

Orion Holdings Corporation and Subsidiaries

Consolidated Financial Statements

December 31, 2019 and 2018

Orion Holdings Corporation and Subsidiaries
Index
December 31, 2019 and 2018

Page(s)

Independent Auditor's Report	1 - 5
Consolidated Financial Statements	
Consolidated Statements of Financial Position.....	6 - 7
Consolidated Statements of Comprehensive Income.....	8 - 9
Consolidated Statements of Changes in Equity.....	10 - 11
Consolidated Statements of Cash Flows.....	12 - 14
Notes to the Consolidated Financial Statements.....	15 - 96



Independent Auditors' Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Orion Holdings Corporation

Opinion

We have audited the accompanying consolidated financial statements of Orion Holdings Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then 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, 2019 and 2018, 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Goodwill impairment assessment

Why it is determined to be a key audit matter

As disclosed in Note 9 to the consolidated financial statements, the amount of goodwill held by the Group as at December 31, 2019, is ₩ 874,133 million, and goodwill is tested annually for impairment. We focused our audit effort on Cash Generating Unit (CGU) of Orion Corporation, a subsidiary and the Group to which goodwill is allocated, taking into account business performance and size of related goodwill amounts. Corresponding goodwill amounts recognized are ₩ 873,853 million.

The Group engaged external evaluation experts for the impairment assessment of the CGU above to which goodwill is allocated, and concluded that there is sufficient headroom between the recoverable amount of the CGU and its carrying amounts. However, we considered goodwill impairment assessment to be a key audit matter given the size of the goodwill and the extent of significant management judgments involved in valuation models to use for estimating recoverable amount and assumptions including future business forecasts, discount rates and others.

How our audit addressed the key audit matter

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

- Assessed the appropriateness of valuation models used by management to estimate the recoverable amounts.
- Agreed the cash flow forecasts used in the impairment models to management approved forecasts
- Assessed the reasonableness of the key assumptions used for the recoverable amounts estimation.
- Evaluated the reasonableness of the sales growth rate, cost to sales rate and investment activity forecasts on the business plan by comparing them with market conditions.
- Compared the economic and industry forecasts with long-term growth rate.
- Compared the discount rates used by management with those calculated independently using observable information.
- Assessed competence and objectivity of experts engaged by management in evaluating the recoverable amounts.
- Assessed the key assumptions and judgements used for evaluating the recoverable amounts through discussion with management and its experts.
- Assessed the appropriateness of the Group's disclosure around the goodwill impairment assessment as included in the notes to the consolidated financial statements.

(2) Effect of adoption of Korea IFRS 1116 Lease on the date of initial application

Why it is determined to be a key audit matter

As explained in Note 38, the Group has applied Korean IFRS 1116 *Lease* for the period commencing January 1, 2019. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and includes the management's significant estimation and judgement on lease period and discount rate when

calculating the financial effect.

We identified the establishment of accounting policies on the Group's lease in accordance to Korean IFRS 1116, and complete and accurate calculation of financial effects based on accounting policies as key audit matters.

How our audit addressed the key audit matter

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

- Obtained an understanding and assessed the Group's accounting policies relating to the initial adoption of Korean IFRS 1116
- Assessed the completeness of lease contracts
- Assessed the significant management assumptions and judgments, including the lease period, discount rates, and others, used to calculate financial effects
- Reconciled and performed recalculation on basic information such as contracts and others regarding the initial recognition and measurement of lease liabilities and right-of-use assets
- Assessed the suitability for presentation of the financial statement and appropriateness for disclosure of notes relating to the initial adoption of Korean IFRS 1116.

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 Lee Seung Hee, Certified Public Accountant.

March 11, 2020

Seoul, Korea

This report is effective as of March 11, 2020, 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 Holdings Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2019 and 2018

<i>(In thousands of Korean won)</i>	Notes	2019	2018
Assets			
Property, plant and equipment	7,24	₩ 1,918,489,682	₩ 1,823,994,886
Intangible assets	8	525,862,325	582,208,593
Goodwill	9	874,133,264	874,133,264
Investments property	10	80,107,578	85,969,975
Right-of-use assets	38	92,838,921	-
Investments in associates and joint ventures	11	34,488,179	36,168,974
Financial assets at fair value through profit or loss	12,32	6,315,822	3,552,534
Financial assets at fair value through other comprehensive income	12,32	20,693,054	794,390
Long-term trade and other receivables	15,32,34	2,026,998	1,018,218
Long-term deposits	16,32,34	5,089,353	89,353
Other non-current assets	13	23,423,205	105,353,584
Deferred income tax assets	33	22,039,165	25,659,745
Total non-current assets		<u>3,605,507,546</u>	<u>3,538,943,516</u>
Inventories	14	172,458,677	180,118,279
Trade and other receivables	15,32,34	193,174,232	187,704,878
Financial assets at fair value through profit or loss	12,32	43,290,187	72,808,749
Short-term deposits	16,32,34	74,688,026	25,459,898
Other current assets	13	78,043,863	78,502,470
Current income tax assets	33	8,852,052	811,078
Cash and cash equivalents	16,32,34	190,319,070	257,785,259
Total current assets		<u>760,826,108</u>	<u>803,190,611</u>
Total assets		<u>₩ 4,366,333,653</u>	<u>₩ 4,342,134,127</u>

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2019 and 2018

	Notes	2019	2018
Equity			
Capital stock	17	₩ 31,322,711	₩ 31,322,147
Capital surplus	17	1,251,350,081	1,251,311,079
Treasury shares	18	(11,625,409)	(11,625,409)
Other capital	19	363,680,452	338,420,505
Reserves	20	145,806,014	114,844,532
Retained earnings		<u>145,596,954</u>	<u>151,793,558</u>
Equity attributable to owners of the Parent		1,926,130,803	1,876,066,412
Non-controlling interest	5	<u>1,411,494,643</u>	<u>1,300,521,543</u>
Total equity		<u>3,337,625,446</u>	<u>3,176,587,955</u>
Liabilities			
Long-term debts	24,32,34	219,776,995	309,611,588
Long-term trade and other payables	23,32,34	2,624,591	1,801,288
Non-current lease liabilities	38	6,396,868	-
Defined benefit liabilities	25	1,883,821	37,287
Deferred tax liabilities	33	302,039,321	310,177,211
Other non-current liabilities	26	<u>581,734</u>	<u>885,396</u>
Total non-current liabilities		<u>533,303,330</u>	<u>622,512,770</u>
Current portion of long-term debts	24,32,34	120,005,915	50,046,414
Short-term borrowings	24,32,34	6,980,144	105,318,223
Trade and other payables	23,32,34	277,935,526	286,078,920
Current lease liabilities	38	5,771,722	-
Current income tax liabilities	33	30,985,287	36,643,309
Other current liabilities	26	<u>53,726,282</u>	<u>64,946,536</u>
Total current liabilities		<u>495,404,877</u>	<u>543,033,402</u>
Total liabilities		<u>1,028,708,207</u>	<u>1,165,546,172</u>
Total equity and liabilities		₩ <u>4,366,333,653</u>	₩ <u>4,342,134,127</u>

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

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2019 and 2018

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

	Notes	2019	2018
Revenue	27	₩ 2,103,591,289	₩ 1,997,682,828
Cost of sales	27,31	<u>(1,175,362,310)</u>	<u>(1,100,287,564)</u>
Gross profit		928,228,979	897,395,264
Selling expenses	28,31	(518,416,382)	(528,910,007)
General and administrative expenses	28,31	<u>(143,153,084)</u>	<u>(137,972,666)</u>
Operating profit		266,659,513	230,512,591
Net other income (expenses)	29	(23,710,403)	21,141,427
Net finance income (costs)	30,32	163,615	(9,243,162)
Share of profit (loss) of associates and joint ventures	11	<u>1,004,322</u>	<u>(1,479,476)</u>
Profit before income tax		244,117,047	240,931,380
Income tax expense	33	<u>(87,727,266)</u>	<u>(122,636,502)</u>
Profit for the year		<u>156,389,781</u>	<u>118,294,878</u>
Other comprehensive income(loss):			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		42,825,444	(20,613,017)
Share of other comprehensive income (loss) of associates and joint ventures	11	91,076	44,277
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial gain(loss)	25,33	(4,793,155)	(1,391,625)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	12	1,308,716	(52,138)
Share of defined benefit plan actuarial gain(loss) of joint ventures		(5,239)	(47,659)
Income tax of other comprehensive income		<u>839,398</u>	<u>339,760</u>
Total comprehensive income for the year		₩ <u>196,656,021</u>	₩ <u>96,574,476</u>

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2019 and 2018

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

	Notes	2019	2018
Profit attributable to:			
Owners of the Parent	₩	48,378,510	₩ 56,332,236
Non-controlling interests		<u>108,011,271</u>	<u>61,962,642</u>
Profit for the year		156,389,781	118,294,878
Total comprehensive income attributable to			
Owners of the Parent		63,248,729	48,689,640
Non-controlling interests		<u>133,407,292</u>	<u>47,884,837</u>
Total comprehensive income for the year	₩	<u>196,656,021</u>	₩ <u>96,574,477</u>
Earnings per share: (in Korean won)	21		
Basic earnings per share		804	936
Diluted earnings per share		804	936

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

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2019 and 2018

<i>(In thousands of Korean won)</i>	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Treasury shares</u>	<u>Other capital</u>	<u>Reserve</u>	<u>Retained earnings</u>	<u>Non- controlling interests</u>	<u>Total equity</u>
Balance at January 1, 2018	₩ 31,322,027	₩ 1,251,281,671	₩(11,625,409)	₩ (2,407,503,791)	₩ 636,782,459	₩ 2,347,602,504	₩ 1,270,045,827	₩ 3,117,905,288
Changes in accounting policy	-	-	-	(301,741)	-	301,741	-	-
After adjustments	31,322,027	1,251,281,671	(11,625,409)	(2,407,805,532)	636,782,459	2,347,904,245	1,270,045,827	3,117,905,288
Comprehensive income:								
Profit for the year	-	-	-	-	-	56,332,236	61,962,642	118,294,878
Other comprehensive income:								
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	-	-	-	(39,781)	-	-	279	(39,502)
Exchange differences on translating foreign operations	-	-	-	(7,398,631)	-	-	(13,214,386)	(20,613,017)
Share of other comprehensive income of associates and joint ventures	-	-	-	32,092	-	-	12,186	44,277
Remeasurements of net defined benefit liability	-	-	-	-	-	(218,463)	(846,037)	(1,064,500)
Share of defined benefit plan actuarial gain(loss) of associates	-	-	-	-	-	(17,812)	(29,847)	(47,659)
Total comprehensive income for the year	-	-	-	₩ (7,406,320)	-	₩ 56,095,960	₩ 47,884,837	₩ 96,574,477
Total transactions with owners of the Company, recognized directly in equity								
Dividends	₩ -	₩ -	₩ -	₩ -	₩ -	₩ (20,507,267)	₩ (16,170,711)	₩ (36,677,979)
Exercise of stock options and others	120	29,408	-	(4,950)	-	-	16,735	41,314
Transfer to statutory reserve	-	-	-	-	3,762,073	(3,762,073)	-	-
Transfer to voluntary reserve	-	-	-	-	20,000,000	(20,000,000)	-	-
Transfer from voluntary reserve	-	-	-	-	(545,700,000)	545,700,000	-	-
Appropriation of retained earnings for other capital	-	-	-	2,753,637,307	-	(2,753,637,307)	-	-
Others	-	-	-	-	-	-	(1,255,145)	(1,255,145)
Total transactions with owners of the Company, recognized directly in equity	120	29,408	-	2,753,632,357	(521,937,927)	(2,252,206,647)	(17,409,121)	(37,891,810)
Balance at December 31, 2018	₩ 31,322,147	₩ 1,251,311,079	₩(11,625,409)	₩ 338,420,505	₩ 114,844,532	₩ 151,793,558	₩ 1,300,521,543	₩ 3,176,587,955

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2019 and 2018

<i>(In thousands of Korean won)</i>	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Treasury shares</u>	<u>Other capital</u>	<u>Reserve</u>	<u>Retained earnings</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Balance at January 1, 2019	₩ 31,322,147	₩ 1,251,311,079	₩ (11,625,409)	₩ 338,420,505	₩ 114,844,532	₩ 151,793,558	₩ 1,300,521,543	₩ 3,176,587,955
Changes in accounting policy (Note 38)	-	-	-	-	-	(358,096)	(586,500)	(944,596)
After adjustments	31,322,147	1,251,311,079	(11,625,409)	338,420,505	114,844,532	151,435,462	1,299,935,043	3,175,643,358
Comprehensive income:								
Profit for the year	-	-	-	-	-	48,378,510	108,011,271	156,389,781
Other comprehensive income:								
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	-	-	-	562,929	-	-	668,399	1,231,328
Exchange differences on translating foreign operations	-	-	-	15,989,569	-	-	26,835,876	42,825,444
Share of other comprehensive income of associates and joint ventures	-	-	-	56,262	-	-	34,813	91,076
Share of retained earnings of joint ventures	-	-	-	-	-	(1,958)	(3,281)	(5,239)
Remeasurements of net defined benefit liability	-	-	-	-	-	(1,736,583)	(2,139,785)	(3,876,369)
Total comprehensive income for the year	-	-	-	16,608,761	-	46,639,969	133,407,292	196,656,021
Total transactions with owners of the Company, recognized directly in equity								
Exercise of stock options and others	₩ 565	₩ 39,002	-	₩ (23,334)	-	-	₩ 66,768	₩ 83,000
Dividends	-	-	-	-	-	(21,516,995)	(17,686,174)	(39,203,169)
Increase of non-controlling interests	-	-	-	-	-	-	(4,228,285)	(4,228,285)
Transfer to statutory reserve	-	-	-	-	4,798,479	(4,798,479)	-	-
Transfer to voluntary reserve	-	-	-	-	26,163,003	(26,163,003)	-	-
Others	-	-	-	8,674,521	-	-	-	8,674,521
Total transactions with owners of the Company, recognized directly in equity	565	39,002	-	8,651,187	30,961,482	(52,478,477)	(21,847,691)	(34,673,933)
Balance at December 31, 2019	₩ 31,322,711	₩ 1,251,350,081	₩ (11,625,409)	₩ 363,680,452	₩ 145,806,014	₩ 145,596,954	₩ 1,411,494,643	₩ 3,337,625,446

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

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

(In thousands of Korean won)

	2019	2018
Cash flows from operating activities		
Profit from continuing operations	₩ 156,389,781	₩ 118,294,878
Adjustments for:		
Retirement benefits	11,976,058	12,364,742
Depreciation of property, plant and equipment	117,310,442	109,729,368
Depreciation of investment property	407,037	678,543
Amortization	129,026,787	107,300,571
Depreciation of right-of-use assets	8,559,088	-
Share-based compensation expense	61,170	-
Impairment loss on tangible assets	1,447,965	-
Impairment loss on intangible assets	77,899	629,010
Impairment loss on right-of-use assets	480,050	-
Bad debt expenses(Reversal of bad debt allowance)	160,414	369,074
Loss on sale of trade receivables	19,774	6,356
Loss on sale of property, plant and equipment	23,698,451	2,732,475
Loss on sale of intangible assets	1,891	220,347
Loss on sale of financial assets at fair value through profit or loss	165,937	-
Loss on valuation of financial assets at fair value through profit or loss	270,768	688,058
Loss on sale of investments in associates	252,233	33,079
Bad debt expenses on other receivables	385	(11,070)
Foreign currency translation loss	248,873	344,729
Interest expense	10,940,121	16,034,081
Other expenses	4,695,450	951,807
Income tax expense	87,727,266	122,636,502
Share of loss(profit) of associates and joint ventures	(1,004,322)	1,479,476
Gain on sale of property, plant and equipment	(3,111,840)	(301,873)
Gain on sale of investments property	-	(5,541,351)
Reversal of impairment loss on intangible assets	-	(448,817)
Gain on sale of investment in associates	(7,317)	-
Foreign currency translation gain	(183,504)	(449,394)
Gain on sale of financial assets at fair value through profit or loss	(571,626)	(260,851)
Gain on valuation of financial assets at fair value through profit or loss	(641,289)	(486,800)
Interest income	(8,540,663)	(8,599,088)
Dividend income	(298,625)	(364,699)
Gains on disposal of assets held for sale	-	(7,862,720)
Other income	(637,310)	(1,056,266)
	382,531,566	350,815,289
Changes in:		
Trade receivables	(3,915,803)	(40,260,794)
Other receivables	6,645,814	1,201,500
Inventories	6,463,555	(7,461,485)

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

<i>(In thousands of Korean won)</i>	2019	2018
Other current assets	₩ (64,450,736)	₩ (63,825,639)
Other non-current assets	110,255	(1,239,183)
Trade payables	(7,554,788)	(3,205,514)
Other payables	(5,291,265)	48,474,537
Other current liabilities	(12,556,944)	24,143,907
Other non-current liabilities	21,969	-
Plan assets	(8,816,442)	(4,754,818)
Payment of defined benefit obligations	(7,525,290)	(8,919,633)
	<u>(96,869,674)</u>	<u>(55,847,122)</u>
Interest received	7,321,315	7,315,417
Dividend received	1,762,994	364,699
Interest paid	(10,515,243)	(16,383,386)
Income tax paid	(98,032,978)	(54,044,539)
Net cash inflow from operating activities	₩ <u>342,587,760</u>	₩ <u>350,515,236</u>
Cash flows from investing activities		
Proceeds from sale of investment in associates	₩ 1,043,267	₩ 10,979,838
Proceeds from sale of property, plant and equipment	6,679,838	11,472,031
Proceeds from sale of intangible assets	50,000	847,491
Proceeds from sale of investment property	-	10,720,000
Decrease in operation deposit	35,229	-
Decrease in rental deposits	258,796	929,817
Collection of short-term loans	245,000	-
Proceeds from disposal of non-current assets held for sales	-	15,672,500
Proceeds from sale of other non-current assets	-	421,345
Other cash inflows from investing activities	-	450
Net increase in financial assets at fair value through profit or loss	28,660,145	(71,673,088)
Acquisition of available-for-sale financial assets	(18,589,948)	-
Acquisition of financial assets at amortized cost	-	(3,500,000)
Acquisition of property, plant and equipment	(201,888,751)	(167,072,194)
Acquisition of intangible assets	(4,943,919)	(4,884,867)
Acquisition of investment property	(15,950)	(6,460)
Increase in operation deposit	(119,580)	-
Increase in rental deposits	(212,767)	(174,040)
Increase in short-term loans	(245,000)	(1,500,000)
Increase(Decrease) in short- and long-term deposits	(53,986,522)	82,376,335
Acquisition of investments in joint ventures	-	(7,000,000)
Other cash outflows from investing activities	-	(9,000)
Net cash outflow from investing activities	₩ <u>(243,030,162)</u>	₩ <u>(122,399,842)</u>

Orion Holdings Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

Cash flows from financing activities			
Proceeds from exercise of stock options and others	₩	16,232	₩ 30,789
Increase in deposits received		205,031	153,000
Increase in short-term borrowings		936,967,036	1,073,790,928
Increase in long-term borrowings		30,000,000	30,000,000
Decrease in deposits received		(107,000)	(120,000)
Redemption of short-term borrowings		(1,038,918,197)	(1,078,493,056)
Redemption of current portion of long-term borrowings		(50,060,000)	(170,882,436)
Dividends paid		(39,253,492)	(36,668,938)
Redemption of lease liabilities		(7,103,003)	-
Changes of non-controlling interests		(4,196,694)	-
Other cash outflows from financing activities		-	(18,359)
Net cash outflow from financing activities	₩	<u>(172,450,085)</u>	₩ <u>(182,208,072)</u>
Effect of exchange rate fluctuations on Cash and cash equivalents, and others			
		<u>5,426,297</u>	<u>(3,275,979)</u>
Net increase(decrease) in cash and cash equivalents		(67,466,189)	42,631,343
Cash and cash equivalents at the beginning of year		257,785,259	215,153,916
Cash and cash equivalents at the end of year		<u>190,319,070</u>	<u>257,785,259</u>
Cash and cash equivalents at the end of the year on the consolidated statement of financial position	₩	<u>190,319,070</u>	₩ <u>257,785,259</u>

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

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

1. General Information

Description of the Controlling Company

Orion Holdings Corporation ("the Company" or the "Parent Company") was founded on July 25, 1956, and listed on the Korea Stock Exchange on June 27, 1975. As at December 31, 2019, the Company engages in the business of manufacturing and selling confectioneries with its headquarters in Baekbum-ro, Yongsan-gu, Seoul, Korea. The Company has increased its capital stock several times since incorporation and as at December 31, 2019, the Company has capital stock of ₩31,323 million, and its major stockholders are Lee Hwa Kyoung (32.63%) and seven related individuals (31.21%).

In the meantime, the Company decided to equity spin off of the Investment business division and the confectionery manufacturing and selling division at the Board of Directors on November 22, 2016 and this resolution was approved by Shareholders' meeting on March 31, 2017. The Company established the Orion Corporation as a result of equity spin off as at June 1, 2017 and the Company, the surviving firm from the equity spin off changed its name to Orion Holdings Corporation.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as "the Group"), and the Group's interests in associates and joint ventures.

The Company and its consolidated subsidiaries as at December 31, 2019 and 2018, are as follows:

Name	Location	Immediate controlling party	2019 Percentage of ownership		
			The Company	Subsidiary	Total
Orion Holdings Corporation	Korea	The Ultimate Parent Company	-	-	-
Orion Corporation ¹	Korea	Orion Holdings Corporation	37.37%	-	37.37%
RION Asset Development Co, Ltd.	Korea	Orion Holdings Corporation	100.00%	-	100.00%
SHOWBOX Corp.	Korea	Orion Holdings Corporation	57.50%	-	57.50%
Mega Mark Co., Ltd.	Korea	Orion Holdings Corporation	100.00%	-	100.00%
PAN Orion Corp. Limited.	Hong Kong	Orion Corporation	-	95.15%	95.15%
Orion International Euro LLC.	Russia	Orion Corporation	-	100.00%	100.00%
Orion Food VINA Co., Ltd.	Vietnam	Orion Corporation	-	100.00%	100.00%
Orion Nutritionals Private Ltd.	India	Orion Corporation	-	100.00%	100.00%
Supreme Star Investment Limited. ²	Hong Kong	Orion Holdings Corporation	62.66%	11.23%	73.89%
HighLand D&C Co., Ltd.	Korea	Orion Holdings Corporation	100.00%	-	100.00%
SHOWBOX Inc.	China	SHOWBOX Corp.	-	100.00%	100.00%
Misoin Co., Ltd.	Korea	Mega Mark Co., Ltd.	-	100.00%	100.00%
Orion Food Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%
Orion Food(Shanghai) Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%
Orion Food Guangzhou Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%
Orion Food (Shen Yang) Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Name	Location	Immediate controlling party	2019 Percentage of ownership		
			The		
			Company	Subsidiary	Total
Orion(Bei Tun) Agro Processing Co.,Ltd	China	Orion Food Co., Ltd.	-	100.00%	100.00%
Orion Agro BeiTun Co.,Ltd	China	Orion(Bei Tun) Agro Processing Co.,Ltd	-	100.00%	100.00%
Orion Consulting Co., Ltd.	China	Supreme Star Investment Limited	-	100.00%	100.00%
Orion Agro Co., Ltd.	China	Orion Food Co., Ltd.	-	100.00%	100.00%
Orion Agro DuoLun Co., Ltd.	China	Orion Food Co., Ltd.	-	100.00%	100.00%
Beijing mega media Co., Ltd	China	Orion Holdings Corporation	100.00%	-	100.00%
LANGFANG IPAK Co., Ltd.	China	Orion Food Co., Ltd	-	100.00%	100.00%
Orion JeJu Yongam Soo Corp. ³	Korea	Orion Holdings Corporation	94.56%	-	94.56%
Orion Investment Development Corp.	Korea	Orion Holdings Corporation	100.00%	-	100.00%

¹ The Company's ownership of Orion Corporation is less than 50%, but it is classified as a subsidiary based on the judgement that the Company has control over Orion Corporation considering the presence of contracts on exercising of the voting rights with major shareholders and others.

² Supreme Star Investment Limited issued pro rata capital reduction.

³ In 2019, JeJu Yongam Soo Corp. changed its name into Orion Jeju Yongam Soo Corp. The Company issued capital increase of Orion Jeju Yongam Soo Corp. amounting to ₩ 46,200 million, which the ownership changed to 94.56%.

Name	Location	Immediate controlling party	2018 Percentage of ownership		
			The		
			Company	Subsidiary	Total
Orion Holdings Corporation	Korea	The Ultimate Parent Company	-	-	-
Orion Corporation ¹	Korea	Orion Holdings Corporation	37.37%	-	37.37%
RION Asset Development Co, Ltd.	Korea	Orion Holdings Corporation	100.00%	-	100.00%
SHOWBOX Corp.	Korea	Orion Holdings Corporation	57.50%	-	57.50%
Mega Mark Co., Ltd.	Korea	Orion Holdings Corporation	100.00%	-	100.00%
PAN Orion Corp. Limited.	Hong Kong	Orion Corporation	-	95.15%	95.15%
Orion International Euro LLC.	Russia	Orion Corporation	-	100.00%	100.00%
Orion Food VINA Co., Ltd.	Vietnam	Orion Corporation	-	100.00%	100.00%
Orion Nutritionals Private Ltd.	India	Orion Corporation	-	100.00%	100.00%
Supreme Star Investment Limited.	Hong Kong	Orion Holdings Corporation	62.66%	11.23%	73.89%
HighLand D&C Co., Ltd.	Korea	Orion Holdings Corporation	100.00%	-	100.00%
SHOWBOX Inc.	China	SHOWBOX Corp.	-	100.00%	100.00%
MisoIn Co., Ltd.	Korea	Mega Mark Co., Ltd.	-	100.00%	100.00%
Orion Food Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Name	Location	Immediate controlling party	2018 Percentage of ownership		
			The Company	Subsidiary	Total
Orion Food(Shanghai) Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%
Orion Food Guangzhou Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%
Orion Food (Shen Yang) Co., Ltd.	China	PAN Orion Corp. Limited	-	100.00%	100.00%
Orion(Bei Tun) Agro Processing Co.,Ltd	China	Orion Food Co., Ltd.	-	100.00%	100.00%
Orion Agro BeiTun Co.,Ltd	China	Orion(Bei Tun) Agro ProcessingCo.,Ltd	-	100.00%	100.00%
Orion Consulting Co., Ltd.	China	Supreme Star Investment Limited	-	100.00%	100.00%
Orion Agro Co., Ltd.	China	Orion Food Co., Ltd.	-	100.00%	100.00%
Orion Agro DuoLun Co., Ltd.	China	Orion Food Co., Ltd.	-	100.00%	100.00%
Beijing mega media Co., Ltd	China	Orion Holdings Corporation	100.00%	-	100.00%
LANGFANG IPAK Co., Ltd.	China	Orion Food Co., Ltd	-	100.00%	100.00%
Orion JeJu Yongam Soo Corp.	Korea	Orion Holdings Corporation	86.89%	-	86.89%
Orion Investment Development Corp.	Korea	Orion Holdings Corporation	100.00%	-	100.00%

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Financial information of the Company and its consolidated subsidiaries is summarized as follows:

(In millions of Korean won)

Name	Main business	2019					
		Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Comprehensive income (loss)
Orion Holdings Corporation	Investment	₩ 1,930,161	₩ 38,123	₩ 1,892,038	₩ 28,973	₩ 7,966	₩ 7,790
Orion Corporation	Manufacturing and selling confectioneries	1,190,810	443,632	747,178	732,835	76,478	73,305
Mega Mark Co., Ltd.	Construction	27,445	399	27,046	-	175	175
RION Asset Development Co, Ltd.	Real estate	7,773	50,022	(42,249)	-	(2,259)	(2,259)
HighLand D&C Co., Ltd.	Developing and Selling buildings for residence	6,493	37,710	(31,217)	-	(1,705)	(1,705)
Misoin Co., Ltd.	Developing and Supplying buildings for residence	10,283	72,400	(62,117)	-	(2,848)	(2,848)
SHOWBOX Corp.	Movie,broadcasting, and performance	165,251	24,591	140,660	78,650	3,259	3,103
SHOWBOX Inc.	Planning and developing movie	1,133	6	1,127	23	(353)	(413)
PAN ORION Corp. Limited ¹	Holding company	330,422	80	330,342	175,801	158,124	159,144
Orion International Euro LLC	Manufacturing and selling confectioneries	85,947	12,174	73,773	77,303	10,457	10,457
Orion Food VINA Co., Ltd.	Manufacturing and selling confectioneries	277,237	38,908	238,329	252,321	43,865	43,865
Supreme Star Investment Limited	Investment Holding Company	5,357	-	5,357	-	1,060	1,060
Orion Food Co., Ltd.	Manufacturing and selling confectionerie	598,873	233,249	365,624	974,426	61,153	61,153
Orion Food(Shanghai) Co., Ltd.	Manufacturing confectioneries	293,498	33,429	260,069	157,297	18,288	18,288
Orion Food Guangzhou Co., Ltd.	Manufacturing confectioneries	213,881	56,548	157,333	106,943	11,927	11,927
Orion Food (Shen Yang) Co., Ltd.	Manufacturing confectioneries	169,340	62,555	106,785	66,099	5,196	5,196
Orion(Bei Tun) Agro Processing Co., Ltd. ²	Processing the agricultural products	6,659	113	6,546	8,307	(27,504)	(27,504)
Orion Agro BeiTun Co. Ltd	Harvesting and selling the agricultural products	137	504	(367)	3,671	(1,072)	(1,072)

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

(In millions of Korean won)

Name	Main business	2019					
		Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Comprehensive income (loss)
Orion Agro Co., Ltd.	Manufacturing food and beverages	8,800	953	7,847	8,401	1,242	1,242
Orion Agro DuoLun Co., Ltd.	Processing the agricultural products	3,220	220	3,000	3,271	40	40
Orion Consulting Co., Ltd.	Consulting	2,138	88	2,050	477	170	170
Beijing mega media Co., Ltd	Consulting for making movie	369	6	363	-	(54)	(54)
LANGFANG IPAK Co., Ltd.	Manufacturing pulp and paper	23,154	4,647	18,507	20,951	784	784
Orion JeJu Yongam Soo Corp.	Beverage Business	136,152	62,932	73,220	1,179	(2,805)	(2,892)
Orion Investment Development Corp.	Investment	98	-	98	-	(1)	(1)
Orion Nutritionals Private Ltd.	Selling confectioneries	10,571	337	10,234	-	(829)	(829)
Total		₩ 5,505,202	₩ 1,173,626	₩ 4,331,576	₩ 2,696,928	₩ 360,754	₩ 358,122

¹ Sales of PAN Orion Corp. Limited is dividend received from Orion Food Co., Ltd.

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

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

(In millions of Korean won)

Name	Main business	2018					
		Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Comprehensive income (loss)
Orion Holdings Corporation	Investment	₩ 1,915,628	₩ 9,878	₩ 1,905,750	₩ 26,309	₩ 22,916	₩ 23,255
Orion Corporation	Manufacturing and selling confectioneries	1,163,673	465,776	697,896	711,902	70,765	69,491

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

(In millions of Korean won)

Name	Main business	2018					
		Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Comprehensive income (loss)
RION Asset Development Co, Ltd.	Real estate	7,770	47,760	(39,990)	-	(2,242)	(2,242)
SHOWBOX Corp.	Movie, broadcasting, and performance	178,588	38,035	140,553	68,511	5,107	5,633
Mega Mark Co., Ltd.	Construction	27,495	624	26,871	-	(67)	(67)
PAN ORION Corp. Limited ¹	Holding company	273,019	119,538	153,481	99,840	61,362	61,362
Orion International Euro LLC	Manufacturing and selling confectioneries	61,564	6,487	55,077	64,853	6,504	6,504
Orion Food VINA Co., Ltd.	Manufacturing and selling confectioneries	220,880	33,003	187,877	233,882	36,900	36,900
Orion Nutritionals Private Ltd.	Manufacturing and selling confectioneries	4,911	225	4,686	-	(248)	(248)
Supreme Star Investment Limited	Investment Holding Company	25,076	74	25,002	4,741	549	549
PT. Orion Food Indonesia ²	Selling confectioneries	-	-	-	-	(7)	(7)
HighLand D&C Co., Ltd.	Developing and Selling buildings for residence	6,492	36,004	(29,512)	-	(1,705)	(1,705)
SHOWBOX Inc.	Planning and developing movie	1,027	986	39	-	(207)	(207)
Misoin Co., Ltd.	Developing and Supplying buildings for residence	10,281	69,549	(59,268)	-	(2,842)	(2,842)
Orion Food Co., Ltd. ³	Manufacturing and selling confectionerie	714,448	246,965	467,483	942,632	72,233	72,233
Orion Food(Shanghai) Co., Ltd.	Manufacturing confectioneries	273,048	35,312	237,736	176,595	22,587	22,587
Orion Food Guangzhou Co., Ltd.	Manufacturing confectioneries	220,111	77,122	142,989	107,609	11,643	11,643
Orion Food (Shen Yang) Co., Ltd.	Manufacturing confectioneries	175,709	75,860	99,849	78,550	8,621	8,621
Orion(Bei Tun) Agro Processing Co., Ltd.	Processing the agricultural products	33,434	452	32,982	9,262	(501)	(501)
Orion Agro BeiTun Co. Ltd	Harvesting and selling the agricultural products	1,309	634	675	3,544	(876)	(876)
Orion Consulting Co., Ltd.	Consulting	1,877	21	1,856	471	181	181

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

(In millions of Korean won)

Name	Main business	2018					
		Total assets	Total liabilities	Total equity	Sales	Profit (loss) for the year	Comprehensive income (loss)
Beijing Supreme Star Consulting Co., Ltd.	Advising on investments	-	-	-	-	32	32
Orion Argo Co., Ltd.	Manufacturing food and beverages	7,164	658	6,506	9,382	1,110	1,110
Orion Agro DuoLun Co., Ltd.	Processing the agricultural products	2,447	191	2,256	2,801	(4)	(4)
Beijing media tech Co., Ltd ⁴	Developing programs	-	-	-	-	-	-
Beijing mega media Co., Ltd	Consulting for making movie	408	-	408	-	(45)	(45)
STELLA WAY LIMITED ⁵	Advising on investment	-	-	-	-	-	-
LANGFANG IPAK Co., Ltd.	Manufacturing pulp and paper	22,252	4,834	17,418	11,940	(926)	(926)
JeJu Yongam Soo Corp.	Beverage Business	61,483	31,327	30,156	-	(1,448)	(1,448)
Orion Investment Development Corp.	Investment	99	-	99	-	(1)	(1)
Total		₩ 5,410,193 ₩	₩ 1,301,315 ₩	₩ 4,108,875 ₩	₩ 2,552,824 ₩	₩ 309,391 ₩	₩ 308,982

¹ Sales of PAN Orion Corp. Limited is dividend received from Orion Food Co., Ltd.

² In 2018, PT. Orion Food Indonesia went through liquidation and the amount stated above presents financial information before liquidation.

³ Sales of Orion Food Co., Ltd. includes dividend received from Orion Agro Co., Ltd.

⁴ In 2018, Beijing media tech Co., Ltd merged into Beijing mega media Co., Ltd and the amount stated above presents financial information before merger.

⁵ In 2018, STELLA WAY LIMITED went through liquidation and the amount stated above presents financial information before liquidation.

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

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

There are no changes in the scope of the consolidation for the year ended December 31, 2019.

2. Basis of Preparation

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

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

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

The preparation of the consolidated 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 2.3.

The consolidated financial statements were authorized to be issued by the Board of Directors on February 5, 2020, which will be submitted for approval to the shareholders' meeting to be held on March 19, 2020.

2.1 Basis of measurement

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

- right-of-use assets/ lease liabilities
- financial assets at fair value through other comprehensive income
- investments in associates and joint ventures
- liabilities(assets) for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets.
- financial assets at fair value through profit or loss

2.2 Functional and presentation currency

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

2.3 Use of estimates and judgments

The Group makes estimates and assumptions concerning the future. The estimates and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 addressed below.

(a) Assumptions and estimation uncertainties

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

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

- Note 9 : Estimation of recoverable amount of Goodwill
- Note 11 : Estimation of recoverable amount of investments in Joint ventures and associates
- Note 15 : Estimation of recoverable amount of Trade and other receivables
- Note 25 : Measurement of defined benefit obligations for employees(actuarial assumptions)
- Note 26 : Measurement of provision for warranty
- Note 33 : The probability of realising of Deferred tax asset(liability)
- Note 35 : Financial commitments and contingencies (assumptions on probable outflow of resources and the amount)
- Note 38 : Changes in accounting policies (Korean IFRS 1116 *Leases*)

Income tax on the Group's taxable income is calculated by applying the tax and taxation authorities decisions of various countries, so there is uncertainty in estimating the final tax effect. (Note 33).

If certain portion of the taxable income is not used for investments, 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 system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there exists uncertainty with regard to measuring the final tax effects.

(b) Measurement of fair values

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

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

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

- Note 32 : Financial Instruments by categories

3. Changes in accounting policies

(a) *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, 2019. The significant influence of the adoption of these amendments are included in Note 38.

- Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* replaces Korean IFRS 1017 *Leases*. Under the new standard, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

With implementation of Korean IFRS 1116 *Lease*, the Group has changed accounting policy. The Group has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard, and recognized the cumulative impact of initially applying the standard as at January 1, 2019, the date of initial application. The Group has not restated comparatives for the 2018 reporting period. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 38.

- Amendment to Korean IFRS 1109 *Financial Instruments*

The narrow-scope amendments made to Korean IFRS 1109 *Financial Instruments* enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1019 *Employee Benefits*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1028 *Investments in Associates and Joint Ventures*

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. The amendments also clarify that Korean IFRS 1109 requirements are applied to long-term interests that form part of the entity's net investment in an associate or joint venture before applying the impairment requirements of Korean IFRS 1028. The amendment does not have a significant impact on the financial statements.

- Enactment to Interpretation of Korean IFRS 2123 *Uncertainty over Income Tax Treatments*

The interpretation explains how to recognize and measure deferred and current income tax assets and

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. The enactment does not have a significant impact on the financial statements.

- Annual Improvements to Korean IFRS 2015 – 2017 Cycle:

- Korean IFRS 1103 *Business Combination*

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. The amendment does not have a significant impact on the financial statements.

- Korean IFRS 1111 *Joint Agreements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. The amendment does not have a significant impact on the financial statements.

- Paragraph 57A of Korean IFRS 1012 *Income Tax*

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendment does not have a significant impact on the financial statements..

- Korean IFRS 1023 *Borrowing Costs*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. The amendment does not have a significant impact on the financial statements.

(b) 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, 2019 reporting periods and have not been early adopted by the Group.

- (a) Amendments to Korean IFRS 1001 Presentation of Financial Statements and Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

- (b) Amendments to Korean IFRS 1103 Business Combination – Definition of a Business*

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

4. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below.

4.1 Operating segments

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 6, the Group has five confectionaries segments which are the Group's strategic operating segment units. The strategic operating segment units are operated separately from others because strategic operating segments provide different products and render different services and each segments require different technology and marketing strategy.

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

4.2 Basis of consolidation

(a) Business combination

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

The consideration transferred in the acquisition is generally measured at fair value, as are identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchases is recognized in profit or loss immediately. Acquisition-related costs are expensed as incurred.

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

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

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

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

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

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

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

(c) Subsidiaries

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

(d) Loss of control

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

(e) Interests in equity-method Investees

The Group's interests in equity-method investees comprise interest in associates and joint ventures.

Interests in associates are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, Group's share of the profit or loss and OCI of equity-method investees and the dividends from equity-method investees are adjusted from the carrying amount of the investment, until the date on which significant influence ceases.

(f) Transactions eliminated on consolidation

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

(g) Business combination under common control

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

4.3 Discontinued operations

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

4.4 Cash and cash equivalents

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

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

4.5 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.

4.6 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.

(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. Changes in fair value of non-designated equity investment are recognized in profit or loss.

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:

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

- 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 'other income or expenses' and impairment losses are presented in 'other expenses'.
- 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 statement of profit or loss within 'other income or expenses' in the year in which it arises.

(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. (Note 34 provides more detail of how the Group determines there has been a significant increase in credit risk.)

(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 statement of financial position (Note 24).

(e) Offsetting of financial instruments

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

4.7 Derivative financial instruments

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

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

4.8 Property, plant and equipment

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

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

The costs of the replaced part are recognized in the carrying amount of property, plant and equipment or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing are recognized in profit or loss as incurred.

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

The estimated useful lives of the Group's assets in the years ended December 31, 2019 and 2018, are as follows:

<u>Asset</u>	<u>Useful lives (years)</u>
Buildings	15 ~ 55
Structures	10 ~ 30
Machinery	5 ~ 17
Other	4 ~ 10, Indefinite

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

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

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

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

4.9 Borrowing costs

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

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

4.10 Intangible assets

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

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

<u>Asset</u>	<u>Useful lives (years)</u>
Rights to use facility	Indefinite
Industrial property rights	5~10
Copyright	Period over which related revenue is realized
Customer relationships value, Brand value	5~10
Other	5

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

(a) Research and development

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

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(b) Subsequent expenditures

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

4.11 Investment property

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

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

Investment property except for land, are depreciated on a straight-line basis over 30 ~ 55 years as estimated useful lives.

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

4.12 Impairment of non-financial assets

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

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

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

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

4.13 Leases

As explained in Note 3 above, the Group has changed its accounting policy for leases. The impact of the new accounting policies is disclosed in Note 38.

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

The Group leases various offices, warehouses and cars. Lease contracts are typically made for fixed periods, but may have extension options as described below.

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.

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.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

Lease liability measurement also includes payments to be made in option 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:

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

- where possible, 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

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

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

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

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

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

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment, bidet, water purifier and small items of office furniture

(a) Variable lease payments

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

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

(b) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

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

Preferred shares that require mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares using the effective interest method are recognized in the statement of profit or loss as 'finance costs', together with interest expenses recognized from other financial liabilities.

(b) Derecognition

Financial liabilities are removed from the 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.

4.15 Employee benefits

(a) Short-term employee benefits

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

(b) Retirement benefits: defined contribution plans

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

(c) Retirement benefits: defined benefit plans

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

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

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the assets ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

benefit liability (assets) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (assets), taking into account any change in the net defined benefit liability (assets) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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

4.16 Provisions

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

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

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

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

4.17 Foreign currencies

(a) Foreign currency transactions

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

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss.

(b) Foreign operations

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

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

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

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

4.18 Equity capital

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

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

4.19 Share-based payment transactions

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

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

① Variable consideration

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

② Consideration payable to a customer

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

4.21 Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Orion Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

4.22 Income taxes

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

(a) Current tax

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

(b) Deferred tax

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

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates and joint ventures except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

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

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

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

4.23 Earnings per share

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

5. Non-Controlling Interests

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

The following table summarizes the information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations.

Major consolidated subsidiaries are summarized as follows:

Subsidiary	Location	Non-controlling interests percentage	
		2019	2018
Orion Corp.	Korea	62.63%	62.63%
SHOWBOX Corp.	Korea	42.50%	42.50%

Cumulative non-controlling interests and dividends paid to non-controlling interests:

(In thousands of Korean won)

Subsidiary	2019		
	Profit allocated to non-controlling interests	Cumulative non-controlling interests	Dividends paid to non-controlling interests
Orion Corp.	₩ 106,730,650	₩ 1,345,834,057	₩ 14,850,887
SHOWBOX Corp.	1,164,866	59,856,030	1,320,100

(In thousands of Korean won)

Subsidiary	2018		
	Profit allocated to non-controlling interests	Cumulative non-controlling interests	Dividends paid to non-controlling interests
Orion Corp.	₩ 60,467,285	₩ 1,229,478,191	₩ 14,850,611
SHOWBOX Corp.	1,802,801	59,727,556	1,320,100

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Financial position and financial performance:

(In thousands of Korean won)

	2019	
	Orion Corp.	SHOWBOX Corp.
Current assets	₩ 596,321,881	₩ 112,081,167
Non-current assets ¹	2,454,099,204	53,170,172
Current liabilities	464,461,397	21,569,158
Non-current liabilities	464,528,319	3,021,856
Revenue	2,023,296,057	78,650,191
Profit for the year	165,931,004	3,259,345
Comprehensive income	247,945,132	3,103,358

(In thousands of Korean won)

	2018	
	Orion Corp.	SHOWBOX Corp.
Current assets	₩ 569,224,203	₩ 138,401,243
Non-current assets ¹	2,438,385,709	41,331,638
Current liabilities	500,310,519	38,679,254
Non-current liabilities	565,536,778	343,108
Revenue	1,926,947,889	68,510,508
Profit for the year	96,552,570	4,352,363
Comprehensive income	74,811,075	4,880,681

¹ The non-current assets of Orion Corp. do not include goodwill arising from the business combination.

Cash flow:

(In thousands of Korean won)

	2019	
	Orion Corp.	SHOWBOX Corp.
Cash flows from operating activities	₩ 347,826,333	₩ (149,056)
Cash flows from investing activities	(187,462,728)	(1,272,798)
Cash flows from financing activities	(184,384,587)	(3,433,493)
Effect of exchange rate fluctuations on cash held	4,367,171	(78,610)
Net increase (decrease) in cash and cash equivalents	(19,653,811)	(4,933,957)

(In thousands of Korean won)

	2018	
	Orion Corp.	SHOWBOX Corp.
Cash flows from operating activities	₩ 460,923,889	₩ (51,873,104)
Cash flows from investing activities	(175,140,545)	2,819,994
Cash flows from financing activities	(199,237,110)	(3,120,000)
Effect of exchange rate fluctuations on cash held	(3,533,430)	(3,928)
Net increase (decrease) in cash and cash equivalents	83,012,804	(52,177,038)

Summarized financial information of Orion Corp. and SHOW BOX Corp. is based on each consolidated financial statement.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

6. Operating Segments

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

The following summary describes the operations in each of the Group's reportable segments:

Operating segments	Principal operations
Confectioneries	Manufacturing and selling of snacks and confectioneries
Entertainment	Film investments and distribution
Construction	Construction and sale of real estate
Holding business	The holding company's dividend, royalty, rental income and others
Others	Beverage, business Information services, Investment and Trading business

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Segment results for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019						Consolidated Total
	Confectioneries	Entertainment	Construction	Holding	Others	Reportable Segment Total	
Total segment sales	₩ 2,587,625,526	₩ 78,672,849	₩ -	₩ 28,973,423	₩ 477,113	₩ 2,695,748,911	₩ 2,103,591,289
Less: Inter segment sales	(564,196,433)	(9,443)	-	(27,951,746)	-	(592,157,622)	-
External sales	2,023,429,093	78,663,406	-	1,021,677	477,113	2,103,591,289	2,103,591,289
Depreciation ¹	(132,335,785)	(60,667,883)	(19)	(454,508)	(1,437,668)	(194,895,863)	(255,303,354)
Profit(loss) for the year	326,111,998	1,942,204	(282,081)	17,597,906	(2,633,723)	342,736,304	266,659,513

Depreciation of property, plant and equipment, intangible assets, investment property and right of use assets are included.

(in thousands of Korean won)

	2018						Consolidated Total
	Confectioneries	Entertainment	Construction	Holding	Others	Reportable Segment Total	
Total segment sales	₩ 2,443,169,883	₩ 68,428,398	₩ -	₩ 26,308,919	₩ 470,943	₩ 2,538,378,143	₩ 1,997,682,828
Less: Inter segment sales	(516,277,112)	-	-	(24,418,203)	-	(540,695,315)	-
External sales	1,926,892,771	68,428,398	-	1,890,716	470,943	1,997,682,828	1,997,682,828
Depreciation	117,883,987	40,321,896	1,077	642,362	13,389	158,862,711	217,461,045
Profit(loss) for the year	282,175,029	5,160,373	(232,221)	15,280,577	(1,437,694)	300,946,064	230,512,591

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Segment assets and liabilities as at December 31, 2019 and 2018, as follows:

(in thousands of Korean won)

	2019					Reportable Segment Total	Elimination	Consolidated Total
	Confectioneries	Entertainment	Construction	Holding	Others			
Total assets	₩ 3,212,548,550	₩ 166,384,183	₩ 51,993,958	₩ 1,930,161,016	₩ 144,114,423	₩ 5,505,202,130	₩ (1,138,868,477)	₩ 4,366,333,653
Total liabilities	887,347,086	24,597,330	160,529,626	38,122,868	63,026,508	1,173,623,418	(144,915,211)	1,028,708,207
Investments in associates and joint ventures	33,452,480	3,997,747	-	-	-	37,450,227	(2,962,048)	34,488,179
Increase of non-current assets	(9,179,652)	263,487	(19)	(497,507)	76,169,893	66,756,202	(130,765,891)	(64,009,689)

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

(in thousands of Korean won)

	2018					Reportable Segment Total	Elimination	Consolidated Total
	Confectioneries	Entertainment	Construction	Holding	Others			
Total assets	₩ 3,173,969,916	₩ 179,732,881	₩ 52,036,707	₩ 1,915,627,521	₩ 88,943,322	₩ 5,410,310,347	₩ (1,068,176,219)	₩ 4,342,134,128
Total liabilities	1,067,057,157	39,022,362	153,935,764	9,877,945	31,422,494	1,301,315,722	(135,769,549)	1,165,546,173
Investments in associates and joint ventures	30,383,314	2,169,214	-	-	3,616,446	36,168,974	-	36,168,974
Increase of non-current assets	(18,429,881)	342,783	(1,077)	(10,766,178)	33,425,121	4,570,768	(66,365,892)	(61,795,124)

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

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

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 (after inter-company eliminations) for the years ended December 31, 2019 and 2018, is as follows:

(In thousands of Korean won)

		2019						
		Domestic	China	Others	Total			
Continuing operation	₩	797,291,137	₩	976,826,014	₩	329,474,138	₩	2,103,591,289

(In thousands of Korean won)

		2018						
		Domestic	China	Others	Total			
Continuing operation	₩	768,441,022	₩	933,788,435	₩	295,453,371	₩	1,997,682,828

Information on regional non-current assets (after inter-company eliminations) for the years ended December 31, 2019 and 2018, is as follows:

(In thousands of Korean won)

	2019	2018
Domestic	₩ 1,545,409,606	₩ 1,074,599,183
China	829,427,363	1,334,464,008
Other	207,534,001	224,632,822
Total	₩ 2,582,370,970	₩ 2,633,696,013

The detailed information on revenues of the Group for the years ended December 31, 2019 and 2018, are as follows:

(In thousands of Korean won)

	2019	2018
Sales of goods	₩ 2,102,558,707	₩ 1,996,156,811
Others	1,032,582	1,526,017
Total	₩ 2,103,591,289	₩ 1,997,682,828

(In thousands of Korean won)

		2019						
		Sale of goods	Royalty	Others	Total			
Timing of revenue recognition								
At a point in time	₩	2,098,119,210	₩	-	₩	4,427,756	₩	2,102,546,966
Over time		-	11,741	-	11,741			
Total		2,098,119,210	11,741	4,427,756	2,102,558,707			

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

(In thousands of Korean won)

	2018			
	Sale of goods	Royalty	Others	Total
Timing of revenue recognition				
At a point in time	₩ 1,990,369,295	-	₩ 5,767,762	₩ 1,996,137,057
Over time	-	19,754	-	19,754
Total	1,990,369,295	19,754	5,767,762	1,996,156,811

There is no main customer who contributes more than 10% of the Group's revenues for the year ended December 31, 2019.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

7. Property, Plant and Equipment

Changes in property, plant and equipment for the year ended December 31, 2019, are as follows:

<i>(In thousands of Korean won)</i>	<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Machinery</u>	<u>Others</u>	<u>Construction in-progress</u>	<u>Total</u>
Acquisition Cost							
Balance at January 1, 2019	₩ 383,053,746	₩ 619,678,277	₩ 7,654,770	₩ 793,944,069	₩ 62,865,081	₩ 63,290,360	₩ 1,930,486,303
Additions	786,641	5,661,598	261,098	23,049,124	6,387,087	165,040,803	201,186,351
Disposals	(1,593,499)	(1,366,754)	(12,573)	(19,872,014)	(18,314,523)	-	(41,159,363)
Others	<u>3,290,859</u>	<u>68,373,338</u>	<u>11,808,589</u>	<u>99,887,717</u>	<u>17,410,742</u>	<u>(175,466,273)</u>	<u>25,304,972</u>
Balance at December 31, 2019	₩ <u>385,537,747</u>	₩ <u>692,346,459</u>	₩ <u>19,711,884</u>	₩ <u>897,008,896</u>	₩ <u>68,348,387</u>	₩ <u>52,864,890</u>	₩ <u>2,115,818,263</u>
Accumulated depreciation and impairment							
Balance at January 1, 2019	₩ -	₩ (25,741,759)	₩ (860,806)	₩ (69,842,401)	₩ (10,046,451)	₩ -	₩ (106,491,417)
Depreciation	-	(17,793,297)	(1,071,091)	(86,581,296)	(11,864,758)	-	(117,310,442)
Impairment loss ¹	-	(949,492)	-	(496,875)	(1,598)	-	(1,447,965)
Disposals ¹	-	495,071	12,572	19,122,321	16,916,974	-	36,546,938
Others	-	<u>(1,214,361)</u>	<u>(173,380)</u>	<u>(6,390,408)</u>	<u>(847,546)</u>	-	<u>(8,625,695)</u>
Balance at December 31, 2019	₩ -	₩ <u>(45,203,838)</u>	₩ <u>(2,092,705)</u>	₩ <u>(144,188,659)</u>	₩ <u>(5,843,379)</u>	₩ -	₩ <u>(197,328,581)</u>
Book amount							
Balance at January 1, 2019	₩ <u>383,053,746</u>	₩ <u>593,936,518</u>	₩ <u>6,793,964</u>	₩ <u>724,101,668</u>	₩ <u>52,818,630</u>	₩ <u>63,290,360</u>	₩ <u>1,823,994,886</u>
Balance at December 31, 2019	₩ <u>385,537,747</u>	₩ <u>647,142,621</u>	₩ <u>17,619,179</u>	₩ <u>752,820,237</u>	₩ <u>62,505,008</u>	₩ <u>52,864,890</u>	₩ <u>1,918,489,682</u>

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

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

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Changes in property, plant and equipment for the year ended December 31, 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Machinery</u>	<u>Others</u>	<u>Construction in-progress</u>	<u>Total</u>
Acquisition Cost							
Balance at January 1, 2018	₩ 383,953,779	₩ 575,271,875	₩ 6,993,522	₩ 718,551,639	₩ 65,812,523	₩ 66,758,962	₩ 1,817,342,300
Additions	69,901	363,677	105,238	14,336,199	4,033,905	138,467,599	157,376,519
Disposals	(618,971)	(5,016,126)	(3,479)	(17,037,423)	(9,771,000)	-	(32,446,999)
Others	(350,963)	49,058,851	559,489	78,093,654	2,789,653	(141,936,201)	(11,785,517)
Balance at December 31, 2018	₩ <u>383,053,746</u>	₩ <u>619,678,277</u>	₩ <u>7,654,770</u>	₩ <u>793,944,069</u>	₩ <u>62,865,081</u>	₩ <u>63,290,360</u>	₩ <u>1,930,486,303</u>
Accumulated depreciation and impairment							
Balance at January 1, 2018	₩ -	₩ (10,253,479)	₩ (16,453)	₩ -	₩ (3,405,621)	₩ -	₩ (13,675,553)
Depreciation	-	(16,767,297)	(981,419)	(79,281,281)	(12,699,371)	-	(109,729,368)
Disposals	-	869,875	2,175	9,907,947	5,533,328	-	16,313,325
Others	-	409,142	134,891	(469,067)	525,213	-	600,179
Balance at December 31, 2018	₩ <u>-</u>	₩ <u>(25,741,759)</u>	₩ <u>(860,806)</u>	₩ <u>(69,842,401)</u>	₩ <u>(10,046,451)</u>	₩ <u>-</u>	₩ <u>(106,491,417)</u>
Book amount							
Balance at January 1, 2018	₩ 383,953,779	₩ 565,018,396	₩ 6,977,069	₩ 718,551,639	₩ 62,406,902	₩ 66,758,962	₩ 1,803,666,747
Balance at December 31, 2018	₩ <u>383,053,746</u>	₩ <u>593,936,518</u>	₩ <u>6,793,964</u>	₩ <u>724,101,668</u>	₩ <u>52,818,630</u>	₩ <u>63,290,360</u>	₩ <u>1,823,994,886</u>

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

As at December 31, 2019, the Group has entered into purchase agreements with respect to buildings and machinery, and the amount expected to be incurred in the future is ₩ 48,063 million (2018: ₩ 84,950 million).

Borrowing costs of ₩ 1,634,929 thousand (2018: ₩ 857,983 thousand) in relation to the completion of construction, were capitalized as part of the cost of qualifying assets for the year ended December 31, 2019. The capitalization rates were 2.42%~3.45% (2018: 2.51%~3.35%) for the year ended December 31, 2019.

As at December 31, 2019 and 2018, property, plant and equipment (buildings) of the Group is secured by leasehold rights for ₩ 50 million.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

As at December 31, 2019, the Group has fire and other insurance coverage from Hyundai Marine & Fire Insurance Co., Ltd and others on the Group's inventories, property, plant and equipment against fire and others.

As at December 31, 2019, Orion Jeju Yongam Soo Corp has fire and other insurance coverage from Hyundai Marine & Fire Insurance Co., Ltd and others of up to ₩ 106,640 million on the company's buildings, machinery and others against fire and others. The rights to claim the insured amounts of ₩ 45,508 million are pledged in relation to the borrowings of Kookmin Bank.

Details of property, plant and equipment provided as collateral as at December 31, 2019, are as follows:

(In thousands of Korean won)

Asset	Lender	Type of borrowings	2019		
			Borrowing amount	Book amount	Collateralized amount
Land and buildings	Siheung Environmental Management Center	General loan	₩ 60,000	₩ 9,027,935	₩ 780,000
Land	Kookmin Bank	Facility loan	60,000,000	53,749,263	72,000,000
			₩ 60,060,000	₩ 62,777,198	₩ 72,780,000

8. Intangible Assets

Changes in intangible assets for the year ended December 31, 2019, are as follows:

<i>(In thousands of Korean won)</i>	Industrial property rights	Publication rights	Rights to use facility	Other intangible assets	Brand value	Customer relationships value	Total
Acquisition Cost							
Balance at January 1, 2019	₩ 9,030,964	₩ 551,524,873	₩ 14,631,247	₩ 11,757,267	₩ 224,603,034	₩ 383,601,607	₩ 1,195,148,992
Additions	1,223,012	702,008	274,716	5,160,898	-	-	7,360,634
Disposals	-	-	(50,446)	(156,145)	-	-	(206,591)
Others	15,827	54,881,033	18,068	816,221	4,499,716	6,677,314	66,908,179
Balance at December 31, 2019	₩ 10,269,803	₩ 607,107,914	₩ 14,873,585	₩ 17,578,241	₩ 229,102,750	₩ 390,278,921	₩ 1,269,211,214

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Accumulated amortization and impairment

Balance at January 1, 2019	₩ (1,646,873)	₩ (545,074,742)	₩ (48,557)	₩ (2,541,500)	₩ (22,460,303)	₩ (41,168,424)	₩ (612,940,399)
Amortization	(1,403,166)	(59,774,381)	-	(2,229,517)	(23,118,975)	(42,500,748)	(129,026,787)
Impairment loss ¹	-	-	-	(77,899)	-	-	(77,899)
Disposals	-	-	-	156,145	-	-	156,145
Others	(11,737)	(881,942)	-	(112,115)	(241,272)	(212,884)	(1,459,950)
Balance at December 31, 2019	₩ (3,061,776)	₩ (605,731,065)	₩ (48,557)	₩ (4,804,886)	₩ (45,820,550)	₩ (83,882,056)	₩ (743,348,890)

Book amount

Balance at January 1, 2019	₩ 7,384,091	₩ 6,450,131	₩ 14,582,690	₩ 9,215,767	₩ 202,142,731	₩ 342,433,183	₩ 582,208,593
Balance at December 31, 2019	₩ 7,208,027	₩ 1,376,849	₩ 14,825,028	₩ 12,773,355	₩ 183,282,200	₩ 306,396,865	₩ 525,862,324

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

Others mainly include transfers from prepayments and fluctuation due to foreign currency translation of foreign operations during 2019.

Changes in intangible assets for the year ended December 31, 2018, are as follows:

<i>(In thousands of Korean won)</i>	Industrial property rights	Publication rights	Rights to use facility	Other intangible assets	Brand value	Customer relationships value	Total
Acquisition Cost							
Balance at January 1, 2018	₩ 7,786,726	₩ 504,992,754	₩ 15,181,269	₩ 9,452,153	₩ 225,979,112	₩ 384,700,000	₩ 1,148,092,014
Additions	1,253,760	196,997	-	3,186,560	-	-	4,637,317
Disposals	-	-	(1,318,859)	(200,385)	-	-	(1,519,244)
Others	(9,522)	46,335,122	768,837	(681,061)	(1,376,078)	(1,098,393)	43,938,905
Balance at December 31, 2018	₩ 9,030,964	₩ 551,524,873	₩ 14,631,247	₩ 11,757,267	₩ 224,603,034	₩ 383,601,607	₩ 1,195,148,992
Accumulated amortization and impairment							
Balance at January 1, 2018	₩ (449,371)	₩ (504,975,025)	₩ (18,000)	₩ (1,142,880)	₩ -	₩ -	₩ (506,585,276)

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Amortization	(1,201,268)	(39,817,383)	-	(1,670,146)	(22,802,441)	(41,809,332)	(107,300,570)
Impairment loss	-	-	(629,010)	-	-	-	(629,010)
Reversal of impairment loss	-	-	448,817	-	-	-	448,817
Disposals	-	-	149,636	194,392	-	-	344,028
Others	3,766	(282,334)	-	77,134	342,138	640,908	781,612
Balance at December 31, 2018	<u>₩ (1,646,873)</u>	<u>₩ (545,074,742)</u>	<u>₩ (48,557)</u>	<u>₩ (2,541,500)</u>	<u>₩ (22,460,303)</u>	<u>₩ (41,168,424)</u>	<u>₩ (612,940,399)</u>
Book amount							
Balance at January 1, 2018	<u>₩ 7,337,355</u>	<u>₩ 17,729</u>	<u>₩ 15,163,269</u>	<u>₩ 8,309,273</u>	<u>₩ 225,979,112</u>	<u>₩ 384,700,000</u>	<u>₩ 641,506,738</u>
Balance at December 31, 2018	<u>₩ 7,384,091</u>	<u>₩ 6,450,131</u>	<u>₩ 14,582,690</u>	<u>₩ 9,215,767</u>	<u>₩ 202,142,731</u>	<u>₩ 342,433,183</u>	<u>₩ 582,208,593</u>

Others mainly include transfers from prepayments and fluctuation due to foreign currency translation of foreign operations during 2018. Also during 2018, the Group recognized the impairment loss of the rights to use facility and others whose recoverable amounts were less than the book amounts.

As at December 31, 2019, the Group has entered into purchase agreements with respect to the acquisition of other intangible assets. The amount expected to be incurred in the future is ₩ 645 million (2018: ₩ 1,093 million).

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

9. Goodwill

Details of goodwill as at December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>	<u>Acquisitor</u>	<u>Description</u>
Orion Corporation and subsidiaries	₩ 873,853,289	₩ 873,853,289	Orion Holdings Corp.	Acquisition of Orion Corp. from the business combination
Orion Jeju Yongam Soo Corp.	<u>279,975</u>	<u>279,975</u>	Orion Holdings Corp.	Acquisition of JeJu Yongam Soo Corp. from business combination
	<u>₩ 874,133,264</u>	<u>₩ 874,133,264</u>		

The Group assesses 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 a cash generating unit(group) is measured based on the fair value less costs of disposal (net fair value). The fair value calculation is based on the share price at the date of the valuation, and costs of disposal are the incremental costs directly attributable to the disposal of the asset. Meanwhile, the calculation of the net fair value includes the control premium.

The key assumptions used for impairment tests for goodwill are as follows:

<i>(in Korean won)</i>	<u>Share price¹</u>	<u>Management premium²</u>	<u>Costs of disposal³</u>
Orion Corporation and subsidiaries	₩ 98,400	23.4%	1%

¹ It is the share price on September 30, 2019, the evaluation date.

² It is calculated by comparing the transaction price with standard share price (the average of one month, one week, and the latest share price) based on the details of changes in the largest shareholder of listed companies in Korea, which was disclosed in the electronic disclosure system of the Financial Supervisory Service for one year before the evaluation date.

³ The incremental costs directly attributable to the disposal of the asset include legal costs, stamp duties and similar transaction taxes, asset retirement costs and incremental costs directly related to the process of making the asset available for sale.

The Group expects that the carrying values of the CGUs may not exceed the recoverable amounts if the assumptions applied by the management in order to determine the recoverable amount of the CGUs change within the reasonably probable range.

The recoverable amount of the CGUs depends on the assumptions for the key variables used in the Group's goodwill impairment assessment. There is no impact on the impairment loss if the key assumptions, such as share prices, increase or decrease by 5%.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

10. Investment Property

Changes in investment property for the year ended December 31, 2019, are as follows:

<i>(In thousands of Korean won)</i>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Acquisition Cost			
Balance at January 1, 2019	₩ 72,568,410	₩ 18,516,575	₩ 91,084,985
Additions	-	15,950	15,950
Reclassification to property, plant and equipment	(4,367,305)	(1,825,677)	(6,192,982)
Others	-	111,376	111,376
Balance at December 31, 2019	<u>₩ 68,201,105</u>	<u>₩ 16,818,224</u>	<u>₩ 85,019,329</u>
Accumulated depreciation			
Balance at January 1, 2019	₩ (1,260,925)	₩ (3,854,086)	₩ (5,115,011)
Depreciation	-	(407,037)	(407,037)
Reclassification to property, plant and equipment	-	610,297	610,297
Balance at December 31, 2019	<u>₩ (1,260,925)</u>	<u>₩ (3,650,826)</u>	<u>₩ (4,911,751)</u>
Book amount			
Balance at January 1, 2019	₩ 71,307,485	₩ 14,662,489	₩ 85,969,974
Balance at December 31, 2019	<u>₩ 66,940,180</u>	<u>₩ 13,167,398</u>	<u>₩ 80,107,578</u>

Changes in investment property for the year ended December 31, 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Acquisition Cost			
Balance at January 1, 2018	₩ 77,565,252	₩ 16,899,842	₩ 94,465,094
Additions	-	3,700	3,700
Disposals	(3,460,671)	(2,889,184)	(6,349,855)
Reclassification from property, plant and equipment	-	6,650,943	6,650,943
Reclassification from non-current assets held for sale	3,654,835	2,330,539	5,985,374
Reclassification to non-current assets held for sale	(5,191,006)	(4,333,776)	(9,524,782)
Others	-	(145,488)	(145,488)
Balance at December 31, 2018	<u>₩ 72,568,410</u>	<u>₩ 18,516,576</u>	<u>₩ 91,084,986</u>
Accumulated depreciation			
Balance at January 1, 2018	₩ -	₩ (3,657,786)	₩ (3,657,786)
Depreciation	-	(678,543)	(678,543)
Disposals	-	731,205	731,205
Reclassification from property, plant and equipment	-	(139,530)	(139,530)
Reclassification from non-current assets held for sale	(1,260,925)	(1,169,234)	(2,430,159)
Reclassification to non-current assets held for sale	-	1,055,001	1,055,001
Others	-	4,801	4,801
Balance at December 31, 2018	<u>₩ (1,260,925)</u>	<u>₩ (3,854,086)</u>	<u>₩ (5,115,011)</u>
Book amount			
Balance at January 1, 2018	₩ 77,565,252	₩ 13,242,056	₩ 90,807,308

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

		ownership		of ownership	
Associate	Beijing Zhongguan MEGABOX Cinema Co., Ltd.	49.00%	₩ 3,997,748	49.00%	₩ 3,616,446
Associate	Michigan Global Contents Investment Fund #4 ¹	-	-	23.00%	812,969
Associate	SMCI Korea Film Fund #5 ¹	-	-	25.93%	1,356,245
Associate	Daehan distributor Corp.	35.28%	-	35.28%	-
Joint venture	Delfi-Orion Pte Ltd.	50.00%	627,104	50.00%	810,431
Joint venture	Orion Nonghyup Agri, inc. ²	49.00%	29,863,328	49.00%	29,572,883
			<u>₩ 34,488,180</u>		<u>₩ 36,168,974</u>

¹ During 2019, Michigan Global Contents Investment Fund #4, SMCI Korea Film Fund #5 went through liquidation.

² The Group holds 49% shares of Orion Nonghyup Agri, inc. however, the Group classified Orion Nonghyup Agri, inc. as a joint venture since it satisfied the classification of joint venture pursuant to the contract which specifies the unanimous consent of the parties that collectively control the arrangement and others. And an agreement that NongHyup Agribusiness Group Inc. sells 1% shares of total issued shares to the Group at the date after five years from the approval date of plant usage and the Group purchases them is included in the contract.

The Group acquired additional shares of Orion Nonghyup Agri, inc. for ₩ 7,000 million during the year ended December 31, 2018.

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 arrangement.

The reporting date of the financial statements of associates and joint ventures which are used in order to prepare the consolidated financial statements is December 31, 2019.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Changes in investments in associates and joint ventures for the years ended December 31, 2019 and 2018, are as follows:

(In thousands of Korean won)

Name	2019						
	Balance at beginning of year	Acquisition	Disposal	Share of profit (loss) of joint ventures	Dividend	Other ¹	Balance at end of year
Beijing Zhongguan MEGABOX Cinema Co., Ltd.	₩ 3,616,446	₩ -	₩ -	₩ 1,172,915	₩ (852,475)	₩ 60,861	₩ 3,997,747
Michigan Global Contents Investment Fund #4	812,969	-	(812,969)	-	-	-	-
SMCI Korea Film Fund #5	1,356,245	-	(475,214)	(250,737)	(630,294)	-	-
Daehan distributor Corp.	-	-	-	-	-	-	-
Delfi-Orion Pte Ltd.	810,431	-	-	(213,541)	-	30,214	627,104
Orion Nonghyup Agri, inc.	29,572,883	-	-	295,685	-	(5,240)	29,863,328
	₩ <u>36,168,974</u>	₩ -	₩ <u>(1,288,183)</u>	₩ <u>1,004,322</u>	₩ <u>(1,482,769)</u>	₩ <u>85,835</u>	₩ <u>34,488,179</u>

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

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

(In thousands of Korean won)

Name	2018						
	Balance at beginning of year	Acquisition	Disposal	Share of profit (loss) of joint ventures	Dividend	Other ¹	Balance at end of year
Beijing Zhongguan MEGABOX Cinema Co., Ltd.	₩ 7,346,105	₩ -	₩ -	₩ 935,024	₩ (4,707,247)	₩ 42,564	₩ 3,616,446
Michigan Global Contents Investment Fund	288,415	-	(101,400)	(187,015)	-	-	-
Michigan Global Contents Investment Fund #3	2,077,771	-	(1,032,063)	(1,045,708)	-	-	-
Michigan Global Contents Investment Fund #4	1,773,548	-	(851,000)	(109,579)	-	-	812,969
Gemini Contents Investment Partnership #1	30,017	-	(6,132)	(23,885)	-	-	-
SMCI Korea Film Fund #5	5,638,212	-	(2,625,000)	(556)	(1,656,411)	-	1,356,245
Daehan distributor Corp.	-	-	-	-	-	-	-
Delfi-Orion Pte Ltd.	889,221	-	-	(115,678)	-	36,888	810,431
Orion Nonghyup Agri, inc.	23,036,196	7,000,000	-	(932,079)	-	468,766	29,572,883
	₩ 41,079,485	₩ 7,000,000	₩ (4,615,595)	₩ (1,479,476)	₩ (6,363,658)	₩ 548,218	₩ 36,168,974

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

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Summary of financial information of associates and joint ventures as at December 31, 2019 and 2018, is as follows:

(In thousands of Korean won)

Name	2019					
	Assets	Liabilities	Equity	Revenue	Profit(loss) for the year	Total comprehensive income (loss)
Beijing Zhongguan MEGABOX Cinema Co., Ltd.	₩ 10,559,129	₩ 2,400,461	₩ 8,158,668	₩ 17,308,011	₩ 2,393,798	₩ 2,393,798
Michigan Global Contents Investment Fund #4 ¹	-	-	-	-	-	-
SMCI Korea Film Fund #5 ¹	-	-	-	1,503,247	(967,127)	(967,127)
Daehan distributor Corp.	6,715,899	20,328,785	(13,612,886)	-	(356,271)	(356,271)
Delfi-Orion Pte Ltd.	2,278,951	1,024,742	1,254,209	3,137,163	(427,083)	(427,083)
Orion Nonghyup Agri, inc.	69,553,753	9,660,944	59,892,809	31,218,622	623,290	612,812

¹ During 2019, Michigan Global Contents Investment Fund #4 and SMCI Korea Film Fund #5 went through liquidation and the amount stated above presents financial information before liquidation.

(In thousands of Korean won)

Name	2018					
	Assets	Liabilities	Equity	Revenue	Profit(loss) for the year	Total comprehensive income (loss)
Beijing Zhongguan MEGABOX Cinema Co., Ltd.	₩ 9,598,425	₩ 2,217,921	₩ 7,380,504	₩ 16,795,225	₩ 1,908,212	₩ 1,908,212
Michigan Global Contents Investment Fund ¹	-	-	-	8,011	(935,076)	(935,076)
Michigan Global Contents Investment Fund #3 ¹	-	-	-	91,853	(2,462,271)	(2,462,271)
Michigan Global Contents Investment Fund #4	3,507,903	-	3,507,903	289,645	(377,945)	(377,945)
Gemini Contents Investment Partnership #1 ¹	-	-	-	479	(71,244)	(71,244)
SMCI Korea Film Fund #5	5,806,133	-	5,806,133	3,679,386	2,431,133	2,431,133
Daehan distributor Corp.	6,878,188	20,134,803	(13,256,615)	-	(453,198)	(453,198)
Delfi-Orion Pte Ltd.	2,644,926	1,024,062	1,620,864	2,352,352	(231,356)	(231,356)
Orion Nonghyup Agri, inc.	68,010,598	8,730,352	59,280,246	14,493,600	(1,850,524)	(1,946,323)

¹ During 2018, Michigan Global Contents Investment Fund, Michigan Global Contents Investment Fund #3 and Gemini Contents Investment Partnership #1 went through liquidation and the amount stated above presents financial information before liquidation.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

The details of investments in associates and joint ventures as at December 31, 2019 and 2018, are as follows:

(In thousands of Korean won)

Name	2019			
	Net assets	Percentage of ownership(%)	Group's share of net assets	Book amount
Beijing Zhongguan MEGABOX Cinema Co., Ltd.	₩ 8,158,668	49.00	₩ 3,997,748	₩ 3,997,748
Daehan distributor Corp.	(13,612,886)	35.28	(4,805,349)	-
Delfi-Orion Pte Ltd.	1,254,209	50.00	627,104	627,104
Orion Nonghyup Agri, inc.	59,892,809	49.00	29,347,476	29,863,328

(In thousands of Korean won)

Name	2018			
	Net assets	Percentage of ownership(%)	Group's share of net assets	Book amount
Beijing Zhongguan MEGABOX Cinema Co., Ltd.	₩ 7,380,504	49.00	₩ 3,616,446	₩ 3,616,446
Michigan Global Contents Investment Fund #4	3,507,903	23.00	812,969	812,969
SMCI Korea Film Fund #5	5,806,133	25.93	1,356,245	1,356,245
Daehan distributor Corp.	(13,256,615)	35.28	(4,679,585)	-
Delfi-Orion Pte Ltd.	1,620,864	50.00	810,431	810,431
Orion Nonghyup Agri, inc.	59,280,246	49.00	29,047,321	29,572,883

The amount of unrecognized share of losses of associate and joint venture due to the discontinued recognition of its share of losses of associates as at December 31, 2019 and 2018, are as follows:

(In thousands of Korean won)

Name	2019		2018	
	Unrecognized share of losses	Unrecognized share of cumulative losses	Unrecognized share of losses	Unrecognized share of cumulative losses
Daehan distributor Corp.	₩ (125,684)	₩ (4,805,269)	₩ (159,979)	₩ (4,679,585)

12. Financial Assets

Details of financial assets at fair value through profit or loss as at December 31, 2019 and 2018, are as follows:

(In thousands of Korean won)

	2019		2018	
Current				
Special purpose bonds	₩	43,290,187	₩	40,221,412
WMP		-		32,587,337
		<u>43,290,187</u>		<u>72,808,749</u>
Non-current				
Beneficiary certificates		6,185,006		3,421,718
Equity investments		130,816		130,816
		<u>6,315,822</u>		<u>3,552,534</u>

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

₩ 49,606,009 ₩ 76,361,283

Amounts recognized in profit or loss related to financial assets at fair value through profit or loss for the year ended December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	2019	2018
Gain on valuation of financial assets at fair value through profit or loss	₩ 641,289	₩ 486,800
Gain on disposal of financial assets at fair value through profit or loss	571,626	260,851
Loss on valuation of financial assets at fair value through profit or loss	(270,769)	(688,058)
Loss on disposal of financial assets at fair value through profit or loss	(165,937)	-
Interest Income	708,916	-
	₩ 1,485,125	₩ 59,593

Details of financial assets at fair value through other comprehensive income as at December 31, 2019 and 2018, are summarized as follows:

<i>(In thousands of Korean won)</i>	2019		2018	
	Book amount	Fair value	Book amount	Fair value
Listed				
- Crown Haitai Holdings Corp.	₩ 62	₩ 62	₩ 74	₩ 74
- Crown Confectionery Co., Ltd.	70	70	68	68
- Lotte Holdings Corp.	662	662	302	302
- Lotte Confectionery Co., Ltd.	299	299	896	896
- Taokaenoi Food & Marketing Public Company Limited	19,610,041	19,610,041	-	-
	19,611,134	19,611,134	1,340	1,340
Unlisted				
- Daegu Football Club	3,000	3,000	3,000	3,000
- E-mart everyday inc Ltd	81	81	81	81
- Chung Gu Co., Ltd	195	195	195	195
- The Korea Economics Daily Co., Ltd	28,400	28,400	28,400	28,400
- Eland Retail	1,077	1,077	1,077	1,077
- ELAND PARK LIMITED	80	80	80	80
- Tong Yang leisure	1,039,334	1,039,334	750,463	750,463
- Howon	9,753	9,753	9,753	9,753
	1,081,920	1,081,920	793,049	793,049
Total available-for-sale financial assets	₩ 20,693,054	₩ 20,693,054	₩ 794,389	₩ 794,389

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

13. Other Assets

Other assets as at December 31, 2019 and 2018, are summarized as follows:

(In thousands of Korean won)

	2019		2018	
	Current	Non-current	Current	Non-current
Prepayments	₩ 69,840,045	₩ 19,734,446	₩ 68,683,438	₩ 11,653,365
Prepaid expenses ¹	6,217,281	2,115,198	6,738,492	84,571,378
Others	1,986,537	1,573,561	3,080,540	9,128,841
	₩ <u>78,043,863</u>	₩ <u>23,423,205</u>	₩ <u>78,502,470</u>	₩ <u>105,353,584</u>

¹ ₩ 83,412 million of prepaid expenses (non-current) replaced to right-of-use assets.

14. Inventories

Inventories as at December 31, 2019 and 2018, are summarized as follows:

(In thousands of Korean won)

	2019	2018
Merchandise	₩ 24,276,264	₩ 27,856,524
Finished goods	44,983,598	45,491,896
Work-in-progress	8,379,120	7,874,932
Raw materials	52,842,189	55,859,449
Supplies	2,818,736	3,490,893
Raw materials-in-transit	13,249,241	13,365,113
Sites for construction	23,549,235	23,549,235
Others	2,360,294	2,630,237
	₩ <u>172,458,677</u>	₩ <u>180,118,279</u>

Inventories recognized as an expense during the year ended December 31, 2019, amounted to ₩ 806,395 million (2018: ₩ 758,114 million)

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

15. Trade and Other Receivables

Trade and other receivables as at December 31, 2019 and 2018, are summarized as follows:

(In thousands of Korean won)

	2019		2018	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 207,683,225	₩ -	₩ 201,463,684	₩ -
Less: allowance for bad debts	(24,264,808)	-	(25,023,547)	-
Other receivables	7,103,585	-	8,652,893	-
Less: allowance for bad debts	(1,200,156)	-	(1,223,528)	-
Accrued income	298,346	6,934	272,562	6,934
Guarantee deposits	2,013,937	2,020,064	1,932,930	1,011,284
Loans	2,162,428	-	2,252,209	-
Less: allowance for bad debts	(622,325)	-	(622,325)	-
	<u>₩ 193,174,232</u>	<u>₩ 2,026,998</u>	<u>₩ 187,704,878</u>	<u>₩ 1,018,218</u>

Trade and other receivables are financial instruments incurred in the ordinary course of business and consist of trade receivables, other receivables and others. The Group holds the trade receivables with the objective to collect the contractual cash flows and, therefore, measures them subsequently at amortized cost. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 34.

16. Cash and Cash Equivalents, and Restricted Deposits

Cash and cash equivalents as at December 31, 2019 and 2018, are summarized as follows:

(In thousands of Korean won)

	2019	2018
Cash on hand	₩ 49,155	₩ 69,917
Demand deposits	<u>190,269,915</u>	<u>257,715,342</u>
Total	<u>₩ 190,319,070</u>	<u>₩ 257,785,259</u>

Deposits which are restricted in use as at December 31, 2019 and 2018, are summarized as follows:

(In thousands of Korean won)

	2019	2018
Long-term deposits	₩ 4,000	₩ 4,000
	85,353	85,353
Short-term deposits	<u>47,617</u>	<u>47,617</u>
Total	<u>₩ 136,970</u>	<u>₩ 136,970</u>

Deposit for checking account
Pledge
Pledge

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

17. Capital stock and capital surplus

Details of capital stock as at December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean Won, except number of shares)</i>	<u>2019</u>	<u>2018</u>
Number of common shares:		
- Authorized	480,000,000	480,000,000
- Issued	62,645,422	62,644,293
- Share capital	₩ 31,322,711	₩ 31,322,147
Par value per share	₩ 500	₩ 500

Changes in the capital stock and capital surplus for the years ended December 31, 2019 and 2018, are as follows:

<i>(In thousand of won, except number of shares)</i>	<u>2019</u>			<u>2018</u>		
	<u>Number of Common shares</u>	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Number of Common shares</u>	<u>Share capital</u>	<u>Share premium</u>
Beginning of year	62,644,293	₩ 31,322,147	₩ 1,251,311,079	62,644,053	₩ 31,322,027	₩ 1,251,281,671
Issuance of ordinary shares upon exercise of stock options	1,129	564	39,002	240	120	29,408
End of year	<u>62,645,422</u>	<u>₩ 31,322,711</u>	<u>₩ 1,251,350,081</u>	<u>62,644,293</u>	<u>₩ 31,322,147</u>	<u>₩ 1,251,311,079</u>

Cumulative participating preferred stocks can be issued as non-voting registered stocks 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, 2019, no preferred stocks have been issued.

The Company is allowed to grant stock options within 15/100 of the total number of stocks issued with the approval from the shareholders and within 3/100 of the total number of stocks issued with the approval of the Board of Directors to its employees who contribute or are able to contribute to the establishment, management, or technological innovation of the Company. The stock options that have been granted as at December 31, 2019, are described in Note 22.

According to its Articles of Incorporation, the Company can issue convertible bonds and bonds with stock warrants up to the face value of ₩ 300 billion with the approval from the Board of Directors. As at December 31, 2019, no convertible bonds or bonds with stock warrants have been issued.

18. Treasury Shares

The Group has 2,488,769 treasury shares as at December 31, 2019 with the acquisition cost of ₩ 11,625,409 thousand. The Group intends to dispose of the treasury shares in the future depending on the market conditions.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

19. Other Capital

Details of other capital as at December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Changes from equity transactions	₩ 43,976,187	₩ 43,705,662
Gains on sale of treasury stock	312,098,858	303,694,863
Changes in fair value of financial assets at fair value through other comprehensive income	66,462	(496,467)
Stock options	-	23,334
Exchange differences on translating foreign operations	8,055,396	(7,934,173)
Share of other comprehensive income of associates	293,969	237,707
Others	(810,421)	(810,421)
	<u>₩ 363,680,451</u>	<u>₩ 338,420,505</u>

20. Reserves

Details of reserves as at December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Legal reserve	₩ 89,643,011	₩ 84,844,532
Voluntary reserve	56,163,003	30,000,000
	<u>₩ 145,806,014</u>	<u>₩ 114,844,532</u>

Legal Reserve

The Korean Commercial Code requires the Group to appropriate a legal reserve at the minimum 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve may be used to reduce a deficit or may be transferred to ordinary shares in connection with a free issuance of shares. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed in accordance with a resolution of the shareholders' meeting.

21. Earnings per Share

Basic earnings per share from continuing operations

<i>(In Korean won, except share information)</i>	<u>2019</u>	<u>2018</u>
Profit for the year from continuing operations attributable to owners of the Group	₩ 48,378,510,223	₩ 56,332,235,657
Weighted-average number of ordinary shares	<u>60,156,610</u>	<u>60,155,370</u>
Basic earnings per share from continuing operations	<u>₩ 804</u>	<u>₩ 936</u>

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Weighted average number of ordinary shares

<i>(in shares)</i>	<u>2019</u>	<u>2018</u>
The number of ordinary shares issued at January 1	62,644,293	62,644,053
Effect of exercise of stock options	1,086	86
Treasury shares	<u>(2,488,769)</u>	<u>(2,488,769)</u>
Weighted average number of ordinary shares	<u>60,156,610</u>	<u>60,155,370</u>

Diluted earnings per share

<i>(In Korean won, except share information)</i>	<u>2019</u>	<u>2018</u>
Profit for the year from continuing operations attributable to owners of the Group	₩ 48,378,510,223	₩ 56,332,235,657
Adjusted profit for the year attributable to owners of the Group	48,378,510,223	56,332,235,657
Diluted weighted average number of ordinary shares	<u>60,156,654</u>	<u>60,155,756</u>
Diluted earnings per share from continuing operations	₩ <u>804</u>	₩ <u>936</u>

Diluted weighted average number of ordinary shares

<i>(in shares)</i>	<u>2019</u>	<u>2018</u>
Basic weighted average number of ordinary shares	60,156,610	60,155,370
Effect of stock options	<u>44</u>	<u>386</u>
Diluted weighted average number of ordinary shares	<u>60,156,654</u>	<u>60,155,756</u>

The average market value of the shares of the Company for the purpose of calculating diluted effects of the stock option is based on the average market price of the common shares during the reporting period.

22. Share-based Payments

The terms and conditions of grants as at December 31, 2019, are as follows:

<i>(In Korean won, except number of shares)</i>	<u>2018.4.1</u>	<u>2019.4.1</u>
Arrangement	Showbox Corp.	Showbox Corp.
The first grant quantity	106,000	195,000
Exercise quantity	-	-
Cancel quantity	(15,000)	-
Number of shares at the end of the year	91,000	195,000
Available at the end of the year	-	-
Exercise price	₩ 5,785	₩ 3,316
Date of maturity	2028.3.31	2029.3.31
Vesting conditions	3 years' service	3 years' service

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

The initial share-based compensation agreement is 4,797 shares, granted by Orion Holdings Corp. and Orion Corp, and there is no exercisable stock since all of the shares were exercised as at December 31, 2019.

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

i) Showbox Corp.

<i>(In Korean won)</i>	Inputs	
Date of grant	2018.4.1	2019.4.1
Fair value at grant date	₩ 1,207	₩ 504
Risk-free interest rate	2.645%	1.820%
Discount rate	7.724%	9.735%
Applied volatility	17.56%	19.10%
Model used	CRR binomial model	CRR binomial model

23. Trade and Other Payables

Trade and other payables as at December 31, 2019 and 2018, are summarized as follows:

<i>(In thousands of Korean won)</i>	2019		2018	
	Current	Non-current	Current	Non-current
Trade payables	₩ 89,295,525	₩ 360,549	₩ 91,224,432	-
Other payables	100,074,799	593,195	108,152,355	579,208
Withholdings	20,875,034	592,679	25,124,315	-
Accrued expenses	67,268,889	-	61,303,465	-
Deposits received	420,969	1,078,168	272,586	1,222,080
Others	310	-	1,767	-
	<u>₩ 277,935,526</u>	<u>₩ 2,624,591</u>	<u>₩ 286,078,920</u>	<u>₩ 1,801,288</u>

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

24. Borrowings and Debentures

Borrowings and debentures as at December 31, 2019 and 2018, are summarized as follows:

<i>(In thousands of Korean won)</i>	2019		2018	
	Current	Non-current	Current	Non-current
Long-term borrowings				
Debentures	₩ 120,000,000	₩ 160,000,000	₩ 50,000,000	₩ 280,000,000
Less discount	(54,085)	(223,005)	(13,586)	(448,412)
Long-term debts	60,000	60,000,000	60,000	30,060,000
	<u>120,005,915</u>	<u>219,776,995</u>	<u>50,046,414</u>	<u>309,611,588</u>
Short-term borrowings				
Short-term borrowings in Korean won	1,844,225	-	1,988,399	-
Short-term borrowings in foreign currency	5,135,919	-	103,329,824	-
	<u>6,980,144</u>	<u>-</u>	<u>105,318,223</u>	<u>-</u>
	₩ <u>126,986,059</u>	₩ <u>219,776,995</u>	₩ <u>155,364,637</u>	₩ <u>309,611,588</u>

Terms and conditions of debentures as at December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	Maturity	Interest rate	2019	2018
98th	2019-04-17	-	₩ -	₩ 50,000,000
100th	2020-04-24	2.11%	70,000,000	70,000,000
101th	2022-03-02	2.24%	60,000,000	60,000,000
102th	2022-05-29	2.37%	50,000,000	50,000,000
103th-1	2020-11-06	2.63%	50,000,000	50,000,000
103th-2	2022-11-06	2.87%	50,000,000	50,000,000
			<u>280,000,000</u>	<u>330,000,000</u>
Less: current portion of debentures			<u>(120,000,000)</u>	<u>(50,000,000)</u>
			₩ <u>160,000,000</u>	₩ <u>280,000,000</u>

Terms and conditions of long-term debts as at December 31, 2019 and 2018 are as follows:

<i>(In thousands of Korean won)</i>	Maturity	Interest rate	Currency	2019	2018
		MOR			
		6M+1.57%			
Kookmin Bank	2021	+1.41%	KRW	60,000,000	30,000,000
Siheung Environmental Management Center	2020	-	KRW	60,000	120,000
				<u>60,060,000</u>	<u>30,120,000</u>
Less: current portion				<u>(60,000)</u>	<u>(60,000)</u>
				₩ <u>60,000,000</u>	₩ <u>30,060,000</u>

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Short-term borrowings as at December 31, 2019 and 2018 are as follows:

(In thousands of Korean won)

	Contents	Interest rate	2019	2018
Kookmin Bank	Usance	Libor 3M+0.4%	1,304,184 (USD 1,126,433)	549,889
	Usance	0.40%	2,740,172 (USD 2,112,000)	-
	Bills bought	Libor 1M+1.13%	350,787 (USD 302,977)	245,699
Shinhan Bank	Usance	0.3%	629,902 (USD 485,500)	397,077
	Usance	Libor 3M+0.3%	110,874 (USD 95,763)	-
Hyundai Card	Purchasing card	1.44%	1,844,225	1,988,399
Korea Development Bank	General loan	-	-	22,447,727
Woori Bank	General loan	-	-	28,059,659
	General loan	-	-	11,223,864
	General loan	-	-	6,734,318
DBS Bank	General loan	-	-	33,671,591
	General loan	-	-	
			<u>₩ 6,980,144</u>	<u>₩ 105,318,223</u>

The following assets are pledged as collateral for the Group's trade and other payables, short-term borrowings, long-term debts and debentures as at December 31, 2019 and 2018 :

(In thousands of Korean won)

Asset	Lender	Type of borrowings	Borrowing amount	2019 Book amount	Collateralized amount
Land and buildings	Siheung Environmental Management Center	General loan	₩ 60,000	₩ 9,027,935	₩ 780,000
and buildings	Kookmin Bank	Facility loan	60,000,000	53,749,263	72,000,000
			<u>₩ 60,060,000</u>	<u>₩ 62,777,198</u>	<u>₩ 72,780,000</u>

(In thousands of Korean won)

Asset	Lender	Type of borrowings	Borrowing amount	2018 Book amount	Collateralized amount
Land and buildings	Siheung Environmental Management Center	General loan	₩ 120,000	₩ 9,027,456	₩ 780,000
Land	Kookmin Bank	Facility loan	30,000,000	6,599,978	72,000,000
			<u>₩ 30,120,000</u>	<u>₩ 15,627,434</u>	<u>₩ 72,780,000</u>

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Book amount and fair value of borrowings as at December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	2019		2018	
	<u>Book amount</u>	<u>Fair value¹</u>	<u>Book amount</u>	<u>Fair value¹</u>
Short-term borrowings	₩ 126,986,059	₩ 126,986,059	₩ 155,364,637	₩ 155,364,637
Long-term borrowings	<u>219,776,995</u>	<u>218,567,747</u>	<u>309,611,588</u>	<u>310,033,879</u>
	₩ <u>346,763,054</u>	₩ <u>345,553,806</u>	₩ <u>464,976,225</u>	₩ <u>465,398,516</u>

¹ The fair values of short-term borrowings are equal to their book amounts as the impact of discounting is not significant. The fair values of long-term liabilities are based on discounted cash outflows at the weighted average borrowing rates of 2.64% for long-term borrowings (2018 : 2.54%).

25. Employee Benefits

The Group operates defined contribution plan and defined benefit plan. The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method.

The retirement benefit expenses for the years ended December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>		<u>2018</u>	
Contributions to defined contribution plans	₩	1,152,520	₩	1,241,702
Expenses related to post-employment defined benefit plans		<u>11,976,058</u>		<u>12,364,742</u>
	₩	<u>13,128,578</u>	₩	<u>13,606,444</u>

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Changes in net defined benefit liability for the years ended December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability(asset)	
	2019	2018	2019	2018	2019	2018
Balance at January 1	₩ 84,645,930	₩ 75,011,439	₩ (84,608,643)	₩ (75,060,180)	₩ 37,287	₩ (48,741)
Included in profit or loss:						
Current service costs	12,001,322	12,424,649	-	-	12,001,322	12,424,649
Interest costs (income)	1,835,516	2,041,813	(1,860,780)	(2,101,720)	(25,264)	(59,907)
	<u>13,836,838</u>	<u>14,466,462</u>	<u>(1,860,780)</u>	<u>(2,101,720)</u>	<u>11,976,058</u>	<u>12,364,742</u>
Included in other comprehensive income:						
Remeasurements loss (gain)						
- Actuarial loss (gain) arising from:						
Experience adjustment	2,829,823	(1,006,430)	-	-	2,829,823	(1,006,430)
Demographic assumptions	62,390	938,412	-	-	62,390	938,412
Financial assumptions	1,644,417	710,709	-	-	1,644,417	710,709
- Return on plan assets excluding interest income	-	-	256,525	748,934	256,525	748,934
	<u>4,536,630</u>	<u>642,691</u>	<u>256,525</u>	<u>748,934</u>	<u>4,793,155</u>	<u>1,391,625</u>
Others:						
Contributions paid by the employer	-	-	(16,326,077)	(13,616,426)	(16,326,079)	(13,616,426)
Transfer from and to affiliated companies	2,037,649	3,440,860	(625,162)	(3,440,860)	1,412,487	-
Benefits paid	(7,525,290)	(8,919,633)	7,509,634	8,861,608	(15,656)	(58,025)
Exchange difference	6,567	4,112	-	-	6,567	4,112
	<u>(5,481,074)</u>	<u>(5,474,661)</u>	<u>(9,441,605)</u>	<u>(8,195,678)</u>	<u>(14,922,679)</u>	<u>(13,670,339)</u>
Balance at December 31	₩ <u>97,538,324</u>	₩ <u>84,645,930</u>	₩ <u>(95,654,503)</u>	₩ <u>(84,608,643)</u>	₩ <u>1,883,821</u>	₩ <u>37,287</u>

The components of plan assets as at December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	2019	2018
Equity securities	₩ 25,230,729	₩ 14,195,897
Debt securities	45,523,105	19,327,667
Others(Deposit and others)	24,900,669	51,085,079
	<u>₩ 95,654,503</u>	<u>₩ 84,608,643</u>

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

The principal actuarial assumptions as at December 31, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	1.93%~2.37%	2.30%~2.63%
Future salary growth	3.74%~6.32%	4.06%~6.37%

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

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

<i>(In thousands of Korean won)</i>	<u>2019</u>	
	<u>1% increase</u>	<u>1% decrease</u>
Discount rate	₩ (5,346,926)	₩ 6,026,710
Future salary growth	5,875,540	(5,323,668)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

The weighted average duration of the defined benefit obligations is 3.579 ~ 10.236 years as at December 31, 2019 (2018: 5.04 ~ 8.19 years).

The expected maturity analysis of undiscounted pension benefits as at December 31, 2019, is as follows:

<i>(in thousands of Korean won)</i>	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Pension benefits	₩ 10,094,943	₩ 17,034,632	₩ 34,838,563	₩ 176,637,859	₩ 238,605,997

26. Other Liabilities

Other liabilities as at December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>		<u>2018</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Advances received	₩ 50,085,914	₩ -	₩ 60,844,578	₩ -
Unearned revenue	26,131	186,023	4,220	76,075
Provision for warranty	2,853,606	-	2,779,745	-
Others	760,631	395,711	1,317,993	809,321
	<u>₩ 53,726,282</u>	<u>₩ 581,734</u>	<u>₩ 64,946,536</u>	<u>₩ 885,396</u>

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

27. Sales and Cost of Sales

(a) Revenue from Contracts with Customers

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Revenue from contracts with customers	₩ 2,102,558,707	₩ 1,996,156,811
Revenue from other sources	<u>1,032,582</u>	<u>1,526,017</u>
Total revenue	₩ <u>2,103,591,289</u>	₩ <u>1,997,682,828</u>

(b) Disaggregation of Revenue from Contracts with Customers

<i>(In thousands of Korean won)</i>	<u>2019</u>			
	<u>Sale of goods</u>	<u>Royalty</u>	<u>Other</u>	<u>Total</u>
Recognized at a point in time	₩ 2,098,119,210	₩ -	₩ 4,427,756	₩ 2,102,546,966
Recognized over time	<u>-</u>	<u>11,741</u>	<u>-</u>	<u>11,741</u>
	₩ <u>2,098,119,210</u>	₩ <u>11,741</u>	₩ <u>4,427,756</u>	₩ <u>2,102,558,707</u>

<i>(In thousands of Korean won)</i>	<u>2018</u>			
	<u>Sale of goods</u>	<u>Royalty</u>	<u>Other</u>	<u>Total</u>
Recognized at a point in time	₩ 1,990,369,295	₩ -	₩ 5,767,762	₩ 1,996,137,057
Recognized over time	<u>-</u>	<u>19,754</u>	<u>-</u>	<u>19,754</u>
	₩ <u>1,990,369,295</u>	₩ <u>19,754</u>	₩ <u>5,767,762</u>	₩ <u>1,996,156,811</u>

(c) Cost of Sales

<i>(in thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Sales of goods	₩ 1,098,634,252	₩ 1,029,127,894
Others	<u>76,728,059</u>	<u>71,159,670</u>
	₩ <u>1,175,362,311</u>	₩ <u>1,100,287,564</u>

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

28. Selling Expenses and General and Administrative Expenses

Details of selling expenses for the years ended December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Salaries	₩ 163,320,257	₩ 165,252,235
Retirement and termination benefits	4,881,803	4,641,195
Employee welfare	15,492,402	14,952,537
Travel expenses	6,417,938	6,549,255
Taxes and dues	15,957,199	17,746,733
Rental expenses	9,959,245	11,237,316
Depreciation	5,909,093	6,473,395
Amortization	1,539,901	1,322,273
Advertising expenses	38,205,048	52,595,077
Ordinary development expense	1,166,988	1,131,566
Freight and custody	87,524,502	79,491,741
Commissions	58,906,431	62,241,107
Promotion	18,306,780	17,399,032
Bad debt expenses	160,414	305,798
Depreciation and amortization relating to business combination ¹	66,349,406	65,374,796
Depreciation of right-of-use assets	2,360,979	-
Others	21,957,995	22,195,951
	<u>₩ 518,416,381</u>	<u>₩ 528,910,007</u>

Details of general and administrative expenses for the years ended December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Salaries	₩ 64,022,400	₩ 61,262,799
Retirement and termination benefits	6,643,215	6,487,414
Employee welfare	10,881,542	10,517,968
Travel expenses	2,330,990	1,973,360
Taxes and dues	3,767,566	5,317,036
Rental expenses	5,210,696	9,370,142
Depreciation	7,778,967	8,130,965
Amortization	2,239,117	1,416,234
Commissions	24,323,575	22,182,665
Depreciation and amortization relating to business combination ¹	-	1,115,098
Depreciation of right-of-use assets	5,932,468	-
Others	10,022,548	10,198,985
	<u>₩ 143,153,084</u>	<u>₩ 137,972,666</u>

¹ Depreciation and amortization relating to business combination in selling and general and administrative expenses is the depreciation and amortization expense for valuation of property, plant and equipment and intangible assets that are incurred in the acquisition of control over Orion Corp. during 2017.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

29. Other Income and Other Expenses

Details of other income and other expenses for the years ended December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Other income		
Foreign currency transaction gain	₩ 723,109	₩ 414,412
Foreign currency translation gain	79,175	32,932
Gain on sale of property, plant and equipment	3,111,840	301,873
Gains on disposal of assets held for sale	-	7,862,720
Gain on sale of investment property	-	5,541,351
Insurance income ¹	-	8,020,658
Reversal of impairment loss on intangible assets	-	448,817
Gain on disposal of investment in associates	7,317	-
Others	6,204,285	5,558,967
	<u>10,125,726</u>	<u>28,181,730</u>
Other expenses		
Foreign currency transaction loss	(353,598)	(378,758)
Foreign currency translation loss	(65,315)	(84,132)
Loss on sale of property, plant and equipment	(23,698,451)	(2,732,475)
Impairment loss on property, plant and equipment	(1,447,965)	-
Loss on sale of intangible assets	(1,891)	(220,347)
Impairment loss on intangible assets	(77,899)	(629,010)
Loss on disposition of Investments in associates	(252,233)	(33,079)
Donation	-	(947,168)
Impariment loss on right-of-use assets	(480,050)	-
Others ²	(7,458,726)	(2,015,334)
	<u>(33,836,128)</u>	<u>(7,040,303)</u>
Net other income (expenses)	<u>₩ (23,710,402)</u>	<u>₩ 21,141,427</u>

¹ Insurance income is the outstanding balance of insurance benefit received from insurance company regarding the fire incident in Orion Icheon factory.

² Due to a fire, the Group recognized miscellaneous expense (disposal of inventory) of ₩ 4,286 million.

30. Finance Income and Costs

Details of finance income and costs for the years ended December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Finance income		
Interest income	₩ 8,540,663	₩ 8,599,088
Foreign currency transaction gain	2,823,624	2,380,835
Foreign currency translation gain	104,329	416,462
Gain on valuation of financial assets at fair value	641,289	486,800

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

<i>(In thousands of Korean won)</i>	2019	2018
through profit or loss		
Gain on disposal of financial assets at fair value through profit or loss	571,626	260,851
Gain on derivatives transaction	-	7,481
	12,681,531	12,151,517
Finance costs		
Interest expense	(10,940,121)	(16,034,081)
Foreign currency transaction loss	(957,530)	(4,411,943)
Foreign currency translation loss	(183,559)	(260,597)
Loss on valuation of financial assets at fair value through profit or loss	(270,769)	(688,058)
Loss on disposal of available-for-sale financial assets	(165,937)	-
	(12,517,916)	(21,394,679)
Net finance costs	₩ 163,615	₩ (9,243,162)

31. Nature of Expenses

Details of nature of expenses for the years ended December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	2019		
	Cost of sales	Selling, general and administrative expense	Total
Raw materials used	₩ 770,453,369	₩ -	₩ 770,453,369
Purchasing merchandise	33,677,872	-	33,677,872
Changes in inventories	2,263,684	-	2,263,684
Employee benefits expense	75,993,050	238,867,675	314,860,725
Depreciation and amortization	162,927,782	83,816,484	246,744,266
Depreciation of right-of-use assets	265,641	8,293,447	8,559,088
Service fees	28,412,398	83,230,007	111,642,405
Advertising expenses	375	38,205,048	38,205,423
Freight and custody	1,037,729	87,524,502	88,562,231
Others	100,330,410	121,632,303	221,962,713
	₩ 1,175,362,310	₩ 661,569,466	₩ 1,836,931,776

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

(In thousands of Korean won)

	2018		
	Cost of sales	Selling, general and administrative expense	Total
Raw materials used	₩ 749,482,718	₩ -	₩ 749,482,718
Purchasing merchandise	18,494,572	-	18,494,572
Changes in inventories	(9,862,822)	-	(9,862,822)
Employee benefits expense	81,435,418	237,643,643	319,079,061
Depreciation and amortization	134,312,275	82,717,663	217,029,938
Depreciation of investment in properties	431,107	-	431,107
Service fees	25,836,671	85,538,870	111,375,541
Advertising expenses	-	52,576,666	52,576,666
Freight and custody	1,239,501	79,471,274	80,710,775
Others	98,918,124	128,934,557	227,852,681
	₩ <u>1,100,287,564</u>	₩ <u>666,882,673</u>	₩ <u>1,767,170,237</u>

32. Financial Instruments by Categories

Finance income and cost by categories for the years ended December 31, 2019 and 2018, are as follows:

(In thousands of Korean won)	2019				
	Finance income	Finance cost	Net income	Other comprehensive income	Total comprehensive income
Financial assets					
Financial assets at amortized cost	₩ 10,668,912	₩ -	₩ 10,668,912	₩ -	₩ 10,668,912
Financial assets at fair value through profit or loss	1,922,899	(436,706)	1,486,193	-	1,486,193
Financial assets at fair value through other comprehensive income	-	-	-	1,308,716	1,308,716
	<u>12,591,811</u>	<u>(436,706)</u>	<u>12,155,105</u>	<u>1,308,716</u>	<u>13,463,821</u>
Financial liabilities					
Financial liabilities measured at amortized cost	89,718	(11,791,649)	(11,701,931)	-	(11,701,931)
Lease liabilities	-	(289,559)	(289,559)	-	(289,559)
	<u>89,718</u>	<u>(12,081,208)</u>	<u>(11,991,490)</u>	<u>-</u>	<u>(11,991,490)</u>
	₩ <u>12,681,529</u>	₩ <u>(12,517,914)</u>	₩ <u>163,615</u>	₩ <u>1,308,716</u>	₩ <u>1,472,331</u>

(In thousands of Korean won)	2018				
	Finance income	Finance cost	Net income	Other comprehensive income	Total comprehensive income
Financial assets					
Financial assets at amortized cost	₩ 10,560,547	₩ -	₩ 10,560,547	₩ -	₩ 10,560,547

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Financial assets at fair value through profit or loss	1,553,679	(688,058)	865,621	-	865,621
Financial assets at fair value through other comprehensive income	-	-	-	(52,138)	(52,138)
	12,114,226	(688,058)	11,426,168	(52,138)	11,374,030
Financial liabilities					
Financial liabilities measured at amortized cost	29,810	(20,706,620)	(20,676,810)	-	(20,676,810)
Financial liabilities at fair value through profit or loss	7,480	-	7,480	-	7,480
	37,290	(20,706,620)	(20,669,330)	-	(20,669,330)
	₩ 12,151,516	₩ (21,394,678)	₩ (9,243,162)	₩ (52,138)	₩ (9,295,300)

The book amount and the fair value of financial instruments as at December 31, 2019 and 2018, are summarized as follows:

<i>(In thousands of Korean won)</i>	2019		2018	
	Book Value	Fair value	Book Value	Fair value
Financial assets				
Financial assets at amortized cost	₩ 465,231,262	₩ 465,231,262	₩ 471,991,844	₩ 471,991,844
Financial assets at fair value through profit or loss	49,606,008	49,606,008	76,361,282	76,361,282
Financial assets at fair value through other comprehensive income	20,693,054	20,693,054	794,390	794,390
	₩ <u>535,530,324</u>	₩ <u>535,530,324</u>	₩ <u>549,147,516</u>	₩ <u>549,147,516</u>
Financial liabilities				
Financial liabilities measured at amortized cost	612,765,306	611,556,058	739,320,593	739,742,883
Lease liabilities	12,168,590	12,168,590	-	-
	₩ <u>624,933,896</u>	₩ <u>623,724,648</u>	₩ <u>739,320,593</u>	₩ <u>739,742,883</u>

The Group estimates the book amounts of financial assets, other than and long-term borrowings and financial assets at fair value through profit or loss, 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)

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2019				
Financial assets at fair value through profit or loss ₩	-	₩ 48,693,040	₩ 912,968	₩ 49,606,008
Financial assets at fair value through other comprehensive income	19,611,134	-	1,081,920	20,693,054
December 31, 2018				
Financial assets at fair value through profit or loss ₩	-	₩ 73,276,366	₩ 3,084,916	₩ 76,361,282
Financial assets at fair value through other comprehensive income	1,340	-	793,050	794,390

33. Income Taxes

Income tax expense for the years ended December 31, 2019 and 2018 consists of:

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Current income tax expense	₩ 70,818,477	₩ 73,909,973
Adjustment for prior periods	11,674,561	(240,628)
Origination and reversal of temporary differences	<u>(4,517,311)</u>	<u>48,627,397</u>
Total income tax effect	77,975,727	122,296,742
Income taxes related to items recognized outside profit or loss	<u>9,751,539</u>	<u>339,760</u>
Total income tax expense	₩ <u>87,727,266</u>	₩ <u>122,636,502</u>

Origination and reversal of temporary differences for the years ended December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Deferred tax liabilities net, year-end	₩ (280,000,156)	₩ (284,517,466)
(-)Deferred tax liabilities net, beginning	<u>(284,517,466)</u>	<u>(235,890,069)</u>
Origination and reversal of temporary differences	₩ <u>4,517,310</u>	₩ <u>(48,627,397)</u>

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Income taxes related to items recognized outside profit or loss for the years ended December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Remeasurements of the defined benefit liability	₩ 916,786	₩ 327,125
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	(77,388)	12,636
Gains on sale of treasury stock	8,403,995	-
Accumulated changes from equity transactions	270,525	-
Changes in accounting policy	237,620	-
Income tax expense recognized other than in profit or loss	₩ 9,751,538	₩ 339,761

Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2019 and 2018, follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Profit before income tax	₩ 244,117,047	₩ 240,931,380
Income tax using the Group's statutory tax rate	₩ 74,445,027	₩ 71,111,159
Adjustments :		
Non-deductible expense(revenue)	(1,881,053)	(222,085)
Tax credits	(2,753,385)	(1,629,250)
Adjustments for prior periods	11,674,561	(240,628)
Tax effects of temporary differences for which no deferred tax assets (liabilities) are recognized	3,710,150	52,364,634
Impact of changes in Korean tax rate	1,513,728	-
Others	1,018,239	1,252,672
Income tax expense	₩ 87,727,267	₩ 122,636,502
Effective tax rate	35.94%	50.90%

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

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Changes in deferred tax assets and liabilities for the years ended December 31, 2019 and 2018, are as follows:

(In thousands of Korean won)

	2019			
	<u>Beginning balance</u>	<u>Profit or loss</u>	<u>Directly reflected in capital</u>	<u>Ending balance</u>
Bad debt expense	₩ 1,271,626	₩ (453,609)	₩ -	₩ 818,017
Provision for warranty	672,698	17,875	-	690,573
Accumulated depreciation	(72,415,405)	(11,218,263)	-	(83,633,668)
Defined benefit liability	939,242	(1,844,924)	916,786	11,104
Land	(48,067,922)	32,020	-	(48,035,902)
Increase in the value of buildings and machinery	14,653,288	(1,333,532)	-	13,319,756
Prepaid expenses	(12,250,028)	432,630	-	(11,817,398)
Identifiable intangible assets	(132,148,296)	13,632,064	-	(118,516,232)
Investments in subsidiaries	(51,625,573)	1,118,682	-	(50,506,891)
Others	14,452,904	(5,617,171)	8,834,752	17,670,485
	<u>₩ (284,517,466)</u>	<u>₩ (5,234,228)</u>	<u>₩ 9,751,538</u>	<u>₩ (280,000,156)</u>

(In thousands of Korean won)

	2018			
	<u>Beginning balance</u>	<u>Profit or loss</u>	<u>Directly reflected in capital</u>	<u>Ending balance</u>
Bad debt expense	₩ 1,564,361	₩ (292,735)	₩ -	₩ 1,271,626
Provision for warranty	695,298	(22,600)	-	672,698
Research and human development reserves	(322,667)	322,667	-	-
Accumulated depreciation	(47,734,306)	(24,681,099)	-	(72,415,405)
Defined benefit liability	49,077	563,040	327,125	939,242
Land	(48,132,002)	64,080	-	(48,067,922)
Increase in the value of buildings and machinery	15,784,057	(1,130,769)	-	14,653,288
Prepaid expenses	(12,519,882)	269,854	-	(12,250,028)
Identifiable intangible assets	(147,784,345)	15,636,049	-	(132,148,296)
Investments in subsidiaries	2,248,190	(53,873,763)	-	(51,625,573)
Others	262,150	14,178,118	12,636	14,452,904
	<u>₩ (235,890,069)</u>	<u>₩ (48,967,158)</u>	<u>₩ 339,761</u>	<u>₩ (284,517,466)</u>

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

The amount of deductible temporary differences for which deferred tax assets are not recognized as at December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Investments in subsidiaries	₩ 71,292,285	₩ 71,292,285
Allowance for doubtful accounts	105,367,886	105,356,433
Others	34,495,296	34,720,355
Tax loss carryforwards	64,611,465	64,611,465

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 carryforwards can be used.

The amounts of taxable temporary differences for which no deferred tax liabilities are recognized as at December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Investments in subsidiaries	₩ (377,249,779)	₩ (377,249,779)
Others	(16,081,181)	(16,084,729)

As at December 31, 2019 and 2018, 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 aggregate amounts of tax assets and liabilities as at December 31, 2019 and 2018 before offsetting are as follows:

<i>(In thousands of Korean won)</i>	<u>2019</u>	<u>2018</u>
Income taxes payable	₩ 41,970,598	₩ 39,366,967
Prepaid income taxes	(19,837,363)	(2,723,658)
Income taxes payable, net	₩ <u>22,133,235</u>	₩ <u>36,643,309</u>

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

The analysis of deferred tax assets and liabilities as at December 31, 2019 and 2018, is as follows:

<i>(in thousands of Korean won)</i>	2019	2018
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 23,477,730	₩ 16,925,427
Deferred tax asset to be recovered within 12 months	9,032,205	15,064,331
	<u>32,509,935</u>	<u>31,989,758</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(312,285,771)	(316,405,553)
Deferred tax liability to be recovered within 12 months	(224,320)	(101,671)
	<u>(312,510,091)</u>	<u>(316,507,224)</u>
Deferred tax assets (liabilities), net	<u>₩ (280,000,156)</u>	<u>₩ (284,517,466)</u>

34. 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 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

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

There are no significant concentrations of credit risk as at December 31, 2019 and 2018.

The carrying amount of financial assets is maximum exposure to credit risk. The maximum exposure to credit risk as at December 31, 2019 and 2018 is as follows:

<i>(In thousands of Korean won)</i>		<u>2019</u>		<u>2018</u>
Short-term and long-term deposits	₩	79,777,378	₩	25,549,251
Trade and other receivables		195,201,230		188,723,097
Cash equivalents ¹		190,319,070		257,715,342
	₩	<u>465,297,678</u>	₩	<u>471,987,690</u>

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

On the one hand, the Group deposits cash and cash equivalents in financial institutions such as Shinhan Bank and credit risk from financial institutions is limited because it deals with financial institutions with superior credit ratings.

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, 2019, 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, 2019 and 2018 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>Total</u>
December 31, 2019:										
Expected loss rate		0.69%		0.02%		0.05%		96.92%		11.68%
Gross carrying amount	₩	127,669,513	₩	45,318,883	₩	10,588,962	₩	24,105,867	₩	207,683,225
Loss allowance provision		886,098		9,726		5,622		23,363,362		24,264,808
December 31, 2018:										
Expected loss rate		0.79%		0.19%		0.35%		84.05%		12.42%
Gross carrying amount	₩	143,443,163	₩	20,304,987	₩	9,376,250	₩	28,339,284	₩	201,463,684
Loss allowance provision		1,133,611		37,940		32,439		23,819,557		25,023,547

Movements in the loss allowance provision for trade receivables for the years ended December 31, 2019 and 2018 are as follows:

<i>(In thousands of Korean won)</i>		<u>2019</u>		<u>2018¹</u>
Beginning balance	₩	25,023,547	₩	24,975,356
Increase (decrease) in loss allowance recognized in profit or loss during the year		183,786		369,074
Receivables written off during the year as uncollectible		(984,095)		(281,926)
Others		41,570		(38,957)

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Ending balance	₩	24,264,808	₩	25,023,547
-----------------------	---	------------	---	------------

Trade receivables are written off or non-performing receivables are 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 losses on trade receivables are presented as net impairment losses on trade receivables within impairment loss in the consolidated statements of comprehensive income. Subsequent recoveries of amounts previously written off are recognized as 'other income'.

Movements in loss allowance provision for other financial assets at amortized cost for the years ended December 31, 2019 and 2018, are as follows:

<i>(In thousands of Korean won)</i>		2019		2018
Beginning balance	₩	1,845,853	₩	2,024,154
Increase in loss allowance recognized in profit or loss during the year		(22,987)		(72,318)
Receivables written off during the year as uncollectible		(385)		(102,185)
Others		-		(3,798)
Ending balance	₩	1,822,481	₩	1,845,853

As at December 31, 2019, other financial assets at amortized cost include other receivables, loans and others. The Group recognizes the loss allowance on credit-impaired other receivables and loans.

Liquidity risk

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

The maturity analysis of financial liabilities as at December 31, 2019 and 2018, is as follows:

<i>(In thousands of Korean won)</i>		2019				
	Book Value	Contractual cash flow	Within 6 months	6-12 months	1-2 years	2-5 years
Debentures and borrowings	₩ 346,763,054	₩ 359,398,544	₩ 80,420,894	₩ 82,641,900	₩ 33,969,300	₩ 162,366,450
Trades and other payables	266,002,252	266,240,005	240,352,727	23,027,965	1,626,397	1,232,917
Lease liabilities	12,168,590	21,418,740	3,390,431	2,867,956	3,353,870	11,806,483
	₩ 624,933,896	₩ 647,057,289	₩ 324,164,052	₩ 108,537,821	₩ 38,949,567	₩ 175,405,850

<i>(In thousands of Korean won)</i>		2018				
	Book Value	Contractual cash flow	Within 6 months	6-12 months	1-2 years	2-5 years
Debentures and borrowings	₩ 464,976,225	₩ 489,361,074	₩ 161,803,174	₩ 3,883,250	₩ 127,087,650	₩ 196,587,000
Trades and other payables	274,344,368	274,479,641	265,670,827	6,873,166	483,000	1,452,648

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

₩ 739,320,593 ₩ 763,840,715 ₩ 427,474,001 ₩ 10,756,416 ₩ 127,570,650 ₩ 198,039,648

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

Currency risk

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

<i>(In thousands of Korean won)</i>	<u>USD</u>	<u>JPY</u>	<u>EUR</u>	<u>CNY</u>	<u>HKD</u>	<u>AUD</u>
December 31, 2019						
Cash and cash equivalents	₩ 3,027,546	₩ 112,973	₩ 823	₩ 1,657	₩ 4	₩ 25,482
Trade and other receivables	5,324,041	1,035,283	-	1,375,333	-	-
Trade and other payables	(403,134)	(127,933)	-	(34,457)	-	-
Borrowings	<u>(1,765,845)</u>	<u>-</u>	<u>(3,370,074)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	₩ <u>6,182,608</u>	₩ <u>1,020,323</u>	₩ <u>(3,369,251)</u>	₩ <u>1,342,533</u>	₩ <u>4</u>	₩ <u>25,482</u>

<i>(In thousands of Korean won)</i>	<u>USD</u>	<u>JPY</u>	<u>EUR</u>	<u>CNY</u>	<u>HKD</u>	<u>AUD</u>
December 31, 2018						
Cash and cash equivalents	₩ 26,995,173	₩ 119,331	₩ 7,154	₩ 814	₩ -	₩ 25,855
Financial assets at fair value through profit or loss	6,780,241	-	-	-	-	-
Trade and other receivables	2,752,688	1,388,075	145,770	3,344,342	-	-
Trade and other payables	(2,055,095)	(192,018)	(428,037)	-	(4,554)	-
Borrowings	<u>(102,932,747)</u>	<u>-</u>	<u>(397,077)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	₩ <u>(68,459,740)</u>	₩ <u>1,315,388</u>	₩ <u>(672,190)</u>	₩ <u>3,345,156</u>	₩ <u>(4,554)</u>	₩ <u>25,855</u>

The exchange rates as at December 31, 2019 and 2018, are as follows:

<i>(in Korean won)</i>	<u>2019</u>	<u>2018</u>
USD	₩ 1,157.80	₩ 1,118.10
JPY	10.63	10.13
EUR	1,297.43	1,279.16
CNY	165.74	162.76
HKD	148.66	142.77
AUD	810.34	-

As at December 31, 2019 and 2018, the effects of a 10% appreciating or depreciating of foreign currencies against functional currency on profit before tax are as follows:

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

(In thousands of Korean won)	2019		2018	
	10% strengthening	10% weakening	10% strengthening	10% weakening
USD ₩	618,261 ₩	(618,261) ₩	(6,845,974) ₩	6,845,974 ₩
JPY	102,032	(102,032)	131,539	(131,539)
EUR	(336,925)	336,925	(67,219)	67,219
CNY	134,253	(134,253)	334,516	(334,516)
HKD	-	-	(455)	455
AUD	2,548	(2,548)	2,586	(2,586)
₩	₩ 520,169	₩ (520,169)	₩ (6,445,009)	₩ 6,445,009

Interest rate risk

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

(In thousands of Korean won)	2019	2018
Short-term borrowings ₩	- ₩	102,137,159 ₩
Long-term debts ₩	60,000,000 ₩	30,000,000 ₩
	₩ 60,000,000 ₩	₩ 132,137,159 ₩

As at December 31, 2019 and 2018, the effects of a 100bp fluctuation of the interest rates on profit (loss) except long-term debts hedged at floating risk were as follows:

(In thousands of Korean won)	2019		2018	
	10% increase	10% decrease	10% increase	10% decrease
Net finance costs ₩	(60,000) ₩	60,000 ₩	(1,321,371) ₩	1,321,371 ₩

Since the Group operates financial deposits for the purpose of obtaining interest income at December 31, 2019, 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, 2019 and 2018, the Group's net debt-to-equity ratio as follows:

(In thousands of Korean won)	2019	2018
Net debt:		
Debts and borrowings ₩	₩ 346,763,054 ₩	₩ 464,976,225 ₩
Less: Cash and cash equivalents ₩	(190,319,070) ₩	(257,785,259) ₩
	156,443,984 ₩	207,190,966 ₩

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Equity	3,337,625,446	3,176,587,954
Net debt-to-equity ratio	4.69%	6.52%

35. Financial Commitments and Contingencies

Financial commitments to financial institutions as at December 31, 2019 and 2018, are as follows:

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

<u>Borrower</u>	<u>Lender</u>	<u>Type of commitment</u>	<u>Currency</u>	<u>2019</u>	<u>2018</u>
Orion Holdings Corporation	KEB Hana Bank	Bank overdraft	KRW	5,000,000	5,000,000
	DBS Bank	Credit loan	KRW	20,000,000	-
Orion Corporation	Kookmin Bank	Usance	USD	10,000,000	10,000,000
		Purchasing loan	KRW	20,000,000	20,000,000
	Shinhan Bank	Bank overdraft	KRW	5,000,000	5,000,000
		Usance	USD	5,900,000	15,900,000
	KEB Hana Bank	Purchasing loan	KRW	30,000,000	30,000,000
	SMBC	Credit loan	KRW	-	20,000,000
	DBS Bank	Credit loan	KRW	20,000,000	-
	Hyundai Card	Group purchase card	KRW	12,000,000	12,000,000
Orion Food Co., Ltd.	Korea Development Bank	Usance	USD	5,000,000	-
		Usance	EUR	2,000,000	-
Orion Food (Shanghai) Co., Ltd.	Industrial and Commercial bank of China	General loan	CNY	140,000,000	150,000,000
Orion Food VINA Co., Ltd	Korea Development Bank	Usance	USD	5,000,000	5,000,000
	KEB Hana Bank	Usance	USD	-	10,000,000
Orion JeJu Yongam Soo Corp.	Kookmin Bank	Facility loan	KRW	60,000,000	60,000,000
		Usance	KRW	3,500,000	-
			KRW	175,500,000	152,000,000
	Total		USD	25,900,000	40,900,000
			CNY	140,000,000	150,000,000
			EUR	2,000,000	-

There are no guarantees provided by the Group as of December, 2019 and 2018.

The Group has been provided with guarantees by financial institutions for collecting receivables from local film distributors which are as follows:

(In thousands of Korean won)

<u>Counterparty</u>	<u>Guarantor</u>	<u>2019</u>	<u>2018</u>	<u>Classification</u>
Seoul Young Baesa	KEB Hana Bank	₩ 400,000	₩ 400,000	Performance guarantee
Taegyeong Picture	Woori Bank	300,000	200,000	
Dongbo Cinema	Standard Chartered Bank	200,000	200,000	

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Taechang MP Films Co., Ltd.	Seoul Guarantee Insurance	-	6,500	
Apolron Entertainment Co., Ltd.	Seoul Guarantee Insurance	-	33,000	
PK Entertainment Co., Ltd	Seoul Guarantee Insurance	-	10,000	Deposit gurantee insurance
Sung Won Lim	Seoul Guarantee Insurance	40,000	40,000	
CGV Shindorim Co., Ltd	Seoul Guarantee Insurance	52,050	52,050	
Home and Shopping Co.,Ltd	Seoul Guarantee Insurance	100,000	100,000	Performance guarantee
Total		₩ 1,092,050	₩ 1,041,550	

As at December 31, 2019, guarantees of ₩ 4,654 million (2018: ₩ 7,432 million) are provided to the Group by Seoul Guarantee Insurance Company etc. for the performance of contracts.

As at December 31, 2019, the Group has 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, 2019, the Group provides guarantees to the customers with the maximum amount of ₩ 12,000 million (2018: ₩ 12,000 million) in relation to the Corporate Purchase Card of Hyundai Card.

Details of lawsuit pendings as at December 31, 2019 are summarized as follows.

(In thousands of Korean won)

Plaintiff	Defendant	Contents	Amounts	Progress
Orion Holdings Corp.	Kyung Min Cho	Compensation for damages	₩ 2,989,830	Third trial in progress
Orion Holdings Corp.	Kyung Min Cho and 1 other	Compensation for damages	200,000	First trial in progress
Korean Chemistry & Textile Federation of Unions and 2 others	Orion Holdings Corp. and 1 other	Compensation for damages	48,354	Second trial in progress
Byeonguk Jeon	Orion Holdings Corp.	Claim for wages	35,000	First trial in progress
Orion Corp.	Head of the Central Labor Relations Committee	Retrial adjudication revocation for relief of unfair personnel appointments	50,000	Third trial in progress
Pureum A&D Architect Co., Ltd.	Orion Corp.	Construction receivables payment order	255,100	First trial in progress
Former executives and employees	Orion Food Co., Ltd.	Claim for wages	1,506,112	First trial in progress
Orion Food Co., Ltd.	Former executives and employees	Claim for wages	108,276	First trial in progress

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

36. Related Party Transactions

Related parties as at December 31, 2019, are as follows, excluding subsidiaries:

<u>Relationship</u>	<u>Related Party</u>
Associates ¹	Daehan distributor Corp. Beijing Zhongguan Megabox Cinema Co., Ltd.
Joint ventures	Delfi-Orion Pte Ltd. Orion Nonghyup Agri, inc.
Other	Orion Foundation

¹ During 2019, Michigan Global Contents Investment Fund #4 and S.M.Contents Investment Fund No.5 went through liquidation.

Related parties as at December 31, 2018, are as follows, excluding subsidiaries:

<u>Relationship</u>	<u>Related Party</u>
Associates ¹	Michigan Global Contents Investment Fund #4 Daehan distributor Corp. S.M.Contents Investment Fund No.5 Beijing Zhongguan Megabox Cinema Co., Ltd.
Joint ventures	Delfi-Orion Pte Ltd. Orion Nonghyup Agri, inc.

¹ During 2018, Michigan Global Contents Investment Fund, Michigan Global Contents Investment Fund #3 and Gemini Contents Investment Partnership #1 went through liquidation.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2019 and 2018, are summarized as follows:

(In thousands of Korean won)

Related party	Transaction	2019	2018
Associates			
Michigan Global Contents Investment Fund	Reduction of capital	-	91,390
	Payment of investment deposits	-	(3,234)
Michigan Global Contents Investment Fund #3	Reduction of capital	-	992,017
	Payment of investment deposits	-	(29,478)
Michigan Global Contents Investment Fund #4 ¹	Reduction of capital	560,736	851,000
	Payment of investment deposits	-	(35,444)
	Settlement of film revenue(cost) ²	-	19,805
Gemini Contents Investment Partnership #1	Payment of investment deposits	-	(3,670)
	Reduction of capital	1,112,825	2,625,000
S.M.Contents Investment Fund No.5 ¹	Other revenues	2,097	1,643,565
	Receipt of investment deposits	-	2,900,000
	Payment of investment deposits	(1,417,858)	7,620,573
	Purchases	658,115	-
	Settlement of film revenue(cost) ²	430,401	1,119,840
Joint venture			
Delfi-Orion Pte Ltd	Sales	2,405,638	1,794,058
	Sales	5,084	1,745
	Other revenues	995	162,464
Orion Nonghyup Agri, inc.	Sale of property, plant and equipment	30,000	6,064,000
	Purchases	26,002,559	12,091,389
Others			
Major shareholders	Sale of property, plant and equipment and others	-	1,206,000
	Other revenues	51,176	39,082
Orion Foundation	Sales	311,145	-
	Purchases	1,000,000	-

¹ During 2019, Michigan Global Contents Investment Fund #4 and S.M.Contents Investment Fund No.5 went through liquidation.

² The Group recognizes the settlement of revenue (expense) in film as cost of sales.

Accounts receivable, payable balances with related parties as at December 31, 2019 and 2018, are as follows:

(In thousands of Korean won)

Relationship	Related party	2019				
		Receivables		Payables		
		Trade receivables	Other receivables	Trade payables ¹	Deposit received	Guarantee deposits
Joint venture	Delfi-Orion Pte Ltd	499,840	-	-	-	-
	Orion Nonghyup Agri, inc.	-	529,953	4,773,729	10,999	-
Others	Orion Foundation	2,090	582	-	-	396,000
		₩ 501,930	₩ 530,535	₩ 4,773,729	₩ 10,999	₩ 396,000

¹ The Group recognizes the profit share of film as trade payables.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

(In thousands of Korean won)

Relationship	Related party	2018			
		Receivables		Payables	
		Trade receivables	Other receivables	Trade payables ¹	Deposit received
Associates	Michigan Global Contents Investment Fund	₩ -	₩ -	₩ 19,806	₩ 6,044
	S.M.Contents Investment Fund No.5	-	-	238,154	2,698,878
Joint venture	Delfi-Orion Pte Ltd	407,320	-	-	-
	Orion Nonghyup Agri, inc.	-	230,722	3,430,206	-
		₩ 407,320	₩ 230,722	₩ 3,688,166	₩ 2,704,922

¹ The Group recognizes the profit share of film as trade payables.

Details of fund transactions with related parties for the years ended December 31, 2019 and 2018, are as follows:

(In thousands of Korean won)

Relationship	Related party	Contents of Trade	2019	2018
Joint venture	Orion Nonghyup Agri, inc.	Cash Investment	₩ -	₩ (7,000,000)
	Beijing Zhongguan Megabox Cinema Co., Ltd.	Dividend received	852,475	4,740,910
	S.M.Contents Investment Fund No.5	Dividend received	-	4,268,565
		Liquidation	1,114,921	-
Associates	Michigan Global Contents Investment Fund #4	Dividend received	-	851,000
		Liquidation	560,736	-
	Michigan Global Contents Investment Fund	Liquidation	-	91,390
	Michigan Global Contents Investment Fund #3	Liquidation	-	992,017
Others	Major shareholders	Dividend paid	(11,443,901)	(10,283,048)
		Reduction of capital	(4,228,285)	-

Details of key management personnel compensation for the years ended December 31, 2019 and 2018, are as follows:

(In thousands of Korean won)

	2019	2018
Short-term employee benefits	₩ 13,589,585	₩ 11,778,123
Post-employment benefits	3,194,279	2,041,744
	₩ 16,783,864	₩ 13,819,867

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

As of December 31, 2019, the Group has entered into agreements with a major shareholder, regarding the exercise of voting rights of Orion corporation.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

37. Cash Flows

The principal non-cash transactions for the years ended December 31, 2019 and 2018, are as follows:

(In thousands of Korean won)

	<u>2019</u>	<u>2018</u>
Reclassification from construction in progress to property, plant and equipment	₩ 174,992,399	₩ 142,233,757
Other payables regarding the acquisition of property, plant and equipment	(868,993)	10,823,156
Other payables regarding the acquisition of intangible assets	2,416,715	-
Reclassification from non-current assets held for sale to investment property	-	3,555,215
Reclassification of leasehold deposits received	-	1,100,000
Transfer to reserves	-	21,000,000
Transfer from reserves	-	545,700,000
Appropriation of retained earnings for other capital	-	2,753,637,307
Reclassification from investment property to non-current assets held for sale	-	8,469,780
Reclassification from investment property to property, plant and equipment	6,192,983	-
Reclassification from property, plant and equipment to investment property	-	6,511,413
Other payables regarding dividend income	18,400	-
Reclassification from prepaid expenses to current portion	683,954	1,148,411
Reclassification from prepayments to publication rights	55,484,437	46,335,122
Reclassification from long-term receivables to short-term receivables	368,097	-
Reclassification from long-term rental deposits to short-term rental deposits	837,638	267,918
Reclassification from long-term leasehold deposits to short-term leasehold deposits	109,470	29,490
Reclassification from long-term borrowings to short-term borrowings	119,984,739	50,023,765
Reclassification from long-term prepayments to short-term prepayments	2,391,703	1,066,744
Write-off of trade receivables	984,480	384,111
Increase of right-of-use assets from adjustment for changes in accounting policy	(95,070,294)	-
Increase of lease liabilities from adjustment for changes in accounting policy	13,487,490	-
Increase of right-of-use assets from new lease contracts	(5,172,584)	-
Increase of lease liabilities from new lease contracts	5,158,344	-
Reclassification from lease liabilities to current portion	4,804,165	-
Reclassification from long-term prepaid expenses to right-of-use assets	82,387,663	-
Substitution to vehicles from lease deposits	108,200	-

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

The reconciliation of the liabilities arising from cash flows from financing activities for the years ended December 31, 2019 and 2018, is as follows:

(In thousands of Korean won)	2019.1.1	Effects of changes in accounting policy	Cash flows from financing activities	Non cash flow				2019.12.31
				Depreciation and others	Effects of changes in foreign exchange rates	Reclassification to current portion	Others	
Short-term borrowings	₩ 105,318,223	₩ -	₩ (101,951,161)	₩ -	₩ 3,613,082	₩ -	₩ -	₩ 6,980,144
Current portion of long-term borrowings	50,046,414	-	(50,060,000)	34,763	-	119,984,739	-	120,005,916
Long-term borrowings	309,611,588	-	30,000,000	150,146	-	(119,984,739)	-	219,776,995
Current portion of leasehold deposits received	272,586	-	43,000	(455)	-	105,838	-	420,969
Leasehold deposits received	1,222,080	-	55,031	(97,753)	-	(105,838)	4,647	1,078,167
Current portion of lease liabilities	-	5,990,304	(7,103,003)	309,323	237,931	4,804,164	1,533,003	5,771,722
Lease liabilities	-	7,497,185	-	360,927	584,909	(4,804,164)	2,758,011	6,396,868
	₩ 466,470,891	₩ 13,487,489	₩ (129,016,133)	₩ 756,951	₩ 4,435,922	₩ -	₩ 4,295,661	₩ 360,430,781

(In thousands of Korean won)	2018.1.1	Cash flows from financing activities	Depreciation and other	Non cash flow			2018.12.31
				Effects of changes in foreign exchange rates	Reclassification to current portion	Others	
Short-term borrowings	₩ 104,443,834	₩ (4,702,128)	₩ -	₩ 5,576,517	₩ -	₩ -	₩ 105,318,223
Current portion of long-term borrowings	165,854,506	(170,882,436)	22,649	5,027,930	50,023,765	-	50,046,414
Long-term borrowings	329,446,063	30,000,000	189,290	-	(50,023,765)	-	309,611,588
Current portion of leasehold deposits received	1,427,930	(120,000)	2,574	-	(267,918)	(770,000)	272,586
Leasehold deposits received	1,154,969	153,000	(23,807)	-	267,918	(330,000)	1,222,080
	₩ 602,327,302	₩ (145,551,564)	₩ 190,706	₩ 10,604,447	₩ -	₩ (1,100,000)	₩ 466,470,891

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.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

38. Changes in Accounting Policies

As explained in Note 3, the Group has adopted Korean IFRS 1116, retrospectively, from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are, therefore, recognized in the consolidated statement of financial position on January 1, 2019. Details of adjustments recognized on adoption of Korean IFRS 1116 *Lease* are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2018	Adjustments	January 1, 2019 calculated under Korean IFRS 1116
Assets			
Non-current assets	₩ 3,538,943,516	₩ 12,934,847	₩ 3,551,878,363
Right-of-use assets	-	95,070,294	95,070,294
Other non-current assets	105,353,584	(82,373,067)	22,980,517
Deferred tax assets	25,659,745	237,620	25,897,365
Current assets	803,190,611	(478,704)	802,711,907
Other current assets	78,502,470	(478,704)	78,023,766
Total assets	4,342,134,127	12,456,143	4,354,590,270
Equity			
Equity attributable to owners of the Parent Company	1,876,066,411	(358,096)	1,875,708,315
Retained earnings	151,793,558	(358,096)	151,435,462
Non-controlling interest	1,300,521,543	(586,500)	1,299,935,043
Total equity	3,176,587,954	(944,596)	3,175,643,358
Liabilities			
Non-current liabilities	622,512,771	7,497,184	630,009,955
Non-current lease liabilities	-	7,497,184	7,497,184
Current liabilities	543,033,402	5,903,555	548,936,957
Current lease liabilities	-	5,990,304	5,990,304
Trade and other payables	286,078,920	(86,749)	285,992,171
Total liabilities	1,165,546,173	13,400,739	1,178,946,912
Total liabilities and equity	₩ 4,342,134,127	₩ 12,456,143	₩ 4,354,590,270

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Measurement of lease liabilities:

On adoption of Korean IFRS 1116, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Korean IFRS 1017. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 1.91 ~ 11.27%.

(in thousands of Korean Won)

2019

Operating lease commitments disclosed as at December 31, 2018	₩	16,223,798
Discounted using the lessee's incremental borrowing rate of at the date of initial application		15,841,312
Add: adjustments as a result of a different treatment of extension and termination options		-
Less: short-term leases recognized through straight-line method		<u>(2,353,823)</u>
Lease liability recognized as at January 1, 2019		<u>13,487,489</u>
Of which are:		
Current lease liabilities		5,990,304
Non-current lease liabilities		7,497,185
	₩	<u>13,487,489</u>

Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Movements in carrying amounts of right-of-use assets for the year ended December 31, 2019, are as follows:

<i>(In thousands of Korean won)</i>	2019							Ending balance
	Beginning balance	Effects of changes in accounting policy	Increase	Decrease	Depreciation	Impairment	Others	
Property ¹	₩ -	₩ 93,779,405	₩ 4,088,191	₩ (2,520,034)	₩ (7,719,121)	₩ (480,050)	₩ 4,228,976	₩ 91,377,367
Vehicles	-	1,290,889	1,084,395	(26,695)	(839,967)	-	(47,066)	1,461,556
	₩ -	₩ 95,070,294	₩ 5,172,586	₩ (2,546,729)	₩ (8,559,088)	₩ (480,050)	₩ 4,181,910	₩ 92,838,923

¹Due to a fire, the Group recognized impairment loss on right-of-use assets of ₩ 480 million. Fluctuations due to foreign currency translation of foreign operations are included in others.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Movements in carrying amounts of lease liabilities for the year ended December 31, 2019, are as follows:

(In thousands of Korean won)	2019						
	Beginning balance	Effects of changes in accounting policy	Increase	Decrease	Interest expense	Others	Ending balance
Lease liabilities	₩ -	₩ 13,487,489	₩ 5,158,344	₩ (7,970,333)	₩ 670,250	₩ 822,841	₩ 12,168,591

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

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

(in thousands of Korean won)	2019	
Depreciation of right-of-use assets		
Properties	₩	7,719,121
Vehicles		839,967
Others		-
	₩	<u>8,559,088</u>
Interest expense relating to lease liabilities (included in finance cost)	₩	670,249
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)		11,853,805
Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses)		461,046
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)		1,850,279

The total cash outflow for leases in 2019, is as follows:

(in thousands of Korean won)	2019	
Cash outflow incurred from lease liabilities	₩	(7,103,003)
Expense relating to short-ter leases		(11,853,805)
Expense relating to leases of low-value assets		(461,046)
Expense relating to variable lease payments not included in lease liabilities		(1,850,279)
	₩	<u>(21,268,133)</u>

Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of the adoption of Korean IFRS 1116.

Orion Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

39. Unusual Items

Depending on the contents, size, or frequency of occurrence, significant unusual items are consolidated as related accounts on the statement of profit or loss. The following information and amounts about the unusual items provide useful information to predict the Company's business performance.

Amounts recognized in the statement of profit or loss relating to the unusual items for the year ended December 31, 2019 are as follows :

<i>(in thousands of Korean won)</i>	2019	
Loss on disposal of property, plant and equipment and impairment loss ¹	₩	16,694,847
Impairment loss of intangible assets ¹		77,899
Impairment loss of right-of-use assets ¹		480,050
Miscellaneous expense ²		4,286,184
	₩	<u>21,538,980</u>

¹ Due to a fire of a subsidiary, Orion(Bei Tun) Agro Processing Co., Ltd, impairment loss and other losses are recognized.

² The amount of disposal of inventory due to a fire of a subsidiary, Orion(Bei Tun) Agro Procession Co., Ltd.