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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.

Since mid year of 2004 the overall economic has been slow down due to the continuous rising of petroleum price, the inflation, effected to the increasing cost of production especially the rising cost of paper and transportation. The company has concerned to these problems, so the advance of paper stock keeping and negotiating with supplier has been done all the times to get best price. In other parts of protection cost the company spread the printing service to several printers to control expenses appropriately by comparing the offered competitive service price from the printers.

Operating performance for Q1 of 2005 over the same period last year. The company net profit for Q1 of 2005 was THB 34.17 million, representing 4.47% of total revenue, an increase of THB 4.81 million, representing 16.39 and THB 0.12 EPS. The company's total revenue Q1 of 2005 rose to THB 765.76 million, an increase of THB 111.04 million, or up 16.96%.

The company approved the dividend payment for operating performance of Q1 of 2005 from January 1, 2005 to March 31, 2005 at THB 0.10 per share from net profit portion which is not exempt from corporate income tax.

2. Business Summary

Book Store Business

The company has still continuously expanded bookstores branches until being the largest bookstores chain now. In Q1 of 2005, the company has opened more 5 new branches (Including the bookshop network) at Zeer Rangsit, Happy Plaza Phichit, Lotus Yaowaraj, The Mall Nakhon-ratchasima Floor B, Lotus Pinklao and other 8 sales points. Total bookstores branches now becomes 179 branches with 174 branches are still in operation including 6 branches of franchisees. When accumulate to the selling points in Lotus Express, Lotus, Big C, Carrefour and others will be total selling point now become 311 selling point. Besides, the company has renovated the existing branches to be modernized for continuously sales growth and profit drive.

**Distribution Business**

The company takes the role of Thailand largest books distributor. To distribute books for other publishers such as Thammasat University, Securities Exchange of Thailand, Nation books, Manager Media Group, Provision, Rak-look Family Group, Reader Digest, Pearson Education Indochina, Work point, Children foundation Publishing, Kantana Publishing, Bliss Publishing, Media of Media etc. to SE-ED Book Center and Book Variety, other bookshops and academic institutes. Moreover, the company has still developed distribution system for better efficiency to support for the future growth.

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**Operating performance for Q1 of 2005 over the same period last year**

Table 1: Operating performance for Q1 of 2005 over the same period last year

Description	Q1		Change	
	2005	2004	Amount	(%)
Sales	757.39	646.51	110.88	17.15
Other revenue	8.37	8.20	0.17	2.06
Total Revenue	765.76	654.71	111.04	16.96
Cost of sales	523.09	442.08	81.01	18.32
Participating loss in the associated companies	0.62	1.11	(0.48)	-43.88
SG&A expenses	192.55	169.13	23.41	13.84
Gross Profit	234.30	204.43	29.87	
Gross Margin (%)	30.93	31.62	-	-0.69
EBITDA	70.01	59.88	10.13	16.92
Profit from operation accordance with Cash Flow Statement	66.05	58.54	7.51	12.83
NET PROFIT	34.17	29.36	4.81	16.39
EPS (Baht)	0.12	0.09	0.03	33.33



The company's total revenue for Q1 of 2005 rose to THB 765.76 million, an increase of THB 111.04 million, or up 16.96% which consist of

1. **The sales revenue accounted** for THB 757.39 million, an increase of THB 110.88 million, or up 17.15%.
 - 1.1 The revenue of SE-ED Book Center and Bookstore chain rose to THB 647.01 million, which is proportion to 85.42% to overall sales revenue, or up 20.66% from the same period last year. The main driver for such growth was still the increased revenue of same store and new bookstore branch.
 - 1.2 The revenue of distribution book rose to THB 91.03 million, an increase of THB 8.28 million, represent 10.01% due to there were expansion base of customer and institute customer group.
 - 1.3 The revenue of advertising service rose to THB 15.91 million, decreased of THB 2.46 million, represent -13.39% due to the slow down of advertising business.
 - 1.4 The revenue from publishing service decreased of THB 7.83 million, represent 94.34% due to there were the publishing service to a large publishing in Q1 of 2004.
2. **The other income** for Q1 of 2005 rose to THB 8.37 million represents 1.09% to the company's overall revenue and slightly increased from the same period last year, which consist of dividend, interest and gain on disposal of securities available for sales.

Gross profit for Q1 of 2005 rose to THB 234.30 million increased of THB 29.87 million. However the Gross margin decreased of 0.69% from the same period last year. This was the result of increasing sales ratio of low gross margin products and the decreasing of advertising service revenue, which is high gross margin.

The selling and administrative expense was increasing THB 23.41 million or up 13.84% from the same period last year. The main driver was the increasing of expense according to the number of bookstore branch and sales revenue, moreover the transportation expense was increased from the rising of petroleum price.

**4. Financial Position****4.1 Asset Component**

Table 2: Asset Component

Description	March 31, 2005		December 31, 2004		Change	
	Amount	% to	Amount	% to	Amount	
	Million Baht	Total Assets	Million Baht	Total Assets	Million Baht	%
Cash and cash equivalent items	163.20	13.76	142.83	12.89	20.37	14.26
Short-term investment-net	164.61	13.88	161.94	14.62	2.67	1.65
Account and note receivable-net	88.14	7.43	83.74	7.56	4.40	5.25
Inventories-net	186.60	15.74	153.49	13.86	33.11	21.57
Total Current Assets	649.02	54.73	569.41	51.40	79.61	13.98
Investment in subsidiary and Associated Companies	34.22	2.89	34.84	3.14	(0.62)	-1.78
Property, plant and equipment-net	241.99	20.41	241.94	21.84	0.5	0.02
Leasehold on buildings-net	164.25	13.85	137.01	12.37	27.24	19.88
TOTAL ASSETS	1,185.80	100.00	1,107.81	100.00	77.99	7.04

Total Asset As of March 31, 2005 the Company had a total asset of THB 1,185.80 million, an increase of THB 77.99 million. Causes of changing of total assets:

- Cash and bank deposit for THB 163.20 million increased of THB 20.37 million.
- Short-term investment-net increased THB 2.67 million due to the market price of securities has increased from the year end.
- Inventories-net increased THB 33.11 million due to the increasing of best sellers book titles which have been ordered to print in Q1 of 2005.
- Leasehold on buildings-net increased THB 27.24 million due to Q1 of 2005 has been recorded book the item of leasing guarantee for one bookstore branch since Q4 of 2004 to be converted to leasehold of THB 33 million. The other left was for the period leasehold written-off.
- Other current asset increased THB 18.45 million due to the advance payment for rental rate of some bookstores branches in the end of Q1 of 2005 to gain more discount benefit.



Total liabilities As of March 31, 2005 the Company had a total liability of THB 629.40 million, an increase of THB 36.67 million. Causes of changing of total liabilities:

- Bank overdrafts was decrease THB 38.91 million due to 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.
- Account payable and note payable THB 484.33 million, was increased THB 51.59 million due to the increasing of distribution suppliers creditor as there were several titles of best selling books in Q1 of 2005 which the payment was still not due.
- Accrued corporate income tax THB 36.84 million, increased THB 14.29 million from corporate income tax for net profit Q1 of 2005.

Shareholders' equity As of March 31, 2005 amount THB 556.40 million, an increase of THB 41.32 million represent 8.02% due to

- paid-up share capital increased THB 5.79 million from the exercised of warrant to common share
 - the exercised of SE-ED-W1 amount THB 3.06 million and
 - the exercised of ESOP project amount THB 2.73 million
- Premium of share capital increased of THB 1.99 million from the exercised of SE-ED-W1.
- Net profit from operation result Q1 of 2005 amount 34.17 million.

4.2 Cash flow

Table 3: Cash flow for Q1 of 2005 over the same period last year

Description	(Unit: Million Baht)			
	Jan. - Mar. 2005	Jan. - Mar. 2004	Change Amount	Change (%)
Cash flow received (used)				
from operation activities	72.22	45.38	26.84	59.13
Cash flow received (used)				
from investing activities	(20.72)	(32.98)	(12.26)	-37.18
Cash flow received (used)				
from financing activities	(31.13)	48.42	(79.55)	-164.28
Cash flow increase (decrease)	20.37	60.83	(40.46)	-66.51

Cash flow receive from operation activities amount THB 72.22 million due to

- Cash flow increased amount THB 34.17 million from Q1 net profit
- Cash flow increased amount THB 31.86 million from depreciation, amortization expense and non-monetary item adjustment.
- Cash flow decreased amount THB 69.48 million due to the increasing of operation asset including inventories and advanced rental for some bookstore branch.



- Cash flow increased amount THB 75.65 million due to the increasing of operation asset including account and note payable and accrued corporate income tax.

Cash flow used from investment activities amount THB 20.72 million due to

- Cash flow used for purchased asset amount THB 18.18 million due to the investment in asset for new branch, which open in Q1 of 2005 in the amount of 5 branches.
- Cash flow received from sales the securities available for sales in amount of THB 2.70 million.

Cash flow used from financing activities amount THB 31.13 million due to

- Cash flow used amount THB 38.91 million from the decreasing of bank overdraft due to around the end of year, there were cheques payment to creditors with due date in the cheques was year end while there was several consecutive holidays, so the creditor could not draw money in time before year end.
- Q1 of 2005 there were cash from the warrant exercises of SE-ED-W1 and ESOP at THB 7.78 million.

5. Change of Directors and Executives

The annual general shareholders' meeting held on April 27, 2005 appointment Mr. Thanachai Santichaikul to be a new director of the company replace Mr. Tanachai Teerapatvong who are due to retire as directors of the Company for this term and expressed the will to discontinue the service in the following term.

The resolutions made at a board of directors' meeting no.2/2005 held on May 12, 2005 as follow

- To approve the appointment of Mr. Somboon Chinsawananon to be a new chairman of board of directors since May12,2005.
- To approve the resignation of Mr. Somboon Chinsawananon from the Member of the Audit Committee since May 12,2005 and to approve the appointment of Mr. Phairat Sittakul to be a new the Member of the Audit Committee.

Signature.....

(Mr.Thanong Chotisorayuth)

Managing Director

INVESTOR RELATION

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