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**Management Discussion and Analysis: SE-ED****1. OVERVIEW**

In the year 2008, the company has got effects from the economic recession in the country, the effect from the world's inevitable economic crisis originated in United States of America, and the competition among other retailing businesses.

In addition, the Company had to face the political turmoil in the country that had been worsened by the seizure of Suvarnabhumi International Airport and Donmueng International Airport during the fourth quarter of the year. This event had affected the investors' confidence and many industrial sectors, which resulted in the decreasing purchasing power of consumers and affected the overall retailing businesses, as seen in the unusual decline of sales volumes in December.

However, with the preparation and immunity to cope with such situation, the Company was able to have a steady performance and maintain its growth rate.

As the company has firmly believed in the potential of the book business, it continuously opened new branches of its bookstore both in shopping malls and in various forms of modern trade businesses, of which branches increased in number in order to support the business's future growth as well. Therefore, in the year 2008 sales increased from the effect of opening 52 new bookstore branches in the year 2008 and the 49 new branches in this year including the increasing of sales from distribution wholesales business unit at the satisfactory growth rate.

**Operating performance for 2008 were as follow:**

- The Company's total revenue of the year 2008 is worth THB 4,423.00 million or increased from the same period of the previous year by 11.99%. The sales revenue is accounted for THB 4,370.00 million from the total revenue or increased by 12.10%.
- The Company's net profit of the year 2008 is worth THB 194.63 million, which increased from the same period of the previous year by 5.89%.
- During the year 2008 the Company opened 49 new branches of SE-ED Book Center, which results in, as of December 31, 2008, the total number of 303 operating branches and 37 operating selling units.

The Board of Directors considered and approved the dividend payment for the operating performance of the year 2008 at the rate of THB 0.59 per share, for the total amount of 323,921,130 shares from net profit portion from the financial statement which the equity method calculated by which is not exempt from corporate income tax. However, the Company already paid some interim dividend of the first three quarters at THB 0.30 per share. Thus, the additional dividend of this period will be THB 0.29 per share, for the total amount of 323,921,130 shares due to the Company's continuous profit gain and high liquidity. The names of shareholders listed for the right to receive the dividend is scheduled to be announced on May 15, 2009 and, by the section 225 in Securities and Exchange Act, the names of

shareholders will be compiled by closing the shareholders register book on May 18, 2009. The payment of dividend will be made on May 28, 2009

As the company has granted significance in development of good corporate governance thoroughly, the determination to do business transparently has resulted in 2008 as follow:

- Received the “excellent” (5 stars) award for Corporate Governance Report of Thai Listed Companies 2008 arranged by Thai Institute of Directors shared with other 22 companies amongst 448 listed companies. Only SE-ED was one of the six companies in the group of medium cap and small cap size companies while others were in SET 100 group in energy business and financial business.
- Received Best Shareholder Treatment Awards 2008 arranged by The Thailand Securities Depository Co., Ltd. (TSD) corporate with Stock Exchange of Thailand, Thai Investors Association, Thai Listed Companies Association and Thai Investor Relations Club. There were 6 companies granted this award while only SE-ED was not in the SET 100 and 4 of them were in SET 50 and one in the SET 100(not in SET 50).
- To be one of three companies outside SET group for final round IR Excellence Awards 2008 arranged by Stock Exchange of Thailand and financial and banking magazine.
- To be one of ten companies for final round Corporate Social Responsibilities Awards 2008 arranged by Stock Exchange of Thailand and financial and banking magazine. SE-ED was only company not in SET 50 and SET 100
- The company was rated as “Excellent” in the 2007 and 2008 valuation in the Annual General Meeting (AGM) of the shareholders by the Securities and Exchange Commission in cooperate with the Listed Companies Association and the Thai Investors Association. The company has been in the group of over 100 points (normal full grade was 100 points with special bonus not more than 10 points to be total of 110 points) which has been praised as good example from SEC. The objective of this appraisal was to increase awareness of stockholders’ rights and good corporate governance principles.

In 2008 achieved 107.50 points with appraised as one of 74 companies praised as good example from SEC from overall 486 firms.

In 2007 achieved 103.75 points appraised as one of 19 good example from SEC among overall of 460 firms.

With such an excellent appraisal came from the meeting arrangement with good corporate governance, transparent, and allowed for opened opportunity for shareholders to ask questions and clear answering until no more questions in doubt.

## **2. BUSINESS SUMMARY**

### **Book Store Business**

The company has still expanded bookstore branches continuously to keep the record of being the largest bookstores chain with highest revenue of the country. In the fourth quarter, 10 branches were opened in Big C Sakaeo, Homeworks Phuket, Yes Plaza Bangplee, Big C Varinchamrap, Big C Mahasarakham, Big C Nichada Thani, Central Plaza Chaeng Watthana, Bigjieng IT Nongkhai, Carrefour Hangdong and Harbour Mall Sriracha Total bookstores branches now becomes 327 branches with 303 branches are still in operation including 7 branches of franchisees and 37 points of sales currently in operation. 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 who distributed both the Thai and foreign publishers such as Education Mind Line Multimedia Co., Ltd., Wadsin Co., Ltd., Nation books International Co.,Ltd, MIS Softtech Co.,Ltd, Rak-look Family Group Co.,Ltd, Come On Publishing and Oxford University Press which the company has been the distributor of English learning text books (ELT) in Thailand this year 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 books production course to meet the market demand by focusing in printing books for long sales life in a sufficient market size, not concentrated in the titles quantity produced in each year. The company put emphasis on producing reference books, and the books in area need for people and country development. In the end of 2007 the company would begin the project of production English outside reading books which gave both substantial and entertainment to promote more English reading skill for the youths and general people.

Besides, the company has recognized the importance of develop and install communication tools for increasing public relation channel 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 year 2008 over the same period last year. (from the financial statement which the equity method)

Table 1: Operating performance for year 2008 over the same period last year

(Unit: Million Baht)

	Jan.-Dec.		Change	
	2008	2007	Amount	(%)
Revenues from sales	4,370.00	3,898.25	471.75	12.10
Cost of sales	3,030.31	2,683.28	347.03	12.93
Gross Margin	1,339.69	1,214.97	124.72	10.27
Other income	34.80	34.74	0.06	0.17
Interest and dividend income	18.20	16.60	1.60	9.64
Total Revenue	4,423.00	3,949.59	473.40	11.99
Selling expenses	398.32	339.63	58.69	17.28
Administrative expenses	730.32	642.72	87.60	13.63
Directors' remuneration	9.72	5.06	4.66	92.09
Participating loss from investment in associated companies	(1.42)	(3.05)	(1.63)	(53.44)
Gross Margin (%)	30.66	31.17	(0.51)	(1.64)
EBITDA	357.50	369.52	(12.02)	(3.25)
Profit from operation accordance with Cash Flow Statement	381.30	400.32	19.02	4.75
NET PROFIT	194.63	183.80	10.83	5.89
EPS (Baht)	0.60	0.57	0.03	5.26

Total revenue of the year 2008 is worth THB 4,423.00 million or increased from the same period of the previous year by 11.99%. The sales revenue is accounted for THB 4,370.00 million from the total revenue or increased by 12.10%. The Company's higher revenue, which contradicts the overall situation in retailing business, is the result of 52 new branches of SE-ED Book Center in 2007 and 49 new branches in 2008. The revenue from SE-ED Book Center and its network stores, therefore, increased by 11.95% in spite of the fact that the same-store sales revenue only slightly increased.

Moreover, the revenue from the book distribution business, and the wholesales of books to other bookstores, schools and universities increased up to 12.82% from the same period of last year. This is the result from the higher sales volumes of ELT books from Oxford University Press by approximately 41.25%.

Also, the number of books that the Company has distributed for other publishers increased satisfactorily due to the fact that more publishers has continuously trusted the Company to distribute more popular books.

**The net profit from the year 2008** is worth THB 194.63 million, which increased from the same period of last year by 5.89%. This is the result from the 12.10% sales growth from the previous year, and from tax benefits derived from the decreasing rate of corporate income tax from 30% to 25% and book donations that is worth THB 14.23 million more than last year which granted benefit from tax reduction in investment expense. The following are the reasons why the Company's net profit only slight increased.

- The initial profit rate slightly decreased due to the sales growth of low - profit products, which are newspapers and magazines in particular, in SE-ED Book Center and its network stores.
- The sales and administrative expenses increased from the same period of last year by THB 146.30 million or 14.89%, which is higher than the sales growth rate. This is the result from the following:
  - The amount of time for the expansion of SE-ED Book Center to yield satisfactory sales growth
  - The same-store sales growth that is lower than the increasing expenses, which is the consequence of the economic and political problems stated above
  - The rental fee, service expenses, and employees' salaries increased because of the new branches, the higher rate of minimum wage, the higher cost of living rate provided for employees, and the higher transportation fee due to the increased gas price

### 3.2 Operating performance for the fourth quarter (3 Months) as of December 31, 2008 over the same period last year.

Table 2: Operating performance for the fourth quarter (3 Months) as of December 31, 2008 over the same period last year

(Unit: Million Baht)

	Q4		Change	
	2008	2007	Amount	(%)
Revenues from sales	1,100.63	1,031.33	69.30	6.72
Cost of sales	772.80	698.64	74.16	10.61
Gross Margin	327.83	332.69	(4.86)	1.46
Other income	7.88	8.76	(0.88)	10.05
Interest and dividend income	4.95	3.50	1.45	41.43
Total Revenue	1,113.46	1,043.58	69.88	6.70
Selling expenses	110.00	93.13	16.87	18.11
Administrative expenses	176.70	171.27	5.43	3.17
Directors' remuneration	1.57	0.58	0.99	170.69
Participating loss from investment in associated companies	(0.56)	(0.73)	(0.17)	22.29
Gross Margin (%)	29.79	32.26	(2.47)	7.66
EBITDA	79.53	103.21	(23.68)	22.94
Profit from operation accordance with Cash Flow Statement	85.67	112.39	(26.72)	23.77
NET PROFIT	38.19	54.54	(16.35)	(29.98)
EPS (Baht)	0.12	0.17	(0.05)	(29.41)

The total revenue from the fourth quarter of the year 2008 is worth THB 1,113.46 million or increased by 6.70% from the same quarter of last year. The sales revenue is accounted for THB 1,100.63 from the total revenue or increased by 6.72%. This growth rate was considered lower than that of the previous nine months. The main factor was the unusually low sales volumes in December, which was lower than in November. Other retailing businesses also faced the same situation. It was speculated that this was the consequences of the political turmoil in the country, which was followed by the economic crisis. As a result, the purchasing power of people decreased significantly.

Moreover, the sales volumes from December 2007 was unusually high because of the sales of the latest Harry Potter book during that time

**The net profit from the fourth quarter of the year 2008** is worth THB 38.19 million, which decreased from the same quarter of last year by 29.98%. This is the consequence of the previously – stated reason of why the sales volumes was unusually low in December 2008 and of other reasons explained in the above summary of the operating performance of the year 2008. With all those reasons, the selling and administrative expenses increased by THB 22.30 million or 8.43%, which was higher than the sales growth rate. The gross profit also decreased by 2.47% due to the fact that the sales growth derived from low – profit products, which are newspapers and magazines in particular.

#### 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 from the financial statement which the equity method. The payment will be made in the annual general meeting of the year immediately following the operating year.

Table 3: The dividend payment of 2008, 2007 and 2006 as follow:

<b>Year 2008 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	2/2008	09/05/2008	06/06/2008	0.10	32.39
Quarter 2	3/2008	08/08/2008	05/09/2008	0.10	32.39
Quarter 3	4/2008	12/11/2008	11/12/2008	0.10	32.39
Quarter 4	1/2009	20/02/2009	28/05/2009	0.29*	93.94
<b>Total</b>				<b>0.59</b>	<b>191.11</b>
<b>Year 2007 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	2/2007	10/05/2007	08/06/2007	0.10	32.36
Quarter 2	3/2007	09/08/2007	06/09/2007	0.10	32.37
Quarter 3	5/2007	13/11/2007	11/12/2007	0.10	32.38
Quarter 4	1/2008	29/04/2008	28/05/2008	0.26	84.22
<b>Total</b>				<b>0.56</b>	<b>181.33</b>
<b>Year 2006 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	2/2006	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
<b>Total</b>				<b>0.60</b>	<b>190.55</b>

\* Dividend payment rate has been approved from the board of Directors and waiting for approval from shareholders in the annual general meeting on April 29, 2009 and calculate from the amount of common shares counted on November 28, 2008.



## 5. Financial Position

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

Table 4: Asset Component

(Unit: Million Baht)

Description	December 31, 2008		December 31, 2007		Change	
	Amount	% to	Amount	% to	Amount	%
	<u>Million</u>	<u>Total</u>	<u>Million</u>	<u>Total</u>	<u>Million</u>	
	<u>Baht</u>	<u>Assets</u>	<u>Baht</u>	<u>Assets</u>	<u>Baht</u>	
Cash and cash equivalent items	336.68	18.43	298.78	17.24	37.90	12.68
Short-term investment-net	167.93	9.19	207.30	11.96	(39.37)	(18.99)
Trade accounts and note receivable-net	81.12	4.44	92.21	5.32	(11.09)	(12.03)
Loan due from associated company	11.00	0.60	-	-	11.00	100
Inventories-net	498.62	27.30	446.50	25.76	52.12	11.67
Other current assets	14.43	0.79	21.38	1.23	(6.95)	(32.51)
<b>Total Current Assets</b>	<b>1,133.49</b>	<b>62.06</b>	<b>1,092.62</b>	<b>63.03</b>	<b>40.87</b>	<b>3.74</b>
Investments in subsidiary and associated companies-net	75.60	4.14	78.52	4.53	(2.92)	(3.72)
Property, plant and equipment-net	345.22	18.90	271.55	15.66	73.67	27.13
Leasehold on buildings-net	129.12	7.07	141.73	8.18	(12.61)	(8.90)
Assets pending for sale-net	-	-	19.20	1.11	(19.20)	(100)
Guarantee for rental and deposit	63.68	3.49	55.63	3.21	8.05	14.47
<b>Total Assets</b>	<b>1,826.49</b>	<b>100</b>	<b>1,733.55</b>	<b>100</b>	<b>92.94</b>	<b>5.36</b>

**Total Asset** As of December 31, 2008 the company had a total asset of THB 1,826.49 million, increase of THB 92.94 million from the end of last year. Causes of changing of total assets :

- Cash and cash equivalent items as of December 31, 2008 for THB 336.68 million increased of THB 37.90 million
- Inventories-net for THB 498.62 million increased THB 52.12 million from the ordered of foreign books to sell to the institutes for the coming academic term of May and the publishing of dictionaries series in the third quarter of 2008 and English language outside reading series which was the first year publishing.

- Loan due from associated company increased 11 million from the loan to Plearn Patt Co.,Ltd.
- Short-term investment-net for THB 167.93 million decreased THB 39.37 million from transferred investment in government bond (age not over than 3 months) to be in the cash equivalent item
- Trade accounts and notes receivable-net for THB 81.12 million, an decreased 11.09 million from payment received from wholesales debtors and foreign books debtors.
- Property, plant and equipment-net for THB 345.22 million increased THB 73.67 million from in 2008 opening of more 49 new branches.
- Assets pending for sale-net decreased THB 19.20 million from sales of five four-storied buildings in Din Dang district.

**Total liabilities** As of December 31, 2008 the Company had a total liability of THB 1,172.54 million, an increase of THB 99.34 million or 9.26%. Causes of changing of total liabilities :

- Account payable and note payable THB 972.11 million, was increased THB 113.33 million. Most of them was wholesales creditors of SE-ED Book Center and account payable of distributors.
- Other accounts and notes payable THB 36.67 million, was increased THB 8.99 million. Most of them were Accrued Rents.
- Accrued expenses THB 97.45 million, was increased THB 2.33 million. Most of them were Accrued Bonus.
- Accrued corporate income tax decreased THB 29.06 million due to the benefits derived from the decreasing rate of corporate income tax from 30% to 25% and book donation.

**Shareholders' equity** As of December 31, 2008 amount THB 653.95 million, an decrease of THB 6.40 million represent 0.97% due to:

- Retained earnings decreased due to the dividend payment as THB 181.40 million.
- Unrealized loss from investment available for sales increased THB 18.18 million from due to the financial crisis in the U.S. which affected to Thai capital market and monetary market with additional of prolonged politics problem causing to the decline of Thai Securities exchange.
- Net profit from operation result year of 2008 amount 194.63 million.
- Paid-up share capital increased THB 0.16 million from the exercised of warrant to common share the exercised of ESOP. (Since rights to exercise warrants was expired on January 14, 2008.)

## 5.2 Cash flow

Table 5: Cash flow for 2008 over the same period last year

(Unit : Million Baht)

Description	Jan. - Dec		Change	
	2008	2007	Amount	(%)
Cash flow received (used) from operation activities	329.70	286.20	43.50	15.20
Cash flow received (used) from investing activities	(108.40)	(89.22)	(19.18)	(21.50)
Cash flow received (used) from financing activities	(183.41)	(188.88)	5.47	2.90
Cash flow increase (decrease)	37.89	8.10	29.79	367.78

### Cash Flow Received from Operation Activities for 2008 was THB 329.70 millions as listed

below:

- Cash flow from operation increased in the amount of THB 381.30 millions:
  - The Net profit before corporate income tax for 2008 in the amount of THB 252.72 millions.
  - Revenues and expenses in non-monetary form or not dealing with main operation in the amount of THB 128.57 millions (Depreciation and Leasehold written-off in the amount of THB 104.61 millions, Loss from lost goods as THB 27.39 millions, Loss from donated goods as THB 16.53 millions, and Loss from goods destroyed as THB 10.04 millions).
- Cash flow increased from trade accounts and notes payable THB 112.96 million.
- Cash flow decreased amount THB 52.12 million from inventories.
- Cash flow decreased from tax payment THB 87.15 million.

### Cash Flow Used from Investment Activities for 2008 in the amount of THB (108.40) millions

as listed below:

- Cash flow decreased from Purchase of assets as THB 164.74 millions due to investment for new branches expansion.
- Cash flow decreased from Loan due from associated company as THB 11 millions.
- Cash flow increased from selling of short-term investments in government bond (age over than 3 months) at the value of THB 21.61 million.
- Cash flow increased amount THB 20 millions from sales of assets pending for sale of five four-storied buildings.

Cash Flow Used from Financial Activities in 2008 was THB (183.40) million due to Dividend payment as THB 181.40 million.

### 5.3 Financial Ratios

**Table 6: Financial ratios calculated according to the Office of the Securities and Exchange Commission's formulae**

<b>LIQUIDITY RATIOS</b>		<b>2008</b>	<b>2007</b>
Current Ratio	Time	0.97	1.04
Quick Ratio	Time	0.50	0.56
Cash Flow Ratio	Time	0.30	0.31
Accounts Receivable Turnover	Time	8.23	7.07
Average Debt Collection Period	Time	44	51
Inventory Turnover	Time	5.86	6.93
Average Selling Period	Day	61	52
Debtor Turnover	Time	3.31	3.56
Debt Payment Period	Day	109	101
Cash Cycle	Day	(4)	2
<b>PROFITABILITY RATIOS</b>		<b>2008</b>	<b>2007</b>
Gross Profit Margin	%	30.66	31.17
Operating Profit	%	5.79	7.08
Other Profit	%	1.20	1.30
Cash to Earnings Ratio	%	130.37	103.75
Net Profit Margin	%	4.40	4.65
Rate of Return to Equity	%	29.62	27.60
<b>EFFICIENCY RATIOS</b>		<b>2008</b>	<b>2007</b>
Return on Asset	%	14.21	17.15
Return on Fixed Assets	%	66.65	65.39
Asset Turnover	Time	2.48	2.45

<b>FINANCIAL POLICY RATIO</b>		<b>2008</b>	<b>2007</b>
Debt to Equity Ratio	Time	1.79	1.63
Interest Capability Ratio	Time	2,264.37	1,170.61
Debt Service Coverage Ratio	Time	0.95	0.95
Dividend Payout Ratio*	%	98.19	98.65

\* Dividend payment rate for 2008 has been approved from the board of Directors and waiting for approval from shareholders in the annual general meeting on April 29, 2009 and calculate from the amount of common shares counted on November 28, 2008.

Signature.....

(Mr. Viboolsak Udomvanich)

Deputy Managing Director and Company Secretary

INVESTOR RELATION

IR@SE-ED.COM

<http://www.se-ed.com/ir>

02-739-8000 # 8