

REPORT OF CERTIFIED PUBLIC ACCOUNTANT

To the Shareholders of SE-EDUCATION PUBLIC COMPANY LIMITED.

I have audited the balance sheet of SE-EDUCATION PUBLIC COMPANY LIMITED as of December 31, 2003 and 2002, the related statements of income, changes in shareholders' equity and cash flow for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness in the presentation. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position SE-EDUCATION PUBLIC COMPANY LIMITED as of December 31, 2003 and 2002, the results of its operations, and cash flows for the years then ended, in conformity with generally accepted accounting principles.

SAM NAK- NGAN A.M.C. CO.,LTD.

(Miss Susan Eiamvanicha)
Authorised Auditor No.4306

Bangkok,
February 20, 2004

SE-EDUCATION PUBLIC COMPANY LIMITED

BALANCE SHEETS

As of December 31, 2003 and 2002

	(Unit : Baht)	
	2003	2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalent	146,374,973.49	78,885,911.71
Short-term investment-net (net from allowance for diminution of value in 2003 and 2002 in amount of Baht 1,078 thousand and Baht 1,437 thousand respectively)	(Note 5) 257,049,991.46	305,927,592.82
Trade accounts and notes receivable-net	(Note 6) 79,114,313.57	65,656,258.07
Inventories-net	(Note 7) 137,212,204.52	105,586,543.56
Other current assets	22,910,330.73	20,363,499.89
TOTAL CURRENT ASSETS	642,661,813.77	576,419,806.05
NON-CURRENT ASSETS		
Investments in subsidiary and associated companies	(Note 8) 33,961,542.18	11,158,480.26
Property, plant and equipment-net	(Note 9) 221,893,794.70	207,674,821.02
Leasehold-buildings-net	(Note 10) 118,834,735.16	127,330,192.28
Assets pending for sales-net	(Note 11) 21,000,000.00	50,700,000.00
Land and building not used for operation-net	(Note 12) 32,499,307.10	40,027,312.95
Guarantee for rental and deposit	34,323,906.14	27,750,094.00
TOTAL NON-CURRENT ASSETS	462,513,285.28	464,640,900.51
TOTAL ASSETS	1,105,175,099.05	1,041,060,706.56

Notes to financial statements are an integral part of the above statements.

SE-EDUCATION PUBLIC COMPANY LIMITED

BALANCE SHEETS

As of December 31, 2003 and 2002

	(Unit : Baht)	
	2003	2002
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Bank overdrafts	20,820,525.03	18,650,887.03
Trade accounts and notes payable	417,170,385.47	411,264,723.15
Accrued expenses	24,957,655.68	30,151,976.94
Accrued corporate income tax	36,177,800.75	21,246,936.52
Other current liabilities	37,846,261.72	32,431,983.45
TOTAL CURRENT LIABILITIES	536,972,628.65	513,746,507.09
NON-CURRENT LIABILITIES		
Other-non current liabilities	2,158,538.94	3,699,183.69
TOTAL NON-CURRENT LIABILITIES	2,158,538.94	3,699,183.69
TOTAL LIABILITIES	539,131,167.59	517,445,690.78

Notes to financial statements are an integral part of the above statements.

SE-EDUCATION PUBLIC COMPANY LIMITED

BALANCE SHEETS

As of December 31, 2003 and 2002

	(Unit : Baht)	
	2003	2002
SHAREHOLDERS' EQUITY		
Share capital	(Note 13)	
Authorized share capital		
348,128,690 ordinary shares @ Baht 1.00	348,128,690.00	
34,812,869 ordinary shares @ Baht 10.00		348,128,690.00
Issued and paid-up share capital		
255,071,000 ordinary shares @ Baht 1.00	255,071,000.00	-
21,098,713 ordinary shares @ Baht 10.00	-	210,987,130.00
Premiums on share capital	107,829,742.25	81,042,800.25
Capital surplus from assets revaluation	21,954,446.25	46,310,786.86
Unrealized gain - securities available for sale	1,077,936.95	1,437,657.49
Retained earnings		
Appropriated		
Legal reserve	25,131,822.09	15,124,675.01
Unappropriated	154,978,983.92	168,711,966.17
TOTAL SHAREHOLDERS' EQUITY	566,043,931.46	523,615,015.78
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,105,175,099.05	1,041,060,706.56

Notes to financial statements are an integral part of the above statements.

SE-EDUCATION PUBLIC COMPANY LIMITED

INCOME STATEMENTS

For the Years ended on December 31, 2003 and 2002

	(Unit : Baht)	
	2003	2002
REVENUES FROM OPERATION		
Sales	2,376,739,618.73	1,975,299,971.75
Other income	52,817,922.55	25,908,945.28
Participating gain in the associated company	403,061.92	2,030,139.53
TOTAL REVENUES	2,429,960,603.20	2,003,239,056.56
EXPENSES FROM OPERATION		
Cost of sales	1,624,057,073.76	1,378,885,102.54
Selling and administrative expenses	590,013,785.38	483,135,592.69
Directors' remuneration	(Note 16) 1,664,000.00	1,618,000.00
TOTAL EXPENSES	2,215,734,859.14	1,863,638,695.23
PROFIT BEFORE INTEREST EXPENSES AND CORPORATE INCOME TAX	214,225,744.06	139,600,361.33
INTEREST EXPENSES	(205,315.88)	(235,885.00)
CORPORATE INCOME TAX	(Note 17) (57,366,559.26)	(37,109,374.99)
NET PROFIT	156,653,868.92	102,255,101.34
BASIC EARNINGS PER SHARE	(Note 18) 0.73	0.48
DILUTED EARNINGS PER SHARE	(Note 18) 0.54	0.33

Notes to financial statements are an integral part of the above statements.

SE-EDUCATION PUBLIC COMPANY LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years ended on December 31, 2003 and 2002

(Unit : Baht)

	Issued and paid-up share capital	Premiums on share capital	Capital surplus from assets revaluation	Unrealized gain(loss) securities available for sale	Retained earnings		Total
					Appropriated	Unappropriated	
Balance as of January 1, 2002	210,987,130.00	81,042,800.25	35,050,567.01	(5,920,579.77)	8,938,173.43	178,136,931.41	508,235,022.33
Unrealized gain-securities available for sale	-	-	-	7,358,237.26	-	-	7,358,237.26
Capital surplus from assets revaluation increase in this period	-	-	10,538,272.21	-	-	-	10,538,272.21
Capital surplus from assets revaluation- sale in this period	-	-	(720,000.00)	-	-	-	(720,000.00)
Depreciation-Capital surplus from assets revaluation	-	-	1,441,947.64	-	-	-	1,441,947.64
Unrealized transaction in the income statements	210,987,130.00	81,042,800.25	46,310,786.86	1,437,657.49	8,938,173.43	178,136,931.41	526,853,479.44
Appropriation for legal reserve in the period	-	-	-	-	6,186,501.58	(6,186,501.58)	-
Dividend payment	-	-	-	-	-	(105,493,565.00)	(105,493,565.00)
Net profit for the year	-	-	-	-	-	102,255,101.34	102,255,101.34
Balance as of December 31, 2002	210,987,130.00	81,042,800.25	46,310,786.86	1,437,657.49	15,124,675.01	168,711,966.17	523,615,015.78
Unrealized gain-securities available for sale	-	-	-	(359,720.54)	-	-	(359,720.54)
Premiums on share capital from warrant exercising	-	26,786,942.00	-	-	-	-	26,786,942.00
Capital surplus from assets revaluation- sale in this period	-	-	(21,585,905.36)	-	-	-	(21,585,905.36)
Depreciation-Capital surplus from assets revaluation	-	-	(2,770,435.25)	-	-	-	(2,770,435.25)
Unrealized transaction in the income statements	210,987,130.00	107,829,742.25	21,954,446.25	1,077,936.95	15,124,675.01	168,711,966.17	525,685,896.63
Warrant exercising from directors, and employees (Note 14)	2,873,190.00	-	-	-	-	-	2,873,190.00
Warrant exercising from shareholder (Note 14)	41,210,680.00	-	-	-	-	-	41,210,680.00
Appropriation for legal reserve in the period (Note 15)	-	-	-	-	10,007,147.08	(10,007,147.08)	-
Dividend payment (Note 15)	-	-	-	-	-	(160,379,704.09)	(160,379,704.09)
Net profit for the year	-	-	-	-	-	156,653,868.92	156,653,868.92
Balance as of December 31, 2003	255,071,000.00	107,829,742.25	21,954,446.25	1,077,936.95	25,131,822.09	154,978,983.92	566,043,931.46

Notes to financial statements are an integral part of the above statements.

SE-EDUCATION PUBLIC COMPANY LIMITED

CASH FLOW STATEMENTS

For the Years ended on December 31, 2003 and 2002

(Unit : Baht)

	2003	2002
CASH FLOW FROM OPERATION ACTIVITIES		
Net profit	156,653,868.92	102,255,101.34
Adjustment to net profit for cash receipts (payments) from operation		
Depreciation - assets for operation	53,578,609.28	42,268,814.33
Depreciation - assets not used for operation and pending for sales	130,231.09	361,600.43
Loss from impairment in assets pending for sales and not use for operation	-	2,576,262.72
Leasehold written-off	8,495,457.12	8,495,457.12
Loss from for lost and slow moving goods	26,472,612.72	20,679,079.87
Loss from destruction goods	-	8,938,240.39
Allowance for returned goods (reversed account)	176,037.32 -	332,989.73
Doubtful debts and bad debt	1,437,859.06 -	2,991,413.78
Realized loss on disposal of securities available for sales	952,140.12	1,745,343.13
Adjustment for clearing of trade accounts payable	- 9,182,644.67	-
Participating gain from associated company	- 403,061.92 -	2,030,139.53
Gain on disposal of land building and equipment	- 8,623.87 -	222,712.25
Gain on disposal of land building and equipment not used for operation	- 639,545.24	-
Gain on disposal of assets pending for sales	- 18,882,573.98 -	683,330.73
Profit from operating before change in operation assets and liabilities	218,780,365.95	181,059,313.31
(Increase)Decrease in trade accounts and notes receivable	- 15,071,951.88	9,034,600.09
(Increase)Decrease in inventories	- 58,098,273.68 -	13,888,803.05
(Increase)Decrease in other current assets	- 2,546,830.84 -	2,686,944.14
(Increase)Decrease in guarantee for rental and deposit	- 6,573,812.14 -	8,042,889.83
Increase(Decrease) in trade accounts and notes payable	15,088,306.99	119,306,425.72
Increase(Decrease) in accrued expenses	- 5,194,321.26	6,947,089.21
Increase(Decrease) in accrued corporate income tax	14,930,864.23 -	12,787,631.29
Increase(Decrease) in other current liabilities	5,414,278.27	7,240,259.45
Increase(Decrease) in non-other current liabilities	- 1,540,644.75 -	418,124.50
Net cash received (used) from operating activities	165,187,980.89	285,763,294.97

Notes to financial statements are an integral part of the above statements.

SE-EDUCATION PUBLIC COMPANY LIMITED

CASH FLOW STATEMENTS

For the Years ended on December 31, 2003 and 2002

(Unit : Baht)

	2003	2002
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of securities available for sale	- 185,179,797.49	- 225,000,000.00
Cash receipt from disposal of securities available for sales	232,745,538.19	116,987,309.18
(Increase) Decrease in investment in subsidiary and associated companies	- 23,000,000.00	- 74,947.50
Purchase of assets	- 87,599,237.47	- 81,830,751.19
Cash Receipt from disposal of assets	52,151,831.75	3,628,639.25
Dividend receipt	600,000.00	600,000.00
Net cash received (used) from investing activities	- 10,281,665.02	- 185,689,750.26
CASH FLOW FROM FINANCING ACTIVITIES		
Increase(Decrease) in bank overdrafts	2,169,638.00	- 193,852.42
Directors, employees and shareholders exercise the warrants to additionally purchase shares	70,870,812.00	-
Dividend payment	- 160,379,704.09	- 105,493,565.00
Net cash received (used) from financing activities	- 87,339,254.09	- 105,687,417.42
Cash and cash equivalent items increase(decrease)	67,567,061.78	- 5,613,872.71
Cash and cash equivalent items at the beginning of the period	78,885,911.71	84,499,784.42
Cash and cash equivalent items at the end of the period	146,452,973.49	78,885,911.71

Supplemental disclosures to the cash flow statements

1. Cash paid during the period:

Interest paid	205,315.00	235,885.00
Corporate income tax	42,435,695.03	49,897,006.28

2. Items not affecting cash flow

2.1 As of December 31, 2003 and 2002, the Company adjusted unrealizable gain on revaluation of securities available for sale with the shareholders' equity amounting Baht 0.36 million and Baht 7.36 million respectively.

2.2 For the year ended on December 31, 2002 the Company appraised land and Building amounting Baht 36.93 million

2.3 As of December 31, 2002 the Company reclassified amounting Baht 12.32 million of land and building not used for operation to assets pending for sale.

Notes to financial statements are an integral part of the above statements.

SE-EDUCATION PUBLIC COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

1. General information

The Company was registered for establishment as a limited company on July 29, 1974 and was converted to a public company limited on April 29, 1993, registration number Bor Mor Jor 102. The Company is situated at 46/87-90 Nation Tower Building 19th Floor, Bangna-Trad Road, Bangna, Bangkok 10260.

- Major areas of business:

1. Sell books and magazines on a retail basis through their own SE-ED book centers and book variety.
2. Publish and distribute their own technical books and magazines, as well as distribute books from other publishers and organizations to nationwide bookshops.
3. Advertising service and services in 10 monthly magazines published by SE-ED.
4. Publishing engagement and sell electronic parts and equipment.

- Employee Information

	For the Years	
	ended on December 31,	
	<u>2003</u>	<u>2002</u>
Average number of employees (person)	1,654	1,197
Employee expenses (Million Baht)	236.86	174.39

2. Basis of financial statement preparation

2.1 The financial statements were prepared in accordance with the generally accepted accounting principle under the Accounting Act B.E. 2543 which implies the accounting standard determined by the Institute of Certified Accountants and Auditors of Thailand over which the Board of Supervision of Auditing Practices appointed by Minister of Ministry of Commerce under the Accounting Act. B.E. 2505 which resolved the announcement and in accordance with the determination of the Office of the Securities and Exchange Commission on the subject of preparation and presentation of the financial reports.

- 2.2 Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosure. The actual results may differ from those estimates.
- 2.3 The Company did not prepare the consolidated financial statements between the Company and the SE-ED Book Center Co.,Ltd., which is a subsidiary company since the investment value in such subsidiary is not material to the Company financial statements.
- 2.4 The Company prepares the financial statements in the Thai language in accordance with Thai Law which were translated into English language for the convenience of the readers.

3. Summary of significant accounting policies

The main accounting policies can be summarized as follows.

- 3.1 - Sales are recognized when goods have already been delivered to customers except goods on consignment whose sales are recognized when such goods are checked at the consignees place at the end of agreed period.
- Revenue from advertising are recognized once the advertisement is released.
- 3.2 Cash and equivalent to cash transactions includes bank deposit in type of saving, current and not exceeding three-month fixed deposit with no guarantee obligation.
- 3.3 The short term investments in mutual fund units are regarded as securities available for sales and valued at fair value. The Company recognizes the change of value as separate caption in the shareholders' equity and accounted in the statement of income when such investment is sold.
- 3.4 Allowance for doubtful debts is made by estimating the uncollectible accounts receivable.
- 3.5 The Company constitutes allowance of returned goods at the rate of 20% of absolute accounts receivable which the Company will consider to adjust such allowance when the receipt of returned goods actually takes place.

3.6 Inventories

- Paper, raw materials, are valued at cost price under FIFO method or net realizable value, whichever is lower, work in process are valued at actual cost.
- Finished goods produced by the Company holds accounting policies as follows:
 - Finished goods at head office and consignment on hand are valued at cost price under the last produce and received or net realizable value, whichever is lower.
 - Finished goods purchased for sale are valued at cost price under simple average method or net realizable value, whichever is lower.

- Returned periodicals are not valued.
- Allowance for diminution in value of inventories is based on obsolete, out of date, dilapidated.
- Allowance for lost inventories, the Company holds the policy of allowance for lost inventories at the rate of 1 percent of sales at respective branch which the Company revises such allowance after the inventory taking in the respective branch.

3.7 Property plant and equipment

3.7.1 Decoration, office equipment, air-conditions and vehicles are recorded at cost less accumulated depreciation.

3.7.2 Land and building are valued at fair value which are appraised by an independent appraiser. The Company holds policy that an independent professional appraiser appraises the value of assets every 5 years. During this period if there are any other factors which materially affect the value of assets, the Company will arrange for new appraisal by an independent professional appraiser in that year. Any increase of new appraised price is regarded as surplus from assets appraisal in the caption of shareholders' equity and any decrease of new appraised price is regarded as loss from decrease in assets value in the income statement.

3.7.3 The depreciation are calculated on a straight-line method over the estimated useful life as follows:

- Building	20 years
- Furniture and office equipment	5 years
- Air-conditions	5 years
- Vehicles	5 years

The Company records depreciation as expense in the period. The Company takes depreciation of increase in appraised price out of the surplus from assets appraisal in the caption of shareholders' equity.

3.8 Accrued foreign copyright expenses are calculated by the rate specified in the agreement on an accrual basis.

3.9 Investments in associated company are recorded by equity method and investment in the subsidiary company is recorded by cost method since the investment value in subsidiary company is not material to the Company financial statements.

3.10 Items denominated in foreign currencies are recorded in Baht at the exchange rate ruling on the day that transaction occurs, while the remaining balances of assets and liabilities denominated in foreign currencies at the year-end are converted into Baht at the prevailing exchange rate on that date, and the gain or loss arising from such conversion is included in the related income statement.

3.11 Earnings per share

- Basic earnings per share is calculated by dividing net profit with the weighted average number of issued and paid-up shares during the period.
- Diluted earnings per share is calculated by dividing net profit with the sum of weighted average number of issued and paid up shares and the weighted average number of diluted common share equivalents that needed to cover the warrants converted to common stock.

3.12 Financial assets and liabilities as presented in balance sheets are consisted of cash and cash at bank, short-term investment, trade accounts receivable and notes receivable, overdrafts and trade accounts payable and notes payable. The particular accounting policy for each transaction is respectively disclosed in each related caption.

4. Inter - company transactions

The Company constitutes accounting transactions incurred with related entities, comprising the same group of shareholders or common directors. The materially remaining balance and inter-transactions between the company and related entities are as follows:

4.1 Inter-asset and liabilities

(Unit : '000 Baht)

	<u>Type of relation</u>	As of December 31,	
		<u>2003</u>	<u>2002</u>
<u>Trade accounts payable</u>			
M AND E Co.,Ltd.	Associated company	-	1,610
Nation Multi Media Group Public Co.,Ltd.	Shareholder	11,545	8,375
Nation Egmont Edutainment Co.,Ltd.	Related company with shareholder	4,629	4,479

4.2 Inter-revenues and expenses

(Unit : '000 Baht)

	<u>Type of relation</u>	For the year		<u>Policy of Inter-price setting</u>
		<u>ended on December 31</u>		
		<u>2003</u>	<u>2002</u>	
<u>Purchase goods values</u>				
M AND E Co.,Ltd.	Associated company	3,524	3,062	Market price
Nation Multi Media Group Public Co.,Ltd.	Shareholder	49,882	20,281	Market price
Nation Egmont Edutainment Co.,Ltd.	Related company with shareholder	11,524	14,070	Market price
<u>Rental and service charge</u>				
Nation Multi Media Group Public Co.,Ltd.	Shareholder	14,410	9,498	Agreed upon price
Nation Property Co.,Ltd.	Related company with shareholder	-	821	Agreed upon price

5. Short - term investment-net

Consisted of:-

	(Unit : Baht)	
	<u>As of December 31,</u>	
	<u>2003</u>	<u>2002</u>
Securities available for sales :-		
- Investment in open-ended mutual funds (Fair value)	221,049,991.46	299,927,592.82
- Investments in the preferred share mutual fund - subordinated debenture	6,000,000.00	6,000,000.00
- Investment in mutual fund-debenture	30,000,000.00	-
Total	<u>257,049,991.46</u>	<u>305,927,592.82</u>

6. Trade accounts and notes receivable – net

Consisted of :-

	(Unit : Baht)	
	<u>As of December 31,</u>	
	<u>2003</u>	<u>2002</u>
Trade accounts receivable		
In credit term	57,632,531.30	48,563,237.43
Over credit term less than 6 months	24,293,799.54	21,300,939.16
Over credit term more than 6 months to 12 months	1,425,454.48	368,840.53
Over credit term more than 12 months	20,253,535.50	15,251,986.58
Total	<u>103,605,320.82</u>	<u>85,485,003.70</u>
Notes receivable	3,644,717.40	8,133,247.89
<u>Less</u> Allowance for doubtful debts	(24,322,569.81)	(24,324,876.00)
Allowance for returned goods	(3,813,154.84)	(3,637,117.52)
Net	<u>79,114,313.57</u>	<u>65,656,258.07</u>

7. Inventories-net

Consisted of:-

		(Unit : Baht)	
		<u>As of December 31,</u>	
		<u>2003</u>	<u>2002</u>
Paper		1,364,167.63	850,523.98
Work-in-process		4,404,516.36	5,198,493.23
Finished goods		128,520,684.11	64,410,589.60
Finished goods at branches		49,616,734.11	77,530,585.77
Total		183,906,102.21	147,990,192.58
<u>Less</u> Allowance for lost goods		(16,062,424.86)	(18,368,485.23)
Allowance for dilapidated and slow moving goods		(30,631,472.83)	(24,035,163.79)
Net		137,212,204.52	105,586,543.56

8. Investments in subsidiary and associated companies

Consisted of :-

	<u>Nature of business</u>	<u>Paid-up</u> <u>share capital</u> <u>Baht</u>	<u>Percentage</u> <u>of share</u> <u>holdings</u>	As of December 31, 2003			
				<u>Cost</u> <u>Baht</u>	<u>Investments</u>		<u>Dividend</u> <u>Baht</u>
					<u>Method</u>	<u>Baht</u>	
Subsidiary company							
SE-ED Book Center Co.,Ltd.	Business consulting firm	100,000.00	99.93%	99,930.00	Cost	99,930.00	-
Associated company							
M AND E Co., Ltd.	Printing office company, produces technical magazines and engineering manuals	400,000.00	25%	100,000.00	Equity	12,677,777.43	600,000.00
Ploen Patt Co., Ltd.	Institute of private education - Ploen Pattana School	80,000,000.00	28.75%	23,000,000.00	Equity	21,183,834.75	-
				23,199,930.00		33,961,542.18	600,000.00

	<u>Nature of business</u>	<u>Paid-up share capital Baht</u>	<u>Percentage of share holdings</u>	<u>Cost Baht</u>	As of December 31, 2002		
					<u>Investments Method</u>	<u>Baht</u>	<u>Dividend Baht</u>
Subsidiary company							
SE-ED Book Center Co.,Ltd.	Business consulting firm	100,000.00	99.93%	99,930.00	Cost	99,930.00	-
Associated company							
M AND E Co., Ltd.	Printing office company, produces technical magazines and engineering manuals	400,000.00	25%	100,000.00	Equity	11,058,550.26	600,000.00
				199,930.00		11,158,480.26	600,000.00

Investments in the SE-ED Book Center Co., Ltd., which is subsidiary company. The Company recorded investment by cost method since the investment value in subsidiary company is not material to the Company's financial statements.

For the year ended on December 31, 2003 and 2002, the Company did not recognize participating from operations in M AND E CO., LTD., since the associated company did not prepare the quarterly financial statements and year end closing. However, the Company received the financial statements for the year ended on December 31, 2002 of M AND E CO., LTD., which were audited by another auditor. The Company, consequently recorded participating from operations in such associated company in the income statement for the year ended on December 31, 2003 for the amount of Baht 2.20 million was equivalent to 1.39 % of net profit and as of December 31, 2003 and 2002, investment in associated company for the amount of Baht 12.68 million and Baht 11.06 million was equivalent to 1.15 % and 1.06 % over the Company's total assets respectively.

The financial statements for the period since May 1, 2003 to December 31, 2003 of Ploen Patt Co.,Ltd., which is associated company, accounted for investment by equity method have not yet been audited by another auditor. Investment in such associated company as of December 31,2003, were reflected by Baht 21.14 million was equivalent to 1.91 % over the Company's total assets and participation from operation in associated company for the amount of Baht 1.82 million was equivalent to 1.15 % of net profit.

9. Property, plant and equipment-net

Consisted of :-

(Unit : Baht)

Descriptions	Land	Building	Building decoration	Office equipments and air conditioners	Vehicles	Work in progress	Total
Cost:							
As of December 31, 2002	9,813,213.00	6,873,016.97	169,077,827.05	177,843,503.47	21,444,271.30	8,670,424.70	393,722,256.49
Purchase	-	-	30,272,140.09	68,425,487.00	2,309,599.19	31,747,101.18	132,754,327.46
Sale/transfer	(5,099,088.00)	(4,519,316.97)	(11,964,893.39)	(22,150,629.37)	(428,378.88)	(38,445,468.45)	(82,607,775.06)
As of December 31, 2003	4,714,125.00	2,353,700.00	187,385,073.75	224,118,361.10	23,325,491.61	1,972,057.43	443,868,808.89
Accumulated depreciation:							
As of December 31, 2002	-	(5,498,997.87)	(106,518,114.34)	(98,635,810.17)	(10,933,686.95)	-	(221,586,609.33)
Depreciation for year	-	(166,242.83)	(21,790,859.98)	(28,017,069.18)	(3,604,437.29)	-	(53,578,609.28)
Sale/transfer	-	3,428,685.95	11,940,133.51	15,438,567.92	428,370.88	-	31,235,758.26
As of December 31, 2003	-	(2,236,554.75)	(116,368,840.81)	(111,214,311.43)	(14,109,753.36)	-	(243,929,460.35)
Capital surplus from assets revaluation:							
As of December 31, 2002	23,669,968.00	12,306,235.85	-	-	-	-	35,976,203.85
Decrease in capital surplus from asset revaluation	(6,325,743.00)	(4,914,143.53)	-	-	-	-	(11,239,886.53)
As of December 31, 2003	17,344,225.00	7,392,092.32	-	-	-	-	24,736,317.32
Accumulated depreciation-surplus							
As of December 31, 2002	-	(437,029.99)	-	-	-	-	(437,029.99)
Depreciation for the year	-	(2,770,435.34)	-	-	-	-	(2,770,435.34)
Decrease in capital surplus from asset revaluation	-	425,594.17	-	-	-	-	425,594.17
As of December 31, 2003	-	(2,781,871.16)	-	-	-	-	(2,781,871.16)
Net Book Value:							
As of December 31, 2002	33,483,181.00	13,243,224.96	62,559,712.71	79,207,693.30	10,510,584.35	8,670,424.70	207,674,821.02
As of December 31, 2003	22,058,350.00	4,727,366.41	71,016,232.94	112,904,049.67	9,215,738.25	1,972,057.43	221,893,794.70
Depreciation in the income statement for the year ended on							
December 31, 2002							42,268,814.33
December 31, 2003							53,578,609.28

On November 14, 2002, the Company assigned an independent professional appraiser to appraise every land and building prices. Its value are as follows:

	<u>Book value</u>	<u>Appraised price</u> <u>(Market price method)</u>	<u>Appraise price higher</u> <u>(lower) than book value</u>
Land	33,515,400.00	33,483,181.00	(32,219.00)
Building	9,713,998.80	13,716,819.00	4,002,820.20
Total	43,229,398.80	47,200,000.00	3,970,601.20

The Company accounted capital surplus from land and building price appraisal in the shareholders' equity in the balance sheet in amount of Baht 4.00 million.

Land and construction in book value as of December 31, 2003, in amount of Baht 26.79 million were pledged as collateral against bank overdrafts and long-term loans due to commercial banks. As of February 18, 2004, the Company has redeemed a pledge.

In 2003, the Company disposed the asset pending for sale to outside party with parts of building decoration in book value of Baht 0.02 million

10. Leasehold – buildings-net

The leasehold-buildings are mainly 30 years areas leased right in leading shopping center for 9 branches of SE-ED Book Center. In 2003 and 2002, the areas leased right was amortized to expenses in amount of Baht 8.50 million equally for two years.

11. Assets pending for sales - net

Consisted of:-

	(Unit : Baht)	
	<u>2003</u>	<u>2002</u>
Cost	66,436,271.64	57,720,564.64
Sales of commercial building plus land	(37,141,817.46)	(3,600,000.00)
Transfer received from assets not used for operation	9,618,404.97	12,315,707.00
Total	38,912,859.15	66,436,271.64
Accumulated depreciation at the beginning balance	-	(816,995.19)
Depreciation for the year	-	(10,827.69)
Decrease from sales	-	827,822.88
Total	-	-
Capital surplus from assets revaluation at the beginning balance	8,384,293.00	720,000.00
Increase in the period from new appraisal	11,239,886.53	8,384,293.00
Decrease in the period from sales	(19,624,179.53)	(720,000.00)
Total	-	8,384,293.00
Allowance for impairment of assets at the beginning balance	(24,120,564.64)	(21,616,072.50)
Decrease in the period from sales	6,207,705.49	55,507.85
Decrease in the period from new appraisal	-	(2,559,999.99)
Total	(17,912,859.15)	(24,120,564.64)
Net	21,000,000.00	50,700,000.00

On November 14, 2002, the Company assigned an independent professional appraiser to appraise every land and building pending for sales. Its value are as follows:

	<u>Book value</u>	<u>Appraise price</u> (Market price method)	<u>Appraise price higher</u> <u>(lower) than book value</u>
Land blank	12,315,707.00	20,700,000.00	8,384,293.00
Land with building	32,559,999.99	30,000,000.00	(2,559,999.99)
Total	44,875,706.99	50,700,000.00	5,824,293.01

The Company accounted capital surplus from assets appraisal in the shareholders' equity in the balance sheet in 2002 from the assets revaluation since the appraised value was higher than its book value in amount of Baht 8.38 million. Moreover, the commercial building plus land holds its appraised value below its book value in amount of Baht 2.56 million. The Company has accounted loss from impairment in the statement of income of year 2002.

As of December 31, 2002, part of the land plus construction pending for sale were pledged as collateral against bank overdrafts and long-term loans due to commercial banks and in the second quarter for 2003, the Company fully redeemed a pledge.

In 2003, the Company sold part of assets pending for sale with a book value of Baht 27.51 million in the amount of Baht 46.39 million to the outside party. The Company has deduct capital surplus from assets revaluation in the amount of Baht 19.20 million and has accounted gain from selling of assets in amount of Baht 18.88 million.

12. Land and building not used for operation-net

Consisted of :-

	(Unit : Baht)			
	<u>Land not used</u> <u>for operation</u>	<u>Land improvement</u> <u>not used for operation</u>	<u>Building not used</u> <u>for operation</u>	<u>Total</u>
Cost:				
As of December 31, 2002	51,925,608.93	658,413.00	6,599,142.50	59,183,164.43
Transfer to Assets pending for Sales	(2,430,000.00)	-	(6,599,142.50)	(9,029,142.50)
As of December 31, 2003	49,495,608.93	658,413.00	-	50,154,021.93
Accumulated depreciation:				
As of December 31, 2002	-	(93,259.12)	(3,560,319.31)	(3,653,578.43)
Depreciation for the year	-	(65,846.78)	(64,384.31)	(130,231.09)
Sale/transfer	-	-	3,624,703.62	3,624,703.62
As of December 31, 2003	-	(159,105.90)	-	(159,105.90)
Allowance for impairment				
As of December 31, 2002	(17,495,608.93)	-	(393,984.12)	(17,889,593.05)
Decline of assets appraised price during the period	-	-	393,984.12	393,984.12
As of December 31, 2003	(17,495,608.93)	-	-	(17,495,608.93)
Capital surplus from asset revaluation				
As of December 31, 2002	2,387,320.00	-	-	2,387,320.00
Increase in assets appraised price during the period	(2,387,320.00)	-	-	(2,387,320.00)
As of December 31, 2002	-	-	-	-
Net Book Value:				
As of December 31, 2002	36,817,320.00	565,153.88	2,644,839.07	40,027,312.95
As of December 31, 2003	32,000,000.00	499,307.10	-	32,499,307.10
Depreciation in the income statement for the year ended on				
December 31, 2002				350,772.74
December 31, 2003				130,231.09

On November 14, 2002, the Company assigned an independent professional appraiser to appraise every land and building not used for operation. Its value are as follows:

	<u>Book value</u>	<u>Appraise price</u>	<u>Appraise price higher</u> <u>(lower) than book value</u>
Land blank	32,000,000.00	32,000,000.00	-
Land which place building	2,430,000.00	4,817,320.00	2,387,320.00
Building	2,698,942.73	2,682,680.00	(16,262.73)
Total	37,128,942.73	39,500,000.00	2,371,057.27

In 2002, the Company accounted capital surplus from land price appraised where it is the location of commercial building in amount of Baht 2.39 million in the shareholders' equity and recognized loss from impairment of commercial building in Baht 0.02 million in the statement of income.

Land and building was pledged as collateral against bank overdrafts and long-term loans from commercial banks. As of February 19, 2004, the Company has redeemed a pledge.

In 2003, the Company sold part of land and building not used for operation with a book value of Baht 5.01 million in the amount of Baht 5.65 million. The Company has deduct capital surplus from assets revaluation in the amount of Baht 2.39 million and has accounted gain from selling of assets in amount of Baht 0.64 million.

13. Share capital

In accordance with the minutes of shareholders' general meeting No.1/2003 held on April 23, 2003 approved a change in the par value (Splitting par value) from former of Baht 10.0 to Baht 1.00 per share. As a result, the Company's registered capital of Baht 348.13 million is divided into 348.13 million shares of Baht 1.00 each, composed of the full amount of ordinary shares. On May 22, 2003, the Company registered the approved change of its share capital with the Ministry of Commerce.

14. Warrants

As discussed in Note No.13 to the financial statements, on April 23, 2003, the general meeting of shareholders of the Company approved the split of the Company's shares. As a result, the warrants for existing shareholders and for directors, employees and the security sub-agent were split into 105,493,430 units and 28,800,830 units respectively, and the exercised price of the warrants for existing shareholders to be changed from the former of Baht 16.50 per share to Baht 1.65 per share, and the warrants for directors, employees and the security sub-agent to be changed from the former Baht 10.0 per share to Baht 1.00 per share. The exercise ratio of the warrants is 1 warrant per 1 ordinary share.

For the year ended on December 31, 2003, directors and employees had exercised their rights to purchase ordinary shares in number of 2,873,190 units and shareholders had exercised their rights to purchase ordinary shares in number of 41,210,680 units which are warrants issued in accordance with the resolution of the shareholders meeting No.1/2001 held on April 30, 2001. Thus, the Company had increased the issued and paid up share capital and the premiums on share capital by a total of Baht 44.08 million and 26.79 million respectively. The Company registered the change in paid-up share capital on December 25, 2003 and remained the balance of warrants able to be exercised but no one yet exercises in number of 28,774,810 units for directors and employees and 64,282,750 units for shareholders.

15. Dividend payment and appropriation of legal reserve

- 15.1 In accordance with the boards of directors meeting No.4/2003 (B.E.2546) held on November 14, 2003, it was unanimously resolved to pay the interim dividend from the three-month period result of operation ended on September 30, 2003 at the rate of Baht 0.10 per share aggregating to Baht 21.39 million. The dividend was paid out on December 11, 2003, and the appropriations of earnings to the legal reserve at 5% of net profit from the result of operation in the third quarter of year 2003 aggregating to amount of Baht 1.88 million.
- 15.2 In accordance with the boards of directors meeting No.3/2003 (B.E.2546) held on August 11, 2003, it was unanimously resolved to pay the interim dividend from the three-month period result of operation ended on June 30, 2003 at the rate of Baht 0.10 per share aggregating to Baht 21.38 million. The dividend was paid out on September 5, 2003, and the appropriations of earnings to the legal reserve at 5% of net profit from the result of operation in the second quarter of year 2003 aggregating to amount of Baht 1.86 million.
- 15.3 In accordance with the boards of directors meeting No.2/2003 (B.E.2546) held on May 12, 2003, it was unanimously resolved to pay the interim dividend from the three-month period result of operation ended on March 31, 2003 at the rate of Baht 1.00 per share (rate of dividend before splitting stocks) aggregating to Baht 21.38 million. The dividend was paid out on June 9, 2003 and the appropriations of earnings to the legal reserve at 5% of net profit from the result of operation in the first quarter of year 2003 aggregating to amount of Baht 1.15 million.
- 15.4 In accordance with the minutes of shareholders' general meeting No.1/2003 (B.E. 2546) held on April 23, 2003, it was resolved to the declaration of dividend payment the result of operation for the year 2002 at the rate of Baht 4.50 per share aggregating to Baht 96.23 million. The dividend was paid out on May 16, 2003 and the appropriations of earnings to the legal reserve at the rate of 5% of net profit for year 2002 in amount of Baht 5.11 million.

16. Directors' remuneration

For the quarter and year ended on December 31, 2003 and 2002, director's remuneration is the contribution paid to Company's directors in accordance with Section 90 of the Public Companies Act., exclusive of salaries and related fringe benefits payable to executive directors.

17. Corporate income tax

For the year ended of December 31, 2003, The Company calculated income tax at 25% of net book profit before recognition of participating gain (loss) from investments in associated company plus prohibited expenses under the Revenue Code over which taxable rate is the new rate attributable to Royal Decree No. 387 2001, (B.E 2544, income tax at 30%)

18. Basic and diluted earnings per share

	For the three-month period ended on 31 December					
	<u>Net profit</u>		<u>Weighted average number</u>		<u>Earnings per share</u>	
	<u>2003</u>	<u>2002</u>	<u>of ordinary shares</u>		<u>2003</u>	<u>2002</u>
	<u>Baht</u>	<u>Baht</u>	<u>Shares</u>	<u>Shares</u>	<u>Baht</u>	<u>Baht</u>
Basic earnings per share						
Net profit	58,766,028.62	21,741,441.98	216,992,320	210,987,130	0.27	0.10
Effect of diluted equivalent ordinary shares						
The balance of warrants able to be exercised						
93,057,560 units	-	-	73,609,289	101,468,910	-	-
Diluted earnings per share						
Net profit of ordinary shareholders						
assuming the conversion into ordinary shares	58,766,028.62	21,741,441.98	290,601,609	312,456,040	0.20	0.07

	For the year ended on 31 December					
	<u>Net profit</u>		<u>Weighted average number</u>		<u>Earnings per share</u>	
	<u>2003</u>	<u>2002</u>	<u>of ordinary share</u>		<u>2003</u>	<u>2002</u>
	<u>Baht</u>	<u>Baht</u>	<u>Shares</u>	<u>Shares</u>	<u>Baht</u>	<u>Baht</u>
Basic earnings per share						
Net profit	156,653,868.92	102,255,100.34	215,680,752	210,987,130	0.73	0.48
Effect of diluted equivalent ordinary shares						
The balance of warrants able to be exercised						
93,057,560 units	-	-	73,609,289	97,154,730	-	-
Diluted earnings per share						
Net profit of ordinary shareholders						
assuming the conversion into ordinary shares	156,653,868.92	102,255,100.34	289,290,041	308,141,860	0.54	0.33

For the three-month period and the year ended on December 31, 2003 and 2002, the diluted earnings per share was calculated without consideration of the effect of the unexercised warrants to purchase ordinary shares.

As discussed in Note No.13 to the financial statements, on April 23, 2003, a general meeting of the shareholders of the Company approved the split of the Company's ordinary shares. For comparative purposes, the basic earnings per share and the diluted earnings per share for the three-month period and the year ended on December 31, 2002 were recalculated assuming as if the share split had been taken place at the beginning of 2002.

19. Disclosure of sectoral business operations

The Company operates in one principal business sector, namely business of production and sale of books and confines its operation only in one geographical area i.e. in Thailand. Thus all income, profit and assets shown in the financial statements were related to the said business sector and geographical area.

20. The income statements for the three-month period ended on December 31, 2003 and 2002

The income statements for the three-month period ended on December 31, 2003 and 2002, were reviewed in accordance with the auditing standard issued by the Institute of Certified Accountants and Auditors of Thailand as follows:

	Unaudited	
	Limited Review Only	
	(Unit : '000 Baht)	
	For the three-month period	
	ended on December 31,	
	<u>2003</u>	<u>2002</u>
REVENUES FROM OPERATION		
Sales	662,537	544,875
Other income	23,794	6,704
Total Revenues	<u>686,331</u>	<u>551,579</u>
EXPENSES FROM OPERATION		
Cost of sales	444,014	374,613
Selling and administrative expenses	159,099	145,671
Participating loss in associated company	1,816	-
Directors' remuneration	168	147
Total Expenses	<u>605,097</u>	<u>520,431</u>
PROFIT BEFORE INTEREST EXPENSES AND		
CORPORATE INCOME TAX	81,234	31,148
INTEREST EXPENSES	(51)	(30)
CORPORATE INCOME TAX	(22,416)	(9,377)
NET PROFIT	<u>58,767</u>	<u>21,741</u>
BASIC EARNINGS PER SHARE (BAHT)	(Note 18) 0.27	0.10
DILUTED EARNINGS PER SHARE (BAHT)	(Note 18) 0.20	0.07

21. The provident fund

The Company has established provident fund in accordance with the Provident Fund Act B.E.2530. Employees who are members contribute for each month and the company respectively contributes equally the other portion to the provident fund which one domestic finance institute is the fund manager.

22. Financial instruments

The Company obtains non-material risk with respect to the change of interest rates and exchange rates. Due to the business's expansion, the Company's investment is utilized by current cash flow; however long term liabilities which incurred interest obligation do not exist. Moreover, the nature of the Company's operation related to foreign currencies shows an increased proportion, the Company, as a result, considers the adoption of appropriate financial instruments to hedge against such risk. Nevertheless, the Company holds no policy to adopt any with financial instrument off the balance sheets which are derivative instruments for speculative or for trade purpose.

22.1 Risk on credit provision

The Company obtains risk from provision in relation to trade debtors. Nevertheless, the Company constitutes the careful policy in granting credit. Hence, the Company does not anticipate any material indemnity from debt collection.

22.2 Risk on interest rates

Risk on interest rate is derived from the change of interest rates in the future which affects upon the Company operating result and cash flow. Due to the short term investment which generates interest receivable and dividend fluctuated to the market rates (Floating interest rate), the Company, therefore, does not adopt any financial instrument to hedge against such risk.

22.3 Fair value

Since the financial assets and liabilities are mainly classified under short-term type, such book values of financial asset and liabilities are presented in the value, which are not materially different from their values. Regarding the short-term investment, the Company has adjusted investment value to its fair value.

23. Obligations and contingent liabilities

23.1 As of December 31, 2003 and 2002 , the Company also holds contingent liabilities and obligations with a bank in relation to letter of guarantee for the amount of Baht 3.59 million and Baht 4.13 million respectively.

23.2 The Company has a contract of building lease and contract of service with a related company and an outside party so as to use as head office and the distribution center of merchandise. The Company has also conducted area rental contracts so as to use as branch offices totalling 135 branches. The life of the leased contract commenced from 1 to 10 years. The total rental fee and public utility service fee are approximately Baht 194.66 million per year. Moreover, the leased contract is conducted so as to use as one warehouse (Kingkaew Road) with the contract life of 3 years.

24. Subsequent event

As of January 15, 2004, the warrants holders by directors and employee No. 2 in 2,765,950 units have exercised their rights in the purchase of ordinary shares in number of 2,765,590 shares at the price of Baht 1.00 per shares aggregating to Baht 2.77 million. As a result, the paid-up share capital of the Company increased from Baht 255.07 millions to Baht 257.84 millions. The Company registered the paid-up increased share capital at the Ministry of Commerce on January 28, 2004. Hence, the Company remains the outstanding warrants for the directors, employees and the sub-agent in 26,008,860 units.
