

Niks Professional Ltd.
(Incorporated in the Republic of Singapore)
(Company Registration Number 199804609D)
(the “Company”)

RESPONSE TO QUESTIONS FROM SHAREHOLDERS ON ANNUAL REPORT 2024

The Board of Directors (the “Board”) of Niks Professional Ltd. (the “Company” or “NPL” and, together with its subsidiaries, the “Group”) wishes to announce that the Company had, as at 5.00 p.m. of 15 April 2025, received questions from shareholders relating to resolutions to be tabled at the annual general meeting to be held on 23 April 2025 and the Company’s annual report for the financial year ended 31 December 2024 (“FY2024”) (“Annual Report 2024”). Relevant and substantial questions are extracted and the Company’s responses are set out below.

Question 1:

- a) **Niks Maple North Clinic, in Yishun Central, makes it more convenient for patients from the northern region of Singapore and Johor Bahru (JB) in Malaysia to visit us. (AR2024 pg2). On the other hand, some have views that services/treatments in JB may be at more attractive price points, resulting in the patients’ flow from Singapore to JB once the RTS Link between Singapore and JB is operational. Can management share why it is appealing for patients from JB to come to SG (Niks Maple North Clinic) instead of the other way around?**

Our medical services and products are unique, non-commoditised and currently not available in JB. Over the past two decades, we have built our branding and reputation, which cannot be easily replicated by others, and have established a small but significant following in Malaysia. Our products are developed under our own brand, not third-party products readily available in Malaysia.

- b) **Note that the number of employees increased mainly due to the opening of a new clinic in Singapore. One new doctor was hired. Is the new doctor also required to put in a convertible loan like the earlier doctors?**

No convertible loan agreement was entered into between the Company and the new doctor. The initial arrangement was intended to allow the earlier doctors to participate in the IPO. By way of an update, the new doctor has resigned and left the Group on 30 March 2025. The remaining doctors have adjusted their rosters to allow the new clinic to remain operational, while the Group actively searches for a replacement.

Question 2:

Note that there is impairment on inventory in FY2023 (85K) and in FY2024 (43K). Are these expired products? Or failed products in new launches? These products are developed under our own house brand? Or are these third-party brand products which we sell through our clinics & HQ/online?

The allowance for impairment on inventories recognised in FY2024 and FY2023 mainly pertained to slow-moving NIKS skincare products. Further details can be found under Note 18 of the audited financial statements in the Annual Report 2024. A minimal amount of the allowance pertained to expired products.

Please also refer to our response to Q1(iii) of the separate announcement titled “Response to Queries from SIAS” for further details on how the Group manages its inventories.

Question 3:

- a) About the clinics and shop salons - What are the most popular medical treatments and salon services respectively?**

The common conditions treated at Niks Professional include acne, eczema and pigmentation issues. Our salons offer therapeutic facial services, with moisture surge hydrating treatment and scar fading treatments among the more popular choices.

- b) Excluding the sales of products in the salon shops, have the shop salons’ services always been profitable?**

Typically, our salons have been profitable from their second year of operation, except during the brief period during COVID-19 when personal services were banned.

- c) On pg7 of AR2024, NPL elaborated about the new channels and service offerings. What about NPL products’ pipeline for this year and next? Does NPL have plans to introduce beauty devices e.g. LED Light Therapy Face Mask?**

The Executive Directors of the Company stay informed about developments in skincare ingredients and industry trends and regularly engage with our doctors, beauticians, patients and customers to gain insights into market demands and customer expectations. When unmet demands are identified, we work with our contract manufacturers to develop new skincare products to address these gaps. We are continually seeking to introduce new beauty devices that are efficacious, profitable and aligned with our medically-oriented branding. Most recently, we equipped our salons with Tricopat machines to address hair thinning concerns of our customers, thereby expanding our suite of service offerings.

- d) The PRC’s Gen Z accounts for the highest percentage among the Aesthetic Medicine consumer market (IPO prospectus pg H-46). Does NPL have plans to refresh the products’ packaging to make it more up-to-date with the latest trends to better appeal to the Singapore/China consumers (including the Gen Z)?**

In designing and choosing the packaging of our skincare products, the Company focuses on ease of use and fitness for purpose, eschewing excessive packaging that is environmentally unfriendly. Over the years, our products (including their packaging) have garnered goodwill and become distinctive and recognisable, including in China.

Nevertheless, the Company does review the look and feel of product packaging from time to time. We have just launched a new shampoo line targeting scalp concerns, featuring a new packaging concept.

- e) The suite of NPL's skincare products are jointly developed by Dr Ong with overseas laboratories/ manufacturers (IPO prospectus pg113). Are there plans to form research collaboration with A*STAR or Singapore agencies to develop skin condition drugs (<https://www.facebook.com/techinasia/videos/the-role-astar-played-in-hyphens-pharmas-transformation-journey/159192666049507/>)?

A*STAR's cutting-edge work in this space which are focused on the pharmaceutical industry and is comparatively different from the industry the Company is in. For non-pharmaceutical, medical skincare work, we are currently working with long-established partners in USA. The Executive Directors follow relevant A*STAR discoveries with great interest and shall welcome the privilege of working with them or other Singapore agencies should the opportunity arise.

- f) Are there plans to work with hospitals in the area of new mums e.g. KK Women's and Children's Hospital or confinement centres services provider? (<https://www.straitstimes.com/life/pampering-new-mums-luxury-confinement-centre-opens-in-singapore>). This could potentially enable NPL to build brand awareness/loyalty at an early stage just like the place Milo (drink) has in Singaporeans.

The Company has attempted to work with hospitals in the area of new mums previously and success was limited. We will continue to look out for similar opportunities.

- g) Are there plans to tie-up with educational institutions to offer internships or sponsor student (e.g. from Business / Marketing courses) projects to create viral marketing campaigns for NPL's products?

While we do not offer internship programmes, students who believe that we can contribute and value add to their learning journey are welcome to reach out for a conversation. After our listing on SGX, we have also been invited to speak at investment forums and dialogues organised by student bodies from tertiary institutions. We view these engagements as meaningful opportunities to give back to the community and support the next generation of professionals.

We are in the process of reviewing our marketing efforts to strengthen our digital marketing capabilities with the help of external advisors.

Question 4:

On the long-term vision of NPL:

- a) Other than Singapore and China, is NPL looking into expanding to other markets?

The Company's near-term focus is on the existing markets – Singapore and China – where management sees more growth opportunities. We are also looking at ways to tap into the Malaysia market without incurring substantial capital commitment while minimising the Group's exposure to unnecessary risks.

- b) Does NPL participate in SBF events (<https://globalconnect.sbf.org.sg/>)?

The Company takes part in trade fairs and business missions supported by trade associations and Enterprise Singapore where relevant.

- c) Does NPL tap on Enterprise Singapore (ESG) to facilitate its growth plans (<https://www.enterprisesg.gov.sg/financial-support>) e.g. Scale-Up program that some other SGX listed companies had participated in? (<https://www.enterprisesg.gov.sg/grow-your-business/boost-capabilities/growth-and-transformation/scale-up>)

Management regularly monitors Enterprise Singapore's updates on government grants that are relevant to the Company. Over the past few financial years, the Company has benefited from several grants administered by Enterprise Singapore, including the Enterprise Development Grant, Productivity Solutions Grant, Energy Efficiency Grant and Market Readiness Grant.

Question 5:

Noted Chairman's speech that mentioned expansion into China as well as growing contributions from China sales. Do we have any headcount increase in the Shanghai Office? The Regional Agents are not employees but earned commission?

During FY2024, the only increase in headcount in our Shanghai office (i.e. Niks Professional (Shanghai) Co., Limited) was related to the hiring of a Deputy General Manager (Sales and Marketing).

NIKS skincare products are sold at a discount from retail prices to regional agents, who in turn distributes our products to hospitals, clinics and beauty salons.

Question 6:

To help shareholders understand more about the China business model

- a) **What is the role of the regional agents, e.g. are these agents the same as distributors? who are the end customers of the agents e.g. end consumers or entities like medical groups? does the China business model look something like: "medical groups, beauty salons, doctors, etc ← NPSCS → regional agents"?**

The Group typically appoints an agent or distributor in each province and province-level city in China who have experience in selling medicines or medical equipment to hospitals and medical centres in their localities and have branched into medical skincare products in recent years. They purchase products from the Group's China office at a discount from retail prices and sell them to hospitals, clinics, salons and individual doctors in their localities using their established local networks.

- b) **How does NPL ensure there is no excessive overstocking by the agents which may create a sense of "artificial demand" for the products?**

Our Shanghai office monitors purchases by regional agents closely, not just with actual demand in mind, but also to minimise the risk of them secretly selling the products online below retail prices.

- c) **How did NPL find these China agents e.g. through engaging professional 3rd parties? Does NPL have plans to tap on Enterprise Singapore (ESG)'s help to find more agents?**

The Group has a fully-staffed subsidiary in Shanghai responsible for, among others, sales and marketing. Our Shanghai office participates in relevant conferences and trade fairs frequented by industry players who could potentially become our regional agents and act as intermediaries to distribute the Group's skincare products.

- d) **Given that NPL' products are sold via regional agents, medical groups, beauty salons, doctors as well as directly to consumers, does this strategy lead to sales/channel cannibalization or conflicts between the different sales channels?**

A multi-channel strategy is common and necessary for this space in China. Some cannibalisation may be present, while conflicts are managed by price harmonisation measures.

Question 7:

With the tariff imposed by the US on China (125%), will there be an impact on our China market directly or indirectly?

The Group does not source any product originating from China. However, certain products are manufactured in the US and imported into China, making them subject to prevailing import tariffs imposed by China on US goods. Due to the high tariffs, the Group has temporarily suspended exports of US-manufactured products to China. Our Shanghai office currently holds sufficient stocks of these US-manufactured products to meet customer demand for a comfortable period of time. We are closely monitoring the volatile situation and will consider other measures to mitigate any potential impact on our China operations where necessary.

Question 8:

- a) **Which countries are NPL's products manufactured in?**

NIKS skincare products are manufactured in USA, Spain and South Korea.

- b) **Does NPL have contingency plans to mitigate any potential supply chain disruptions due to global trade tensions?**

The Group is acutely aware of the risks of supply chain disruptions and has implemented mitigation measures accordingly. These measures have been tested during the COVID-19 pandemic and we continue to refine them in response to ongoing global trade tensions.

Question 9:

- a) **Given that China is a competitive market where established companies like Sephora have encountered challenges (<https://jingdaily.com/posts/global-beauty-giants-stumble-as-chinese-brands-surge>), can NPL share with shareholders what is the competitive advantage of NPL products versus the many competitors (both local and global) in China?**

The Group does not compete in the general mass skincare markets in China, where the likes of Sephora are active. It competes in the niche medical skincare market, where the competitive landscape is less saturated as compared to the general mass market. NIKS skincare products have been present in China for 15 years, during which our Executive Directors have established close relationship with many leading dermatologists in China. Furthermore, our products benefit from good brand recognition among medical skincare users in China.

- b) **What are the price points of NPL products vs competitors? There are reports of consumption downgrade in China, how significantly does it affect NPL product sales? (<https://asia.nikkei.com/Economy/Most-Chinese-feel-an-uneasy-consumption-downgrade-survey>)**

The niche medical skincare market in China tends to attract consumers from the higher income brackets. Barring a substantially more severe economic downturn in China, we do not expect a substantial impact on demand for the Group's products in the near term.

- c) **How many SKUs have already been registered and approved in China? Are these registered on <https://www.mofcom.gov.cn/> under Niks Professional (Shanghai) Company Limited (閔膚貿易(上海)有限公司)? How many SKU are currently pending approval in China?**

60 of our SKUs are registered with the National Medical Products Administration of China. These are registered in both of the name of Niks Professional Ltd. (as brand owner) and of Niks Professional (Shanghai) Co., Limited (as local responsible party). No product is currently pending registration.

- d) **What is the top selling SKU in China?**

Intensive Barrier Repair Cream.

- e) **How does the sales of NPL products in China compare to that of the Singapore market, since 2008? Which is the more challenging market and which market offers more growth potential?**

During FY2024 and FY2023, product sales in China made up approximately 20% of total product sales. Please refer to Note 4E and Note 5 of FY2024 financial statements (Page 114 and 115 of Annual Report 2024) for China sales figures (relates to products sales) and total product sales figures respectively.

China is the more challenging and promising market.

- f) **What is the highest ever (since 2008) revenue from the China market? Excluding Forex, what is the profitability of the China segment? Since inception, has the China segment ever been unprofitable in a financial year?**

The Group recorded its highest China sales of S\$2.3 million during FY2020.

During FY2024, the gross profit margin and net profit margin of our China segment are approximately 47% and 19% respectively. At the company level, our China subsidiary, Niks Professional (Shanghai) Co., Limited, has been profitable since 2017.

- g) **Which China province has the highest sales in FY2024?**

Henan Province.

Question 10:

- a) During FY2024, the Group participated in 4 trade fairs including 19th Annual Meeting of China Dermatologist Association, etc (AR2024 pg. 20). Are there plans for NPL to participate in the China International Import Expo (<https://members.sbf.org.sg/China-International-Import-Expo-CIIE-2025>) or collaborate with the Chinese Medical Association 中华医学会 (<https://www.cma.org.cn/>) e.g. Dermatology area or international trade fairs?

Unlike general trade fairs like the China International Import Expo, which showcase a broad spectrum of businesses, the Group's participation in dermatology and skincare-focused trade fairs allows us to present our products directly to a targeted audience — including skincare product distributors, dermatologists, physicians, and beauty professionals.

- b) Other than influencers, medical skin experts in the PRC have also caught on the social media wave. Dermatology accounts with more than a million followers on Douyin....., it is predicted that brands would cooperate with Patient Opinion Leaders to increase knowledge in place of directly selling the goods.”. (IPO Prospectus pg. H-47). Is NPL working with any Key Opinion Leader (KOL), experts, influencers to promote its products in China?

Please refer to response below.

NPL plans to further enhance its presence on social media and e-commerce platforms, while deepening engagement with new and the younger consumers in Singapore and China. (AR2024 pg3). Are there plans to go into livestreaming commerce which seems to be very popular in China? (<https://www.cnbc.com/2023/12/11/chinas-livestream-shopping-booms-fueling-new-tech-like-avatars-and-ai.html>)

Unlike mass and general skincare products, the impact of influencers and live streaming on the sale of medical skincare products is limited. Qualified professionals (i.e. doctors) are generally reluctant to participate in such activities, while less qualified individuals may lack credibility and could even face regulatory fines and sanctions from the authorities. Instead, in response to the ongoing shift in consumer preference from text-based content to video content, we are working on product videos to enhance awareness of our products in China on platforms such as Rednote.

- c) Does NPL intend to explore the potential to tap on its China regional network to distribute other Medical Aesthetic treatments products like injectables which are popular in China? (<https://www.kedglobal.com/bio-pharma/newsView/ked202404290010>; <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/consulting/deloitte-cn-consulting-dtt-china-medical-aesthetic-industry-outlook-2024-en-240624.pdf>; <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/consulting/deloitte-cn-consulting-dtt-china-medical-aesthetic-industry-outlook-2023-en-230520.pdf>)

The Company has no plans to enter the distribution of medical products, such as injectables, in China as this involves compliance with significantly stricter regulations and requires a different sales and marketing approach.

Question 11:

Niks Professional Sdn. Bhd. was incorporated for past business expansion in Malaysia and is currently inactive (AR2024 pg1). Does NPL intend to re-activate the branch in Malaysia once the RTS Link is operational or capture the potential opportunities arising from the upcoming Johor-Singapore Special Economic Zone (JS-SEZ)?

We are exploring opportunities to enter the Malaysia market without incurring substantial capital commitment and exposing the Group to unnecessary risks. We are following the development of the JS-SEZ with interest to assess potential opportunities as they arise.

Question 12:

Would NPL consider holding half-yearly results briefings for shareholders and research analysts?

The Company will consider holding results briefings as our operations expand significantly and as we mature further as a listed entity. In the meantime, the Board of Directors and management of the Company remain committed to ensuring that our half-yearly interim financial statements provide a comprehensive and accurate reflection of the Group's financial performance and position. Additionally, any material transactions or corporate developments that may have a material impact on the price or trade of NPL shares will continue to be promptly disclosed via SGXNet according to Catalist Rules.

BY ORDER OF THE BOARD

Cheng Shoong Tat
Chairman and Chief Executive Officer

17 April 2025

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (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. The contact person for the Sponsor is Ms Charmian Lim (Telephone: (65) 6232 3210), at 1 Robinson Road, #21-01 AIA Tower, Singapore 048542.