



**บริษัท ซีเอดยูเคชั่น จำกัด (มหาชน)**  
**SE-EDUCATION PUBLIC COMPANY LIMITED**

## Management Discussion and Analysis

*As of June 30, 2007*

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**Management Discussion and Analysis: SE-ED**

**1. Overview**

According to the slow down of economy in the country dust to unclear politics situation, the increasing and decreasing of fuel price along with the global market price, including the strong value of Baht currency in the first half of 2007 caused to the shut down of several plants, along with the other factors such as chaos in the southern part effected to the decreasing of consumer index. People hesitated to consume, all retail business have been effected including the company.

However, the company has still had the strong infrastructure of business with low risk in business expansion continuously for future growth, so did not suffered much from these situation. Then the company has the strong financial status with enough liquidity to create suitable value and benefit to shareholders sustainable.

**Operating performance for the second quarter (3 months) of 2007 compared to the first quarter of 2007.** The company's total revenue for the second quarter as of June 30, 2007 rose to THB 1,023.61 million, or up 16.81%. The sales revenue accounted for THB 1,010.91 million, or up 16.48%. The profit after tax from operation as of June 30, 2007 was THB 36.18 million, or growth 10.67% from first quarter last year according to the sales growth.

**Operating performance for the second quarter (3 months) as of June 30, 2007 over the same period last year.** The company's total revenue increased THB 73.37 million, or 7.72% from the same period last year. The sales revenue was up 8.14% due to the same cause mentioned above. The profit after tax from operation as of June 30, 2007 was THB 36.18 million, or decreased 27.16% from the same period last year

**Operating performance for six-month as of June 30, 2007 over the same period last year.** The company's total revenue rose by THB 1,897.49 million or growth 6.55% from the same period last year. The sales revenue accounted for THB 1,878.81 million, or up 6.90% due to the same cause as in the quarter period. The profit after tax from operation as of June 30, 2007 was THB 68.87 million, or decreased 17.06% from the same period last year

The company approved the dividend payment for operating performance of Q2 of 2007 from April 1, 2007 to June 30, 2007 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 for future growth and keeping the situation of the highest revenue bookstores chain of the country. In the second quarter of 2007 the company has opened 11 branches more of bookstores at Lotus Pak thong chai, STC Chonburi, STC Petchakasem., STC Phraram 4, STC Sukhapibarn 3, STC Samrong, Big C Lamphun, Lotus City Park Bang Phli, Lotus Lop Buri pinya, Home Pro Ekkhamai-Ramintra and Apisquare Chiang Rai. Total bookstores branches now becomes 250 branches with 240 branches are still in operation including 7 branches of franchisees. Otherwise there still have been another 87 selling points and 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 MIS Softtech, Nation books International, Nation Egmont, Come On Publishing and Technology Promotion Association (Thai-Japan) 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

#### 3.1 Operating performance for Q2 of 2007 over the same period last year (from the financial statement which the equity method)

Table 1: Operating performance for Q2 of 2007 over the same period last year

(Unit: Million Baht)

Description	Q2	Q2	Change	
	2007	2006	Amount	(%)
Sales	1,010.91	934.81	76.10	8.14
Other revenue	10.29	13.42	(3.13)	(23.32)
Participating loss in the associated companies	2.41	2.02	0.39	19.31
Total Revenue	1,023.61	950.25	73.36	7.72
Cost of sales	723.03	653.36	69.67	10.66
SG&A expenses	241.78	224.63	17.15	7.63
Gross Profit	287.88	281.45	6.43	2.28
Gross Margin (%)	28.48	30.11	-	(1.63)
EBITDA	78.82	91.77	(12.95)	(14.11)
Profit from operation accordance with Cash Flow Statement	69.92	88.57	(18.65)	(21.06)
NET PROFIT	36.18	49.67	(13.49)	(27.16)
EPS (Baht)	0.11	0.16	(0.05)	(31.25)

The company's total revenue for Q2 of 2007 was THB 1,023.61 million increased THB 73.36 million, or 7.72% from the same period last year. The sales revenue was up 8.14%. The main driver for such growth was from the sales growth of SE-ED Book Center new branches and wholesales books which grew so much as several items of them were popular in the market and from the English Learning Text books (ELT) of Oxford University Press which the company has been its exclusive distributor since the beginning of this year.

The profit after tax from operation as of June 30, 2007 was THB 36.18 million, or decreased 27.16% from the same period last year due to

- The main driver from the sales growth was slow down from the result of the overall economic. Moreover the company has expanded some section to support the rapidly growth of SBC branches, where as the revenue from this activity still lag the expense while the same period last year has profit



from printed matters and nano technology T-shirts in June on the occasion of the 60th anniversary of HM the King's accession to the throne.

- The increasing rate of corporate income tax from 25% in 2006 to be 30% in 2007.

### 3.2 Operating performance for first six-month as 2007 over the same period last year

Table 2: Operating performance for first six-month as 2007 over the same period last year

Description	(Unit: Million Baht)			
	Jan.-Jun.	Jan.-Jun.	Change	
	2007	2006	Amount	(%)
Sales	1,878.81	1,757.50	121.31	6.90
Other revenue	18.68	23.31	(4.63)	(19.86)
Total revenues	1,897.49	1,780.80	116.69	6.55
Cost of sales	1,317.85	1,232.17	85.68	6.95
SG&A expenses	467.03	426.54	40.49	9.49
Directors' remuneration	3.79	3.28	0.51	15.55
Participating loss in the associated companies	1.07	1.08	(0.01)	(0.93)
Gross Margin	560.96	525.33	35.63	6.78
% Gross Margin	29.86	29.89	-	(0.03)
EBITDA	153.51	162.60	(9.09)	(5.59)
Profit from operation accordance with Cash Flow Statement	142.67	156.15	(13.48)	(8.63)
NET PROFIT	68.87	83.03	(14.16)	(17.06)
EPS (Baht)	0.21	0.27	(0.06)	(22.22)

**Total Revenues for first six-month of 2007** was THB 1,897.49 million or growth 6.55% from the same period last year. The sales revenue accounted for THB 1,878.81 million, or up 6.90% due to the same cause as in the quarter period.

**The profit after tax for six-month from operation** as of June 30, 2007 was THB 68.87 million or decreased 17.06% from the same period last year due to Gross Margin increased THB 35.63 million, while the selling and administrative expenses increased THB 41 million, or up 9.54% which was higher than the growth rate of revenue from the same cause as in the quarter period and the increasing rate of corporate income tax from 25% to 30%. Which compute the corporate income tax in the same rate of last year, the corporate income tax will decrease THB 6.15 million from last year.



#### 4. Dividend payment policy

The company declared a policy to pay dividend no less than 50% of the net profit after the deduction of corporate income tax which the equity method. The payment will be made in the annual general meeting of the year immediately following the operating year. For six month of 2007, the company have dividend payout ration was 94.02%.

Table 3: The dividend payment of 2007, 2006 and 2005 as follow:

<b>Year 2007 operating result</b>					
	Resolutions of the Company's Board meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)
Quarter 1	2/2007	10/05/2007	08/06/2007	0.10	32.36
<b>Year 2006 operating result</b>					
	Resolutions of the Company's Board meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)
Quarter 1	2/2006	10/05/2006	09/06/2006	0.10	31.13
Quarter 2	3/2006	11/08/2006	11/09/2006	0.10	31.16
Quarter 3	4/2006	10/11/2006	08/12/2006	0.10	31.19
Quarter 4	1/2007	25/04/2007	23/05/2007	0.30	97.07
	Total			0.60	190.55
<b>Year 2005 operating result</b>					
	Resolutions of the Company's Board/ Shareholder meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)
Quarter 1	2/2005	12/05/2005	10/06/2005	0.10	30.02
Quarter 2	4/2005	11/08/2005	09/09/2005	0.10	30.14
Quarter 3	5/2005	14/11/2005	09/12/2005	0.10	30.16
Quarter 4	1/2006	26/04/2006	23/05/2006	0.29	90.29
	Total			0.59	180.61



## 5. Financial Position

### 5.1 Asset Component (from the financial statement which the equity method)

Table 4: Asset Component

Description	June 30, 2007		December 31, 2006		Change	
	Amount	% to	Amount	% to	Amount	%
	<u>Million</u>	<u>Baht</u>	<u>Million</u>	<u>Baht</u>	<u>Million</u>	
	<u>Baht</u>	<u>Total</u>	<u>Baht</u>	<u>Total</u>	<u>Baht</u>	
		<u>Assets</u>		<u>Assets</u>		
Cash and cash equivalent items	215.17	13.83	290.69	19.67	(75.52)	(25.98)
Short-term investment-net	216.19	13.90	194.79	13.18	21.40	10.99
Account and note receivable-net	120.85	7.77	89.20	6.04	31.65	35.48
Inventories-net	314.34	20.20	231.01	15.64	83.33	36.07
Other current assets	38.58	2.48	22.46	1.52	16.12	71.77
Total Current Assets	923.92	59.38	845.88	57.25	78.04	9.23
Investment in subsidiary and Associated Companies	87.26	5.61	89.33	6.05	(2.07)	(2.32)
Property, plant and equipment-net	272.94	17.54	264.07	17.87	8.87	3.36
Leasehold on buildings-net	148.06	9.52	154.29	10.44	(6.23)	(4.04)
Guarantee for rental and deposit	51.04	3.28	49.67	3.36	1.37	2.76
TOTAL ASSETS	1,555.88	100.00	1,477.50	100.00	78.38	5.30

**Total Asset** As of June 30, 2007 the Company had a total asset of THB 1,555.88 million, an increase of THB 78.38 million. Causes of changing of total assets:

- Cash and bank deposit for THB 215.17 million decreased of THB 75.52 million from due to Dividend payment.
- Short-term investment-net for THB 216.19 million increased THB 21.40 million from the increasing investment in SE-ED private fund.
- Accounts and notes receivable-net increased 31.65 million from the selling of Oxford books.
- Inventories-net for THB 314.34 million increased THB 83.33 million from 2006, or growth 36.07% from the more purchasing of foreign books in 2007 which we were the distributor in order to





expand this new market and also from the increasing of the purchase of non-book products in stock.

- Other current asset increased THB 16.12 million. Most of them was advanced rental payment of warehouse.

**Total liabilities** As of June 30, 2007 the Company had a total liability of THB 935.36 million, an increase of THB 122.87 million or 15.12%. Causes of changing of total liabilities:

- Account payable THB 736.37 million, was increased THB 135.20 million due to increased inventories.
- Accrued corporate income tax decreased THB 11.04 million due to the increasing of year 2006 profit which lead to the increasing of accrued corporate income tax for 2007 with due payment in May 2007.
- Accrued expense for bonus was decreased THB 9.77 million from the changing of bonus payment policy to due in March of each year.
- Revenue in advance increased THB 6.8 million from rental booth payment in Thailand Electronics and Industrial Technology exhibition which will exhibit in July each year.

**Shareholders' equity** As of June 30, 2007 amount THB 620.52 million, an decrease of THB 44.50 million represent 6.69% due to

- paid-up share capital increased THB 10.46 million which increased THB 9.64 million in Q1/2007 and THB 0.82 million in Q2/2007 from the exercised of warrant to common share of ESOP
- Retained earnings due to the dividend payment as THB 129.43 million.
- Net profit from operation result 2Q of 2007 amount 68.87 million.

## 5.2 Cash flow

Table 4: Cash flow for Q2 of 2007 over the same period last year

Description	Jan. - Jun.	Jan. - Jun.	Change	
	<u>2007</u>	<u>2006</u>	<u>Amount</u>	<u>(%)</u>
Cash flow received (used) from operation activities	101.01	135.17	(34.16)	(25.27)
Cash flow received (used) from investing activities	(63.23)	(50.60)	12.63	24.96
Cash flow received (used) from financing activities	(113.29)	(153.66)	(40.37)	(26.27)
Cash flow increase (decrease)	(75.51)	(69.09)	6.43	9.29

(Unit : Million Baht)



**Cash Flow Received from operation activities for 2Q of 2007** was THB 101.01 millions as listed below:

- Cash flow from operation increased in the amount of THB 142.67 millions :
  - The Net profit for 1H of 2007 in the amount of THB 68.87 millions.
  - Non-monitory expenses in the amount of THB 73.80 millions (Depreciation and Leasehold written-off in the amount of THB 45.76 millions, loss from lost goods as THB 14.90 millions, and loss participating loss from investment Associated companies as THB 1.07 millions.)
- Cash flow decreased amount THB 34.91 million from account receivable and note receivable.
- Cash flow increased amount THB 128.65 million from account payable and note payable.
- Cash flow decreased amount THB 106.99 million from inventories.
- Cash flow decreased amount THB 16.12 million from other current assets
- Cash flow decreased from accrued tax payment THB 11.04 million.

**Cash Flow Used from Investment Activities for 2Q of 2007** in the amount of THB (63.23) millions due to purchase of assets as THB 48.92 millions and short term net Investment in the amount of THB 15.31 million.

**Cash Flow Used from Financial Activities for 2Q of 2007** as THB (113.29) million due to Dividend payment as THB 129.43 million and Cash received from the exercised of warrant to common share the exercised of ESOP in the amount of THB 10.46 millions.

### 5.3 Financial Ratios

Table 5: Financial ratios calculated according to the Office of the Securities and Exchange Commission's formulae

<b>LIQUIDITY RATIOS</b>		<b>1H'07</b>	<b>1H'06</b>
Current Ratio	Time	1.00	0.95
Quick Ratio	Time	0.60	0.61
<b>PROFITABILITY RATIOS</b>		<b>1H'07</b>	<b>1H'06</b>
Gross Profit Margin	%	29.86	29.89
Net Profit Margin	%	3.63	4.67
Return on Equity**	%	10.17	13.90
Return on Asset**	%	7.10	8.34
<b>FINANCIAL POLICY RATIO</b>		<b>1H'07</b>	<b>1H'06</b>
Total Debt to Equity Ratio	Time	1.51	1.38
Interest Coverage Ratio	Time	843.16	1,037.39
Dividend Payout Ratio**	%	94.02	75.03

\*\*Calculated from net profit of six month period only



The company would like to clarify in addition about the change of accounting policy regarding investment in subsidiaries so that the separate financial statement, which formerly reported investment using the equity method, now reports using the cost method to comply with the announcement no. 32/2549 of the Federation of Accounting Profession in the issue of TAS No.44 definition of consolidated and separate financial statements about investment in subsidiaries company (paragraph 27 and TAS No. 45 definition of consolidated and separate financial statements about investment in associates company (paragraph 11) dated October 11, 2006. The company has also adjusted back to the former year for comparing)

This adjustment caused the net profit on the separate financial statement which using the cost method to differ from the reported in the consolidated financial statement. Which using equity method for the period of 2Q/2007 and 2Q/2006. This caused the investment in associated company decreased in the amount of THB 17.73 million and THB 16.23 million and retain earning decreased THB 19.80 million and THB 17.31 million respectively.

(unit : Million Baht)

Net profit	separate financial statement	Q2	
		2007	2006
	Cost method	70,937	85,108
	Equity method	68,869	83,031
	Decrease (Million Baht)	(2,068)	(2,077)
	Baht per share	(0.21)	(0.27)

Nevertheless, these differing amounts merely reflect changes in accounting policy, not in any fundamental factor affecting the business

Signature.....

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