This report only provides a summary of the findings from the assessment conducted on the below date. Each assessment requires that information be gathered from a minimum sampling of provided records/documents, worker interviews, management interviews & visual observations. Thus, the information provided in this document may not necessarily represent the true compliance level of the factory.

### A. FACTORY DETAILS

<table>
<thead>
<tr>
<th><strong>Client/Buyer:</strong></th>
<th>Fair Labor Association</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Report No:</strong></td>
<td>***FLA0804002</td>
</tr>
<tr>
<td><strong>Assessment Date:</strong></td>
<td>April 14&lt;sup&gt;th&lt;/sup&gt;, 15&lt;sup&gt;th&lt;/sup&gt; &amp; 16&lt;sup&gt;th&lt;/sup&gt;, 2008</td>
</tr>
<tr>
<td><strong>Assessment Type:</strong></td>
<td>Verification Assessment</td>
</tr>
<tr>
<td><strong>Result:</strong></td>
<td>Needs Improvement</td>
</tr>
<tr>
<td><strong>Factory Name:</strong></td>
<td>Mainland Sewing Mills (Shenzhen) Co., Ltd</td>
</tr>
<tr>
<td><strong>Factory AKA:</strong></td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Address:</strong></td>
<td>Zhen Han Industrial City, Zhen Han Road, Gan Keng, Buji, Longgang, Shenzhen City, Guangdong Province</td>
</tr>
<tr>
<td><strong>Country:</strong></td>
<td>China</td>
</tr>
<tr>
<td><strong>Primary Contact:</strong></td>
<td>Mr. Kevin Yang</td>
</tr>
<tr>
<td><strong>Phone:</strong></td>
<td>86-755-28558111</td>
</tr>
<tr>
<td><strong>Fax:</strong></td>
<td>86-755-28557920</td>
</tr>
<tr>
<td><strong>E-Mail:</strong></td>
<td><a href="mailto:Yeh.sz@mainland.com.hk">Yeh.sz@mainland.com.hk</a></td>
</tr>
<tr>
<td><strong>Agent Name:</strong></td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Vendor Name:</strong></td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Level Works Field Staff:</strong></td>
<td>*** &amp; ***</td>
</tr>
<tr>
<td><strong>Other parties present:</strong></td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Report Written by:</strong></td>
<td>***</td>
</tr>
<tr>
<td><strong>Report Reviewed by:</strong></td>
<td>*** &amp; ***</td>
</tr>
</tbody>
</table>
B. ASSESSMENT TIME FRAME & SCOPE

This verification assessment started at 8:50am on April 14th, 2008 and ended at 3:00pm on April 16th, 2008. Two Level Works field staffs (male and female) were assigned to verify the overall compliance status of the factory against the FLA benchmarks, applicable local laws, and a review of alleged issues from Play Fair report and Brands audit reports. The assessment components included opening and ongoing discussions with management regarding factory practices, a review of documentation and records, a health & safety tour, employee interviews (onsite & offsite) and a final closing meeting with management.

C. FACTORY OVERVIEW

Mainland Sewing Mills (Shenzhen) Co., Ltd was established in 1992 and is located at Zhen Han Industrial City, Zhen Han Road, Gan Keng, Buji, Longgang, Shenzhen City, Guangdong Province, and China. There were two subsidiaries factories under Mainland Sewing Mills (Shenzhen) Co., Ltd: Top Super Sportswear (Shenzhen) Co. Ltd and Wintax Caps (Shenzhen) Factory. The factory specialized in the manufacturing of headwear. The main production processes included: Cutting, Sewing, Embroidering, Inspection and Packing. The factory consisted of 1 block of 5-storey and 1 block of 8-storey production buildings; 1 block of 5-storey and 5 blocks of 6-storey dormitory buildings; one kitchen and canteen was also available. A total of 2,850 employees were currently working at the factory, which included 2,100 production workers and 750 office staffs. According to management and provided records the working hours were noted to be: 1) For workers in Embroidering Section, the employees worked for 5 days a week in two shifts, the first shift was from 7:30am to 7:25pm and the second shift was from 7:25pm to 7:30am of next day. 2) For workers in other sections: The employees worked for 5 days a week, in one shift normal working hours were from 7:30am to 5:30pm with 90 minutes of lunch-time break from 12:00pm to 1:30pm. The employees' wages were calculated on hourly/piece rate basis. According to management peak production periods were from March to September each year. There is a labor union established in the factory.

D. BUYERS & AUDITING EXPOSURE

According to management the major buyers included *** (12%), *** (10%) and *** (11%) etc. The factory claimed to go through 10-12 labor compliance assessments per year from different clients. Therefore, the factory had a good understanding of the assessment process requirements. The most recent assessment was conduct by *** on behalf of *** on April 7th, 2008 and the result was positive.

E. OPENING MEETING

Mr. Yeh Jui Ming / Assistant General Manager, Mr. Lin Xiang Lin / Vice Administrative Manager, Mr. Kevin Yang / General Merchandising Manager and Ms. Wen / Administrative Officer participated in the opening meeting. Level Works staff provided a brief description of the assessment process, scope and required documentation, as well as explained the FLA expectations. Management was also provided the Level Works Code of Ethics (COE) for review and signature. The management seemed open to the audit and claimed they would provide all necessary documentation as requested.

F. VERIFICATION SUMMARY
1. **CHILD LABOR**
   - **Alleged Issues:**
     - **Play Fair Report:** Minors are hired with false identification papers;
     - **Brands Audit Reports:** 1). No related policy for protecting child labor. 2). Two invalid ID cards are found among the personal files.
   - **From Verification Assessment:**
     The factory has established an anti-child labor and remediation procedure (Effective date: November 21\textsuperscript{st}, 2007), which indicated about the procedures for avoiding employ child labor and remediation procedures. Factory has a system for checking Workers’ ID cards during pre-employment screening process. In review of workers personal files, onsite and offsite workers interviews (40 randomly selected workers), the workers ID cards are valid and a copy of their age documents are maintained in files. Their ages were over the legal minimum working age (16 years old) and the youngest one was 18 years old.

2. **FORCED LABOR**
   - **Alleged Issues:**
     - **Play Fair Report:** Factory refuses to accept resignation from workers, denying them the 30 days pay required by law if workers give notice;
   - **From Verification Assessment:**
     The factory has established a written anti-forced labor policy that is included in factory code of conduct and recruitment procedures (Effective date: November 21\textsuperscript{st}, 2007). Through workers interview, all workers claimed that they worked overtime hours voluntarily; they were free to quit their job and leave upon advance notice (one month) with no penalty, recently resignation letters are reviewed for cross check and verification; labor contracts are signed where legally required; no deposit or withhold ID card.

3. **ENVIRONMENT**
   - **Alleged Issues:**
     - **Play Fair:** Nil;  
     - **Brands Audit Reports:** Nil
   - **From Verification Assessment:**
     The factory is ISO14001 (issued on July 7\textsuperscript{th}, 2006 and valid until July 6\textsuperscript{th}, 2009) certified by CCIC. They have established a comprehensive environment management system, series of procedures and work instructions are reviewed onsite, such as, Environmental Safety Management procedure (Effective date: April 20\textsuperscript{th}, 2007) etc. The Verification certificate (issued on May 8\textsuperscript{th}, 2006) from local environmental department was also provided by factory, which indicated that the indexes for water pollution discharging, air pollution discharging and noise were compliant with legal requirement.

4. **HARASSMENT, ABUSE & DISCIPLINARY PRACTICES**
   - **Alleged Issues:**
     - **Play Fair:** Nil;  
     - **Brands Audit Reports:** Nil
   - **From Verification Assessment:**
     Encouragement and Punishment Rule and Procedure including in Employee Handbook, the procedure stipulates the disciplinary practices adopted by factory, these included: verbal warning, defect, major defect, demotion and dismiss. There is a grievance system in place, the workers can complain to top management and the chairman of labor union through suggestion boxes etc.
5. FREEDOM OF ASSOCIATION

- **Alleged Issues:**
  - Play Fair Report: No committee, council, or arm of the ACFTU;
  - Brands Audit Reports: Nil

- **From Verification Assessment:**
  Following procedures and related documents were available for review: Labor Union Election Procedure (Effective date: September 5th, 2006), Labor Union Approval (Effective date: December 7th, 2000); Labor Union Election Result Approval (Effective date: March 5th, 2007); Labor Union Meeting Minutes (Last four meeting date: February 15th, 2008, December 10th, 2007, August 10th, 2007 and June 27th, 2007); Orientation training records. There is a labor union in factory which was established and approved by local government on December 7th, 2000. The labor union chairman and members are selected by workers themselves and finally approved by local government; The chairman of labor union named Zhang Yu Hui was an electrician of the facility and other members were all production workers. Mr. Zhang Yu Hui and two members of labor union were also selected for interview during this audit. The important responsibility of the labor union is promoting the communication between employer and employees. The labor union held meeting with factory management quarterly and discussed about workers complains & suggestion, the improvement of working condition etc. No employer interference was detected during this audit.

6. DISCRIMINATION

- **Alleged Issues:**
  - Play Fair Report: Nil;
  - Brands Audit Reports: Nil

- **From Verification Assessment:**
  The factory has established a written anti-discrimination policy that is included in factory code of conduct. Anti-discrimination procedure (Effective date: April 17th, 2007) was provided and reviewed; the procedure stipulates that all workers are equal at the time of hiring, promotion, receiving of bonus, receiving training, fair treatment; Pregnant test is prohibited by the factory.

7. HOURS OF WORK:

- **Alleged Issues:**
  - Play Fair Report: Overtime up to 5.5 hrs weekdays and Saturdays. Normal workday is 13.5 hours; 26 days a month (22 + 4 Saturdays);
  - Brands Audit Reports: 1) It was noted that the monthly overtime hours of all the 20 randomly selected workers ranged from 45- to 50 hours in May 2007, 4 out of 5 ranged from 47.5 to 52.5 hours in April 2007 and all the 5 ranged from 50 to 55 hours in March 2007. 2) It was noted that the monthly overtime hours of all the 20 randomly selected workers ranged from 45- to 50 hours in May 2007, 4 out of 5 ranged from 47.5 to 52.5 hours in April 2007 and all the 5 ranged from 50 to 55 hours in March 2007.

- **From Verification Assessment:**
  Auditors noted that the provided attendance records were incomplete. The factory was working additional hours that were not being recorded on the timecard recording system. Therefore, the compliance status of minimum wage, overtime wage and overtime hours could not be verified during this audit. Nonetheless, the auditors did review the incomplete records. In total, thirteen months (April 2007 ~ April 2008) barcode attendance records were provided for review. A sampling of these incomplete records for
the months of May 2007 (peak), December 2007 (non-peak) and March 2008 (corresponding with most recent payroll records) were reviewed. Hours of Work were 8 to 10.5 hours per day, and 40 to 52.5 hours per week, with the average being 48 hours/week. The monthly overtime hours of around 70% workers ranged from 40 to 57.5 hours. All workers were entitled to 1 or 2 rest days each week on weekdays or weekends by turns.

8. WAGES & BENEFITS

- **Alleged Issues:**
  - **Play Fair Report:** 1) Hourly workers underpaid 37.5%. 2) Piece rate workers underpaid 57%. 3) Maternity leave is not provided. Unpaid leave only. Labor code allows 90 days leave with pay;
  - **Brands Audit Reports:** Nil

- **From Verification Assessment:**
  Auditors noted that provided attendance records were incomplete. The factory was working additional hours that were not being recorded on the timecard recording system. Therefore, the compliance status of minimum wage, overtime wage and overtime hours could not be verified during this audit. Nonetheless, the auditors did review the incomplete records. In total, twelve months (April 2007 ~ March 2008) payroll records were provided for review. A sampling of these unverifiable records for the months of May 2007 (peak), December 2007 (non-peak) and March 2008 (most recent) were reviewed. Wages were calculated on hourly basic (for workers in sample room, embroidering section, warehouse, inspection section and unskillful workers) or piece basis (for workers in cutting section, sewing section, and packing section) and were paid in cash on 15th of each month. The workers earned a monthly wage of RMB 800 ~ RMB 3000. The calculated hourly rate was between RMB 4.31 ~ RMB 14.5, with the average being RMB 5.4 which was equal with or above the local minimum wage of RMB 4.31 per hour. The overtime wages were paid at 1.5X, 2X and 3X of workers’ normal rate as per the legal requirements. The gap between reported wages and legal requirements was nil.

9. OCCUPATIONAL HEALTH AND SAFETY:

- **Alleged Issues:**
  - **Play Fair Report:** High levels of dust; insufficient ventilation;
  - **Brands Audit Reports:** 1) Lack for emergency exit signs and emergency lights, No renewal for first aid kit. 2) It was noted that all extinguishers in the dormitory were BC type, not applicable for fire of type A. 3) It was noted that no fire service inspection certificate for the additional 9/F of production building B was provided by the factory. 4) It was noted that 30 sets of high feet sewing machines without eye guards, which workers were exposed to needle debris condition. 5) Upper pulley guards are missing for two sewing machines and lower pulley guards are missing for two sewing machines and all the button-hole and bar tack machines. 6) Inner covers are missing for three control panels and approximately 5% of electrical switches are not labeled. 7) No exit signs are marked for the exits in one canteen and kitchen and emergency lights are missing there. 8) The factory has used four of the lifts by the findings of examination, but only two of the lifts are certificate.

- **From Verification Assessment:**
  All areas of the factory were toured, including: warehouse, cutting section, sewing section, embroidering section and packing section, sample room, canteen, and dormitories were toured during the assessment. The factory general working environment and housing keeping were relatively good and no major health and safety violation was
noted. The factory turned out to be a better compliance level regarding to health and safety issues; such as all fire fighting equipments, exit signs were properly installed and well maintained, workers were wearing PPE correctly, drinking waters and first aid kits were provided and installed on workshops, machines were equipped with proper protective devices, each workshop with sufficient ventilation and the working environment were relative good and comfort etc.

A variety of documents and records related to health & safety such as safety handbook (Effective date: March 14th, 2007), special appliance operator certificates (1 forklift operator, 4 cargo lift operators and electricians), fire safety permit, certificates for first aid training, hygiene certificate for kitchen, health certificate for kitchen staff and registration of lifting appliance, etc; were provided and reviewed. Most documents were found to be valid and current. However, it was noted that the inspection certificates of competency on 2 out of 4 cargo lifts were expired on 8th April 2008; the inspection certificate of competency on forklift was expired on 19th March 2008; the special appliance operator certificate for one cargo lift operator was expired on 3rd April 2008; and the hygiene certificates for two kitchens were expired on 9th March 2008 and 6th April 2008 (remarks: through document review and management interview, the renew certificates for above issues were in process).

G. CLOSING MEETING

Mr. Yeh Jui Ming / Assistant General Manager, Mr. Lin Xiang Lin / Vice Administrative Manager and Mr. Kevin Yang / General Merchandising Manager attended the closing meeting. Level Works staff communicated all the findings in detail to them and allowed them to ask questions and make any needed clarifications. The Level Works team thanked them for their cooperation and left the factory at 3:00pm on April 16th, 2008.

I. GENERAL INFORMATION (BASED ON SAMPLE)

<table>
<thead>
<tr>
<th>No. of Workers:</th>
<th>2,850</th>
<th>Product Type(s):</th>
<th>Headwear</th>
</tr>
</thead>
<tbody>
<tr>
<td>Migrant Worker Breakdown (if applicable):</td>
<td>More than 90% of total workforce are from provinces out of Guangdong</td>
<td>Average Units Produced/week:</td>
<td>45,000 Dozens</td>
</tr>
<tr>
<td>Name of Client Brand Produced:</td>
<td>N/A</td>
<td>Units Produced in Past 3 months:</td>
<td>453,326 Dozens</td>
</tr>
<tr>
<td>Production % for Client:</td>
<td>N/A</td>
<td>Unit Projection for Next 3 months:</td>
<td>600,000 Dozens</td>
</tr>
<tr>
<td>Production % for VENDOR:</td>
<td>N/A</td>
<td>Sampling Plan (interviews &amp; Records):</td>
<td>40 workers interview (12 for off-site and 28 for on-site) / 40 personal records and 75 employees time records &amp; payroll records review</td>
</tr>
<tr>
<td>Other brands/buyers by %:</td>
<td>*** *(12%), *** *(10%), *** *(11%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

WAGES
<table>
<thead>
<tr>
<th><strong>Legal Overtime Wage:</strong></th>
<th>100% of normal rate for normal day overtime hours, 200% of normal rate for rest days overtime hours, 300% of normal rate for official public holidays overtime hours</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legal Min Wage (Monthly/Daily/Hourly):</strong></td>
<td>RMB 4.31 / hour</td>
</tr>
<tr>
<td><strong>Overtime Wages Paid:</strong></td>
<td>Could not be verified - Incomplete Timecard Records</td>
</tr>
<tr>
<td><strong>Factory Payment Cycle:</strong></td>
<td>Monthly</td>
</tr>
<tr>
<td><strong>Payment System (piece or hourly):</strong></td>
<td>Piece/hourly rate</td>
</tr>
<tr>
<td><strong>% of workers paid at least the MONTHLY min wage:</strong></td>
<td>Could not be verified - Incomplete Timecard Records</td>
</tr>
<tr>
<td><strong>% of workers paid at least the HOURLY min wage:</strong></td>
<td>Could not be verified - Incomplete Timecard Records</td>
</tr>
<tr>
<td><strong>Legal work week:</strong></td>
<td>40 hours/week</td>
</tr>
<tr>
<td><strong>Max legal OT allowed:</strong></td>
<td>3 hours/day, 36 hours/month</td>
</tr>
<tr>
<td><strong>Peak Production Months:</strong></td>
<td>From March to September</td>
</tr>
<tr>
<td><strong>Type of time keeping system:</strong></td>
<td>Computer barcode system</td>
</tr>
<tr>
<td><strong>Legal rest days / week:</strong></td>
<td>2 days, Saturday &amp; Sunday</td>
</tr>
<tr>
<td><strong>Highest work hours / day:</strong></td>
<td>Could not be verified - Incomplete Timecard Records</td>
</tr>
<tr>
<td><strong>Highest work hours / week:</strong></td>
<td>Could not be verified - Incomplete Timecard Records</td>
</tr>
<tr>
<td><strong>Average work hours / week:</strong></td>
<td>Could not be verified - Incomplete Timecard Records</td>
</tr>
<tr>
<td><strong>Most continuous days without rest:</strong></td>
<td>Could not be verified - Incomplete Timecard Records</td>
</tr>
<tr>
<td><strong>Average continuous days without rest:</strong></td>
<td>Could not be verified - Incomplete Timecard Records</td>
</tr>
<tr>
<td><strong>Min Legal Work Age:</strong></td>
<td>16 years old</td>
</tr>
<tr>
<td><strong>Youngest Worker found:</strong></td>
<td>18 years old</td>
</tr>
<tr>
<td><strong>Union name, if applicable:</strong></td>
<td>Labor Union</td>
</tr>
<tr>
<td><strong>Is there a CBA in place:</strong></td>
<td>N/A</td>
</tr>
<tr>
<td>Name(s) of Union Rep:</td>
<td>Mr. Zhang Yu Hui</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Period CBA is valid:</td>
<td>N/A</td>
</tr>
<tr>
<td>Monthly Employee Union fees:</td>
<td>Nil</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Production Processes</th>
<th>No of Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cutting</td>
<td>38</td>
</tr>
<tr>
<td>Sewing</td>
<td>1,095</td>
</tr>
<tr>
<td>Embroidering</td>
<td>646</td>
</tr>
<tr>
<td>Inspection</td>
<td>62</td>
</tr>
<tr>
<td>Packing</td>
<td>125</td>
</tr>
<tr>
<td>Sample Room</td>
<td>90</td>
</tr>
<tr>
<td>Warehouse</td>
<td>20</td>
</tr>
</tbody>
</table>