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Pavillon Holdings Ltd.

PERSEVERANCE



ANNUAL REPORT
2021

Sustainability Report 2021

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BOARD STATEMENT

The board continues to commit to incorporating the key principles of environment, social, and governance in setting out our business strategies and operations so as to create financial value to the shareholders and have a positive impact on all stakeholders and our environment.

OUR SUSTAINABILITY VISION

Our sustainability vision is to produce and supply high-quality products and services in a manner that minimises any adverse impact on the environment, while at the same time creates sustainable value for our stakeholders.

AREAS OF FOCUS

However, we also acknowledge this is an important decision for the long-term, and to achieve this, we will continue to focus on the following areas:

Production and operating process	Innovation	Environmental protection
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We will continue to improve our sustainability programs; we are committed and determined to balance the impact of economic growth, environmental protection, and social responsibility in our strategic plan to achieve sustainable value for all stakeholders.

ABOUT THIS REPORT

This is our group's fifth sustainability report. This report will continue to focus on the following factors that impact our business:

Economic and operation	environmental	social issues
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We have set out the approaches adopted by the group and the measures we have taken in managing the economic, environmental, social and governance aspects of our business operations adopted from Global Reporting Initiative (GRI) guidelines.

We will continue from the established performance targets which we have tracked and will report them in our subsequent sustainability reports.

We didn't seek any external assurance for the current report and we may consider seeking external assurance in the future.

REPORTING PERIOD AND SCOPE

This report describes the group's sustainability strategies and approaches and provides detailed information about our sustainability performance in all our businesses and applies to the Group's financial year ended 31 December 2021.

MATERIALITY ASSESSMENT

Economic and operational factors

Retention of customers

It is a known fact that generally we need to invest more to acquire a new customer as compared to retaining an existing one.

Therefore Customer retention management is the necessary process of maintaining relationships with current customers to delight them long after they purchase your product or service. In doing so, we encourage these customers to remain loyal to the business.

Not only is it more cost-effective to retain existing customers, but it also yields better returns from the existing customers. This is because loyal customers tend to spend more than new customers due to their familiarity with our business and our products. At the same time, many are more willing to try new products due to the relationship built over the years.

Customer retention is a matter of relationship building. Good relationships make life better for everyone. They're mutually beneficial for our customers and us.

For example, customers are more forgiving and understanding and are less likely to fly off the handle at the first sign of unhappiness. This is because they know where and who to give feedback to. All these protect our revenue and make life easier for our employees who play a huge role in customer services that contribute to customer loyalty.

Therefore, customer retention is critical to the sustainability of our group business.

Improvement in productivity efficiencies

We believe that sustainability and productivity can work hand in hand for the benefits of stakeholders.

Productivity improvement has always been an important part of our long-term and key processes for sustaining a business. Being more efficient results in lower operating costs which

make us more competitive. This in turn improves our revenue. The result is better profits for the group.

Operation efficiency could be achieved by eliminating unnecessary wastage. Wastages can be in many forms, they can be in the form of raw materials, wastage of manpower and waste of space, etc, and all these eventually convert into operating costs for the company. Thus, it is necessary to adopt an efficient productivity improvement system that enables businesses and individuals to continue to improve their productivity. We aim to do what is necessary and be good at it.

Businesses have always been relying on technology for business productivity. It has helped us to significantly streamline processes and make businesses more efficient and effective resulting in more competitive advantages.

This can only be achieved through the collective efforts of many parties, including but not limited to industry, authority, academic institutions, staffs and innovators, coming together to realize the vast benefits of utilizing technology to streamline processes and maximize yields and productivity, without over-consuming the planet's vital resources, helping to secure a sustainable future for the next generation.

It is also a known fact that, during an economic crisis such as the one caused by the COVID-19 pandemic, a more cost-effective company will have a better chance of sustaining its businesses and operations.

In summary, how do we balance the needs of all stakeholders and the environment, and deliver more, with less and even lesser?

Strategic partnership

Strategic partnerships are increasingly becoming a critical part of businesses' corporate growth strategies. The company has been increasing its efforts and resources to manage strategic partnerships.

In a global economy when information is easily available, strategic partnerships help businesses combine their knowledge and resources, share costs, diversify their businesses and create opportunities to enhance sales growth and improve businesses.

Apart from the above, we have also successfully centralised our procurement function with reliable and effective suppliers. Having effective suppliers and business partners, we can achieve better bargaining power in terms of the purchase cost and the quality of the materials. At the same time, this enables us to save on investing in storage and personnel.

In addition, we have also established multi-partnership programs with some delivery companies and shared platforms to ensure the continuity of our business during a pandemic.

Furthermore, due to the breakdown of supply chains caused by the Covid-19 pandemic, many operators have run out of supplies for their operations. Together with our overseas partners, we are assured of our continued supply of stock and goods to enable us to continue with our business.

Global partners can also lead to an increase in revenue when we are able to add a new license partner thus improving our footprint in the industry.

Environmental factors

Reduce, reuse and recycle

The group continues to do our part for the environment and utilize “waste hierarchy” to manage the process.

The waste hierarchy is the order of priority of actions to be taken to reduce the amount of wastes generated and to improve overall waste management processes and programs. The waste hierarchy consists of 3 R’s as follows:

- Reduce
- Reuse
- Recycle

This waste hierarchy is necessary for creating a sustainable environment for all to live in.

The 3R’s actions during production processes reduce the need for raw materials, human cost, and pollution. They also help to save the energy required for operations and the disposal of wastes. The result has reduced the costs of business. Most importantly, they help to sustain the environment for future generations.

Reduction in carbon emissions

Consistent with the world-wide governments' push to go green, we have since started to use more energy-efficient cookware and appliances in our central kitchen and offices. As an example, we are changing the lighting system in all our outlets to LED lights which consume significantly less electricity to light up. The result is a reduction in our carbon emissions.

Streamline payroll process

We have since implemented ways to reduce manual effort to process payroll. Instead of doing the traditional way of keying in data entry into the payroll system, we are now able to use the "import" feature to update the payroll data, and lead to a reduction of manpower and also electricity requires to run the whole payroll process. Furthermore, the company has since installed a cloud-based Human resource management system which led to a more paperless process.

Installing POS systems

We have installed POS systems that allow the staff to take orders digitally rather than writing them down on paper to help reduce the use of paper. POS systems allow restaurateurs to efficiently keep track of inventory, which means it's easy to know exactly what items need to be reordered and how much of each item. This prevents over-ordering, which can lead to food waste. Furthermore, the POS system comes with comprehensive reports which enable management to use it for analysis and lead to a reduction of man-hours required to generate the report and further reduce the consumption of papers.

Waste oil treatment

For our food and beverage business, waste treatment has always been a key and crucial issue for us. As a responsible company, our waste oil is collected and recycled into other products, thus reducing damage to the environment.

Social factor

Sustainability Affects Morale

“Going green” with modernization technologies is part of our sustainability approach.

In general, many of the best and brightest across every industry are interested in working for companies that put ethics over profit and work to create a better world. This “Going-green” approach enables us to enrich the talent pool, helping to raise recruiting standards and build better teams. People generally feel good when they can help the environment and make money for the employer. These can go hand in hand with the help of technology. They in turn will share this going-green value to their family and community .

Human Resource Department poised to Integrate Sustainability

HR plays a critical role in the adoption of more sustainable practices. HR can help to filter and select prospective employees who support sustainability. It will be easier for these new employees to embrace the company's sustainability vision and policies.

HR can also encourage sustainable practices throughout employee lifecycles and daily tasks. HR can come out with continued educational and feedback program on how small acts by individual employees can lead to sustainability. It also recognizes good initiatives that come from employees.

The introduction of the new cloud-based Human resource management system has led to a more “green” HR process. Furthermore, in 2021, we have introduced a paperless and touchless attendance system which further reduces our carbon footprint.

Compliance with industrial standards

Food safety has always been an utmost priority for the food and beverage industry. We have achieved ISO 22000 in 2019 as we expanded our global footprint.

STAKEHOLDER ENGAGEMENT

Stakeholders' trust and support are essential to our success. We have in place a reporting and briefing system to keep our stakeholders informed so that our stakeholders are well engaged with us.

Stakeholders	Keys Topics	Engagement method
Customers	<ul style="list-style-type: none"> ▪ Service and food quality ▪ Improvements ▪ Customer support; ▪ Financial performance 	<ul style="list-style-type: none"> ▪ Customer visits or meetings ▪ Industry exhibitions ▪ VIP/loyalty program ▪ Online platform ▪ Social media ▪ Customer service hotline and email
Employees	<ul style="list-style-type: none"> ▪ Communication and engagement ▪ Career advancement ▪ Staff welfare ▪ Working environment condition ▪ Training 	<ul style="list-style-type: none"> ▪ Social events with employees, internal announcement and emails ▪ Regular management meeting with staff ▪ Regular review with department heads ▪ Peer to peer review
Shareholders	<ul style="list-style-type: none"> ▪ Return on investment ▪ Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> ▪ Half yearly and annual financial results announcement; ▪ Annual and Sustainability report
Investors	<ul style="list-style-type: none"> ▪ Strategic plans ▪ Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> ▪ Regular meeting with investors; ▪ Sustainability report
Suppliers	<ul style="list-style-type: none"> ▪ Supplier quality performance; ▪ Supplier sustainability in business; ▪ Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> ▪ Regular meeting with suppliers; ▪ Key suppliers audit; ▪ Sustainability report
Government and regulators	<ul style="list-style-type: none"> ▪ Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> ▪ Regular compliance update and submission
Communities	<ul style="list-style-type: none"> ▪ Environmental protection; ▪ Community activities involvement; ▪ Support to society organisations; ▪ Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> ▪ Participation in community activities; ▪ Communication through phones and emails; ▪ Sustainability report

OUR SUSTAINABILITY PROGRESS AND TARGETS

Product, cost-cutting and process innovation

We believe sustainability and productivity can come hand in hand. In order to do that, we continue to invest in technologies that enable us to be more productive and at the same time reduce carbon footprint and maintain our high quality of products and services.

We will continue to develop new ways of processing more products with enhanced qualities and at the same time reducing wastages at our central kitchen. Further to this, we continue to research into environment-friendly packing materials for our customers. Through this process, we aim to further reduce our carbon footprint during the production process.

To improve data management

Company information data is a valuable asset to a company. But at the same time information and data management is an evolving process. We strive to reach the stage of being able to optimally apply protection, governance, and usage of the data. From 2018, the group did not report any major breakdown of the data management system.

Furthermore, the company has introduced remote access to enable staff to work outside the office.

Environmental protection

The group continued its journey toward the environmental protection goal.

We have stepped up our efforts in our centralized kitchen to reduce the waste of raw materials, manpower, and energy. Some of the work we carried out over the years such as replacing the kitchen equipment, educating staff, and the lighting system with more energy-efficient products, has led to the saving of utility usage. As compared to 2017, after we implemented the above, we now have the following savings:

Item	Saving in term of percentage
Gas	16.98%
Electricity	114.30%

Community investment

As part of ongoing Corporate Social Responsibility initiatives, we continue to play our part to champion a growing diversity of programs and initiatives to give back to society.

Over the years, we have participated in many social activities organised by various academic institutions. We recognise the importance of practical training. We aspire to be able to provide a platform to train employees for the industry we are in. Besides fulfilling our social responsibility, we also create employment opportunities.

GOVERNANCE

Corporate governance

Our company has generally adhered to the framework as outlined in the Code of Corporate Governance 2018 for the financial year ended 31 December 2021. The Board acknowledges that with a high standard of corporate governance, it ensures the sustainability of the business and also safeguards the interest of stakeholders. You may refer to the Corporate Governance Report in the Annual Report for details for our corporate governance practices.