

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT 2016

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I. PREAMBLE

361 Degrees International Limited (the “Company”, together with its subsidiaries, the “Group”), actively meets its environmental and social responsibilities as one of China’s most renowned companies in the sportswear industry. “361°” represents 360° degrees of a full circle plus “One Extra Degree of Passion” (多一度熱愛), the core value of the Group.

The board of directors of the Company (the “Board”) is ultimately responsible for leading the environmental, social and governance (“ESG”) strategy. The Board has established dedicated management teams to manage ESG issues within each business division, and designated staffs have been assigned to enforce and supervise the implementation of relevant policies.

The Group is committed to making continuous improvements in environmental and social responsibilities in order to meet the changing needs of an advancing society. The Group is pleased to present its ESG report for the year ended 31 December 2016 to demonstrate its efforts in sustainable development.

II. REPORTING PERIOD AND SCOPE OF THE REPORT

This ESG report covers the operational information, which includes data and activities of the Group’s head offices in Hong Kong and the People’s Republic of China (the “PRC”), manufacturing facilities in Fujian Province, the PRC, and overseas sales offices. The reporting period of this ESG report is for the financial year 2016, from 1 January 2016 to 31 December 2016 (“FY2016”), unless specifically stated otherwise.

III. STAKEHOLDERS CONSULTATION

To conduct the Group’s materiality assessment in identifying and understanding the main concerns and material interests of stakeholders, the Group has engaged its stakeholders, including employees, suppliers, customers and investors. Stakeholders are selected based on stakeholder influence and stakeholder dependence on the Group. Stakeholders with high influence and high dependence on the Group are selected by the management of the Group (the “Management”). The selected stakeholders have been invited to express their views, concerns and expectations on major social and environment issues of the Group. The stakeholder consultation procedure has been conducted through online survey. For the ESG report in FY2016, the Management identified procurement practices, product quality and product innovation as material concerns to stakeholders.

After assessing the feedback from internal and external stakeholders through an online survey, the Board has reviewed the sustainability strategies, practices and measures undertaken in FY2016 and highlighted material and relevant aspects throughout this report so as to align with the stakeholders’ expectations.

IV. ENVIRONMENTAL SUSTAINABILITY

The Group has been paying great attention to environmental protection and taking steps in its production to help curb global warming. The Group continues to update the requirements of the relevant environmental laws and regulations applicable to it to ensure compliance. The Group does not produce material waste nor emit material quantities of pollutants during its production process. During FY2016, the Group complied with the relevant environmental laws and regulations applicable to it in material respects, including waste water emission permit, solid waste disposal requirements and others. The Group has adopted effective measures to achieve efficient use of resources, energy saving and waste reduction. Detailed policies and actions being implemented by the Group are described in the following sections.

A.1. Emissions

Sportswear business

The Company through its wholly-owned subsidiaries currently operates two factories, both of which are located in Jinjiang City, Fujian Province, the PRC which is under the administration of the larger prefecture-level of Quanzhou City, Fujian Province, the PRC.

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The Group conducts regular treatments of the wastes during the manufacturing process, and keeps meticulous monitoring and controlling on the emissions especially air emission, waste water, solid waste and noise control, in order to ensure its emission amounts are complied with the corresponding discharge standards of the PRC. The Group has not received any complaints on the environmental pollution issue from the surrounding residents and regulators.

The Group is committed to making its sportswear products in ways that would protect the environment and customers by managing the production lines to eliminate and reduce the emissions including solid waste, waste water and greenhouse gas. The Group strictly controls the use of chemicals during the manufacturing process and ensures that there would not be any hazardous chemical in its supply chain and production lines.

Wastewater

The Group recycles the wastewater from the boiler combustion process during the production lines after rigorous treatment. Another kind of wastewater generated from sportswear business is the domestic sewage originated from internal staff's daily water usage. The domestic sewage has been discharged into the local municipal waste water treatment plant for further treatment. It is in compliance with the Law of the People's Republic of China on the Prevention and Control of Water Pollution.

Solid waste

The main solid waste from the production process is the leftover materials and offcuts from the manufactured products. In order to minimise the solid waste generated from production process, the Group strictly follows the recycle and reuse principle. Pulveriser has been adopted to crush the leftover material and offcuts, then, the Group would recycle and reuse the crushed materials. For some of the leftover material and offcuts that cannot be recycled, the Group has sent them to qualified material recycle centre for further treatment to avoid any waste.

As for other domestic waste, the Group continuously separates recyclable waste, for example: plastic and cans from other wastes. Recyclables would then be collected by the municipal sanitation department for further treatment. Apart from the daily domestic waste, the Group collects waste packaging materials by category, such as paper, cardboard and used boxes, and sells them to recycle stations for centralised recycling and reuse.

Noise control

The noise in manufacturing process mainly comes from the transport of raw materials, fan and mechanical noise. The noise levels in daytime and night-time operation meets the noise control requirements in the PRC. The Group has not received any complain from surroundings on noise issue.

Greenhouse gas emission

The Green House Gas (“GHG”) emission from the Group's sportswear business is mainly generated from its purchased electricity consumed by its manufacturing line and daily operation. To reduce the amount of carbon emission, the Group has implemented several practical measures to save energy as further described in the next section “Use of Resources”. Besides, the Group has been continuously paying attention to greening work within the industrial parks with the greening area covers 40,000m². The Group has been taking good care of these plants. The flourishing greening area helps workshop surroundings clean and offset a number of GHG emission simultaneously.

Overseas business

The overseas business of the Group is run by a team of seasoned professionals based in Taiwan, the United States, Brazil and Europe with its research and development team based in Taiwan. The main business is trading, research and business development, without any manufacturing process. As such, there is less impact from emission on the surrounding environment.

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GHG emission

GHG emission of the Group’s overseas business is mainly generated from its purchased electricity consumed by the daily operation covering business located in Taiwan, the United States, Brazil and Europe. As sustainable development already being advocated in Taiwan and the United States years ago, offices located in Taiwan and the United States endeavoured to reach the sustainability goals by using less energy and using better energy. The Group has managed the electricity consumption within the operation boundary. Records are being well kept and continuously compared to electricity consumption by period. The Group is trying to attain reduction in the GHG emission progressively.

Waste water

For the Group’s overseas business, the only waste water is the domestic sewage which generated from staff’s daily usage, and the sewage will be discharged from the municipal drainage system to the municipal waste water treatment plant according to the requirements of relevant jurisdiction.

Solid waste

The main solid waste is the domestic waste from daily operation. The Group has been continuously performing the separate of daily domestic waste to ensure the recycling of the recyclable waste. Apart from the daily domestic waste, the Group has continuously recycled packaging materials.

Hong Kong head office

The Group is committed to maintaining office’s daily operation in a waste reduction and energy saving manner by collecting daily waste separately and recycling of recyclable materials, reducing the amount of waste water by saving its fresh water consumption every working day and maintaining good control on the electricity consumption, so as to minimise the GHG emissions from purchased electricity.

A.2. Use of Resources

Sportswear Business

The Group strives to save energy and resources through persistent implementation of internal policies and use of advanced technologies in order to ensure that resources are efficiently utilised at each operation procedure.

The Group is committed to saving electricity in both production lines and daily operation in offices with the following measures implemented:

- Replace the old facilities with energy saving facilities;
- Reduce the total number of equipment by removing unnecessary units;
- Use advanced technology to improve the manufacturing process, reduce energy consumption by abolishing unnecessary process;
- Turn off facilities, lights, air-conditioning when not in use;
- Place posters “Saving Electricity, Turn off the Light when Leaving” in prominent places to remind internal employees;

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- Keep the office equipment clean (such as refrigerator, air-conditioner, paper shredder, etc.) and ensure that they run efficiently;
- Replace high energy consuming lights with the installation of energy saving lights for office lighting; and
- Turn off computers and lights at the end of a working day.

Daily use of water in production lines is the only source of the Group’s water consumption in the sportswear segment. In order to ensure the best utilisation of water resources and to save the amount of water consumed, the Group has executed the following measures in its daily operation:

- Adopt advanced technology in order to improve the water recycling efficiency;
- Strengthen the inspection and maintenance on water tap, water pipelines and water storage;
- Avoid any leakage in the water supply system;
- Do regular propaganda and education work on saving water among internal staffs;
- Place posters “Saving Water Resources” in prominent places to encourage water conservation;
- Collect used water if possible for cooling purposes, floor cleaning and yard washing;
- Fix dripping taps immediately; and
- Turn off the water supply system at night and on holidays.

The Group is well aware that large amount of packaging materials are consumed in sportswear business, and the Group has selected environmental friendly packaging materials such as cartons, paper and woven bags. The Group has also recycled and reused the plastic bags and woven bags if possible. Paper and cartons are well collected and sent to the recycling centres. The Group also encourages the customers to save packing bags and reuse those bags that are in good conditions.

Overseas business

The electricity and water consumption in overseas business come from the daily operations of the offices. The Group has executed the general basic policies in order to save electricity and water resources described in the sportswear segment as above. The Group plans to keep record of annual electricity and water consumption, and targets to achieve reduction in the total electricity and water consumption progressively.

To make sure the packaging materials are used in an environmental friendly manner and avoid unnecessary waste, the Group chooses environmental friendly and recyclable materials, and keep the minimum consumption amount of packaging materials through strictly internal consumption control policy.

Hong Kong head office

The Group has implemented several practical measures to save the electricity and water resources during the daily operations in both HK's and overseas' offices as set out below:

- Turn off copying machine, facsimile machine, air conditioner after work;
- Setting the temperature of the air-conditioners to 25.5 degree for energy saving;
- Place posters “Saving Electricity, Turn off the Light when Leaving” in prominent places to remind internal employees;
- Keep the office equipment clean (such as refrigerator, air-conditioner, paper shredder, etc.) and ensure that they run efficiently;
- Replace high energy consuming lights with the installation of energy saving lights for office lighting;
- Place posters “Saving Water Resource” in prominent places to encourage water conservation; and
- Carry out regular leakage tests on water tap, washers and other defects of the water supply system.

A.3. Environment and Natural Resources

The main natural resources consumed by the Group include paper used by office printing machines and packaging materials from factories. Policies to minimise the use of paper/cartons of the packaging materials have been discussed under section “A.2 Use of Resources” — Sportswear Business. To minimise the use of paper, the Group has put great efforts to implement the following policies:

- Use environmental-friendly paper to print annual reports and interim reports;
- Use its best efforts to disseminate information by electronic means (i.e. via email or e-bulletin boards);
- Set duplex printing as the default mode for most network printers;
- To “think before print”: use posters and stickers as the reminder for office staff to avoid unnecessary printings;
- Place boxes and trays beside photocopiers as containers to collect single-sided paper for reuse and used paper for recycling; and
- Recycle used stationery whenever possible.

Furthermore, with the policies and measures implemented to minimise the Group's impact on the environment as disclosed under “A.1 Emission” and “A.2 Use of Resources” above, the Board believes the Group has and will continue to minimise its impact on the environment.

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V. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

The Group treasures talents as they are the most valuable asset and key for driving success and maintaining sustainable development. The Group strives to provide its staff with a safe and suitable platform for career development and advancement.

The Group’s human resources policies is in compliance with the applicable employment laws and regulations in Hong Kong, the PRC and other operating jurisdictions, including the Employment Ordinance of Hong Kong, Mandatory Provident Fund Schemes Ordinance of Hong Kong, Minimum Wage Ordinance of Hong Kong, Company Law of the PRC (中國公司法), Labour Law of the PRC (中國勞動法), Labour Contract Law of the PRC (中國勞動合同法), and the social security schemes that are enforced by the State Regulations of the PRC to provide employee benefits. The Group complies with the Social Insurance Law (中國社會保險法) to support employees’ social security benefits, including the provision of pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund. The Group’s human resources department reviews and updates relevant company policies regularly in accordance with the latest laws and regulations.

Talent acquisition is vital to the Group’s business future development. To attract high-calibre workforce, the Group offers competitive and fair remuneration and benefits based on individuals’ performance, professional qualifications and experiences. The Group also makes reference to market benchmarks. For incentivising and retaining talented employees in the Group, the Group conducts regular compensation review with the external market to ensure that its staffs are recognised by the Group appropriately with regard to their working efforts and contributions. Meanwhile, any termination of employment contracts should be based on reasonable and lawful grounds. The Group strictly prohibits any kinds of unfair or unreasonable dismissals.

The Group determines reasonable working hours and rest period for employees in line with local employment laws and employment contracts with employees. In addition to statutory holidays stipulated by the relevant jurisdiction such as the basic paid annual leave, employees may also be entitled to maternity leave, marriage leave and paternity leave under the employment law of the relevant local government. Meanwhile, for overtime work by employees in non-office hours, employees may receive the appropriate overtime payment or compensation leave according to the stipulations of the relevant labour law. To cater the needs of the Group’s employees, additional employee benefits include the provision of working meals, uniforms and well-equipped dormitories depending on the job natures.

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are determined irrespective of their gender, race, age, disability, family status, marital status, sexual orientation, religion beliefs, nationality or any other non-job related factors in all business units. The Group enforces zero tolerance policies in its workplace for discrimination, harassment or victimization in accordance to relevant government legislation, ordinances and regulations such as PRC’s Regulations Concerning the Labour Protection of Female Staff and Workers (女職工勞動保護規定) and Hong Kong’s Disability Discrimination Ordinance and Sex Discrimination Ordinance. If there is any violation of anti-discrimination laws, employees can report to the human resource department. The human resources department is responsible for strictly complying with local and corporate regulations; and assessing, dealing with, recording and taking disciplinary actions on such events.

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In terms of internal coaching and communication, effective two-way communications between the general staff and managerial staff is highly encouraged. Employees maintain timely and smooth communication with the management, colleagues and partners within the Group through the bulletin board posting, emails, training and meetings. The interactive communication benefits the Group’s decision-making process and results in a barrier-free employer-employee relationship. In addition, the Group hosted a series of activities for its employees in FY2016 such as outing, sport competition, ball game, and festival banquet. These events helped the employees to relieve stress, and served to strengthen the Group’s corporate culture by enhancing spirit of solidarity and cohesion among its employees.

B.2. Health and Safety

To provide and maintain good working conditions and foster a safe and healthy working environment, the Group’s safety and health policies are in compliance with various laws and regulations stipulated by the local government, including Hong Kong’s Occupational Safety and Health Ordinance, the Production Safety Laws of the PRC 《中國安全生產法》, Labour Law of the PRC 《中國勞動法》, Occupational Disease Prevention Law in PRC 《中國職業病防治法》, Regulation on Work-Related Injury Insurance 《工傷保險條例》, Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents 《生產安全事故報告和調查處理條例》 and Regulations Concerning the Labour Protection of Female Staff and Workers 《女職工勞動保護規定》.

The Group strictly follows the GB/T28001 standard and sets up different internal manuals such as guidebook of quality environment, occupational health and safety management 《質量環境職業健康安全管理手冊》, environmental monitoring and management procedures 《環境監測管理程式》, emergency response procedures 《應急準備和回應程式》 and accident investigation and handling procedures 《事故調查和處理控制程式》. Those manuals incorporated a range of occupational health and safety measures including fire safety policy, labour protection management policy, the production site safety policy and safety warning signs management. For frontline production such as blanking, forming and sewing processes, the Group has appointed staff representatives to supervise the implementation of the safety precautions and policies. The Group continued to enhance management control over safety and health risks by putting up safety bulletins, banners, slogans and warning signs especially in factories. The Group targets to achieve accident-free workplace environment.

In addition, the Group prohibits smoking and drinking alcohol in workplace and carries out the cleaning of air-conditioning systems and disinfection treatment of carpets, emergency drill and safety inspection at regular intervals with an aim to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment. Besides, the Group holds health and safety work trainings in emergency management, hazardous materials handling, machine safeguarding and occupational health and safety areas to remind employees to minimise the risk of accidents and enhance the employees’ health and safety awareness.

B.3. Development and Training

The Group aims to foster a learning culture that could strengthen its employees’ professional knowledge and skills, and meanwhile, benefiting the Group with better working performance after receiving appropriate training.

For new hired employees, the Group provides comprehensive orientation training to understand the corporate culture, business flow, working health and safety, management policies and group development. For experienced staff, the Group offers technical and operational trainings such as physical and chemical testing of materials (材料理化測試), analysis of product quality control (產品品質控制解析) and wash label training (洗標知識培訓) to strengthen work-related skills and knowledge, and improve operational efficiency and productivity. Except for the traditional trainings, the Group utilises mobile application as a learning platform. The Group regularly delivers corporate news and information, employee activities, latest production and management working skills and interaction with management through mobile social network. The Group also encourages employees to attend external training and examinations to obtain certifications by providing subsidies, with the aim of enhancing their competitiveness and expanding their capacity through continuous learning.

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B.4. Labour Standards

The Group is strictly in compliance with the Employment Ordinance of Hong Kong, Labour Law of the PRC, Labour Contract Law of the PRC, Protection of Minors Law of the PRC (中國未成年人保護法) and other related labour laws and regulations in Hong Kong, the PRC, and other regions to prohibit any child and forced labour employment.

To combat against illegal employment on child labour, underage workers and forced labour, prior to confirmation of employment, the Group’s human resources staff requires the job applicants to provide a valid identity documents to ensure that the applicants are lawfully employable and ensure full compliance of latest and relevant laws and regulations that prohibit child labour and forced labour. There would be regular checks and inspections on the execution of our human resources policies. Also, related employment practices are formulated and have been written on the staff handbook in order to completely eradicate child labour, underage workers and forced labour in the Group.

OPERATING PRACTICES

B.5. Supply Chain Management

As a leading domestic sportswear and socially responsible enterprise in the PRC, it is critical and vital to maintain and manage a sustainable and reliable supply chain. The Group achieves this goal by conducting comprehensive evaluation of potential suppliers including but not limited to the quality of suppliers’ goods, previous track record on brands, ongoing projects, production capacity, reputation, staffing, qualification, transportation management and their social and environmental responsibility by purchasing management group. The principal raw materials used in the production of sport products are leather, synthetic leather, fabrics, rubber, soles and plastics.

A trial period is offered to the selected suppliers for further evaluation before becoming an approved supplier. At the same time, the Group has a detailed assessment on whether:

- The suppliers comply with local laws and regulations on existing business;
- Supply capacity is flexible to meet the Group’s demand by understanding the processing and distribution process of the supplier for existing orders; and
- Suitable qualifications of the supplier such as International Organisation for Standardisation (“ISO”) and China National Accreditation Service for Conformity Assessment (“CNAS”) to support customer needs before confirming the cooperation.

The Group’s legal department, supplier management department and quality control department provide opinions if any risks may involve in the supplier selection process. The Group also conducts on-site investigation for supplier assessment. If there is no significant quality problems and delay in delivery issue, the potential supplier can be qualified as an approved supplier. Purchasing management group is responsible for monitoring, reviewing and confirming those suppliers’ records. If the products cannot meet the Group’s requirements after official launch, the Group has right to adjust the orders and gives an appropriate financial penalty to supplier.

Furthermore, to enhance the effectiveness of the Group’s risk management in terms of environmental and social aspects, the Group strives to engage with suppliers that could lessen the environmental impacts made in the sourcing activities. Annual reviews of suppliers are carried out with regards to the environment, safety, health and other aspects of suppliers with fairness and the Group performs inspection and communicates with suppliers in an appropriate amount of time.

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To facilitate better cooperation and communication with suppliers and maintain a long-term strategic cooperation relation, the Group regularly provides quality management training and gives advices on production risk management and handing quality deficiency to its suppliers in suppliers meeting. The Group has formulated supplier management policy by classifying the suppliers into different groups based on cooperation duration, scale of production and inter-dependence analysis in order to implement differentiated management strategy towards suppliers. Given the Group's solid and steady relationships with suppliers, it did not experience any material delays in receiving supplies from suppliers in past years. The Group believes that it maintains a good and long-term relationship with selected suppliers by successfully establishing mutual trust and understanding.

B.6. Product Responsibility

With regard to the health and safety, advertising and labelling, quality management relating to the Group's products, the Group ensures it is in strict compliance with the related rules and regulations in the PRC such as Product Quality Law of the PRC (中華人民共和國產品質量法) and Law on Protection of Consumer Rights and Interests of the PRC (中國消費者權益保護法). As a leading participant in the sportswear industry in the PRC with a growing international presence, the Group pays a great attention to product responsibility and quality. The Group's quality management system adheres to internationally recognized technical specification on ISO9001:2000. The Group has also been granted the "Certificate of Exemption from Product Quality Surveillance Inspection" (產品品質免檢證書) by the State General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家品質監督檢驗檢疫總局).

In order to precisely follow the trend of technology-based wearables market, the Group conducts testing on raw materials, semi-finished products and finished products by dispatching quality controllers to its contracted manufacturers and manufacturing facilities for on-site monitoring in order to trace and detect any potential defective products. At every stage of production, the Group performs internal laboratory tests and wear-test on fitting and practical usage. Sportswear products must pass internal quality control assessment and meet the standard requirement of GB/T-15107-2013, GB/T19706-2005, HG/T2017-2011 and GB 25038-2010 in respect of their functionality, safety and quality before they are delivered to customers. If there are any defective products, the Group is responsible for contacting customer who has purchased the product, collecting the sample products from customers for quality testing and analysis and requiring distributors to recall disqualified products if necessary.

The Group has issued internal guideline to ensure our sales materials providing accurate and precise descriptions and information to customers, while also complying with the relevant local laws and regulations such as Advertising Law of the PRC (中華人民共和國廣告法) and Interim Measures for the Administration of Internet Advertising (互聯網廣告管理暫行辦法). Any misrepresentation or exaggeration advertisements are strictly prohibited. If there is any non-compliance with Group's internal guideline, legal department would carry out corrective action immediately.

The Group strives to provide prompt response to customers' opinions and maintain good relationship with wholesalers and authorised retailers efficiently. Their experience and opinions are the key to products' success. The Group currently hosts trade fairs several times a year for the 361° main brand to showcase new season products, in which all distributors and authorised retailers are invited to attend. Besides, Group set up customer services department to collect the comments from the market and provide immediate response to products' inquiries. Through the internal and external communication channels, the Group can obtain first hand and intimate knowledge from customers, thereby improving its brand awareness, enhancing the product quality and satisfying customers' needs.

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The Group is dedicated to protecting and enforcing its intellectual property rights which are crucial to sustainable business growth in sportswear industry. 361° brand is highly recognised in the PRC and overseas markets. 361° trademark and patents has been registered worldwide including the PRC, Macau and other jurisdictions by following Patent Law of the PRC (中華人民共和國專利法), Trademark Law of the PRC (中華人民共和國商標法), Regulation for the Implementation of the Trademark Law of the PRC (中華人民共和國商標法實施條例) and related local laws and regulations. The Group also actively applies for appropriate intellectual property rights for any new trademarks, labels, product designs or technological know-how developed by the Group to protect its own exclusive rights after the risk assessment for potential infringement in the market.

In protecting and enforcing the intellectual properties, the Group generally enters into distributorship agreement with its distributors in the PRC which sets out the protection of its intellectual property rights. The distributors are only allowed to use the Group's intellectual properties in connection with the sale of its products and the Group requires distributors to not participate or assist in any activities that may infringe upon Group's intellectual property rights. The employees also are bound by their employment contracts to keep trade secrets and other proprietary intellectual properties confidential. The Group believes that management has taken effective registration, maintenance and enforcement measures to observe and protect intellectual property rights.

The Group is committed to abiding by the Personal Data (Privacy) Ordinance, Law on Protection of Consumer Rights and Interests of the PRC (中華人民共和國消費者權益保護法) to ensure customers' rights are strictly protected. Information collected would only be used for the purpose for which it has been collected and customers would be told about how the data collected would be used in the Group's business. The Group prohibits the provision of consumer information to a third party without authorisation from the customers. Customers reserve the rights to review and revise their data, and also reserve the rights to opt out from any direct marketing activities. All collected personal data is treated confidentially, kept secure and accessible by designated personnel only. Through internal trainings and confidential agreements with employees, the Group emphasises on confidentiality obligations and the legal consequences for the breaches of obligations.

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the laws and regulations relating to anti-corruption and bribery irrespective of the area or country where our Group is conducting business such as Law of the PRC on Anti-money Laundering (中華人民共和國反洗錢法) and Hong Kong's Prevention of Bribery Ordinance (防止賄賂條例). The Group has formulated and strictly enforced its anti-corruption policies as stipulated in the Group's operational manuals such as rules on gifts and hospitality as the Group is not tolerant of any form of corruption.

All employees are expected to discharge their duties with integrity and self-discipline, and they are required to abstain from engaging in bribery, extortion, fraud and money laundering activities or any activities which might exploit their positions against the Group's interests and affect their business decision or independent judgment in the course of business operations.

Management would conduct investigations against any suspicious or illegal behaviour which are related to bribery, extortion, fraud and money-laundering to protect the Group's interests. Corresponding internal assessment, consulting, investigation and punishment procedures are introduced in the Group. Furthermore, the Group has set up internal whistleblowing policy to enable its employees to lodge complaints and report any suspicious activities to the designated officer either verbally or in writing. The Group advocates a confidentiality mechanism to protect the whistle-blowers without fear of retaliation. Where criminality is suspected after investigation, disciplinary actions will be taken, including termination of employment and reporting to the relevant authorities.

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COMMUNITY

B.8. Community Investment

As a well-known Chinese Sportswear brand, the Group has been continuously making contributions to the sports industry by sponsoring different kinds of sports activities in the PRC and worldwide. The Group participated in the Rio Olympic and Paralympic Games as a Tier-2 Supporter in summer 2016.

The Group also places great emphasis on cultivating social responsibility awareness among our staff and encourage them to participate in charitable community activities.

The Group advocates the peaceful and harmonious development of society, and believes that every little bit helps get a step closer to a better society. During year 2016, the local community environment in Heshan area, Fujian Province was seriously damaged by typhoon, the residents' daily life and commute were severely disrupted, our 361° employees in Fujian Province volunteered to participate in the cleaning and re-planting work to help the clean-up and restoration of the area.

The Group's branch secretary organised a "Giving out love" activity among all the party members and cadres, they volunteered to take care of the elderlies in the community located in Fujian Province. Our employees cooked healthy meals and read newspapers for the elderlies. By doing these simple actions, we were spreading love and care to the people in need and share the joy and peace. The Group will upload its brand philosophy of "One Extra Degree of Passion, One Extra Degree of Caring" ("多一度熱愛，多一份關愛") in every moment of its daily operation among the employees.

The Group also volunteered in the security patrols works around Wuyuan Bay area in August 2016. The Wuyuan Bay is a scenic treasure gathering water sceneries, hot springs, vegetation, wetlands, bays and other natural resources located in Xiamen City, Fujian Province, the PRC. The Group has been continuously making efforts to protect our nation's natural conservation area through frequently organised volunteer activities in the long term, so as to help maintain the original ecology and keep the natural conservation area safe.