



### Management Discussion and Analysis: SE-ED

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#### 1. Overview

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##### **Operating performance for first six-month as 2004 over the same period last year**

The company monetary operating net profit accordance with the cash flow statement for the first six -month rose to THB 114.37, an increase of THB 19.51 million or up 20.57%. While net profit for first six-month was THB 60.65 million, representing 4.41% of total revenue, an increase of THB 0.33 million or up 0.55%.and THB 0.22 EPS. The company's first six-month total revenue rose to THB 1,374.48 million, an increase of THB 270.98 million, or up 24.56%.

##### **Operating performance for the second quarter as of June 30, 2004 over the same period last year.**

The company monetary operating net profit accordance with the cash flow statement for the Q2 2004 was THB 54.55 million, an increase of THB 4.28 million or up 8.51%. While net profit for Q2 was THB 31.28 million, representing 4.34% of total revenue, a decrease of THB 5.98 million or down 16.06%.and THB 0.11 EPS. The company's Q2 total revenue rose to THB 720.87 million, an increase of THB 143.14 million, or up 24.78%. The driver for such growth was the increased revenue of every section especially the SE-ED Book Center and Book Variety.

The company approved the dividend payment for operating performance of quarter 2/2004 from April 1, 2004 to June 30, 2004 at THB 0.10 per share from net profit portion which is not exempt from corporate income tax as the company has continual profitability and high liquidity.

The company repurchased shares accordance with the resolution of the Board of directors' meeting No.1/2004 held on February 24, 2004, it resolved to repurchased shares with the objective for financial management as the Company had excess liquidity. Since Q2 the total shares repurchased under the said project amounted to 16.20 million shares with the total value of THB 99.92 million.

In the second quarter of 2004, Mr. Eugene S. Davis has resigned from the position of director and the board of directors has assigned Mr.Sermsin Samalapa to substitute for the remaining director service. Besides there was an appointment of Mr.Somboon Chinsavanant to be an audit committee.

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#### 2. Business Summary

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The company has three major areas of business as follows:

- 2.1 Book Store Business by operating SE-ED Book Center and Book Variety 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 Q2 of 2004, the company has opened more 6 new branches (Including the bookshop network) at Friday Uttaradit, Phantip Chiang Mai, Lotus Surin, Nasa Mall Suphan Buri, Siam Future Chachoengsao and bookshop network at Kalasin and six new selling points in superstores at



Lotus Express Sri Yan , Raminthra Km 4.5 , Rama 9 Road , Sukhumvit , North Sam Rong, Ramkhamhang. Total bookstores branches now becomes 154 branches with 150 branches are still in operation including 6 branches of franchise. When accumulate to the selling points in Tesco Lotus Express, Tesco Lotus, Big C, Carrefour and others will be total of 270 selling point. Besides, the company has renovated 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. Besides the company has also purchased goods with unreturn condition for products of high opportunity to be best selling in order to get more discount from suppliers.

**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: Operating performance for first six-month as 2004 over the same period last year*

	Jan.-Jun. 2004	Jan.-Jun. 2003	(Unit: Thousand Baht) Change	
			Amount	(%)
Sales	1,358,444	1,083,527	274,917	25.37
Other revenue	14,208	17,753	(3,545)	(19.97)
Participating gain in the associated companies	1,828	2,219	(391)	(17.63)
Total revenues	1,374,480	1,103,499	270,981	24.56
Cost of sales	941,705	748,567	193,137	25.80
SG&A expenses	346,894	274,539	72,354	26.35
NET PROFIT FROM OPREATION	85,881	80,393	5,489	6.83
NET PROFIT	60,645	60,315	330	0.55
EPS. (BAHT)	0.22	0.28	(0.06)	(21.43)
EBITDA	121,290	109,739	11,551	10.53
Profit from operation accordance with Cash Flow Statement	114,374	94,865	19,509	20.57

**Total Revenues for first six-month of 2004**

The total revenue accounted for THB 1,374.48 million, an increase of THB 270.98 million, or up 24.56%. The Sales revenue was THB 1,358.44 million, an increase of THB 274.92 million, or up 25.37%. The main driver for such growth was still the increased revenue of SE-ED Book Center and Book Variety which grew 25.15%, which were the same stores sales growth of 15.56 % and also the growth from new branches.



**Net profit for the first six-month of 2004**

1. The company's net profit for six-month as of June 30, 2004 was THB 60.65 million, representing 4.41% of total revenue and THB 0.22 EPS. (For 2003 the company's net profit for six-month was THB 60.32 million, representing 5.47% of total revenue and THB 0.28 EPS) The profit was slightly increased from the same period last year due to

2.1 The decreasing of other revenue THB 3.55 million from the same period last year representing 19.97%. The main driver was the decreasing of dividend from short term investment and from the profit of disposal of short term investment.

2.2 The selling and administrative expense was decreased 26.35 % which was higher than the Q2 revenue growth rate due to

- 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 investment in hardware system with expense in new software to support for the future growth, so the selling and administrative expense to revenue ratio was increased.
- Salaries, bonus, overtime expense and other expense according to employees were increased in accordance with the increasing of employees and branches. Also there were the increasing of director's remunerations and compensations from last year.
- Space rental charges and service charges were increased vary to the increasing of branches and revenue

The company monetary operating net profit accordance with the cash flow statement for the first six -month rose to THB 114.37 million representing 8.32 % of total revenue which was increasing THB 19.51 million from last year representing 20.57 % (For 2003 the first six- month monetary operating profit as of June 30, 2003 accordance with the cash flow statement was THB 94.87 million representing 8.60 % of total revenue). The main cause was the expansion of distribution channels, the expansion of new SE-ED Book Center branches and Book Variety branches.

*Table 2: Operating performance for the second quarter as of June 30, 2004 over the same period last year.*

	Q2 2004	Q2 2003	(Unit: Thousand Baht)	
			Change Amount	(%)
Sales	711,932	565,423	146,509	25.91
Other revenue	6,005	10,086	(4,081)	(40.47)
Participating gain in the associated companies	2,933	2,219	714	32.17
Total revenues	720,870	577,728	143,142	24.78
Cost of sales	499,936	389,735	110,201	28.28
SG&A expenses	177,444	138,976	38,468	27.68
NET PROFIT FROM OPREATION	43,490	49,017	(5,527)	(11.28)
NET PROFIT	31,284	37,267	(5,984)	(16.06)
EPS. (BAHT)	0.11	0.17	(0.06)	(35.29)
EBITDA	61,409	63,470	(2,061)	(3.25)
Profit from operation accordance with Cash Flow Statement	54,551	50,274	4,277	8.51



#### Total Revenues for Q2 2004

The company's Q2 total revenue rose to THB 720.87 million, an increase of THB 143.14 million, or up 24.78 %. The sales revenue accounted for THB 711.93 million, an increase of THB 146.51 million, or up 25.91%. The main driver for such growth was still the increased revenue of SE-ED Book Center and Book Variety which grew 26.85% and also the increasing of several sales points, including the sales of books for other bookstores and education institutes and revenue from finished goods publishing service which grew 21.72%. Moreover the advertising revenue from Magazine division which grew 15.18%

#### Net profit Q2 2004

The company's Q2 net profit was THB 31.28 million, representing 4.34 % of total revenue and THB 0.11 EPS. (For 2003 the company's Q2 net profit was THB 37.27 million, representing 6.45% of total revenue and THB 0.17 EPS). The profit decreased from the same period last year of THB 5.98 million, representing 16.06% resulted from the selling and administrative expenses increased 27.68% over the same period last year which was higher than the Q2 revenue growth rate due to the same reason of last year.

The company monetary operating net profit accordance with the cash flow statement for the Q2 2004 was THB 54.55 million representing 7.57 % of total revenue which was increasing THB 4.27 million from the same period last year representing 8.51 % ( For 2003 the Q2 operating profit as of June 30, 2003 accordance with the cash flow statement was THB 50.27 million representing 8.70 % of total revenue). The main cause was the same reason of six-month period.

## 4. Financial Position

Table 3: Asset Component

	June 30, 2004		December 31, 2003	
	Amount (Bt mn)	% of Total Assets	Amount (Bt mn)	% of Total Assets
Cash and cash equivalent items	150.34	14.27	146.38	13.24
Short-term investment-net	163.52	15.52	257.05	23.26
Account and note receivable-net	80.97	7.69	79.12	7.16
Inventories-net	147.17	13.97	137.21	12.42
Total Current Assets	580.91	55.14	642.66	58.15
Investment in subsidiary and Associated companies	35.09	3.33	33.96	3.07
Property, plant and equipment-net	218.59	20.75	221.89	20.08
Leasehold on buildings-net	130.61	12.40	118.84	10.75
Total Non-Current Assets	472.63	44.86	462.52	41.85
TOTAL ASSETS	1,053.54	100.00	1,105.18	100.00

Causes of increasing or decreasing of total assets:

- Cash and bank deposit increased THB 3.96 million. Most of the bank deposits were savings deposit account received from retail business in terms of cash received from bookstores branches
- Short-term investment-net decreased THB 93.53 million due to disposal of securities to pay dividend for Q4 of 2003 in May 2004 and pay dividend for Q1 of 2004 in June 2004



- Inventories-net increased THB 9.96 million due to more non-returnable purchasing of goods from suppliers for distribution by selecting only the goods with high opportunity to be best selling.
- Leasehold on buildings-net increased THB 11.78 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 June 30, 2004 the Company had a total liability of THB 526.31 million, a decrease of THB 10.66 million. Decrease in liabilities resulted from

- Trading debts and note payable was decreased THB 17.62 million from sales figure's clearance of consigned goods from several big suppliers in this quarter.
- Advanced payment of booth reserved in Thailand Electronics Trade Show was Increase THB 9.79 million.
- Accrued corporate income tax for Q2'2004 decreased THB 12.55 million because the tax payment of THB 36.18 million for 2003 in May 2004, the remaining was the figures reserved for profit in the first half of 2004.

**Shareholders' equity** As of June 30, 2004 amount THB 524.73 million, an decrease of THB 41.31 million due to

- The stock repurchasing of 16.20 million shares at average price of THB 6.17 per share counted to THB 99.92 million.
- Increase Shareholders' equity resulted from the increase of paid-up share capital from the exercised of SE-ED-W1 amount THB 51.98 million and the exercised of ESOP project amount THB 2.82 million and Premium of share capital in THB 33.78 million.

Table 4: Cash flow for first six-month as 2004 over the same period last year

	(Unit: Thousand Baht)			
	Jan.-Jun. 2004	Jan.-Jun. 2003	Change Amount	Change (%)
Net profit	60,645	60,315	(330)	(0.55)
Depreciation	30,805	25,098	5,707	22.74
Leasehold written-off	4,604	4,248	356	8.38
Item non cash	18,560	13,366	5,194	38.86
Item non operation	(240)	(8,162)	7,922	97.06
Profit from operating	114,374	94,865	19,509	20.57
Change in operating assets and liabilities	(48,994)	(7,058)	(41,936)	494.16
Cash flow received (used) from operating activities	65,380	87,807	22,427	25.54
Cash flow (used) from investing activities	43,071	57,049	(13,978)	(24.50)
Cash flow (used) from financing activities	(104,487)	(116,551)	12,064	10.35
Cash increase (decrease)	3,964	28,305	(24,341)	86.00

**Cash flow from operation activities** decreased THB 22.43 million from the same period last year due to the clearance of consignment goods of several main suppliers. So the payment to suppliers was higher than the same period last year.



**Cash flow from investment activities** decreased THB 13.98 million as the disposal of suspended assets THB 12.36 million in the first half of 2004.

**Cash flow from financing activities** increased THB 12.06 million due to

- The dividend payment in the first half of 2004 was THB 32.72 million less than the same period last year as the dividend payment in first half of 2004 was from the operating result of Q4/2003 and Q1/2004 while the dividend payment of first half 2003 was from the result of whole year 2002 and Q1/ 2003.
- In the first half of 2004 there were cash from the warrant exercises of SE-ED W1 THB 85.75 million from existing shareholders while in the first half of 2003 there was no any exercise.
- There was stock repurchasing of 16.20 million shares counted to THB 99.92 million in the Q2/2004.