



Pasture Holdings Ltd.

Company Registration Number: 201731601W
(Incorporated in Singapore on 3 November 2017)
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RESPONSES TO QUESTIONS RAISED BY THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) IN RELATION TO THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (“FY2023”)

The Board of Directors (the “**Board**”) of Pasture Holdings Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the questions raised by the SIAS in relation to its Annual Report for FY2023, which was issued on 13 October 2023.

The Company has consolidated the questions submitted and has set out responses to the questions in **Annex A** of this announcement.

By Order of the Board
Pasture Holdings Ltd.

Soong Chin Kum Jonathan Lloyd
Executive Chairman and Chief Executive Officer

31 October 2023

This announcement has been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “Exchange”) and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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Question 1

For the financial year ended 30 June 2023, revenue decreased by more than a third to US\$9.7 million from US\$15.1 million a year ago. The group generated 99.4% of its revenue from the pharmaceutical wholesale and drop-shipment segment, with mask and medical supplies and other services contributing 0.5% and 0.1% respectively.

Management has indicated they expect a normalisation of demand for Masks & Medical Supplies in the upcoming year. This is expected to occur as global stockpile inventories start to diminish, prompting healthcare and medical institutions to gradually rebuild their inventories. The total revenue from the mask and medical supplies segment was just US\$45,000 for FY2023 (FY2022: US\$5.8 million).

- (i) **Mask and medical supplies:** The group supplied masks to Adventa Healthcare Sdn Bhd under a 2-year contract that was entered into in May 2021. As shown in Note 4F (Segment information: Information on major customers), Customer 3 contributed US\$4.237 million in 2022 and \$nil in FY2023. **Can management elaborate further on its active efforts to increase its sale of masks? Is the business of supplying masks viable in the long run given that the group appears to be an intermediary and outsources mask manufacturing to suppliers? What is the group's competitive advantage?**
- (ii) **Pharmaceutical Wholesale:** The group's wholesale products portfolio includes, among others, vaccines such as influenza vaccines, human papillomavirus (HPV) vaccines (such as Gardasil®) and varicella (chickenpox) vaccines; oncology products such as Opdivo® and Keytruda®; diabetic products such as Saxenda® and Ozempic®; and nutraceutical products and dietary supplements such as ascorbic acid (Vitamin C). **How does the group secure new products and which specific products or product categories significantly drive the majority of the group's revenue?**
- (iii) **Foreign currency:** With Japan being the group's main market, what impact does the weak Japanese Yen have on the group's operations and profitability?
- (iv) **Hart-S ODS:** What are the advantages of Hart-S ODS as compared to other sublingual forms of sildenafil? In which markets has the product been registered and is currently available for sale?
- (v) **furlife:** Could management provide shareholders with data on the number of downloads, weekly active users, and other pertinent user engagement metrics? Is furlife solely targeted at the Singapore market? Can management offer insights to help shareholders gauge the size of the addressable market?
- (vi) **Other services:** The group reports revenue from new lines of products and services under "Other services" in its segment reporting. Included in this segment are Hart-S ODS and furlife in FY2023. Revenue recognised in "Other services" amounted to US\$14,000 while administrative expenses was US\$(1.63) million. The segment loss of US\$(1.32) million. **Could management provide a breakdown of the losses incurred by furlife and Hart-S ODS? Has the board established a limit on the capital allocated for the growth of furlife and the pet healthcare business?**

Company's Response

- (i) *Although the demand for N95 masks has decreased in the post-pandemic landscape, it is crucial to emphasize that N95 masks remain vital for infection control within healthcare settings and facilities.*

With regards to the sustainability of our mask supply business, the Company not only possesses the rights and ownership of Food and Drug Administration (“FDA”) and National Institute for Occupational Safety and Health (“NIOSH”) registrations for our range of Pasture N95 respirators, but the Company has also diligently cultivated strategic relationships with our mask manufacturing partners. This strategic approach affords us the flexibility required to efficiently meet fluctuating demands, allowing us to concentrate on our core strengths, which include research and development, stringent quality control, and meticulous certification management.

In addressing concerns about our long-term viability and competitive edge, it is noteworthy that the Pasture Mask brand has a rich history dating back to 2005. Over the years, we have consistently been at the forefront of product innovation. In 2005, we proudly introduced one of the first anti-viral N95 respirators to the market. Additionally, we were pioneers in designing one of the world's initial Halal-certified N95 respirators, featuring a unique head strap with an adjustable buckle.

Our competitive advantage is firmly grounded in our unwavering commitment to upholding the highest quality standards for our products and our adaptability to the ever-evolving dynamics of the market. This commitment is exemplified through our active efforts to diversify our range of medical supplies, aligning our offerings with the evolving needs of our valued customers. Additionally, we have formed strategic partnerships with industry market leaders in medical supplies, further enhancing our sourcing capabilities to provide comprehensive solutions to our clientele.

- (ii) *In our pursuit of offering a comprehensive product portfolio, we are dedicated to staying at the forefront of market trends and identifying opportunities for expansion. To secure new products, we employ a multi-faceted approach, which includes actively participating in industry-specific events and fairs. These gatherings provide valuable insights into emerging products, technologies, and potential partnerships. We also prioritize visitations to reputable pharmaceutical and healthcare companies to explore collaboration opportunities.*

We are committed to maintaining a diverse and adaptable product portfolio that meets the evolving needs of our clients and the market. Our focus is on delivering high-quality products and providing exceptional service to our customers.

- (iii) *There is no impact on the top line as we sell our products mainly in USD. We do incur some of our cost of sales in JPY, hence, the weakening of JPY will work to our advantage. The overall impact, in either direction, is minimal.*

As part of our risk management strategy, and in anticipation of future forex transaction, we have also started to develop a foreign exchange solution

together with our financial services provider for our hedging and forex management. This will be implemented once our transactions requiring foreign currency begins to grow.

- (iv) One key advantage is our unwavering commitment to quality and safety. Our manufacturing facility fully complies with Good Manufacturing Practices (GMP) and has received recognition from renowned regulatory bodies such as PIC/S GMP, WHO, and MHRA, ensuring that Hart-S ODS adheres to the highest industry standards.

Hart-S ODS distinguishes itself as a unique and innovative product, notably due to its sublingual administration form. What sets it apart is not only its form but also its proven efficacy, substantiated by a clinical study conducted by an Asian Government Pharmaceutical Organization. The findings of this study have been published in the UK Journal, further attesting to the product's clinical validation.

We are actively working on expanding the availability of Hart-S ODS by registering the product in several countries in the Southeast Asia (SEA) region. Additionally, we are in the midst of securing registrations for the UK region to broaden its accessibility to a more extensive audience.

- (v) We are unable to divulge any data on our mobile application at this point. As we have only launched the first version, the focus is still on refining and improving the overall user experience of the app before we make a push for user acquisition.

Yes, we are only targeting the Singapore market at this juncture.

According to a Euromonitor International report, there are about 114,000 pet dogs and 94,000 pet cats in Singapore.¹ The medical needs of each dog or cat varies according to size and breed. According to a post on Income Insurance, dog medical care costs can reach around S\$300 per annum in Singapore.²

- (vi) The administrative expenses were mainly due to one-off listing expenses incurred in relation to our listing on the SGX-ST. Hart-S ODS did not incur significant expenses in FY2023. The losses incurred by furlife were mainly due to the development of the mobile application. However, we have since received a grant in the first quarter of FY2024 for furlife.

As these are new business projects, any capital expenditure (CAPEX) and operating expenses (OPEX) including any limits thereof will require prior approvals from the Board.

¹ <https://www.channelnewsasia.com/singapore/pets-part-family-rising-status-big-read-3569031#:~:text=According%20to%20a%20Euromonitor%20International,per%20cent%20compared%20with%202019.>

² <https://www.income.com.sg/blog/cost-of-dog-ownership-in-singapore>

Question 2

The group, through its subsidiary, Pasture Pharma, entered into a private label supply agreement in October 2022 with McKesson Medical-Surgical Inc., a subsidiary of McKesson Corporation, one of the largest medical and pharmaceutical distribution companies globally, for the supply of medical and surgical supplies and devices from McKesson for an initial term of three years.

As disclosed in the offer document dated 31 May 2023, Pasture Pharma is granted the non-exclusive right to sell, distribute or sell the Private Label Products intended for resale by Pasture Pharma, its affiliates or its customers, in Singapore, India, Malaysia, Indonesia and Thailand.

- (i) **Can management elaborate further on the strategic significance of the agreement with McKesson Medical-Surgical Inc.? How many stock keeping units (SKUs) are covered by the supply agreement and what progress has been made one year into the three-year agreement?**
- (ii) **Given that the supply agreement is non-exclusive in nature, does the group provide any value-add at all?**
- (iii) **How many relevant regulatory approvals and product registrations have been obtained by the group?**

Company's Response

- (i) *The agreement with McKesson Medical-Surgical Inc. is of considerable strategic significance to Pasture. It grants us accessibility to a wide array of products under McKesson's ambit, enhancing our ability to meet the diverse needs of our customers. This collaboration allows us to offer a broader range of high-quality medical and surgical products, further solidifying our position as a reliable healthcare solutions provider.*

As of now, we have built seven distinct product categories encompassing approximately 300 Stock Keeping Units (SKUs) through this partnership. These categories include an array of medical and surgical essentials, catering to the requirements of healthcare professionals and institutions.

We view this partnership as a cornerstone of our growth strategy, allowing us to provide a comprehensive and dependable range of medical and surgical supplies. We are committed to furthering our collaboration with McKesson and will continue to work diligently to expand our product offerings and better serve our customers.

- (ii) *The non-exclusivity allows for flexibility and broader collaboration. McKesson's role as a sourcing partner provides significant value to our clients. They function as a dependable intermediary, ensuring a seamless and highly efficient supply chain for the products covered by the agreement. Leveraging on their extensive expertise in procurement and distribution, we enhance the accessibility and availability of a wide range of products despite the non-exclusivity nature of the agreement.*

- (iii) *The team is actively working to obtain relevant regulatory approvals and product registrations for our products. These processes are complex and often time-consuming, as they require meticulous adherence to the regulatory requirements of various jurisdictions. The company will provide updates as when material developments occur.*

Question 3

Would the board provide greater clarity on the following corporate governance matters? Specifically:

- (i) **Internal audit:** As disclosed in the corporate governance report, the group has outsourced its internal audit function to HLS Risk Advisory Services Pte. Ltd. **Can management provide details about the scope, key findings, and recommendations made by the internal auditor for FY2023, especially considering the recent transition of the company to a publicly listed entity?**
- (ii) **Experience of the board directors:** Two of the three independent directors, namely Ms. Sharon Low and Mr. Michael J.S. Lim, as well as Mr. Lloyd Soong (serving as the executive chairman) and Mr. Prashanth Palepu (as a non-executive director), do not have prior experience as directors of publicly listed companies in Singapore. In addition, Ms. Sharon Low resides in Taiwan, and Mr. Michael J.S. Lim is based in Malaysia. Additional information on directors seeking re-election can be found on pages 102 to 112 of the annual report. **Can the nominating committee clarify the considerations and criteria used in evaluating the current board's composition (including the appropriate balance and mix of skills, knowledge and experience) for its effectiveness as a listed company in Singapore?**
- (iii) **Interested person transactions (IPTs):** At the annual general meeting scheduled to be held on 31 October 2023, the company is seeking shareholders' approval on the renewal of the general mandate for IPTs. The appendix in relation to the proposed resolution can be found here:

<https://links.sgx.com/FileOpen/4.%20Appendix%20-%20IPT%20General%20Mandate.ashx?App=Announcement&FileID=774928>

Can the board clarify in greater detail if Pleasant Exports directly competes with the group? In addition, Pasture Marketing Inc used to be wholly owned by the executive chairman until its sale to an unrelated third party on 10 November 2022. Pasture Marketing Inc is no longer an interest person of the group. **Can the board confirm if the group still maintains any business relationships or dealings with Pasture Marketing Inc (now known as 0587207 B.C. Ltd.)?**

Company's Response

- (i) *HLS Risk Advisory Services Pte. Ltd. conducted and completed our last internal audit in February 2023 as part of pre-IPO internal controls. Their scope cover includes, inter alia, procurement, sales collection, bank and cash management, fixed assets, inventory, human resources and payroll and general accounts management. The recommendations proposed by our internal auditors have been implemented satisfactorily by our Group in February 2023. Our Audit Committee, comprising all independent directors, has confirmed that there are no material weaknesses arising from the internal audit.*
- (ii) *The nominating committee takes into consideration the diversity, work experience, and industry relevance of the directors and views the current board composition as sufficiently robust. Mr. Michael J.S. Lim has 30 years of experience in various senior finance positions coupled with Ms. Sharon Low's extensive involvement in the healthcare-related field where she was previously the founder and managing director of a healthcare and medical public-listed company on the Bursa Malaysia. In addition, the third independent director, Ms. Claudia Teo, has had prior directorship experience for an SGX-listed company. The directors are able to communicate regularly with management despite their physical whereabouts using electronic communication means. The majority of our Board has completed training with Singapore Institute of Directors (SID), and the balance will be completing their training shortly.*
- (iii) *The geographical markets in which our Group operates as compared to those of Pleasant Exports are distinct and segregated. Pleasant Exports is only engaged in the supply of pharmaceutical products to one customer each in Mauritius and Sri Lanka (which are not customers of our Group and where our Group has no operations), as well as in Singapore (where our Group is the only customer).*

Following the disposal of Pasture Marketing Inc to an unrelated third party, Pasture Marketing has changed its name to 0587207 B.C. Ltd. and is also no longer an interested person of our Group and accordingly, transactions entered into with 0587207 B.C. Ltd. are no longer deemed to be interested person transaction. To the best of the knowledge of our directors, following the Disposal of Pasture Marketing, none of the shareholders, directors and key management of 0587207 B.C. Ltd. are directly or indirectly associated with our Group, our Directors, Executive Officers, Substantial Shareholders and/or their respective Associates and 0587207 B.C. Ltd. is also currently not engaged in the businesses similar to the Company. Accordingly, the business dealings are carried out at an arm's length basis on normal commercial terms, and are not prejudicial to the interests of the Group or our minority Shareholders.