

2015 Introduction to KOSDAQ market



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President's Message

KOSDAQ Market

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Major Statistics of the KOSDAQ Market

President's Message

KOSDAQ market was established in July 1996 for the purpose of raising funds for IT (Information technology), BT (Bio technology), CT (Culture technology) and venture startups. Over the past 19 years, it has achieved an enormous success as indicated by the fact that the market capitalization has grown by 17 times, the number of listed corporations by 3 times, and the trading value by 881 times, thus earning a global recognition as one of the most flexible SME markets. Against this background, it is now considered to be one of the most successful SME markets along with the NASDAQ of the U.S. and the AIM of the U.K.

The main board KOSPI is based on large and premier corporations including Samsung Electronics, Hyundai Motor and POSCO, whereas the KOSDAQ is composed of rather young and dynamic companies which lead such industries as SW (including security solutions, mobile games, online services, etc.), bio, health care and entertainment. Therefore, participating in the KOSDAQ market would provide corporations with an opportunity to grow further in those new industries and also investors with a chance to enjoy a return on their investment in promising business areas.

The Korea Exchange will continue to support the KOSDAQ market so that it can maintain its status as one of the world's most renowned markets by promoting the stock listing of excellent enterprises and improving the market infrastructure.

Your sincere interest and enthusiastic participation would be highly appreciated.

Thank you.

Jaejoon Kim,
President of the KOSDAQ market





Introduction of the KOSDAQ market

1. History
2. Overview of the KOSDAQ Market
3. Competitiveness of the KOSDAQ Market
4. Efforts to Develop the KOSDAQ Market



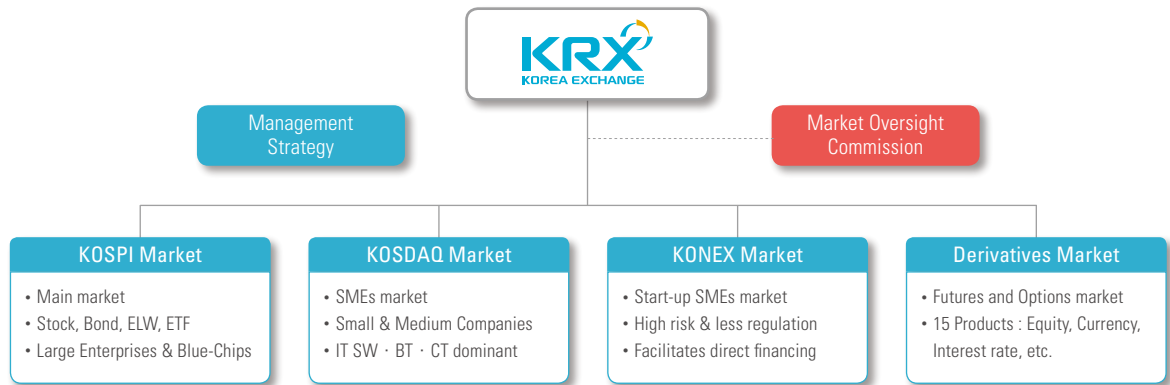
Introduction of the KOSDAQ market

01 History

- 1990'S**
 - 1996.5 ○ The KOSDAQ Securities Co. established
 - 1996.7 ○ The KOSDAQ Market launched.
 - 1998.10 ○ The KOSDAQ Market Committee established.
- 2000'S**
 - 2005.1 ○ The Korea Exchange incorporated.
- 2010'S**
 - 2013.7 ○ The KONEX Market launched.
 - 2013.10 & 2014.7 ○ The governance structure of the KOSDAQ Market was improved. KOSDAQ Market Committee was reformed and reinforced.

| Organization of Korea Exchange |

The Korea Exchange, an operator of the main stocks and derivatives markets in Korea, consists of 5 divisions: the Management Strategy, Market Oversight Commission, and 3 Market Divisions. The KONEX market for start-up SMEs is a part of the KOSDAQ market.





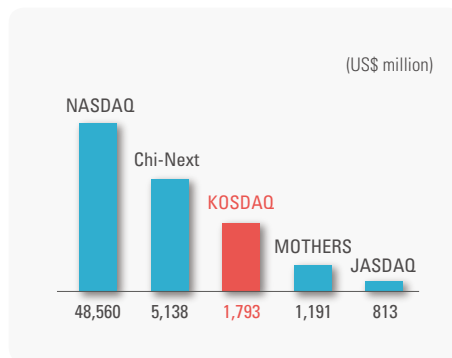
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Overview of the KOSDAQ Market

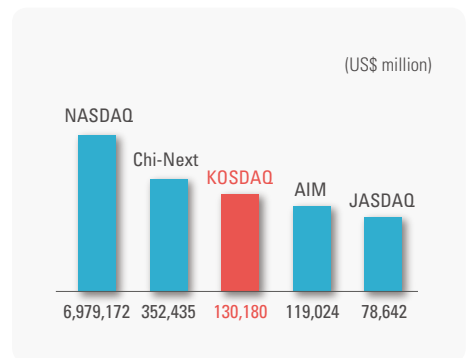
SMEs Market Ranked at the World's 3rd Place

The KOSDAQ market achieved great success since its opening in 1996 until 2014 as its market capitalization increased 17.4 times and trading value multiplied 881 times. As a result, it was ranked as the world's third largest market in terms of trading value and market capitalization, and the fourth largest market in terms of the numbers of listed corporations and new listings as of the end of 2014. This indicates that the KOSDAQ market is one of the world-class SME markets in terms of not only market size but also market dynamics represented by the number of IPO, turnover ratio, etc.

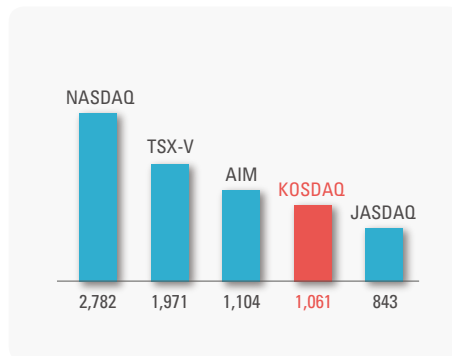
| Average Daily Trading Value |



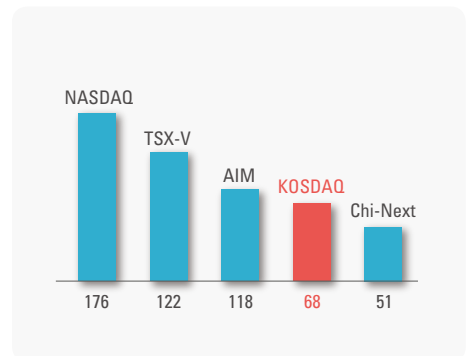
| Market Capitalization |



| Listed Companies |



| Newly Listed Companies |



In addition, the KOSDAQ market has the highest market capitalization ratio against GDP than any other major SME-markets in Asia.

< Emerging Capital Markets for SMEs in Asia >

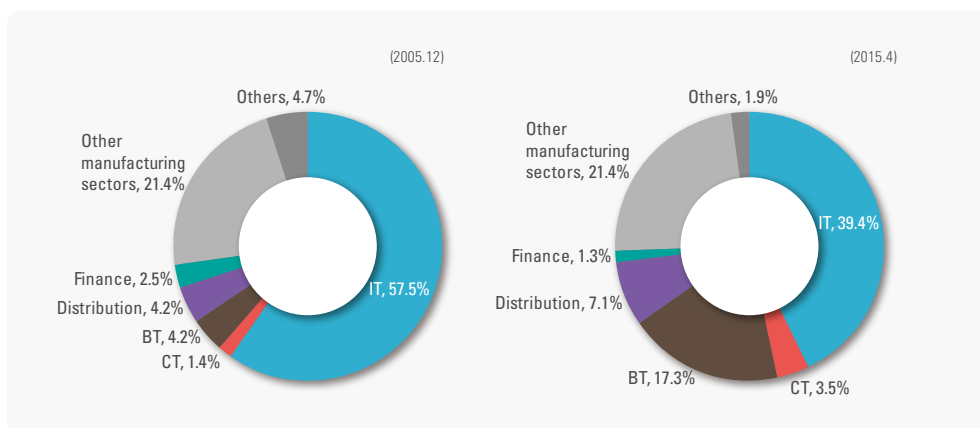
Country	Market Name		No. of Listed Companies	Market Capitalization	% of GDP	No. of Shares Issued(mil. shares)	No. of Shares Traded(mil.shares)	Annual Traded Value
China	SME Board	SZSE	701	2,880,403	5.5	194,350	372,974	6,902,646
	ChiNext	SZSE	355	873,120	1.7	39,953	76,169	1,887,912
Hong Kong			(mil. HK\$)			(mil. HK\$)		
	GEM	HKSE	179	78,399	3.8	8,767	154,803	33,541
India			(mil. Rs)			(mil. Rs)		
	SME Exchange	BSE	13	n/a	n/a	n/a	n/a	n/a
	Emerge	NSE	2	n/a	n/a	n/a	n/a	n/a
Korea			(bil. Won)			(bil. Won)		
	KOSDAQ	KRX	1,005	109,122	8.6	21,012	146,478	528,028
Malaysia			(mil. RM)			(mil. RM)		
	ACE	KLSE	112	6,900	0.7	n/a	n/a	n/a
Singapore			(mil. S\$)			(mil. S\$)		
	CATALIST	SGX	139	6,782	2.0	n/a	87,142	7,869
Thailand			(mil. Baht)			(mil. Baht)		
	mai	SET	81	133,017	1.2	n/a	122,746	298,929

• Note : data in 2012 • Source : Capital Market Financing for SMEs, ADB

|| Market Based on High-tech Corporations

The KOSDAQ market is composed of corporations in various industries such as health care, bio, pharmaceutical, or cultural contents as well as traditional ones such as manufacturing or finance. However, it is high-tech corporation-oriented market where more than 60% of the total corporations are engaged in IT (Information technology), BT (Bio technology), or CT (Culture technology) industries.

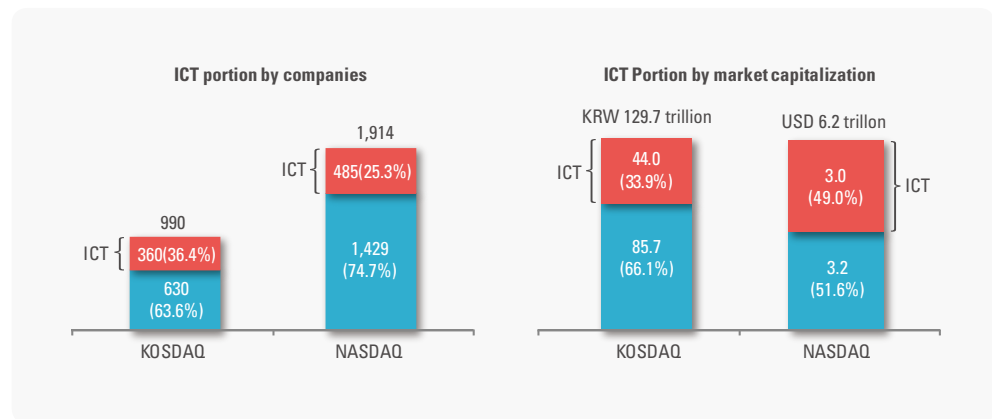
| Spectrum of industry sectors in the KOSDAQ market |





The number of ICT (Information and Communication Technologies) corporations in the KOSDAQ market reached 360, taking 36.4% in March 2014, which is relatively higher compared to that of the NASDAQ.

| Proportion of ICT companies in the KOSDAQ against that in the NASDAQ (March 19, 2014) |

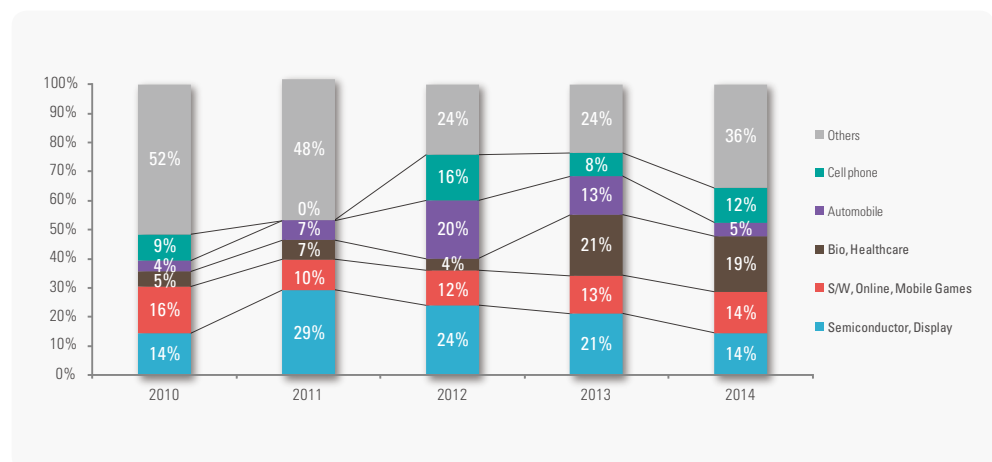


• Source : National IT Industry Promotion Agency (NIPA)

There have been more listings of corporations with growth potential and added value* in such industries as bio, health care, cultural contents (mobile game, entertainment, or online service), or security solution in recent 5 years, reinforcing its identity as a high-tech market.

* Net profit on sales by industry to which IPO companies belong in 2014: S/W (27.7%), -health care (17.3%), component & equipment (12.6%)

| Ratio of IPO industries in recent 5 years |



II Financing Market for Venture Companies and SMEs

The KOSDAQ market has provided Korean economy with new energy for growth ever since its opening in 1996 by supplying tremendous amount of capital to corporations with technology and growth potential. 68 corporations were newly listed in 2014 raising funds worth KRW 1.8 trillion in the KOSDAQ market.

< Recent Listing and Delisting in the KOSDAQ Market >

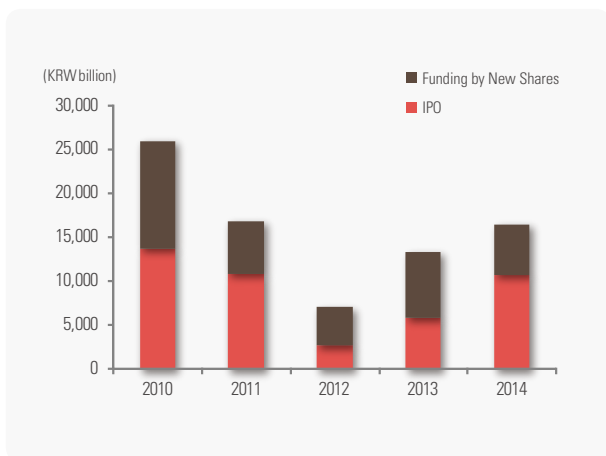
	2009	2010	2011	2012	2013	2014
No. of companies listed	1,027	1,029	1,031	1,005	1,009	1,061
No. of newly listed companies	55	76	60	22	37	68
No. of companies delisted	65	74	58	48	33	15

< Financing through the KOSDAQ Market >

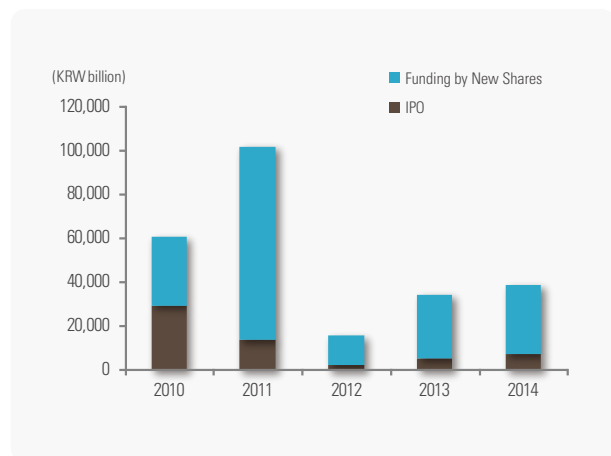
(Unit : KRW billion)

	2009	2010	2011	2012	2013	2014
IPO	1,201.40	1,389.80	1,334.90	285.6	648.2	1,180.20
Funding by New Shares	3,562.90	1,223.80	606.3	438.7	749.6	583.8
Total	4,764.30	2,613.60	1,941.20	724.3	1,397.80	1,764.00

| Equity Financing through KOSDAQ |



| Equity Financing through KOSPI |





|| Overview of Listed Companies

Information & Communication Technology(ICT)

More than 400 of IT corporations are listed in the KOSDAQ market. At the beginning stage of the market opening, IT H/W business such as IT components or communications equipments dominated the market. However, S/W, online service or mobile game business is leading the growth of the market.

Communication broadcasting service	IT H/W	IT S/W & SVS
<ul style="list-style-type: none"> • Communication service (10) • Broadcasting service (9) 	<ul style="list-style-type: none"> • Communication equipment (55) • Information machinery and tools (20) • Semiconductor (98) • IT components (107) 	<ul style="list-style-type: none"> • Internet (11) • Digital Contents (30) • Software (47) • Computer Service (24)

* () : number of listed companies

 Daum [035720]	DaumKakao Co. is a leading mobile lifestyle platform provider in Korea.
 CJ E&M [035720]	CJ E&M is a content and media company, with wide range of entertainment businesses such as broadcast, film, music, and live concerts.
 C2S [078340]	Com2us is a mobile and online game development and publishing company.
 EO Technics [039030]	EO Technics Co. manufactures and supplies laser application equipment used in marking, etching, and engraving.

Recent robust performance of the KOSDAQ market is attributable to an expectation that the Korean government would carry out strong policies to support financial technology (Fintech) and the Internet of Things (IoT)*. The government is pursuing improvement of regulations related to convergence of IT and financial services and takes preemptive action by expanding investment.

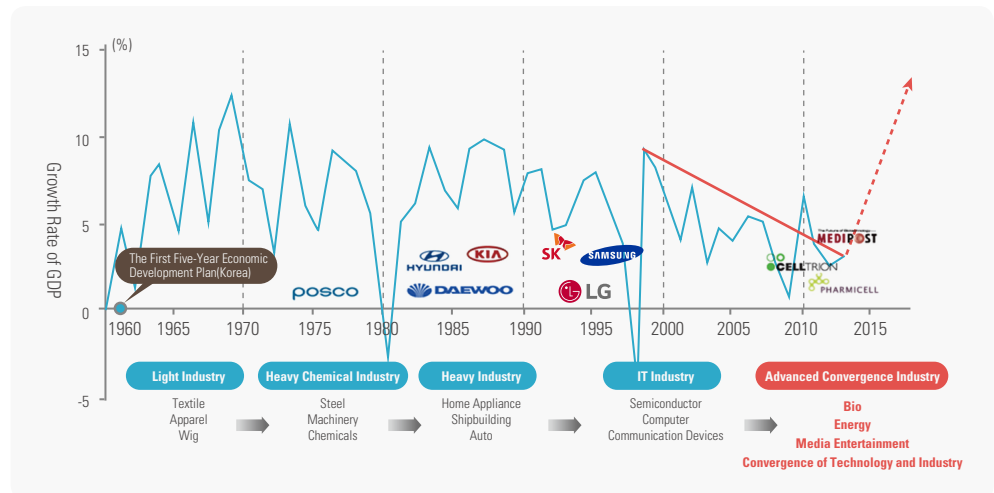
* Internet of things (IoT) is technology with potential to increase the total profit of the corporations across the world by 21% until 2020, and expected to create outstanding economic effect worth of USD 19 trillion (USD 4.6 trillion for public sector and USD 14.4 trillion for private sector) for the next decade (2013~2022). (Cisco, 2006)

Bio Technology (BT)

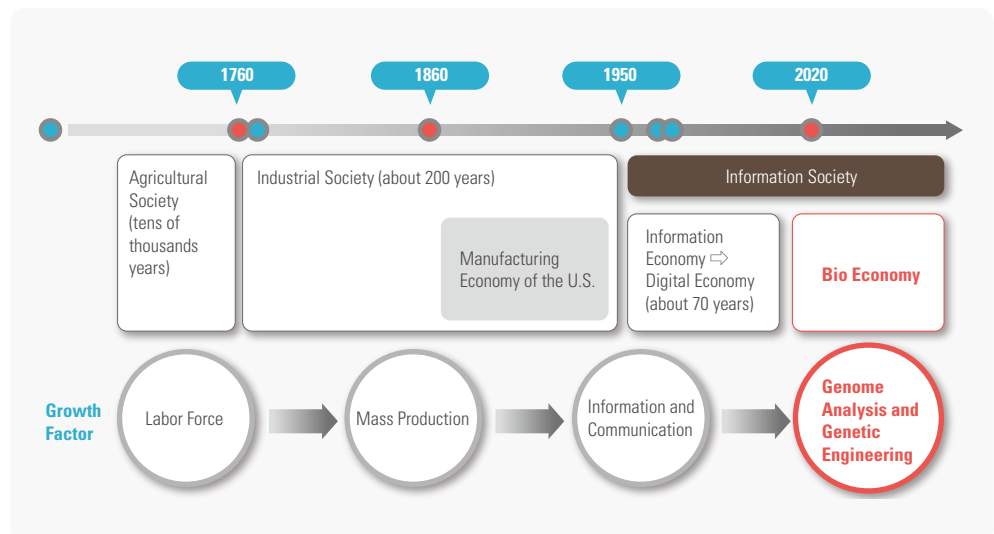
Today, bio business emerges as a key industry to lead the Korean economy. The OECD assumed that the development of Bio Technology and its convergence with other technologies will open an era of Bio economy* in the future after passing through the Information and digital economy era.

* Bio economy is defined as various economic activities that can bring people convenient lives by providing with new products or enhancing relevant services due to the development of bio technology (OECD, 2006)

| Key industries of Korean economy and their future |



| Change in growth engine of the global economy |



• Source : Ministry of Science, ICT and Future Planning (March, 2015)



In the KOSDAQ market, technology assessment system introduced in March 2005 enabled bio venture companies with technology and growth potential to easily enter the market. The proportion of market capitalization of bio and health care businesses increased over 4 times from 4.2% in 2005 to 19.5% in April 2015. Bio and pharmaceutical corporations including Celltrion with the largest market capitalization, Medytox, ViroMed, Komipharm, etc. are ranked in the higher positions in terms of market capitalization.

- ※ Number of corporations specially listed by their technology and growth potential (accumulated): 2 in 2005 → 15 in 2014 (14 corporations are in bio business)
- ※ Venture capital investment in 2014: KRW 253.9 billion in bio/medical, KRW 170.5 billion in IT manufacturing and KRW 148.3 billion in IT service out of KRW 1.4 trillion in total.

< Market Capitalization per Industry of the KOSDAQ Market >

(Unit : %, %p)

Industry		2005	June 2015	Change
IT		57.5	36.8	-20.7
	Semiconductor	7.6	8.8	1.2
	IT Components	10.4	5.7	-4.7
	S/W	3.8	4.4	0.6
	Internet	9.9	4.6	-5.3
	Cultural contents	7.1	7.7	0.6
Manufacturing		26.0	41.7	15.7
	Bio, Health care	4.2	19.5	15.3
	Distribution	4.2	6.3	2.1
	Entertainment contents	1.4	3.8	2.4

Owing to the development policy of bio industry by the government and enthusiastic interests by investors, valuation for bio and pharmaceutical business is relatively higher than that of other industries.

< Competitive Industries of the KOSDAQ Market >

	Industry	PER	Proportion of Market Cap (%)
1	Biotechnology	66.95	7.54
2	Pharmaceuticals	52.2	11.98
3	Internet Software & Services	37.96	5.09
4	Media	30.67	3.63
5	Health Care Equipment & Supplies	30.2	3.97
6	Food & Staples Retailing	26.17	2.49
7	Machinery	22.68	3.77
8	Chemicals	21.93	4.72

• Source : Bloomberg • Valuation Period : 2015

< Yield of Bio Companies Listed by Technology Assessment System >

Listing Date (M/D/Y)	Company	Main Business	Price (IPO)	Price ('15.4.30)	YIELD (%)
12/29/2005	ViroMed	DNA/protein- based biopharmaceuticals	15,000	116,000	673.3%
12/29/2005	BIONEER	Molecular Biology products	11,000	8,020	-27.1%
1/6/2006	CRYSTAL	Diabetes medicine, etc.	18,000	11,700	-35.0%
2/3/2009	ISU ABXIS	Antibody medicine	5,500	9,500	72.7%
9/15/2009	Genexine	Antibody fusion protein medicine	27,000	70,500	161.1%
11/6/2009	GENEMATRIX	Hepatitis tolerance diagnosis	8,000	3,210	-59.9%
1/26/2011	iNtRON Bio	Gene reagent	6,100	38,850	536.9%
7/13/2011	NIBEC	Peptide medicine	10,000	11,200	12.0%
12/26/2011	DNALINK	Gene analysis	7,700	19,000	146.8%
3/5/2013	Corentec	Artificial hip joint	16,000	16,350	2.2%
5/10/2013	LegoChem Bio	Antibiotic	15,500	22,700	46.5%
9/12/2013	Amicogen	Special effect	25,000	68,200	172.8%
12/19/2013	IntroMedic	Wireless endoscope	6,000	13,850	130.8%
12/12/2014	Alteogen	Bio-similar	26,000	39,900	53.5%



Celltrion [068270]

Company devoted to development and production of protein drug, which is on the process of developing bio-similar of lots of blockbuster antibody medicine. Major products include CT-P13 bio-similar, Godex, Remsima, etc.



MedyTox [086900]

Company which studies, develops, manufactures and sell Botulinum Toxin Type A and bio-medicine using the Toxin concerned. Its major product 'Neuronox' is widely considered one of the most outstanding products in the world in terms of price, quality and technology.



ViroMed [084990]

Company which runs bio medicine, natural substance medicine, and health functional product business



KOMIPHARM [041960]

Animal drug manufacturing corporation



03

Competitiveness of the KOSDAQ market

Flexible Listing Policy

Listing policy in the KOSDAQ market is fairly flexible, which is a differentiated feature considering the characteristics of venture companies. Specifically, in March 2005, technology assessment system* was introduced to drastically ease the listing requirements in order to promote the development of companies with technology and growth potential.

* Corporations with technology and growth potential recognized by multiple TCBS (Technology Credit Bureau) designated by the KRX are exempted from some of the financial requirements including minimum equity capital of KRW 1 billion, non-impairment of capital stock and other quantitative conditions. (However, the qualitative requirements are applied.)

< Comparisons of Listing Requirements for the KOSDAQ market >

	General Company	Venture Company	Technology Assessment
Time Period of Business Operation	At least 3 years	N.A	N.A
Equity Capital	At least KRW 3 billion	At least KRW 1.5 billion	At least KRW 1 billion
Financial Requirements (select one among a,b,c,d)	a. ROE: 10% b. Net income: KRW 2 billion c. Sales amount: KRW 10 billion & Market capitalization: KRW 30 billion d. Sales amount: KRW 5 billion & Sales growth rate: 20%	a. ROE: 5% b. Net income: KRW 1 billion c. Sales amount: KRW 5 billion & Market capitalization: KRW 30 billion d. Sales amount: KRW 5 billion & Sales growth rate: 20%	N.A

Also, if premier venture SMEs listed in the KONEX market transfer to the KOSDAQ market, it supports them by providing special exemption of the listing requirements so that more promising companies can easily move to the KOSDAQ market.



< Special Exemption of the Listing Requirements in the KOSDAQ market >

	Special Exemption of the Listing Requirements by Technology Assessment	Listing transfer by fast tract from the KONEX to the KOSDAQ market
Target of Application	Corporations with technology and growth potential recognized by TCB (Technology Credit Bureau)	<p>If corresponding to any of the followings, transfer of listing is applied.</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px dashed red; padding: 5px;"> <p style="text-align: center;">TRACK 1</p> <p style="text-align: center;">1 year after listing</p> <p style="text-align: center;">+</p> <p style="text-align: center;">Sales of KRW 10 billion</p> <p style="text-align: center;">Realizing operating income</p> <p style="text-align: center;">Market capitalization of KRW 30 billion</p> </div> <div style="border: 1px dashed blue; padding: 5px;"> <p style="text-align: center;">TRACK 2</p> <p style="text-align: center;">For last 2 years</p> <p style="text-align: center;">+</p> <p style="text-align: center;">Net profit KRW 2 billion</p> <p style="text-align: center;">ROE of 10% or more</p> </div> <div style="border: 1px dashed black; padding: 5px;"> <p style="text-align: center;">TRACK 3</p> <p style="text-align: center;">For last year</p> <p style="text-align: center;">+</p> <p style="text-align: center;">Net profit KRW 4 billion</p> <p style="text-align: center;">ROE of 20% or more</p> </div> </div>
Special Exemption of Listing Requirements	<ul style="list-style-type: none"> Exemption of sustainability conditions among the qualitative requirements* (In the case of listing by technology assessment, the technology concerned will be examined): * corporate sustainability, management transparency, investor protection, etc. In addition to the equity capital requirement, quantitative requirements such as time period of business operation, profit size, etc. are exempted to be applied. Listing examination period reduced from 2 months to 1 month. 	

In addition, the KRX makes efforts to reinforce the basis for the robust market environment by inviting more promising enterprises, home and abroad, to the KOSDAQ market through active marketing activities. To this end, the KRX has operated a task force fully in charge of listings promotion, built the networking with the related institutions, and proceeded with onsite marketing activities.

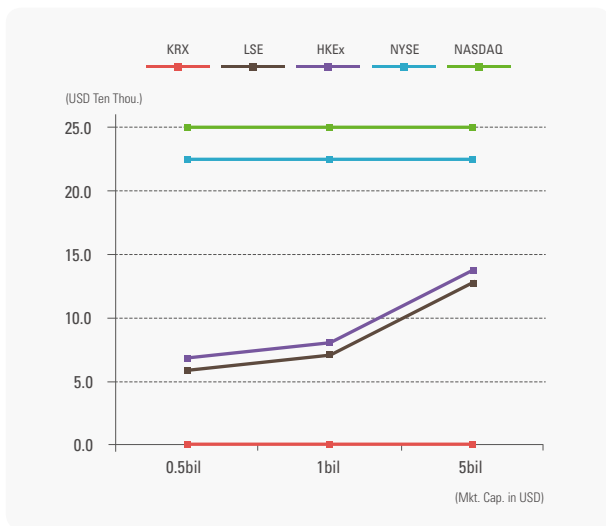
The KOSDAQ market will be promoted to become a technology company-based market in the future by listing more venture SMEs with ability to make profits and promising technology through flexible listing policy.



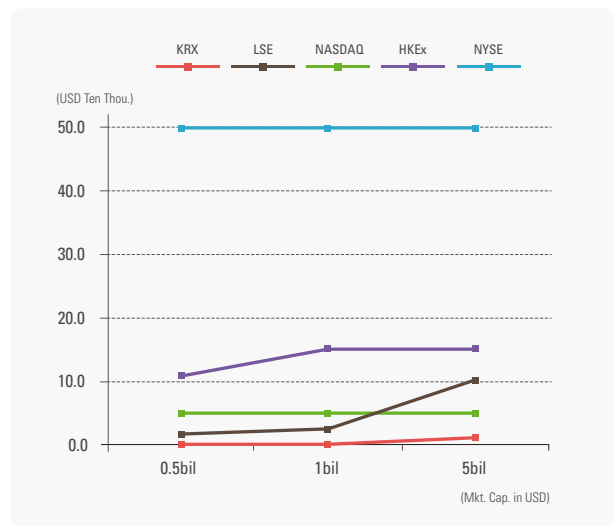
|| Low Cost for Financing and Trading

Listing fee of the KOSDAQ market is in the lowest level compared to those of main competitors. Annual dues charged to maintain listing status of corporations is also lower than those of other exchanges.

| Listing Fee |



| Annual Due |



• Source : Individual exchanges

Transaction fee is also in the lowest level compared to those of other major markets. KRX's fee rate is 0.23bp, which is more or less one third of that of NASDAQ.

< Transaction Fee of Major Exchanges >

(at the end of 2010)

Rank	Exchange	Rate of Spot Market Fee (%)
1	KRX	0.0022763
2	LSE-Italiana (England)	0.002443
3	TSE (Japan)	0.003286
4	TMX (Canada)	0.003998
5	HKEEx (Hong Kong)	0.005000
6	DB (Germany)	0.005089
7	TWSE (Taiwan)	0.005857
8	NYSE-Euronext (U.S.)	0.005965
9	NASDAQ-OMX (U.S.)	0.006320
10	JSE (Johannesburg)	0.006547
11	BME (Spain)	0.006690

1) Rate of spot market fee was derived by dividing fee revenue in the annual report of an exchange by trading value of the exchange in the WFE Trading Value Statistics.

2) Fee rate of overseas exchanges as of 2010 3) KRX excluded clearing fee to compare with overseas exchanges.

The KRX trading system (Exture+) is renowned for its excellent processing performance and short latency. The Exture+ embraces diverse demands from investors such as quick processing and new product acceptance, subsequently contributing to the enhancement of market liquidity and the vitalization of the capital market.

< Average Latency Time of Major ATS and Exchanges >

	Turquoise	Chi-X Europe	Direct Edge	LSE	Nasdaq OM	NYSE Euronext	KRX
(unit: μ s)	107	138	350	126	157	250	100

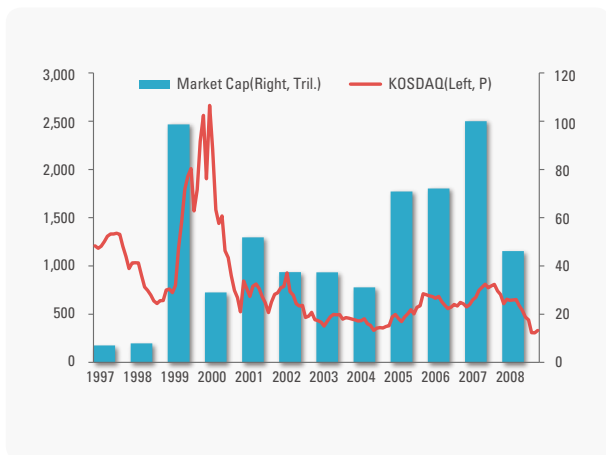
• Source : Deloitte consulting material, journal articles, information posted in the website of each exchange

|| Dynamics of the KOSDAQ market

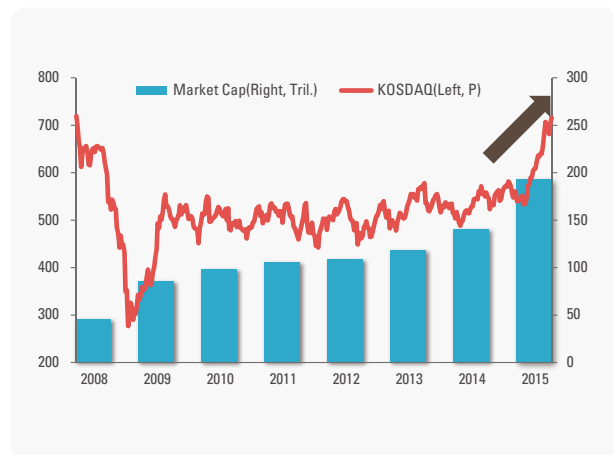
Even though the KOSDAQ market achieved high growth in the boom period of venture and IT businesses during the early 2000s, it remained stagnant at the level of the past as other overseas SME markets since the IT bubble burst.

Since then, thanks to the government’s policies to invigorate the KOSDAQ market and the KRX’s efforts to improve the market environment, KOSDAQ index or market capitalization remarked the all-time high in 2015 after the global financial crisis.

| KOSDAQ Market (1996~2008) |

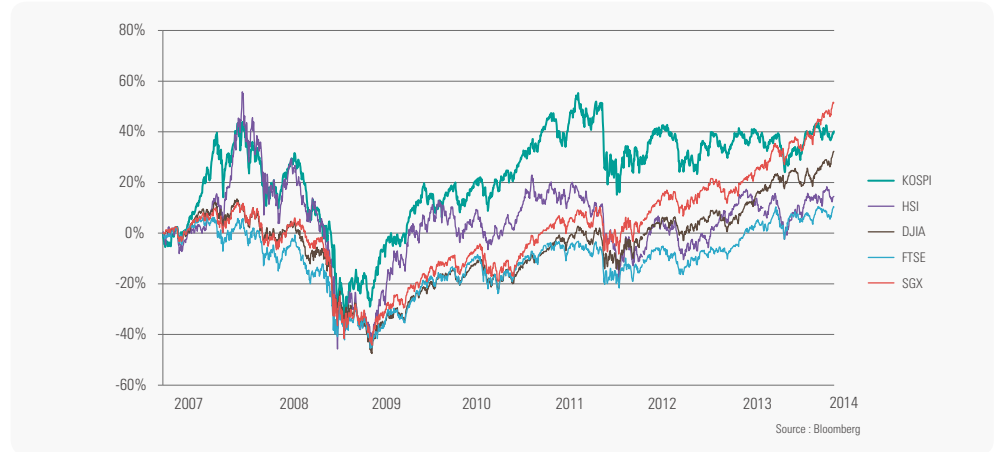


| KOSDAQ Market (2008~present) |





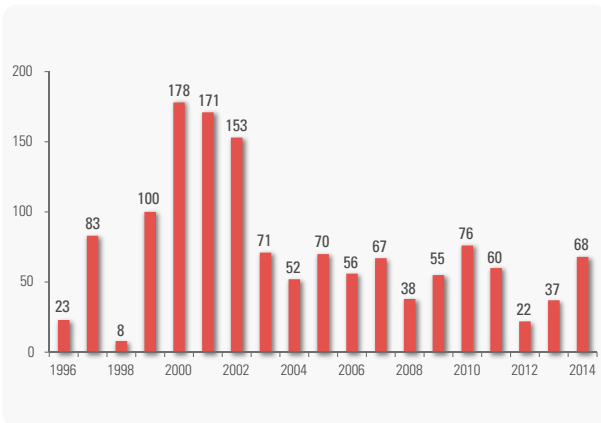
| Major Index Performance Comparison |



The KOSDAQ market is recovering its function of the capital market as the number of newly listed corporations in 2014 recorded 68, the largest number after 2011, and the amount of IPO surpassed KRW 1 trillion. Daily average trading value enjoyed the highest ever in 2015 representing bullish market trend as well.

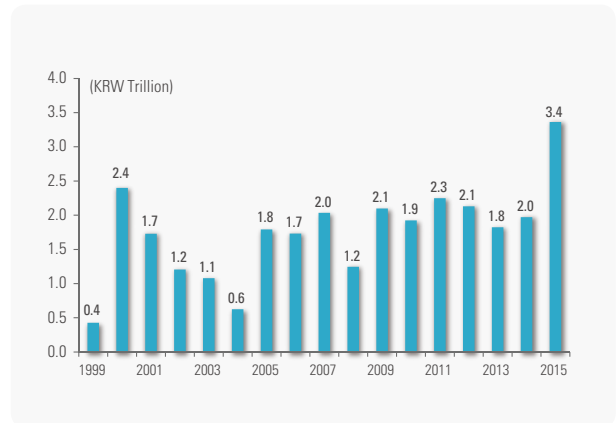
| New Listings |

(Unit : company)



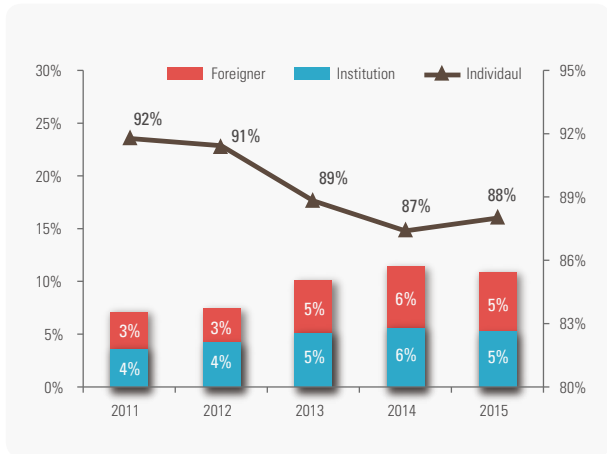
| Daily Average Trading Value |

(Unit : KRW trillion)

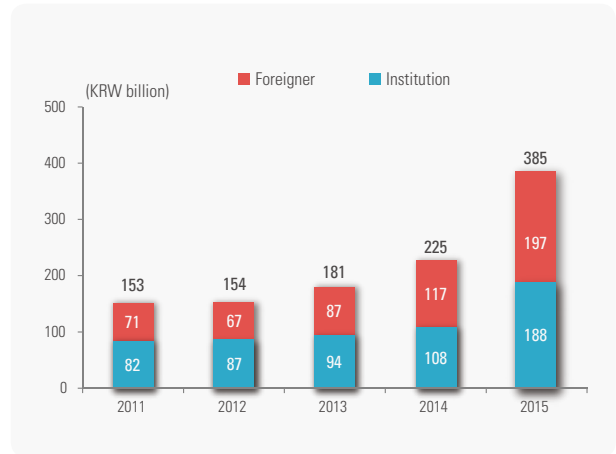


As trading of institutional investors and foreigners has expanded, their combined average daily trading value amounted to KRW 385 billion, increasing by 71% compared to KRW 225 billion in 2014.

| Proportion of Trading by Investor |



| Trading by Institutional and Foreign Investor |



|| **Marketability of the KOSDAQ Market: High Risk, High Return**

As the global trend of low interest rate and poor economic growth rate continues in the long term, attempts to create profits in a new field seems more necessary.

As majority of corporations with self-growing-momentum are in the KOSDAQ market, it shows high investment earnings rate. The earnings rate of the KOSDAQ index in recent 5 years is higher than that of the KOSPI index except for that in the year 2012, and the average earnings rate of individual issue in the KOSDAQ constantly exceeds that in the KOSPI except for the year 2013.

< Rate of Return in the KOSDAQ/KOSPI Markets >

(Unit: %)

		2011	2012	2013	2014	2015.1Q	2011~2015.1Q (Accumulated)
Index	KOSDAQ(A)	-3.5	-2.1	-0.3	9.4	17.5	25.6
	KOSPI(B)	-11.8	9.4	-1.0	-2.6	6.0	-1.4
	A-B	+8.3	-11.5	+0.7	+12.0	+11.5	+27.0
Average on individual issue	KOSDAQ(A)	-3.7	5.9	0.6	14.5	25.2	76.5
	KOSPI(B)	-8.3	4.2	4.3	10.7	14.9	58.9
	A-B	+4.6	+1.7	-3.7	+3.8	+10.3	+17.6

* Earnings rate is on the basis of the corporations listed in the concerned period of time (excluding new listing and delisting).



In addition, the rates of return of index constituents (star/premium) are much higher than that of the KOSPI200 in the long-term.

< Long-term Earnings Rate of Index Constituents >

(Unit: %)

	KOSDAQ Star Index	KOSDAQ Premier Index	KOSPI 200
2011~ 2015.1Q Accumulated Earnings Rate (%)	129.4	111.1	54.0

* Index constituent issues are on the basis of that at the end of the 1st quarter of 2015.

Major corporations of IT.BT.CT in the KOSDAQ market also enjoys a sharp increase in price in recent 5 years from 2011 to March 2015; in terms of accumulated earnings rate, their earning rate was 154.2%, an increase of 2.6 times compared to that of the KOSPI market.

< Price-Earning Ratio of Major Corporations in IT.BT.CT in the KOSDAQ Market >

(Unit: %)

		2011	2012	2013	2014	2015 1Q	2011~2015 1Q (Accumulated)
KOSDAQ	Total	- 3.7	5.9	0.6	14.5	25.2	76.5
	Major corporations in IT.BT.CT	32.1	21.0	0.8	37.8	23.7	154.2
	KOSPI	- 8.3	4.2	4.3	10.7	14.9	58.9

* Among 135 corporations, those listed during the period of calculating earnings rate are based.



04

**Efforts to
Develop the
KOSDAQ Market**

Government Policy Initiatives

- FSC, Plan to overhaul the governance structure of the KOSDAQ market (July, 2013)
 - To boost the KOSDAQ market, the FSC and the KRX announced that the KOSDAQ Market Committee will be separated from the KRX's board of directors.
- FSC, Plan to strengthen the competitiveness of Financial Industry of Korea (Nov. 2013)
 - Aimed at raising the added value of the financial industry in response to new challenges of slow economic growth and rapidly aging population.
- FSC, Plan to revitalize stock markets in Korea (Nov. 2014)
 - As a follow-up measure, a set of action plans was announced to solve the structural problems of the market.

Improving Corporate Governance

Improvement of procedure for exercising shareholder's rights

- Participation in general shareholders' meeting will be increased by facilitating proxy solicitation and electronic voting systems.
- The KSD will develop and operate systems for proxy solicitation and electronic voting before the end of 2014.

Inducing Participation of Institutional Investors

Establishment of a 'Stewardship Code'

- The FSC will establish a 'stewardship code' to provide guidelines for institutional investors in exercising their rights as shareholders and participating in decision making of corporate management.





Inducing High Dividend Payouts

Introduction of Tax Package to Boost Dividend Income

- Effective from January 30, 2015, the withholding tax rate on dividend income earned on stocks held in listed corporations is lowered from 14% to 9%.
- At the same time, such dividend income, which had been taxed at the general rate of up to 38%, can apply for selective separate taxation at the rate of 25%.

|| KRX Policy Initiatives

Improving the Market Infrastructure

Ⓐ Widening Product Line-up

The KRX attempts to expand institutional investors' demands by developing various products based on KOSDAQ issues including ETF and ETN, and provide safe ways* of indirect investment and new profitable products for investors.

* Reflecting great growth potential for the KOSDAQ market, while excluding risk for individual issue due to the small corporation scale.

Also, it plans to introduce stock futures, which take KOSDAQ-listed stocks as underlying assets for the risk management of the investment in the KOSDAQ market.

Ⓑ Expand Daily Stock Price Limit

The daily stock price limit in the KOSDAQ market was expanded from $\pm 15\%$ to $\pm 30\%$ to enhance the efficiency of the market and price discovery function.

To cope with the risk of volatility, the market stabilization facility* was strengthened.

* Introduction of the static volatility interruption: In case where the price fluctuates 10% or more than the price determined at the last single price auction, a single price auction is carried out for 2 minutes.

* Improvement of circuit breaker (CB): Before the CB was triggered only one (1) time per day when the market drops 10% or more, however, it was improved by introducing three (3) triggering phase of 8%, 15%, and 20%.

Ⓒ Introducing Market Making for Low-liquidity Stocks

To enhance the market liquidity, market maker system will be introduced. In addition, for the purpose of encouraging active and voluntary improvement efforts by corporations which have low liquidity among KOSDAQ blue chip stocks, education and consulting program will be provided for those corporations.

Promoting Corporate Listing

The KOSDAQ market will be positioned as a market oriented to technology growth corporations by listing more venture SMEs with ability to make profits and promising technology.

- Corporations with promising technology can enter the KOSDAQ market without difficulty by reshuffling technology assessment system.
- Technology appraisal agencies were reduced from the existing 22 professional institutions to 3 TCBs* (Technology Credit Bureau designated by the FSC)

* Technology Guarantee Fund, Nice Credit Information, Korea Corporations Data

- Listing criteria currently based on the size and profit of a corporation will be diversified in order to list corporations with growth potential in the red.
- For close collaboration between the KOSDAQ and the KONEX markets, criteria for the fast track listing transfer will be eased.

Publishing more corporate information

Channels for providing information about the KOSDAQ-listed corporations will be diversified to resolve the lack of information

- Effective IR services*, support for the publication and distribution of corporate analysis report, etc will be provided.

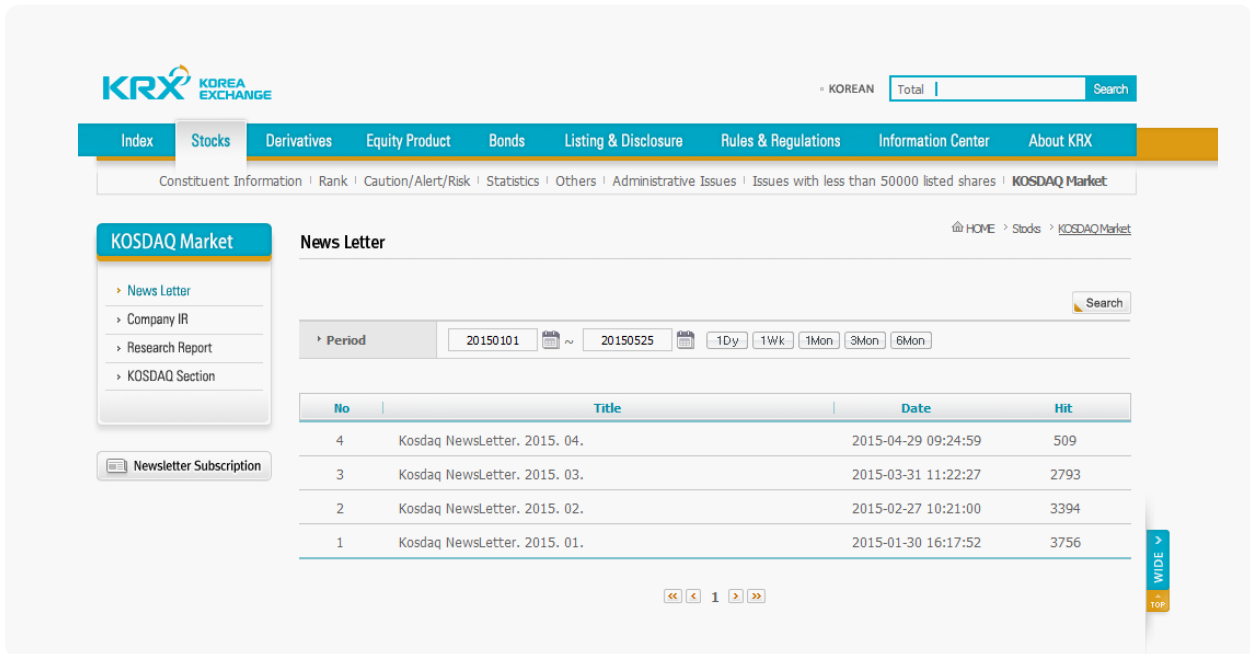
* local IR in the regions, factory visit, joint IR with the related local organizations, joint IR of KOSDAQ Rising stars and premier corporations

- For the convenience of foreign investors, information on the corporations and KOSDAQ market will be expanded.

* Revising the English website, reinforcing the brochure, IR materials, news letter, and mailing in English, conducting marketing activities for foreign investors who visit the nation.



| English Website |



Reinforcement of the Market Reliability

The KOSDAQ market has made continuous efforts for investor protection.

- Market reliability has been largely enhanced since the insolvent enterprises have been delisted quickly after introducing listing maintenance review system in 2009.
- The number of unsound trading (stocks designated as administrative issues, violation of disclosure obligation, embezzlement and malpractice by officers) was reduced to 97 in 2014 from 251 in 2009, a decrease of 61%, due to the reinforced notice of investment risk.

< Unsound Trading in the KOSDAQ Market >

(Unit: case)

	2009	2010	2011	2012	2013	2014
No. of issues designated as administrative issue	84	77	61	66	45	28
No. of companies designated as an unfaithful disclosure company	125	70	110	76	53	48
No. of embezzlement and malpractice cases occurred	42	33	32	18	15	21
Total	251	180	203	160	113	97



KOSDAQ market Listing

1. Procedure
2. Special Exemption of Listing Requirements for Technology Growth Company



KOSDAQ market Listing

01 Procedure

Corporations who wish to be listed in the KOSDAQ market shall apply for listing eligibility examination to the KRX after concluding an underwriting contract with a lead manager of underwriting syndicate and requesting the designation of an auditor in advance.

In case where the applicants are approved by satisfying the listing requirements as a result of eligibility examination, listing proceeds with the procedure of submitting securities registration statement and passing through the public offering process including book building and determination of public offering price, and finally, launching the trading in the KOSDAQ market.

< Listing Procedure >

Classification	Subject	Time Schedule (Expected)	Remarks
External auditing based on the External Auditing Law (by designated auditor)	Issuer, FSS, accounting firm		FSS
Concluding an underwriting contract with a lead manager	Issuer, lead manager	D-3month	Korea Securities Dealers Association
Amendment of AI and Preparation	Issuer, lead manager	D-3month	
Preparing Data for the Analysis of Business Inspections and Issue Value	Issuer, lead manager	D-2month	
Selection of Transfer Agency	Issuer	D-2month.	Kookmin Bank, Hana Bank, Korea Securities Depository
Stock Certificate Printing Contract	Issuer	D-2month.	
Business Registration	FSS, Issuer	D-1month	Register with the FSC
Application for listing eligibility examination	Issuer, lead manager	D	
Examining the application for listing eligibility	Listing Examination Dept.		
Reviewing the results of examination for application of listing eligibility	KOSDAQ Market Listing Commission	D+60 days	
Approval of listing	KOSDAQ Market Division	D+63 days	
Filing Securities Registration Statement	Issuer, Financial Supervisory Service	D+65 days	



Pricing	Issuer, lead manager	D+75 days	
validity of Securities Registration Statement		D+81 days	15 days after the receipt
Subscription application	Lead manager	D+82~84 days	
Allocation	Lead manager	D+91 days	
Application for listing	Issuer, lead manager	D+92 days	
Registration of capital increase	Issuer	D+93 days	
KOSDAQ's listing approval	KOSDAQ Market Division	D+94 days	
Commencement of trading		D+96 days	

02 Special Exemption of Listing Requirements for Technology Growth Companies

A., Purpose

The special exemption of listing requirements for technology growth corporations allows promising enterprises with outstanding technological capacity to enter the KOSDAQ market by using the technology assessment.

B. Target Corporations

In case where three of the professional appraisal agencies issue grades above the certain level*, the corporations concerned are entitled to apply for listing eligibility examination as a technology growth company.

* Grade 'A' and 'BBB'

C. Listing Examination

Corporations subject to the special exemption of listing requirements for technology growth company are exempted or eased from some of the quantitative requirements compared to general and venture companies. By reflecting the assessments of technology by professional appraisal agency and marketability by the expert group, listing eligibility is reviewed based on growth potential through technology rather than the current management performance.

(1) Exemption of Quantitative Listing Requirements:

- a. Years in operation after incorporation (At least 3 years)
- b. Earnings (Positive income from ongoing business before corporate tax)
- c. Profit size, etc (ROE, net income, sales, market capitalization, etc.)

(2) Easing of Quantitative Listing Requirements:

- a. Business size (equity capital: KRW 1 billion or more)
- b. Financial status (Impaired capital rate of less than 10%)

D. Management after Listing

To prevent investor protection related problems which might be taken place from lowered entry barrier, various listing management measures are in operations.

- Assignment of Separate Section

Considering the characteristic of technology growth companies, i.e., high risk, high return, the KRX assigns those corporations to a separate section (Technology Growth Company Section) for differentiated market management.

- Extension of Period for Safe Custody

The period for safe custody of stocks owned by the largest shareholder, etc is extended from 6 months to 1 year in order to strengthen the responsibility of management.

E. Delisting

The KRX eased the delisting criteria considering the poor business performance of technology growth corporations in the early stage after listing compared to general corporations.

- Grace Period for Designating Administrative Issues

The technology growth corporations are entitled to apply for grace period of the designation of administrative issue if they correspond to the followings:

- When negative income before corporate tax from ongoing business, which exceeds 50% of equity capital, was realized twice during the latest 3 years
- When the sales amount in last year is less than KRW 3 billion

- Exemption of Designation of Administrative Issues

Despite business performance in red for consecutive 4 years, technology growth corporations are exempted from being designated as an administrative issue.

KOSDAQ market Trading

1. Overview of the Market Operation
2. Method of Transaction
3. Alternative Trading
4. Market Stabilization



KOSDAQ market Trading

01

Overview of the Market Operation

Trading Hours

		Trading hours	Order Receiving Hours
Off-hours Session	Regular Session	09:00~15:00	08:00~15:00
	Pre-hours	07:30~09:00*	07:30~09:00
	Post-hours	15:10~18:00	15:00~18:00

* Pre-hours auction session at closing price and auction-based block Trading run only from 07:30 to 08:30

Trading Unit

Trading unit in the KOSDAQ market is 1 share.

Tick Size

Tick size means the minimum unit price applied in designating price for each issue, only at which investors can place bids or asks in the market.

Stock Price	Tick
Less than KRW 1,000	KRW 1
KRW 1,000 - less than KRW 5,000	KRW 5
KRW 5,000 - less than KRW 10,000	KRW 10
KRW 10,000 - less than KRW 50,000	KRW 50
KRW 50,000 or more	KRW 100

Daily Price Change Limit

Daily price change limit is a system that limits the daily range of the price fluctuation to ease sudden rise and plunge of the price. It is currently limited to 30% up and down against the base price of the day, and the order price shall be limited within the range between the upper and the lower limit.





02

Method of Transaction

Principle of Transaction

- Price Priority
The higher bid price has priority over the lower bid price, while the lower offer price has priority over the higher offer price.
- Time Priority
In the case of orders with the same bid or offer price (including market order price), the order placed earlier has priority over the orders placed later.
- Simultaneous Order system
In case where the opening price, etc. is determined at the upper or lower price limit, bid orders at upper limit or offer orders at lower limit (including the market order participated in a single price auction) are not applied to the time priority principle, but executed in the order of descending order size by allotting each unit of shares designated as those orders are considered as simultaneously submitted ones.

Transaction Method

- Auction by Single Price
Single price auction refers to a transaction method by which all bids and offers submitted during a certain period of time are queued in the limit order book and matched at a single price, with price and time priority, at which the most quantity of bids and offers placed during the certain period of time are executed.
- Continuous Trading by Multiple Price
During the trading hours when the single price auction is not applied, the continuous trading by multiple prices is applied. Under continuous trading session, transaction is immediately executed applying the price and time priority if there comes any possible counter order in compliance with the price condition. If there is any gap between the bid and the offer price where the transaction can be executed, orders are matched at the price of order received earlier.

03

Alternative Trading

Off-hours Trading

• Off-hours Closing Price Trading

This is an off-hours trading session for investors who wish to trade at the closing price of the market after confirming the closing price.

	Trading Time	Order Receiving Hours	Matching Price
Post-hours	15:10~15:30	15:00~15:30	Closing price of the day
Pre-hours	07:30~08:30	07:30~08:30	Closing price of the previous day

• Off-hours Single Price Auction

This is an off-hours market where trading is concluded at the single price every 10 minutes after the market closing and where an order price shall be within the range between 10% up and down the closing price of the day.

• Block Trading and Basket Trading

Both block trading and basket trading are trading methods that execute transaction of more than the certain number or amount of individual issue or groups of issues under the price and quantity condition agreed by the persons involved in transaction.

Order placement	- Application through K-Blox of the Exchange before submitting an order
Matching price	- The price negotiated between the persons involved within the daily price change limit of the day
Minimum quantity	- Block trading: Trading value at least KRW 50 million. - Basket trading: At least 5 issues and trading value at least KRW 200 million.

Regular Session Block Trading

In the case of block trading and basket trading in the regular session, the order price range shall be within the highest and the lowest prices formed until the order placing time to prevent orders from avoiding to flow into the regular market.



04 Market Stabilization

Random End

As a preventative measure for unfair trading by malicious phantom orders during single price auction, the random end is a trading method where the Exchange decides a price by extending order receipt time randomly within 30 seconds.

Volatility Interruption

In case where a matching price of an individual stock breaks out of a certain price range, trading method changes into the single price auction to mitigate the sudden price fluctuation by provide the cooling time. It is classified into the dynamic volatility interruption and the static volatility Interruption

	Dynamic Volatility Interruption			Static Volatility Interruption	
Purpose	- To relieve temporary volatility caused by momentary imbalance of supply and demand and error order			- To relieve long and cumulative price fluctuation	
Application Session	- Regular session: continuous trading session and single price auction at the market closing - Off-hours session: single price auction			- Regular session: applied to all sessions - Off-hours session: not applied	
Trigger Price	- Trigger price = reference price ± (reference price × trigger price rate)				
		Continuous trading session	single price auction at the market closing	After-hours session	All sessions of the regular session
	Reference price	Matching price right before submitting an order			Price determined at the last single price auction before submitting an order - Before deciding opening price : base price of the day - After deciding opening price: price determined at the last single price auction
	Trigger price rate	6%	4%	6%	10%
Measures at the Point of Triggering	- Transfer to single price auction for 2 minutes (in case of time for single price auction, the time of single price auction shall be extended)				

Circuit Breaker

In case where the KOSDAQ market index drops more than a certain level, the market will be halted by triggering CB in order to give market participants the cooling time for reasonable investment decision.

Triggering Conditions	- When the KOSDAQ index falls down 8%, 15%, or 20% or more compared to that of the previous day and remains for 1 minute. *CB is not triggered during 40 minutes before the market closing (14:20)		
Effects	- 8%	- 15%	- 20%
	All the trading in KOSDAQ market is halted for 20 minutes. (Including KOSDAQ index futures and options)		All the trading of the day is halted.
Trading Resumption	- Resumes trading 20 minutes after the halt - Trading begins by single price auction for 10 minutes - Since then, the continuous trading is applied.		All the trading of the day shall not be resumed.

Side car

In case where the market fluctuates abruptly, the sidecar is triggered to reduce the impact caused by the program trading by halting program trading order.

Corporate Disclosure

1. Overview of Corporate Disclosure
2. Timely Disclosure
3. Measures against Unfaithful Disclosure
4. Market Management



Corporate Disclosure

01

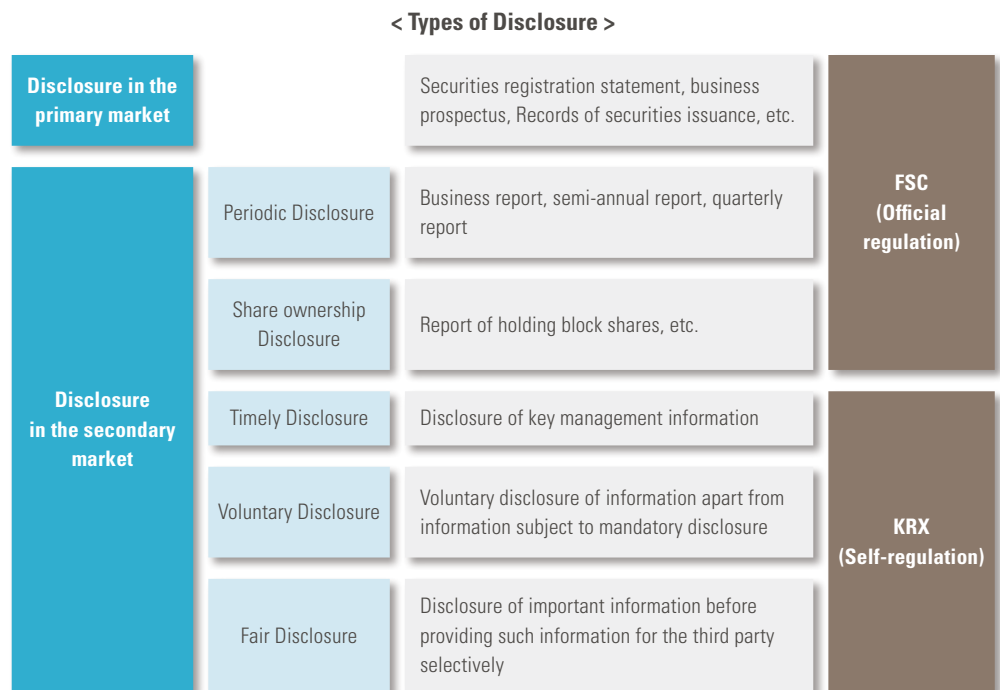
Overview of Corporate Disclosure

Overview

The KOSDAQ market requires listed corporations to make public important management information, timely or periodically, to ensure the efficient operation of the securities market and induce informed investment decision under investors' discretion.

Corporate Disclosure System

Regulatory system over corporate disclosure can be classified into two categories; official regulation by the government (FSC) and self-regulation by the KRX.





02

Timely Disclosure

Disclosure of Key Management Matters

Corporations are required to disclose important facts or decision details on the day or by the next day, which can influence significantly on investors' investment decision among present or future management information.

Key Disclosure information

Business and production	Suspension of business, halt of production and trading, large-sized single sales agreement, etc.
Financial structure	Issuance of securities, investment activity, claim and obligation, profits and loss, closing accounts
Corporate management	Governance structure, continuation of corporation, lawsuit, general meeting of shareholders

Voluntary Disclosure

In case where there is any occurrence or decision-making of matters which are considered to be able to significantly influence on the corporate management, assets, and judgment of investment, they shall be disclosed by the following day.

Fair Disclosure

Under the fair disclosure system, listed corporations that wish to provide designated people such as institutional investors, etc. with important information not yet disclosed must first disclose it to the market so that all market participants receive the same information.

Inquired Disclosure

When there are rumors or news about important corporate matters and its equivalent or sudden drastic changes in stock prices or trading volumes, the KRX can request the listed corporation concerned to make public such rumors/news and clarify the situation for the fair trading of securities and protection of investors.

03

**Measures
against Unfaithful
Disclosure**

Overview

In case where listed corporations do not comply with the disclosure obligation specified in the KOSDAQ Market Disclosure Regulations, the corporations concerned are designated as unfaithful disclosure corporations for the purpose of attracting attention of investors and ensuring their faithful compliance with the disclosure regulation.

Types of Unfaithful Disclosure

There are 3 types of unfaithful disclosure; failure of disclosure, reversal of disclosure, and alteration of disclosure.

Types	Details
Failure of Disclosure	Cases of failing to meet the disclosure deadline, disclosing false information, not disclosing important information
Reversal of Disclosure	Cases of completely canceling or denying the existing disclosure details
Alteration of Disclosure	Cases of disclosing after modifying key matters of the existing disclosure details

Penalty against unfaithful disclosure corporations

KRX takes measures against KOSDAQ-listed corporations designated as unfaithful disclosure corporations; public announcement of unfaithful disclosure corporations through official disclosure medium, suspension of trading, imposition of disclosure violation fine, and request for submission of improvement plan.



04

Market Management

Suspension of Trading

If there is any matter that can have great impact on listed stocks, trading of stocks issued by the listed corporation concerned is suspended for a certain period of time for the sake of protecting investors.

Designation as Administrative Issue

If the corporation concerned is deemed vulnerable to delisting due to its weak governance structure, lack of liquidity, worsening management after poor business performance, it shall be designated as administrative issue as a step for prior notice.

Delisting

When a corporation designated as administrative issue cannot be free from the criteria for the designation or is deemed ineligible for trading product in the market any longer owing to its poor corporate performance, it shall be disqualified from trading privilege in the market through delisting.

< Causes for Delisting >

Delisting by quantitative criteria	Delisting in the case of corresponding to a certain criteria such as business performance, financial status, etc.
Delisting by qualitative examination	Deciding the appropriateness of delisting by judging overall business sustainability, management transparency, etc. in case where an important management event occurs.





KONEX Market

1. Introduction of KONEX Market
2. Listing
3. Market Management



Introduction of KONEX Market

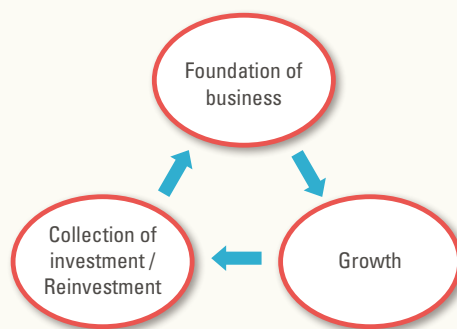
01 Overview

KONEX Market

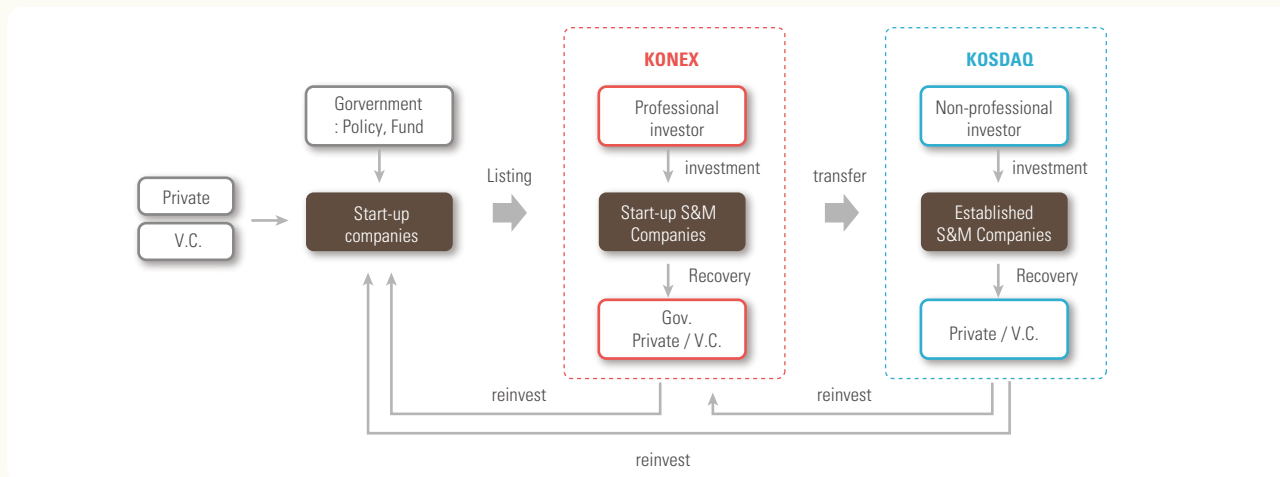
KONEX market, a new market for start-up small- and medium-enterprises (SMEs) and venture companies only, was established on July 1, 2013 for the purpose of supporting their early stage financing and development through the capital market.

Background of Foundation

The government and KRX established the KONEX market as a core infrastructure of creative economy, which is in charge of recouping of initial investment and reinvestment, in order to set the virtuous investment cycle for SMEs and venture corporations and transform paradigm from debt financing to risk capital financing for investment in SMEs and venture companies.



Market Structure



02 Development of the Market

Market size

The number of listed companies and market capitalization have drastically grown* by 4 times and 7 times, respectively, compared to those at the time of market opening in July 1, 2013.

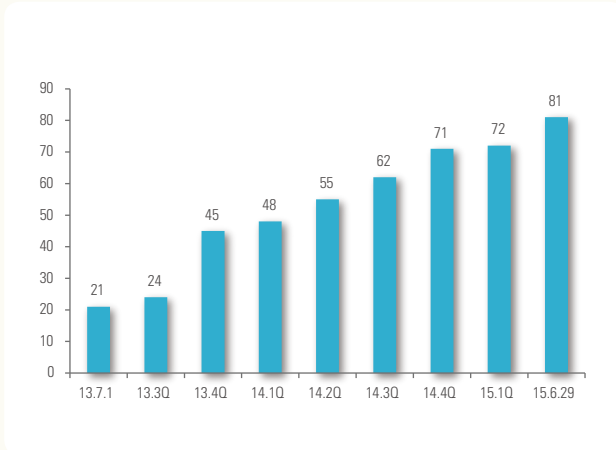
In 2015, market capitalization broke the levels of KRW 2 trillion and KRW 3 trillion on April 3 and on June 23, respectively.

* Number of listed corporations: 21 in July 1, 2013, 56 in July 1, 2014, and 81 in June 29, 2015 (3.9 times increase)

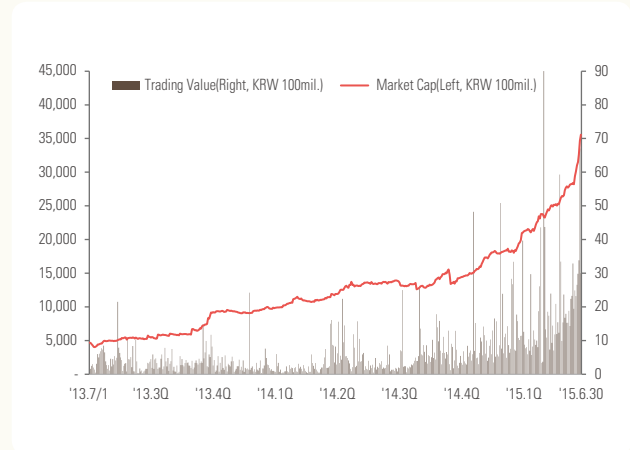
** Market capitalization: KRW 0.5 trillion in July 1, 2013, KRW 1.2 trillion in July 1, 2014, and KRW 3.5 trillion in June 29, 2015 (7.4 times growth)



| Number of listed corporations |



| Market Capitalization and Trading Trend in the KONEX market |



Trading volume

Daily average trading value has increased 4 times in 2015 due to efforts for market vitalization by the government and the Exchange and expectations for listing transfer to the KOSDAQ. Market.

* Daily average trading value: KRW 390 million in 2013, KRW 390 million in 2014, and KRW 1.53 billion in the first half of 2015 (3.9 times increase)

Particularly, after the announcement of the plan for vitalization of the KONEX market by the government on April 23, trading volume has been largely growing.*

* Daily average trading value in 2015: KRW 1.46 billion in April, KRW 1.88 billion in May and 2.6 billion in June.

Characteristics of listed corporations

As most of corporations listed are venture or inno-biz corporations in the technology growth sector* such as IT or BT, the KONEX market has been positioned as venture and SME-based stock market.

* The number of listed corporations in IT industry is 33 (41%), and that in bio business is 13 (16%) of the total 81 listed corporations.

** The number of venture and inno-biz corporations listed is 69 (85%) of the total 81 listed corporations.

< Comparisons of corporations listed in KONEX and KOSDAQ market*>

(Unit: KRW hundreds billion)

	KONEX		Average		Rate(a/b)
	Maximum	Minimum	KONEX(a)	KOSDAQ(b)	
Equity Capital	34.6	0.8	9.0	27.9	32.3%
Sales amount	111.6	0.6	25.4	63.9	39.7%

* On the basis of the corporations listed in 2014

Financing

Since the market opening, 28 listed corporations have financed KRW 114.2 billion in total.

Since 2014, the function of the capital market as a financing source for start-up SMEs has been rapidly developed with large increase in financing amount, etc.

* Financing amount: KRW 13.6 billion in 2013, KRW 67.9 billion in 2014 and KRW 32.7 billion in the first half of 2015

03 Characteristics of the KONEX Market and Advantages of Listing

Market Characteristics

SMEs-based	Corporations that can be listed in the KONEX market are limited to SMEs falling under “Framework Act on Small and Medium Enterprises” and listing criteria are minimized to support listing for SMEs with technology capacity.
Professional-investors-based	KONEX market was designed based on professional investors, venture capital, professional angel investors, etc. in principle considering relatively high risk of investment. However, individual investors are limited to those who have enough risk tolerance (possessing more than certain amount of basic deposit).
Easing of listing burden	Disclosure obligation in the KONEX market was significantly relieved in both periodic disclosure (exemption of semi-annual and quarterly reports) and timely disclosure (reduction of disclosure matters) compared to those of major markets. In addition, duties on corporate governance structure such as appointment of outside directors and full-time auditor were exempted minimizing burden for maintenance of listing by listed corporations.
M&A Support	Criteria for M&A (backdoor listing) are eased to promote vitalization of M&A through the KONEX market, and block trading and auction systems have been in operation to facilitate the sale of shares by large shareholders.

Advantages of Listing

Corporations desiring to be listed in the KOSDAQ can easily transfer its listing to the KOSDAQ after being listed in the KONEX market. If a KONEX-listed corporation meeting certain criteria including listing period and business performance intends to transfer its listing to the KOSDAQ through “Fast Track” system, they can get benefits such as exemption in some listing requirements and reduction of listing examination period.

KONEX market enables its listed companies to have stable financing by direct financing through rights offering and public offering of new shares or issuance of convertible bonds. In addition, the duty of filing securities registration statements is exempted and therefore fast funding is possible if a KONEX-listed corporation raise funds from the KONEX market participants.



As business contents, management performance, stock prices, etc of the KONEX-listed corporations are published to the public, home and abroad, through disclosure media, press release or IR, they can enjoy of the enhancement of corporate awareness. Especially, there are positive expectations that they can get into overseas market, inspire self-confidence of their executives and employees and invite outstanding workforces through the improved corporate awareness.

Burden for disclosure by KONEX-listed companies is largely relieved through proxy disclosure by designated advisor and reduction of timely disclosure matters. Also, burden of corporate governance structure is eased by exempting duties of appointing outside directors and full-time auditors.



Listing

01 Features of Listing

Unlike KOSPI and KOSDAQ markets, KONEX market relieves duties, procedure, requirements of listing to make start-up SMEs and venture companies actively enter the market. To this end, it also introduces a designated advisor (a securities company that meets certain requirements).

Role of designated advisor

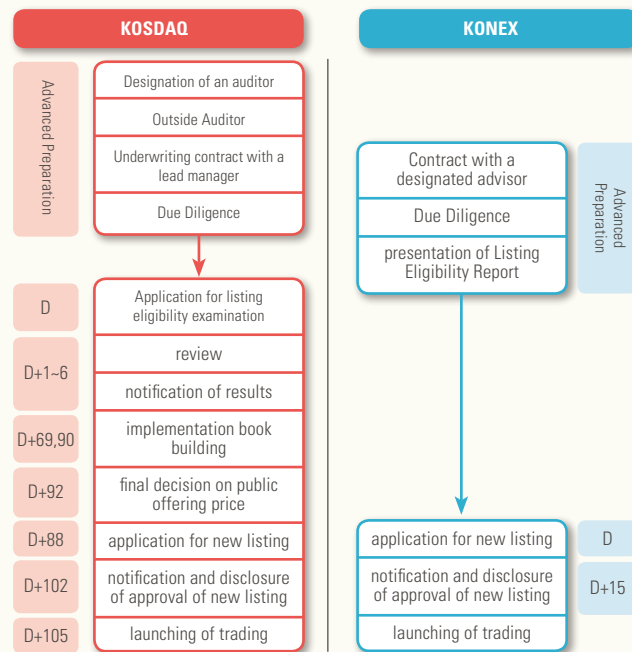


02 Listing Procedure

As KONEX market does not require distribution of shares at the time of new listing, public offering is not mandatory process. Therefore, corporations may choose appropriate method of listing among public offering, private offering, or direct listing.

Especially, as direct listing in the KONEX market is exempted from listing eligibility examination and public offering procedure, the time period required for listing procedure is reduced to only 15 business days, which is a large shortening of period compared to those in the KOSPI and KOSDAQ markets.

* KOSPI and KOSDAQ markets take around 4 months for listing procedure.



03 Listing Requirements

< External Requirements >

External requirements such as financial criteria are not applied in order to promote active listing of start-up SMEs and venture companies.

< Qualitative Requirements >

KRX conducts qualitative examination about possible inappropriateness for investor protection and common good on the basis of application documents for listing and listing eligibility report on which designated advisor evaluates applicant corporations for listing.

Classification	External Requirements	Note
Target corporations	SMEs pursuant to the Framework Act for Small and Medium Enterprises	-
Restriction on transfer of shares	Articles of incorporation, etc. shall not stipulate provisions restricting the transfer of shares * This is not applied to the case where the restriction is imposed by other laws; however it is deemed that such restriction does not impede the trading in the KONEX market.	-
Audit Opinion	Audit opinion in recent business years shall be "unqualified".	-
Par Value	One of choices among KWR 100, KRW 200, KRW 500, KRW 1,000, KRW 2,500, KRW 5,000	stocks with par value

04 Special Exemption Listing

< Reason for Introduction >

Special exemption listing is arranged to make start-ups with technology capability listed without appointing designated advisor to help them enter the capital market as early as possible.

< Listing Procedure >

Technology growth corporations that wish to apply for special exemption listing shall file an application for new listing directly with the Exchange within 45 days before the desired listing date, and the Exchange make a decision on whether to list after the deliberation by Listing and Disclosure Committee.

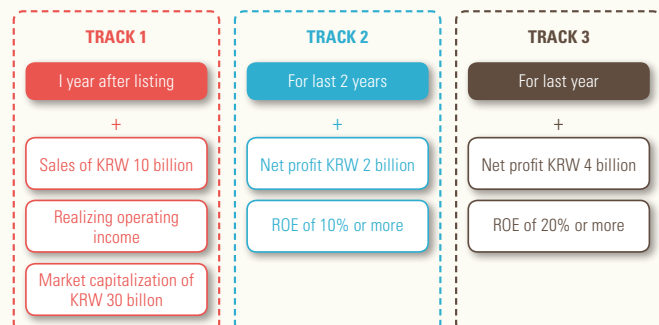
Criteria for Special Exemption Listing	
Attraction of investment	Institutional investors designated by the Exchange shall have at the least 20% of stocks, etc of the corporations concerned.
Technology capacity	Technology Credit Bureau (TCB) shall issue a rating grade more than certain level of technology credit grades
Agreement of investors	Institutional investors designated by the Exchange ('designated institutional investors') shall agree on special exemption listing.

05 Listing Transfer to KOSDAQ

KRX has introduced the Fast Track for the listing transfer to KOSDAQ by KONEX-listed corporations which have achieved great business performance, however, not fully qualified to be listed in the KOSDAQ market due to its small size or infant status. Corporations that desire for transmission listing may select one of the types appropriate for status of the corporation concerned.

< Matters subject to special exemption for Fast Track >

- Exemption for business sustainability examination among qualitative requirements
- Reduction of equity capital to KRW 100 million or more among external criteria
- Shortening of examination period to 30 days (45 days for general corporations)



- Common criteria: Recommendation of listing transfer by designated advisor is essential.
- Criteria for market capitalization in TRACK 1 is based on the last 1 year.

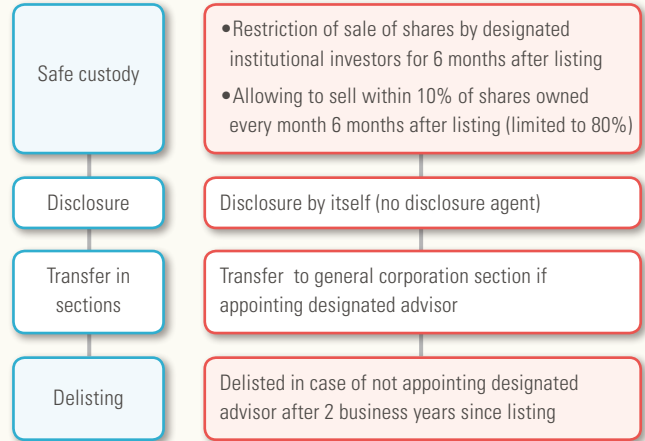


Market Management

01 Assignment of Market Section

Corporations listed through designated advisor are assigned to 'general corporations section' and corporations listed through special exemption listing are placed to 'start-up corporations section' to protect investors and manage corporations more efficiently. In case where a corporation in the start-up corporation section appoints designated advisor, its section is changed to the general corporation section.

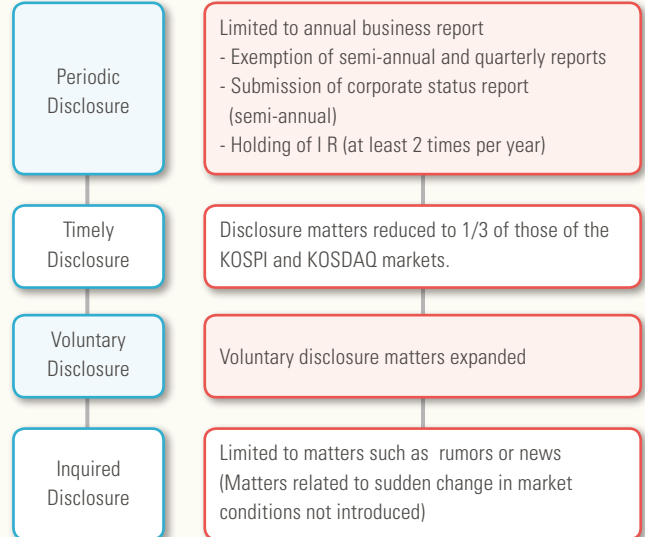
<Management of corporations in the start-up corporation section>



02 Disclosure

Criteria for periodic and timely disclosure are eased compared to those in the main board considering the characteristics of the market based on start-up SMEs and venture companies. However, corporations are required to submit corporate status report (semi-annual) and hold IR at least twice in a year to provide investors with enough corporate information. In addition, disclosure agent system served by the designated advisor is available to complement professionalism on disclosure and ease burden for disclosure of listed corporations.

<Features of Disclosure >



03 Trading

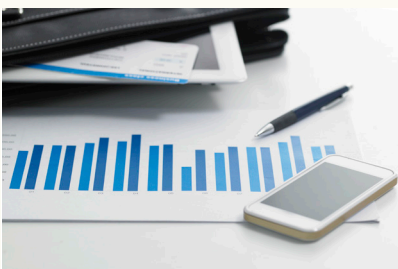
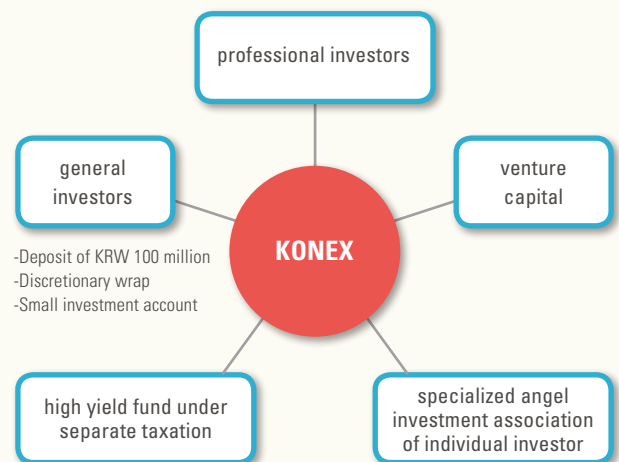
KONEX market basically maintains the same operating method as those of the major markets for its stable operation of trading and investors' trading convenience. However, considering that the KONEX market is based on professional investors and the level of share distribution of large shareholder is low and liquidity thereupon is not sufficient, the KRX plans to introduce one-sided auction and mandatory designation of liquidity provider. To simplify the trading system, 2 types of orders are allowed, i.e. limit order and market order. In addition, special trading such as off-hours trading at closing price and block trading during both regular and off-hour session is conducted.

< Special trading : KONEX versus Main board >

		KONEX	KOSPI/ KOSDAQ
Regular Session	Block trading	○	○
	Basket trading	×	○
	Competitive block trading	×	○
Off-hours Session	Off-hour trading at closing price	○	○
	Off-hour single price auction	×	○
	Off-hour block trading	○	○
	Off-hour basket trading	×	○
	Off-hour competitive block trading	×	○

04 Market Participants

Considering high risk and high return- characteristic of the KONEX market, market participants are limited to professional investors, venture capital, investment association of individual investors, specialized angel investors, and high-yield fund subject to separate taxation. Since June 29, 2015, if general investors possess more than KRW 100 million of basic deposit or they have a discretionary wrap account, they can participate in the KONEX market. From July 27, 2015, general investors will be allowed to invest in the KONEX market with maximum of KRW 30 million per year through small investment account regardless their deposit level.



Major Statistics of the KOSDAQ Market

<Major Indicators>

Classification	2010	2011	2012	2013	2014	2015.1Q
Index (P)	510.69	500.18	496.32	499.99	542.97	650.49
Market Capitalization (KRW trillion)	98.0	106.0	109.1	119.3	143.1	156.6
Average Daily Trading Value (KRW trillion)	1.92	2.25	2.13	1.82	1.97	2.92
Average Daily Trading Volume (100 million shares)	6.43	5.43	5.91	3.95	3.55	5.01
No. of Listed Corporations	1,029	1,031	1,005	1,009	1,061	1,062

< Average daily Trading Value and Weight by Investor>

(Unit: KRW 1 billion, %)

	2010		2011		2012		2013		2014		2015.1Q	
	value	weight	value	Weight	value	weight	value	Weight	value	weight	value	weight
Individual	1,777	92.2	2,071	91.8	1,951	91.4	1,621	88.8	1,723	87.4	2,580	88.2
Foreigner	50	2.7	71	3.3	67	3.3	87	4.9	117	6.0	151	5.1
Institution	74	3.9	82	3.7	87	4.1	94	5.1	108	5.5	160	5.5
Investment Trust	30	1.6	36	1.7	33	1.6	28	1.5	31	1.6	42	1.4
Securities Company	10	0.5	11	0.5	11	0.5	18	1.0	25	1.3	44	1.5
Pension Fund	11	0.6	13	0.6	17	0.8	19	1.1	19	1.0	27	0.9

* Weight is calculated by averaging daily weight of trading (buy+sell) by investor.

<Trend in the Proportion of Market Capitalization by Industry>

(Unit: %, %p)

Classification	2010	2011	2012	2013	2014	2015.1Q
IT S/W & SVC	13.0	15.1	12.6	11.0	17.7	16.4
Internet	2.7	2.5	2.1	1.8	5.8	4.9
Digital contents	4.8	5.3	4.8	3.6	6.3	6.0
Software	2.6	4.7	4.3	4.4	4.3	4.3
IT HW	28.5	24.2	25.0	24.0	20.7	20.2
Semiconductor	12.6	11.9	10.2	11.0	9.8	9.3
IT components	11.2	8.8	11.2	9.6	7.3	7.5
Telecom & Broadcasting	5.4	4.5	5.7	6.9	5.1	4.6
Communication	2.3	1.5	1.8	1.7	1.6	1.4
Broadcasting	3.1	3.0	3.9	5.2	3.5	3.2
Distribution	5.1	5.4	5.3	5.3	6.3	6.6
Recreation & Culture	0.8	1.6	3.9	4.3	3.8	3.5
Manufacturing	35.5	38.7	36.4	35.7	34.5	36.9
Pharmaceuticals	7.9	10.0	10.7	10.2	10.2	12.7
Medical & Precision Machines	1.4	1.6	2.2	2.7	3.3	3.0
Machinery	6.4	7.5	6.0	4.9	4.3	4.1
Metal Products	6.5	5.6	5.2	5.1	3.6	3.2

<Top Ranking Corporations in the Market Capitalization>

(As of April 2015)

No.	Company	Local Code	Industry	Market Cap (KRW bil.)
1	Celltrion	A068270	Pharmaceuticals	9.34
2	Daum Kakao	A035720	Internet	6.40
3	Dongsuh	A026960	Distribution	3.31
4	CJ E&M	A130960	Broadcasting	2.28
5	Paradise	A034230	Recreation, Culture	2.27
6	MedyTox	A086900	Pharmaceuticals	2.10
7	C2S	A078340	Digital Contents	1.83
8	ViroMed	A084990	Other Services	1.65
9	GSHS	A028150	Broadcasting	1.57
10	Webzen	A069080	Digital Contents	1.50
11	CJOS	A035760	Broadcasting	1.49
12	SANSUNG L&S	A016100	Chemicals	1.49
13	SK broadband	A033630	Telecommunications	1.42
14	EO Technics	A039030	Semiconductors	1.36
15	LOEN	A016170	Publishing & Printing	1.36
16	KOMIPHARM	A041960	Pharmaceuticals	1.29
17	KBH	A200130	Pharmaceuticals	1.22
18	SSC	A046890	Semiconductors	1.13
19	OCI Materials	A036490	Semiconductors	1.07
20	WONIK IPS	A030530	Semiconductors	0.97

Major Statistics of the KONEX Market

	2013	2014	2015.1Q
No. of Listed Corporations	45	71	72
No. of New Listings	24	34	1
No. of Delistings	-	8	-
Market Capitalization (KRW bil.)	923.4	1,425.2	1,941.5
Cumulative Trading Value (KRW bil.)	48.7	96.0	64.8
Average Daily Trading Value (KRW bil.)	0.4	0.4	1.1
Cumulative Trading Volume (thous. shares)	7,528	12,070	6,951
Average Daily Trading Volume (thous. shares)	61	49	116

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