

## **AUDITOR'S REPORT**

To the Shareholders of SE-EDUCATION PUBLIC COMPANY LIMITED,

I have audited the accompanying balance sheets as of December 31, 2007 and 2006 in which the equity method is applied to investment, the related statements of income, changes in shareholders' equity and cash flows, in which the equity method is applied to investment, for the year ended on the same dates, of SE-EDUCATION PUBLIC COMPANY LIMITED. I have also audited the accompanying balance sheets as of December 31, 2007 and 2006, in which the cost method is applied to investment, the separate statements of income, changes in shareholders' equity and cash flows, in which the cost method is applied to investment, of SE-EDUCATION PUBLIC COMPANY LIMITED for the year ended on the same dates. These financial statements are the responsibility of the Company's management as to their correctness and completeness in the presentation. My responsibility is to report on these financial statements based on my audit. I have not audited the financial statements of two associated companies as mentioned in the notes to the financial statements No. 9, from which investments were recorded under the equity method. As of December 31, 2007 and 2006, the investment in the said associated companies based on equity method were at Baht 85.18 million and Baht 89.23 million respectively, equivalent to 4.89% and 6.04% of the total assets in the balance sheet, which presented the investment by equity method respectively and the participating loss in the associated companies were shown included in the income statements, which presented the investment by equity method for the year ended on December 31, 2007 and 2006, at Baht 3.05 million and Baht 5.32 million respectively, equivalent to 1.66% and 2.54% of the net profit, which presented the investment by equity method respectively. The financial statements of the said associated companies have been audited by another auditors. I have received the reports of those auditors. My report in part related to the amounts of transactions of the said associated companies, which were included in these financial statements in which the equity method is applied to investment, is based on the report of the said auditors.

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 present the material information which contradicted to the facts. 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 and the report of another auditors as stated in the first paragraph provide a reasonable basis for my opinion.

## SE-EDUCATION PUBLIC COMPANY LIMITED

## BALANCE SHEETS

As of December 31, 2007 and 2006

(Unit : Baht)

	Financial statements in which equity method is applied to investment		Separate financial statements in which cost method is applied to investment	
	2007	2006	2007	2006
				(Restated)
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalent items	298,783,666.54	290,689,217.41	298,783,666.54	290,689,217.41
Short-term investment-net (net from allowance for diminution of value in year 2007 and 2006 in amount of Baht (2,757) thousand and Baht (5,571) thousand respectively)	(Note 6) 208,155,683.56	194,793,102.79	208,155,683.56	194,793,102.79
Trade accounts and notes receivable-net	(Note 7) 92,207,936.97	89,195,274.27	92,207,936.97	89,195,274.27
Inventories-net	(Note 8) 446,503,614.96	231,005,077.40	446,503,614.96	231,005,077.40
Copyright and translation advance	19,423,792.08	17,734,720.17	19,423,792.08	17,734,720.17
Prepaid expense	26,029,711.58	15,807,084.98	26,029,711.58	15,807,084.98
Other current assets	15,071,384.88	13,750,541.61	15,071,384.88	13,750,541.61
<b>TOTAL CURRENT ASSETS</b>	<b>1,106,175,790.57</b>	<b>852,975,018.63</b>	<b>1,106,175,790.57</b>	<b>852,975,018.63</b>
NON-CURRENT ASSETS				
Investments in subsidiary and associated companies	(Note 9) 85,283,686.28	89,330,755.22	69,532,021.51	69,532,021.51
Property, plant and equipment-net	(Note 10) 288,633,083.47	264,066,451.12	288,633,083.47	264,066,451.12
Leasehold on buildings-net	(Note 11) 141,726,719.77	154,294,160.54	141,726,719.77	154,294,160.54
Assets pending for sale-net	(Note 12) 19,200,000.00	19,200,000.00	19,200,000.00	19,200,000.00
Land not used for operation-net	(Note 13) 33,718,250.66	33,784,131.58	33,718,250.66	33,784,131.58
Guarantee for rental and deposit	55,628,145.51	49,665,582.72	55,628,145.51	49,665,582.72
Other non-current assets	(Note 14) 9,933,404.66	14,180,773.55	9,933,404.66	14,180,773.55
<b>TOTAL NON-CURRENT ASSETS</b>	<b>634,123,290.35</b>	<b>624,521,854.73</b>	<b>618,371,625.58</b>	<b>604,723,121.02</b>
<b>TOTAL ASSETS</b>	<b>1,740,299,080.92</b>	<b>1,477,496,873.36</b>	<b>1,724,547,416.15</b>	<b>1,457,698,139.65</b>

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

## SE-EDUCATION PUBLIC COMPANY LIMITED

## BALANCE SHEETS

As of December 31, 2007 and 2006

(Unit : Baht)

	Financial statements in which equity method is applied to investment		Separate financial statements in which cost method is applied to investment	
	2007	2006	2007	2006
				(Restated)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Bank overdrafts	-	2,013,109.27	-	2,013,109.27
Trade accounts and notes payable	858,781,415.50	649,799,499.39	858,781,415.50	649,799,499.39
Accrued expenses	95,101,891.82	72,021,831.24	95,101,891.82	72,021,831.24
Accrued corporate income tax	51,151,395.09	46,088,159.76	51,151,395.09	46,088,159.76
Other current liabilities	60,571,459.46	37,012,935.99	60,571,459.46	37,012,935.99
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,065,606,161.87</b>	<b>806,935,535.65</b>	<b>1,065,606,161.87</b>	<b>806,935,535.65</b>
<b>NON-CURRENT LIABILITIES</b>				
Other non-current liabilities	7,580,838.20	5,550,838.20	7,580,838.20	5,550,838.20
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>7,580,838.20</b>	<b>5,550,838.20</b>	<b>7,580,838.20</b>	<b>5,550,838.20</b>
<b>TOTAL LIABILITIES</b>	<b>1,073,187,000.07</b>	<b>812,486,373.85</b>	<b>1,073,187,000.07</b>	<b>812,486,373.85</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	(Notes 15 and 17)			
Authorized share capital				
328,345,090 ordinary shares @ Baht 1.00 each	328,345,090.00	-	328,345,090.00	-
348,128,690 ordinary shares @ Baht 1.00 each	-	348,128,690.00	-	348,128,690.00
Issued and paid-up share capital				
323,765,330 ordinary shares @ Baht 1.00 each	323,765,330.00	-	323,765,330.00	-
332,894,970 ordinary shares @ Baht 1.00 each	-	332,894,970.00	-	332,894,970.00
Premiums on share capital	149,420,557.75	149,420,557.75	149,420,557.75	149,420,557.75
Capital surplus from assets revaluation	(Note 10) 30,057,629.15	31,047,357.62	30,057,629.15	31,047,357.62
Unrealized loss-securities available for sale	(2,757,466.11)	(5,571,050.24)	(2,757,466.11)	(5,571,050.24)
Retained earnings				
Appropriated				
Legal reserve	(Note 16) 35,626,916.56	35,626,916.56	35,626,916.56	35,626,916.56
Treasury stock reserve	(Note 17) -	122,641,095.00	-	122,641,095.00
Unappropriated	130,999,113.50	121,591,747.82	115,247,448.73	101,793,014.11
<u>Less</u> Treasury stock 19,783,600 share @ Baht 6.20 each	(Note 17) -	(122,641,095.00)	-	(122,641,095.00)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>667,112,080.85</b>	<b>665,010,499.51</b>	<b>651,360,416.08</b>	<b>645,211,765.80</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,740,299,080.92</b>	<b>1,477,496,873.36</b>	<b>1,724,547,416.15</b>	<b>1,457,698,139.65</b>

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, 2007 and 2006

(Unit : Baht)

	Financial statements in which equity method is applied to investment		Separate financial statements in which cost method is applied to investment	
	2007	2006	2007	2006
	(Restated)			
REVENUES FROM OPERATION				
Sales	3,898,251,153.52	3,680,703,524.70	3,898,251,153.52	3,680,703,524.70
Other income	51,337,365.59	45,041,857.65	52,337,365.59	46,041,857.65
TOTAL REVENUES	3,949,588,519.11	3,725,745,382.35	3,950,588,519.11	3,726,745,382.35
EXPENSES FROM OPERATION				
Cost of sales	2,683,282,834.33	2,520,717,612.27	2,683,282,834.33	2,520,717,612.27
Selling and administrative expenses	982,349,104.61	901,600,262.40	982,349,104.61	901,600,262.40
Directors' remuneration (Note 18)	5,060,000.00	4,522,000.00	5,060,000.00	4,522,000.00
Participating loss in the associated companies	3,047,068.94	5,319,912.32	-	-
TOTAL EXPENSES	3,673,739,007.88	3,432,159,786.99	3,670,691,938.94	3,426,839,874.67
PROFIT BEFORE INTEREST EXPENSES AND CORPORATE INCOME TAX	275,849,511.23	293,585,595.36	279,896,580.17	299,905,507.68
INTEREST EXPENSES	(213,624.05)	(196,742.16)	(213,624.05)	(196,742.16)
CORPORATE INCOME TAX (Note 19)	(91,835,426.00)	(84,197,551.85)	(91,835,426.00)	(84,197,551.85)
NET PROFIT	183,800,461.18	209,191,301.35	187,847,530.12	215,511,213.67
BASIC EARNINGS PER SHARE (Note 20)	0.57	0.67	0.58	0.69
DILUTED EARNINGS PER SHARE (Note 20)	0.56	0.65	0.57	0.67

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, 2007 and 2006**

Financial statements in which equity method is applied to investment

(Unit : Baht)

		Issued and paid-up share capital	Premiums on share capital	Capital surplus from assets revaluation	Unrealized gain (loss) on securities available for sale	Retained earnings		Treasury stock	Total
						Appropriated	Unappropriated		
Balance as of January 1, 2006		322,135,910.00	147,776,311.25	17,344,226.09	(5,756,671.03)	158,268,011.56	96,173,637.82	(122,641,095.00)	613,300,330.69
Increased capital surplus from assets revaluation in the year	(Note 10)	-	-	13,941,648.00	-	-	-	-	13,941,648.00
Depreciation-capital surplus from assets revaluation		-	-	(238,516.47)	-	-	-	-	(238,516.47)
Unrealized gain-securities available for sale		-	-	-	185,620.79	-	-	-	185,620.79
Unrealized transaction in the income statements		322,135,910.00	147,776,311.25	31,047,357.62	(5,571,050.24)	158,268,011.56	96,173,637.82	(122,641,095.00)	627,189,083.01
Shares purchase by exercising warrants of shareholders, directors and employees	(Note 15)	10,759,060.00	1,644,246.50	-	-	-	-	-	12,403,306.50
Dividend payment	(Note 16)	-	-	-	-	-	(183,773,191.35)	-	(183,773,191.35)
Net profit for the year		-	-	-	-	-	209,191,301.35	-	209,191,301.35
Balance as of December 31, 2006		332,894,970.00	149,420,557.75	31,047,357.62	(5,571,050.24)	158,268,011.56	121,591,747.82	(122,641,095.00)	665,010,499.51
Depreciation-capital surplus from assets revaluation		-	-	(989,728.47)	-	-	-	-	(989,728.47)
Unrealized gain-securities available for sale		-	-	-	2,813,584.13	-	-	-	2,813,584.13
Unrealized transaction in the income statements		332,894,970.00	149,420,557.75	30,057,629.15	(2,757,466.11)	158,268,011.56	121,591,747.82	(122,641,095.00)	666,834,355.17
Shares purchase by exercising warrants of director and employees	(Note 15)	10,653,960.00	-	-	-	-	-	-	10,653,960.00
Dividend payment	(Note 16)	-	-	-	-	-	(194,176,695.50)	-	(194,176,695.50)
Net profit for the year		-	-	-	-	-	183,800,461.18	-	183,800,461.18
Effect of reducing paid up share capital by writing off treasury shares	(Note 17)	(19,783,600.00)	-	-	-	(122,641,095.00)	19,783,600.00	122,641,095.00	-
Balance as of December 31, 2007		323,765,330.00	149,420,557.75	30,057,629.15	(2,757,466.11)	35,626,916.56	130,999,113.50	-	667,112,080.85

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, 2007 and 2006**

Separate financial statements in which cost method is applied to investment

(Unit : Baht)

	Issued and paid-up share capital	Premiums on share capital	Capital surplus from assets revaluation	Unrealized gain (loss) on securities available for sale	Retained earnings		Treasury stock	Total
					Appropriated	Unappropriated		
						(Restated)		
Balance as of January 1, 2006	322,135,910.00	147,776,311.25	17,344,226.09	(5,756,671.03)	158,268,011.56	96,173,637.82	(122,641,095.00)	613,300,330.69
Cumulative effect of the change in accounting policy on investment in associated companies (Note 4)	-	-	-	-	-	(26,118,646.03)	-	(26,118,646.03)
Restated balance	322,135,910.00	147,776,311.25	17,344,226.09	(5,756,671.03)	158,268,011.56	70,054,991.79	(122,641,095.00)	587,181,684.66
Increased capital surplus from asset revaluation in the year (Note 10)	-	-	13,941,648.00	-	-	-	-	13,941,648.00
Depreciation-capital surplus from asset revaluation	-	-	(238,516.47)	-	-	-	-	(238,516.47)
Unrealized gain-securities available for sale	-	-	-	185,620.79	-	-	-	185,620.79
Unrealized transactions in the income statements	322,135,910.00	147,776,311.25	31,047,357.62	(5,571,050.24)	158,268,011.56	70,054,991.79	(122,641,095.00)	601,070,436.98
Shares purchased by exercising warrants of shares holders ,directors and employees (Note 15)	10,759,060.00	1,644,246.50	-	-	-	-	-	12,403,306.50
Dividend payment (Note 16)	-	-	-	-	-	(183,773,191.35)	-	(183,773,191.35)
Net profit for the year	-	-	-	-	-	215,511,213.67	-	215,511,213.67
Balance as of December 31, 2006	332,894,970.00	149,420,557.75	31,047,357.62	(5,571,050.24)	158,268,011.56	101,793,014.11	(122,641,095.00)	645,211,765.80
Depreciation-capital surplus from asset revaluation	-	-	(989,728.47)	-	-	-	-	(989,728.47)
Unrealized gain-securities available for sale	-	-	-	2,813,584.13	-	-	-	2,813,584.13
Unrealized transactions in the income statements	332,894,970.00	149,420,557.75	30,057,629.15	(2,757,466.11)	158,268,011.56	101,793,014.11	(122,641,095.00)	647,035,621.46
Shares purchased by exercising warrants of , directors and employees (Note 15)	10,653,960.00	-	-	-	-	-	-	10,653,960.00
Dividend payment (Note 16)	-	-	-	-	-	(194,176,695.50)	-	(194,176,695.50)
Net profit for the year	-	-	-	-	-	187,847,530.12	-	187,847,530.12
Effect of reducing paid up share capital by writing off treasury shares (Note 17)	(19,783,600.00)	-	-	-	(122,641,095.00)	19,783,600.00	122,641,095.00	-
Balance as of December 31, 2007	323,765,330.00	149,420,557.75	30,057,629.15	(2,757,466.11)	35,626,916.56	115,247,448.73	-	651,360,416.08

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, 2007 and 2006

(Unit : Baht)

	Financial statements in which equity method is applied to investment		Separate financial statements in which cost method is applied to investment	
	2007	2006	2007	2006
				(Restated)
CASH FLOW FROM OPERATING ACTIVITIES				
Net profit	183,800,461.18	209,191,301.35	187,847,530.12	215,511,213.67
Adjustment to net profit for cash-received (payments) from operating activities:				
Realized (gain) loss on disposal of securities available for sale	(7,682,488.46)	3,111,221.86	(7,682,488.46)	3,111,221.86
Doubtful debts and bad debt:	310,792.63	1,435,883.44	310,792.63	1,435,883.44
Loss from returned goods estimation (reversal)	5,768,176.58	2,080,669.95	5,768,176.58	2,080,669.95
Loss from lost goods	28,923,872.74	49,377,678.30	28,923,872.74	49,377,678.30
Loss from dilapidated and slow moving goods:	11,290,563.72	536,616.88	11,290,563.72	536,616.88
Loss from goods destroyed	3,573,491.06	392,110.96	3,573,491.06	392,110.96
Loss from goods donation	4,746,678.89	4,428,979.28	4,746,678.89	4,428,979.28
Loss from goods flooded	-	3,472,799.33	-	3,472,799.33
Depreciation-assets for operation	81,041,120.17	77,559,164.46	81,041,120.17	77,559,164.46
Depreciation-assets not used for operation	65,880.92	65,998.32	65,880.92	65,998.32
Amortized leasehold	12,567,440.77	12,567,440.77	12,567,440.77	12,567,440.77
Reversal of loss from revaluation of assets not used for operation	-	(1,482,630.96)	-	(1,482,630.96)
Adjustment for clearing of trade accounts receivable	1,204,620.21	(288,779.99)	1,204,620.21	(288,779.99)
Adjustment for clearing of trade accounts payable	(3,246,239.35)	-	(3,246,239.35)	-
Participating loss from associated companies	3,047,068.94	5,319,912.32	-	-
Loss from advance copyright written-off	-	602,500.03	-	602,500.03
Assets donation	-	7,199.67	-	7,199.67
Loss from written-off fixed assets	68,875.56	2,056,340.00	68,875.56	2,056,340.00
Gain from disposal of fixed asset	(609,343.80)	-	(609,343.80)	-
Dividend received from investment in associated companies	-	-	(1,000,000.00)	(1,000,000.00)
Loss from assets revaluation	-	1,800,000.00	-	1,800,000.00
Profit from operation before change in operating assets and liabilities	324,870,971.76	372,234,405.97	324,870,971.76	372,234,405.97
(Increase) Decrease in trade accounts and notes receivable	(10,296,252.12)	(8,483,537.73)	(10,296,252.12)	(8,483,537.73)
(Increase) Decrease in inventories	(264,033,143.97)	(63,186,391.88)	(264,033,143.97)	(63,186,391.88)
(Increase) Decrease in copyright and translation advances	(1,689,071.91)	(1,600,599.94)	(1,689,071.91)	(1,600,599.94)
(Increase) Decrease in prepaid expenses	(10,222,626.60)	(12,242,455.56)	(10,222,626.60)	(12,242,455.56)
(Increase) Decrease in other current assets:	(1,320,843.27)	1,614,864.83	(1,320,843.27)	1,614,864.83
(Increase) Decrease in guarantee for rental and deposits	(5,962,562.79)	(2,522,081.17)	(5,962,562.79)	(2,522,081.17)
(Increase) Decrease in other non-current assets:	4,247,368.89	1,352,733.61	4,247,368.89	1,352,733.61
Increase (Decrease) in trade accounts and notes payable	212,228,155.46	1,228,543.70	212,228,155.46	1,228,543.70
Increase (Decrease) in accrued expense	23,080,060.58	28,915,051.23	23,080,060.58	28,915,051.23
Increase (Decrease) in accrued corporate income taxes	5,063,235.33	5,951,140.28	5,063,235.33	5,951,140.28
Increase (Decrease) in other current liabilities	23,558,523.47	3,229,219.26	23,558,523.47	3,229,219.26
Increase (Decrease) in other non-current liabilities	2,030,000.00	515,000.00	2,030,000.00	515,000.00
Net cash received (used) in operating activities	301,553,814.83	327,005,892.60	301,553,814.83	327,005,892.60

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, 2007 and 2006

(Unit : Baht)

	Financial statements in which equity method is applied to investment		Separate financial statements in which cost method is applied to investment	
	2007	2006	2007	2006 (Restated)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
(Increase) Decrease in short-term investment	(2,866,508.18)	(15,000,000.00)	(2,866,508.18)	(15,000,000.00)
Received in loan due from an associated company	-	9,000,000.00	-	9,000,000.00
Additional investment in an associated company	-	(45,000,000.00)	-	(45,000,000.00)
Dividend receipt from investment in associated company	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
Purchase of fixed assets	(106,666,358.55)	(74,703,988.98)	(106,666,358.55)	(74,703,988.98)
Cash receipts from sale of fixed assets	609,345.80	-	609,345.80	-
Net cash received (used) in investing activities	(107,923,520.93)	(124,703,988.98)	(107,923,520.93)	(124,703,988.98)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase (Decrease) in bank overdraft	(2,013,109.27)	(10,018,422.11)	(2,013,109.27)	(10,018,422.11)
Cash receipts from additional warrants exercised to purchase ordinary shares	10,653,960.00	12,403,306.50	10,653,960.00	12,403,306.50
Dividend payments	(194,176,695.50)	(183,773,191.35)	(194,176,695.50)	(183,773,191.35)
Net cash received (used) in financing activities	(185,535,844.77)	(181,388,306.96)	(185,535,844.77)	(181,388,306.96)
Cash and cash equivalent items increase (decrease)-n	8,094,449.13	20,913,596.66	8,094,449.13	20,913,596.66
Cash and cash equivalent items at the beginning of the year	290,689,217.41	269,775,620.75	290,689,217.41	269,775,620.75
Cash and cash equivalent items at the end of the year	298,783,666.54	290,689,217.41	298,783,666.54	290,689,217.41
<b>Supplemental disclosures to the cash flow statements</b>				
1. Cash paid during the year:				
Interest expenses	213,624.05	196,742.16	213,624.05	196,742.16
Corporate income tax	86,772,190.67	78,246,061.57	86,772,190.67	78,246,061.57
2. Items not effecting cash flow				
2.1 For the years ended on December 31, 2007 and 2006, the Company adjusted unrealizable gain on revaluation of securities available for sale the shareholders' equity amounting Baht 2.81 million and Baht 0.19 million respectively				
2.2 For the year ended on December 31, 2007, the company written-off the depreciation-assets for operation with capital surplus amounting Baht 0.99 million				
2.3 For the year ended on December 31, 2007, the company decreased the registered and paid-up share capital by writing off the Company's treasury shares by 19.78 million shares, at Baht 19.78 million				
3. Cash and cash equivalent items consist of				
Cash	23,614,404.87	17,109,879.78	23,614,404.87	17,109,879.78
Cash at bank (not exceeding 3-months duration)	155,169,261.67	97,579,337.63	155,169,261.67	97,579,337.63
Government bond (maturity period not exceeding 3 months)	120,000,000.00	176,000,000.00	120,000,000.00	176,000,000.00
Total	298,783,666.54	290,689,217.41	298,783,666.54	290,689,217.41

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



**SE-EDUCATION PUBLIC COMPANY LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007 and 2006**

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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 0107536000285. The Company is situated at 1858/87-90 Nation Tower Building, 19th Floor, Bangna-Trad Road, Bangna, Bangkok 10260. Distribution center is situated at 99 Moo 1, Kingkaew Road, Rajatewa, Bangplee, Samutprakarn 10540.

- 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 services magazines published by SE-ED.
4. Publishing engagement and sell electronic parts and equipments.

- Employee information

	<u>For the Years ended on December 31,</u>	
	<u>2007</u>	<u>2006</u>
Average number of employees (person)	2,232	2,033
Employee expenses (Million Baht)	370.95	325.80

2. Basis of financial statement preparation

2.1 The financial statements were prepared in accordance with the generally accepted accounting principles under the Accounting Act B.E. 2543 which include the accounting standards determined by the Federation of Accounting Professions, set up in accordance with the Accounting Professions Act. B.E.2547, and have been announced to be effective, and in accordance with the regulation of the Office of the Securities and Exchange Committee on the subject of preparation and presentation of the financial reports.

2.2 The Federation of Accounting Professionals has issued the Federation of Accounting Professionals announcement Nos. 9/2550, 38/2550 and 62/2550 (already announced in the Royal Gazettes) on the Thai Accounting Standards by announcing to apply the Thai Accounting Standard No. 51 on the intangible assets and to apply the following accounting standards instead of the former Thai Accounting Standards which have been revoked :

- No. 25 (Revised 2007) Cash Flow Statements
- No. 29 (Revised 2007) Rental Contracts
- No. 31 (Revised 2007) Inventories
- No. 33 (Revised 2007) Costs of Borrowing
- No. 35 (Revised 2007) Presentation of Financial Statements
- No. 39 (Revised 2007) Accounting Policies, Changes in Accounting Estimates and Errors
- No. 41 (Revised 2007) Interim Financial Statements
- No. 43 (Revised 2007) Business Combinations
- No. 44 (Revised 2007) Consolidated and Separate Financial Statements
- No. 45 (Revised 2007) Investment in Associated Company
- No. 46 (Revised 2007) Interests in Joint Ventures
- No. 49 (Revised 2007) Construction Contracts

For the Thai Accounting Standards Nos. 44-46, which have to apply to the financial statements for the accounting period that commence on or after January 1, 2007; therefore, the Company had to retro-adjusted the comparative separate financial statements for the year ended on December 31, 2006. The Company has shown the result from the effect of the change in the notes to the financial statements No.4

For the remaining Thai Accounting Standards, which have to apply to the financial statements for the accounting period that commence on or after January 1, 2008. The management of the Company and its subsidiary company has evaluated and thought the said Thai Accounting Standards would not have material effect on the financial statements for the year the said Thai Accounting Standards have to be applied.

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 financial statements for the year ended on December 31, 2006 have been reclassified to facilitate the comparison with the financial statements for the year ended on December 31, 2007 for prepaid expense under non-current asset to prepaid expense not over the year at Baht 7.10 million.

2.5 The Company prepares its statutory financial statements in the Thai version in conformity with generally accepted accounting principles in Thailand. The accounting principles used may be different from generally accepted accounting principles in other countries. For the convenience of the readers, the financial statements in English version have been prepared by translating from the statutory financial statements in Thai version in order to meet the requirement of domestic reporting.

### 3. Summary of significant accounting policies

The significant 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.
- Other income and expenses recognized on accrual basis.
- 3.2 Cash and cash equivalent items includes bank deposit in the types of savings, current and not exceeding three-month fixed deposit and government bond with maturity not exceeding three-month period with no guarantee obligation.
- 3.3 The short term investments are investments in personal funds, mutual funds and opened-ended mutual funds units, which are regarded as securities available for sales and valued at fair value. The Company recognizes the change of value under a separate caption in the shareholders' equity and accounted in the income statement when such investment is sold.
- 3.4 Allowance for doubtful debts is made by estimating each of the uncollectible accounts receivable.
- 3.5 The Company has the policy to set up the allowance for returned goods at the percentage rate of the average returned goods for the year of the upcountry sales.
- 3.6 Inventories
- Paper-raw materials are valued at cost under simple average 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 simple average method 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 goods.
  - Allowance for lost inventories; the Company holds the policy of allowance for lost inventories at the rate of 1.20 percent of sales branch, which the Company revises such allowance after the inventory taking at the respective branch.

### 3.7 Property, plant and equipment

3.7.1 Land and building are valued at fair value which are appraised by an independent appraiser. The Company and associated companies 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 under the caption of shareholders' equity. Any increase of newly appraised building, the depreciation is calculated for that increased part on a straight-line method over the estimated useful life of 10 years and any decrease of new appraised value from cost is regarded as loss from decrease in assets appraisal in the income statement.

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

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

- Building	20 years
- Furniture and office equipment	5 years
- Air-conditioners	5 years
- Vehicles	5 years.

The Company records depreciation as expense under 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 Leasehold right, which is the contractual right to obtain the right to lease the area to set up branches, is amortized on the straight line method over the beneficial period of the said right as stipulated in the contracts.

- 3.9 Asset awaiting sale is land together with shop houses recorded the original cost value net by the accumulated impairment (if application)
- 3.10 Accrued foreign copyright expenses are calculated by the rate specified in the agreement on an accrual basis.
- 3.11 Land not used in operation recorded the original cost by the cost value net by the accumulated allowance for depreciation (if applicable).
- 3.12 Investments in associated companies are recorded by equity method in the financial statements in which equity method is applied to investment and recorded by cost method in separate financial statements in which cost method is applied to investment 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.
- 3.13 Impairment of assets; the Company and associated companies assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the income statement. (An asset's recoverable amount is the higher of fair value less costs to sell and value in use).
- 3.14 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 translated into Baht at the prevailing exchange rate on that date, and the gain or loss arising from such translated is included in the related statement of income as revenue or expense.
- 3.15 Inter-Transaction between the related parties and related companies with the Company meant the parties or the companies that have the controlling power to the Company, controlled by the Company either directly or indirectly, or under the same control with the Company, including the holdings companies for the subsidiary company and group companies. Furthermore, the related parties and related companies also meant the associated companies and the parties whose holding the shares with voting rights, either directly or indirectly, and have significant influence to the Company, important management, directors or the employees of the Company who have the power to plan and control the Company's operation
- 3.16 Employee benefits the Company has set up the provident fund for the type that the contribution plan has already been determined. The provident fund's asset has been separated from the assets of the Company and manages by an outside fund manager. The said provident fund receives contributions from the employees and the Company. The contribution from the Company is recorded as the expense in the income statements for the accounting period the transaction incurred. However, the Company did not set up the liability for the employee benefits according to the Thai Labor Law.
- 3.17 Corporate income tax will be recognized as expense item whenever the Company is liable to pay such tax.

### 3.18 Earnings per share

- Basic earnings per share are 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 shares and the weighted average number of diluted ordinary share equivalents that needed to cover the warrants converted to ordinary stock.

3.19 Sectoral Business Operations the business sector is the business sector that source products or provide services which have different risks and return from the risks and return of the products or services provide by other business sectors. The sectoral business operation is disclosed under the separate business sectors of the company.

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

3.21 For accounting estimates required for preparation of financial statements to conform to the generally accepted accounting principles, the management has to use various estimates and assumptions which would affect the policy setting and the reporting of the amounts relating to assets, liabilities, incomes and expenses. The estimates and assumptions are made from the experience and factors that the management reasonably believed under the circumstance; therefore, the actual result from the assumptions to the book value of the assets and liabilities may differ from amounts already estimated.

The estimates and assumptions used in preparation of the financial statements would be revised regularly. The adjustment of the accounting estimate is recorded in the accounting period that the said estimate has been revised. If the adjustment of the estimate only effect the incurred accounting period, it would be recorded in the affected period. If the adjustment of the estimate effects the present and succeeding accounting periods, it would be recorded in the succeeding period.

3.22 Provision-the Company and its associated companies set up the provision when there is a certain possibility of a legally incurred liability from the present or infer from a continuing result from the past incident. The said liability is expected to result in losing the economical beneficial resources to pay for the liability. The amount to be paid is reliable and it is certain that the paid amount on the provision would be repaid back in full or partial amount. The Company and its associated companies would recognize the repayment of the expense as separate asset but not more than the related provision and shown the expense related to the provision in the income statement net from the recognized expense expected to be repaid.

#### 4. The change in the accounting policy

The Company changed the policy for recording of investment in associated companies in the separate financial statements from the equity method to the cost method to comply with the Federation of Accounting Professions (FAP) is notification No. 32/2549 dated November 3, 2006 on Explanation of Accounting Standard No.44 on Consolidated Financial Statements and Accounting for Investments in Subsidiary Companies (paragraph 27) and Accounting Standard No.45 on Accounting for Investments in Associated Companies (paragraph 11). The Company has made retro-adjustment for the comparative financial statements. The investment in associated companies as shown in the separate financial statements in which cost method is applied to investment, was recorded at historical cost as commencing cost and consideration is made for its impairment of value. This change of accounting policy has caused the net profit on the separate financial statements in which cost method is applied to investment, to differ from that reported in the financial statements in which equity method is applied to investment. For the year ended on December 31, 2007, the financial statements in which equity method is applied to investment has Baht 183.80 million net profit, however, the separate financial statements in which cost method is applied to investment has Baht 187.85 million. Therefore, the Company would like to clarify with the additional information as follows: -

- 1) After restating, net profit of the separate financial statements in which cost method is applied to investment, for the year ended on December 31, 2006 increased by Baht 6.32 million. This is because the separate financial statements in which cost method is applied to investment did not include any participating loss from investment in associated companies at Baht 5.32 million but recognized the dividend income received from the associated company at Baht 1.00 million.
- 2) The effects from the restating to other items on the separate financial statements in which cost method is applied to investment for the year ended on December 31, 2006, such as investment in associated companies and the retained earnings on the balance sheets decreased by Baht 26.12 million. The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy on investment in associated companies” in the separate financial statements in the statements of changes in shareholders’ equity.

#### 5. Inter-company transactions

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

5.1 Inter-asset and liabilities

(Unit : Thousand Baht)

	<u>Type of relation</u>	<u>Financial statements in which equity method is applied to investment/</u>	
		<u>Separate financial statements in which cost method is applied to investment</u>	
		<u>As of December 31,</u>	
		<u>2007</u>	<u>2006</u>
<u>Loan due from associated company</u>			
Pleam Patt Co.,Ltd.	Associated company		
Beginning balance		-	9,000
Increased in the period		-	-
Received in the period		-	(9,000)
Ending balance		-	-
<u>Trade accounts payable</u>			
M AND E Co., Ltd.	Associated company	1,999	1,780
Bliss Publishing Co., Ltd.	Related company with shareholders	6,190	2,537

In year 2006, the whole amount of loan due from an associated company that operate in the business of private educational institution was in the form of promissory note with a maturity period of 1 year. The interest rate is the rate of credit interest of a commercial bank at MLR+1% The objective of the loan is for the associated company to use for construction and working capital for the school.

5.2 Inter-revenues and expenses

(Unit : Thousand Baht)

	<u>Type of relation</u>	<u>Financial statements in which equity method is applied to investment/</u>		<u>Policy of inter-price setting</u>
		<u>Separate financial statements in which cost method is applied to investment</u>		
		<u>For the years ended on December 31,</u>		
		<u>2007</u>	<u>2006</u>	
<u>Interest income values</u>				
Pleam Patt Co., Ltd.	Associated company	-	107	MLR+1%
<u>Purchase goods values</u>				
M AND E Co., Ltd.	Associated company	1,878	1,678	Market price
GMM Grammy Public Co., Ltd.	Shareholders	3,604	231	Market price
Bliss Publishing Co., Ltd.	Related company with shareholders	12,144	12,655	Market price



6. Short - term investment-net

Consisted of: -

(Unit : Baht)

	<u>Financial statements in which equity method is applied to investment/ Separate financial statements in which cost method is applied to investment As of December 31.</u>	
	<u>2007</u>	<u>2006</u>
Securities available-for-sale		
- Investment in Private Fund	31,831,359.48	116,284,222.79
- Investment in Mutual Fund	156,324,324.08	43,508,880.00
- Government bond (exceeding 3-month maturity period)	20,000,000.00	35,000,000.00
Total	208,155,683.56	194,793,102.79

7. Trade accounts and notes receivable-net

Trade accounts receivable are classified by aging overdue as follows:-

(Unit : Baht)

	<u>Financial statements in which equity method is applied to investment/ Separate financial statements in which cost method is applied to investment As of December 31.</u>	
	<u>2007</u>	<u>2006</u>
Trade accounts receivable		
Within credit term	48,258,741.94	52,836,403.75
Over credit term less than 6 months	44,385,926.65	37,069,223.43
Over credit term more than 6 months to 12 months	1,868,616.16	1,773,889.39
Over credit term more than 12 months	21,997,143.27	20,694,077.33
Total trade accounts receivable	116,510,428.02	112,373,593.90
Notes receivable	12,787,392.24	7,832,594.45
<u>Less</u> Allowance for doubtful debts	(25,751,939.11)	(25,441,146.48)
Allowance for returned goods	(11,337,944.18)	(5,569,767.60)
Net	92,207,936.97	89,195,274.27

As of December 31, 2007 and 2006, for the trade accounts receivable that were over credit term for more than 12 months, the majority of them already have allowance set up since the year 1998 and the Company has already filed lawsuits against them and until February 5, 2007, the Central Bankruptcy Court ordered for the Company to receive a repayment of Baht 32.93 million (including interest from overdue repayment) from the asset pool of this debtor. At present, the Company has not received first payment from the pool of assets, thus there still no need to reverse the already made allowance for doubtful debt.

#### 8. Inventories-net

Consisted of: -

(Unit : Baht)

	<u>Financial statements in which equity method is applied to investment/ Separate financial statements in which cost method is applied to investment</u>	
	<u>As of December 31,</u>	
	<u>2007</u>	<u>2006</u>
Raw material	27,201,347.57	17,911,451.35
Work in process	9,863,281.78	9,805,055.64
Finished good	496,165,471.36	278,724,492.44
Total	533,230,100.71	306,440,999.43
<u>Less</u> Allowance for lost goods	(28,227,902.58)	(27,488,352.94)
Allowance for dilapidated and slow moving goods	(58,498,583.17)	(47,947,569.09)
Net	446,503,614.96	231,005,077.40

#### 9. Investments in subsidiary and associated companies

Consisted of: -

(Unit: Baht)

	<u>Nature of business</u>	<u>Paid-up share capital</u>	<u>Percentage of share holdings</u>	<u>Cost</u>	<u>As of December 31, 2007</u>		<u>Dividend</u>
					<u>Cost Method</u>	<u>Equity Method</u>	
Subsidiary company							
SE-ED Book Center Co., Ltd.	Business consulting firm	100,000.00	99.93%	99,930.00	99,930.00	99,930.00	-
Associated companies							
M ANDE Co., Ltd.	Printing office company, produces technical magazines and engineering manuals	400,000.00	25.00%	100,000.00	100,000.00	22,789,884.25	1,000,000.00
Plearn Patt Co., Ltd.	Institute of private education - Plearn Pattana School	169,350,000.00	49.01%	83,000,000.00	83,000,000.00	62,393,872.03	-
<u>Less</u> Allowance for revaluation of investments				-	(13,667,908.49)	-	-
				83,199,930.00	69,532,021.51	85,283,686.28	1,000,000.00

(Unit: Baht)

	Nature of business	Paid-up share capital	Percentage of share holdings	Cost	As of December 31, 2006		Dividend
					Investments		
					Cost Method	Equity Method	
Subsidiary company							
SE-ED Book Center Co., Ltd.	Business consulting firm	100,000.00	99.93%	99,930.00	99,930.00	99,930.00	-
Associated companies							
M AND E Co., Ltd.	Printing office company, produces technical magazines and engineering manuals	400,000.00	25.00%	100,000.00	100,000.00	19,898,733.71	1,000,000.00
Plearn Patt Co., Ltd.	Institute of private education - Plearn Pattana School	169,350,000.00	49.01%	83,000,000.00	83,000,000.00	69,332,091.51	-
<u>Less</u> Allowance for revaluation of investments				-	(13,667,908.49)	-	-
				83,199,930.00	69,532,021.51	89,330,755.22	1,000,000.00

- 9.1 Investments in the SE-ED Book Center Co., Ltd., a subsidiary company, the Company recorded investment by cost method since the investment's value in the subsidiary company did not materially effect the Company's financial statements.
- 9.2 For the year ended on December 31, 2007, 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, 2006 and 2005 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 in which equity method is applied to investment for the year ended on December 31, 2007 and 2006 amounted to Baht 3.89 million and Baht 3.49 million equivalent to 2.12% and 1.67% of net profit respectively and as of December 31, 2007 and 2006, which showed financial statement in which equity method is applied to investment in the said associated company amounted to Baht 22.79 million and Baht 19.90 million equivalent 1.31% and 1.35% of total assets respectively.
- 9.3 The financial statements for the years ended on December 31, 2007 and 2006 of Plearn Patt Co., Ltd. an associated company, were used to account for investment by equity method and these financial statements have been audited by another auditor. As of December 31, 2007 and 2006 the investment in associated company amounted to Baht 62.39 million and Baht 69.33 million equivalent to 3.59% and 4.69% of total assets in the balance sheet in which equity method is applied to investment respectively, and participating loss from operation in that associated company as presented in the statement of income in which equity method is applied to investment for the years ended on the same date for the amount of Baht 6.94 million and Baht 8.81 million equivalent to 3.78% and 4.21% of net profit respectively.

9.4 For the first quarter in 2006, the Company additionally invested in the increased shares capital of Plearn Patt Co., Ltd., an associated company, at Baht 33 million thus increased its shareholding ratio from formerly 30.56% to 45.12% of the authorized share capital and for the second quarter in 2006, invested in the increased shares capital at Baht 12 million thus increased its shareholding ratio from formerly 45.12% to 49.01% of the issued and paid – up share capital.

#### 10. Property, plant and equipment-net

Financial statements in which equity method is applied to investment / Separate financial statements in which cost method is applied to investment consisted of: -

	(Unit : Baht)						
Descriptions	Land	Building	Building decoration	Office equipments and air conditioners	Vehicles	Work in progress	Total
<b>Cost :</b>							
As of December 31, 2006	4,714,125.00	2,353,700.00	238,216,168.28	379,857,004.91	27,596,382.01	1,206,186.25	653,943,566.45
Purchase	-	-	29,953,636.50	59,176,957.85	5,843,554.33	11,692,209.87	106,666,358.55
Transfer in/transfer out	-	-	1,068,420.30	-	-	(1,068,420.30)	-
Sale	-	-	-	(186,695.11)	(2,235,500.00)	-	(2,422,195.11)
As of December 31, 2007	4,714,125.00	2,353,700.00	269,238,225.08	438,847,267.65	31,204,436.34	11,829,975.82	758,187,729.89
<b>Accumulated depreciation :</b>							
As of December 31, 2006	-	(2,353,699.00)	(164,558,392.12)	(230,594,650.40)	(23,417,731.34)	-	(420,924,472.86)
Depreciation for year	-	-	(29,152,602.18)	(49,360,400.49)	(2,528,117.50)	-	(81,041,120.17)
Sale	-	-	-	117,819.55	2,235,498.00	-	2,353,317.55
As of December 31, 2007	-	(2,353,699.00)	(193,710,994.30)	(279,837,231.34)	(23,710,350.84)	-	(499,612,275.48)
<b>Capital surplus from assets revaluation :</b>							
As of December 31, 2006	21,385,547.00	17,292,418.32	-	-	-	-	38,677,965.32
As of December 31, 2007	21,385,547.00	17,292,418.32	-	-	-	-	38,677,965.32
<b>Accumulated depreciation-capital surplus :</b>							
As of December 31, 2006	-	(7,630,607.79)	-	-	-	-	(7,630,607.79)
Depreciation for the year	-	(989,728.47)	-	-	-	-	(989,728.47)
As of December 31, 2007	-	(8,620,336.26)	-	-	-	-	(8,620,336.26)
<b>Net Book Value :</b>							
As of December 31, 2006	26,099,672.00	9,661,811.53	73,657,776.16	149,262,354.51	4,178,650.67	1,206,186.25	264,066,451.12
As of December 31, 2007	26,099,672.00	8,672,083.06	75,527,230.78	159,010,036.31	7,494,085.50	11,829,975.82	288,633,083.47
<b>Depreciation in the income statement</b>							
for the years							
ended on December 31, 2006							77,559,164.46
ended on December 31, 2007							81,041,120.17

As of December 31, 2007 and 2006, the Company has fixed asset which were fully depreciated at the same cost value of Baht 290.78 million and Baht 232.00 million respectively, with parts of them are still in use.

On October 2, 2006, the Company assigned an independent professional appraiser to appraise land and building values of which book value and newly appraised value were Baht 22.06 million and Baht 36.00 million respectively. The Company accounted capital surplus from land and building price appraisal in the shareholders' equity caption in the balance sheet in year 2006 in amount of Baht 13.94 million.

11. Leasehold on buildings-net

The whole amount of the leasehold on buildings was for areas in leading shopping centers in order to open 13 branches of SE-ED Book Center. Most of these leaseholds were for the period of approximately 15-30 years. For the years ended on December 31, 2007 and 2006, these leasehold rights were amortized to expenses by the same amount of Baht 12.57 million for both years.

12. Assets pending for sale-net

On October 2, 2006, the Company assigned an independent professional appraiser to appraise building pending for sales of which book value and newly appraised value were Baht 21.00 million and Baht 19.20 million respectively. The Company recognized loss from impairment of land for amount of Baht 1.80 million in the income statement.

13. Land not used for operation-net

Consisted of:-

	(Unit : Baht)		
	<u>Financial statements in which equity method is applied to investment/</u>		
	<u>Separate financial statements in which cost method is applied to</u>		
	<u>investment</u>		
	<u>Land not used</u>	<u>Improvement for land not</u>	<u>Total</u>
	<u>for operation</u>	<u>used for operation</u>	
<b>Cost :</b>			
As of December 31, 2006	49,495,608.93	658,413.00	50,154,021.93
As of December 31, 2007	49,495,608.93	658,413.00	50,154,021.93
<b>Accumulated depreciation :</b>			
As of December 31, 2006	-	(356,912.38)	(356,912.38)
Depreciation for the year	-	(65,880.92)	(65,880.92)
As of December 31, 2007	-	(422,793.30)	(422,793.30)
<b>Allowance for impairment :</b>			
As of December 31, 2006	(16,012,977.97)	-	(16,012,977.97)
As of December 31, 2007	(16,012,977.97)	-	(16,012,977.97)
<b>Net Book Value :</b>			
As of December 31, 2006	33,482,630.96	301,500.62	33,784,131.58
As of December 31, 2007	33,482,630.96	235,619.70	33,718,250.66
<b>Depreciation in the income statement for the years</b>			
ended on December 31, 2006			65,998.32
ended on December 31, 2007			65,880.92

On October 3, 2006, the Company assigned an independent professional appraiser to appraise prices of land not used for operation of which book value and newly appraised value were Baht 49.50 million and Baht 33.48

million respectively. The Company adjusted the decrease from land price appraisal to provide for loss from impairment of asset in the income statement for the year 2006 for amount of Baht 1.48 million.

#### 14. Other non-current assets

As of December 31, 2007 and 2006, part of other non-current assets amounting to Baht 8.25 million and Baht 5.00 million respectively, was a bank deposit being pledged as collateral for book distribution agents and the utilities system usage.

#### 15. Share capital

In accordance with the resolution of the annual general shareholders' meeting No. 1/2001 held on April 30, 2001, it was resolved to issued warrants as follows: -

- 15.1 Warrants to purchase ordinary shares for the existing shareholders at the ratio of 1 warrant to 1 ordinary share. The right to exercise warrants for existing shareholders is at the price of Baht 1.65 per unit with the maturity period of 5 years commencing from the date of warrant issuance. The warrants' right can be exercise every 3 month and the last date to exercise the right is December 15, 2006.
- 15.2 Warrants to purchase ordinary shares for the directors, employees and sub-agents at the price of Baht 1.00 per unit. It divided into 5 versions. The period of exercising each version of right is 1 year apart. The warrants' right can be exercised every 3 month and the last date to exercise the right is January 14, 2008. The right of each version can be exercised to purchase ordinary shares in the proportion of 10%, 10%, 10%, 30% and 40% of the entire number of rights received respectively.

Warrants' right exercised for the year ended on December 31, 2007:

1. Directors and employees had exercised their rights to purchase ordinary shares in number of 10,653,960.00 units. Thus the Company had increased the issued and paid-up share capital by the total of Baht 10.65 million. The Company registered the change in paid-up share capital in parts and the latest registration was on October 24, 2007.
2. The remaining balance of exercisable warrants
  - 2.1 Warrants with full conversion right to purchase ordinary shares for employee and sub-agents but not yet exercised amounted to 192,340 units
  - 2.2 Warrants without conversion right to purchase ordinary shares for existing shareholders amounted to 296,880 units (these warrants forfeited their exercisable rights on December 15, 2006)

2.3 Warrants to purchase ordinary shares for directors, employee and sub-agents not yet appropriated amounted to 4,090,410 units.

2.4 The warrants as mentioned in Clauses 2.1 and 2.3 will be expired on January 14, 2008

In accordance to the minutes of the board of directors' meeting No. 4/2007 held on September 19, 2007, the resolutions approved the write off the Company's treasury shares, therefore reducing its paid-up capital by 19.78 million shares, thus decreased the issued and paid-up share capital by the total of Baht 19.78 million. The Company registered the decrease in paid-up share capital with the Ministry of Commerce on September 28, 2007.

#### 16. Dividend payment and legal reserve

Consist of:

<u>Year 2007 operating result</u>							
	<u>Resolutions of the</u>		<u>Dividends</u>	<u>Dividends</u>	<u>Dividend Paid</u>	<u>Legal reserve</u>	
	<u>Company's Board</u>	<u>Meeting date</u>	<u>Dividends</u>	<u>Per share</u>	<u>Totaling</u>	<u>% of</u>	<u>Amount</u>
	<u>meeting</u>		<u>payment date</u>	<u>(Baht)</u>	<u>(Million Baht)</u>	<u>Net profit</u>	<u>(Million Baht)</u>
Quarter 1	2/2007	10/05/2007	08/06/2007	0.10	32.36	-	-
Quarter 2	3/2007	09/08/2007	06/09/2007	0.10	32.37	-	-
Quarter 3	5/2007	13/11/2007	11/12/2007	0.10	32.38	-	-
	Total			0.30	97.11		-

  

<u>Year 2006 operating result</u>							
	<u>Resolutions of the</u>		<u>Dividends</u>	<u>Dividends</u>	<u>Dividend Paid</u>	<u>Legal reserve</u>	
	<u>Company's Board</u>	<u>Meeting date</u>	<u>Dividends</u>	<u>Per share</u>	<u>Totaling</u>	<u>% of</u>	<u>Amount</u>
	<u>meeting</u>		<u>payment date</u>	<u>(Baht)</u>	<u>(Million Baht)</u>	<u>Net profit</u>	<u>(Million Baht)</u>
Quarter 1	2/2006	10/05/2006	09/06/2006	0.10	31.13	-	-
Quarter 2	3/2006	11/08/2006	11/09/2006	0.10	31.16	-	-
Quarter 3	4/2006	10/11/2006	08/12/2006	0.10	31.19	-	-
Quarter 4	1/2007	25/04/2007	23/05/2006	0.30	97.07	-	-
	Total			0.60	190.55		-

  

<u>Year 2005 operating result</u>							
	<u>Resolutions of the</u>		<u>Dividends</u>	<u>Dividends</u>	<u>Dividend Paid</u>	<u>Legal reserve</u>	
	<u>Company's Board/</u>	<u>Meeting date</u>	<u>Dividends</u>	<u>Per share</u>	<u>Totaling</u>	<u>% of</u>	<u>Amount</u>
	<u>Shareholder meeting</u>		<u>payment date</u>	<u>(Baht)</u>	<u>(Million Baht)</u>	<u>Net profit</u>	<u>(Million Baht)</u>
Quarter 1	2/2005	12/05/2005	10/06/2005	0.10	30.02	5%	1.71
Quarter 2	4/2005	11/08/2005	09/09/2005	0.10	30.14	-	-
Quarter 3	5/2005	14/11/2005	09/12/2005	0.10	30.16	-	-
Quarter 4	1/2006	26/04/2006	23/05/2006	0.29	90.29	-	-
	Total			0.59	180.61		1.71

17. Treasury stock

In accordance to the resolutions of the Board of directors' meeting No. 1/2004 held on February 24, 2004, it was resolved to buy back treasury shares with the objective for financial management as the Company had excess liquidity. The Company, therefore, set up a project to buy back 25.78 million shares with the limiting amount of not exceeding Baht 160 million. The buy back treasury shares was determined to be proceeded from March 11, 2004 to September 11, 2004. From April 2, 2004 to September 8, 2004 the total treasury shares bought back under the said project amounting to 19.78 million shares with the total value of Baht 122.64 million. The Company set a policy to sale buy back treasury shares to less than 3 years after the six-month of buy back period.

According to the Federation of Accounting Professions' announcement no. Sor. Sor. Vor. Bor. Chor. 016/2548 dated February 4, 2005, required public limited companies that buy back treasury shares should have retained earnings not less than the amount of the buy back treasury shares remain in the account. In the event the retained earning is used to pay dividends, the retained earning after the dividend payment should not be less than the buy back treasury shares. This is to be in accordance with the announcement of the Judicial Council, which deliberated the issue of treasury share schemes under Section 66/1(2) of the Public Limited Companies Act B.E. 2535.

As of December 31, 2006, the Company had buy back treasury shares of 19.78 million shares equal to 5.94 % of the total shares sold. The total of the buy back treasury shares is Baht 122.64 million and the Company has appropriated the retained earning as the treasury stock reserve for the whole amount.

In accordance to the minutes of the board of directors' meeting No. 1/2007 held on February 23, 2007, it resolved to sell treasury stock amounted to 19.78 million shares in the Stock Exchange of Thailand at price not less than 85 % of the average of closing prices of 5 latest trading days. The scheduled period for the sale is from March 19, 2007 to September 11, 2007.

However, under the Ministerial Regulation concerning treasury stock, the Company has to dispose of all of its repurchased shares within 3 years of completing the repurchase of shares. The period for the Company to dispose of the repurchased shares thus ended on September 11, 2007, but the Company could not dispose any of the said shares. To comply with the above regulation, the Company's Board of Directors' Meeting No. 4/2007 held on September 19, 2007, therefore passed resolutions to write off the Company's treasury shares, reducing its paid-up capital by 19.78 million shares, or Baht 19.78 million and the Company registered the decrease in paid-up share capital with the Ministry of Commerce on September 28, 2007 as follow :-

	<u>Authorized share capital</u>	<u>Issued and paid-up share capital</u>
	<u>Baht</u>	<u>Baht</u>
Former	348,128,690.00	332,894,970.00
Present	328,345,090.00	323,765,330.00



18. Directors' remuneration

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.

19. Corporate income tax

For the year ended of December 31, 2007 and 2006, the Company calculated income tax at 30% and 25-30% respectively of net book profit after adding back allowances and various expenses not allowable for tax calculation purpose. The tax rate difference is caused by the expiration of the Company's tax privilege accordance to the Royal Decree No. 387 (B.E. 2544) dated August 28, 2001 on the reduced of tax rate for the corporate income tax to 25% of the net profit for the portion not exceeding Baht 300 million for 5 consecutive accounting years.

20. Basic and diluted earnings per share

	<u>Financial statements in which equity method is applied to investment</u>					
	<u>For the three-month periods ended on December 31.</u>					
	<u>Net profit</u>		<u>Weighted average number</u>		<u>Earnings per share</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
		<u>of ordinary shares</u>				
		<u>Shares</u>	<u>Shares</u>	<u>Baht</u>	<u>Baht</u>	
Basic earnings per share						
Net profit	54,544,094.29	67,432,277.99	323,756,265	311,903,990	0.17	0.22
Effect of diluted equivalent ordinary shares						
The balance of warrants able to be exercised						
15,233,590 units (Year 2006 : 25,992,650 units)	-	-	3,798,369	13,178,989	-	-
Diluted earnings per share						
Net profit of ordinary shareholders						
assuming the conversion into ordinary shares	54,544,094.29	67,432,277.99	327,554,634	325,082,979	0.17	0.21

	<u>Separate financial statements in which cost method is applied to investment</u>					
	<u>For the three-month periods ended on December 31.</u>					
	<u>Net profit</u>		<u>Weighted average number</u>		<u>Earnings per share</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
		<u>of ordinary share</u>				
		<u>Shares</u>	<u>Shares</u>	<u>Baht</u>	<u>Baht</u>	
Basic earnings per share						
Net profit	55,269,388.94	69,424,310.62	323,756,265	311,903,990	0.17	0.22
Effect of diluted equivalent ordinary shares						
The balance of warrants able to be exercised						
15,233,590 units (Year 2006 : 25,992,650 units)	-	-	3,798,369	13,178,989	-	-
Diluted earnings per share						
Net profit of ordinary shareholders						
assuming the conversion into ordinary shares	55,269,388.94	69,424,310.62	327,554,634	325,082,979	0.17	0.21

Financial statements in which equity method is applied to investment

	<u>For the year ended on December 31.</u>					
	<u>Net profit</u>		<u>Weighted average number</u>		<u>Earnings per share</u>	
			<u>of ordinary share</u>			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</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	183,800,461.18	209,191,301.35	323,756,265	310,715,708	0.57	0.67
Effect of diluted equivalent ordinary shares						
The balance of warrants able to be exercised						
4,282,750 units( Year 2006 : 15,233,590 units)	-	-	3,798,369	13,166,379	-	-
Diluted earnings per share						
Net profit of ordinary shareholders						
assuming the conversion into ordinary shares	183,800,461.18	209,191,301.35	327,554,634	323,882,087	0.56	0.65

Separate financial statements in which cost method is applied to investment

	<u>For the year ended on December 31.</u>					
	<u>Net profit</u>		<u>Weighted average number</u>		<u>Earnings per share</u>	
			<u>of ordinary share</u>			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</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	187,847,530.12	215,511,213.67	323,756,265	310,715,708	0.58	0.69
Effect of diluted equivalent ordinary shares						
The balance of warrants able to be exercised						
4,282,750 units ( Year 2006 : 15,233,590 units)	-	-	3,798,369	13,166,379	-	-
Diluted earnings per share						
Net profit of ordinary shareholders						
assuming the conversion into ordinary shares	187,847,530.12	215,511,213.67	327,554,634	323,882,087	0.57	0.67

For the years ended on December 31, 2007 and 2006, the diluted earnings per share was calculated by including the number of the ordinary shares that the Company may have to issue even when the determined condition or event has not occurred yet, with consideration of the effect of the exercisable warrants but not yet been exercised.

## 21. 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.

## 22. The income statements for the three-month periods ended on December 31, 2007 and 2006

The income statements for the three-month periods ended on December 31, 2007 and 2006, were reviewed in accordance with the auditing standard issued by the Federation of Accounting Professions as follows:

		(Unit : Thousand Baht)			
		<u>Financial statements</u>		<u>Separate financial</u>	
		<u>in which equity method</u>		<u>statements</u>	
		<u>is applied to investment</u>		<u>in which cost method</u>	
		<u>is applied to investment</u>		<u>is applied to investment</u>	
		<u>For the three-month periods ended on December 31,</u>			
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
REVENUES FROM OPERATION					
Sales		1,031,326	910,321	1,031,326	910,321
Other income		12,079	13,057	12,079	13,057
Total Revenues		1,043,405	923,378	1,043,405	923,378
EXPENSES FROM OPERATION					
Cost of sales		698,638	596,920	698,638	596,920
Selling and administrative expenses		264,224	235,167	264,224	235,167
Participating loss in associated companies		725	1,992	-	-
Directors' remuneration	(Note 18)	583	683	583	683
Total Expenses		964,170	834,762	963,445	832,770
PROFIT BEFORE INTEREST EXPENSES AND CORPORATE INCOME TAX		79,235	88,616	79,960	90,608
INTEREST EXPENSES		(26)	(18)	(26)	(18)
CORPORATE INCOME TAX	(Note 19)	(24,665)	(21,166)	(24,665)	(21,166)
NET PROFIT		54,544	67,432	55,269	69,424
BASIC EARNINGS PER SHARE (UNIT:BAHT)	(Note 20)	0.17	0.22	0.17	0.22
DILUTED EARNINGS PER SHARE (UNIT:BAHT)	(Note 20)	0.17	0.21	0.17	0.21

### 23. 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 institution is appointed as the fund manager. During the years ended on December 31, 2007 and 2006, the Company's contribution amounted to approximately Baht 8.11 million and Baht 7.14 million respectively.

## 24. 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. The nature of the Company's operation related to foreign currency has non-material proportion so the Company did not use financial instruments to hedge against the risk. Moreover, when the nature of the Company's operation related to foreign currencies shows an increased proportion, when the Company, as a result, would consider 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.

### 24.1 Risk on credit provision

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

### 24.2 Risk on exchange rates

As of December 31, 2007, the Company conducted forward contract with a commercial bank to hedge against exchange rates risk from debt payment denominated in foreign currencies. The Company has not recorded the said financial liabilities in the financial statements. The forward contract period is not exceed 6 months which the detail can be shown as follows:-

<u>Amount stated in contract</u>	<u>Amount earned in contract</u>	<u>Fair value at the year-end</u>
<u>GBP</u>	<u>Baht</u>	<u>Baht</u>
395,485.57	27,048,601.01	26,811,944.22

### 24.3 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 fair values. Regarding the short-term investment, the Company has adjusted investment value to its fair value.

## 25. Obligations and contingent liabilities

25.1 The Company also holds obligations and contingent liabilities as follows :-

(Unit : Thousand Baht)

	<u>As of December 31,</u>					
	<u>2007</u>			<u>2006</u>		
	<u>Total</u>	<u>Facility</u>	<u>Available</u>	<u>Total</u>	<u>Facility</u>	<u>Available</u>
	<u>facility</u>	<u>utilized</u>	<u>facility</u>	<u>facility</u>	<u>utilized</u>	<u>facility</u>
Letters of guarantee	49,000	5,752	40,412	46,000	5,588	40,412
Letters of credit	4,000	-	4,000	4,000	-	4,000
Overdrafts	30,000	-	30,000	30,000	-	30,000

As of December 31, 2007 and 2006, the letter of guarantee at Baht 5.19 million and Baht 2.29 million respectively guaranteed by fixed deposits.

25.2 The Company has entered into agreements of building lease and agreements of service with outside company and party so as to use as head office and the distribution center of merchandise. The Company has also entered into area rental agreements so as to use as branch offices totaling 247 branches. The leased period ranged from 1 to 10 years. The total rental fee and public utility service fee that the Company has to pay are approximately Baht 319.20 million per year.

The Company has entered into two lease agreements for leasing a warehouse (Kingkaew Road) with the lease period of 3 years commencing from January 1, 2006 to June 14, 2009 with the contractual value of Baht 46.37 million.

25.3 The Company entered into agent appointment agreement with a foreign distribution agent to promote the sales and marketing of the distributors. The Company has to provide support at 2.5% of the total book purchased and the Company shall arrange for the office area and services to support the marketing activities. The actual cost incurred can be deducted as expense for supporting the distributors. The contractual period is 3 years commencing from January 1, 2007 to December 31, 2010.

## 26. Subsequent events

On January 14, 2008, employees had exercised their rights to purchase ordinary shares in number of 155,800 units and the rights of the remaining 36,540 units, which no one exercised their rights, have already been forfeited resulted in the issued and paid-up share capital of the Company increased by Baht 0.16 million. The Company registered the change in paid-up share capital on January 22, 2008.

27. Approval of financial statements

These financial statements have been approved for issuance by SE-EDUCATION PUBLIC COMPANY LIMITED's board of directors on February 22, 2008.

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Based on my audit and the other auditors' report, in my opinion, the financial statements in which the equity method is applied to investment and separate financial statements in which the cost method is applied to investment referred to above present fairly, in all material respects, the financial positions as of December 31, 2007 and 2006, the results of its operations, and cash flow for the years then ended of SE-EDUCATION PUBLIC COMPANY LIMITED, in conformity with generally accepted accounting principles.

Without qualifying the report, I would like to draw your attention to the notes to the financial statements No. 4 relating to change in accounting policy for recording investments in associated companies as shown in the separate financial statements, changing from the equity method to the cost method commenced from January 1, 2007 onward. For the said change in accounting policy, I have audited the adjustments applied for the preparation of the separate financial statements for the year ended December 31, 2006, in which the cost method is applied to investment and in my opinion, the said adjustments are appropriate and they were reasonably applied to the separate financial statements, in which the cost method is applied to investment.

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

(Miss Sukanya Sutheeprasert)

Certified Public Accountant (Thailand) Registration No. 5063

Bangkok,

February 22, 2008