

**OPERATIONAL UPDATE**  
**FISCAL 2007 – 3<sup>RD</sup> QUARTER**

In continuation of our efforts to enhance the transparency of the Group, the Board of Directors of Top Form International Limited announce certain selected operational data for the third quarter of fiscal 2007.

The First Half

In our fiscal 2007 interim report we discussed the continuing softness in the U.S. market, particularly in relation to the apparel segment of the mass market. We also noted the continuing deterioration of the operating environment in the Pearl River Delta, specifically in terms of the implementation of statutory minimum wage increases and potential appreciation of the RMB together with a likely reduction in export tax rebate on textile and garment products in the future.

We opined that these factors, together with the severe labour shortages in Guangdong Province, would result in a continuing trend of low value production being sourced outwith China to lower cost countries in the region.

Quota

We have secured sufficient calendar 2007 China quota for our needs in both the U.S. and E.U. markets. Quota utilization rate for the first four months of the calendar year, albeit a bit higher than the same period a year ago, is considered normal.

Manufacturing

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

	SHIPPING TREND						
	FISCAL 2006				FISCAL 2007		
Period	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Units (million)	14.0	11.9	14.8	16.0	16.7	13.0	13.5

In our third quarter we shipped 13.5 million units of brassieres, compared to 13.0 million units in the second quarter.

The caution in inventory management, particularly evident in the sourcing strategies of the mass channels in the U.S., remains a compromising factor. The trend for high volume and price-sensitive business to be sourced outwith China continues, as a result of the previously noted deteriorating operating environment in the Pearl River Delta.

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

In China, the export tax rebate on textile and garment products remains unchanged but is likely to be reduced at sometime in the near future.

### Brands Operation

As at 31 March 2007 we had sales counters in five department stores in Shenzhen, maintaining our focus on expanding the distribution network for our “mx” brand in China. We are approaching this expansion with caution and expect to add three additional counters by the end of the fiscal year.

We continue to operate two Marguerite Lee shops in Hong Kong.

### Financial Position

The financial position of the Group remains strong with a healthy cash position and an insignificant level of gearing.

Capital expenditure for the nine months to 31 March 2007 amounted to HK\$25 million.

### VF Corporation

On 2 April 2007 VF Corporation (vfc), a major customer accounting for approximately 54% by value of the Group’s OEM business, announced that it had completed the sale of its global intimate apparel business to Fruit of the Loom Inc., a subsidiary of Berkshire Hathaway Inc. The management team remains unchanged and we do not anticipate any significant changes in the business relationship in the foreseeable future as a result of this development.

Further details can be found on the vfc website: [www.vfc.com](http://www.vfc.com).

### Outlook

The present soft market trend in the U.S. is expected to continue well into the rest of the calendar year. This coupled with the changes in the cost structure and operating environment in China, which accounts for 56% of our global capacity, presents immense challenges to our business. The Group maintains its focus on reshuffling its plant capacities among the regions on the basis of cost performance, and increasing direct business with retailers, particularly with those in the Europe market.

*The Board wishes to remind investors that the above operational data for the third quarter of fiscal 2007 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.*