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Management Discussion and Analysis: SE-ED

1. Overview

In general view of the books business, there has been expectation of double digit continuous growth for the next several years. Therefore the company has still laid stress on opening new bookstores across the country and increasing the role of distributor for other publishers accordingly. For the segment of publishing business, the company has laid emphasis on publishing good quality books with long selling life and sufficient market size by no increasing books titles produced to count. The company has still been the largest bookstore chain and distributor obviously whereas to keep the status to be one of the two largest publishers in publishing business.

The company has opened 30 new bookstore branches in 2004 to make all the branches in the chain to be 168 branches in operation with other minor selling points total to 330 outlets.

In 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 and tsunami disaster has caused to decreasing of revenue growth rate of the same stores of SE-ED Book Center and Book Variety branches in quarter 3 and quarter 4, affect the revenue growth rate of 2004 to be slightly slow down than expected.

Operating performance for 2004 over the same period last year. The company monetary operating net profit accordance with the cash flow statement for 2004 rose to THB 224.17, an increase of THB 5.47 million representing 2.50%. While net profit for 2004 was THB 116.96 million, representing 4.10% of total revenue, an decrease of THB 39.69 million, representing 25.34% and THB 0.41 EPS. The company's total revenue 2004 rose to THB 2,856.34 million, an increase of THB 426.38 million, or up 17.55%.

Operating performance for the forth quarter as of December 31, 2004 over the same period last year

The company monetary operating net profit accordance with the cash flow statement for the Q4 2004 was THB 62.62 million, decrease of THB 0.57 million or down 0.90%. While net profit for Q4 was THB 36.65 million, representing 4.78% of total revenue, a decrease of THB 22.12 million or down 37.64%.and THB 0.12 EPS. The company's Q4 total revenue rose to THB 766.32 million, an increase of THB 79.99 million, or up 11.65%. 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 14.19%

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. In the third quarter of 2004, the company has finished repurchasing shares. 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.



The Board of Directors considered and approved the dividends payment for the operating results for the year ended December 31, 2004. Therefore, the Board of Directors approved total dividend in respect of Baht 0.288 per share. As the company has already paid some interim dividend for the first nine-month operation amount 0.26 Baht per share so the company will pay the additional dividend amount 0.028 per share.

Therefore the company dividend payment of this period will be at the rate of Baht 0.028 per share. The dividend payment was less than the rate it should be because of the circular letter from The Office of the Securities and Exchange Commission issued in October 2004 along with the note from Office of the Council of State concerning the case of stock buy-back and in February 2005 the SEC issued the circular letter with execute guide line from Federation of Accounting Professions for the listed company to reserved retained earning equal to the amount of payment for treasury stock. These interception and guide line occurred after the company buy-back stock project completed, so the company has to reserved the amount of THB 122.64 million from retain earning to cover the treasury stock value and had THB 8.69 million for dividend payment. However this reserved will be back to be retain earning in the following case:

1. The company has sold out the treasury stock.
2. The company decreased its capital if unable to sold out within 3 years. (The ending date is September 11, 2007).

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 Q4 of 2004, the company has opened more 11 new branches (Including the bookshop network) at Carrefour Hadyai, Lotus Sakon Nakhon, Index Living Mall Phuket, Lotus Rama I, Sermthai Plaza Maha Sarakham, Ocean Chumphon, Farry Land Nakhon Sawan, Charoenphan Phayao, Comcity Pattaya, SK Shopping Park Ubon Rat Chathani, and Comcity Kosa Khon Kaen and other 15 sales points. Total bookstores branches now becomes 174 branches with 168 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 330 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 Thammasat University, 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 with long selling life and sufficient market size by no increasing books titles produced to count 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**3.1 Operating performance for 2004 over the same period last year**

Table 1: Operating performance for 2004 over the same period last year

Description	Jan-Dec.		Change	
	2004	2003	Amount	(%)
Sales	2,833,648	2,376,739	456,909	19.22
Other revenue	21,116	52,818	(31,702)	(60.55)
Participating gain in the associated companies	1,576	403	1,173	290.93
Total revenues	2,856,340	2,429,960	426,380	17.55
Cost of sales	1,980,970	1,624,057	356,913	21.98
SG&A expenses	708,706	591,678	116,398	19.67
Gross Margin	852,678	752,682	99,996	13.28
% Gross Margin	30.09	31.67	-	(1.58)
EBITDA	240,847	276,430	(35,583)	(12.87)
Profit from operation accordance with Cash Flow Statement	224,171	218,702	5,469	2.50
NET PROFIT	116,962	156,654	(39,692)	(25.34)
EPS (Baht)	0.41	0.73	(0.32)	(43.83)



The company's total revenue for year rose to THB 2,856.34 million, an increase of THB 426.38 million, or up 17.55%. The sales revenue accounted for THB 2,833.65 million, an increase of THB 456.91 million, or up 19.22%. The main driver for such growth was still the increased revenue of SE-ED Book Center and Book Variety, which grew 22.48%. Although the growth rate has been slow down evidently since quarter 3 due to the slow down of overall economics from the effect of rising fuel price and the government's energy saving policy to shortening operating hours of shopping malls. The growth rate of same store sales was 10% and also the growth from new branches which opened 30 branches in this year.

The company operating net profit excluding the other revenue for 2004 rose to THB 144.60 million which was decreasing THB 16.40 million from last year representing 10.19 % (For 2003 operating profit was THB 161.0 million) due to

- The cost of good sold was increasing THB 356.91 million, or up 21.98% which was increasing more than the growth rate of the sales revenue. This was the result of increasing sales ratio of low gross margin products such as magazines and newspapers compare to other products. Then the gross profit was slightly slow down.
- The selling and administrative expense was increased THB 116.40 million or up 19.67% which was higher than the year revenue growth rate due to
 - The large increasing of 30 branches of SE-ED Book Center and Book Variety, which the new branches will take time to increase revenue up to the level of profitable , so the selling and administrative expense and revenue were increasing in the close ratio.
 - 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, so the selling and administrative expense to revenue ratio was increased..

In case of other income, the company's other income which was non-operation revenue was decreased of THB 31.70 million compare to last year, representing of 60.02% decreasing. This other incomes were:

- Profit from assets selling of THB 19.42 million.
- Dividend receiving from short term investment and profit from short term investment selling which raised THB 5.28 million

These reasons effected the company's net profit for year as of December 31, 2004 to be THB 116.96 million, representing 4.10% of total revenue and THB 0.41 EPS. (For 2003 the company's net profit for year was THB 156.65 million, representing 6.45% of total revenue and THB 0.73 EPS) The profit was decreased of THB 39.69 million from the same period last year, representing 25.34%.

The year company monetary operating net profit accordance with the cash flow statement, excluding the other non-regular revenue for the year rose to THB 224.17 million representing 7.58% of total revenue which was increasing THB 5.47 million from last year representing 2.50% (For 2003 the year company monetary operating net profit as of December 31, 2003 was THB 218.70 million representing 9.0% of total revenue)



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

Table 2: Operating performance for the forth quarter as of December 31, 2004 over the same period last year

Description	(Unit: Thousand Baht)			
	Quarter 4 2004	Quarter 4 2003	Change Amount (%)	
Sales	761,879	662,537	99,342	14.99
Other revenue	4,442	23,794	(19,352)	(81.33)
Total revenues	766,321	686,331	79,990	11.65
Cost of sales	533,259	444,014	89,245	20.10
SG&A expenses	180,442	159,267	21,175	13.30
Participating loss in the associated companies	162	1,816	(1,654)	(91.08)
Gross Margin	228,620	218,552	10,098	(4.62)
% Gross Margin	30.01	32.98	-	(2.98)
EBITDA	72,012	98,129	(26,117)	(26.52)
Profit from operation accordance with Cash Flow Statement	62,617	63,187	(570)	(0.90)
Net profit	36,648	58,766	(22,118)	(37.64)
EPS (Baht)	0.12	0.27	(0.15)	(55.56)

Total Revenues for Q4 2004: The company's Q4 total revenue rose to THB 766.32 million, an increase of THB 79.99 million, or up 11.65 %. The sales revenue accounted for THB 761.88 million, an increase of THB 99.34 million, or up 14.99%. The main driver for such growth was still the increased revenue of SE-ED Book Center and Book Variety which grew 21.34% and also the increasing of several sales points. Moreover the advertising revenue from Magazine division which grew 14.19%

Net profit Q4 2004: The company's Q4 net profit was THB 36.65 million, representing 4.78% of total revenue and THB 0.12 EPS. (For 2003 the company's Q4 net profit was THB 58.77 million, representing 8.56% of total revenue and THB 0.27 EPS). The profit decreased from the same period last year of THB 22.12 million, representing 37.64% due to the same reason of fiscal year 2003. Most of the profit from selling asset was in the Q4 of 2003.

However The company's Q4 net profit was increasing from Q3 rose to THB 16.98 million, or up 86.33% .The main driver was the increasing revenue of wholesales products from other suppliers compared to the same period last year, which effected to better gross profit margin.



4. Financial Position

4.1 Asset Component

Table 3: Asset Component

Description	December 31, 2004		December 31, 2003		Change	
	Amount	% to	Amount	% to	Amount	
	'000 Baht	Total Assets	'000 Baht	Total Assets	'000 Baht	%
Cash and cash equivalent items	142,825	12.89	146,375	13.24	(3,550)	(2.42)
Short-term investment-net	161,939	14.62	257,050	23.26	(95,111)	(37.00)
Account and note receivable-net	83,741	7.56	79,114	7.16	4,627	5.85
Inventories-net	153,489	13.86	137,212	12.42	16,277	11.86
Total Current Assets	569,410	51.40	642,662	58.15	(73,252)	(11.40)
Investment in subsidiary and Associated Companies	34,837	3.14	33,961	3.07	876	2.58
Property, plant and equipment-net	241,943	21.84	221,894	20.08	20,049	9.04
Leasehold on buildings-net	139,969	12.63	118,835	10.75	21,134	17.78
Total Non-Current Assets	538,397	48.60	462,513	41.85	75,884	16.41
TOTAL ASSETS	1,107,807	100.00	1,105,175	100.00%	2,632	0.24

Total Asset As of December 31, 2004 the Company had a total asset of THB 1,107.81 million, an increase of THB 2.63 million. Causes of increasing of total assets:

- Cash and bank deposit for THB 142.83 million decreased of THB 3.55 million.
- Short-term investment-net decreased THB 95.11 million due to disposal of securities to pay dividend and repurchased share.
- Inventories-net increased THB 16.28 million due to non-returnable purchasing of goods for SE-ED Book Center and Book Variety according with the increasing of SE-ED Book Center and Book Variety.
- Property, plant and equipment-net increase THB 20.05 million due to the increasing of decoration and Shelf of SE-ED Book Center and Book Variety and computer.
- Leasehold on buildings-net increased THB 21.13 million due to year 2004 have contract of 2 bookstore branches.
- Leasehold guarantee and advance payment increased THB 33.89 million due to the increasing of leasehold advanced payment for one bookstore branch at THB 30.22 million



Total liabilities As of December 31, 2004 the Company had a total liability of THB 592.73 million, a increase of THB 53.60 million. Increase in liabilities resulted from

- Bank overdrafts was decrease THB 39.76 million due to the advanced payment of leaseholding on bookstore branch at THB 27.25 million around the end of year which due date in the cheque was year end while there was several consecutive holidays ,so the creditor could not draw money in time before year end.
- Trading debts and note payable THB 432.74 million, was decreased THB 15.57 million due to non-returnable purchasing of goods for distribution including the accrued payment of several best selling titles in the period of year end.
- Accrued corporate income tax THB 22.63 million, decreased THB 13.55 million because the net profit of 2004 was decreased cause the corporate income tax of 2004 also decreased.

Shareholders' equity As of December 31, 2004 amount THB 515.08 million, an decrease of THB 50.97 million represent 9.00% 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 56.24 million and the exercised of ESOP project amount THB 2.84 million
- Premium of share capital increased of THB 36.13 million from the exercised of SE-ED-W1.

**4.2 Cash flow**

Table 4: Cash flow for 2004 over the same period last year

Description	(Unit: Thousand Baht)			
	Jan. - Sep. 2004	Jan. - Sep. 2003	Change	
			Amount	(%)
Net Profit	116,962	156,654	(39,692)	(25.34)
Depreciation	64,152	53,709	10,443	19.44
Leasehold written-off	9,400	8,495	905	10.65
Item non cash	35,378	19,865	15,522	78.17
Item non operation	(1,721)	(20,012)	18,291	91.40
Profit from operation	224,171	218,702	5,469	2.50
Change in operating assets and liabilities	(79,285)	(53,592)	25,693	47.94
Cash flow received (used) from operation activities	144,886	165,110	(20,224)	(12.25)
Cash flow received (used) from investing activities	(29,372)	(10,282)	(19,090)	185.67
Cash flow received (used) from financing activities	(119,063)	(87,339)	(31,724)	36.32
Cash increase (decrease)	(3,549)	67,489	(71,038)	(105.26)

Cash flow receive from operation activities decreased THB 20.22 million from the same period last year due to in Q4 2004 have payment for leasehold contract brunch amount THB 27.25 million.

Cash flow used from investment activities increased THB 19.09 million due to

- Year 2004 has invested in leasehold building for 2 bookstore branches amount THB 30.53 million.
- There was disposal of asset in 2003 THB 52.15 million
- Cash received from selling short term investment-net increased THB 39.68 million over the same period last year.
- 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 flow used from financing activities increased THB 31.72 million due to

- The dividend payment in 2004 less than the same period last year THB 28.56 million. As the dividend payment of 2004 was THB 131.82 million from the operating result of Q4 2003 at THB 0.20 per share, Q1 2004 at THB 0.10 per share, Q2 2004 at THB 0.10 per share and Q3 2004 0.06 per share while the dividend payment of 2003 was THB 160.38 million from the result of whole year 2002 at THB 0.45 per share, Q1 2003 at THB 0.10 per share, Q2 2003 at THB 0.10 per share and Q3 2003 at THB 0.10 per share.



- Year 2004 there were cash from the warrant exercises of SE-ED-W1 and ESOP at THB 95.64 million increased THB 24.77 million over the same period last year, while year 2003 there were cash from the warrant exercises of SE-ED-W1 and ESOP at THB 70.87 million.
- 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 Chotisorayuth)

Managing Director