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Management Discussion and Analysis: SE-ED

1. Overview

In Q3 of 2004 the overall economic has been slow down due to the continuous rising of petroleum price, the inflation, the outbreak return of birds-flu including the chaos in the deep south affected the consume behavior of people and the shortening operating hours of shopping malls and super stores according to the government energy saving policy has caused to decreasing of revenue growth rate of the same stores of SE-ED Book Center and Book Variety branches from around 14 % in first seven months to be 6 % in August and September.

Operating performance for first nine-month as 2004 over the same period last year

The company monetary operating net profit accordance with the cash flow statement for the first nine-month rose to THB 161.55, an increase of THB 6.04 million or up 3.88%. While net profit for first nine-month was THB 80.31 million, representing 3.84% of total revenue, an decrease of THB 17.57 million, representing 17.95%.and THB 0.29 EPS. The company's first nine-month total revenue rose to THB 2,090.18 million, an increase of THB 344.74 million, or up 19.75%.

Operating performance for the third quarter as of September 30, 2004 over the same period last year

The company monetary operating net profit accordance with the cash flow statement for the Q3 2004 was THB 47.18 million, decrease of THB 13.47 million or down 22.21%. While net profit for Q3 was THB 19.67 million, representing 2.75% of total revenue, a decrease of THB 17.90 million or down 47.65%.and THB 0.07 EPS. The company's Q3 total revenue rose to THB 715.79 million, an increase of THB 73.85 million, or up 11.50%. The driver for such growth was the increased revenue of SE-ED Book Center and Book Variety. Moreover the advertising revenue from Magazine division which grew 8.7%

The company approved the dividend payment for operating performance of Q3 2004 from July 1, 2004 to September 30, 2004 at THB 0.06 per share from net profit portion which is not exempt from corporate income tax as the company has continual profitability and high liquidity.

In the third quarter of 2004, the company has finished repurchasing 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. The total shares repurchased under the said project amounted to 19.78 million shares with the total value of THB 122.64 million at the average buying price of THB 6.20 per share. The company set a policy to sale the repurchased shares to less than 3 years of the ended the repurchased shares.

2. Business Summary

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 Q3 of 2004, the company has opened more 8 new branches (Including the bookshop network) at Thaweekij Chainat, The mall Ramkhaenghang, Lotus Nakorn Phanom, Macro Charansanitwong, Nevada Sakol Nakorn, Trad Department store, Lotus Samut Songkram, and Royal Garden Charoen Nakorn and other 7 sales points in super stores at BIG C Ramintra, Big C Chang Wattana, Lotus Express North Bangkae, Lotus Express Rama 4, Lotus Express Phanich Thon, Lotus Express Hua Hin, Lotus Express Bangpakok Total bookstores branches now becomes 163 branches with 157 branches are still in operation including 6 branches of franchise. When accumulate to the selling points in Lotus Express, Lotus, Big C, Carrefour and others will be total selling point now become 304 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, Rak-look Publishing, Reader Digest, Pearson Education Indochina, Work point, Children foundation Publishing and Kantana Publishing 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 unreturned condition for products of high opportunity to be best selling in order to get more discount from suppliers.

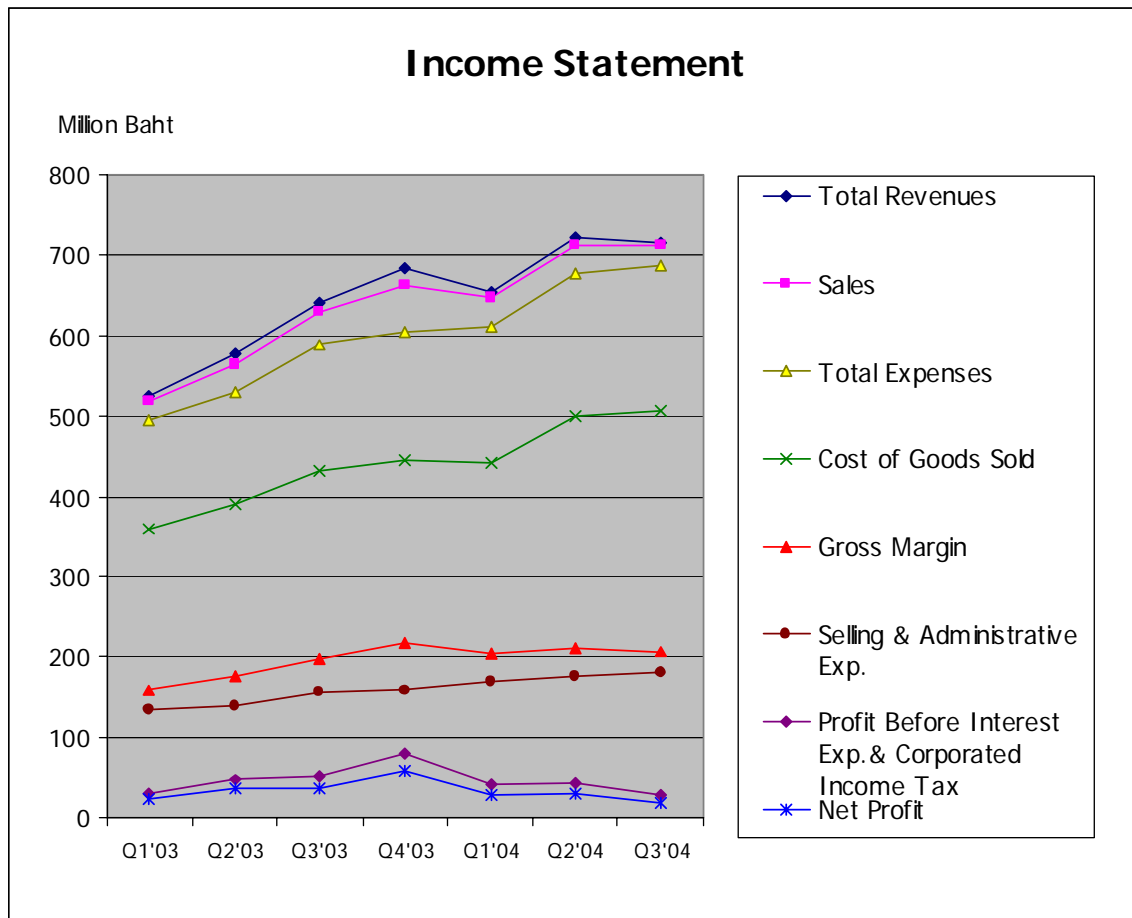
Publishing Business

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

Picture 1 : Graph for the quarter Income Statement



3.1 Operating performance for nine-month as 2004 over the same period last year

Table 1: Operating performance for nine-month as 2004 over the same period last year

(Unit: Thousand Baht)

Description	Jan. - Sep. 2004	Jan. - Sep. 2003	Change	
			Amount	(%)
Sales	2,071,769	1,714,203	357,566	20.86%
Other revenue	16,675	29,024	(12,349)	-42.55%
Total revenues	2,090,182	1,745,446	344,736	19.75%
Cost of sales	1,447,711	1,180,043	267,668	22.68%
SG&A expenses	527,634	432,411	95,223	22.02%
Participating gain in the associated companies	1,738	2,219	(481)	-21.68%
NET PROFIT FROM OPREATION	114,837	132,992	(18,155)	-13.65%
NET PROFIT	80,314	97,888	(17,574)	-17.95%
EPS (Baht)	0.29	0.46	(0.17)	-36.96%
EBITDA	168,835	178,316	(9,481)	-5.32%
Profit from operation accordance with Cash Flow Statement	161,554	155,515	6,039	3.88%



Total Revenues for nine-month of 2004

The total revenue accounted for THB 2,090.18 million, an increase of THB 344.74 million, or up 19.75%. The Sales revenue was THB 2,071.77 million, an increase of THB 357.57 million, or up 20.86%. The main driver for such growth was still the increased revenue of SE-ED Book Center and Book Variety which grew 22.94%. However, the revenue growth rate has been slow down evidently since August because the overall economic has been slow down due to the continuous rising of petroleum price, the inflation, the outbreak return of birds-flu including the chaos in the deep south affected the consume behavior of people and the shortening operating hours of shopping malls and super stores according to the government energy saving policy has caused to decreasing of revenue growth rate of the same stores of SE-ED Book Center and Book Variety branches from around 14 % in first seven months to be 6 % in August and September.

Net profit for the first nine-month of 2004

The company's net profit for nine-month as of September 30, 2004 was THB 80.31 million, representing 3.84% of total revenue and THB 0.29 EPS. (For 2003 the company's net profit for nine-month was THB 97.89 million, representing 5.61% of total revenue and THB 0.46 EPS) The profit was decreased of THB 17.57 million from the same period last year, representing 17.95% due to

- 2.1 The decreasing of other revenue THB 12.35 million from the same period last year representing 42.55%. The main driver was
 - The decreasing of dividend from short term investment and from the profit of disposal of short term investment was THB 7.57 million.
 - The lacking of gaining from disposal of assets compared to the same period last year was THB 5.73 million.
 - The lacking of Commission from the order booking of "Computer sud kum" project compared to last year was THB 4.00 million.
- 2.2 The selling and administrative expense was increased 22.68 % which was higher than the Q3 revenue growth rate due to
 - The much increasing branches of SE-ED Book Center and Book Variety from 131 branches on September 30, 2003 to be 157 branches on September 30, 2004 which the new branches will take time to increase revenue up to the level of profitable and also effected from the decreasing of sales evidently in August and September due to the overall economics slow down and shortened operating hours of shopping malls from the government's energy saving policy, whereas the sales and administrative expense were not decreased in the same ratio, so the selling and administrative expense to revenue ratio was increased.
 - There were modernize renovation of some existing branches, and invested in marketing activities to create long term customers base including of the expansion of some work section and investment in hardware system with expense in new software to support for the future growth. Also there were the increasing of directors' remunerations and compensations from last year, so the selling and administrative expense to revenue ratio was increased.

The nine-month company monetary operating net profit accordance with the cash flow statement, excluding the other non-regular revenue for the nine-month rose to THB 161.55 million representing 7.73% of total revenue which was increasing THB 6.04 million from last year representing 3.88% (For 2003 the nine-month company monetary operating net profit as of September 30, 2003 was THB 155.52 million representing 8.91% of total revenue). The main cause was the dividend receiving from short term investment and profit from short term investment selling last year which raised THB 9.79 million and profit from assets selling last year of THB 5.73 million.



3.2 Operating performance for the third quarter of 2004 over the same period last year

Table 2: Operating performance for the third quarter as of September 30, 2004 over the same period last year

Description	Quarter 3/2004	Quarter 3/2003	Change	
			Amount	(%)
Sales	713,325	630,676	82,649	13.10%
Other revenue	2,467	11,271	(8,804)	-78.11%
Total revenues	715,792	641,947	73,845	11.50%
Cost of sales	506,006	431,475	74,531	17.27%
SG&A expenses	180,740	157,872	22,868	14.49%
Participating gain in the associated companies	(90)	0	(90)	100.00%
NET PROFIT FROM OPREATION	28,956	52,600	(23,644)	-44.95%
NET PROFIT	19,669	37,573	(17,904)	-47.65%
EPS (Baht)	0.07	0.18	(0.11)	-61.11%
EBITDA	47,545	68,578	(21,033)	-30.67%
Profit from operation accordance with Cash Flow Statement	47,180	60,650	(13,470)	-22.21%

Total Revenues for Q3 2004

The company's Q3 total revenue rose to THB 715.79 million, an increase of THB 73.85 million, or up 11.50 %. The sales revenue accounted for THB 713.33 million, an increase of THB 82.65 million, or up 13.10%. The main driver for such growth was still the increased revenue of SE-ED Book Center and Book Variety which grew 18.96% and also the increasing of several sales points. Moreover the advertising revenue from Magazine division which grew 8.7%

Net profit Q3 2004

The company's Q3 net profit was THB 19.67 million, representing 2.75 % of total revenue and THB 0.07 EPS. (For 2003 the company's Q3 net profit was THB 37.57 million, representing 5.85% of total revenue and THB 0.18 EPS). The profit decreased from the same period last year of THB 17.90 million, representing 47.65%. The main cause was the same reason of nine-month period..

The company monetary operating net profit accordance with the cash flow statement for the Q3 2004 was THB 47.18 million representing 6.59% of total revenue which was increasing THB 13.47 million from the same period last year representing 22.21 % (For Q3 2003 the operating profit as of September 30, 2003 accordance with the cash flow statement was THB 60.65 million representing 9.45 % of total revenue). The main cause was the dividend receiving from short term investment and profit from short term investment selling last year and profit from assets selling last year.



4. Financial Position

4.1 Asset Component

Table 3: Asset Component

Description	September 30, 2004		December 31, 2003		Change	
	Amount '000 Baht	% to Total Aassets	Amount '000 Baht	% to Total Aassets	Amount '000 Baht	%
Cash and cash equivalent items	67,020	6.64%	146,375	13.24%	(79,355)	-54.21%
Short-term investment-net	162,550	16.11%	257,050	23.26%	(94,500)	-36.76%
Account and note receivable-net	69,902	6.93%	79,115	7.16%	(9,213)	-11.65%
Inventories-net	157,902	15.64%	137,212	12.42%	20,690	15.08%
Total Current Assets	524,476	51.96%	642,662	58.15%	(118,186)	-18.39%
Investment in subsidiary and Associated companies	34,999	3.47%	33,961	3.07%	1,038	3.06%
Property, plant and equipment-net	228,797	22.67%	221,894	20.08%	6,903	3.11%
Leasehold on buildings-net	131,228	13.00%	118,835	10.75%	12,393	10.43%
Total Non-Current Assets	484,828	48.04%	462,513	41.85%	22,315	4.82%
TOTAL ASSETS	1,009,304	100.00%	1,105,175	100.00%	(95,871)	-8.67%

Total Asset As of September 30, 2004 the Company had a total asset of THB 1,009.30 million, a decrease of THB 1,105.18 million. Causes of increasing or decreasing of total assets:

- Cash and bank deposit decreased THB 79.36 million. The main driver was cash payment for repurchasing the company stocks, dividend payment and accrued cash of THB 38.40 million from nonapproval stock repurchasing case that was not conform to the SEC regulation.
- Short-term investment-net decreased THB 94.50 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 20.69 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 12.39 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 September 30, 2004 the Company had a total liability of THB 513.42 million, a decrease of THB 25.72 million. Decrease in liabilities resulted from

- Trading debts and note payable was decreased THB 21.19 million from sales figure's clearance of consigned goods from several big suppliers in nine-month this year.
- Accrued corporate income tax decreased THB 27.93 million because the tax payment of THB 36.18 million for 2003 in May 2004 and the tax payment of THB 23.63 for mid-year corporate income tax in August 2004, the remaining was the figures reserved for profit in the nine-month of 2004.

Shareholders' equity As of September 30, 2004 amount THB 495.89 million, an decrease of THB 70.16 million due to

- The stock repurchasing of 19.78 million shares at average price of THB 6.20 per share counted to THB 122.64 million.
- Increase Shareholders' equity resulted from the increase of paid-up share capital from the exercised of SE-ED-W1 amount THB 55.59 million and the exercised of ESOP project amount THB 2.82 million and Premium of share capital in THB 36.13 million.



4.2 Cash flow

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

(Unit: Thousand Baht)

Description	Jan. - Sep. 2004	Jan. - Sep. 2003	Change	
			Amount	(%)
Net Profit	80,314	97,888	(17,574)	-17.95%
Depreciation	47,051	38,953	8,098	20.79%
Leasehold written-off	6,947	6,371	576	9.04%
Item non cash	26,913	24,847	2,066	8.31%
Item non operation	329	(12,544)	12,873	-100.00%
Profit from operation	161,554	155,515	6,039	3.88%
Change in operating assets and liabilities	(106,789)	(318)	(106,471)	100.00%
Cash flow received (Used) from operation activities	54,765	155,197	(100,432)	-64.71%
Cash flow received (Used) from investing activities	12,372	5,140	7,232	100.00%
Cash flow received (Used) from financing activities	(146,492)	(148,372)	1,880	-1.27%
Cash increase (decrease)	(79,335)	11,965	(91,300)	100.00%

Cash flow from operation activities decreased THB 100.43 million from the same period last year due to

- The clearance of consignment goods of several main suppliers in the first nine months. So the payment to suppliers was higher than the same period last year.
- The payment of corporate income tax in first nine months was higher than the same period last year THB 20.43 million.
- Accrual cash receive from nonapproval stock repurchasing case of THB 38.40 million.
- Goods purchasing increased from the same period last year THB 10.84 million.

Cash flow from investment activities increased THB 7.23 million due to

- In first nine months of 2003 has invested in Ploen Pat Company Limited at THB 23 million, but in 2004 invested in leasing right at THB 19.34 million.
- Cash received from selling short term investment-net increased THB 19.68 million over the same period last year.
- Cash payment in fixed asset investment increased THB 16.21 million as there was disposal of asset in Q3 of 2003.

Cash flow from financing activities increased THB 1.88 million due to

- The dividend payment in the nine-month of 2004 less than the same period last year THB 24.80 million. As the dividend payment in nine-month of 2004 was THB 114.20 million from the operating result of Q4 2003 at THB 0.20 per share, Q1 2004 at THB 0.10 per share and Q2 2004 at THB 0.10 per share while the dividend payment of nine month of 2003 was THB 138.99 from the result of whole year 2002 at THB 0.45 per share, Q1 2003 at THB 0.10 per share and Q2 2003 at THB 0.10 per share.
- In the nine-month of 2004 there were cash from the warrant exercises of SE-ED-W1 THB 91.72 and cash from the warrant exercises of ESOP THB 2.82 million from existing shareholders while in the nine-month of 2003 there was no any exercise.
- There was stock repurchasing of 19.78 million shares an average price at THB 6.20 counted to THB 122.64 million in the Q2 2004 and Q3 2004.

Signature.....

(Mr.Thanong Chotisorryuth)
Managing Director