income taxes related to items recognized outside profit or loss	(2,494,227)	903,989
Total income tax expense	₩ 88,420,041	₩ 115,385,469

Origination and reversal of temporary differences for the years ended December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	2022	2021
Deferred tax liabilities net, ending balance	₩ (161,513,315)	₩ (219,012,603)
Deferred tax liabilities net, beginning balance	(219,012,603)	(173,679,900)
Deferred tax assets net, ending balance	3,877	3,626
Deferred tax assets net, beginning balance	3,626	-
Origination and reversal of temporary differences	₩ (57,499,539)	₩ 45,329,077

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Income taxes related to items recognized outside profit or loss for the years ended December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Remeasurements of the defined benefit liability	₩ (2,494,227)	₩ 903,989
Income tax expense recognized other than in profit or loss	₩ (2,494,227)	₩ 903,989

Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2022 and 2021, is as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Profit before income tax	₩ 486,728,116	₩ 379,047,290
Income tax using the Group's statutory tax rate	150,014,614	90,826,648
Adjustments :		
Non-deductible expense	2,149,853	588,317
Tax credits	(5,322,758)	(1,836,867)
Adjustments to income tax of prior periods	(860,480)	(777,483)
Tax for promotion of investment and collaborative cooperation	3,865,116	3,092,756
Tax effect on profit or loss of subsidiaries and othes	(61,194,885)	23,652,140
Effects of changes in tax rates	(1,943,519)	-
Others	1,712,100	(160,042)
Income tax expense	₩ 88,420,041	₩ 115,385,469
Effective tax rate	18.17%	30.44%

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, 2022 and 2021, are as follows:

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(In thousands of Korean won)	2021			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
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)	(25,672,743)	-	(101,686,105)
Others	6,169,347	(2,391,338)	-	3,778,009
	<u>₩ (173,679,900)</u>	<u>₩ (46,233,066)</u>	<u>₩ 903,989</u>	<u>₩ (219,008,977)</u>

The amount of deductible temporary differences for which deferred tax assets are not recognized as at December 31, 2022 and 2021 are as follows:

(In thousands of Korean won)	2022	2021
Investments in subsidiaries	₩ 62,917,227	₩ 91,036,747
Other	401,820	401,820

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, 2022 and 2021 are as follows:

(In thousands of Korean won)	2022	2021
Investments in subsidiaries	₩ (28,422,733)	₩ (37,576,206)

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, 2022 and 2021, is as follows:

(in thousands of Korean won)	2022	2021
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 25,722,374	₩ 25,779,022
Deferred tax asset to be recovered within 12 months	1,278,214	1,061,452
	<u>27,000,588</u>	<u>26,840,474</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(188,509,905)	(221,397,580)
Deferred tax liability to be recovered within 12 months	(121)	(24,451,871)
	<u>(188,510,026)</u>	<u>(245,849,451)</u>
Deferred tax liabilities, net	<u>₩ (161,509,438)</u>	<u>₩ (219,008,977)</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021 is as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Short-term deposits	₩ 385,563,538	₩ 134,914,886
Long-term deposits	2,000	2,000
Trade and other receivables	203,103,219	176,364,212
Other financial assets	40,347,020	31,666,885
Cash equivalents ¹	609,690,870	550,379,108
	<u>₩ 1,238,706,647</u>	<u>₩ 893,327,091</u>

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

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

As at December 31, 2022 and 2021, 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.

Besides above, as at December 31, 2022, 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, 2022, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect forward-looking information affecting the ability of the customers to settle the receivables.

The loss allowance as at December 31, 2022 and 2021, 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, 2022						
Expected loss rate	0.03%	0.11%	0.15%	25.44%	55.28%	2.31%
Gross carrying amount	₩ 182,757,041	₩ 13,468,538	₩ 2,202,262	₩ 1,695,895	₩ 7,779,391	₩ 207,903,127
Loss allowance provision	50,185	14,665	3,269	431,504	4,300,286	4,799,909
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

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, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Beginning balance	₩ 1,156,896	₩ 1,154,857
Increase in loss allowance recognized in profit or loss during the year	3,926,126	21,494
Receivables written off during the year as uncollectible	(84,028)	(25,387)
Others	(199,085)	5,932
Ending balance	₩ 4,799,909	₩ 1,156,896

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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'.

(b) Other financial assets

Movements in loss allowance provision for other receivables at amortized cost for the years ended December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	2022	2021¹
Beginning balance	₩ 77,793	₩ 76,807
Increase (decrease) in loss allowance recognized in profit or loss during the year	(67,929)	15,693
Receivables written off during the year as uncollectible	(966)	(75)
Others	2,063	(14,632)
Ending balance	₩ 10,961	₩ 77,793

As at December 31, 2022 and 2021, other financial assets at amortized cost include other receivables, leasehold deposits received, accrued income and others. The Group recognizes the loss allowance on credit-impaired other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting 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.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Details of analysis of liquidity risk as at December 31, 2022 and 2021, 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>	Book Value	Contractual cash flow	Within 6 months	6-12 months	1-2 years	Over 2 years
December 31, 2022						
Borrowings	₩ 93,881,308	₩ 94,275,048	₩ 94,275,048	₩ -	₩ -	-
Trade payables	149,983,831	149,983,831	149,983,831	-	-	-
Other current financial liabilities	190,182,020	190,182,020	32,631,336	157,550,684	-	-
Other non-current financial liabilities	201,785	201,785	-	-	201,785	-
Lease liabilities	24,118,280	24,481,888	5,255,738	5,116,964	7,317,569	6,791,617
	<u>₩ 458,367,224</u>	<u>₩ 459,124,572</u>	<u>₩ 282,145,953</u>	<u>₩ 162,667,648</u>	<u>₩ 7,519,354</u>	<u>₩ 6,791,617</u>
December 31, 2021						
Borrowings	₩ 231,582,073	₩ 235,988,078	₩ 114,011,928	₩ 51,347,200	₩ 70,628,950	-
Trade payables	117,063,134	117,063,134	117,063,134	-	-	-
Other current financial liabilities	150,731,623	150,731,623	150,571,123	160,500	-	-
Other non-current financial liabilities	782,804	782,804	-	-	782,804	-
Lease liabilities	23,030,253	25,348,810	5,499,142	4,257,450	6,403,962	9,188,256
	<u>₩ 523,189,887</u>	<u>₩ 529,914,449</u>	<u>₩ 387,145,327</u>	<u>₩ 55,765,150</u>	<u>₩ 77,815,716</u>	<u>₩ 9,188,256</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, 2022, 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.

Currency risk

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

<i>(In thousands of Korean won)</i>	USD	JPY	EUR
December 31, 2022			
Cash and cash equivalents	₩ 8,367,355	₩ -	₩ -
Trade and other financial assets	4,417,736	-	150,632
Trade and other financial liabilities	(16,572,831)	(4,340,782)	(7,990,445)
Borrowings	(818,261)	-	-
	<u>₩ (4,606,001)</u>	<u>₩ (4,340,782)</u>	<u>₩ (7,839,813)</u>
December 31, 2021			
Cash and cash equivalents	₩ 2,161,674	₩ 45,757	₩ -
Trade and other financial assets	5,934,931	1,881,581	532,071
Trade and other financial liabilities	(15,012,162)	(285,740)	(1,825,488)
Borrowings	(342,139)	-	-
	<u>₩ (7,257,696)</u>	<u>₩ 1,641,598</u>	<u>₩ (1,293,417)</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(In thousands of Korean won)

	RUB		CHF		VND	
December 31, 2022						
Cash and cash equivalents	₩	968	₩	-	₩	236
Trade and other financial assets		-		-		-
Trade and other financial liabilities		-		(9,270)		-
Borrowings		-		-		-
	₩	<u>968</u>	₩	<u>(9,270)</u>	₩	<u>236</u>
December 31, 2021						
Cash and cash equivalents	₩	-	₩	-	₩	-
Trade and other financial assets		-		-		-
Trade and other financial liabilities		-		-		-
Borrowings		-		-		-
	₩	<u>-</u>	₩	<u>-</u>	₩	<u>-</u>

(In thousands of Korean won)

	CNY		HKD		MMK	
December 31, 2022						
Cash and cash equivalents	₩	1,500,324	₩	35,824	₩	11,248
Trade and other financial assets		-		-		-
Trade and other financial liabilities		(10,015)		-		(13,101)
Borrowings		(2,866,752)		-		-
	₩	<u>(1,376,443)</u>	₩	<u>35,824</u>	₩	<u>(1,853)</u>
December 31, 2021						
Cash and cash equivalents	₩	1,863	₩	239	₩	481
Trade and other financial assets		-		-		-
Trade and other financial liabilities		-		-		(757)
Borrowings		-		-		-
	₩	<u>1,863</u>	₩	<u>239</u>	₩	<u>(276)</u>

As at December 31, 2022 and 2021, 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)

	2022				2021			
	10% strengthening		10% weakening		10% strengthening		10% weakening	
USD	₩	(460,600)	₩	460,600	₩	(725,770)	₩	725,770
JPY		(434,078)		434,078		164,160		(164,160)
EUR		(783,981)		783,981		(129,342)		129,342
RUB		97		(97)		-		-
CHF		(927)		927		-		-
VND		24		(24)		-		-
CNY		(137,644)		137,644		186		(186)
HKD		3,582		(3,582)		24		(24)
MMK		(185)		185		(28)		28
	₩	<u>(1,813,712)</u>	₩	<u>1,813,712</u>	₩	<u>(690,770)</u>	₩	<u>690,770</u>

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Interest rate risk

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

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Short-term borrowings	₩ 818,261	₩ 440,346

As at December 31, 2022 and 2021, the effects of a 100bp fluctuation of the interest rates on profit (loss) were as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>		<u>2021</u>	
	<u>10% increase</u>	<u>10% decrease</u>	<u>10% increase</u>	<u>10% decrease</u>
Net finance cost	₩ (8,183)	₩ 8,183	₩ (4,403)	₩ 4,403

Since the Group operates financial deposits for the purpose of obtaining interest income at December 31, 2022 and 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, 2022 and 2021, the Group's net debt-to-equity ratio as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Net debt:		
Debts and borrowings	₩ 93,881,308	₩ 231,582,073
Less: Cash and cash equivalents	(609,723,063)	(550,409,184)
	(515,841,755)	(318,827,111)
Equity	2,639,228,833	2,292,550,472
Net debt-to-equity ratio	(19.55%)	(13.91%)

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

36. Financial Commitments and Contingencies

Financial commitments to financial institutions as at December 31, 2022 and 2021 are as follows:

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

Contract Company	Lender	Type of commitment	Currency	2022	2021
Orion Corporation	Kookmin Bank	Usance	USD	10,000,000	10,000,000
		Purchase loan	KRW	20,000,000	20,000,000
		Bank overdraft	KRW	5,000,000	5,000,000
	Shinhan Bank	Usance	USD	5,900,000	5,900,000
		Collateralized loans on trade receivables	KRW	4,000,000	-
	NongHyup Bank	Purchase loan	KRW	20,000,000	20,000,000
		Credit loan	KRW	30,000,000	-
	Hana Bank	Purchase loan	KRW	30,000,000	30,000,000
	Mizuho Bank	Credit loan	KRW	20,000,000	20,000,000
	Hyundai Card	Group purchase card	KRW	12,000,000	12,000,000
Orion Food Co., Ltd.	BANK OF CHINA	Usance	CNY	60,000,000	60,000,000
	BANK OF CHINA	General loan	CNY	80,000,000	80,000,000
Orion Food (Shanghai) Co., Ltd.	BANK OF CHINA	Usance	CNY	55,000,000	55,000,000
Orion Food (Shen Yang) Co., Ltd.	Hana Bank	Usance	EUR	1,000,000	1,000,000
Orion Food Guangzhou Co., Ltd.	Hana Bank	Usance	EUR	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.	Hana Bank	Credit loan	RUB	600,000,000	-
Total			USD	5,000,000	5,000,000
			KRW	141,000,000	107,000,000
			USD	20,900,000	20,900,000
			CNY	195,000,000	195,000,000
			EUR	3,000,000	3,000,000
			RUB	1,100,000,000	500,000,000

As at December 31, 2022 and 2021, 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, 2022, guarantees of ₩ 585 million (2021: ₩ 504 million) are provided to the Group by

Orion Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

Seoul Guarantee Insurance Company etc. for the performance of contracts.

As at December 31, 2022 and 2021, 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, 2022, 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, 2022, 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, 2022 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
Orion Corp.	National Health Insurance Corporation	Lawsuits against unjust enrichment	543,519	Second trial in progress
Orion Corp.	National Health Insurance Corporation	Cancellation of insurance premium levy	8,998	First trial in progress
All of the employees	Orion Corp.	Compensation for damages	70,000	First trial in progress
All of the employees	Orion Corp.	Claim for wages and others	79,195	First trial in progress
All of the employees	Orion Corp.	Claim for wages and others	125,122	First trial in progress
All of the employees	Orion Food Co., Ltd.	Wages	1,013,811	Won second trial
Shanghai Heyin Network Technology Co., Ltd	Orion Food Co., Ltd.	Claim for payment	299,459	Second trial in progress
Orion Food Co., Ltd.	Shanghai Suning Yigou Commercial Management Co., Ltd	Claim for payment of receivables	15,357	First trial in progress
Orion Food Co., Ltd.	NGS Supermarket Group. Co., Ltd.	Claim for payment of receivables	42,935	First trial in progress
Orion International Euro. LLC	Roznitsa K-1	Claim for payment	85,784	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, 2022 and 2021

37. Related Party Transactions

Related parties as at December 31, 2022 and 2021, are as follows, excluding subsidiaries:

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

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

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

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, Capitalone Showbox-iMBC Contents Fund, and major shareholders.

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.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2022 and 2021, are summarized as follows:

Sales etc.

(In thousands of Korean won)

Relationship	Related party	Transaction	2022	2021
Parents	Orion Holdings Corp.	Other income etc.	₩ 870,011	₩ 252,465
Parents' subsidiaries	Showbox Corp.	Sales	24,036	3,655
	Orion JeJu Yongam Soo Corp	Sales	5,824	3,963
	Supreme Star Investment Corp. Limited	Other income etc.	-	942
Joint ventures	Delfi-Orion Pte Ltd	Sales	2,943,551	2,004,287
	Orion Nonghyup Agri, inc.	Sales	19,587	13,527
Others	Orion Foundation	Sales	241,755	306,345
	Major shareholders	Other income etc.	8,604	-
			₩ 4,113,368	₩ 2,585,184

Purchase etc.

(In thousands of Korean won)

Relationship	Related party	Transaction	2022	2021
Parents	Orion Holdings Corp.	Other expense	₩ 15,305,016	₩ 13,393,486
Parents' subsidiaries	Orion JeJu Yongam Soo Corp	Purchase	12,550,972	15,301,017
		Other expense	429	-
		Other expense	375	1,500
	Mega Mark Co., Ltd. ¹	Purchase of property, plant and equipment	100,000	-
	Misojin Corp. ¹	Purchase of property, plant and equipment	844,800	-
	Reon A&D Corp. ¹	Purchase of property, plant and equipment	528,000	-
	Highland D&C Corp. ¹	Purchase of property, plant and equipment	387,200	-
	Showbox.corp	Purchase of intangible assets	-	840,909
Joint venture	Orion Nonghyup Agri, inc.	Purchase	38,174,208	31,712,832
Others	Orion Foundation	Other expense	950,000	1,150,000
			₩ 68,841,000	₩ 62,399,744

¹ Transactions between the consolidated entity and Megamark Co., Ltd., Misojin Co., Ltd., Rion Asset Development Co., Ltd., and Highland D&C Co., Ltd. are transactions prior to the sale of subsidiaries by Orion Holdings Co., Ltd.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Accounts receivable and accounts payable balances with related parties as at December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

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

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

(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	-	-	-	-	-	3,548,971
		₩ 83,781	₩ 1,462,120	₩ 17,340,000	₩ 8,994,805	₩ 3,702,474	₩ 3,548,971

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Investments transactions with related parties as at December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

Relationship	Related party	Transaction	2022	2021
Parents	Orion Holdings Corp.	Payment of dividends	₩ (11,081,354)	₩ (11,081,354)
		Redemption of lease liabilities	(2,381,443)	(1,919,612)
Parents' subsidiaries	Supreme Star Investment Corp. Limited	Loan collection	-	3,371,170
Parents' joint venture	Shandong Lukang Biotechnology Development Co., Ltd	Contribution in cash	(2,308,318)	(3,117,563)
Others	Major shareholders	Payment of dividends	(1,907,696)	(1,907,696)

Details of key management personnel (executive directors and controlling interest holder) compensation for the years ended December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

	2022	2021
Short-term employee benefits	₩ 8,938,822	₩ 8,166,251
Post-employment benefits	2,114,370	1,965,930
Share-based compensation expense	27,131	1,987,262
	<u>₩ 11,080,323</u>	<u>₩ 12,119,443</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, 2022, 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, 2022, the Group has recognized ₩ 7,490 million of right-of-use assets, ₩ 7,222 million of lease liabilities with related parties, and recognized ₩ 2,636 million of depreciation of right-of-use assets and ₩ 162 million of interest expense during the year.

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

38. Cash flows

The principal non-cash transactions for the years ended December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<u>2022</u>	<u>2021</u>
Reclassification from construction in progress to property, plant and equipment	₩ 120,023,780	110,103,238
Reclassification from construction in progress to intangible assets	7,024,124	1,825,956
Other payables regarding the acquisition of property, plant and equipment	10,411,774	2,943,546
Other payables regarding the acquisition of intangible assets	201,712	89,873
Other payables regarding the pension benefit payments	1,061,149	1,035,502
Reclassification from long-term borrowings to short-term borrowings	69,911,356	159,910,337
Write-off of trade receivables and others	84,995	25,462
Decrease (increase) of right-of-use assets from changes in lease agreement conditions	(2,180,539)	4,765,669
Increase (decrease) of lease liabilities from changes in lease agreement conditions	3,452,888	(4,311,788)
Increase of right-of-use assets from new lease contracts	(8,741,922)	(11,484,118)
Increase of lease liabilities from new lease contracts	7,682,994	11,483,847
Reclassification from lease liabilities to current portion	6,995,012	5,799,535
Reclassification from property, plant and equipment to investment property	29,191,144	-

Changes in liabilities arising from financial activities for the years ended December 31, 2022 and 2021, are as follows:

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

Orion Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(In thousands of
Korean won)

	2021						
	Beginning Balance	Cash flows from financing activities	Non cashflow activities				Ending balance
Deprecia- tion etc			Effects on foreign currency change	Reclassifi- cation	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>

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.

39. Events After the Reporting Period

In accordance with the resolution of the Board of Directors on December 20, 2022, the Company acquired 622,000 shares, equivalent to 1% of shares of Orion Nonghyup Agri, inc., a joint venture, on January 25, 2023, and collectively owns 50% of shares.

On February 23, 2023, PAN Orion Corp. Limited, the subsidiary of the Company, has entered into a loan agreement amounting to CNY 201,300,000 with Orion JeJu Yongam Soo Corp, a subsidiary of the Parent Company.