

PRESS RELEASE

August 25, 2014

A Ceremony Celebrating the Opening of the K-OTC Market

On August 25th, the Korea Financial Investment Association (hosted by Chairman Jong Soo Park) held a ceremony celebrating the establishment of the K-OTC*. In attendance were representatives from KOFIA member companies and the securities industry, as well as government authorities, and trading on the market officially began.

* Abbreviated name of the Korean over-the-counter market managed by KOFIA.

The K-OTC market is an upgraded version of the FreeBoard Market, which was overhauled by KOFIA to improve the efficiency and convenience of unlisted securities trading and provide stronger investor protection.

On the K-OTC, shares of a total of 104 companies are traded, including shares in 56 companies that were newly designated to appear on the exchange on the 20th, with the companies ranging from unlisted SMEs to medium-sized enterprises and well-known conglomerates. To date, investors have been trading based on 1:1 direct negotiations with counter-parties through channels such as internet bulletin boards. However, with the establishment of the K-OTC, it is now more convenient and safer for investors to trade on the market.

To trade on the K-OTC, investors need to open a securities account with a securities company and place a sale or purchase order by phone, computer, etc. If an investor already has a securities account, that account can be used. However, an investor can place an order only after confirming that the notification on the investment risks of unlisted securities, etc., from the securities company has been read.

KOFIA is expected to designate more companies in September, and will continue to conduct a designation selection process on an annual basis to add companies that fulfill the requirements.

Meanwhile, with respect to the second-tier market, which is a quotation platform designed to facilitate the trading of the unlisted securities that are not on the (first-tier) K-OTC market, KOFIA is planning to collect opinions from securities companies and prepare to deal with specific matters before the market opening, including establishing work requirements, establishing the work process for quotations, arranging necessary matters for system development, etc.

K-OTC Market System

Classification	Details
Departments	<ul style="list-style-type: none"> . Registration Dept.: Handles registration through application by a company . Designation Dept.: Handles designations by KOFIA for companies that do not apply to be listed
Entry Requirements	<ul style="list-style-type: none"> . Issuance of uniform standard securities, conclusion of transfer agency service agreement, no limitations on securities transfers . “Unqualified” audit opinion . Not in a state of full-scale capital erosion, more than KRW 500 million in sales . Additional requirements for designation: submission of business reports, past performance of public offerings
Delisting Requirements	<ul style="list-style-type: none"> . Finalization of bankruptcy, merger or acquisition, dissolution of company . Failure to submit business reports, failure to submit semi-annual business reports twice in 5 years . Rejection of audit opinions, adverse audit opinions, qualified opinions for 2 consecutive years . Full-scale capital erosion, less than KRW 500 million in sales for 2 consecutive years . Unfaithful public disclosure by registered companies 6 times in a 2-year period, failure to meet share distribution requirements (fewer than 50 minority shareholders or fewer than 1% of shares owned by minority shareholders)

Public Disclosure	<p><Registered Companies></p> <ul style="list-style-type: none"> . Regular disclosure (twice a year), irregular disclosure (on 16 items), inquired disclosure <p><Designated Companies></p> <ul style="list-style-type: none"> . No public disclosure; however, designated companies submit business reports and thus, are subject to regular disclosure with the FSS DART system (4 times a year), and irregular disclosure (reports on main details) 				
	<table border="1" data-bbox="385 669 1395 871"> <tr> <td data-bbox="385 669 901 759">. Negotiated transactions</td><td data-bbox="901 669 1395 759">. Margin requirement rate: 100%</td></tr> <tr> <td data-bbox="385 759 901 871">. Trading Time: 09:00 – 15:00</td><td data-bbox="901 759 1395 871">. Trading Settlement Date: T+2</td></tr> </table>	. Negotiated transactions	. Margin requirement rate: 100%	. Trading Time: 09:00 – 15:00	. Trading Settlement Date: T+2
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Trading System	<ul style="list-style-type: none"> . Base price - Trading Day: Net asset value per share (NAVPS) - After Trading Day: Volume-weighted average price of the previous day 				
	<ul style="list-style-type: none"> . Price limit: $\pm 30\%$. However, on the trading day, trading is conducted within the scope of 30–500% of the base price. 				
Notification	<ul style="list-style-type: none"> . Prior notification to investors regarding market characteristics and investment risks 				
Prevention of Unfair Trading	<ul style="list-style-type: none"> . Introduction of anti-unfair trading system 				