FISCAL 2008 – 1ST QUARTER

OPERATIONAL UPDATE

In continuation of our efforts to enhance the transparency of the Group, the Board of Directors of Top Form International Limited announces the following operational data for the first quarter of fiscal 2008.

Fiscal 2007

In our fiscal 2007 Annual Report we noted the significant challenges facing our business - many of these challenges being macro in nature. The decline in the manufacturing environment in the regions in which we operate was caused in no small part by the large increases in wages in the Pearl River Delta and a limited supply of labour in both China and in the vicinity of Bangkok. The negative trend of the US dollar against major Asian currencies was also a cost factor leading to margin erosion.

The soft market trend, particularly in the US, was expected to continue well into 2008.

Manufacturing

The shipping trend, by quarter, in terms of units of brassieres, is shown in the table below :

	SHIPPING TREND				
	FISCAL 2007				FISCAL 2008
Period	1Q	2Q	3Q	4Q	1Q
Units (million)	16.7	13.0	13.5	12.3	12.2

In our first quarter we shipped 12.2 million units of brassieres, compared to 12.3 million units in the fourth quarter of fiscal 2007, reflecting continuing softness in the US market which prompted caution in inventory management. There is no comparison with the first quarter of 2007 where we shipped 16.7 million units as, during that quarter, we were clearing the backlog of orders which arose due to the EU quota disruption experienced in fiscal 2006.

We continue our strategy of shifting production capacity to lower cost areas in the China and Thailand regions which also benefit from an adequate labour supply.

UNIT PRODUCTION OUTPUT BY REGIONS		
	FISCAL 2007 %	1Q FISCAL 2008 %
CHINA		
SHENZHEN	16	16
NAN HAI	20	21
LONGNAN	23	25
THAILAND		
BANGKOK VICINITY	19	14
REGIONS	15	17
PHILIPPINES	7	7

The geographic spread of our sales is changing as the focus moves away from the US in response to the soft market trend in that market.

SALES ANALYSIS BY VALUE		
	FISCAL 2007 %	1Q FISCAL 2008 %
US	75	55
EU	16	29
Other	9	16

Quota

The 2005 Memorandum of Understanding between China and the EU, which caps imports from China to the EU at agreed levels, expires at the end of calendar 2007.

In early October it was announced that the Chinese Ministry of Foreign Trade and the European Commission had decided on a system of joint import surveillance that will operate for one year in 2008. The 'double surveillance system' will track the issuing of licences for export in China with an objective of regulating for an orderly importation of goods into the EU.

The quota agreement with the US expires at the end of calendar 2008. We have sufficient quota for our needs for the remainder of 2007 and, under the system of ‘compromised bidding’ have received our first allocation for 2008. The cost of this quota, at Rmb 2.3/doz, is the same as the previous year.

Brands Operation

We continue the cautious expansion of our distribution network for our ‘mx lingerie’ brand in China. As at 30 September 2007 we maintained sales counters in ten department stores in Shenzhen and one in Chengdu, Sichuan Province. By the end of the calendar year we anticipate adding an additional fourteen counters, giving twenty five in total.

Financial Position

There have been no significant changes to the healthy financial position of the Group during the first quarter.

Capital expenditure for the three months to 30 September amounted to HK$7 million.

Outlook

Our view of the outlook for the remainder of the year has not changed significantly since the publication of our Annual Report in September this year. The operating environment in the Pearl River Delta is expected to deteriorate further. Labour shortages will continue to push up the cost of labour and the decline in the value of the US dollar is anticipated to continue.

We will continue with our strategy of shifting production to lower cost areas and strengthening, amongst other initiatives, our design capacity to enable us to move away from our current, primarily OEM, business model. We are prepared to compromise on growth and profitability in the short term in order to ensure that these changes and initiatives will lead to long term prosperity.

The expansion of our brand business in China is an important cornerstone to our strategy and, in addition to our internal expansion and the ongoing discussions with the potential M&A opportunity we reported in our announcement on 8 August 2007, we continue to search for strategic and equity relationships with compatible business partners to enhance and accelerate our presence in that market.

The Board wishes to remind investors that the above operational data for the first quarter of fiscal 2008 is based on the Group’s unaudited management accounts. Investors are cautioned not to unduly rely on such data.

In the meantime, investors are advised to exercise caution in dealing in the securities of the Company.