



RT SOURCING Asia Ltd.

September 14, 2007

Subject: RT Sourcing – Rigorously Ensuring Product Safety and Compliance for You!!!

Dear Valued Customer,

As all of you are now well aware there have been a rash of high profile problems and concerns about Made in China product safety and quality in both North America and Europe (as well as other markets we ship to).

A number of you have contacted me for reassurance and have expressed your relief that RT have a long history of “risk control” and take these matters very seriously. Frankly, it is one of the key reasons why you trust us with your business, along with creativity, project management and commercial advantages.

While I do appreciate your confidence and take this responsibility in working for some of the world’s leading global brands incredibly seriously, this is an area where being smug for 3 seconds can land you in a world of pain and humility. There are simply no shortcuts here. We must always be vigilant, and in fact need to be ever more so.

Over 15 years of business we have designed/engineered, sourced and shipped literally hundreds of thousands of unique products. These range in type and complexity but each and every one is important to you and needs to be treated with utmost care by us.

We are proud of our industry leading quality ratings. While we typically have only a handful of serious (client rejected) quality concerns each year, every one is extremely painful to all of us and is studied in depth by all RT senior management (who are all owners of the business!) with the objective of ensuring they are not repeated. We are proud of the fact that we have not had any serious product liability issues in the history of our company.

Doing business in China can be challenging for many reasons, which is why you hire us. As noted on the front page of yesterday’s (September 13, 2007) Money & Investing section of the Wall Street Journal “*Bottom Line Faces Squeeze from China*” there are increasing cost pressures in China driven by: rising labor, increasing material costs, appreciation of the Chinese Yuan (RMB), VAT rebate reductions and so on. All of this creates an environment where the 1500 + factories we work with may be tempted to cut corners, cut quality and expose us to risks.

All of this makes the risk control process we have refined over many years ever more important. It also requires that we constantly look to revamp and improve it and cannot ever take anything for granted. We have continued to add more high level and mid level talent to ensure this happens, and continue to invest in our engineering, quality and lab resources on the front line.

Given these issue are very much front of mind for us all, I wanted to recap for you again our process with respect to supplier selection, product development, product qualification, environmental safety and industry compliance. For reasons of brevity and because we deal in so many product areas I will not elaborate on all the specific testing and standards control by category (from food safety, lead content and micro to BIFMA tests for furniture and much, much more).

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Four-point Risk Management Strategy – “ensuring consistent product quality and proper supplier selection”

1. Preproduction

- ✓ Physical plant surveys to evaluate manufacturing and storage facilities, production stability and capacities. Surveys include use of any subcontractors or outsourced production processes.
- ✓ In-depth quality assurance reviews including incoming material controls, in-process quality controls and final inspection quality criteria are conducted.
- ✓ Social accountability concerns are reviewed including vendor employee interviews.
- ✓ Processing of contractual agreements and terms of supply.
- ✓ Factory assessment report is generated which indicates all major/minor nonconformities along with a recommendation to proceed or not to proceed with vendor qualification process.

2. Production

- ✓ Detailed product specs and quality criterion are developed.
- ✓ Pilot run and product testing before mass production begins.
- ✓ “Golden sample” and Min/Max range boards are used to confirm agreed product acceptance criteria.
- ✓ Statistical process controls, rework stages and final pass yields are monitored to define potential areas of risk.

3. Final Inspection

- ✓ Every shipment is inspected by an RT Sourcing quality inspector prior to authorization for final shipment release.
- ✓ Inspections utilize a comprehensive and product specific inspection procedure (IP) developed during design stage and encompassing customer’s requirements.
- ✓ Random sample inspection limits are defined using AQL sampling and inspection methodologies. Expanded level of inspections for newly qualified or vendors with historical quality concerns.

4. Follow-up Audits and Compliance Reviews

- ✓ Ongoing random and unannounced vendor audits.
- ✓ Use of external third party test facilities to ensure product compliance where necessary.
- ✓ Effectively communicate ongoing expectations and defined measures of success.

Please know that given the economic realities mentioned above we have for some time now been further tightening already well defined levels of product inspection rates, independent third party test verifications and random vendor audits. These changes coupled with our existing and proven practices will ensure products and services sourced by RT Sourcing continue to meet some of the most stringent test and compliance requirements in the industry. You have come to expect no less.

At RT Sourcing, product safety, quality and reliability remain the highest priority. Thanks for taking time to read about this important issue, and thanks always for your support and trust.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Caleb J. Hayhoe'.

Caleb J. Hayhoe
Chairman & CEO