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中國前沿科技集團

China Frontier Technology Group

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1661)

SUPPLEMENTAL ANNOUNCEMENT

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 49% OF EQUITY INTEREST OF THE TARGET COMPANY

Reference is made to the announcement of China Frontier Technology Group (the “**Company**”) dated 23 April 2026 in relation to, among other things, the acquisition of 49% of the total equity interest in Ningbo Qihe New Material Technology Company Limited* (寧波啟合新材料科技有限公司). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Board wishes to provide the Shareholders and potential investors of the Company with additional information in relation to the basis of the Consideration and the conditions to the Completion.

BASIS OF THE CONSIDERATION

As disclosed in the Announcement, the Consideration of RMB19,600,000 was determined after arm’s length negotiations between the Vendor and the Purchaser with reference to, among others, (a) the net asset position of the Target Group as at the date of the Sale and Purchase Agreement; (b) the historical financial performance, business development and future prospect of the Target Group; and (c) the valuation of 49% equity interest of the Target Group in the amount of RMB20,245,000 as at 31 March 2026 based on the valuation report prepared by an independent professional valuer on the market approach.

The Board has considered each primary factor in determining the Consideration set out as follows:

(a) The net asset position of the Target Group

According to the unaudited consolidated financial information of the Target Group, as at 23 April 2026, being the date of the Sale and Purchase Agreement, the Target Group had a consolidated net assets of approximately RMB20,170,216.02.

(b) The historical financial performance, business development and future prospect of the Target Group

The Target Group has been historically profit-making with a promising potential for growth as its revenue increased from approximately RMB102 million for the year ended 31 December 2024 to RMB109 million for the year ended 31 December 2025.

Furthermore, the Target Group is principally engaged in the research and development, production and trading of functional materials. It has established its own research and development base and production facilities with a focus on the production of conductive shielding materials, cushioning materials, thermal management materials and protective materials. Its customers are mainly companies in the consumer electronics and new energy industries. The Purchaser is principally engaged in the trading of functional materials and possess quality market resources and extensive customer channels. Following Completion, the parties are expected to achieve significant industrial synergy across the entire industrial chain from the initial research and development process through to production and trading. With the capability of the Target Group's technology and production capacity, the Group will be able to enhance the range and quality of products and the overall customer experience, while the Group can leverage on its existing customer connections to support the Target Group's market expansion and growth.

(c) The valuation

The Board has taken into account the valuation conducted by the Valuer in determining the Consideration, the details of which are set out in the Announcement and the section headed "The valuation of the Target Group" in this announcement below.

THE VALUATION OF THE TARGET GROUP

The valuation date for the valuation of the Target Group is 31 March 2026. The comparable company data (market capitalisations, enterprise values, and trading multiples) were all obtained as of the valuation date of 31 March 2026 to ensure consistency and relevance.

Guideline public company method is selected as the primary method for the valuation of 49% equity interest in the Target Group. By adopting guideline public company method, the Valuer has to select the appropriate guideline public companies. The selection of the guideline public companies was based on the comparability of the overall industry sector.

The Valuer has identified five comparable companies (the “**Guideline Public Companies**”) for the purposes of the valuation. Their relevant information is set out as follows:

Company name	Stock code	Listing location	Business description	Revenue contribution from business segment relevant to the business of the Target Group	Revenue contribution from geographical segment relevant to the business of the Target Group	Revenue (million)	EBITDA (million)	Net income (million)	Net asset value (million)	Net Profit Margin	Adjusted EV/ EBITDA Multiple
Shenzhen FRD Science & Technology Co., Ltd.	300602-CN	China	Research, development, design, production, and sale of thermal and electromagnetic shielding materials and devices. Its products include electromagnetic shielding materials and devices such as conductive plastic devices and conductive silicone rubber, thermally conductive materials and devices such as thermal interface devices and graphite sheets, and electronic devices such as air filters and insulating sheets	Electronic materials manufacturing (79.5%)	China (77.8%)	RMB5,712	RMB595	RMB298	RMB3,940	5.2%	15.33x
Jiangsu Sidike New Materials Science & Technology Co., Ltd.	300806-CN	China	Research, development, production and sales of functional coating composite materials. Its products are divided into functional film materials, electronic grade adhesive materials, thermal management composite materials, and film packaging materials	Electronic materials manufacturing (96.45%)	China (92.8%)	RMB2,725	RMB477	RMB47	RMB2,244	1.7%	17.93x
Suzhou Shihua New Material Technology Co., Ltd.	688093-CN	China	Research, development, production and sale of functional materials. Its products include precision process, and multiple function and display module materials. The company also provides solutions for computers, communications and consumer electronics devices, automobiles, and medical care	Electronic materials manufacturing (72.52%)	China (89.1%)	RMB1,074	RMB482	RMB401	RMB2,824	37.3%	10.94x
Trans-Sun Materials Technology Co., Ltd.	6967-TW	Taiwan	Manufacture and sale of electronic functional materials. Its products include single-sided tapes, double-sided tapes, insulating tapes, PET insulation materials, high-functional foams, and shock-proof materials for various electronic products	Electronic materials manufacturing (83.9%)	China (52.5%)	TWD1,415	TWD162	TWD99	TWD826	7.0%	8.01x
Suzhou Anjie Technology Co., Ltd.	002635-CN	China	Development, manufacture, and sale of electronics and metal parts. Its also provides functional device production and related services to brand terminal manufacturers of consumer electronics products such as notebook computers and mobile phones, solutions and premier services for global medium to high-end clients including smart phone, notebook, smart wearables, and intelligent housing system	Electronic materials manufacturing (68.37%)	China (52.1%)	RMB4,735	RMB486	RMB111	RMB5,822	2.3%	11.88x

Selection criteria

The Guideline Public Companies were selected by the Valuer based on the following criteria:

1. Industry classification: The primary industry of the Guideline Public Companies must be classified under “Electronic Materials Manufacturing” pursuant to the FactSet Revere Business Industry Classification System (RBICS);
2. Principal business activities: The Guideline Public Companies must be principally engaged in the development, production, and sale of functional adhesive tapes and composite film materials, including conductive, thermal management, and cushioning products;
3. Geographic criteria: Not less than 50% of the total revenue of the Guideline Public Companies must be derived from operations in China;
4. Public listing: The Guideline Public Companies must be listed on a recognized major stock exchange, including, but not limited to, exchanges in the United States, Hong Kong, Mainland China, South Korea, Taiwan, and other developed capital markets with adequate market liquidity and established regulatory disclosure requirements; and
5. Availability of financial information: The financial information of the Guideline Public Companies must be publicly available and accessible for analytical purposes.

Basis for selection and completeness of the comparable universe

Given that the Target Company is principally engaged in the development, production, and sale of functional adhesive tapes and composite film materials, including conductive, thermal management, and cushioning products, with its primary market operations concentrated in Mainland China, the above selection criteria were designed to identify publicly listed companies that are comparable to the Target Group in terms of both business operations and geographic market exposure.

The application of the foregoing criteria yielded an exhaustive universe of publicly listed companies that closely align with the Target Group’s business profile. No companies that satisfied all of the above selection criteria were excluded from the final list of Guideline Public Companies. Accordingly, the five (5) Guideline Public Companies identified above represent the complete comparable universe for the purposes of this valuation.

The Consideration was derived through a market-based valuation approach using the EV/EBITDA multiple method, as summarised below.

Step 1: Unadjusted EV/EBITDA multiples

Based on the Guideline Public Companies, the unadjusted EV/EBITDA multiples ranged from 8.01x to 47.89x, with a median of 17.30x. These multiples were calculated by dividing each company’s enterprise value by its latest twelve months EBITDA, sourced from FactSet and the companies’ published financial reports.

Step 2: Size adjustment

As the Target Group is significantly smaller than the Guideline Public Companies, the Valuer applied a size adjustment to reflect the higher risk premium associated with smaller companies. Based on Kroll Cost of Capital Navigator 2025 data, a size risk premium of 4.37% was applied to the Target Group, whilst premiums ranging from 0.88% to 4.37% were applied to the Guideline Public Companies. Using the formula: Adjusted EV/EBITDA Multiple = $1/(1/EV/EBITDA \text{ ratio} + \text{Size Differential})$, the size-adjusted multiples ranged from 8.01x to 17.93x, with a median of 11.88x.

Step 3: Lack of marketability discount (LoMD)

A LoMD of 42.7% was applied to reflect the Target Company's status as a private company with no readily available market for its shares. This discount is based on the median discount for the smallest quintile of companies derived from 779 private placement transactions analysed in the Stout Restricted Stock Study Companion Guide (2024 edition). After applying the LoMD, the median adjusted EV/EBITDA multiple was 6.81x.

Step 4: Enterprise and Equity Value

Applying the multiple of 6.81x to the Target Group's normalised EBITDA of RMB7,338,000 (derived from the EBIT adjusted for non-operating and non-recurring items, plus depreciation and amortisation for the year ended 31 December 2025 of RMB1,597,000) yielded an estimated enterprise value of RMB49,967,000. After adding cash of RMB4,315,000 and deducting debt of RMB12,965,000, the 100% equity value was estimated at RMB41,317,000, resulting in a 49% interest value of RMB20,245,000.

Step 5: Determination of consideration

The Consideration of RMB19,600,000, which was determined through arm's length negotiations between the Vendor and the Purchaser, represents approximately 96.8% of the independently assessed valuation of RMB20,245,000. The Directors consider a modest discount of 3.2% to be reasonable and in the interests of the Company and the Shareholders.

The Board's assessment on the Consideration

The Board has carefully assessed the comparability of the Guideline Public Companies to the Target Group, having regard to their respective size and financial performance:

1. Business comparability

The Board considers the Guideline Public Companies to be appropriate and representative comparables as they operate in the same industry sector, are principally engaged in the development, production, and sale of functional adhesive tapes and composite film materials (including conductive, thermal management, and cushioning products), serve similar end markets within the electronics manufacturing sector, and maintain primary operations in Mainland China, which is consistent with the Target Group's business profile and geographic exposure.

2. *Size comparability*

The Board acknowledges that the Guideline Public Companies vary in size and that the Target Group is comparatively smaller, with annual revenue of approximately RMB109.4 million and total assets of approximately RMB47 million. To address this size disparity, the Valuer applied appropriate size adjustments based on Kroll Cost of Capital Navigator 2025 data. Specifically, a small company size risk premium of 4.37% was applied to the Target Group, whilst a size premium ranging from 0.00% to 3.5% was applied to each Guideline Public Company based on its respective market capitalisation. These adjustments were incorporated into the EV/EBITDA multiple calculation to ensure that the valuation multiples are appropriately scaled to reflect the higher risk associated with smaller companies.

3. *Financial Performance Comparability*

The Board is satisfied that the Target Group's financial metrics are within a reasonable range relative to the Guideline Public Companies. In particular, the Target Group's normalised net profit margin for the year ended 31 December 2025 of 8.0% (adjusted for non-recurring items) falls within the range of 1.7% to 37.5% observed among the Guideline Public Companies, demonstrating broadly comparable operational efficiency and profitability characteristics.

Based on the above, the Board is of the view that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Board's assessment on the LoMD

The Board considers the LoMD of 42.7% to be fair, reasonable, and appropriate for this Acquisition for the following reasons.

1. *Empirical basis*

According to the Valuer, the LoMD of 42.7% is derived from the *Stout Restricted Stock Study Companion Guide (2024 edition)* published by Stout Risius Ross, LLC, a leading and widely respected valuation research firm. The study analysed 779 private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 to June 2023, representing one of the most comprehensive empirical databases available for deriving marketability discounts. Companies were categorised into five quintiles by size, and the 42.7% reflects the median discount observed in the 5th quintile (smallest companies). The Stout study is widely recognised by valuation professionals globally and is frequently cited in court proceedings and regulatory filings.

2. *Appropriateness for the Target Company*

The application of the 5th quintile discount is justified by the Target Company's size, with annual revenue of approximately RMB109 million, total assets of approximately RMB47 million, and net assets of approximately RMB19 million. Smaller companies inherently attract higher marketability discounts due to a limited pool of potential buyers, greater financing difficulties, higher perceived risk, limited publicly available information, and proportionally higher transaction costs.

3. *Conservative approach*

The adoption of a higher LoMD results in a more conservative valuation for prudence's sake in the interests of the Company and its Shareholders. The Board is satisfied that the 42.7% LoMD appropriately reflects the genuine marketability constraints associated with holding a minority interest in a small private company, as well as the risks associated with any potential economic downturn and underperformance of the Target Company, thereby providing an additional margin of safety for the Company and the Shareholders.

Based on the above, the Board is of the view that the LoMD of 42.7% adopted by the Valuer is fair and reasonable.

DETAILS OF THE CONDITIONS

Completion is subject to and conditional upon the satisfaction or waiver (if applicable) of, among others, that the warranties to be given under the Sale and Purchase Agreement from the date of the Sale and Purchase Agreement to the Completion Date remaining true and accurate and not misleading in all material respects and the obtaining of a valuation report (in the form and substance satisfactory to the Purchaser) from a firm of independent professional valuers appointed by the Purchaser with the valuation of 49% equity interest of the Target Company of not less than RMB19,600,000.

As set out in the Sale and Purchase Agreement, certain warranties are given by the Vendor to the Purchaser in relation to, among other things, the ownership of the Sale Equity Interest, the corporate information of the members of the Target Group, the books and records of the Target Group, the taxation status of the Target Group, the authorisation of the Vendor in entering into the Sale and Purchase Agreement, the litigation, winding-up and insolvency of the Target Group, events of the Target Group after the reporting date of the management account, accuracy of information in the Sale and Purchase Agreement, business operations and indebtedness of the Target Group and legal compliance, contractual obligations and responsibilities and properties of the Target Group. These warranties shall remain true and accurate and not misleading in all respects from the date of the Sale and Purchase Agreement to the Completion Date as a condition to Completion.

Furthermore, Completion shall be conditional on the obtaining of the valuation report from the Valuer with the valuation of the Sale Equity Interest being not less than RMB19,600,000. The valuation has been obtained by the Purchaser, the details of which are set out in the Announcement and the section headed "The valuation of the Target Group" in this announcement above. As at the date of this announcement, this condition has been fulfilled.

This announcement is supplemental to, and should be read in conjunction with, the Announcement. The above additional information does not affect other details and content set forth in the Announcement. Save as disclosed herein, all other contents of the Announcement remain unchanged and continue to be valid for all purposes.

By order of the Board
China Frontier Technology Group
Ren Song
Chairlady and Executive Director

Hong Kong, 14 May 2026

As at the date of this announcement, the executive Directors of the Company are Ms. Ren Song, Ms. Zhang Panpan and Ms. Zhang Yingzhao; and the independent non-executive Directors of the Company are Ms. Leung Hiu Man, Ms. Gao Wenjuan and Ms. Peng Xiaoliu.

** for identification purposes only*