

Name of Audit Firm

INTERNATIONAL COUNCIL OF TOY INDUSTRIES, INC

Appendix II

Report No. & date: _____ **Date of audit:** 25th September 2006

Name of factory: _____
(English & Local Language) _____

Address of factory: Guangdong Province, China
(English & Local Language) _____

Type of audit: Full Audit Annual Audit , Seal expiry date _____
 Follow-up Audit QC Audit

Conclusions: Pass Conditional Acceptance Improvement Required

Results Summary:

Section	Acceptable	If 'NO', list item number requiring improvement
2. Working Hours	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
3. Wages & Compensation	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
4. Underage Labor	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
5a. Forced Labor	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
5b. Prison Labor	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
6. Disciplinary Practices	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
7. Discrimination	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
8. Employee Representation	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
9. Facilities	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
10. Fire Prevention	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
11a. General Environmental Health & Safety (EHS)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
11b. Health & Safety	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
11c. Environmental	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
12a. Welfare – Dormitories	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
12b. Welfare – Canteen & Cafeteria Services	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil
12c. Welfare – Medical	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Nil

Name of Audit Firm

Executive Summary:

Full Audit on 25th August 2006

1. General

The audit type is a certification audit. The management people ----- presented at time of audit. The factory location has its own boundary. The factory buildings were constructed in 2002. The nearest hospital is Shenzhen City Henggang Hospital, which is about 800 meters away from the factory (5 minutes drive from the factory).

2. General description of the factory:

- a. Manufacturing –The major customers were ----- . The main products manufactured by the factory are Plastic Toys, Toys Decorating and Stationery. The total land area occupied by the facility is about 6,400 m². In view of the facilities, the factory consists of one 5-storey building is used for production and warehouse. One 5-storey building is used as office building; one 6-storey building is used as dormitory. The main production processes are listed as follows: Injection, Paint-spraying, Tempo-printing, Assembly, Inspection and Packing, etc.
- b. A total of 915 employees are currently working in the factory, which includes 760 production employees and 155 non-production employees. All workers were from various provinces of China except for one local (Shenzhen City). The factory runs 40 hours within 6 days, namely 7 hours from Monday to Friday and 5 hours on Saturday. For injection workers, there are three shifts, the 1st shift is from 8:00 to 16:00, the 2nd shift is from 16:00 to 24:00 and the 3rd shift is from 0:00 to 8:00. For other departments, there is only one shift; the normal working hour is from 8:00 to 17:30 with one and a half hours for lunchbreak. Employees' wages were calculated on an hourly-rated and monthly basis. Through factory management interview, the peak season is from June to September.
- c. Waiver was obtained from the factory. The factory obtained a waiver from local social insurance bureau, which indicated that the social insurance complied with local social requirement.
- d. Dormitory and other facilities: There is one 6-storey dormitory building, 1/F of which is used as canteen and kitchen and 2/F to 6/F is used as dormitory rooms. For each floor, there are 6 rooms for staff and 10 rooms for workers. Maximum workers 18 persons per room. Minimum space for each worker was 2.8 quarter meter. Recreation facilities included Badminton, TV rooms and etc.

- ##### 3. Specific situation was found during the audit. Through factory tour, it was noted that there were a total of 12 lines for paint-spraying process, however only 4 lines are used on the audit day.

Name of Audit Firm

4. Good points observed: e.g.: cooperative of management; openness of management attitude; etc.

5. Summary of major nonconformance found.

In view of the findings raised, non-compliances were covered in the areas of 9. Facilities. 10. Fire Prevention, 11a. General Environmental Health & Safety (EHS), 11b. Health & Safety, 12b. Welfare – Canteen & Cafeteria Services. For other areas, no violations were noted.

First Follow-up Audit on 25th September 2006

Compared with last audit, there is no significant change in the factory. The factory provided complete preventive and corrective actions for review, all the findings raised in full audit had been corrected, and no new finding was noted in this audit.

Audit History:

1 st audit date & report reference no.:	25 th August 2006 &
CAP date & reference no.:	_____
1 st re-audit date & report reference no.:	25 th September 2006 &
CAP date & reference no.:	_____
2 nd re-audit date & report reference no.:	_____
CAP date & reference no.:	_____
3 rd re-audit date & report reference no.:	_____
CAP date & reference no.:	_____
QC audit & report reference no.:	_____
CAP date & reference no.:	_____

25th September 2006

_____ Auditor Name	_____ Signature	_____ Date
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_____ Auditor Name	_____ Signature	_____ Date
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_____ Auditor Name	_____ Signature	_____ Date
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_____ Technical Manager Name	_____ Signature	6 th October 2006 _____ Date
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1a. Company Overview

Holding Company Name (if any):
(English & Local Language):

Factory Name:

Private & Confidential

Name of Audit Firm

(English & Local Language):

Address:
(English & Local Language)

Phone:

Fax:

Senior Management Representative Responsible for ICTI Code: (Management Representative)

Address:

Phone:

Fax:

E-Mail:

Principle Products Manufactured (Give Examples): Plastic Toys, Toys Decorating, Stationery

Standard Industry Classification (SIC) Code Number of Business:
(Insert SIC Code Number)

1b. Company Organization

Please attach general organizational chart.

1c. Number of Employees:

Please indicate estimated number of employees in each area.

Department	Number of Employees
Administrative - Factory	15
Administrative – Office	45
Engineering	38
Maintenance	30
Production	760 (staff: 61; workers:599)
Quality Assurance	4
Quality Control	22
Warehouse/Distribution	16
Other	15 (Security guards, and cleaners)
Total Number of Employees:	915 (staff: 155; workers: 760)

Name of Audit Firm

1d. Language(s) Spoken:

Please indicate primary languages spoken by employees. Mandarin

1e. Production Process:

Please indicate which production processes and tool room machines the company possesses.

Production Process	Details
Blow Molding	Nil
Die Casting	Nil
Electronics Assembly	Nil
Flat Belt Conveyors	2 sets
General Metalworking Shop	Nil
Injection Molding	Injection Machines: 28 sets
Plating Process	Nil
Printing and Packaging Process	Packaging Machine: 3 sets;
Rooting Machine	Nil
Rotocasting	Nil
Sewing Machines	Nil
Silk Screen Printing	Nil
Spraying Operations	192 stalls (12 lines, 16 stalls per line)
Tampo Printing	Tampo Printing Machines: 42 sets
Tool Room	Nil
Ultrasonic Welding	Ultrasonic Machines: 10sets
Wood Processing	Nil
Other:	Nil

1f. Floor Plan (Manufacturing, Office, and/or Dormitory, as applicable)

Please attach general layout of the facility.

Name of Audit Firm

2. Working Hours

AUDIT QUESTIONS				COMMENTS
2.1 Does facility have a written policy for working hours and overtime in compliance with local law(s)? Date of Issue: <u>3rd March 2006</u>	Yes✓	No		The factory had established written policy for working hours and overtime hours. The factory operated a 6-day workweek system within 40 normal working hours per week. Namely 7 hours from Monday to Friday and 5 hours on Saturday. Employees work overtime on voluntary basis, the maximum workweek is 66 hours in non-peak seasons and 72 hours in peak seasons.
2.2 Are legal working hours and facility working hours made available to all employees?	Yes✓	No		Written policy for working hours and overtime hours in the employees' manual.
2.3 Are hours worked adequately documented (e.g., time cards)?	Yes✓	No		IC computerized attendance were used to record In/Out time records including the lunchtime and overtime work.
2.4 Is overtime voluntary?	Yes✓	No		Through workers' interview, it was confirmed that the workers worked overtime on voluntary basis.
2.5 What are the maximum hours worked per day ? <u>10</u> hours (noted in July 2006), Per week <u>52</u> hours (noted in July 2006) Is this within the legal maximum and written policy for work hours?	Yes ✓	No	N/A	<p>Full Audit on 25th August 2006</p> Employees need swipe IC cards to record their working hours including overtime hours, through reviewing the attendance records provided by the factory, the working hours statistical information was as follows: <ol style="list-style-type: none"> 1) For August 2006 (current month), the average number of hours worked in a week for the 10 selected workers were 51 hours per week. The maximum working hours per week were 52 hours. (10 out of 10 selected samples). 2) For July 2006 (Peak month), the average number of hours worked in a week for the 5 selected workers were 51.5 hours per week. The maximum working hours per week were

Name of Audit Firm

	<p>Yes ✓</p>	<p>No</p>	<p>52 hours. (5 out of 5 selected samples)</p> <p>3) For April 2006 (Non-peak month), the average number of hours worked in a week for the 5 selected workers were 50 hours per week. The maximum working hours per week were 54 hours. (3 out of 5 selected samples in paint-spraying department)</p> <p>The above working hours were within the legal maximum and written policy for work hours.</p> <p>Remark: The attendance records from July 2005 to audit day (25th August 2006) were provided for review.</p> <p>First Follow-up Audit on 25th September 2006</p> <p>One month' attendance records (September 2006) were provided for review. The average number of hours worked in a week for the 10 selected workers were 52 hours per week. The maximum working hours per week were 52 hours.</p> <p>The above working hours were within the legal maximum and written policy for work hours.</p>
<p>2.6 What are the maximum overtime hours worked per month? <u>58</u> hours. (noted May 2006) (Provide detailed analysis.) Is this within the legal maximum and written policy for work hours?</p>	<p>Yes ✓</p>	<p>No</p>	<p>N/A</p> <p>Full Audit on 25th August 2006</p> <p>Through reviewing the attendance records from July 2005 to 25th August 2006, it was noted that the maximum monthly overtime hours was 40 hours, which was within the legal maximum and written policy for work hours.</p> <p>Remark: The attendance records from July 2005 to audit day (25th August 2006) were provided for review.</p> <p>First Follow-up Audit on 25th September 2006</p>

Name of Audit Firm

	Yes✓	No		One month' attendance records (September 2006) were provided for review. It was noted that the maximum monthly overtime hours was 42 hours (until audit day), which was within the legal maximum and written policy for work hours.
2.7 Are the employees allowed one day off in seven?	Yes✓ <input type="checkbox"/>	No		Through reviewing the attendance records provided by the employees, all employees were allowed one day off in seven.
2.8 Are employees permitted time off with doctor's certificate when sick or for maternity?	Yes✓	No		Employee can take sick leave if they submitted the doctor's certificate. Such benefit was clearly stated in the ICTI procedure and it was further confirmed through workers interview.
2.9 Are workers allowed adequate: a) meal breaks? b) personal breaks?	Yes✓ Yes✓	No No		For one-shift employees: 12:00 to 13:30 For three-shift employees in Injection Department: 1 st Shift: 12:00 to 12:30, 2 nd Shift: 18:00 to 18:30, 3 rd shift: 4:00 to 4:30 Personal breaks: Workers could get a short leave permit whenever they need, such as going to toilet or drinking water etc. From workers interview, workers also confirmed that they had not been rejected to obtain the leave permit as per previous experience.

3. Wages and Compensation

AUDIT QUESTIONS				COMMENTS
3.1 Does facility have written policy on wages and compensation which is in compliance with the local laws? Date of Issue: <u>3rd March 2006</u>	Yes✓	No		The factory provided the written policy for review, which clearly stated that the minimum wage was at least complying with the local minimum requirement for the normal working hours (currently RMB 580 per month or RMB 3.33 per hour since 1 st July 2005). For the overtime wages, it would be compensated as below: 1) 150% of normal wage for overtime after 40 hours from Monday to

Name of Audit Firm

				Saturday; 2) 200% of normal wage for overtime on Sundays; 3) 300% of normal wage for overtime on official public holidays.
3.2 Are legal and company minimum wage rates posted or available to employees?	Yes✓	No		Written policy for legal and company minimum wage rates were stipulated in the employees' manual.
3.3 Do wages and compensation meet legal and policy requirements? Minimum Hourly Rate: Minimum Overtime Rate: Regular Work Days: Rest Days: Holidays:	Yes✓	No		<p>Full Audit on 25th August 2006</p> <p>Since July 2005 Legal Minimums: RMB 580 Hourly Rate: RMB 3.47 (Based on 20.92 rate) Overtime Rates: Regular Work Days: 150% of normal rate from Monday to Saturday Sundays: 200% of normal rate Holidays: 300% of normal rate</p> <p>Remark: 12 months' (from July 2005 to June 2006) payroll records were provided for review.</p> <p>First Follow-up Audit on 25th September 2006</p> <p>Since July 2006</p> <p>Legal Minimums: RMB 700 Hourly Rate: RMB 4.02 (Based on 21.75 rate) Overtime Rates: Regular Work Days: 150% of normal rate from Monday to Saturday Sundays: 200% of normal rate Holidays: 300% of normal rate</p> <p>In this follow-up audit, one month's (July 2006) payroll records were provided for review, through reviewing the payroll records, it was noted that employees were paid at least RMB 4.2 per hour, and the overtime wage met the legal and policy requirements, namely 150% of normal rate for overtime after 40 hours from Monday to Saturday and 200% of normal rate on Sunday.</p>
3.4 Are legally required withholdings being withheld correctly, and being paid to the proper	Yes✓	No		All employees had participated in integrated medical insurance, this is a new type social insurance, it was

Name of Audit Firm

agency(s)? Explain.				<p>being implemented since 2005, employees need pay RMB 4 per month and employer need pay RMB 8 per month.</p> <p>Through employees interview, this social project facilitates employees to see a doctor.</p>
3.5 Are employees made aware of these withholdings and other deductions prior to employment?	Yes✓	No		<p>Through workers interview, it was confirmed that employees were aware of these withholdings and other deductions prior to employment.</p>
3.6 Are deductions for food and housing reasonable and legal?	Yes✓	No		<p>Employees have right to select to eat in canteen or not, if they eat in the factory, then RMB 120 per month would be deducted from their wage directly; For housing, the factory provided free of charge.</p>
3.7 Are deductions for company provided items reasonable and legal?	Yes	No	N/A✓	<p>No other items were provided by the factory, so this section was not applicable.</p>
3.8 Are legally required benefits provided (bonus, paid vacation, meal allowances, etc.)? Describe.	Yes✓	No		<p>Through document review and workers interview, it was confirmed that the factory provided the paid annual leave and childbearing leave, night shift allowance, etc. for its eligible workers.</p> <p>For the social insurance, out of 915 employees, all employees had participated in work-related injury insurance, integrated medical insurance, 825 had participated in retirement and childbearing insurances; no employee had participated unemployment insurance; Furthermore, the factory obtained a waiver from local social insurance bureau, which indicated that the social insurance complied with local requirement</p>
3.9 Do employees receive detailed pay stubs?	Yes✓	No		<p>It was verified through the workers interview. The pay stubs details the normal hours, overtime hours, social deduction, meal deduction, gross wage and the net wages etc.</p>
3.10 Are employees paid in a timely manner?	Yes✓	No		<p>The wages would be paid in a monthly basis. The payday was around 26th of each month.</p>

Name of Audit Firm

3.11 Is the payment of wages made readily available to employees?	Yes✓	No		The factory paid wages to the workers by cash. It was confirmed through workers interview.
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4. Underage Labor

AUDIT QUESTIONS				COMMENTS
4.1 For information purposes, record if there is a compulsory age for school attendance in the country/ region? If yes, up to what age is school compulsory? <u>16 years old</u>	Yes✓	No		In China, compulsory education was 9 years (charge free) started from 6 years old.
4.2 Does the facility have a written policy specifying the youngest age for workers hired in the facility? Date of Issue: <u>3rd March 2006</u> If yes what is the minimum age? 16 Does it meet standard requirement?	Yes ✓ Yes✓	No No		The factory provided the written policy for review.
4.3 In the absence of law, does the facility's policy meet the ICTI code?	Yes✓	No		Even in the absence of law, the factory still met with the ICTI code requirement of minimum age of 14 years old.
4.4 Is the law and or policy communicated to all employees?	Yes✓	No		This policy was posted prominently in workplace.
4.5 Are the employees' ages in compliance with the policy and local laws?	Yes✓	No		It was noted that the minimum age is 18 years old while reviewing the personnel records.
4.6 If young workers are employed, are they on assignments allowable, as specified by law?	Yes	No	N/A✓	No young workers were found during this audit.
4.7 Are documents supporting age information kept on record?	Yes✓	No		The photocopy of workers identity card was attached in each personnel record.

5a. Forced Labor

AUDIT QUESTIONS				COMMENTS
5.1 Does the facility have a written policy concerning forced labor, which meets the requirements of the ICTI Code? Date of Issue: <u>3rd March 2006</u>	Yes✓	No		The factory provided such written documents (Forced Labor management Procedure), it was demonstrated that forced labor and prison labor were forbidden to hire. Meanwhile the factory

Name of Audit Firm

			did not support any using forced labor (Such as selecting supplier or subcontractor.)
5.2 Does the facility use any forced labor?	Yes	No✓	It was verified through factory tour and workers interview.
5.3 Does the facility use any bonded labor?	Yes	No✓	It was verified through factory tour and workers interview.
5.4 Are employees permitted to leave employment after giving reasonable notice?	Yes✓	No	Through workers interview and document review, it was noted that workers were permitted to terminate employment within 30 days in advance notice.
5.5 Is there any evidence of the use of security staff and/or supervision to coerce workers?	Yes	No✓	Through reviewing security rule was provided for review, the security guards were forbidden to coerce workers, which was verified through factory tour and workers interview.

5b. Prison Labor

AUDIT QUESTIONS			COMMENTS
5.6 Does facility have a written policy against the use of prison labor in their facility or subcontracting to prisons? Date of Issue: <u>3rd March 2006</u>	Yes✓	No	The factory provided such written policy for review.
5.7 Does the facility use any prison labor?	Yes	No✓	It was verified through factory tour and workers interview.

6. Disciplinary Practices

AUDIT QUESTIONS			COMMENTS
6.1 Does the facility have a written procedure regarding disciplinary practices which provides freedom from mental or physical abuse? Date of Issue: <u>3rd March 2006</u>	Yes✓	No	The factory provided such written procedure (Employee Disciplinary Procedure) for review.
6.2 Is the procedure communicated to all?	Yes✓	No	All new employees need accept orientation training prior to start to work, the training contents included this procedure; Furthermore, the relevant poster were visibly in the bulletin board.
6.3 Is there any evidence of the use of corporal punishment or physical coercion?	Yes	No✓	It was verified through factory tour and workers interview.

Name of Audit Firm

6.4 Is there any evidence of the use of excessive mental or verbal abuse or intimidation?	Yes	No✓	It was verified through factory tour and workers interview.
6.5 Is there any evidence of the use of security staff or other nominated staff (other than supervisors) used to discipline workers?	Yes	No✓	It was verified through factory tour and workers interview.
6.6 Are unreasonable disciplinary fines used? If yes, record the fine(s) and the offense(s).	Yes	No✓	No unreasonable disciplinary fines as verified through the payrolls review and employee interview. If employees violated factory rule, the factory applied following methods, issuing warning letter, little fault, big fault, then terminating the employment contract.

7. Discrimination

AUDIT QUESTIONS			COMMENTS
7.1 Does the facility have a written policy against discrimination? Date of Issue: <u>3rd March 2006</u>	Yes ✓	No	The written anti-discrimination policy was prominently posted in workplace.
Is the policy communicated to all?	Yes✓	No	
7.2 Is there evidence of discrimination in recruitment?	Yes	No ✓	
In workplace	Yes	No ✓	It was verified through factory tour and workers interview.
In patterns of dismissal	Yes	No✓	

8. Employee Representation

AUDIT QUESTIONS			COMMENTS
8.1 Do employees have the ability to approach management on issues of concern?	Yes✓	No	All employees could approach the factory management through the employee representatives or suggestion box.
8.2 Are there employee representative(s) in place?	Yes✓	No	9 employee representatives from various departments were selected by other workers. Employee representatives list as following: Tampo printing workshop: Mr. He Jun, Mrs. Zhang Jun Li; Injection Workshop: Mr. Yan Hai Jun,

Name of Audit Firm

AUDIT QUESTIONS			COMMENTS
			Mrs. Zhou Yan Qin; Paint-spraying Workshop: Assembly Workshop:
8.3 Are there management representative(s) appointed to interface with employee representative(s)?	Yes✓	No	Mr. ----- Management Representative was appointed to interface with employee representative.
8.4 Are there regularly scheduled meetings between representative(s) and management, and are meeting minutes on file?	Yes✓	No	The representatives and factory management performed meeting each quarter. Meeting minutes were reviewed on site. Latest meeting on 20 th June 2006.
8.5 Are the employee representative(s) aware of the ICTI Code of Business Practices, and supporting documents, or the facility equivalent?	Yes✓	No	Through employee representative interview, they were aware of the ICTI Policy and relevant supporting documents.
8.6 Is there evidence of management action on issues of concern relating to the ICTI Code of Business Practice? Describe.	Yes✓	No	Through workers interview, it was noted that the factory management would answer the question raised from employee and take the necessary action plan.
8.7 Is there evidence of unequal treatment between employee representative(s) and other employees? Describe.	Yes	No✓	Confirmed through the relevant workers' payroll and attendance, etc. records review and workers interview.

9. Facilities

AUDIT QUESTIONS			COMMENTS
9.1 Does facility have written policy to adopt the local laws governing the health, safety, environmental, and working conditions in its facilities? Date of Issue: <u>6th March 2006</u>	Yes✓	No	This policy (Law and Regulation Working Instruction: WLS-IW-008) was established and approved by Mr. ----- Board chairman on 6 th March 2006.
9.2 Is there a senior management representative for health, safety, welfare, and general facilities? Name: <u>Mr. Yuanliang Hu/ (Administration Supervisor)</u>	Yes✓	No	Nil
9.3 Is facility kept clean and maintained in good condition? - Walkways and Aisles - Yard and Storage Areas - Lifts and Stairways	Yes✓	No	Through the factory tour, it was noted that the factory was kept clean and maintained in good condition.

Name of Audit Firm

AUDIT QUESTIONS			COMMENTS
<ul style="list-style-type: none"> - Manufacturing Areas - Electrical Equipment - Other 			
9.4 Are routine facility inspections conducted?	Yes✓	No	The Administration department would arrange routine facility inspections weekly. The records had been reviewed. The last inspection was on 23 rd August 2006.
9.5 Are all machinery, equipment, and facility maintained in safe working condition and adequately repaired following breakdown?	Yes✓	No	Through the factory tour, it was noted that the machinery, equipment and facility maintained in safe working condition. Maintenance records were kept and reviewed adequately.
9.6 Is an effective means of communication available for internal and external emergency notification?	Yes✓	No	<p>Emergency Numbers was posted clearly in the factory. External Telephone: Fire Emergency Tel: 119; Police Tel: 110 and 28866110; Medical Emergency Tel: 120</p> <p>Internal Telephone: Security header;; Administrate Supervisor;; Factory Manager;; Maintain Group;;</p>
9.7 Do temperature and humidity controls meet safe working practices?	Yes✓	No	Wet-dry bulb thermometer was installed in workplace and warehouse to monitor temperature and humidity. Through the factory tour, exhausting fans and air condition equipped in the workshops. The factory also set up the written Temperature Control Procedure (WLS-WI-013, issued on 6 th March 2006) for Working Places, which indicated the temperature limit and the heat/cold stress relief method. From the temperature and humidity control records during March to July 2006, the lowest temperature was 21 °C and the highest temperature was 28 °C in the Workshops which met the safe and working practices.
9.8 Do general ventilation controls provide a safe working environment?	Yes✓	No	Exhaust Fans were installed in the workshops to provide the general ventilation.

Name of Audit Firm

AUDIT QUESTIONS				COMMENTS
9.9 Is lighting adequate?	Yes✓	No		Through factory tour, it was confirmed that the lighting in the facility was adequate.
9.10 Is there regular and systematic refuse collection? Date of Last Collection: <u>25th August 2006</u> (on daily basis)	Yes✓	No		Refuse would be collected and removed to the waste center for disposal daily by about 8 cleaners. The local waste dispose station would remove the refuse daily.
9.11 Has the physical and structural integrity of all buildings been professionally inspected? This may be indicated by the factory having a "Certificate of Occupancy". Date of Last Inspection: <u>N/a</u>	Yes	No✓		All buildings were rented from local village committee; all these certificates of occupancy were kept by village committee, so no such documents were provided for review. Through factory tour, all buildings were maintained in good condition.
9.12 Have the boilers, unfired pressure vessels, and furnaces been professionally inspected? Date of Last Inspection: For valves: <u>Inspected on 28th October 2005 and valid till 27th October 2006;</u> For tanks: <u>Inspected on 12th November 2005 and valid till 11th November 2008;</u>	Yes	No(N/A	<p>Full Audit on 25th August 2006</p> <p>In accordance with Special Appliance Quality Safety Monitoring Regulation article 25, the operating unit with special appliance shall apply the registration for the special appliance from the Special Appliance Quality Safety Monitoring Department of the municipality city or above, before they are used or after they have been used for 30 days. The approved registration certificate/letter for special appliance should be affixed at the relevant special appliance.</p> <p>It was noted that there were 8 sets of air compressors in the factory. However the factory only provided the inspection report for 8 air tanks and 14 safety valves, no inspection reports for pressure meter were provided for review on the audit day.</p> <p>It is recommended that the factory should provide complete regular inspection reports for air compressor.</p> <p>First Follow-up Audit on 25th</p>

Name of Audit Firm

AUDIT QUESTIONS				COMMENTS
	Yes✓	No		<p>September 2006</p> <p>This finding had been corrected; The factory had 8 pressure meters inspected by Shenzhen Academy of Metrology and Quality Inspection on 7th September 2006, meanwhile the factory provided relevant certification certificates for review; Through reviewing the certificates, all these pressure meters are valid till 6th March 2007.</p>
9.13 Are allowable floor loading weights determined, posted and adhered to?	Yes✓	No		The allowable floor loading weights for all the buildings had been determined and posted. 750 Kg / m ²
9.14 If the facility had any citations or penalties from violations of working condition laws in the past 12 months, have they all been corrected within the required time frame?	Yes	No	N/A✓	As per the management and workers interview, no violation was cited before.
9.15 Do all employees have access to potable water for drinking purposes?	Yes	No✓		<p>Full Audit on 25th August 2006</p> <p>In accordance with the ICTI Code of Business Practice, the factory should test the drinking water for production area and dormitory area respectively.</p> <p>It was noted that the factory only provided one drinking water test report for the living area for review and found it complied with the national drinking water standard. The test reports were issued by Shenzhen City Longgang District Disease Protection and Control Center on 11th August 2006</p> <p>It is recommended that the factory should provide effective testing report for drinking water from factory production area for review.</p> <p>First Follow-up Audit on 25th September 2006</p> <p>This finding had been corrected; The factory provided an additional</p>

Name of Audit Firm

AUDIT QUESTIONS				COMMENTS
				drinking water test report for review, which indicated that the drinking water from production area was potable and the all items complied with drinking water hygiene standard. This report was issued by Shenzhen City Longgang District Disease Protection and Control Center on 18 th September 2006.
9.16 Are adequate toilet facilities available, functional, and in clean condition?	Yes✓	No		Toilet facilities were adequate, functional and in clean condition. The average number of workers per stall was 20 for male, 25 for female.
9.17 Are hand-washing facilities available, functional, in clean condition, and located within the toilet facilities area?	Yes✓	No		Water tap, toilet paper, and soap were provided in the toilets. It was found functional and clean.
9.18 Are security personnel adequately trained?	Yes✓	No		All the security personnel were trained by the facility concerning the job responsibility and management regulations. The last internal training regarding the factory own practice was on 10 th August 2006.
9.19 Are smoking rules observed?	Yes✓	No		"No smoking" sign was prominently posted in workshops. The whole factory including the production area and living area was defined as non-smoking area.

10. Fire Protection

AUDIT QUESTIONS				COMMENTS
A) Emergency Preparedness				
10.1 Does the site have an adequate written emergency preparedness plan?	Yes✓	No		The factory provided the written emergency preparedness plan (WLS-IP-013) (Issued on 3 rd March 2006) for review.
10.2 Are personnel trained on fire prevention and emergency preparedness plans?	Yes✓	No		Last training was on 10 th May 2006.
10.3 Has a site coordinator been designated to administer the fire prevention procedures and	Yes✓	No		Mr. ----- / Security header was designated as the site coordinator to administer the fire

Name of Audit Firm

AUDIT QUESTIONS			COMMENTS
emergency preparedness plans?			prevention procedure and emergency preparedness plans. The related safety officer certificate was reviewed.
B) Exit and Evacuation			
10.4 Does the site have an emergency alarm system for notifying personnel to evacuate the site?	Yes✓	No	The alarm system was under regular maintenance by the factory on a monthly basis.
10.5 Is emergency powered lighting installed, in appropriate locations and inspected periodically?	Yes✓	No	The installations were regular checked on a monthly basis.
10.6 Are aisles and emergency exit doors clearly marked, illuminated, accessible, and kept clear of obstructions, internally and externally?	Yes✓	No	Through the factory tour, it was confirmed that the aisles and emergency exit were illuminated with good condition, which was in compliance with legal and ICTI requirements.
10.7 Are evacuation routes posted in the work areas with clear directions on how to exit?	Yes✓	No	The evacuation routes were posted in the workplace with clear directions to the corresponding nearest exits.
10.8 Does each employee have access to not less than two remotely located emergency exits?	Yes✓	No	There were at least 2 emergency exits in each building.
10.9 Are doors, passageways, or those that could be mistaken for emergency exits, appropriately marked "NOT AN EXIT".	Yes✓	No	It was verified through the factory tour.
10.10 Do emergency exit doors open freely (unlocked) in the direction of travel, and without any special knowledge to open?	Yes✓	No	All exit doors could be freely and easily opened in the direction of travel and unlocked. It was in compliance with legal and ICTI requirements.
10.11 Does the site conduct annual emergency evacuation drills?	Yes✓	No	The factory would conduct fire drill at least 2 times per year (including production and dormitory areas). Through review of the recent fire drill records, it was noted that the last fire drill on factory and dormitory was on 18 th August 2006. On factory, it took 2 minutes to evacuate. On dormitory, it took 100 seconds to evacuate.
C) Housekeeping			

Name of Audit Firm

AUDIT QUESTIONS			COMMENTS
10.12 Is trash stored in non-combustible containers and emptied on a regular basis?	Yes✓	No	The trash was emptied on daily basis by about 8 cleaners.
10.13 Are combustible scraps, debris and waste materials (e.g. oily rags) stored in covered metal containers and removed from the work site promptly?	Yes✓	No	Metal box with cover was used to store combustible materials in workshops. It was separated with ordinary living rubbish. The cleaners would remove these combustible materials weekly.
10.14 Are areas free of unnecessary combustible materials?	Yes✓	No	It was verified through factory tour.
10.15 Are floors kept clean from spills and materials?	Yes✓	No	It was verified through factory tour.
10.16 Are containers labeled with their contents and properly stored?	Yes✓	No	It was verified through factory tour.
10.17 Are hazardous and other areas appropriately posted with "No Smoking" signs?	Yes✓	No	"No Smoking" signs were posted in every workshop and warehouse.
10.18 Is heat producing equipment such as portable heaters, motors, ovens, etc., kept clear of combustible materials (including dust, grease, oil, and fibers)?	Yes✓	No	It was verified through factory tour.
10.19 Are materials properly stored inside and outside of the building?	Yes✓	No	During the factory tour, it was confirmed that the materials were properly stored inside and outside of the buildings.
D) Electrical			
10.20 Is electrical equipment and wiring properly maintained, covered/insulated to prevent exposure of wires?	Yes	No✓	<p>Full Audit on 25th August 2006</p> <p>In accordance with the PRC Labor Law article 55, laborers engaged in special tasks must receive specialized training and acquire a license for such tasks.</p> <p>It was noted that there were a total of 6 electricians in the factory; however 2 certificates had expired in March 2006.</p> <p>It is recommended that all those workers should obtain proper licenses.</p> <p>First Follow-up Audit on 25th September 2006</p>

Name of Audit Firm

AUDIT QUESTIONS				COMMENTS
	Yes✓	No		This finding had been corrected; This factory had renewed both certificated in September 2006, so all electricians obtained valid certificates.
10.21 Are wires properly attached to fixtures, plugs, circuit breakers, and other equipment?	Yes✓	No		It was verified through the factory tour.
10.22 Are electrical covers in place for junction boxes, outlets, panel boards and are they free from obstruction?	Yes✓	No		It was verified through the factory tour.
10.23 Does the site have a lightning protection system?	Yes✓	No		One inspection report (issued on 23 rd August 2006 by Shenzhen City Lightning Protection Inspection Bureau) were reviewed, which indicated that all the lightning protection system of the facilities were acceptable and the inspection certificate were provided for review.
E) Special Hazards				
10.24 Are flammable liquids properly stored in safety cabinets and/or properly ventilated and electrically protected flammable storage rooms?	Yes✓	No	N/A	Flammable liquids were stored separately with special fire prevention equipments such as fire extinguishers, explosion-proof lamps etc.
10.25 Are flammable liquids in use properly stored in safety dispensing containers?	Yes✓	No	N/A	All the flammable liquids were stored in metal containers/second containers.
10.26 Does the site have a hot-work procedure established for operations using flames or producing sparks (welding / grinding / cutting / brazing / soldering)?	Yes✓	No	N/A	The factory had developed the Hot-work operation regulation (WLS-IP-012) for all operations including welding, heat oven, heat cutting processes etc. (Issue date: 3 rd March 2006) The last record was during 30 th June to 2 nd July 2006.
10.27 Are gas cylinders properly marked, used, inspected, stored and secured?	Yes✓	No	N/A	It was verified during the facility tour.
10.28 Are combustible dust operation areas maintained and clean (wood / flour / starch)?	Yes	No	N/A✓	No combustible dust operation in the factory.
10.29 Are solvent spray painting or dust-producing operation areas	Yes✓	No	N/A	It was verified through the factory tour.

Name of Audit Firm

AUDIT QUESTIONS				COMMENTS
maintained, clean and constructed of non-combustible materials and at least 20 feet from flames, sparks, operating electric motors, and other ignition sources?				
10.30 Is adequate ventilation present to prevent accumulation of flammable vapors during spraying operations?	Yes✓	No	N/A	The factory provided the capture velocity measurement report for the local ventilation exhausting system for review, which monitoring weekly. The last monitoring records was 18 th August 2006 and the velocity was 0.5m/s.
10.31 Are personnel properly trained in the handling and use of flammable and combustible materials? B) Alarms and Extinguishers	Yes✓	No		The factory had provided the training records for review. The last training was on 10 th May 2006.
10.32 Are fire alarms clearly marked, accessible, and maintained operational?	Yes✓	No		It was verified through the factory tour.
10.33 Are adequate fire extinguishers available, clearly marked, and accessible?	Yes✓	No		It was verified through the factory tour.
10.34 Are fire extinguishers fully charged and visually inspected monthly?	Yes✓	No		The facility inspected the fire extinguisher monthly. As per the record, the last inspection was during 6 th -8 th August 2006.
10.35 Are emergency response personnel trained on proper operation of fire extinguishers?	Yes✓	No		Date of last training was 6 th June 2006.
10.36 Are fires investigated to determine root causes and examined to prevent a reoccurrence?	Yes	No	N/A✓	Not applicable as no fire accident occurred before.
10.37 Are other fire fighting equipment routinely inspected and maintained?	Yes✓	No		Other fire fighting equipment such as fire hoses, fire alarm system was also inspected once per month, and records were kept. The last inspection was during 6 th -8 th August 2006.

11a. General Environmental Health and Safety (EHS)

AUDIT QUESTIONS				COMMENTS
11.1 Does the facility have a written EHS program that includes policies and procedures for environmental,	Yes✓	No		Environmental, Safety and Health Management Control Procedure (WLS-ICTI-001) were issued on 2 nd

Name of Audit Firm

AUDIT QUESTIONS				COMMENTS
health, safety (EHS) and working conditions? Date of Issue: <u>2nd March 2006</u>				March 2006.
11.2 Are facility's written EHS programs available to all employees in the local language?	Yes✓	No		Posted in the notice board, Regular training, and Worker Handbook.
11.3 Has an EHS coordinator been designated? Name: <u>Mr. Yuanliang Hu/ Administration Supervisor</u>	Yes✓	No		The valid Safety Officer certificate was reviewed.
11.4 Does the facility have an EHS committee/team?	Yes✓	No		Total 26 members (including the safety supervisor, QC supervisor & production supervisor and employee's representatives, etc.) were from different department, and the members were hold meeting every two month. The relevant meeting minutes were provided for review, the last one was on 6 th July 2006.
11.5 Does the facility promote workplace EHS awareness?	Yes✓	No		Introduction training was provided for each new worker.
11.6 Is job-specific EHS training/ education provided to all employees prior to starting a new job?	Yes✓	No		Introduction training was provided for each new worker by the supervisors of each department.
11.7 Are all employees given the opportunity to voice EHS opinions/concerns? If so, describe.	Yes✓	No		Suggestion box was provided in the factory. All employees were given the opportunity to voice EHS opinions/concerns. It was further verified through workers interview.
11.8 Are there controls in place to prevent new components, materials, chemicals, machinery, and products from entering the facility, which have not been reviewed for potential EHS hazards?	Yes✓	No		The new components, materials assessment / review procedure (WLS-IW-014) dated on 6 th March 2006 were provided for review, which indicated that the EHS committee was responsible for the assessment / review. The latest records dated on 27 th June 2006
11.9 Do containers coming onto the facility have legible affixed labels?	Yes✓	No		Nil
11.10 Are contractor personnel given site EHS rules and orientation?	Yes✓	No		Work Instruction (WLS-IW-010) for contractor personnel were developed on 6 th March 2006. The recent records dated on 7 th August 2006 were reviewed.

Name of Audit Firm

AUDIT QUESTIONS				COMMENTS
11.11 Have the employees been trained on the subject of chemical safety?	Yes✓	No	N/A	Induction training was provided. Through workers' interview, workers confirmed understanding on chemical safety. Last training was on 13 th March 2006.
11.12 Are up-to-date MSDS's present for all chemical produced, imported, or used, and are they available to all employees in the local language?	Yes✓	No	N/A	MSDS was posted in local language in the dangerous goods warehouse and workshops.
11.13 Is a current chemical inventory available for all hazardous chemicals produced, imported, and/or used at the site?	Yes✓	No	N/A	Nil
11.14 Are functional emergency eyewash stations and showers provided where corrosive chemicals or high volumes of solvents are handled and used?	Yes	No✓		<p>Full audit on 25th August 2006</p> <p>In accordance with ICTI Code of Business Practices, functional emergency eyewash stations and showers should be equipped where corrosive or high volumes are handled and used.</p> <p>It was noted that there was no eyewash station equipped where chemical were used and stored in the factory.</p> <p>It is recommended that the factory should equip functional eyewash stations and showers in the above areas.</p> <p>First Follow-up Audit on 25th September 2006</p> <p>This finding had been corrected; Through factory tour, the factory equipped eyewash stations near the chemical usage and storage area, and the distance is within 30 100 feet. Through on-site test, all these eyewash stations were in good condition.</p>
11.15 Are storage and process tanks, piping, and valves containing hazardous chemicals labeled and/or color-coded?	Yes✓	No		Containers were properly labeled and pipes color-coded.

11b. Health and Safety

Name of Audit Firm

AUDIT QUESTIONS				COMMENTS
11.16 Are all reported accidents and near misses investigated? a) Accident/near miss investigation form used and filled out completely? b) Employees instructed and encouraged to report accidents and near misses? c) Corrective/preventive actions tracked to completion?	Yes✓ Yes ✓ Yes ✓ Yes✓	No No No No		Work-related Injury Control Procedure was included in emergency preparedness plan (Issue date: 3 rd March 2006). As per the records, it was noted that total 3 work-related injury cases in 2006. The corrective / preventive action plan was also showed in the records.
11.17 Are employees discriminated against for reporting accidents?	Yes	No✓		Nil
11.18 Is loose clothing, jewelry, and long hair prohibited near moving machinery?	Yes✓	No		Nil
11.19 Have the employees been trained on the subject of machine safeguarding?	Yes✓	No		The related training records were reviewed. For example, 60 employees in Injection Molding Department were trained on 15 th June 2006.
11.20 Are machine safeguards provided and used? a) Points of operation? b) Power transmission devices? c) Other hazardous moving parts? d) Pulleys and belts? e) Fan blades protected with a guard and have limited openings?	Yes✓ Yes✓ Yes✓ Yes✓ Yes✓ Yes✓	No No No No No No		Through factory tour, all machines such as crushing machines, injection machines, ultrasonic machines and generator were provided and used safeguards.
11.21 Are starting/stopping controls adequate? a) Provided for each operator? b) Protected from accidental activation? c) Labeled and/or properly color-coded? d) Emergency stops of the palm/mushroom type and colored red?	Yes✓ Yes ✓ Yes ✓ Yes ✓ Yes✓	No No No No No		Nil
11.22 Are any machines, equipment, and fixtures not covered above, in safe operating condition?	Yes✓	No		Nil
11.23 Is adequate local exhaust	Yes✓	No	N/A	The factory provided the capture

Name of Audit Firm

AUDIT QUESTIONS			COMMENTS
ventilation present where paints and chemicals (e.g., solvents, solder, dust) are used?			velocity measurement report for the local ventilation exhausting system of the Paint Spraying Department. for review, it was monitored weekly. The last monitoring records was 18 th August 2006 and the wind speed was 0.5m/s.
11.24 Are all personnel exposures maintained at or below safe exposure levels? Describe	Yes✓	No	The air sampling testing report (issued by Shenzhen Longgang Disease Prevention Control Center on 13 th June 2006) was provided, which indicated that the personnel exposures of all the workplace were maintained below safe exposure levels and compliance with legal standard.
11.25 Does the facility have a written procedure for the control of hazardous energy? Date of Issue: <u>3rd March 2006</u>	Yes✓	No	The factory had set up one written procedure named as Hazardous Energy Control Procedure (WLS/IP-011) (issue date: 3 rd March 2006).
11.26 Is training provided to all authorized users, affected employees, or other employees who are impacted by the hazardous energy control procedure?	Yes✓	No	The training records were reviewed and found acceptable.
11.27 Is sufficient lockout and tagout isolation equipment available? Describe: [✓] Locks [✓] Tags [✓] Group lock box [✓] Breaker lockouts [✓] Valve lockouts [✓] Hasps	Yes✓	No	As per the management, there were total 18 pairs of lockout equipments and around 12 pairs of tagout equipments.
11.28 Is the energy to equipment and machinery locked out prior to service or maintenance?	Yes✓	No	It was verified through factory tour and interview.
11.29 Has a documented hazard assessment been completed which identifies the personal protective equipment (PPE) required for each operation?	Yes✓	No	There was an assessment report that identifies the PPE required for each operation. The last assessment was on 6 th March 2006
11.30 Are the following provided and used? Full audit on 25th August 2006	Yes	No✓	Full audit on 25th August 2006 In accordance with the Factory Safety and Sanitary Regulations article 77, factory shall provide

Name of Audit Firm

AUDIT QUESTIONS				COMMENTS
<p> <input checked="" type="checkbox"/> Eye/face protection <input checked="" type="checkbox"/> Foot Protection <input type="checkbox"/> Hearing Protection <input checked="" type="checkbox"/> Hand Protection <input type="checkbox"/> Head Protection <input checked="" type="checkbox"/> Protective Clothing <input checked="" type="checkbox"/> Respiratory Protection <input checked="" type="checkbox"/> PPE Provided To Visitors </p> <p>First Follow-up Audit on 25th September 2006</p> <p> <input checked="" type="checkbox"/> Eye/face protection <input checked="" type="checkbox"/> Foot Protection <input checked="" type="checkbox"/> Hearing Protection <input checked="" type="checkbox"/> Hand Protection <input type="checkbox"/> Head Protection <input checked="" type="checkbox"/> Protective Clothing <input checked="" type="checkbox"/> Respiratory Protection <input checked="" type="checkbox"/> PPE Provided To Visitors </p>	<p>Yes✓</p>	<p>No</p>		<p>earplugs, goggles and helmets to workers who are exposed to excessive noise, bright light, heat, sparks and debris in workplace.</p> <p>It was noted that the factory provided the noise monitoring report issued by Shenzhen Longgang Disease Prevention Control Center on 13th June 2006, which showed the noise of injection molding department was up to 86.5db, but the factory did not provide earplugs for the workers working in the injection molding department.</p> <p>It is recommended that the factory should provide earplugs for workers working in the injection molding department.</p> <p>First Follow-up Audit on 25th September 2006</p> <p>This finding had been corrected; Through factory tour, all workers in the injection workshop worn earplug when working, it is further verified through employee interview.</p>
<p>11.31 Have the employees been trained on the subject of personal protective equipment?</p>	<p>Yes✓</p>	<p>No</p>		<p>The last training was on 18th March 2006.</p>
<p>11.32 Are signs posted in all areas where personal protective equipment must be worn?</p>	<p>Yes✓</p>	<p>No</p>	<p>N/A</p>	<p>It was verified through the factory tour.</p>
<p>11.33 Have the authorized crane/hoist operators received job-specific safety training?</p>	<p>Yes</p>	<p>No(</p>	<p>N/A</p>	<p>Full Audit on 25th August 2006</p> <p>In accordance with Special Appliance Quality Safety Monitoring Regulation article 39, the operator of special appliances (mentioned in Article 2, such as boiler, compressing equipment, lift, lifting appliance, etc) shall undergo relevant examination and qualifications to obtain special appliances certificate from the Special Appliance Quality Safety</p>

Name of Audit Firm

AUDIT QUESTIONS			COMMENTS
	Yes(No	<p>Monitoring department before operating those appliances.</p> <p>It was noted that the operators' certificate for one worker operating the cargo lift in production building was not renewed in July 2006.</p> <p>It is recommended that all those workers should obtain proper certificates before operating those appliances.</p> <p>First Follow-up Audit on 25th September 2006</p> <p>This finding had been corrected; The factory recruited one additional qualified worker in charge of operating cargo lift. The relevant personal file and license was provided for review, which was found acceptable. Name: Mr. Fu Yong Gui, license obtained on 28th February 2006 from Shenzhen City Supervision Bureau of Safety Production.</p> <p>Factory management claimed that it was difficult for them to cope with the training course prescribed by local authority bureau, so they had to recruit new comer.</p>
11.34 Are inspections conducted on cranes, hoists, and slings?	Yes	No✓	<p>Full Audit on 25th August 2006</p> <p>In accordance with Special Appliance Quality Safety Monitoring Regulation article 28, the operating unit with special appliances should follow the requirements of Quality Technical Monitoring Administration Department, to apply for regularly inspection at the Special Appliance inspection unit one month before the expiry date of the safety inspection approval. After the application, the Special Appliance inspection unit shall follow the requirements of the Quality Technical Monitoring Administration Department to carry out the inspection on time. The</p> <p>N/A</p>

Name of Audit Firm

AUDIT QUESTIONS				COMMENTS
	<p>Yes✓ <input type="checkbox"/></p>	<p>No</p>		<p>Special Appliance shall not be used when it has not undergone regularly inspection or if it failed the inspection.</p> <p>It was noted that the inspection certificate of competency for one cargo lift had expired on 27th June 2006.</p> <p>It is recommended that factory should apply for the regularly inspection for cargo lift in Special Appliance inspection unit at least one month before the expiry date of the safety inspection.</p> <p>First Follow-up Audit on 25th September 2006</p> <p>This finding had been corrected; This factory had renewed this cargo lift from Shenzhen City Supervision Bureau for Special Appliance, they passed inspection and obtained valid certificate in September 2006, through reviewing the certificate, this cargo lift will be valid till July 2007.</p>
11.35 Are capacity limits clearly marked on cranes, slings, and hoists?	Yes✓	No	N/A	The capacity limit signs of 1.5 tons for slings and 2 tons for cargo lift were posted in the related areas.
11.36 Are stairs provided with standard handrails and midrails?	Yes✓	No	N/A	Nil
11.37 Are open stairs, platforms, and elevated floors guarded by railings on open sides?	Yes✓	No	N/A	Nil
11.38 Are only approved working platforms used when employees are elevated to perform work?	Yes✓	No	N/A	Nil
11.39 Are elevated work platforms (i.e., baskets), secured to the lifting device (i.e., forklift, high lift, etc)?	Yes✓	No	N/A	Nil
11.40 Are all ladders in good condition for use?	Yes✓	No	N/A	Nil
11.41 Are floor and roof openings covered or protected to prevent falls?	Yes✓	No	N/A	Nil

Name of Audit Firm

AUDIT QUESTIONS				COMMENTS
11.42 Does the facility have a written procedure for entry into confined space areas? Date of Issue: <u>3rd March 2006</u>	Yes✓	No	N/A	Confined Space Areas Operation Safety Rules (WLS/IP-013) was issued on 3 rd March 2006.
11.43 Have the employees who enter confined spaces been trained on the subject of entry into confined space areas?	Yes✓	No	N/A	The training record was provided for review. The last training was on 6 th April 2006.
11.44 Are confined spaces identified and secured? [✓] Storage tanks [] Process vessels [] Diked tank farms [] Boilers [✓] Ovens [] Silos [] Underground trenches [] Enclosed conveyors [] Other	Yes✓	No	N/A	Through factory tour, it was noted that storage tanks and ovens were defined as confined spaces. It matched with the definition in the documents.
11.45 Have the authorized forklift operators received forklift safety training?	Yes	No	N/A✓	There is no forklift used in the factory.
11.46 Are forklifts inspected and maintained in good, safe, working condition?	Yes	No	N/A✓	Nil
11.47 Are there "Stop" signs, mirrors, and posted speed limits in areas where pedestrian traffic may be present?	Yes✓	No	N/A	The post speed limits: 5 km/hr.
11.48 Are trailers/containers secured from movement prior to entry for loading and unloading?	Yes✓	No		Nil

11c. Environmental

AUDIT QUESTIONS				COMMENTS
11.49 Is hazardous waste managed properly?	Yes✓	No	N/A	The factory would collect all hazardous waste to designated areas by the trained cleaners. Separate area was provided to store the hazardous waste in the factory.
11.50 Is all hazardous waste disposed	Yes✓	No	N/A	All hazardous waste was disposed

Name of Audit Firm

of at an approved government site?				to an approved collection firm: Shenzhen City Dongjiang Environmental Prevention Limited Company. The agreement between the factory and treatment station dated on 21 st July 2006 were reviewed, the latest records dated on 17 th August 2006 were reviewed and the relevant receipt from March to August 2006 provided for review.
11.51 Does the facility have a process waste water discharge permit?	Yes	No	N/A✓	Through the Environmental Evaluation Registration Form review and factory tour, there were no wastewater was discharged in the factory; the wastewater from the printing section would be disposed to the approved collection firm.
11.52 Has the facility obtained the necessary registration from the local environmental agency for all air discharge points?	Yes✓	No	N/A	One waste air monitoring report issued by Shenzhen City Hua Ce Testing Technology Co., Ltd on 19 th August 2006 was provided for review, which indicated that the waste air discharge complied with the legal requirement.
11.53 Does the facility have a septic system or discharge permit to dispose of sewage?	Yes✓	No		Total 1 septic tank would be cleaned once per month. The septic system was cleaned by ----- -- Cleaning Service Company; the last cleaning was on 15 th August 2006 and relevant receipts (from March to August 2006) were provided and reviewed.

12a. Welfare-Dormitories

AUDIT QUESTIONS				COMMENTS
12a. Does the facility provide dormitory living for employees?	Yes✓	No	N/A	If yes, complete all questions. If no, skip to section 12b.
12.1 How many employees per room? # workers per room: <u>2-18</u>				There is one 6-storey dormitory building, 1/F of which was used as canteen and kitchen and 2/F to 6/F were used as dormitory rooms. For each floor, 6 rooms for staff and 10 rooms for workers. Maximum workers 18 persons per room. Minimum space for each

Name of Audit Firm

				worker was 2.8 quarter meter.
12.2 Does each employee have sufficient living space in the dormitory?	Yes✓	No		More than 2.8 square meters / person
12.3 Are there adequate toilet and shower facilities?	Yes✓	No		(Male toilet and shower: 1 per room; Female toilet and shower: 1 per room). Maximum 18 workers per stall.
12.4 Are dormitories kept clean and maintained in good condition? [✓] General Dormitory [✓] Dormitory Rooms [✓] Toilets [✓] Showers	Yes✓	No		The general condition of dormitory was clean and fine. Every worker had one locker for storage of personal items of value.
12.5 Is a laundry facility available?	Yes✓	No		Common sink and table were available for workers.
12.6 Is a recreation area available?	Yes✓	No		Badminton, TV rooms etc
12.7 Does building appear structurally sound and in good repair? Date of Last Inspection: <u>N/a</u>	Yes	No✓		All buildings were rented from local village committee; all these certificates of occupancy were kept by village committee, so no such documents were provided for review. Through factory tour, all buildings were maintained in good condition.
12.10 Are workers permitted to exit and reenter the dormitory freely during their personal time off from work? Any curfew times? <u>24:00</u>	Yes✓	No		If employees returned to dormitory after 24:00, they need register in the security room to protect safety.
12.11 Are dormitory rooms, toilets, and showers segregated between men and women?	Yes✓	No		Nil.
12.12 Are security measures taken to protect workers and their property? Describe.	Yes✓	No		The security guards would be responsible for the workers and property safety. Regular check would be conducted.
12.13 Does the dormitory have a written procedure for fire safety and emergency preparedness in compliance with Section 10? Date of Issue: <u>3rd March 2006</u>	Yes✓	No		The written policy name Emergency Conduct Procedure was provided for review.

12b. Welfare-Canteen/Cafeteria Services

AUDIT QUESTIONS				COMMENTS
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Name of Audit Firm

<p>12.14 If food preparation areas are subject to local government audit or licensing, has approved audit/license been received? Date of Audit/License: <u>6th June 2005</u></p>	<p>Yes</p>	<p>No✓</p>	<p>Full Audit on 25th August 2006</p> <p>In accordance with the PRC Food Hygiene Law article 27, the unit operating with the connection to food, must pass the hygiene check and get the hygiene certificate before the operation.</p> <p>It was noted that the hygiene certificate was not renewed; it expired on 6th June 2006.</p> <p>It is recommended that the factory should pass the hygiene check before operating its kitchen.</p> <p>First Follow-up Audit on 25th September 2006</p> <p>This finding had been corrected; the factory had hygiene certificate renewed by Shenzhen City Longgang District Hygiene Bureau on 1st September 2006, through reviewing the hygiene certificate, the valid annual inspection tag was labeled and found acceptable.</p>
<p>12.15 Are food service areas kept clean and hygienic?</p>	<p>Yes✓</p>	<p>No</p>	<p>During the factory tour, the food service areas were found clean and hygienic.</p>
<p>12.16 Are food service personnel trained in food preparation hygiene?</p>	<p>Yes✓</p>	<p>No</p>	<p>All employees accepted the hygiene training in the period from 3rd April 2006 to 16th June 2006.</p>
<p>12.17 Is there a system in place to ensure that food handlers are in good health?</p>	<p>Yes</p>	<p>No✓</p>	<p>Full Audit on 25th August 2006</p> <p>In accordance with the PRC Food Hygiene Law article 26, the staff working in connection to food, must obtain the related training and pass the health examination and obtain the health certificates before starting work.</p> <p>It was noted there were a total of 9 kitchen staff in the factory, however 7 certificates had expired during the period from 24th August 2005 to 23rd July 2006.</p> <p>It is recommended that the factory should renew all certificates for its</p>

Name of Audit Firm

	Yes✓	No		<p>kitchen staff before one month' expiry date.</p> <p>First Follow-up Audit on 25th September 2006</p> <p>This finding had been corrected; The factory renewed all these 7 certificated from Shenzhen City Long Gang District Hygiene Bureau on 5th September 2006, all these kitchen staff had participated the hygiene knowledge training and passed the health examination.</p>
12.18 Is food kept clear of the floor areas?	Yes✓	No		It was verified through the factory tour.
12.19 Are food storage methods and controls adequate to prevent spoilage?	Yes✓	No		Refrigerator was installed to keep food and separate storeroom for raw food and oil.

12c. Welfare-Medical Services

AUDIT QUESTIONS				COMMENTS
12.20 Does facility have written procedure for handling medical emergencies? Date of Issue: <u>6th March 2006</u>	Yes✓	No		Written policy name Medical Emergency Management Procedure was provided for review.
12.21 Is common emergency medical treatment available? Explain. If there is an on-site clinic, is the medical clinic in compliance with local laws and standards?	Yes✓	No		The nearest hospital was Shenzhen City Henggang Hospital around 800m away from the factory.
12.22 Does the facility keep injury/illness records and are they used for corrective actions?	Yes✓	No		Written policy name Medical Emergency Management Procedure was provided for review, which issued on 3 rd March 2006.
12.23 Does each shift have adequate personnel trained in first aid and cardiopulmonary resuscitation (CPR)?	Yes✓	No		Written policy name Emergency Conduct Control Procedure was provided for review, which was issued on 3 rd March 2006. 20 certificates of CPR were provided for review, which were issued by the Shenzhen Liulian Hospital on 18 th July 2006.
12.24 Are first aid supplies reasonably available at the facility and dormitory?	Yes✓	No		There was one first aid box on each production floor and one first aid box in the dormitory building.

Name of Audit Firm

12.25 Does the facility have a bloodborne pathogen process?	Yes✓	No		Written policy name Bloodborne Pathogen Process Prevention Guideline was provided for review, which was issued on 6 th March 2006.
12.26 Is medical waste segregated and properly disposed of?	Yes	No	NA✓	No clinic was available in this factory, so this section was not applicable.

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