

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

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**RESPONSE TO QUERIES FROM SIAS**

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The Company has on 14 April 2025 received queries from the Securities Investors Association (Singapore) (“SIAS”) in relation to the annual report for the financial year ended 31 December 2024 (“FY2024”). The responses are provided below:

**Q1. Would the board/management provide greater clarity on the following operational and financial matters? Specifically:**

- (i) **Clinic expansion: The group has expanded its network to four clinics, with the opening of Niks Maple North Clinic in Yishun Central. How many additional clinics does management plan to open in Singapore over the next 2-3 years? What are the key decision criteria—such as patient volume, physician availability, or catchment demand—used in site selection and expansion planning?**

When setting up new clinics, management considers factors such as proximity to existing clinics, potential patient volume and recruitment of doctors and clinic assistants. The opening of the Company’s 4<sup>th</sup> clinic in Yishun Central has brought about a more comprehensive geographical coverage in Singapore. The Company has no plans to open additional clinics in the next 2 to 3 years, but may reassess should opportunities arise.

- (ii) **Market positioning and brand alignment: What is the group’s target customer profile and market positioning within the dermatology and aesthetic medical services segment? Has management conducted a brand audit or market study to evaluate how well current branding and marketing align with its strategic goals and resonate with its intended audience?**

For our clinic and retail segment, our target customers are individuals with specific skin concerns and customers who seek to improve their skin through the use of medical skincare products and services. Majority of our sales from the headquarters segment are to our regional agents in China, who in turn distribute our products to hospitals, clinics and beauty salons in China.

Our customers are generally well-informed about skincare, which drives our steadfast commitment to being recognised not only for the efficacy of our products and services but also for our ethical practices, in both clinical care and in the way we conduct our business. This is demonstrated by our ongoing and long-term targets to maintain zero incidents of (i) non-compliance concerning the health and safety of our products and services; and (ii) non-compliance concerning product and service information and labelling and market communications, as stated in our sustainability report for FY2024.

Although the Group has not conducted a formal brand audit or market study on our brand, we actively monitor and assess feedback from our interactions with patients, customers and business partners. This ongoing effort allows us to gain insights into market demands and customer expectations, ensuring our branding and marketing align with our strategic goals and resonate with our intended audience.

- (iii) **Skincare product strategy: According to the Chairman's statement, the group offers more than 100 NIKS skincare products. Has the group conducted a SKU rationalisation or contribution margin analysis across its skincare line? What frameworks are in place to evaluate the performance of each product SKU and avoid inventory obsolescence, cannibalisation, or working capital drag?**

NIKS skincare products are manufactured by contract manufacturers, with the cost of goods sold being variable in nature. The gross profit margin for sale of products is about 80% as disclosed in Annual Report 2024.

Product cannibalisation is minimal, as each NIKS skincare products serves a specific purpose and is formulated to complement other NIKS products, as well as the skincare treatments offered in our Niks Maple Clinics and Niks Shop Salons.

The Executive Directors regularly monitor relevant journals, trade materials and attend relevant industry conferences to stay informed about developments in skincare ingredients and trends. Together with insights gained from our doctors' observations and interactions with patients, the Executive Directors periodically review the Company's product range to make informed decisions on whether to retain, enhance or discontinue specific products.

To avoid inventory obsolescence and working capital drag, management regularly reviews inventory movements and adjusts re-order quantities as needed. If the appropriate re-order quantity falls below the minimum order quantity required by the contract manufacturer, or if the purchase price per unit becomes too high, the product may be discontinued.

- Q2. In 2024, the group expanded its presence in China to include Guangdong, Hunan and Anhui provinces. It now operates through regional agents in 16 province-level regions (including Chongqing, Jiangsu and Sichuan) and 1 municipality (Shenzhen).**

- (i) **Can management clarify the roles, responsibilities, and expected investment commitment of a regional agent? What specific infrastructure, customer access, or local networks does each agent bring to the group? What is the typical commercial profile of these agents, and how are they selected, evaluated and managed?**

The Group typically appoints an agent for each province and province-level city in China. They typically had past experience selling medicines or medical equipment to hospitals and medical centres in their localities and have branched into medical skincare products in recent years. The agents 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.

Revenue from China increased by 13% to \$1.79 million. Broadly speaking, the average revenue from each region is approximately \$112,000, although it is noted that several agents were onboarded during the year.

- (ii) **Who are the group's target customers in China, and how does it position its products against both global premium brands and mainstream Chinese competitors? How is the group tailoring any of its product for better market fit with the Chinese consumers?**

The Group's end customers in China are patients and individuals seeking high-quality medical skincare products to relieve various skin issues. The Group does not compete in the general, mass skincare market in China. Instead, it competes in the niche medical skincare market, where the competitive landscape is less saturated compared to the general mass market. A subtle preference for imported products remains within this market.

- (iii) **What is the estimated addressable market size in China for the group's core product categories?**

To the best of the Group's knowledge, there has been no estimate of the size of the medical skincare market in China.

The medical skincare market is a niche segment, characterised by the adoption of medical-grade products, which are formulated with higher concentrations of active ingredients to address specific skin conditions and concerns.

- Q3. For the financial year ended 31 December 2024, the board has proposed a final dividend of 1.0 cents per share, representing 63% of net profit attributable to owners.**

As highlighted in the chairman's statement, the company has committed in its offer document to recommend and distribute dividends of not less than 50% of net profit in FY2023 and not less than 40.0% of net profit for FY2024 to reward shareholders for participating in the group's growth.

- (i) **What are the major capital expenditure plans over the next 18–24 months? Which business units or geographies will account for the bulk of this spend, and what are the expected returns?**

Medical equipment in our clinics in Singapore are updated periodically to keep up with technological advancement and ensure quality treatment for our patients. The addition of medical equipment amounted to S\$0.8 million and S\$0.2 million during FY2024 and FY2023 respectively. Medical equipment usually have a payback period of 3 years and with proper maintenance, can remain operational for 10 years or more.

Other than this, capital expenditure for the next 18-24 months is not expected to be significant.

- (ii) **How active is management in pursuing acquisitions? What are the board's principles for deal sourcing and valuation discipline?**

The Executive Directors engage with their network of relevant contacts regularly and may explore collaboration opportunities through acquisition with potential targets. From time to time, acquisition targets may be recommended to the Group.

Acquisition targets must operate in businesses that are synergistic or complementary to the Group's existing business. Such businesses include the practice of aesthetic doctors and plastic surgeons. Suitable acquisitions and strategic alliances should strengthen the Group's market position and provide access to new services, markets and customers.

While we understand and appreciate SIAS's queries on mergers and acquisitions, we are focused on opportunities that can add real value to the Group and we are disciplined in ensuring that our decisions will not be clouded by market sentiments alone. In addition to considering the deal's financial aspects, it is essential to assess factors such as positioning fit, target's motivation, age of anchor doctor, amongst others to wholistically assess the suitability of potential targets.

**(iii) Can the board provide greater clarity on its ability and commitment to distribute dividends to shareholders going forward? Does the board maintain a structured capital allocation framework to balance dividends, reinvestment, and acquisitions?**

The Group does not have a fixed dividend policy or a formal structured capital allocation framework. The frequency and amount of dividend is dependent on factors disclosed under Provision 11.6 of the Company's Corporate Governance Report (Page 76 of Annual Report 2024). Barring unforeseen circumstance, the Group intends to continue paying dividend as long as there are profits.

BY ORDER OF THE BOARD

Cheng Shoong Tat  
Chairman and Chief Executive Officer

17 April 2025

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*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.*