GRP LIMITED
(Company Registration Number 197701449C)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE PROPOSED SUBSCRIPTION OF SHARES IN TONG REN TANG ROYAL FOOD PTE. LTD.

Unless otherwise defined or the context otherwise requires, all capitalised terms used herein bear the same meanings as in the Announcement (as defined below).

The Board of Directors (the "**Board**" or "**Directors**") of GRP Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 12 January 2023 (the "**Announcement**") relating to the Proposed Subscription.

The Company sets out its response to the SGX-ST's queries below.

Query 1

Listing Rule 1008(2) states that if an issuer wishes to announce a non-discloseable transaction, the announcement must include (a) details of the consideration as required in Rule 1010(3) and (b) the value of assets acquired or disposed of as required in Rule 1010(5). Please disclose the information required per Listing Rules 1010(3) and 1010(5).

Company's Response

Sgp TRTRF was incorporated on 18 August 2022 with an issued and paid-up share capital of S$1,000 consisting of 1,000 ordinary shares. Sgp TRTRF has been dormant since the date of incorporation.

It is the intention of the Company to subscribe for a majority stake of 51% in Sgp TRTRF at the same cost of investment per share as the existing shareholder of Sgp TRTRF. As mentioned in paragraph 3(c) of the Announcement, the consideration for the Proposed Subscription of S$51,000 is payable by the Company to Sgp TRTRF in cash on the date of completion of the Proposed Subscription.

Query 2

In paragraph 2 of the Announcement, it states that "The principal business activities of Sgp TRTRF are trading and manufacturing of food commodities and products". Please clarify whether there is any diversification of business arising from the proposed acquisition. If yes, would the Company be seeking shareholders' approval for the diversification of business?

Company's Response

The Company is of the view that the Proposed Subscription will not result in a material change in the risk profile of the Company, taking into account, the following considerations: (a) the scale of the Company's existing operations will not increase significantly as a result of the Proposed Subscription; (b) there will not be a change in control of the Company as a result of the Proposed Subscription; (c) the Proposed Subscription would not result in an expansion of the Company's core business in new geographical markets and (d) the Proposed Subscription would not have a significant adverse impact on the its earnings, working capital and gearing.

In paragraph 2 of the Announcement, the Company has stated that "*the Company will have access to [Sgp TRTRF's] trading businesses and plans to develop "同仁堂御膳" mobile food truck business in China on a franchise model targeting the vast Chinese market*."

Pending the developments, the Company does not expect that the Proposed Subscription would have a significant adverse impact on its earnings, working capital and gearing.

The Board with independence and diversity of thoughts had reviewed its merits in the best interests of the Company and will continue to monitor the developments closely and, at an appropriate time, will seek the necessary shareholders' approval for any material change in risk profile and business diversification.

Query 3

In paragraph 3(d) of the Announcement, it states that "Within 14 days from the successful registration of the Trademark, the Company will pay to Beijing TRTRF a one-time royalty fee of RMB2.0 million (approximately S$0.4 million) in cash for the use of the Trademark by Sgp TRTRF (the "Royalty Fee")."

a) Please clarify if this amount has been included in the Company's computation of the relative figures under Listing Rule 1006. If it was excluded, please provide the Company's rationale for doing so and its assessment on the applicability of Chapter 10 of the Listing Rules if it was included.

b) Please disclose how the royalty fee amount of RMB2.0 million is being arrived at, including the factors taken into consideration.

c) Please explain why the Company is required to pay the one-time royalty fee to Beijing TRTRF for the trademark to be filed by Sgp TRTRF and clarify whether Mr. Lu Youyi will be paying similar royalty fees to Beijing TRTRF.

d) Please disclose the tenure of the royalty.

Company's Response

a) The Royalty Fee has been included in the Company's computation of the relative figures under Listing Rule 1006 and none of the relative figures computed on the bases pursuant to Listing Rule 1006 in respect of the Proposed Subscription exceeds 5%.

b) The Beijing Tong Ren Tang trademark is a renowned brand. The World Branding Forum does an annual review of world brands, and for 2022-2023, according to a report published by the World Branding Forum, more than 3,500 brands were nominated from over 45 countries. The Beijing Tong Ren Tang brand was declared winner for the "Medicinal – Traditional" category. For China, there were 7 other winners, including Alibaba, Huawei, Lenovo and Tencent. Please refer to link provided: https://awards.brandingforum.org/winners-2022-2023/.

   The Company deems that the trademark has value, and is a substantive factor to justify our entry into the Proposed SSA, and the payment of the Royalty Fee of RMB2.0 million will only be paid after *successful registration* of the trademark by Sgp TRTRF.

c) In paragraph 3(d) of the Announcement, the Company has stated that the Royalty Fee shall be a one-time payment, and that: "Thereafter, Sgp TRTRF will own the Trademark globally and/or be able to register the Trademark in other jurisdictions as it deems fit".

The Company considers that the acquisition of the Trademark allows Sgp TRTRF to leverage and operate the "同仁堂御膳" brand globally.

Mr Lu Youyi is the sole director of Sgp TRTRF. The one-time royalty fees to be paid by the Company to Beijing TRTRF was negotiated on an arm's length basis between parties. Mr Lu Youyi is not required to pay a one-time royalty fee.

d) Please refer to our response in paragraph 3(c) above.

Query 4

In paragraph 4 of the Announcement, it states that "Under the SHA, the Company has the rights to acquire LYY's 48,000 ordinary shares in the share capital of Sgp TRTRF (the "**Sale**") at 8 times the earnings before interest, tax, depreciation and amortisation based on the average of Sgp TRTRF's audited financial statements for the financial years ending 30 June 2023 to 30 June 2025 (the "**Purchase Consideration**"). Please disclose how the Purchase Consideration amount was determined and the factors taken into account in arriving at "8 times the earnings before interest, tax, depreciation and amortization" ["**EBITDA**"]. Please clarify the amount payable if Sgp TRTRF is in a loss-making position.

Company's Response

The Parties considered various basis, including the Net Asset value basis, for determining the Purchase Consideration, and in arriving at a factor of 8 times of the three (3) year's average EBITDA, for exercising the right to acquire 48,000 shares of LYY (the "**Rights**"). The Parties negotiated and considered it fair, that:

a) EBITDA allows for factoring for financial performance / results,

b) An average EBITDA, over a three financial year period, allows for factoring the growth trajectory of the business, and

c) A factor of 8 times of the three (3) year's average EBITDA, was appropriate.

The Parties have entered into the SSA and the SHA envisaging that their mutual relationship, and their efforts, will lead to a successful business. Accordingly, the SHA does not provide for the amount payable for the Rights if Sgp TRTRF is in a loss-making position.

Query 5

Please disclose whether there is any connection (including business relationship) amongst the Company, the Directors and the Substantial Shareholders of the Company with Mr. Lu Youyi, Beijing TRTRF, its Directors and Substantial Shareholders.

Company's Response

Save for their interests arising by way of their respective shareholding interest in the Company and/or directorships in the Group, as the case may be, none of the Directors nor, to the best of the Directors' knowledge, any of the substantial Shareholders, has any relationship with Mr Lu Youyi or Beijing TRTRF or Sgp TRTRF or has any interest, whether direct or indirect, in the transactions contemplated in this announcement.

Query 6

Please clarify (i) when did operations of Sgp TRTRF commence; (ii) what is the track record of Sgp TRTRF in trading and manufacturing of food commodities and products; and (iii) further details on the business model of Sgp TRTRF.

Company's Response

Please refer to our response to Query 1 above.

BY ORDER OF THE BOARD

Kwan Chee Seng
Executive Director
26 January 2023