CHINA STAR FOOD GROUP
中国之星食品集团

(Incorporated in the Republic of Singapore with Unique Entity No.: 200718683N)
Website: zixingroup.com.sg
SGX Stock Code: 42W

RESPONSE TO QUESTIONS FROM THE SGX-ST IN RESPECT OF THE COMPANY'S ANNOUNCEMENTS ON THE CHANGE IN AUDITORS

Unless otherwise defined, all capitalised terms shall bear the same meanings ascribed to them in the Announcements on the Change in Auditors (as defined below).

The board of directors (the "**Board**" or the "**Directors**") of China Star Food Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 31 March 2022 and Company's Circular dated 5 April 2022 in relation to, *inter alia*, the Company's change in auditors from RT LLP ("**RT**") to UHY Lee Seng Chan & Co. ("**UHY**") (collectively, the **Announcements on the Change in Auditors**").

The Company has on 13 April 2022 through its continuing sponsor, Novus Corporate Finance Pte. Ltd. ("**NCF**"), received queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in relation to the Announcements on the Change in Auditors.

The queries posed by the SGX-ST, as well as the Company's responses are set out below:

Q1. **What is the size of audit professionals in UHY in Singapore? What is the size and composition of the audit engagement team for China Star? Does the team have experience in audited SGX-listed companies with operations in China?**

Company's response

The Company understands from UHY that the size of audit professionals in UHY (excluding network firm) is 56. As disclosed in Section 2.2.2 of the Circular dated 5 April 2022, apart from one (1) independent quality control review partner, the engagement team assigned by UHY to the Company will comprise of two (2) audit partners, one (1) audit manager and three (3) audit professionals.

The audit of the Group's PRC Subsidiaries in respect of FY2022 will be performed by Zhonghua CPA. UHY has confirmed that the Company will be audited by the same engagement team that has audited two (2) out of six (6) listed clients in UHY, with at least one (1) listed client on the SGX-ST with operations in the PRC.

Q2. **As China Star's operations are all in China, does UHY have offices in China to facilitate the audit? In view of the current COVID measures in China, how is UHY going to travel to China to perform the audit?**

Company's response

As disclosed in Section 2.1.3 (b) (i) of the Circular dated 5 April 2022:

The Group's PRC Subsidiaries, the operations of which are mainly in the PRC, will also be changing their respective auditors to either UHY (who would travel to the PRC to perform the audit) or its affiliated firm in the PRC, Zhonghua CPA, an accounting firm incorporated in the PRC. In respect of FY2022, the Company understands from UHY that arrangements are in place for Zhonghua CPA to perform the audit of the PRC Subsidiaries in view of the current COVID-19 situation in the PRC, which has increased the inconvenience of travelling. For subsequent financial years, the above audit arrangements for the PRC Subsidiaries may change, whereby UHY may elect instead to travel to the PRC to perform the audit of the PRC Subsidiaries, subject to UHY's assessment and the prevailing COVID-19 measures in the PRC at the relevant time. UHY and Zhonghua CPA are both independent members of UHY International, an international network of accounting and consulting firms.

Q3 Does UHY have experience in auditing clients in the same industry as China Star?

Company's response

As disclosed in Section 2.2.1 of the Circular dated 5 April 2022:

Out of UHY's over 600 clients, two (2) are listed in Bursa Malaysia, three (3) on the Catalist Board of the SGX-ST and one (1) listed in NASDAQ. Of these six (6) listed clients, three (3) have operations and presence in the PRC.

The Company is an investment holding company and its PRC Subsidiaries are principally involved in the processing, distribution and sales of sweet potato food products (none of which is classified as a specialised industry). The Company understands that UHY has a number of clients in the industry of processing, trading or distributorship. In particular, the Company has noted that two (2) of UHY's listed clients (HB Global Limited and China Ouhua Winery Holdings Limited) are in the food processing industry with operations in the PRC.

In view of the above, the Company is of the view that UHY has adequate and relevant experience in auditing clients in the same industry as the Company and the Group.

Q4 Does Zhonghua CPA have experience in auditing SGX-listed companies? Is Zhonghua CPA registered as a member of IFIAR or other international auditing oversight authorities?

Company's response

The Company understands from UHY that to-date, Zhonghua CPA has audited at least 67 PRC clients listed on both the Shanghai and Shenzhen Stock Exchange.

Zhonghua CPA is also a member firm of UHY International and has obtained membership or is a registered member of the following professional bodies:

- Obtained the Foreign Business Licensing, approved by the Ministry of Foreign Trade and Economic Cooperation of the PRC;

- Obtained the Securities and Futures related certified qualification, approved by Ministry of Finance and the China Securities Regulatory Commission;

- Obtained the Financial Institutes-related Certified Qualification, approved by Ministry of Finance and the People's Bank of China;

- Obtained the Large State-owned Enterprises related Certified Qualification, approved by Shanghai Finance Bureau;

- Obtained the Audit Qualifications for B shares, H shares and other overseas investment, approved by Ministry of Finance;

- Obtained the Judicial Business Related Certified Qualification, approved by Shanghai Municipal Judicial Bureau and the Shanghai Supreme People's Court;

- Obtained the Public Company Accounting Oversight Board, approved by U.S. Public Company Accounting Oversight Board Listing; and

- Reviewed the Securities and Futures related certified qualification, checked by Ministry of Finance and the China Securities Regulatory Commission.

For further details, please refer to the link: http://www.zhonghuacpa.com/en/about.php.

In addition to the above, the Company understands that Zhonghua CPA is currently the auditors of a subsidiary of Golden-Agri Resources Ltd, which is listed on the Mainboard of the SGX-ST.

Q5 Is UHY part of a global network? If yes, is UHY subject to international quality review where an independent partner from the foreign office of the firm or from a member firm within the larger network inspects the engagement partner-in-charge on a routine and systematic basis?

Company's response

As disclosed in Section 2.2 of the Circular dated 5 April 2022, UHY is a member firm of the UHY International global network and UHY International is a member of the Forum of Firms. Accordingly, UHY has confirmed that it is subject to international quality review under the requirements of being a member of the Forum of Firms.

Q6 Does UHY have a quality control function to provide audit and accounting technical consultation to the audit engagement team?

Company's response

Being one of the top 14 audit firms in Singapore, UHY has confirmed that it has a quality control function to provide audit and technical consultation to the engagement team. UHY's quality control function comprises the following areas:

1. Risk Management, Independence & Ethics;

2. Training, Learning & Development;

3. Quality Assurance;

4. Technical Consultation;

5. Firm Internal Review; and

6. Human Resource Management.

Q7 Does UHY have an Engagement Quality Control Reviewer ("EQCR") who is a partner, or similarly qualified person, either in-house within the firm or part of the larger network that the firm belongs to, who will objectively evaluate the work and judgement of the engagement team before the issuance of the audit report?

Company's response

UHY has confirmed to the Company that the EQCR for the Company will be a partner of UHY who will objectively evaluate the work and judgement of the engagement team before the issuance of the auditor's report.

Q8 Did the Board and AC consider the above before endorsing on the change in auditors to UHY?

Company's response

As disclosed in Section 2.5.1 (a) and 2.6 of the Circular, the Board and AC had reviewed the Proposed Change of Auditors and recommended the appointment of UHY as independent auditors of the Company in place of RT LLP after taking into account the suitability and independence of UHY to meet the audit requirements of the Group and the various factors as set out in the Circular, based on the information available to the Board and AC. The recommended appointment of UHY as independent auditors of the Company in place of RT LLP is in compliance with the requirements of the Catalist Rules.

Q9 Please provide the Sponsor's assessment and basis on the Change in Auditors.

Sponsor's response

As the continuing sponsor of the Company, NCF had considered the following in respect of the Proposed Change of Auditors:

(a) the reasons for the Proposed Change of Auditors as set out in Section 2.1.1 and 2.1.2 of the Circular;

(b) the selection process undertaken by the Company and reasons for the Company's selection of UHY as auditors of the Company as the proposed new auditors of the Company as set out in Section 2.1.3 of the Circular;

(c) based on the information on UHY and Mr. Lee Sen Choon ("**Mr Lee**") as the audit partner-in-charge as set out in Section 2.2 of the Circular, as well as the independent assessment conducted by NCF, NCF has noted the following:

(i) UHY has six (6) listed clients: two (2) listed in Bursa Malaysia, three (3) on the Catalist Board of the SGX-ST being Koyo International Limited,

Sim Leisure Group Ltd. and KOP Limited (the "**SGX-listed Clients**"), and one (1) listed in NASDAQ. Of these six (6) listed clients, three (3) have operations and presence in the PRC.

(ii) Mr. Lee, who is the Managing Partner of UHY and also the audit partner-in-charge of the SGX-listed Clients, (A) has over 40 years of professional and global experience, which includes the provision of external audit, and (B) is a Chartered Accountant (Singapore) with Certificate for Practice with the Institute of Singapore Chartered Accountants, a Public Accountant registered with ACRA and a Fellow Member with the Institute of Chartered Accountants in England and Wales;

(iii) UHY was last subject to ACRA's Practice Monitoring Programme review in 2020 ("**2020 Review**"). NCF had noted from the regulatory notices published by ACRA that two (2) of UHY's individual public accountants (the "**Relevant Individuals**") were issued with a restriction and hot review due to failure to pass a revisit practice review, the details of which can be found on ACRA's website. We understand from UHY that this was pursuant to the 2020 Review. Based on the orders issued by ACRA and UHY's confirmation, we note that (A) these orders were made against the individual public accountants and UHY was not the subject matter or implicated in relation to these orders, (B) the Relevant Individuals, who are still partners with UHY, are not part of the audit engagement team or EQCR in respect of the Company, and (C) UHY is not aware of any other such orders that may have been issued by ACRA to its audit partners and/or the firm. With regards to Mr. Lee, he has not been subject to the PMP Review by ACRA for the past 12 months and has had no feedback from ACRA. Mr Lee had previously passed both PMP Reviews carried out in 2012 and 2015 by ACRA;

(iv) apart from one (1) independent quality control review partner, the engagement team assigned by UHY to the Company is adequately resourced, which will comprise two (2) audit partners, one (1) audit manager and three (3) audit professionals;

(v) the Group's PRC Subsidiaries, the operations of which are mainly in the PRC, will be audited by either UHY (who would travel to the PRC to perform the audit) or its affiliated firm in the PRC, Zhonghua CPA, an accounting firm incorporated in the PRC. UHY and Zhonghua CPA are both independent members of UHY International, an international network of accounting and consulting firms. We have also considered the information of Zhonghua CPA as set out in Section 2.3 of the Circular; and

(vi) the confirmations provided by RT LLP as set out in Section 2.1.4 (b) of the Circular.

Having taken into consideration the aforementioned factors, as well as the Board's and the AC's evaluation of UHY and the additional information provided in respect of UHY and Zhonghua CPA as set out in the Company's responses above, nothing has come to NCF's attention that UHY would not be suitable to act as the auditors of the Company in relation to the Proposed Change of Auditors.

Q10 **We noted that the Audit Oversight Board took action against UHY in April 2019 for failure to comply with recognized auditing and ethical standards in Malaysia.**

- **Please clarify if there are any restrictions imposed on UHY.**
- **In view of this, please provide assessment by the AC and Sponsor on the suitability of UHY as the Company's new auditors."**

Company's response

In respect of the action taken by the Securities Commission Malaysia's Audit Oversight Board ("**AOB**") (the "**AOB Action**") in April 2019, UHY has confirmed the following:

1. the AOB Action in April 2019 was solely taken against UHY in Malaysia ("**UHY Malaysia**") only;

2. the relevant partners who were involved in the AOB Action are not partners of the Singapore office of UHY ("**UHY Singapore**"); and

3. UHY Singapore and Mr Lee were not the subject matter and were also not implicated as a result of the AOB Action.

The AC understands from UHY that the AOB Action in April 2019 was solely applicable to UHY Malaysia and its partners only, which is not relevant to UHY or any of the audit partners to be appointed to carry out the audit of the Company and/or the Group. On the basis of the representations from UHY, the AOB Action does not change the AC's view that UHY is suitable to act as the auditors of the Company in relation to the Proposed Change of Auditors.

Sponsor's response

Based on the above confirmations provided by UHY Singapore and the AC's assessment in respect of the AOB Action, as well as based on the factors set out in question 9 above, nothing has come to NCF's attention that UHY would not be suitable to act as the auditors of the Company in relation to the Proposed Change of Auditors.

By Order of the Board

Liang Chengwang
Executive Chairman and Chief Executive Officer

18 April 2022

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*This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "**Sponsor**"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST 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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