

**Dollar General Factory Evaluation**







Factory Audit: Zhao Qing Gao Yao Zhen Hua Jiaju Company Limited.  
Address: Xia An Cun Shi Chang, 2 Yao Nan Road, Gao Yao , Zhao Qing City, Guangdong Province, China  


---

Telephone: 86- 758- 8359666 Facsimile: 86-758 -8356171  
E-mail Address: zhfstephen@21cn.com  
Vendor: Hosberg Group Limited (P.O. No.: IN3K0R)

Type of Audit:	<input checked="" type="checkbox"/>	Initial Qualification	Previous Report #: <u>N/A</u>
	<input type="checkbox"/>	Follow-up Audit	
	<input type="checkbox"/>	Other (Please specify): <u>N/A</u>	

**\*\* All portions must be completed if applicable. If not applicable, please mark N/A. Photos MUST be included. Factory Evaluation Certification for LC purposes will not be issued if form is incomplete or photos are not included.**

<u>Level</u>	<u>Description</u>	<u>Result</u>	<u>Definition</u>
 <b>Green</b>	<b>Certified Vendor 81-100%</b>		<b>1-YEAR EXEMPTION</b>
 <b>Yellow</b>	<b>Certified Vendor 61-80%</b>	<b>X (87.9%)</b>	<b>6-MONTH EXEMPTION Vendor responsible for re-audit fees</b>
<b>**</b>	<b>Critical items</b>		<b>All items marked with **are critical items. A mark of "NO" for any of these items will result in immediate failure. No audit score will be assigned when any of the critical items result in certification being denied.</b>
 <b>Yellow</b>	<b>**Probation level 1</b>		<b>Immediate corrective action required. Re-audit within 120 days.</b>
 <b>Red</b>	<b>**Probation level 2</b>		<b>Immediate corrective action required. Re-audit within 60 days.</b>
 <b>Red</b>	<b>under 61%</b>		<b>NON-CERTIFIED</b>
 <b>Red</b>	<b>**DENIED</b>		<b>This factory cannot be used for any Dollar General production, now or in the future. Either violations of child labor, forced labor or transshipping are noted.</b>

**PASS**

**FAIL**

Date of Audit: June 17, 2008 Auditor: Simon Qin

The above reflects our findings for the particular factory in concern on the date of our service only. This report does not certify, confirm or imply: a) compliance with any government, industry or association regulations or standards, unless stated otherwise; or, b) the quality of any specific products manufactured by the factory/sellers/suppliers; or, c) the shipment of any specific products. This report does not discharge or release the factory/sellers/suppliers from their commercial, legal or contractual obligations with buyers in respect of products manufactured by the factory/sellers/suppliers. Our services, including reports and certificates, are subject to the General Conditions of Service of Bureau Veritas which have been sent to your company. They can be resent upon written request. This report cannot be partially copied. Any reader other than the party for which this report has been specifically issued is hereby informed that the General Conditions of Service of Bureau Veritas contain liability limitation provisions.

**Revised on the 9<sup>th</sup> of February 2004 : July 26, 2006 version.**

**COMPANY ORGANIZATION**

**Met During Audit?**

Managing Director/ General Manager		Yes:	No:	X
Sales Manager/ Marketing Manager		Yes:	No:	X
Plant Manager	Mr. Guan Quanhui	Yes:	X	No:
HR Supervisor	Mr. Huang Lixiong	Yes:	X	No:
Production Manager/ Factory Manager		Yes:	No:	X

Factory has been in operation since: August 1, 2007  
Name and title of person interviewed: Mr. Guan Quanhui/Plant Manager

**PRODUCTION INFORMATION**

Monthly Production Capacity:	4,500,000 kilograms	Required Lead Time:	25 days
Main Products Produced:	<u>Naughty Coal</u>		
	<u> </u>		
	<u> </u>		

**Certifications**

Is the factory certified to any international standards, e.g.,: ISO 9001, WRAP... etc.,? Yes: No: X

If yes, please specify: N/A

Certification Body: N/A Expiry date: N/A

**Physical Plant**

1. Masonry	1 building	Yes:	X	No:
2. Steel	8 buildings	Yes:	X	No:
3. Number of Floors	8 buildings with 1 floor for production and warehouse, 1 building with 3 floors for dormitory and canteen.	Yes:	X	No:
Total area (Square Feet / Meter)	7,300 square meters			
4. Light Source	Fluorescent light	Yes:	X	No:
5. HVAC		Yes:		No: X
6. Fire Equipment	96 sets fire extinguishers and 14 sets fire hydrants	Yes:	X	No:

7. First Aid Equipment      First aid kits      Yes:    X    No:

**Major Machinery:**                                      **Manuf Date:**                                      **Quantity:**                                      **Remarks:**

Shattering machine		1 set	
Molding machine		3 sets	
Drying stove		1 set	
Packing machine		4 sets	

Staff		Full Time	Part Time	Temporary / Seasonal	Contract
1.	Total no. of employees	82			
2.	Shattering	5			
3.	Molding	12			
4.	Drying	4			
5.	Packing	40			
6.	Clerical	3			
7.	Mechanics & Engineering Staff	5			
8.	Supervisors	4			
9.	QC	5			
10.	Others	4			

**Obtain item output, by category, for previous two years.**

Year N/A                                      Year N/A

Category <u>N/A</u>	Quantity <u>N/A</u>	Category <u>N/A</u>	Quantity <u>N/A</u>
Category _____	Quantity _____	Category _____	Quantity _____
Category _____	Quantity _____	Category _____	Quantity _____
Category _____	Quantity _____	Category _____	Quantity _____
Category _____	Quantity _____	Category _____	Quantity _____

**Does factory sub-contract or use off-site facilities for Dollar General products?**

List Name and Address:

Name: N/A  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Name: N/A  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Name: N/A  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Does factory engage in multi-country processing?** Yes:  No:

**If Yes, obtain copies of relevant government approval, or licenses and a set of appropriate forms.**

**List major U.S. customers of factory:**

Name: Dollar General  
Name: \_\_\_\_\_  
Name: \_\_\_\_\_  
Name: \_\_\_\_\_  
Name: \_\_\_\_\_

**List any firms whose production was observed during visit:**

Name: Tesco  
Name: \_\_\_\_\_  
Name: \_\_\_\_\_  
Name: \_\_\_\_\_  
Name: \_\_\_\_\_

**A. FACILITIES**

- 1. Is the plant layout generally acceptable for manufacturing? Yes:  No:
- 2. Is overall maintenance of the premises acceptable? Yes:  No:
- 3. Is the general housekeeping acceptable? Yes:  No:
- 4. Is potentially dangerous plant equipment regularly checked for safety by a competent and trained person? Yes:  No:
- 5. Are machines/ equipment periodically maintained, calibrated and checked to run efficiently? Yes:  No:
- 6. Are available machines/ equipment/ fixtures suitable to produce client products? Yes:  No:
- 7. Do they possess telephone, fax and Internet capabilities and are they fully operational? Yes:  No:

**Rating: Facilities: Score 1 Point for each item marked "Yes". Total: 5 / 7**

Item #:	Remarks:
3	<ul style="list-style-type: none"><li>- The factory had not established and implemented proper identification system for materials and goods. Some incoming materials, semi-finished goods and finished goods were not properly identified.</li><li>- Some production areas and warehouse areas were untidy, such as shattering workshop, molding workshop, packing workshop, incoming goods warehouse, semi-finished goods warehouse, etc.</li><li>- During this audit, water cups were placed on some workstations in some production areas, such as packing workshop, etc.</li></ul>
4	No evidence was available to prove the air compressors were regular checked for safety.

**B. QUALITY CONTROL SYSTEM**

1. Are the QC staff independent from the production staff? Yes:  No:   
Number of QC staff 5
2. Does inspector keep specific inspection records by type of defect, frequency, date? Yes:  No:
3. Are these records used to improve quality? Yes:  No:   
*Please explain how:* Inspection defects were charted and analyzed by QC department for root causes, and preventive and corrective actions would be taken to improve the problems encountered.
4. Do inspectors conduct spot-checking in accordance with specifications (measurements/ weight, etc) during In-process or Final inspection? Yes:  No:
5. Do they test functionality of item? Yes:  No:
6. Types of Final inspections: (If no final inspection, please select "No")  
100 % Inspection Yes:  No:   
Selected samples Yes:
7. Are rejected pieces 100 % re-inspected by inspector after repair or the rejected pieces discarded? Yes:  No:

**Rating: Quality Control System: Score 1 Point for each item marked "Yes". Total: 6 / 7**

Item #:	Remarks:
6	About 3~5% of lot size would be sampled for Final inspection, AQL: detect rate of sample less than 2.5%.
7	No record was available to prove the rejected pieces were 100% re-inspected by inspector after repair or discarded directly.

**C. GOOD EMPLOYMENT AND LABOR PRACTICES**

- \*\*1. Is the factory in compliance with Dollar General’s Child Labor Policy?(The minimum age for employment is 16 years of age.)  
If “No” certification MUST be DENIED! Yes:  No:
- (In case of insufficient documentation regarding proof of age, please tick.  )
- \*\*2. Does the review of their documentation confirm there is no evidence that the factory uses any forced or involuntary labor, whether in the form of prison, bonded, indentured or otherwise?  
If “No” certification MUST be DENIED! Yes:  No:
- \*\*3. Are there sufficient exits for an emergency and are doors opened and /or unlocked during working hours?  
If “No” certification MUST be DENIED! Yes:  No:
- \*\*4. Are there adequate fire extinguishers on site?  
If “No” certification MUST be DENIED! Yes:  No:
- \*\*5. Does a review of their documentation confirm that there is no trans-shipping going on in the factory?  
If “No” certification MUST be DENIED! Yes:  No:
- \*\*6. Is the factory in compliance as required by the applicable country laws in regards to regular and overtime pay rates?  
If “No” certification MUST be DENIED! Yes:  No:
- \*\*7. Are the workers given at least one day rest per 7 day period?  
If “No” certification MUST be DENIED! Yes:  No:
- \*\*8. Is the factory following the legal limit on the number of annual overtime hours worked?  
If “No” certification MUST be DENIED! Yes:  No:
- \*\*9. Is a needle replacement policy in effect?  
Explain policy: \_\_\_\_\_ Yes:  No:  N/A:
- 
- If “No” certification MUST be DENIED!
10. Is there heat and/ or ventilation available in the factory? Yes:  No:
11. Does the machinery have emergency shut off switches? Yes:  No:



**C. GOOD EMPLOYMENT AND LABOR PRACTICES CON'T**

- |     |   |  |   |                               |
|-----|---|--|---|-------------------------------|
| 12. | Are there adequate functioning toilet facilities?                   | Yes: <input checked="" type="checkbox"/> | No: <input type="checkbox"/>            |                               |
| 13. | Is fresh drinking water readily available?                          | Yes: <input checked="" type="checkbox"/> | No: <input type="checkbox"/>            |                               |
| 14. | Do any employees live on site?                                      | Yes: <input checked="" type="checkbox"/> | No: <input type="checkbox"/>            |                               |
| 15. | Is the condition of the living quarters acceptable for the area?    | Yes: <input checked="" type="checkbox"/> | No: <input type="checkbox"/>            | N/A: <input type="checkbox"/> |
| 16. | Are there separate dining facilities?                               | Yes: <input checked="" type="checkbox"/> | No: <input type="checkbox"/>            |                               |
| 17. | Is the condition of the dining facilities acceptable for the area?  | Yes: <input checked="" type="checkbox"/> | No: <input type="checkbox"/>            | N/A: <input type="checkbox"/> |
| 18. | Are there medical facilities on site?                               | Yes: <input type="checkbox"/>            | No: <input checked="" type="checkbox"/> |                               |
| 19. | Are there medical facilities within 30 miles?                       | Yes: <input checked="" type="checkbox"/> | No: <input type="checkbox"/>            |                               |
| 20. | Are there adequate first aid kits available throughout the factory? | Yes: <input checked="" type="checkbox"/> | No: <input type="checkbox"/>            |                               |

**Rating: Good Employment and Labor Practices: Score 1 Point for each item marked "Yes". Total: 18 / 19**

**Items marked with a \*\* are considered critical items. A mark of 'No' for any of these critical items will result in immediate audit failure. No audit score will be assigned when any of the critical items result in certification being denied.**

<b>Item #:</b>	<b>Remarks:</b>
8	- Based on 5 randomly selected employees' attendance records from April 01, 2008 to the audit date June 17, 2008, no violation regarding overtime hours was found. 5 randomly sampled employees were interviewed to confirm this. - For reference, the factory did not have the approval of Comprehensive Working Hours System or Overtime Waiver from local labor bureau.
18	<u>No medical facility was provided on site.</u>
19	<u>Gaoyao Herbalist Hospital is about 1 kilometer away from the factory.</u>
	<hr/>
	<hr/>
	<hr/>

Factory Name: Zhao Qing Gao Yao Zhen Hua Jiaju Company Limited.  
Address: Xia An Cun Shi Chang, 2 Yao Nan Road, Gao Yao , Zhao Qing City,  
Guangdong Province, China

Initial Audit  
 Follow-Up Audit  
 Others (N/A)

<b>SUMMARY OF POINTS</b>		
	<b>Maximum Points Available</b>	<b>Total Points Achieved</b>
A. Facilities	7	5
B. Quality Control System	7	6
C. Good Employment and Labor Practices	19	18
	<b>Total Points Achieved:</b>	<b>29</b>
	<b>% Score:</b>	<b>87.9%</b>
	<b>PASS</b> <input checked="" type="checkbox"/>	<b>FAIL</b> <input type="checkbox"/>

**SOCIAL AUDIT**

Items marked with a \*\* are considered critical items. A mark of 'No' for any of these critical items will result in immediate audit failure. No audit score will be assigned when any of the critical items result in certification being denied.

**Revised on the 26th July 2006.**

### **Suggested Corrective Action**

1. The factory should improve its housekeeping. (E.g. properly store and identify all the materials and goods in production areas and warehouse, water cups should not be brought into production area).
2. All potentially dangerous plant equipment should be regularly checked for safety by a competent and trained person.
3. Rejected pieces should be 100% re-inspected by inspector after repair or discarded directly.

#### **Remark:**

C6: Based on randomly selected 5 employees' payroll records and attendance records from April 2008 to May 2008, no violation regarding regular and overtime pay rates was found. 5 randomly sampled employees were interviewed to confirm this.

C7: Based on randomly selected 5 employees' attendance records from April 01, 2008 to the audit date June 17, 2008, no violation regarding one day rest per 7 days period was found. 5 randomly sampled employees were interviewed to confirm this.

The factory was established on August 01, 2007. However, the factory started to produce on April 01, 2008. So the factory could only provide employees' attendance records and relevant production records from April 01, 2008 to the audit date (June 17, 2008); and payroll records from April 2008 to May 2008. (For details refer to attached statement)

**Bureau Veritas Hong Kong Ltd.**

**Digital Photo Records**

 <p>2008/6/17</p>	 <p>肇庆高要振华 家居用品有限公司</p> <p>2008/6/17</p>	 <p>2008/6/17</p>
(1) Factory exterior view	(2) Factory name	(3) Dormitory building
 <p>2008/6/17</p>	 <p>2008/6/17</p>	 <p>2008/6/17</p>
(4) Incoming goods warehouse (untidy)	(5) Packaging materials warehouse	(6) Semi-finished goods warehouse
 <p>2008/6/17</p>	 <p>2008/6/17</p>	 <p>2008/6/17</p>
(7) Finished goods warehouse	(8) Shattering workshop	(9) Drying process
 <p>2008/6/17</p>	 <p>2008/6/17</p>	 <p>2008/6/17</p>
(10) Molding workshop	(11) Packing workshop	(12) The air compressors not regularly checked for safety

### Statement

Our factory was established on 1 August 2007. However, our factory started to produce on 1 April 2008. So we can only provide employees' attendance records and relevant production records from 1 April 2008 to audit date (17 June 2008); and payroll records from 1 April 2008 to 31 May 2008.

Zhao Qing Gao Yao Zhen Hua Jiaju Company Limited



2008/6/17