Kingform
康丰家纺

ANNOUNCEMENT TO THE MARKET

FOR IMMEDIATE RELEASE

DATE 18 DECEMBER 2012

Discrepancy in Profit before Income Tax between the Preliminary Financial Report and the Annual Report

Kingform Health Hometextile Group Limited ("the Group") released its preliminary financial report for the year ended 30 June 2012 on 31 August 2012. On that day, the audit of the Group had not been completed and there were a number of audit issues identified that needed to be resolved. Therefore, the Group, included in the announcement: "it is not possible at this time to quantify the impact of any adjustments to this preliminary financial report … from these unresolved items".

These issues were finally resolved in the audit process. As a result, the Group released its annual report on 17 December 2012 with the finalised, adjusted financial report.

Due to the impacts of these issues and adjustments to the financial report, the profit before tax shown in the preliminary financial report is different from that disclosed in the annual report.

In the preliminary financial report, the loss before income tax was $167K, while the annual report showed a profit before income tax of $741K. The discrepancy is mostly attributable to:

1. Initial Public Offering ("IPO") costs were incorrectly included in the preliminary financial report as an expense of $870K in the income statement and as a deduction

from the capital raised of $601K in the balance sheet, due to an unreconciled IPO costs list. Following a detailed reconciliation of the IPO costs, amendments were made to record $76K as an expense in the income statement and $937K as a deduction from the capital raised in the balance sheet. The adjustment to the amount and treatment of IPO costs resulted in an increase in the profit before income tax by $794K.

2. Interest income from the loans to related parties was accrued and recognised in the annual report which resulted in an increase in the profit before income tax by $116K.
3. Sales cut-off errors were quantified in the annual report. The adjustments for the sales, and the reconciliation of cost of sales, resulted in an increase in the gross margin, and profit before income tax, by $131K.
4. Additional accruals and other adjustments were identified for operating expenses which resulted in an increase in the administration expense in the annual report by $114K and a decrease in the profit before income tax by the same amount.

In the directors' opinion, the adjusted annual report is in accordance with the Corporations Act, and represents a true and fair financial view of the Group.

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Xikang Jin Managing Director

18/12/2012