

Listing in Korea

A guide to listing on
the Korean Exchange

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Introduction

Korea Exchange (KRX)

- In 1956, the Korean stock market opened with the start of Korea Stock Exchange. In January 2005, through integration of Korea Stock Exchange and two other domestic markets, the Korea Exchange (KRX) was created.
- There are four markets in the KRX; Main Board (KOSPI Market), KOSDAQ (Korea Securities Dealers Automated Quotation), KONEX (Korea new exchange) and the derivatives market.
- The KRX is one of the most liquid stock exchanges. Numerous companies from various industries completed their IPOs successfully on KRX.
- Since 2007, the KRX has been actively promoting foreign companies' inbound IPOs to grow as an international stock exchange, be popular among foreign companies and attract international investors (Since IPO of 3Nod - a Chinese company - in 2007, a total of 32 foreign companies have listed on the KRX as of May 31, 2018)
- In order to further enhance its credibility on the international platform and be leading global capital market, KRX has also signed MOUs with other global stock exchanges for mutual cooperation in areas such as information sharing, IT consulting, market links, development of new products, and any other mutually beneficial projects.

Main Board (KOSPI Market)

- The KOSPI market is the main board of KRX and many of the larger domestic and international companies such as Samsung Electronics, LG Electronics, Hyundai Motor, POSCO and KIA Motors are listed on KOSPI.
- As of December 31, 2017, 774 companies are listed with total market capitalization amounting to KRW 1,605 trillion and the transaction volume in 2017 amounting to KRW 1,294 trillion.

KOSDAQ Market

- The KOSDAQ market opened in 1996 to support venture and small and medium-sized companies' smooth financing.
- IPO requirement for the KOSDAQ market is less rigorous than the requirements for the KOSPI market, enabling 1,267 of middle-sized companies with high potential to be listed. As of December 31, 2017, total market capitalization amounts to KRW 282 trillion and the transaction volume in 2017 amounts to KRW 896 trillion.

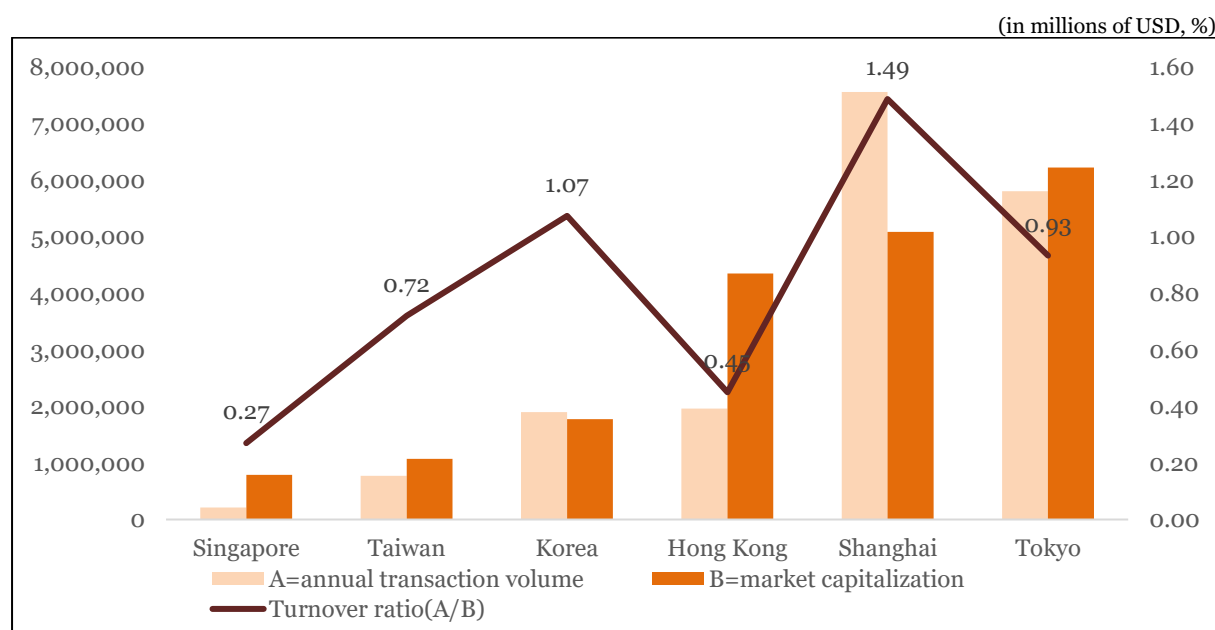
KONEX Market

- The KRX opened KONEX market in 2013 to support small and middle-sized start-ups to raise capital.
- IPO requirement for the KONEX market is less rigorous than the requirements for the KOSDAQ market, enabling 154 of small and middle-sized or start-up companies with high potential to be listed. As of December 31, 2017, total market capitalization amounts to KRW 4.9 trillion and the transaction volume in 2017 amounts to KRW 433 billion.

Comparison with major Asian stock exchanges

“The Korea exchange is one of the most liquid markets in the Asia region”

Due to stagnant market during the recent past 5~6 years, turnover ratio has decreased compared to being the most liquid market in 2011 in the Asia region. However, KRX is still one of the most liquid markets and introduction of stock market stimulus plan, such as the recent expanded price limits from 15% to 30%, it is expected to further improve its liquidity.



Performances as at year end 2017

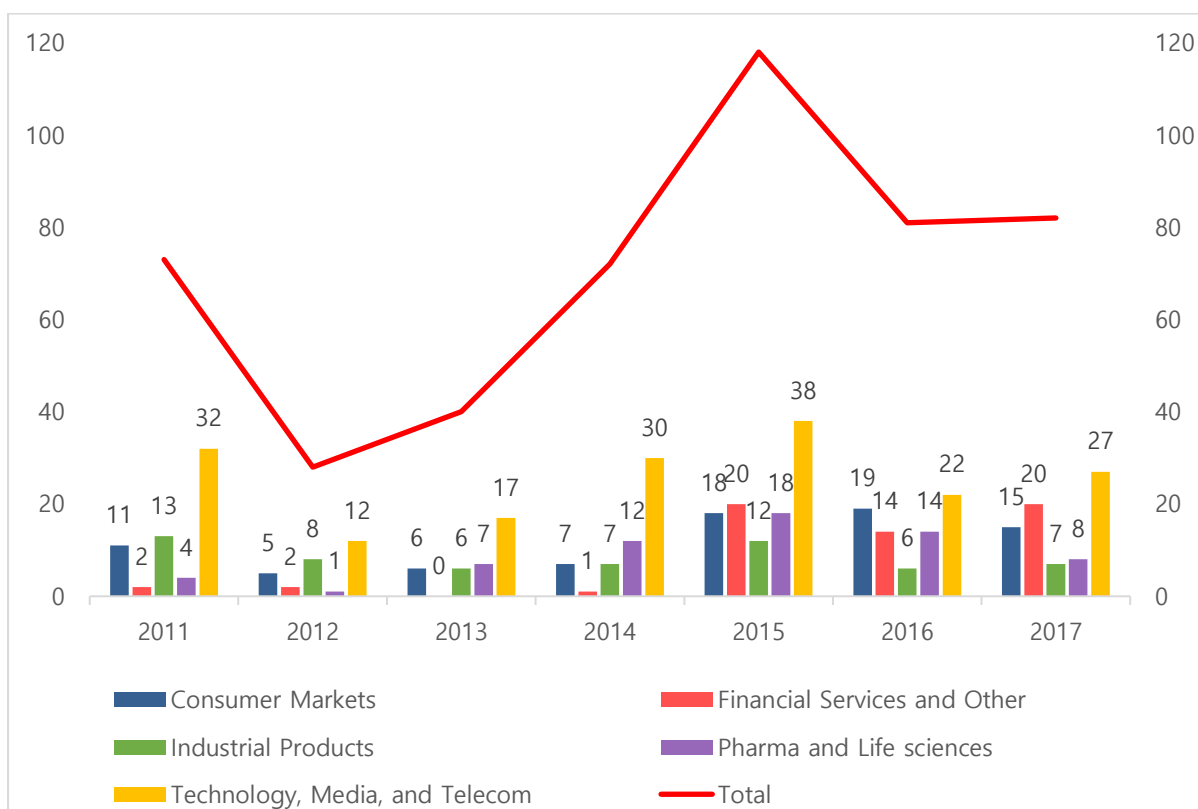
(in millions of USD, %)

	Singapore	Taiwan	Korea	Hong Kong	Shanghai	Tokyo
A=annual transaction volume	212,622	773,134	1,901,322	1,958,820	7,558,172	5,804,709
B=market capitalization	787,279	1,073,080	1,771,776	4,350,501	5,084,358	6,222,835
Turnover ratio(A/B)	0.27	0.72	1.07	0.45	1.49	0.93

(Source: The World Federation of Exchanges – www.world-exchanges.org)

Number of IPOs on KRX (2011~2017)

In 2012, there were sharp decrease in the number of IPOs due to the European sovereign debt crisis and global economic slowdown but gradually recovering since 2013 as a result of KRX's active marketing, high price earnings ratios (PER) for IT company stocks and low listing costs. In 2017, the number of IPOs increased by 1.2% compared to the number in 2016 and the total amount of offering increased by 42% compared to 2016.



Number of IPOs by industry (2011~2017)

Year	Consumer Markets	Energy, Utilities and Mining	Financial Services and Other*	Industrial Products	Pharma and Life sciences	Technology, Media, and Telecom	Total
2011	11	10	2	13	4	32	73
2012	5	2	2	8	1	12	28
2013	6	4	-	6	7	17	40
2014	7	9	1	7	12	30	72
2015	18	8	20	12	18	38	118
2016	19	6	14	6	14	22	81
2017	15	5	20	7	8	27	82

* Financial services and other includes Special purpose acquisition companies (SPAC)

(Source: KRX and Bloomberg)

Overview by market & industry (December 2017)

(in millions of USD)

Market	Industry Group	All		2017 IPO	
		Market Cap	PER	Market Cap	PER
KOSPI Market	Consumer Markets	295,076	23.9	149	14.6
	Energy, Utilities and Mining	211,537	21.7	411	14.3
	Financial Services	183,196	14.4	4,102	12.9
	Industrial Products	182,501	30.9	745	9.7
	Pharma and Life sciences	89,692	71.7	646	16.9
	Technology, Media, and Telecom (TMT)	559,297	49.6	15,016	48.2
	SPAC	4,182	-	-	-
KOSDAQ Market	Consumer Markets	31,323	35.8	2,798	21.4
	Energy, Utilities and Mining	19,997	30.5	445	20.7
	Financial Services	3,162	32.3	-	-
	Industrial Products	18,262	34.0	611	39.6
	Pharma and Life sciences	62,932	88.2	18,157	57.7
	Technology, Media, and Telecom (TMT)	96,421	46.4	7,993	23.6
	SPAC	598	-	-	-

(Source: Bloomberg)

Pharma & Life Sciences and TMT IPOs showed the strength in market of 2017

- About 26 IPOs from TMT industry sector and 7 IPOs from Pharma & Life Sciences have made during 2017 in KOSDAQ market which raised more than USD 25 billion of market capitalization. The numbers and volume of IPOs in Korean market continued to grow since 2016 and the trend of increasing activity led by TMT and Pharma & Life Sciences sector raised increasing interests and popularities in both industries.

01. Status of foreign issuers in Korea

As of May 31, 2018, total of foreign companies listed on KRX

(in %, millions of USD)

No	Market	Name	Country	Listing Date	Offer Price*2 (KRW)	Price*2 of May '18 (KRW)	Revenue *3	Net Income *3
1	KOSDAQ	China Great	China	2009. 05	1,700	767	464.5	(14.8)
2	KOSDAQ	S&C Engine Group Ltd	China	2009. 12	6,000	1,465	143.4	18.2
3	KOSDAQ	Global SM Tech	China	2009. 12	3,200	729	95.5	0.6
4	KOSDAQ	China Hao Ran Recycling	China	2010. 02	4,700	773	357.9	(98.6)
5	KOSDAQ	CKH Food & Health Ltd	China	2010. 03	3,700	3,455	128.6	0.7
6	KOSDAQ	New Pride Corp	USA	2010. 04	7,500	507	33.2	(19.3)
7	KOSDAQ	East Asia Holdings Investment	China	2010. 04	5,000	603	90.1	2.5
8	KOSPI	LVMC Holdings	Laos	2010. 11	4,800	4,600	294.7	12.0
9	KOSDAQ	SBI FinTech Solutions Korea Co., Ltd.	Japan	2012. 12	3,600	1,880	122.3	7.5
10	KOSDAQ	Access Bio Inc	USA	2013. 05	4,500	1,755	26.1	(8.1)
11	KOSDAQ	China Crystal New Material Holdings	China	2016. 01	3,000	1,750	65.2	25.9
12	KOSDAQ	Rothwell International Co Ltd	China	2016. 06	3,200	1,005	176.3	27.4
13	KOSDAQ	Heng Sheng Holding Group Ltd	China	2016. 08	3,600	2,765	183.1	29.3
14	KOSDAQ	Englewood LAB Inc	USA	2016. 10	6,000	2,895	77.1	(12.3)
15	KOSDAQ	Cayman Golden Century Wheel	Cayman Islands	2016. 10	3,500	3,220	96.8	17.5
16	KOSDAQ	Great Rich Technologies Ltd	China	2016. 10	5,000	7,700	209.8	42.2
17	KOSDAQ	Organic Tea Cosmetics Holdings	China	2016. 11	4,000	4,965	180.3	39.4
18	KOSDAQ	Coloray International	HongKong	2017.08	3,800	6,270	43.5	21.6
19	KOSDAQ	Kolon Tissuegene	United States	2017.11	27,000	32,600	2.8	(17.5)
20	KOSDAQ	JTC Inc	Japan	2018.04	8,500	13,000	30.1	(0.2)
21	KOSPI	China Ocean Resources Co Ltd*1	China	2009. 05	-	-	-	-
22	KOSDAQ	Wayport HK Co Ltd*1	China	2010. 07	-	-	-	-
23	KOSDAQ	Wanli International Holdings Ltd*1	China	2011. 06	-	-	-	-

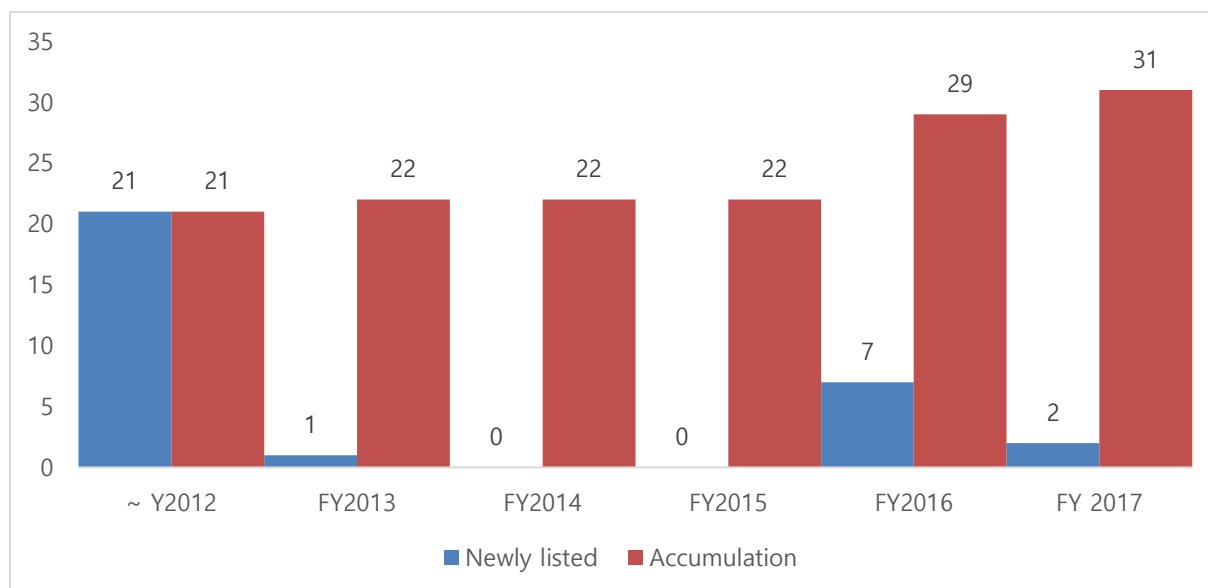
*1 China Ocean Resources Co Ltd, Wayport HK Co Ltd, and Wanli International Holdings Ltd were delisted in September 2017, June 2017, and May 2018, respectively.

*2 Price per share

*3 Financial information of FY2017 is converted into USD using fiscal year-end exchange rate.

(Source: Bloomberg, DART)

IPOs of foreign companies on KRX by year



	~ Y2012	FY2013	FY2014	FY2015	FY2016	FY 2017	May 2018	Total
Newly listed	21	1	-	-	7	2	1	32
Delisted	4	3	1	1	-	2	1	12

Note: Four companies delisted voluntarily (3NOD Digital, China Food Packaging Inc, Cowell e holdings, and SBI Mortgage); three companies delisted due to disclaimer audit opinion (United Technology Holdings, Shenglong, China Gaoxian Fibre Fabric); One delisted due to embezzlement (Nepro IT); One delisted due to failing to meet the market capitalization requirement (Huafung). Wayport HK Co Ltd was voluntarily delisted in June 2017 and China Ocean Resources Co Ltd and Wanli International Holdings Ltd were delisted due to disclaimer audit opinion in June 2017, and May 2018, respectively.

Listing requirement for foreign companies

All the necessary documents for listing should be written in Korean.

- Companies should submit both preliminary examination application for listing and other relevant documents in Korean.
- English based financial statements prepared in accordance with IFRS can be attached for information purpose.

Introduction of International Financial Reporting Standards (IFRS)

- Since 2011, KRX accepts accounting standard under IFRS to list on KOSPI and KOSDAQ market.

02. Listing requirements

Listing standards

KRX is mainly divided into two types of market, KOSPI market and KOSDAQ market; and based on the company's industry group and size, it will select one of the two markets.

Listing requirements of KOSPI market and KOSDAQ market include both qualitative and quantitative aspects which are discussed further in detail over the next few pages.

Qualitative requirements for both markets

1. Company's continuity

- Stability: stability of operation, stability of financial position, operating history, and level of customer satisfaction.
- Growth potential: periodic cycle of industry growth, diversification of sales item and customers, R&D and new product development
- Case of a lawsuit, legal dispute: Impact which major lawsuits(feud over patent or management control) have on business

2. Management's transparency

- Structure of corporate governance: major shareholder, management, outside director, audit committee
- Internal control system: internal control system including internal accounting control system, transaction between related parties, transaction with major shareholder
- Transparency in accounting: establishment of accounting system, accounting standard and external auditor, audit opinion, and accounting supervision

3. Investor protection

- Transparency in disclosure: staff and organization for public announcement
- Protection of small shareholders: excessive shares of major shareholder, issue of convertible debt, right of small shareholders, safeguard deposit
- wholeness of liquidity and stock market: diversification, protection of liquidity, settlement of argument for duplicate listing
- Professional expertise of lead underwriter: professional execution, calculation of public offering price

Quantitative requirements for KOSPI market

Criteria	Requirements
Operating history	At least 3 years
Capital size	Over KRW 30 billion of shareholders' equity Over 1 million shares to be listed
Share distribution (to satisfy A,B and C)	<p>A. to meet any one of the following shares requirements:</p> <ol style="list-style-type: none"> 1. At least 25% of shares or 5 million shares held by public shareholders 2. At least 25% of shares or 5 million shares to be publicly offered (including no. of shares before submission of application for listing eligibility review) 3. At least 10% of shares to be publicly offered after submission of application for listing eligibility review & At least the No. of the public offered shares should be as follows <ul style="list-style-type: none"> - 1 million shares : KRW 50 billion Equity Capital < KRW 100 billion or KRW 100 billion Market Capitalization < KRW 200 billion - 2 million shares : KRW 100 billion Equity Capital < KRW 250 billion or KRW 200 billion Market Capitalization < KRW 500 billion - 5 million shares : KRW 250 billion Equity Capital or KRW 500 billion Market Capitalization 4. In case of the simultaneous offering in Korea and abroad, At least 10% of shares and 1 million shares to be publicly offered <p>B. At least 700 public shareholders</p> <p>C. No restriction placed on transfers of shares</p>
Financial requirements (to choose one of the options)	<p>A. To meet all of the following 'Sales & Profit requirements'</p> <ol style="list-style-type: none"> 1. Sales of KRW 100 billion for the latest fiscal year and average sales of KRW 70 billion for the recent 3 years 2. Positive operating income, income from continuing operations before tax and net income for the latest fiscal year 3. ROE and income(Either i, ii or iii) <ol style="list-style-type: none"> i. ROE : 5% of ROE for the latest fiscal year and 10% of ROE for the recent 3 years ii. Income : Net income of KRW 3 billion for the latest fiscal year and an aggregate of KRW 6 billion in the recent 3 years

	<p>iii. For a company over KRW 100 billion of shareholders' equity : 3% of ROE or net income of KRW 5 billion for the latest fiscal year and positive cash flow from operating activities</p>
	<p>B. To meet all of the following 'Sales & Market capitalization requirements'</p> <ol style="list-style-type: none"> 1. Sales : Higher than KRW 100 billion of the latest fiscal year 2. Market capitalization : Higher than KRW 200 billion
	<p>C. To meet all of the following 'Net income & Market capitalization requirements'</p> <ol style="list-style-type: none"> 1. Net income : Higher than KRW 5 billion of the latest fiscal 2. Market capitalization : Higher than KRW 200 billion
	<p>D. To meet all of the following 'Market capitalization & Equity capital requirements'</p> <ol style="list-style-type: none"> 1. Market capitalization : Higher than KRW 600 billion 2. Equity Capital : Higher than KRW 200 billion
Audit opinion	Unqualified opinion for the latest fiscal year and unqualified opinion or qualified opinion (excluding the qualified opinion due to scope limitation) for the recent two prior years
Restriction on disposal of shares held by largest shareholder	For 6 months after listing
Change of auditors	Auditors should not be changed within 3 years from the application year for listing eligibility review
Corporate governance	<ol style="list-style-type: none"> 1. Non –executive directors should be at least 1/4 of total number of directors(A company with total asset of KRW 2 trillion, the number of non-executive directors should be at least 3 directors and 1/2 of total number of directors) 2. For a company with total assets of KRW 2 trillion, an audit committee is required and at least 2/3 of the committee members should be non-executive directors 3. For a company with total assets of KRW 100 billion, it is required to have an full time internal auditor
Accounting standards	Either K-IFRS, US-GAAP or IFRS is accepted *

* KIFRS is equivalent to IFRS

Quantitative requirements for KOSDAQ market

Criteria	Requirements	
	General Company [Venture Company*]	Technology Growth Company
Operating history	No requirements	
Capital size	No requirements	
Share distribution (to choose one of the options)	1. Number of minority shareholders at least 500; At least 25% of shares held by minority shareholders; At least 5% of shares to be publicly offered after submission of application for listing eligibility review (if minority shareholders hold less than 25% of shares, at least 10% of shares to be publicly offered) 2. Equity capital at least KRW 50 billion; No. of minority shareholders at least 500; At least 10% of shares to be publicly offered after submission of application for listing eligibility review & higher than a certain number of shares by size of capital or market capitalization 3. At least 25% shares to be publicly offered & no. of minority shareholders at least 500	
Financial performance requirements (to choose either 'Sales & Profit' or 'Potential growth – Tesla policy' option)	A. Sales & Profit requirement: to meet any one of the following	
	1. i) Income from continuing operations before tax of KRW 2 billion [VC: 1 billion] and ii) market capitalization of KRW 9 billion	A. Equity capital of KRW 1 billion or B. Market capitalization of KRW 9 billion
	2. i) Income from continuing operations before tax of KRW 2 billion [VC: 1 billion] and ii) equity capital of KRW 3 billion [VC: 1.5 billion]	
	3. i) Positive income from continuing operations before tax, ii) market capitalization of KRW 20 billion, and iii) sales of KRW 10 billion [VC: 5 billion]	
	4. Income from continuing operations before tax of KRW 5 billion	
B. Potential growth – Tesla policy: to meet any one of the following **		
1. i) Market capitalization of KRW 50 billion, ii) sales of KRW 3 billion, and iii) average growth rate of 20% in recent two years	KRX may request either i) the assessment of and recommendations on technical capability provided by the professional appraisal agency and expert group or ii) the appraisal and recommendations provided by listing sponsors.	
2. i) Market capitalization of KRW 50 billion, and ii) PBR of 200% after offering		
3. i) Market capitalization of KRW 30 billion, and ii) sales of KRW 10 billion [VC: 5 billion]		
4. Market capitalization of KRW 100 billion		
5. Equity capital of KRW 25 billion		

Audit opinion	Unqualified opinion for the latest fiscal year ***
Restriction on disposal of shares held by Largest Shareholder	No requirements
Change of auditors	Auditors should not be changed within 3 years from the application year for listing eligibility review
Corporate governance	<p>1. At least 3 directors should be appointed with outside/non-executive directors making up at least 1/4 of total number of directors (a company with total assets of KRW 2 trillion or more, should appoint at least 3 directors with the number of non-executive directors making up at least 1/2 of total number of directors)</p> <p>2. For a company with total assets of KRW 2 trillion or more, an audit committee is required with at least 2/3 of the audit committee members being outside/non-executive directors</p> <p>3. For a company with total assets of KRW 100 billion or more, a full time internal auditor is required</p>
Accounting standards	Either K-IFRS (IFRS as adopted by Korea), US-GAAP or IFRS

* Classification as a Venture Company needs to be certified by the Korea Venture Business Association

** Tesla policy is applicable only for companies incorporated in US, Canada, Europe, Australia, Japan, Hong Kong, and Singapore

*** However, in practice, unqualified opinion for the recent two prior years is advised for a successful listing

Separate requirements for foreign applicants

Internal Accounting Control System

In order to enhance transparency in accounting, foreign companies should build and operate internal accounting control system (for the recent 3 months) prior to date of preliminary examination and should have operating reports that indicate the followings

- Internal accounting control system policies and organization structure with management and operating function of internal accounting controls
- Internal accounting control system operating status report which has been addressed to the Board of Directors and Audit Committee (or internal auditor)
- Assessment report on the above 'Internal accounting control system operating status report' reported to the Board of Directors by the Audit Committee (or internal auditor)
- Review report from the external auditors on internal accounting control system
- The authentication(signature) of the CEO regarding appropriate operation of the internal accounting control system

Coverage of internal accounting control system

- If the company build and operate internal accounting control system under the domestic law, materials relating to domestic law, instead of the documents mentioned, can be submitted.
- For the maintenance of internal accounting control system after IPO, the documents relating to internal accounting control system should be provided at the time of submission of annual report
- In the case of foreign companies that have already been listed, it should be applied to submit the documents relating to internal accounting control system at the time of submission of annual report for fiscal year beginning on or after January 1, 2013

Internal accounting control system in major countries

- United States of America : to strengthen internal controls after big accounting frauds like Enron's collapse, Sarbanes Oxley Act was legislated in 2002
- Japan : following SOX laws of the United States, internal control system was reflected on the law of Financial Instruments and Exchange in 2005, and enforced in April 2008
- China : "Notifications for quality improvement of a listed company" in CSRC 2005, required the internal control for listed companies.
- India: Audit opinion on effectiveness of internal control system is required to all listed companies and non-listed companies based on Companies Act, 2013 and ICAI.

Comfort Letter on the preliminary registration statement

In the past, the auditor's comfort letter was not required for preliminary examination application documents (preliminary registration statement), but now the external auditor's comfort letter should be provided as a required document for examination.

External Auditor Requirements

Criteria	Requirements
A. Korean Audit Firm	
Operating history	Should have existed for more than 5 years
Number of experts	Should have more than 50 CPAs
Revenue	Should have revenue of KRW 10 billion for the latest fiscal year
Ability to compensation	Should have more than KRW 2 billion of compensation reserve fund and compensation joint fund in total
International alliances	Audit quality management agreement with an international accounting firm with offices over 30 countries and over 2,000 qualified accountants, globally
Actions of financial authorities	No registration cancellation or suspension of all or part of services by Securities & Futures Commission for the recent 3 years
B. Foreign Audit Firm	
Operating history	Should have existed for more than 5 years
Number of experts	Should have more than 50 CPAs
Revenue	Should have revenue of KRW 10 billion for the latest fiscal year
International alliances	<p>For registrant not listed in the overseas securities market : Audit quality management agreement with an international accounting firm with offices over 100 countries and over 100,000 qualified accountants</p> <p>For registrant listed in the overseas securities market : Audit quality management agreement with an international accounting firm with offices over 30 countries and over 2,000 qualified accountants</p> <p>* The main international accounting firms which meet requirements of branches over the world and number of experts such as Big 4 firms are exempted from the requirements of international alliances and number of experts</p>

Note) When foreign companies go IPO, companies cannot change the external auditors within 3 years from the application year for listing eligibility review, and must be audited by the accounting firm that meets the above criteria thereafter.

03. Listing Structure for Foreign Companies

Introduction of foreign companies' IPO system through the establishment of domestic holding company (SPC)

There are several listing structure options for companies to list on KRX such as use of foreign SPC to overcome the insufficient legal system.

1) Use of Foreign SPC

Foreign applicant in a country with potential legal conflicts or uncertainty may consider using its holding company for listing on KRX. If the company has not yet established a holding company, it is recommended to use an SPC located in already proven countries such as Hong Kong or the Cayman Islands.

2) Use of SPC in Korea

Foreign applicants are allowed to list their shares on KRX through the establishment of domestic holding company (SPC) dominating the subsidiaries of the foreign companies, to boost corporate value and ensure investor confidence. However, in order to protect investor and go on disclosure work smoothly, they should establish a business office in Korea and have sufficient computational facilities and personnel.



Foreseen benefits would be as follows:

- If foreign companies do IPO through the establishment of domestic holding company(SPC), better communication with investors by the domestic SPC will ensure investors' trust and get positive effect on stock prices
- New means for foreign companies do KRX IPO; holding company exemption can be applied, so that KRX IPO by national firms in appearance can be facilitated.
- IPO system through the establishment of domestic SPC; companies operated overseas are expected to promote KRX IPO more actively.

3) Issuance of KDR (Korean Depository Receipt)

Issuance of KDR takes two steps: first, the underlying shares are kept in a safekeeping organization in a foreign jurisdiction and second, based on the safekeeping, the KSD issues DR for investors participating in the IPO. Sometimes KDR is issued inevitably due to inconsistency in regulations between Korean and foreign jurisdiction (including actual shareholder system) and difference in depository system. Just like in case of share listing, KDR also requires a foreign applicant to revise articles of incorporation and, if allowed under the law of the foreign jurisdiction, to take measures for investor protection such as holding shareholders meeting in Korea. In case of primary listing, the issuer must execute a securities administrative agent agreement with the KSD; in case of KDR, the company should execute a depository agreement with the KSD.

04. Listing procedures

Key listing procedures for KRX IPO

The key listing procedures and period by stages for IPO on KRX are outlined as follows:

Stage	Period	Procedures
Pre-IPO	1 year ~ 2 years	Consultation with KRX
		Preparation of timetable for IPO
		Formation of working group including auditor, underwriter, legal council
		Preparation of financial statements with required GAAP
		Audit of 3 financial years
Offering Process	6 months ~ 1 year	Select underwriter
		Set the articles of incorporation and internal control systems
		Contract transfer agent
		Organize employee stock ownership association
		Audit and review of legal documents
		Due Diligence
Listing Eligibility Review	3 months (12 weeks)	Drafting offering circular/registration statement and comfort letter
		Application for listing eligibility review (about 12 weeks examination period for foreign companies) ^{Note 1)}
Public Offering	1 month ~3 months	Result notification from KRX
		Filing of the registration statement (effect after 15 days)
		Investor relations meetings and finalizing offering circular
		Determining the issue price
		Subscription and allotment, payment and after paying registration
Listing	3 days	Reports on results of issuing securities
		Application for initial listing
		Listing approval & trading

Note 1) KRX sends the notice of eligibility clearance within three months (65 business days) in case of an application being filed by a foreign applicant in case of an IPO, but within two months (45 business days) in case of secondary listing

It generally takes at least 12 months for foreign companies from signing of a principal underwriting agreement to completion of KRX IPO.

05. Continuing obligation

Public disclosure

As important information of a listed company may have impact on investors' decision making process, it should be disclosed publicly. Prompt and timely disclosure of corporate governance, accounting transparency and business affairs can settle inequality of information, ensure fairness of stock exchange and protect investors.

Periodic disclosure

Listed companies should release their operating performance and financial position together with other information regularly.

- Annual report: release the annual business report within 120 days after fiscal year-end (90 days for domestic companies)
- Semi-annual/quarterly report: release semi-annual/quarterly reports within 60 days after semi/quarter end(45 days for domestic companies)

Note: In case of a foreign company primarily listed on an overseas exchange, it should publish the annual business report and semi-annual/quarterly reports within 10 days from date of reporting to the overseas exchange.

Timely disclosure

The listed company should disclose the significant events concerning its financial status, change of management, operational and production activities, receivables and liabilities, investment activities, profit and loss analysis, financial settlements and legal actions, and further disclose significant events of its holding and subsidiary companies.

Special Disclosure

The listed company should disclose the information relating to major corporate events such as a merger, stock exchange, business or major assets transfer, repurchase and disposal of treasury stock, etc.

Inquired disclosure

The listed company should answer to the disclosure inquiries from KRX on occasion of market rumors and media coverage on its operational performance or sudden or abnormal fluctuation in its stock price and trading volume.

Voluntary disclosure

The listed company may disclose in its discretion the information that might have impact on its business or the investors' investment decision.

Fair disclosure

The listed company should disclose future business plans and profit forecast prior to provision of the same to a specific third party, such as institutional investors.

Investor protection policy regarding foreign applicants

Basis	Type	Details
Capital Market Act	Corporate disclosure	Registration statement, annual business report, semi-annual report, quarterly report etc.
	Change of management disclosure	Public tender, 5% rule, report of shares held by executives etc.
	Prohibition of unfair trade	Stock price manipulation, insider trading, fraudulent trading etc.
	Financial exemption for listed companies	Financial management standard, Measurement standard of Financial Services Commission
Listing Regulation	Essential items in articles of incorporation	Outside director, audit committee, restriction of third party allotment etc.
	Enhancement of transparency in accounting	Qualification restriction of external auditor, restriction of change in accounting standard etc.
	Prior-consultation	Preliminary discussion at the time of application, appointment of listing agent, and etc.
Disclosure Regulation	Corporate disclosure	Timely disclose the significant events

06. What help you should seek

Accounting firm

- Evaluation of approach and plans to access the capital market in Korea
- Issuing audit opinion on the financial statements in accordance with local regulatory auditing requirements to be included in the registration statement
- Advisory on GAAP conversion (K-IFRS, IFRS or US GAAP)
(Once selected, the accounting standard may not be changed after listing)
- Analyze and determine optimal IPO vehicle and deal structure, to maximize IPO value
- Advisory on Internal control over financial reporting (i.e., risk and control mapping, segregation of duty analysis, GAP analysis, and operation support)
- Review of registration statements and offering documents
- Issuance of comfort letters on the registration statement

Underwriter

- Investigation and confirm the data of applicant's business performance and related issues
- Consultation with respect to the listing requirements
- Performance of due diligence and analysis of securities
- Marketing the shares offered
- Check the details on all aspects of the offering documents
- Book-building and pricing of the shares to be offered and underwriting the shares floated

Legal councils

- Review of registration statements and offering documents
- Performance of legal due diligence on the issuer
- Preparation of underwriting agreements
- Co-ordination of the comfort letter process on behalf of the underwriters

07. What we can do

For many years, Samil PwC Capital Markets Group (“CMG”) has provided services in relation to debt and equity security offerings on the Korean capital market. We provide a ‘one-stop’ service, which is comprehensive and continuous from the initial stage to completion of their offering, to our clients.

Services provided by Samil PwC relating to KRX IPO

Stage	Services
Pre-offering Support/Advice	Analyze and advise on listing requirements of the Korea Stock Exchange
	Formulate offering strategy
	Financial audits/reviews
	Advise on procedures and roles of various working parties involved in the offering (issuing company, accountant, underwriter, legal councils)
	Assist in GAAP conversion (adoption of IFRS)
	Assist in financial reporting infrastructure improvements (Financial audits for listing eligibility review)
During offering	Participate and support various meetings (i.e. kick-off meeting, due diligence meeting, offering circular drafting sessions, etc.)
	Support client for effective communication with working parties
	Support client with review of offering documents
	Issue requested letters (i.e. comfort letter, bring-down letter) with circle-up on financial information included in offering documents
On-going support	Financial audits/reviews
	Advise regulations required by Korean regulators to our clients and advise on the best alternatives
	Financial audits/reviews
	Review and advise on going disclosures and document filings
	Offer financial reporting training services in order to comply with all the changes to IFRS, US GAAP or K-IFRS

08. PricewaterhouseCoopers

PricewaterhouseCoopers (“PwC”), the world's largest professional services organization, has been creating value for our clients, our people and the communities we live and work in. PwC together has one common purpose – to build trust in society and solve important problems.

Samil PwC, the Korean network firm of PwC, is contributing to a successful global business of the clients. Samil PwC has more than 3,000 devoted professionals committed to providing innovative solutions which enable our clients to gain competitive advantages in highly volatile circumstances in three areas:

Assurance

- ✓ Audit and attestation services
- ✓ Accounting Advisory Services
- ✓ IFRS Conversions and Adoptions
- ✓ Cross-Border IPO and Capital Market Services
- ✓ Risk Assurance Services (data, 3rd-party, IT risk assurance)
- ✓ Internal Audit Services
- ✓ Internal Control Advisory Services

Tax

- ✓ Domestic and International Tax Advisory
- ✓ Transfer Pricing
- ✓ Assistance with the drafting of the ruling requests and explanations of facts and issues to the relevant authorities
- ✓ Real Estate Investment and Development Consulting
- ✓ Overseas Solution

Deal Business

- ✓ Corporate Finance and M&A Advisory
- ✓ Acquisitions and Financial Due Diligence Advisory
- ✓ Private M&A Deal Advisory
- ✓ Real Estate and Infrastructure Advisory
- ✓ Corporate Valuation Consultings
- ✓ Business Dispute Analysis and Investigation
- ✓ M & A strategy and post-merger integration services
- ✓ Corporate and Financial Institutions Restructuring Advisory
- ✓ Energy and Resource Development Advisory

09. Our Experts

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