



Management Discussion and Analysis: SE-ED

1. Overview

The company's Q1 net profit was THB 29.36 million, an increase of 27.40%, representing 4.48 % of total revenue and THB 0.09 EPS. (For 2003 the company's Q1 net profit was THB 23.05 million, representing 4.38% of total revenue and THB 0.09 EPS)

The company's Q1 total revenue rose to THB 654.71 million, an increase of THB 128.94 million, or up 24.52%. The main driver for such growth was still the increased revenue of SE-ED Book Center and Book Variety and also the increasing of several selling points, including the sales of books for other bookstores and education institute

The company approved the dividend payment for operating performance of quarter 1/2004 from January 1, 2004 to March 31, 2004. The company has continual profitability and high liquidity. The board of directors has agreed to pay dividend at THB 0.10 per share from net profit portion which is not exempt from corporate income tax.

2. Business Summary

The company has three major areas of business as follows:

- 2.1 Book Store Business by operating SE-ED Book Center both in Bangkok and selected provinces as well as the Network expansion and sales area in various forms.
- 2.2 Distribution Business by distributing own books, as well as books from other publishers and organizations to nationwide bookshops and via other sales channels.
- 2.3 Publishing Business by publishing own books, magazines, others' books and advertising products and services in own produced magazines and organizing the Thailand Electronics & Industrial Technology Trade Show.

Book Store Business

The company has still continuously expanded bookstores branches until being the largest bookstores chain now. In Q1 of 2004, the company has opened more 6 new branches at Lotus Mukdaharn, Lotus Nan, Carrefour Bang Yai, Lotus Jaransanitwong, Lotus Uttaradit, Mark Four Prae and one new selling point in superstores at Lotus Jaransanitwong. Total bookstores branches now becomes 148 branches with 144 branches are still in operation including 5 branches of franchise. When accumulate to the selling points in Tesco Lotus Express, Tesco Lotus, Big C, Carrefour and others will be total of 264 selling point. Besides, the company has improved the existing branches to be modernized for continuously sales growth drive.

Distribution Business

The company takes the role of Thailand largest books distributor. To distribute books for other publishers such as nation books, Good Morning, Provision, Reader Digest to Se-ed Book Center and Book Variety, other bookshops and academic institutes. The company will select new books titles suitable for market needed to distribute in the market with long life cycle and profitable in long run.

Publishing Business

The company thinks highly of setting direction, planning production to meet the market demand and emphasizes on development of tools and channel for public relation in order to distribute products to target customers more efficiently. This will be the key factor for success of the company own produced goods.



3. OPERATING RESULTS

table 1: Selected financial information

	(Unit: Thousand Baht)		
	Quarterly 1/2004	Quarterly 1/2003	Change (%)
Revenues from Operation	646,512	518,103	24.78
Cost of sales	441,769	358,833	23.11
SG&A expenses	169,297	135,416	25.02
EBIT	42,391	31,374	35.12
EBITDA	59,881	46,267	29.42
NET PROFIT	29,361	23,047	27.40
EPS. (BAHT)	0.09	0.09	-

Revenues for sales

The sales revenue accounted for THB 646.51 million, an increase of THB 128.41 million, or up 24.78%. The main driver for such growth was still the increased revenue of SE-ED Book Center and Book Variety which grew 23.28% and also the increasing of several sales points, including the sales of books for other bookstores and education institute which grew 24.58%. Moreover the other revenue from Magazine division which grew 19.72%

Net profit

The company's Q1 net profit was THB 29.36 million, an increase of 27.40%, representing 4.48 % of total revenue and THB 0.09 EPS. (For 2003 the company's Q1 net profit was THB 23.05 million, representing 4.38% of total revenue and THB 0.09 EPS)

The company declared dividend payment for operation result from January 1, 2004 to March 31,2004 at THB 0.10 per share from net profit portion which is not exempt from corporate income tax, as continually making profit and high liquidity of company status.

Selling and administrative expenses

The selling and administrative expenses of Q1/2004 rose to THB 169.30 million, an increased of 25.02% over the same period last year due to .

1) The much increasing branches of SE-ED Book Center and Book Variety and modernize renovation of some branches. Including of the expansion of some work section and more investment in distribution center at King Kaew Road and investment in hardware system with expense in new software to support for the future growth. Whereas the revenue in first quarter was the lowest of year as of seasonal effect. Also some revenues increasing were still lag the expense, so the selling and administrative expense to revenue ratio was higher.

2) Salaries, bonus, overtime expense and other expense according to employees were increased. Some increasing according to the adjustment of salaries and special incentive for SE-ED book center employees depends on sales volume condition.

3) Increasing losses form deteriorate goods as the reserved for foreign books that can not return to suppliers and reserved for the increasing of grade B return goods



4. Financial Position

Table 2: Asset Component

	March 31, 2004		December 31, 2003	
	Amount (Bt mn)	% of Total Assets	Amount (Bt mn)	% of Total Assets
Cash and cash equivalent items	207.20	17.40	146.38	13.24
Short-term investment-net	156.48	13.24	257.05	23.26
Inventories-net	149.31	12.54	137.21	12.42
Total Current Assets	717.22	60.25	642.66	58.15
Property, plant and equipment-net	219.28	18.42	221.89	20.08
Leasehold on buildings-net	132.91	11.16	118.84	10.75
Total Non-Current Assets	473.28	39.75	462.52	41.85
TOTAL ASSETS	1,190.50	100.00	1,105.18	100.00

Causes of increasing or decreasing of total assets:

- Cash and bank deposit increased THB 60.87 million . Most of the bank deposits were savings deposit account received from retail business in terms of cash received from bookstores branches and receivable from warrants exercised both from existing shareholders and from ESOP project to use their rights in Q1/2547.
- Short-term investment-net decreased THB 100.57 million due to disposal of securities on March 30, 2004 and invested the cash receipt from the disposal in private fund "SE-EDUCATION PUBIC COMPANY LIMITED BY BUA LUANG SECURITIES". The company noted cash receipt as accrued income from selling securities because actual payment was held on April 1, 2004.
- Inventories-net increased THB 12.10 million due to more non-returnable purchasing of goods from suppliers for distribution.
- Leasehold-buildings-net increased THB 14.08 million due to changing contract of one bookstore branch from short-term leasing to long term leasing of 23 years for better financial management.

Total liabilities As of March 31, 2004 the Company had a total liability of THB 537.76 million, a decrease of THB 1.37 million. Decrease in liabilities resulted from trading debts and note payable was decreased THB 15.68 million from sales figure's clearance of consigned goods and accrued corporate income tax for Q1'2004 operation amount THB 12.14 million.

Shareholders' equity As of March 31, 2004 amount THB 652.74 million, an increase of THB 86.70 million. Increase Shareholders' equity resulted from the increase of paid-up share capital in THB 86.70 million from the exercised of SE-ED-W1 amount THB 36.69 million and the exercised of ESOP project amount THB 2.76 million and Premium of share capital in THB 23.19 million.