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01661.HK

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 CHANGE OF AUDITOR

Reference is made to the announcement of China Frontier Technology Group (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 18 December 2025 and 27 January 2026 in relation to the change of auditor (the “**Announcements**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

The board (the “**Board**”) wishes to provide further information regarding the change of auditor.

BACKGROUND AND PROFESSIONAL RISK CONSIDERATIONS

Infinity CPA Limited (“**Infinity**”) indicated that its resignation was due to professional risk associated with the audit.

The professional risk referred to the audit risk assessment related to the increased audit workload and additional audit procedures arising from the introduction of a new business segment during the financial year ending 31 December 2025, namely the trading of functional materials business. Such professional risk primarily related to (i) the additional audit procedures required in respect of the new business segment and other audit areas, which increased the overall audit workload and required careful planning and execution within the reporting timetable; and (ii) Infinity’s assessment that, given the scope of work required, it did not have sufficient internal capacity or enough supervision to accept the engagement at the proposed audit fee level.

These factors relate to audit workload, resource allocation and fee considerations and do not indicate any issues with the Group’s financial reporting.

The Board confirms that there are no other matters in connection with Infinity’s resignation that need to be brought to the attention of the shareholders.

AUDIT FEE, RESOURCES AND AUDIT APPROACH

Audit Fee

The audit fee agreed with Prism Hong Kong Limited (“**Prism**”) is considered to be commensurate with the audit effort required, having regard to the scope of audit work, the Group’s structure and complexity, and the audit resources and hours required, having regard to the change in business scope arising from the trading of functional materials business, the proposed audit resources and hours, and Prism’s resource deployment approach. The Audit Committee is satisfied that there will be no compromise on audit quality.

Resources Allocation

The proposed audit resources, audit hours and audit coverage are broadly comparable to those previously proposed by Infinity. The audit for the financial year ending 31 December 2025 represents a first-year audit engagement, which generally involves additional audit procedures, including work on opening balances and gaining an understanding of the Group’s operations and internal controls.

The Audit Committee has assessed the proposed audit resources and working hours taking into account the following:

(i) first-year audit considerations

Prism has confirmed that the incremental workload for first-year audit procedures will be absorbed through efficiency gains from its risk-oriented audit methodology rather than through additional chargeable hours, and has demonstrated in its audit plan how first-year requirements will be integrated into its risk-based approach without compromising audit quality;

(ii) operational efficiency and risk-oriented audit methodology

Prism’s operational efficiency and risk-oriented audit methodology, which directs audit efforts to areas with higher risk of material misstatement and facilitates more effective deployment of audit resources;

(iii) proposed audit resources and staffing structure

Prism will assign both Hong Kong and Mainland China staff to handle the audit work. The Audit Committee considered this conducive to the efficient deployment of audit resources and a lower overall charge rate. Majority of the planned work hours will be performed by Mainland China audit staff responsible for substantive audit procedures and fieldwork execution.

The engagement team comprises personnel with appropriate professional qualifications and relevant audit experience for their respective roles and responsibilities. Infinity's proposed charged audit hours for the previous financial year were approximately 1,200 hours, which is similar to Prism's. The proposed audit hours for the audit engagement are shown below:

| | Prism | Infinity |
|-------------------------------|---|---|
| Audit Fee | HKD\$750,000 | HKD\$850,000 |
| By seniority of staff members | <ul style="list-style-type: none"> • Partner: HKD253,000 (34%) • Manager: HKD313,000 (42%) • Senior: HKD103,000 (14%) • Audit staff/assistants: HKD82,500 (11%) | <ul style="list-style-type: none"> • Partner: HKD289,000 (34%) • Manager: HKD357,000 (42%) • Senior: HKD119,000 (14%) • Audit staff/assistants: HKD93,500 (11%) |
| By charging hours | <ul style="list-style-type: none"> • Partner: 80 Hours (7%) • Manager: 325 Hours (26%) • Senior: 360 Hours (29%) • Audit staff/assistants: 480 Hours (39%) | <ul style="list-style-type: none"> • Partner: 80 Hours (7%) • Manager: 280 Hours (23%) • Senior: 360 Hours (30%) • Audit staff/assistants: 480 Hours (40%) |
| By geographical locations | <ul style="list-style-type: none"> • Hong Kong operations: HKD150,000 (20%) • PRC operations: HKD600,000 (80%) | <ul style="list-style-type: none"> • Hong Kong operations: HKD170,000 (20%) • PRC operations: HKD680,000 (80%) |
| By business segments | <ul style="list-style-type: none"> • Event services and marketing segment: HKD300,000 (40%) • Sports services segment: HKD150,000 (20%) • Trading segment: HKD300,000 (40%) | <ul style="list-style-type: none"> • Event services and marketing segment: HKD340,000 (40%) • Sports services segment: HKD170,000 (20%) • Trading segment: HKD340,000 (40%) |

(iv) *industry experience*

Prism's experience in auditing Hong Kong listed companies engaged in trading related business operations, including businesses involving functional materials, which the Audit Committee considered relevant in light of the Group's change in business scope arising from the trading of functional materials business. Also, Prism has extensive experience auditing similar trading businesses for other listed clients, including ETHK Labs Inc. (1931.HK) and Rare Earth Magnesium Technology Group Holdings Limited (601.HK), enabling it to leverage existing knowledge and methodologies;

(v) *audit procedures and audit effort*

The Audit Committee has also considered the additional audit procedures and audit effort required in respect of the Group's change in business scope arising from the trading of functional materials business, as well as the scope of audit work and identified risk areas.

Having regard to the above factors, the Audit Committee considered the proposed audit hours, staffing structure and resource deployment approach to be appropriate. The difference between the audit fee proposed by Infinity and that agreed with Prism is attributable to differences in operational efficiency and resource deployment, rather than any reduction in audit procedures, audit coverage or audit quality.

Market competition and commercial considerations have also been taken into account, and no component auditor will be arranged by Prism.

Audit Approach

Prism has proposed a risk-oriented audit methodology, with emphasis on risk assessment, audit planning and ongoing monitoring throughout the audit process. Its audit approach focuses on early identification of key risk areas and structured audit planning, which facilitates appropriate allocation of audit resources having regard to the nature and complexity of the Group's operations. Prism has also proposed a detailed audit timetable, including risk assessment procedures, testing of internal controls and substantive audit procedures, to ensure that all necessary audit work is properly planned and executed within the reporting timeline. For the first-year audit, Prism adopts a phased approach with early planning and coordinated execution of audit procedures, which assists in timely identification of key issues during the audit process. The additional workload arising from the first-year audit and the new business segment will therefore be addressed through targeted audit procedures and focused allocation of audit resources, rather than through a proportional increase in audit hours.

The proposed audit resources and audit hours are sufficient having regard to the scope of audit work and the audit requirements, and there will be no compromise on audit quality.

Audit Committee Due Diligence

In performing its due diligence, the Audit Committee has taken the following steps: (i) strengthening oversight and requiring supporting evidence, including obtaining and reviewing the engagement letter and a detailed audit plan showing scope, timing, staffing by workstream and how first-year procedures will be addressed; (ii) verifying staffing, competence and

supervision, including requiring a staffing matrix demonstrating experience and requesting evidence of relevant experience and clear review and sign-off arrangements; (iii) reviewing audit methodology, reporting and contingency safeguards, including documentation of Prism's risk-oriented methodology, use of data analytics and criteria for reliance on controls; (iv) documenting the Audit Committee's due diligence, including maintaining written records of auditor responses and the rationale for accepting the fee; and (v) obtaining the resumes from the partners, including CVs showing years of audit experience, relevant industry experience, prior public-company audit engagements, and examples of leading audits of similar size and complexity. Public search to verify professional qualifications: perform a public search on the HKICPA website and the AFRC website to verify the partners' professional qualifications and licenses. Background search via external references or past inspection reports: search regulator inspection reports, disciplinary histories, or other third-party evidence concerning the firm and partners. The Audit Committee noted that the engagement will be led by experienced audit partners with over 15 years of audit and related experience, including audits of Hong Kong listed companies and cross-border engagements. The proposed engagement team possesses relevant industry experience and technical expertise. The Audit Committee has also acknowledged that the engagement partner and EQCR assigned to the Company's audit are duly qualified and meet the relevant regulatory and professional requirements. In addition, the Audit Committee has confirmed that the personnel involved in the incidents referred to in the Press Release will not participate in the Company's audit engagement.

The Audit Committee is satisfied with Prism's competence, independence and objectivity.

The Audit Committee has also considered communication and interaction during the auditor selection process, including responsiveness and clarity, as well as internal quality control and monitoring procedures, including engagement acceptance, review and supervision processes.

APPOINTMENT OF PRISM AS AUDITOR

In considering the appointment of Prism as auditor of the Company, the Audit Committee has performed due diligence procedures and has taken into account the factors set out in the Guidelines for Effective Audit Committees issued by the Accounting and Financial Reporting Council.

The Audit Committee has assessed the qualifications, experience and technical competence of the engagement team, including audit partners with over 10 years of audit and related experience and senior team members with over 8 years of relevant experience, and has considered Prism's experience in audits of Hong Kong listed companies and its industry knowledge relevant to the Group's operations.

The Audit Committee has also reviewed the proposed audit approach, audit methodology, resource allocation and ability to address the Group's specific audit requirements, particularly in relation to the first-year audit and the newly commenced trading business segment.

The Audit Committee considers that Prism is independent, competent and capable of performing a high-quality audit.

CONSIDERATIONS ON REGULATORY MATTERS OF PRISM

Relevant regulatory information relating to Prism has been taken into account, including the AFRC press release dated 11 September 2025, the AFRC press release dated 5 March 2026 and the latest available inspection findings.

Press release dated 11 September 2025

In light of the AFRC press release dated 11 September 2025, the matters relate to administrative non-compliance with certain registration requirements, no findings of dishonesty or intentional misconduct were involved, and remedial measures have been implemented to address the identified issues, including enhancement of internal procedures, strengthened supervision, targeted training for engagement personnel, enhanced registration workflows, tighter supervision, and targeted training for core engagement members to ensure correct qualification checks during client acceptance.

In assessing Prism's suitability, the Audit Committee has also considered its experience in auditing Hong Kong listed companies, the qualifications and experience of the proposed engagement team, and the resources available to support the audit engagement.

The Audit Committee considers that the matters referred to in the Press Release are historical in nature and do not relate to audit quality or integrity issues.

In addition, the Audit Committee has assessed Prism against the factors set out in paragraph 2.2.4 of the Guidelines for Effective Audit Committees, including (i) governance and leadership, (ii) compliance with relevant ethical requirements, (iii) industry knowledge and technical competence, (iv) engagement performance, (v) communication and interaction, and (vi) monitoring processes.

In assessing Prism's suitability, the Audit Committee also considered the nature of the matters referred to in the relevant AFRC press releases, including that the matters were administrative in nature, did not involve dishonesty or integrity concerns, and that remedial measures and institutional improvements had been implemented by Prism. The Audit Committee verified that Prism has already undertaken remedial actions, such as improving internal policies and procedures and providing training to staff to ensure future compliance with registration requirements.

The Audit Committee further assessed the qualifications, experience and engagement performance of the proposed engagement partner and engagement quality control reviewer assigned to the audit engagement. Having considered the latest available AFRC inspection findings and the remedial measures implemented by Prism, the Audit Committee remains satisfied that the proposed engagement team is suitable and capable of performing a high-quality audit for the Company.

The Audit Committee is satisfied that Prism is independent, competent and capable of acting as the auditor of the Company.

Press release dated 5 March 2026

In light of the AFRC press release dated 5 March 2026, the matters relate to anti-money laundering compliance, are administrative in nature, no findings of dishonesty or intentional misconduct were involved, and remedial measures have been implemented. Having considered the background of the sanction and the subsequent remedial actions taken by Prism, both the Board and the Audit Committee are of the view that the sanction does not negatively affect the suitability of Prism to be appointed as the Company's auditor.

The Board and the Audit Committee noted that the relevant breaches identified by the AFRC were historical in nature and arose during the course of taking up engagements prior to or during the 2023 inspection. As noted in the AFRC's disciplinary decision, the matters relate to anti-money laundering compliance and are administrative in nature, and there was no finding of intentional, dishonest or deliberate misconduct.

The Board and the Audit Committee noted that Prism took remedial actions upon identification of the weaknesses, including engaging an independent external reviewer to conduct a comprehensive Anti-Money Laundering (AML) compliance review and enhancing its internal policies and procedures.

Since the 2023 inspection, Prism has strengthened its internal control and compliance measures, including:

- establishment of a quality assurance function and implementation of acceptance procedures;
- enhancement of risk assessment and approval processes; and
- implementation of ongoing monitoring arrangements.

The Board and the Audit Committee consider that the sanction does not impair Prism's suitability to act as the auditor of the Company.

Assessment on the capability of Prism

The Audit Committee assessed Prism against the Guidelines for effective audit committees (paras 2.2.4 & 2.2.21), considering:

- **Governance and leadership:** Proposed engagement leaders – Alan Lee (Engagement Partner), Roy Kyaw (Co-Engagement Partner) and Stephen Fan (Quality Control Partner) – have 15+ years' experience and provide a unified, risk-based leadership and documented workstream traceability.
- **Ethical compliance:** Prism maintains independence policies aligned with the HKICPA Code of Ethics, annual confirmations, a restricted-entity list, periodic internal inspections, and ongoing CPD. AFRC inspections of PIE engagements were completed in October 2025; Prism also performs an extra technical partner review on new engagements.

- Industry knowledge and technical competence: Prism is a Hong Kong firm with 150+ professionals, audits 70+ listed companies, and proposes an engagement team experienced in fair value and ECL matters; independent valuation specialists will be engaged as needed.
- Engagement performance: Audit quality is assessed as satisfactory based on Audit Committee communications and the AFRC outcome.
- Communication: Prism has shown proactive and constructive engagement with the Audit Committee.
- Monitoring: Prism has a quality assurance function, documented acceptance procedures, and SOQM partner approval for engagements; processes align with HKICPA AML/CTF guidance and permit reassessment when client circumstances change.
- Corroborative Evidence of Improved Audit Quality: Subsequent to the Audit Committee's initial assessment and appointment of Prism, the Audit Committee has remained vigilant in monitoring the firm's regulatory standing. The Audit Committee has recently noted that Prism successfully underwent its annual inspection by the AFRC, which resulted in a satisfactory rating with no significant findings. While this inspection was received after the initial acceptance stage, the Audit Committee considers it pivotal corroborative evidence that confirms the effectiveness of the remedial actions and internal control enhancements previously claimed by Prism. This independent validation by the AFRC directly supports the Audit Committee's view that Prism is not only administratively compliant but also technically competent and capable of performing a high-quality audit for the Company. Therefore, the Audit Committee maintains that the past administrative noncompliance noted in the Press Release does not impair Prism's suitability as the Company's auditor.

The Audit Committee is of the view that, having regard to the remedial actions taken and the current control environment, Prism remains capable of performing a high-quality audit. Based on the above, the Audit Committee is satisfied that Prism is capable of acting as the auditor of the Company.

The Board and the Audit Committee have carefully assessed the disciplinary decision issued by the Accounting and Financial Reporting Council (AFRC) against Prism on 5 March 2026. Having considered the background of the sanction and the subsequent remedial actions taken by Prism, both the Board and the Audit Committee are of the view that the Sanction does not negatively affect the suitability of Prism to be appointed as the Company's auditor. Our detailed assessment is set out below:

The Board and the Audit Committee noted that while the sanction was published in March 2026, the relevant breaches identified by the AFRC were historical in nature. The incidents occurred during the course of taking up engagements prior to or during the 2023 inspection – three years ago. These historical oversights do not reflect the current operational standards and compliance framework of Prism. As noted in the AFRC's disciplinary decision, the frequency, duration, and impact of the misconduct were relatively limited. Furthermore, the AFRC explicitly acknowledged that upon identification of the weaknesses in 2023, Prism took prompt remedial actions, including engaging an independent external reviewer to conduct a comprehensive Anti-Money Laundering (AML) compliance review. Prism fully admitted the wrongdoing, cooperated entirely with the AFRC, and demonstrated a strong commitment to rectifying the historical control weaknesses.

Since the 2023 inspection, Prism has fundamentally upgraded its internal controls and compliance measures to prevent recurrence. Today, Prism operates under a highly improved and structured framework:

- Establishment of a Dedicated QA Department: Prism has established a robust quality assurance department and implemented strict acceptance procedures for onboarding new clients and sustaining existing relationships.
- Strict Adherence to AML Guidelines: The firm's current procedures are strictly in accordance with applicable independence and risk assessment requirements, specifically HKICPA Guidelines on Anti-Money Laundering and Counter-Terrorist Financing.
- Enhanced Risk Assessment & SOQM Approval: Before any engagement is initiated, the engagement team must rigorously evaluate potential threats. Engagements must pass through standard risk and quality control processes, requiring final authorisation from the System of Quality Management (SOQM) partner.
- Ongoing Monitoring: Any changes in a client's circumstances or regulatory environment now prompt an immediate reassessment of independence and risk, with escalation to relevant governance bodies if necessary. Following an AFRC inspection review conducted in late 2025, the inspection results indicated that there were no longer any findings related to AML compliance. This demonstrates that Prism has successfully fully rectified the historical control weaknesses that led to the Sanction.

The recent AFRC inspection status and Prism's newly documented governance and risk management processes indicate that Prism now possesses a highly structured and effective monitoring framework to ensure ongoing compliance and quality. Because the Sanction relates to isolated events from three years ago (2023) and Prism has since successfully implemented extensive, externally-reviewed corrective measures, the Board and the Audit Committee are satisfied with Prism's current quality management systems. Therefore, the Board and the Audit Committee conclude that the Sanction does not impair Prism's suitability to act as the auditor of the Company, and it is in the interests of the Company and its shareholders to proceed with their appointment.

In light of the above, these matters do not affect Prism's current capability to perform a high-quality audit, and Prism remains suitable to act as the auditor of the Company. All other information contained in the Announcements remain unchanged and continues to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcements.

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

Hong Kong, 4 June 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.