

Date 28 November 2022

Subject Discussion and Analysis of the Company's Performance for the Interim Financial Reporting
For the Nine-Month Period Ended 30 September 2022

To President
The Stock Exchange of Thailand

Enclosures Management Discussion and Analysis of the Company's Performance for the Interim
Financial Reporting for the Nine-Month Period Ended 30 September 2022 in Thai and
English, one copy each

Aurora Design Public Company Limited (the "Company") would like to submit the Interim Financial Reporting for the Nine-Month Period Ended 30 September 2022 which were reviewed by certified public accountants to the Stock Exchange of Thailand.

For the Company's performance for the Interim Financial Reporting for the Nine-Month Period Ended 30 September 2022, it had a net profit of 495.53 million baht. In the regard, the Company would like to explain the reasons for its performance for the Nine-Month Period Ended 30 September 2022, details which appear as attached.

Please be informed accordingly

Respectfully yours,

Mr. Yosarun Wannaphan

Senior Vice President Finance and Account

**Management Discussion and Analysis of the Company’s Performance for
the Nine-Month Period Ended 30 September 2022
Aurora Design Public Company Limited**

1. Business Overview

The Company dedicates to become a leader in one-stop service business relating to gold ornaments and jewelries by operating a retail business of gold ornaments, diamond and gemstone jewelries and gold gifts as its main business. The Company has also expanded its operation to a relating business, i.e. the sale with the right of redemption business for gold, to open up an opportunity for income growth and diversification of business risks.

Gold Prices According to the Gold Traders Association (Thai Baht per 1 Baht Gold)



Notes: Gold ornaments selling price according to the announcement of the Gold Traders Association from 1 January 2019 – 30 September 2022

The Company manages the risk of gold price fluctuations and the inventory by closing its net selling or buying position at the end of each day as the case may be as follows:

- (1) In case of buying gold more than selling gold resulting in a net buying position, the Company manages the risk by selling gold bar to close the buying position and will recognizes a revenue from the sales of gold bullions to close the net buying position once the gold bullions are delivered.
- (2) In case of selling gold more than buying gold resulting in a net selling position, the Company manages the risk by buying gold bar to close the net selling position and will record as inventory once the golds are received.

In this regard, the Company has a choice of receiving (delivering) physical gold bullions or taking a buying order and/or selling order to make a settlement. If choosing to make a settlement, a difference from the settlement will be recorded in the cost of goods sold. Liquidity management is also taken into account when choosing which method to be used.

For the nine-month period ended 30 September 2020 and 2021, the majority of the revenue come from sales and most of the revenue from sales are from Modern Gold products and the sales and delivery of gold bullion to close a net buying position.

Regarding the sales of gold relating products, their selling and repurchase prices are based on the gold price announced by the Gold Traders Association and the making charges for each type of product.

The revenue from the sales of Modern Gold products comprises 2 main parts which are (1) a revenue from the sales of goods through distribution channels in which the Company recognizes a profit from a difference between the selling price and making charges, and the cost of goods; and (2) a revenue from selling gold to close a buying position as a risk management for gold price changes in which the Company recognizes a profit from a difference between the selling price to close the buying position and the price the Company buys gold from customers which includes a discount from the market price. However, the Company has no policy to speculate a gold price when closing a net position.

Gold price may fluctuate and depend on factors beyond the Company's control such as economic conditions, gold demand and supply, domestic and international financial policies and interest rates, oil price, currency exchange rates. Therefore, if the Company fails to properly manage the risk of gold price fluctuations there may be negative impact on its business, financial position, performance and future business opportunities.

Moreover, a gold price change may affect customers' behavior (based on the overview data of the Company's customer behavior) which can be summarized as follows.

- When a gold price tends to increase, a customer demand for Modern Gold products decreases due to a higher product price, making the revenue from the sales through distribution channels tends to decline. However, when a gold price increase customers tend to sell gold more, resulting in a net buying position in which the Company manages the risk by selling gold to close its buying position.
- When a gold price tends to decline, a customer demand for Modern Gold products increases due to a lower product price, making the revenue from the sales through distribution channels tends to increase. However, when a gold price decline customers tend to sell gold less, resulting in a net selling position in which the Company manages the risk by buying gold to close is net selling position, hence less revenue from selling gold to close the buying position.

Although a changing gold price affects the Company's customer behavior, the fact that the Company both sell and buy the product enables it to manage the risk of gold price fluctuations and reduce the fluctuation of profit regardless of an increase or a decrease in gold price.

2. Business Performance Analysis

(A) Revenue from Sales

The Company's revenue from sales is from selling through 2 main distribution channels i.e. an offline channel and an online channel with 3 main product categories which are (1) Modern Gold, (2) Design Gold and (3) diamond jewelries.

For the nine-month periods ended 30 September 2021 and 2022, the Company's revenue from sales were at 14,623.61 million baht and 21,217.86 million baht respectively.

The revenue from sales by product category can be summarized as follows:

Revenue from sales by product	For the nine-month period ended September 30,			
	2021		2022	
	Million baht	Percent ⁽¹⁾	Million baht	Percent ⁽¹⁾
Modern Gold	13,832.69	94.59	20,122.12	94.84
– Revenue from sales of Modern Gold products	12,954.04	88.58	18,619.67	87.75
– Revenue from the sales and delivery of gold bullion to close a net buying position	878.66	6.01	1,502.45	7.08
Design Gold	339.60	2.32	499.70	2.36
Diamond ⁽²⁾	451.32	3.09	596.04	2.81
Total Revenue from Sales	14,623.61	100.00	21,217.86	100.00

Note: (1) Percentage of the total revenue from sales

(2) Revenue from the sales of diamond jewelries shows as net from the estimate repurchase amount

For the nine-month periods ended 30 September 2021 and 2022, the Company's revenue from sales increased by 6,594.25 million baht or 45.09% mainly due to (1) the same-store sales growth (SSSG) of 31.47%. The SSSG of the first nine months of 2022 was lower than that of 2021 since the in the first nine months of 2020 the average revenue from sales per store significantly decreased due to temporary closure of stores in department stores pursuant to the government's COVID-19 control measures, resulting in an increase in the SSSG for the first nine months of 2021 from 2020; (2) an increase in the revenue from online sales; (3) the opening of 16 new stores; and (4) an increase in the revenue from the sales of gold to close the buying position due to more gold sold by customers as a result of an increase in gold price during 1st and 2nd quarters of 2022 caused by the Russo-Ukrainian war.

(B) Interest Revenue

Interest revenue comes from the the sale with the right of redemption business for gold and jewelries with gold and diamond in which interests are received from seller customers. For the nine-month periods ended

30 September 2021 and 2022, the interest revenues were at 118.95 million baht and 162.30 million baht respectively, details of which can be summarized as follows:

รายการ	As of 30 September or for the nine-month period ended September 30,	
	2021	2022
Interest income (million baht)	118.95	162.30
Trade receivables from sales with right of redemption - at the end of period (million baht)	1,243.49	1,918.99
Effective interest income rate (%)	12.90 ⁽¹⁾	13.84 ⁽¹⁾

Note: (1) Calculated by using annualization

For the nine-month periods ended 30 September 2021 and 2022, the Company's interest revenue increased by 43.35 million baht or 36.44% mainly due to (1) the extension of the sale with the right of redemption channels through branch expansion and promotions to support and boost the sale with the right of redemption volumes; and (2) a constantly increase in number of customers of the sale with right of redemption business since 2021 has resulted in an increase of effective interest rate of the sale with the right of redemption.

(C) Gross Profit

For the nine-month periods ended 30 September 2021 and 2020, the Company had gross profits of 1,294.68 million baht and 1,783.45 million baht respectively, equivalent to gross profit margins of 8.78% and 8.34% respectively. The gross profits and gross profit margins can be summarized as follows:

Gross Profit and Gross Profit Margin	For the nine-month period ended September 30,			
	2021		2022	
	Amount (Million Baht)	Gross Profit Margin (Percent)	Amount (Million Baht)	Gross Profit Margin (Percent)
Modern Gold	760.74	5.50	1,111.53	5.52
Design Gold ⁽²⁾	246.47	72.57	219.25	43.88
Diamond ⁽³⁾	168.52	37.34	290.37	48.72
The sale with the right of redemption business	118.95	100.00 ⁽¹⁾	162.30	100.00 ⁽¹⁾
Total Gross Profit	1,294.68	8.78	1,783.45	8.34

Note: (1) Most of the cost of services of the sale with the right of redemption business for gold and jewelries with gold and diamond are interest expenses from financing activities which are jointly used in operation with other divisions and shown in the financial costs

(2) The gross profit of Design Gold includes loss or reversal of loss on net realizable value. However, if not include such items, the gross profit margins for the nine-month periods ended 30 September 2021 and 2022 would be 44.20% and 40.80% respectively. In 2021, the Company adjusted the method of assessing the net realizable value to reflect more actual value by separating product components and assess the value of such components piece by piece; as a result, in the nine-month period ended 30 September 2021 there was a reversal of loss on net realizable value of 96.35 million baht

Gross Profit and Gross Profit Margin	For the nine-month period ended September 30,			
	2021		2022	
	Amount (Million Baht)	Gross Profit Margin (Percent)	Amount (Million Baht)	Gross Profit Margin (Percent)

(3) The gross profit of diamond jewelries includes estimate repurchase amount and loss or reversal of loss on net realizable value. If not include such items, the gross profit margins for the nine-month periods ended 30 September 2021 and 2022 would be 45.81% and 48.28% respectively

For the nine-month periods ended 30 September 2021 and 2022, the Company's gross profit increased by 488.77 million baht or 37.75% mainly due to an increase in the gross profit from Modern Gold products as the gold price during the first nine months of 2022 was significantly higher than that of 2021. The lowest gold price during the first nine months of 2022 was 28,750 baht per 1 baht gold, compared to the highest gold price during the first nine months of 2021 at 28,950 baht per 1 baht gold. Moreover, the gold price during the first nine months of 2022 was higher than the first nine months of 2021. For the first nine months of 2021 and 2022, the average gold price was at 27,338 baht per 1 baht gold and 30,497 baht per 1 baht gold respectively. And for the first nine months of 2021 and 2022, the decrease of gross profit margins is mainly due to the decrease in gross profit of the Design Gold segment as a result of sales promotions. The gross profit margin of Design Gold segment, if not include a reversal of loss on net realizable value, would be 44.20% and 40.80% respectively.

(D) Net Profit

For the nine-month periods ended 30 September 2021 and 2022, the net profits were at 365.05 million baht and 495.53 million baht respectively, equivalent to the net profit margins of 2.48% and 2.32% respectively.

For the nine-month periods ended 30 September 2021 and 2022, the net profit increased by 130.48 million baht or 35.74% mainly due to an increase in the gross profit of Modern Gold products.

3. Financial Position Analysis

(A) Assets

As at 31 December 2021 and 30 September 2022, the total assets of the Company were at 9,599.66 million baht and 10,332.22 million baht respectively. Major assets comprise (1) trade account and other receivables, (2) inventory, (3) right-to-use assets.

As at 31 December 2021 and 30 September 2022, the total assets increased by 732.56 million baht or 7.63% mainly due to an increase in receivables from the sale with the right of redemption in line with the growth of the sale with the right of redemption business, and an increase in inventory mainly as a result of an increase in ready-made products in line with an increase in gold price during the first nine months of 2022.

(B) Liabilities

As at 31 December 2021 and 30 September 2022, the Company's total liabilities 7,197.93 million baht and 7,434.95 million baht respectively. Major liabilities include (1) short-term borrowings from financial institutions, (2) trade account and other payables, (3) long-term loans from financial institutions, (4) long-term liabilities under financial lease agreements, and (5) long-term loans from relating persons or businesses.

As at 31 December 2021 and 30 September 2022, the total liabilities increased by 237.02 million baht or 3.29% mainly due to an increase in short-term borrowings from financial institutions to be used as working capital and for increasing the number of debtors of the sale with the right of redemption, and an increase in trade account payables that were gold ornament wholesalers as a result of an increased buying volume of ready-made products which were in line with the higher revenue and cost of goods sold.

(C) Shareholders' Equity

As at 31 December 2021 and 30 September 2022, the Company's shareholders' equities were at 2,401.74 million baht and 2,897.27 million baht respectively. The shareholders' equity comprises (1) issued and paid-up share capital, (2) retained earnings, and (3) non-controlling interests.

As at 31 December 2021 and 30 September 2022, the shareholders' equity increased by 495.53 million baht or 20.63% mainly due to an increase in profit for the first nine-month period of 2022.