

Daelim Industrial Co., Ltd. 146-12, Susong-dong, Jongno-gu Seoul, Korea

October 22nd 2010

IFRS Foundation/IASB 30 Cannon Street London EC4M 6XH

Dear International Accounting Standards Board,

Dealim Industrial is a leading Korean construction company focusing on construction, civil engineering and power & industrial plants operating both domestically and overseas. As the company is increasing its investments and financing from abroad, we acknowledge the need for an international accounting standard to reinforce credibility in the globalizing construction industry. In this sense, in order to meet the government agenda to apply IFRS by 2011, Daelim Industrial has been reorganizing its internal accounting system accordingly.

In the process of switching to IFRS, we are experiencing some confusion regarding revenue recognition methods. Some experts argue that the completed-contract method should be used based on the indicators and example depicted in the Exposure Draft. It is our concern that such a measure will not reflect economic substance of real estate developers.

Some of the characteristics of Korean apartment sales are 1) once a development project is approved by the government, the developer is not entitled to any legal rights such as pledging, sale and rent. 2) after progress payments are made, the customer legally cannot cancel the contract (Contracts are cancellable only when both parties agree. This seldom occurs because it relates to the risks and benefits of the property's value after entering into the contract) 3) the customer posses the property right (right to use as collateral) and is also entitled to owning rights. So the customer can at his/her free will, recover the investment and gain profits by selling the owning right to a 3rd party. 4) a pre-sale contract sets the delivery date and the customer is required to pay an initial deposit and a series of progress payments. Progress payment schemes are organized according to construction progress and schedule. 5) if the customer does not meet progress payment deadlines, the customer will have to pay high penalty interest rates. If the company fails to meet the designated delivery date, the company will pay the customer compensation for delay.

Based on such circumstances, the real estate company does not have any type of control over the land from the time the projects gains approval and only has the obligation to complete and deliver the construction. On the other hand, the customer has owning rights and also the property rights which are transferred over as the construction progresses. The customer can sell those rights in the market which is evidence of a transfer of risks and benefits.

Korean-GAAP determined that the percentage-of-completion method conforms to IFRS and also better reflects the economic substance of the industry. If the completed-method replaces

current practices, 100% of the revenue will be recognized at the time of completion, when the customer pays only 20% of the contract. The 80% would have already been paid as progress payments. Moreover, the cash payment from customers would be recorded as liabilities so as the construction progresses, the debt ratio of the company will increase. This would not be acceptable to many interest parties investing in the industry.

The indicators of the principle-based Exposure Draft can be applied to mass production in manufacturing companies. However, the given example contains only a few indicators and does not embrace the distinctive features in recognizing revenue across various industries. The government has regulations that limit major structural changes to ensure the safety of customers in a large apartment complex construction, restricting the customer from participating in the design and function of the property. However, the customer is able to choose the location, educational environment, transportation, view and many other elements which have great impact on the value of property. For this reason, we recommend that additional indicators be developed to reflect such circumstances more accurately.

Continuous transfer is also an important judgment factor. For that matter, pre-sale contracts are non-refundable and irrevocable. Plus, progress payments are made according to a construction progress schedule. The customer also has the right to sell its owning right to a 3rd party and since the value of the owning right rises as construction progresses, the customer benefits from the work-in-progress. Therefore, it is evident that there is a continuous transfer of control.

Example 17 of the Exposure Draft is too simple to reflect the characteristics of the industry making it difficult to make important decisions based on the example. Also, "Buyers are also required to make progress payments between the time of the initial agreement and contractual completion" of Example 2 of IFRIC has been deleted which enlarges the gap between the Exposure Draft and the economic substance of Korean real estate developers. Therefore, we request that Example 17 be erased or an example using the percentage-of-completion method which better portrays the real practices of the industry be inserted.

Although it would not be easy to accommodate all the different circumstances of each individual country, we assert that the Exposure Draft should be improved to reflect economic substance so that financial information users will not be confused.

Sincerely,

Han-Jib Son Vice President

Daelim Industrial Co., Ltd.