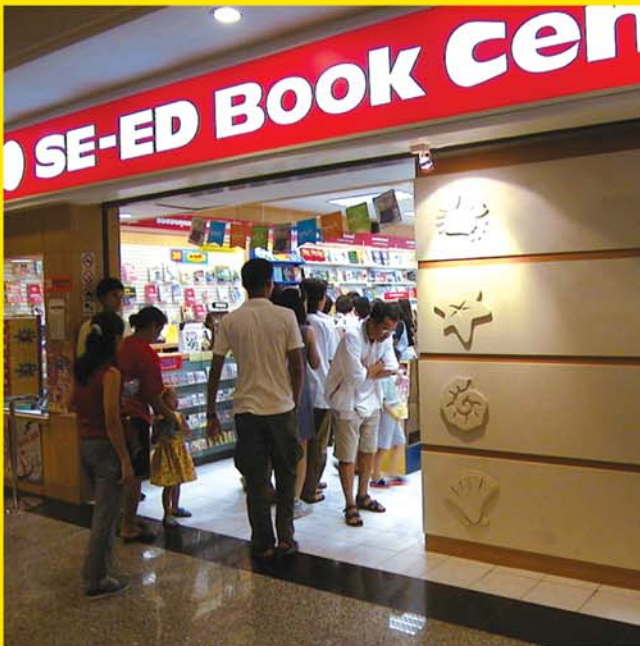


รายงานประจำปี 2548

Annual Report 2005



บริษัท ซีเ็ดยูเคชั่น จำกัด (มหาชน)
SE-EDUCATION PUBLIC COMPANY LIMITED

2 5 4 7 / 2 0 0 4



- รางวัลร้านหนังสือยอดเยี่ยมในรอบทศวรรษ จากชมรมส่งเสริมการจัดจำหน่ายหนังสือ ในสมาคมผู้จัดพิมพ์และผู้จำหน่ายหนังสือแห่งประเทศไทย

OUTSTANDING BOOKSTORE OF THE DECADE AWARD by The Publishers and Booksellers Association of Thailand



2 5 4 6 / 2 0 0 3



- รางวัล DISCLOSURE REPORT AWARD 2003 ในการเปิดเผยข้อมูลต่อผู้ลงทุน จากสำนักงานคณะกรรมการกำกับและตลาดหลักทรัพย์ (กลต.)

DISCLOSURE REPORT AWARD 2003 by the Office of Securities and Exchange Commission, Ministry of Finance



- รางวัลร้านหนังสือเครือข่ายยอดเยี่ยมประจำปี 2546 จากชมรมส่งเสริมการจัดจำหน่ายหนังสือ ในสมาคมผู้จัดพิมพ์และผู้จำหน่ายหนังสือแห่งประเทศไทย

OUTSTANDING NETWORK BOOKSTORE 2003 AWARD by The Publishers and Booksellers Association of Thailand

2 5 4 5 / 2 0 0 2



- รางวัล DISCLOSURE AWARD 2002 ในการเปิดเผยข้อมูลต่อผู้ลงทุน จากสำนักงานคณะกรรมการกำกับและตลาดหลักทรัพย์ (กลต.)

DISCLOSURE AWARD 2002 by the Office of Securities and Exchange Commission, Ministry of Finance



- รางวัล 200 บริษัทยอดเยี่ยมนอกสหรัฐอเมริกา ที่มียอดขายน้อยกว่า 1 พันล้านเหรียญสหรัฐ จากนิตยสาร Forbes ฉบับ Global ประจำวันที่ 28 ตุลาคม 2545

200 COMPANIES FOR 2002 : BEST UNDER A BILLION by Forbes Global Magazine on October 28, 2002



- รางวัลร้านหนังสือเครือข่ายยอดเยี่ยมประจำปี 2545 จากชมรมส่งเสริมการจัดจำหน่ายหนังสือ ในสมาคมผู้จัดพิมพ์และผู้จำหน่ายหนังสือแห่งประเทศไทย

OUTSTANDING NETWORK BOOKSTORE 2002 AWARD by The Publishers and Booksellers Association of Thailand



- รางวัลวารสารส่งเสริมเยาวชนประเภทวิชาการ ประจำปี 2545 สำหรับวารสาร UpDATE จากสำนักงานคณะกรรมการส่งเสริมและประสานงานเยาวชนแห่งชาติ (สยช.)

ACADEMIC MAGAZINE FOR YOUTHS 2002 AWARD for UpDATE Magazine by the Office of the National Youths Bureau, Ministry of Education

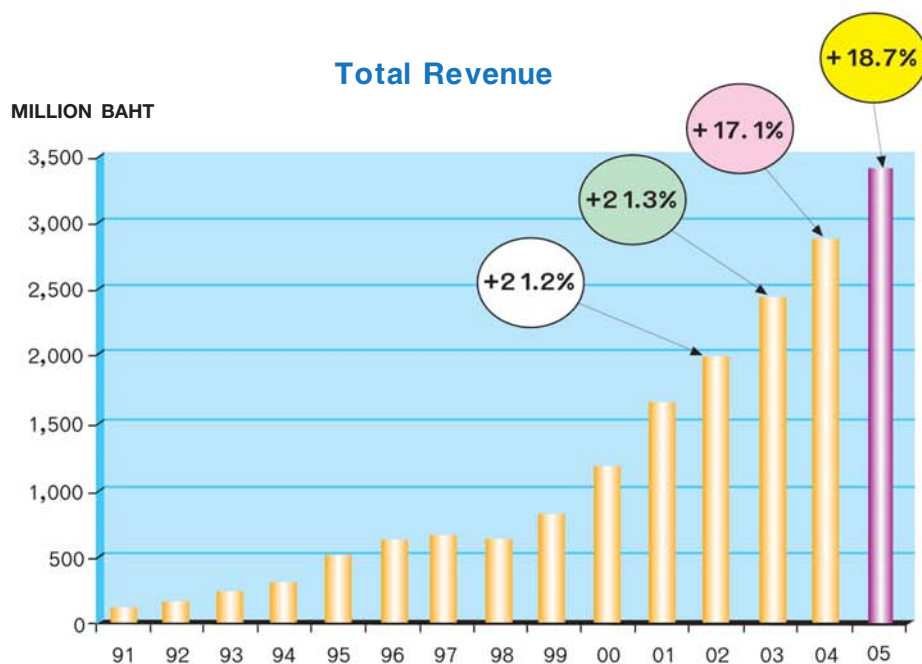
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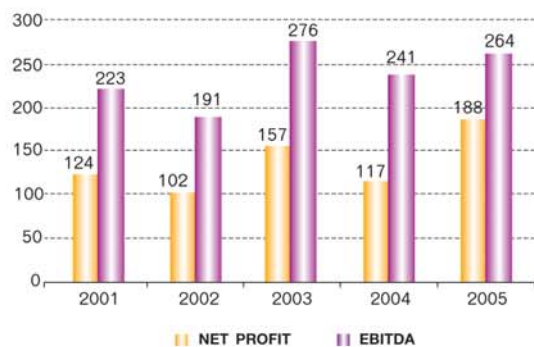
OPERATING RESULTS

SE-EDUCATION PUBLIC COMPANY LIMITED



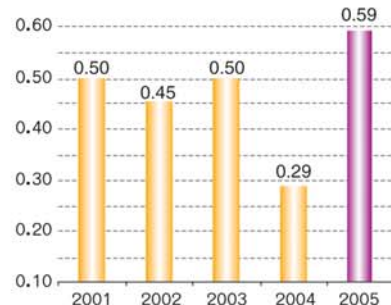
EBITDA AND NET PROFIT

MILLION BAHT

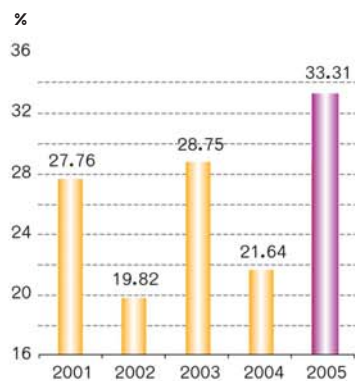


DIVIDEND PAID PER SHARE FROM OPERATING RESULT FOR THE YEAR

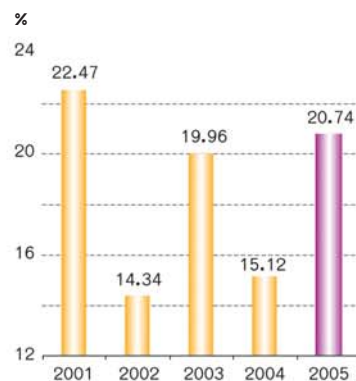
BAHT/SHARE



RETURN ON EQUITY (ROE)



RETURN ON ASSETS (ROA)



จุดเด่นในรอบปี

จุดเด่นในรอบปี HIGHLIGHTS

HIGHLIGHTS

หน่วย : ล้านบาท
Unit : Million Baht

ผลการดำเนินงาน OPERATING RESULTS	2548 2005	2547 2004	2546 2003	2545 2002	2544 2001
รายได้รวม Total Revenues	3,391.13	2,856.34	2,429.96	2,003.24	1,652.69
กำไรสุทธิ Net Profit	187.91	116.96	156.65	102.26	123.73
กำไรสุทธิต่อรายได้รวม Net Profit Margin (%)	5.54	4.09	6.45	5.10	7.49
กำไรสุทธิต่อหุ้น (บาท)* EPS (Baht)	0.63	0.41	0.73	4.85	5.86
มูลค่าตามบัญชี (บาท)* Book Value (Baht)	1.91	1.69	2.22	2.31	2.27
สินทรัพย์รวม Total Assets	1,442.27	1,107.81	1,105.18	1,041.06	905.59
หนี้สินรวม Total Liabilities	828.97	592.73	539.13	517.45	397.35
ส่วนของผู้ถือหุ้น Shareholders Equity	613.30	515.08	566.04	523.62	508.24
ทุนที่ออกและเรียกชำระแล้ว Paid-up Capital	322.14	314.15	255.07	210.99	210.995
อัตราผลตอบแทนต่อสินทรัพย์ ROA (%)	20.74	15.12	19.96	14.34	22.47
อัตราผลตอบแทนต่อส่วนของผู้ถือหุ้น ROE (%)	33.31	21.64	28.75	19.82	27.76
ณ วันที่ As of	31/12/2548 31/12/2005	31/12/2547 31/12/2004	31/12/2546 31/12/2003	27/12/2545 27/12/2002	28/12/2544 28/12/2001
ราคาตลาด (บาท)* Last Price (Baht)	5.90	5.40	6.00	5.90	4.00
มูลค่าตามราคาตลาด Market Cap.	1,900.60	1,696.42	1,530.43	1,244.82	843.95

Remark * EPS, Book Value and Last Price have been recalculated by assumed that the company has split par since 2000 in order to be compared to current year on the same basis.

Financial Ratios

Liquidity Ratio

Ratio	2005	2004	2003
Current Ratio (times)	1.04	0.96	1.20
Quick Ratio (times)	0.71	0.66	0.89
Cash Flow Ratio (times)	0.58	0.26	0.31
Accounts Receivable Turnover (times)	4.50	4.13	4.30
Average Debt Collection Period (times)	80	87	84
Inventory Turnover (times)	10.05	10.69	10.15
Average Selling Period (days)	36	34	35
Debtor Turnover (times)	4.31	4.66	3.92
Debt Payment Period (days)	84	77	92
Cash Cycle (วัน)	32	44	27

Profitability Ratio

Ratio	2005	2004	2003
Gross Profit (%)	30.67	30.09	31.67
Operating Profit (%)	7.86	5.90	9.01
Other Profit (%)	0.77	0.79	2.19
Cash to Earnings Ratio (%)	154.94	86.60	77.11
Net Profit Margin (%)	5.54	4.09	6.45
Rate of Return to Equity (%)	33.31	21.64	28.75

Efficiency Ratio

Ratio	2005	2004	2003
Return on Assets (%)	20.74	15.12	19.96
Return on Fixed Assets (%)	68.97	66.64	81.78
Asset Turnover (times)	0.66	0.65	2.26

Financial Policy Ratio

Ratio	2005	2004	2003
Debt to Equity Ratio (times)	1.35	1.15	0.95
Interest Capability Ratio (times)	3,100.98	817.39	1,012.24
Debt Service Coverage Ratio (cash basis)*	2.15	0.66	0.67
Dividend Payment Rate (%)**	99.11	71.03	78.07

Remark * The Debt Service Coverage Ratio and Dividend Payment Rate have been reclassified to be conformably compared to current year.

** Dividend payment rate for 2005 has been approved from the board of Directors and waiting for approval from shareholders in the annual general meeting on April 26, 2006 and calculated from the amount of common shares counted on March 24, 2006.

Message from the Chairman

The economic performance of 2005 was somewhat affected by the continuous rising of petroleum price — resulting in the higher inflation and discouraging the consumer spending. Against this negative backdrop, the sale of SE-ED Book Center was barely affected. In fact, the same store sale kept growing at a satisfactory rate of 5.90%. Taking into account the sale of the newly-open branches, total revenue of SE-ED Book Center registered a growth rate of 19.70%; while the company's overall revenue grew at a slightly less rate of 18.75% as the growth of the wholesale business unit was less than that of the retail.

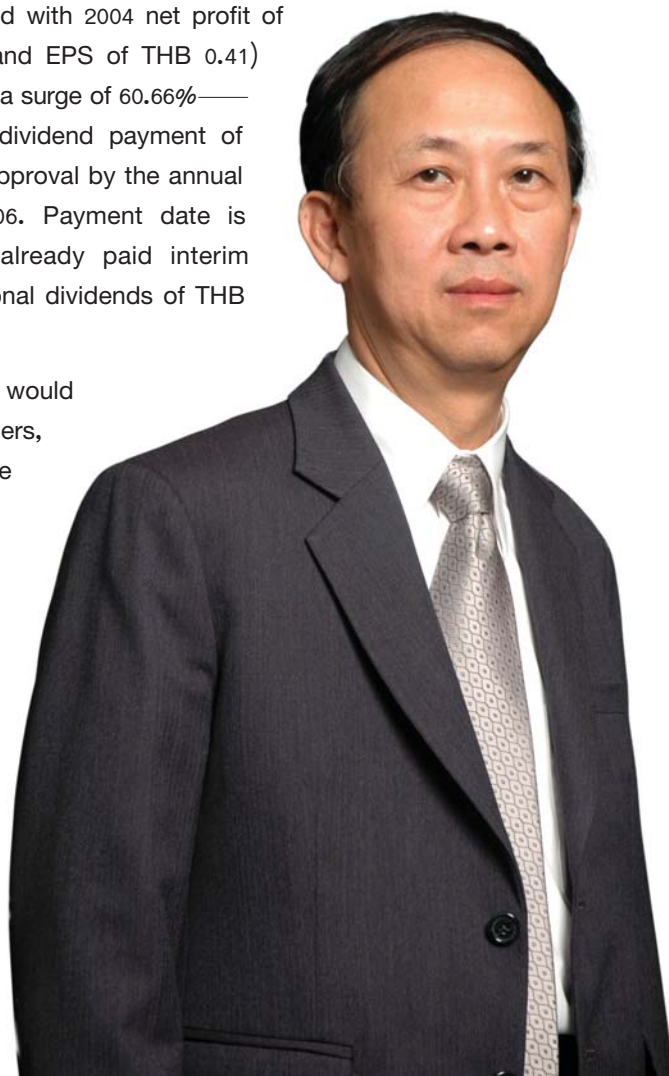
It is worth noticing that in the second half of 2005, several new titles in various categories came out and were attracted to readers in their circles of interests which included Dhamma, translated title, Korean TV series, and current political controversies. As a result, the sale of the second half of 2005 increased by 21% over that of the same period of 2004. This, coupled with the concerted effort of the management and employees through dedication, resulted in a jump in net profit by 60% over the previous year's.

In numerical terms, 2005 net profit was THB 187.91 million, representing 5.54% of revenue and EPS of THB 0.63 (as compared with 2004 net profit of THB 116.96 million, representing 4.09% of revenue and EPS of THB 0.41) With this increase in net profit of THB 70.95 million — a surge of 60.66% — the board of directors has resolved to propose a dividend payment of THB 0.59 per share from operating result of 2005 for approval by the annual shareholders meeting to be held on April 26, 2006. Payment date is scheduled on May 23, 2006. The company has already paid interim dividends of THB 0.30 per share. Therefore an additional dividends of THB 0.29 per share will be paid on scheduled date.

Finally, on behalf of the board of directors, I would like to express my sincere thanks to the shareholders, business alliances, clients, and employees who have taken part in supporting the company all along. I am confident that our collaboration especially that of the management and employees will contribute to the company's growth and render benefits to the society.

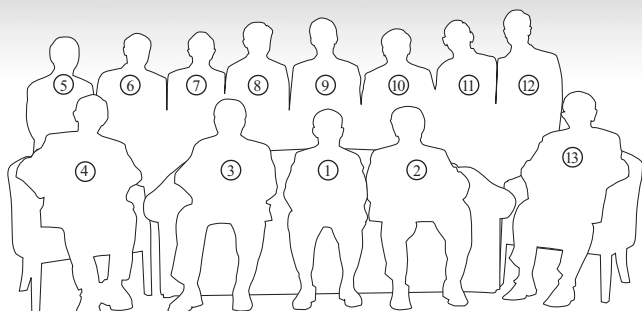


Mr. Somboon Chinsawananon
Chairman of the board



■ BOARD OF DIRECTORS





- | | |
|-------------------------------|--------------------------------|
| 1. Mr.Somboon Chinsawananon | 7. Mr. Pravit Tantiwasinchai |
| 2. Mr.Saroch Lamlerprasertkul | 8. Mr.Vorasit Pokachaiyapat |
| 3. Mr.Thanong Chotisorayuth | 9. Mr.Sumeth Damrongchaitham |
| 4. Asst. Prof.Yuen Poovarawan | 10. Mr.Yongsak Eakprachyasakul |
| 5. Mr.Pongsak Sivapatrakumpol | 11. Mr.Viboolsak Udomvanich |
| 6. Mr.Phairat Sittakul | 12. Mr.Kachen Benjakul |
| | 13. Mr.Wattana Chiengkul |

■ BOARD OF DIRECTORS

1. Mr.Somboon Chinsawananon

Chairman of the Board and Independent Director

Highest Qualification

- Master of Management (Finance), Northwestern University, USA
- B.S. in Engineering (Electrical), Chulalongkorn University

IOD Certificate

- None

Number of shares

- 150,000 shares

Relation among family within the executives

- None

Working Background

- 2005-present Chairman and Independent Director, SE-EDUCATION Plc.
- 1995-2005 Director and Independent Director SE-EDUCATION Plc.
- 2004-present Director of Committee of Financial Institutions-Bank of Thailand
- 1995-1999 Deputy Managing Director, Kasikorn Bank Plc.

2. Mr.Saroch Lamlertprasertkul

Chairman of Audit Committee and Independent Director

Highest Qualification

- MBA (Accounting), Thammasart University
- BBA (Accounting), Thammasart University

IOD Certificate

- Director Certification Program (DCP), Thai Institute of Directors

Number of shares

- None

Relation among family within the executives

- None

Working Background

- 1999-present Chairman of Audit Committee and Independent Director, SE-EDUCATION Plc.
- 2000-present Managing Director, CAS Management Co.,Ltd.
- 1994-1999 Managing Director, ACT Management Co.,Ltd.

3. Mr.Thanong Chotisrayuth

Director, Managing Director and Authorized Director

Highest Qualification

- B.S. in Engineering (Electrical), Chulalongkorn University

IOD Certificate

- Director Certification Program (DCP), Thai Institute of Directors

Number of shares

- 11,103,810 shares

Relation among family within the executives

- Mrs.Montalee Chotisrayuth's Husband

Working Background

- 1987-present Managing Director, SE-EDUCATION Plc.
- 2003-present Director and Executive Director, Ploen Patt Co.,Ltd.
- 1984-present Director, M&E Co.,Ltd.

4. Asst. Prof.Yuen Poovarawan

Director

Highest Qualification

- M.S. in Industrial Engineering and Management, Asia Institute of Technology (AIT)
- M.S. (in Electrical Engineering), Chulalongkorn University
- B.S. (in Electrical Engineering), Chulalongkorn University

IOD Certificate

- None

Number of shares

- 1,174,940 shares

Relation among family within the executives

- None

Working Background

- 1990-present Director, SE-EDUCATION Plc.
- 2002-present Vice-President for Information Technology, Kasetsart University
- 2003-present Consultant, Office of University Computer Services, Kasetsart University
- 1990-2000 Director, Office of University Computer Services, Kasetsart University

5. Mr.Pongsak Sivapatrakumpol

Director, Deputy Managing Director and Authorized Director

Highest Qualification

- B.S. in Electrical Engineering (Electrical), Chulalongkorn University

IOD Certificate

- Directors Accreditation Program (DAP), Thai Institute of Directors

Number of shares

- 9,164,940 shares

Relation among family within the executives

- None

Working Background

- 1993-present Director and Deputy Managing Director, SE-EDUCATION Plc.
- 1990-1993 Executive Editor, Microcomputer Magazine, SE-EDUCATION Plc.

6. Mr.Phairat Sittakul

Director

Highest Qualification

- B.S. in Engineering (Electrical), Chulalongkorn University

IOD Certificate

- Director Accreditation Program (DAP), Thai Institute of Directors

Number of shares

- None

Relation among family within the executives

- None

Working Background

- 2005-present Audit Committee and Independent SE-EDUCATION Plc.
- 1974-2005 Director, SE-EDUCATION Plc.
- 2002-present Level 11 Engineer, EGAT
- 1999-2002 Maintenance Services Bureau-Manager, EGAT
- 1997-1999 Engineering-Maintenance Services Bureau-Manager, EGAT

7. Mr.Pravit Tantiwasinchai

Audit Committee and Independent Director

Highest Qualification

- Bachelor Certificate (Audit), Chulalongkorn University
- BBA (Accounting), Chulalongkorn University

IOD Certificate

- Director Accreditation Program (DAP), Thai Institute of Directors

Number of shares

- None

Relation among family within the executives

- None

Working Background

- 1999-present Audit Committee and Independent Director, SE-EDUCATION Plc.
- 1994-present Accounting & Financial Executive Manager, MK Restaurant Co.,Ltd.

BOARD OF DIRECTORS ■

8. Mr.Vorasit Pokachaiyapat

Independent Director

Highest Qualification

- M.S. (Computer and Database Management), Bantley Collage, Massachusetts, USA
- BBA, Camegie Mellon University, Pennsylvania, USA

IOD Certificate

- Director Certification Program (DCP), Thai Institute of Directors

Number of shares

- None

Relation among family within the executives

- None

Working Background

- 1998-present Independent Director, SE-EDUCATION Plc.
- 1991-present Managing Director, Finansia Plc.
- 1990-1991 Assistant Manager Director, Chase Manhattan Bank Thailand

9. Mr.Sumeth Damrongchaitham

Director

Highest Qualification

- MBA (Finance), Thammasart University
- BBA (General Management), Ramkhamhaeng University
- B.S. (Construction Management), King Mongkuts Institute of Technology Ladkrabang
- Bachelors degree in Economics (Public Finance), Chulalongkorn University

IOD Certificate

- Director Accreditation Program (DAP)

Number of shares

- None

Relation among family within the executives

- None (Directors represent main shareholders)

Working Background

- 2005-present Director, SE-EDUCATION Plc.
- 2004-present Director and Executive Director Chief Operation Officer (Corporate Support and Business Development), GMM Grammy Plc.
- 2000-2004 First Vice President, National Finance Plc.
- 1996-1999 Assistant Vice President, National Finance Plc.

10. Mr.Yongsak Ekprachyasakul

Director

Highest Qualification

- Mini MBA, Thai Chamber of Commerce University
- The Boss Class 30, Management and Psychology Institute.

IOD Certificate

- None

Number of shares

- None

Relation among family within the executives

- None (Directors represent main shareholders)

Working Background

- 2005-present Director, SE-EDUCATION Plc.
- 2002-present Director and Managing Director (Sales and Marketing Division), GMM Grammy Plc.
- 1999-2002 Sales Director, MGA Co.,Ltd.
- 1988-1999 Sales Manager, MGA Co.,Ltd.

11. Mr.Viboolsak Udomvanich

Director , Deputy Managing Director and Authorized Director

Highest Qualification

- B.S. in Engineering (Electrical), Chulalongkorn University

IOD Certificate

- Director Accreditation Program (DAP), Thai Institute of Directors

Number of shares

- None

Relation among family within the executives

- None

Working Background

- 1987-present Director and Deputy Managing Director, SE-EDUCATION Plc.
- 1985-present Deputy Managing Director-Production, SE-EDUCATION Plc.
- 2003-present Executive Director, Ploen Patt Co.,Ltd.

12. Mr.Kachen Benjakul

Independent Director

Highest Qualification

- Master of Arts in International Economic and Finance, Chulalongkorn University
- Bachelor of Industrial Engineering (I.E), Chulalongkorn University

IOD Certificate

- None

Number of shares

- None

Relation among family within the executives

- None

Working Background

- 2005-present Independent Director, SE-EDUCATION Plc.
- 2005-2004 Senior Equity Analyst, Government Pension Fund (GPF)
- 2000-2000 Analyst, Government Pension Fund (GPF)

13. Mr.Wattana Chiengkul

Independent Director

Highest Qualification

- B.S. in Engineering (Electrical), Chulalongkorn University

IOD Certificate

- Director Accreditation Program (DAP), Thai Institute of Directors

Number of shares

- 5,186,600 shares

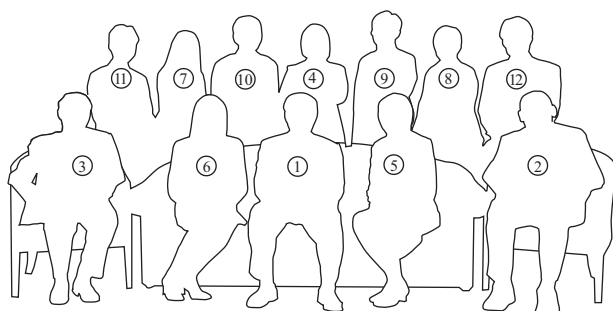
Relation among family within the executives

- None

Working Background

- 1990-present Independent Director, SE-EDUCATION Plc.
- 2002-present Managing Director, TOTEM Co.,Ltd.
- 2002-present Managing Director, TOTEM Industrial Services Co.,Ltd.
- 1997-2002 Org Dev-Maintenance Manager, ABB Co.,Ltd

Executive



1. Mr.Thanong Chotisorayuth

**Director, Managing Director
and Authorized Director**

Highest Qualification

- B.S. in Engineering (Electrical), Chulalongkorn University

IOD Certificate

- Director Certification Program (DCP), Thai Institute of Directors

Working Background

- 1987-present Managing Director, SE-EDUCATION Plc.
- 2003-present Director and Executive Director, Ploen Patt Co.,Ltd.
- 1984-present Director, M&E Co.,Ltd.

2. Mr.Viboolsak Udomvanich

**Director, Deputy Managing Director
and Authorized Director**

Highest Qualification

- B.S. in Electrical Engineering (Electrical), Chulalongkorn University

IOD Certificate

- Director Accreditation Program (DAP), Thai Institute of Directors

Working Background

- 1987-present Director and Deputy Managing Director, SE-EDUCATION Plc.
- 1985-present Deputy Managing Director-Production, SE-EDUCATION Plc.
- 2003-present Executive Director, Ploen Patt Co.,Ltd.

3. Mr.Pongsak Sivapatrakumpol

**Director, Deputy Managing Director
and Authorized Director**

Highest Qualification

- B.S. in Electrical Engineering (Electrical), Chulalongkorn University

IOD Certificate

- Director Accreditation Program (DAP), Thai Institute of Directors

Working Background

- 1993-present Director and Deputy Managing Director, SE-EDUCATION Plc.
- 1990-1993 Executive Editor, Microcomputer Magazine, SE-EDUCATION Plc.

4. Mrs.Montalee Chotisorayuth**Assistant Managing Director and Director of SE-ED Book Center****Highest Qualification**

- B.S. (Education), Srinakarinwiroj University Patumwan Campus

Working Background

- 1996- present Assistant Managing Director and Director of SE-ED Book Center, SE-EDUCATION Plc.
- 1990- 1998 Executive Editor-Education book, SE-EDUCATION Plc.

5. Mrs.Karnchana Charoenwong**Assistant Managing Director-Sales and Distribution****Highest Qualification**

- B.S. (Accounting), Kasetsart University

Working Background

- 1998-present Assistant Managing Director- Sales and Distribution, SE-EDUCATION Plc.
- 1993-1995 Assistant Managing Director and Accounting & Financing Manager, SE-EDUCATION Plc.

6. Mrs.Nuchanart Kongvisaisuk**Assistant Managing Director-Magazines Groupabove****Highest Qualification**

- BBA, (Marketing) Ramkhamhaeng University

Working Background

- 2001-present Assistant Managing Director-Magazines Groupabove, SE-EDUCATION Plc.
- 1999-2000 Director of Electronics and Industrial Magazine Group, SE-EDUCATION Plc.
- 1979-1999 Advertising Manager of Electronics Magazine Group, SE-EDUCATION Plc.

7. Ms.Aree Sae-ung**Director of Accounting Division****Highest Qualification**

- MBA, Burapha University
- Bachelor Certificate (Audit), Thammasart University
- BBA(Accounting), Rajamangala Institute of Technology

Working Background

- 2004-present Director of Accounting Division, SE-EDUCATION Plc.
- 2001-2003 Accounting Manager, SE-EDUCATION Plc.
- 2000-2001 Internal Audit Manager, SE-EDUCATION Plc.
- 1994-2000 In-Charge AMC Co.,Ltd.

8. Ms.Sajipat Pumpuengput**Director of Financial Division****Highest Qualification**

- BBA (Management) Sukhothai Tammarat University

Working Background

- 2004-present Director of Financial Division, SE-EDUCATION Plc.
- 1991-2003 Financial Manager, SE-EDUCATION Plc.

9. Mr.San Simasuwanrong**Director of Engineering Research and Development****Highest Qualification**

- Engineering (Production) King Mongkut's Institute of Technology North Bangkok

Working Background

- 2003-present Director of Engineering Research and Development, SE-EDUCATION Plc.
- 1997-2003 MIS Manager, IT City Co.,Ltd.
- 1997 General Manager, Cyber City Co.,Ltd.

10 Mr.Viroj Lackanaadisorn**Director of HR Division****Highest Qualification**

- MBA (Finance) Chulalongkorn University
- B.E. (Automotive Engineering), Chulalongkorn University

Working Background

- 2003-present Director of HR Division, SE-EDUCATION Plc.
- 2000-2003 Consultant, Novo Quality services (Thailand) Co.,Ltd
- 1998-2000 QA, Engineering Isuzu motor (Thailand) Co.,Ltd

11. Mr.Apichit Suananuntapoom**Director of Logistics****Highest Qualification**

- MBA (Finance), Ramkhamhaeng University
- B.E.(Automotive-engineering), Chulalongkorn University

Working Background

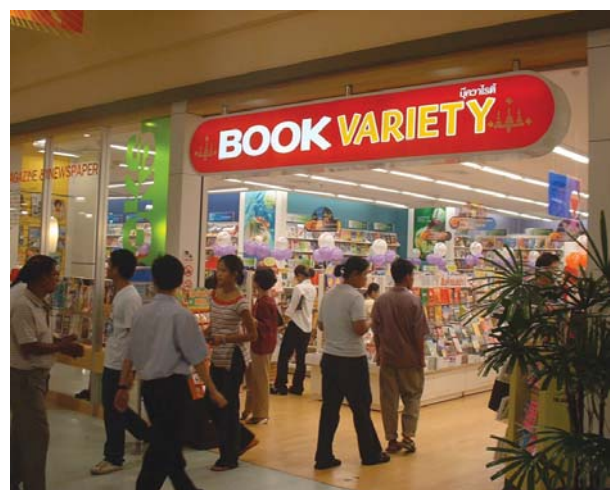
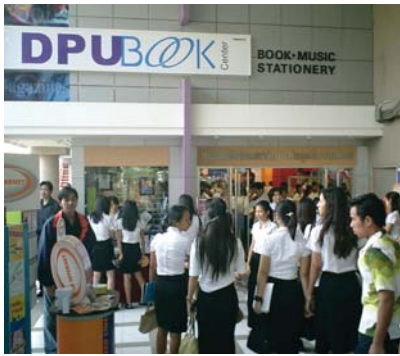
- 2004-present Director of Logistic , SE-EDUCATION Plc.
- 2003-2004 Executive Officer - Marketing and Supply Chain Management, Toyota Motor Asia Pacific Pte.,Ltd.
- 2002-2003 Senior Engineer - Procurement Department, Isuzu (Thailand) Co.,Ltd.
- 1999-2002 Engineer - Purchasing Department, Isuzu (Thailand) Co.,Ltd.

12. Mr.Ekasit Wiwattanaprasit**Director of Strategy Administration****Highest Qualification**

- M.S. in Engineering, Assumption University
- B.S. (Business Computer), Rajabhat Bansomdej chopraya University

Working Background

- 2005-present Director of Strategy Administration, SE-EDUCATION Plc.
- 2005 Senior Manager - IT Management, SE-EDUCATION Plc.
- 2003-2004 Compass East Industry Plc. Senior Consultant, Deloitte Touche Tomatsu Co.,Ltd.
- 2001-2003 Strategic System Analyst, Banpu Plc.



■ Report of the Board of Directors Responsibilities for Financial Statements

The Board of Directors is responsible for SE-EDUCATION Public Company Limited (SE-ED) financial statements and financial information presented in this annual report. The aforementioned financial statements are in line with the accounting standards defined by the Institute of Certified Accountants and Auditors of Thailand, using appropriate accounting policy consistently employed by SE-ED as well as applying careful judgment and best assessment. Important information is adequately disclosed in the notes to financial statements.

The Board of Directors has provided and maintained an efficient internal control system to ensure that accounting records are accurate, complete and adequate to protect its assets and disclose weaknesses in order of prevent fraud or materially irregular operation.

To accomplish this task, the Board of Directors has appointed an audit committee, which consists of Non-Executive Directors responsible for the quality of financial statements and internal control system, whose comments on these issues are readily included in the Audit Committee Report in this annual report.

The Board of Directors has the opinion that SE-ED's overall internal control system has functioned up to the satisfactory level and rendered credibility and reliability to the SE-ED financial statements for the year ended December 31, 2005



Mr. Somboon Chinsawananon
Chairman of the Board



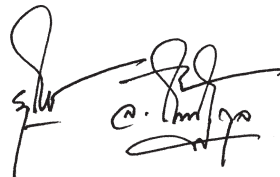
Mr. Thanong Chotisorayuth
Managing Director

■ Audit Committee's Report

SE-EDUCATION Public Company Limited's Audit Committee consists of three Directors - Mr. Saroch Lamlerprasertkul, Committee Chairman, Mr. Pravit Tantiwasinchai and Mr. Phairat Sittakul, Committee Members. Each of the committee was not the company executive or employee. And Mr. Wachiratham Siriarchawattana is the secretary of the board.

The Audit Committee's duties and responsibilities are to review financial reports in accordance with approved Accounting Standards; to reveal sufficient information; to review internal control systems and internal audits as being proper and effective; to verify the company operation to perform in accordance with the SET acts; to consider the revelation of company information in cases of conflicts of interest; and to select and appoint auditors.

In 2005, the Audit Committee held the total of 5 meetings. The Audit Committee had regular meetings with the auditor, the management, accounting department and internal audit department to review the financial statements at each quarter and also at the year's end December 31, 2005 before submission to the Board of Directors. The Audit Committee also prepares financial reports in accordance with approved Accounting Standards, reveals sufficient information in accordance with the law, and listens to auditors' comments and suggestions after joint-auditing task with the management and those involved in auditing the work. The audit committee held regular meetings with the internal auditor to appraise the adequacy of internal control, to approve the annual audit plan of the internal auditor for the fiscal year 2005, to collaborate with the management to review the internal auditor report, and to achieve a more effective internal audit and control. In the case of risk management, the control and internal audit committee met with the management to exchange ideas of risk management. Moreover, the audit committee has continued to monitor the corporate good governance as practiced in the company to abide by the Securities and Exchange Act including the transparency of related transactions. The Audit Committee revealed that the internal control system did not find any items which will considerably affect the company and, as such, has already reported to the Board of Directors.



(Mr. Saroch Lamlerprasertkul)

Chairman of the Audit Committee

March 17, 2006

General Information

Name and Location of Head Office and Distribution Center

Name	: SE-EDUCATION Public Company Limited
Head Office	46/87–90 Nation Tower, 19 th Floor, Bang Na–Trat Road, Bang Na, Bangkok 10260 Thailand
Distribution Center	: 99 Moo 1, King Kaeo Road, Rachathewa, Bang Phli, Samut Prakan 10540 Thailand
Tel.	: 66-2739-8000, 66-2352-1111
Fax.	: 66-2751-5999, 66-2325-3333
Homepage	: http://www.se-ed.com
E-mail	: ir@se-ed.com
Business	: Publisher, distributor and retailer, SE-ED Book Center and Book Variety both in Bangkok and selected provinces.
Registered No.	: 0107536000285
Registered Capital	: THB 348.13 million, consisting of 348.13 million shares at THB 1.00 each, THB 322.14 million are already fully paid up.

Name and Location of Subsidiary Company

Name	: SE-ED Book Center Co., Ltd.
Address	: 46/87–90 Nation Tower, 19 th Floor, Bang Na–Trat Road, Bang Na, Bangkok 10260 Thailand
Tel	: 66–2739–8000
Fax	: 66–2751–5999
Business	: Business Consultancy
Registered Capital	: THB 100,000.00 which consists of 10,000 shares at THB 10.00 each and already fully paid up. SE–ED holds 99.93% of shares.

Name and Location of Associated Companies

Name	: M and E Co., Ltd.
Head Office	: 94 Soi Krung Thon Buri 6, Krung Thon Buri Road, Klong San, Bangkok 10600 Thailand
Tel.	: 66–2862–1396-9
Fax.	: 66–2438–1189
Business	: Publish “Technic” magazine and other engineering handbooks.
Registered Capital	Fully paid up for 400,000 for 4,000 shares at THB 100.00 per share. SE–ED holds 25% of shares.

General Information

Name : Ploen Patt Co., Ltd.

Address : 33/39–40 Moo 17, Suan–Phak Road, Sala Tham Sop, Thawi Watthana, Bangkok 10170 Thailand

Tel. : 66–2885–2670–5

Fax. : 66–2885–2670–5 Ext. 1201, 1108

Business : Private school

Registered Capital : Fully paid up THB 170 million for 1,700,000 shares at THB 100.00 per share.
Issued and paid-up share capital THB 124,350,000, SE–ED holds 28.75% of shares.

References

Stock Registrar: Thailand Securities Depository Co., Ltd.
62 The Stock Exchange of Thailand Building,
4th, 6–7th Floor, Ratchadaphisek Road,
Klong Toey, Bangkok 10110 Thailand
Tel: 66–2229–2800 Fax: 66–2359–1262

Auditor: Miss. SUKANYA SUTHEEPRASERT Auditor ID: 5063 AND/OR
Miss. PRAPHASRI LEELASUPHA Auditor ID: 4664
SAM NAK–NGAN A.M.C. Co.,Ltd.
4th Unit, 19th Floor, Silom Complex Building,
191 Silom Road, Silom, Bangrak, Bangkok 10500 Thailand
Tel: 66–2231–3980–7 Fax : 66–2231–3988

Legal Consultant: Chuan and Associates Law Office
4/1482, 3rd – 5th Floor, Nawamin Road, Klongkum, Buengkum,
Bangkok 10230 Thailand
Tel: 66–2509–3421–2 Fax: 66–2509–3571

Bond holder Representative: No bonds

Consultant or Manager for Management Contract: None

■ Company Background

SE-EDUCATION Public Company Limited (SE-ED) was established on October 10, 1974 with a registered capital of THB 99,000. Their objective is to do business in knowledge dissemination, with a view to developing the fullest potential of Thai people in areas essential to the nation development. The company founders were ten electrical engineering graduates from Chulalongkorn University, who used to be active in varsity activities during their academic years at the club of faculty of engineering, Chulalongkorn University. They thoroughly realized that Thailand still lacked the development of technical and academic material.

The company has been granted as a registered company on the Stock Exchange of Thailand (SET) in media and publishing sectors under the category of the service industry, since 1991. The company has transformed itself to become a public on April 29, 1993. Today the company is popularly known, in short, by the name of “SE-ED”, which is derived from the words Science, Engineering and Education.

At the beginning, the company published the monthly magazine “Semiconductor Electronics” and was the distributor of electronic devices from abroad.

In 1978, the company published the monthly magazine “Taksa, Science and Technology Edition” for the general and young readers whose interests are in the areas of science and technology.

In 1979, the company launched the monthly magazine “Miti Tee See” that aimed at the creativity and imagination and, particularly, for those who don’t like the heavy science, hoping to gain readers attention in science.

In 1980, the company started to publish the engineering and scientific textbooks which were later became the textbook and academic books division.

In 1983, published the monthly magazine “Microcomputer” and began to publish the books about microcomputer. At the same time, the company set up the management books division for the purpose of publishing the books that can help people work more efficiently rather than publishing books that can only be sold in a short moment.

In 1985, the company adapted and introduced the Standing Order Distribution System and merged the magazine “Taksa, Science and Technology Edition” with “Miti Tee See” which resulted in the new magazine called “Rou-Rorb-Tua” magazine which was later transformed and changed its name into the what is today called “Update” magazine. In the meantime, the company’s Children Book division was born in 1986 “Wittayasat Arn Sanook” - the first set of cartoon books that teach young learner was published and warmly welcomed.

The company continues to lead in publication of magazines and educational books, becoming the forefront in knowledge publishing firm in the country with the best distribution system in the book business. The company also became a distributor for other publishers producing books in the same fields.

Although, compared to the average publishing industry, SE-ED had satisfied the expectation sales volume and growth, as the publishing firm with highest sales volume through bookstores channels and the largest books distributor at that time, the company found that there were limitations due to that fact there were a few good quality bookstores existed in the market. Consequently, the company’s books could not be efficiently circulated. This resulted in the inability for sales volume of each book to be increased as much as it should.

Following research, the company realized that the pre-existing bookstores could not be expanded or improved much further. At that time, many new shopping centers were opening, and the company believed they would be good venues for the bookshop business. As the company had confidence in those malls that they are attractive and able to bring in large communities and would likely to change the traveling path behavior of Thai people. Therefore, the strategy of providing more convenient way for Thai people to be able to access reading materials was to set up good bookstores in those malls. But as the investment cost was high and no one has seriously venture in this area of business before, than the company decided to start the bookstore business in leading shopping centers to avoid affect to existing bookstores which were mostly located in commercial buildings.

In the third quarter of 1990 the company was permitted to be listed on the Stock Exchange of Thailand and started the SE-ED Book Center project that allows Thai people to get access to book and to support the future growth of overall book market by focusing on opening branches in various leading shopping centers. SE-ED Book Centers will sell both books from its publications and also from the others. The first branch of book centers for family and working people opened in late 1991 at Fortune Town Shopping Center.

In the third quarter of 1996, SE-ED opened SE-ED Book Center in super centers. The first branch was at Lotus Super Center, Pattaya with strong belief that super centers would be the new trend going forward and also suitable locations for long-term business. The company further improved its image to be more modern, by using bright and vivid colors. Newly designed bookshelves were installed so that it could be manufactured more easily and more cost saving in production cost. Consequently, SE-ED could put new bookstore branches in operation faster and more convenient. SE-ED also focused on developing the distribution centers to accommodate more books for more than 600 branches. In 2006, the company plans to expand distribution center area from 7,400 sq.m. up to 10,000 sq.m., or 35% increase. SE-ED also developed and tested business model that is suitable for the company's competitiveness and business sustainability. All these developments have enabled SE-ED to be ready for further growth and to expand itself firmly. As it has expanded, SE-ED has been able to operate the new branches more conveniently with less capital and at reduced costs. The bookshop business has more tendencies to success.

Furthermore, SE-ED Book Center has developed the relationship with shopping centers and super centers, being recognized as an important business alliance. This has enabled SE-ED to develop its business format continuously. Nowadays SE-ED Book Center is a chain of book center evolving and expanding very fast, resulting in the highest number of branches and sales in this business in Thailand. SE-ED Book Center has served as the heart of the company's growth since 1997.

SE-ED's performance was at the satisfactory level. Until 1997, when Thailand encountered serious economic crisis leading to business collapse and widespread unemployment as the result of lower purchasing power, the publishing business was affected in many ways. Several of SE-ED's major book suppliers encountered the severe loss and liquidity problem to the point that SE-ED had to allocate capital for bad debt account. Because of the lower purchasing power and decreasing of sales orders from bookstores. SE-ED was aware of granting credit to customers to keep control of the bad debt level. The competition becomes higher. As a result, the sales volume of both SE-ED own published book and other publisher books was not as it should be. It was considered the first time that SE-ED faced accounting loss in 1997, since listed in the Stock Exchange of Thailand.

However, after the economic meltdown, the company began to revive its business structure for long-term strength. As a result, the company started to diversify risk at the suitable level and, at the same time, tried to improve financial structure, increase more capital for unforeseeable economic problem in 1998 and set the reliable financial standard for paying up the long-term loan from financial institutes and for incoming

expansion. Finally, SE-ED won the almost fatal slump and came back to profitability with adequate liquidity and continuous expansion in 1999.

All company's offices were completely relocated from Soi Trakunsuk, Asoke-Din Daeng Road - the place where SE-ED offices have been located since 1983 - to the new building at Nation Tower in 2001, whereby SE-ED Book Center department was first to move since the middle of 1998. As a result, the company could have bigger working space, enabling more convenient coordination and management for future business expansion.

In 2003, the distribution center has been moved to 99 Moo 1 King Kaeo Road, Ratchathewa, Bang Phli, Samut Prakan for larger area, enough to support the company growth.

Nature of Business

The company has three major areas of business as follows:

1. Bookstores Business SE-ED has operated SE-ED Book Center, Book Variety, and many university book centers in Bangkok and provinces as well as the network and sales area in various forms (representing 84.12% of 2005 revenue).

2. Distribution Business SE-ED distributed both the books published by SE-ED and other publishers to bookstores all over the country.

3. Publishing Business SE-ED publishes its own books and magazines; sells advertising space; provides the printing service for other parties; organizes yearly exhibition "Thailand Electronics & Industrial Technology Exhibition" and many specialized technology exhibition; and organizes the SE-ED Kiddy Camp for children and juveniles, as well as arranges several academic training and seminar courses.

SE-ED continues to play a leading role in supporting and encouraging all aspects of the business, which has resulted in the achievement of a competitive advantage, as well as increasing the company's overall revenue.

In addition, the company also invested 25% shares in M & E Co., Ltd. since 1984 with a paid-up share capital of THB 400,000. The M & E Co., Ltd. prints and publishes technical magazines and engineering manuals, distributed by SE-ED.

The company has also held 99.93% shares in SE-ED Book Center Co., Ltd. (founded on May 11, 2001), with a paid-up share capital of THB 100,000. The SE-ED Book Center Co., Ltd. does not operate any other business. The purpose of registering the name of "SE-ED Book Center Co., Ltd." is to prevent the use of "SE-ED Book Center" from others who might seek to register it as a new company.

In 2003, the company has held 28.75 % shares in PLOEN PATT Co.,Ltd. (founded on September 25, 2002) with a registered paid-up share of THB 80 million. In December 31, 2005, the company have increased percentage of share holdings to 48.82% of registered share capital THB 170 million which is issued and paid-up share capital of THB 124.35 million. The registering name of PLOEN PATT Co., Ltd. is to be used for the school called "PLOEN PATTANA SCHOOL", located at Bhuddhamonthon 2 Road, classroom opened from pre-kindergarten grade up to twelve grade. The academic year will start on 2004 ever since. This was the important gathering of more than 70 education-loving alliances from several groups of people such as parents, guardians of students, teachers, academics, school executives joining to the private organization with significant roles in families institutes and education field to create new concept school model based on several processes by prescribe the idea of management guide, curriculum design as well as the learning method to build happy children with knowledgeable, efficient and with necessary skill and grown up as

valuable citizens to lead and take care Thai society for sustainable and progressive development and link internationally.

As of December 31, 2005, the major shareholders were:

Major Shareholders	Percentage of share holding	
	Amount (%)	Paid-up share capital (%)
1. SE-EDUCATION Public Company Limited.	48.82	30.56
2. Mr. Rit Theerakomen	11.76	16.08
3. RAK LUKE FAMILY GROUP Co., Ltd (former Plan Publishing Co., Ltd)	4.12	5.63
4. Mrs. Thida Phitaksinsuk	2.74	3.35
5. Ms. Krongtong Bunprakong	2.35	3.22

Total revenue from sales categorized by products

Revenue from Sales & Service	2005		2004		2003	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Business						
– Retail ¹	2,852,573	84.12	2,383,122	83.43	1,945,788	80.08
– Wholesale ²	406,107	11.97	340,172	11.91	341,163	14.04
– Publishing service	11,705	0.34	15,566	0.55	3,024	0.12
Total	3,270,385	96.43	2,738,860	95.89	2,289,975	94.24
Magazines ³	94,616	2.79	94,788	3.32	86,765	3.57
Others	26,129	0.78	22,692	0.79	53,221	2.19
Total revenue	3,391,130	100.00	2,856,340	100.00	2,429,961	100.00

Remark	¹ Retail	– revenue from SE-ED Book Center and Book Variety bookstores, the company's bookstores and other retail outlets managed by SE-ED Book Center and Book Variety.
	² Wholesale	– revenue from books published sales volume of magazines and distributed to bookstores and other retail outlets.
	¹ and ²	– total sales of company own publications in 2005, 2004 and 2003 represents 8.03%, 8.58% and 9.66% of sales revenue respectively.
	³ Magazines	– total revenue sales, advertising publishing and revenue from “Thailand Electronics & Industrial Technology Exhibition”, “SE- ED Kiddy Camp”.

*The revenue of year 2003 has been rearranged for comparison with 2004 and the current year.

Major Products and Service

Products and Services of SE-ED as followings :

1. **Books** At present, the company is the largest publisher of Thailand, publishing books for nationwide bookstores. Furthermore, SE-ED is regarded as pioneer of computer, electronic, engineering, educational, edutainment, children and juvenile books, business and management, self development, and reference books.
2. **Magazines** The company has also published 9 magazines of science and technology namely,
 - **Semiconductor Electronics:** A monthly magazine emphasizing on electronics was launched in 1974.
 - **UpDATE:** A monthly magazine catering to those readers who want to keep abreast of latest developments in the world of science and technology, first published since 1978.
 - **MICROCOMPUTER:** A monthly magazine devoting entirely to PC technology was first circulated since 1983.
 - **Hobby Electronics:** A monthly magazine specially preparing the knowledge of electronics for the fledgling electronics enthusiasts and also interested readers was launched in early 1991.
 - **MICROCOMPUTER USER:** A monthly magazine targeted to general users of PC technology first circulated since late 1993.
 - **Industrial Technology Review:** Monthly magazine launched in mid-1994 provided reading material on major developments in industry and technology for plant engineers and general readers.
 - **Mechanical Technology:** Bimonthly magazine that was firstly launched in mid-2001.
 - **The Absolute Sound & Stage:** Monthly magazine about video and audio for home, car, studio and stage launched in the end of May 2002.
 - **Extreme Technology:** Monthly magazine about new, technology and hi-tech products with comparative performance for buyer decision, first launched in late October 2003.

The revenue from this part comes from the sales of magazines, advertisement and special edition.

3. **Distribution** The company has distributed both books published by se-ed and other publishers including various organizations who produced works which is in line with the company's policy. All of them were distributed to at least 800 bookstores, both large and small bookstores. The company sells directly to the educational institutes and distributes to SE-ED Book Centers, Book Variety, and some universities book centers owned by SE-ED.

Currently, the company has over 1,200 titles to publish, and distribute over another 2,800 titles from various publishers and organizations. SE-ED is considered the largest book distributor in the country.

4. **Bookstores business (SE-ED Book Center or SBC)**) SE-ED operates several SE-ED Book Center and Book Variety both in Bangkok and other provinces including the expansion in bookstore network and sales area management in several models (making profit 84.12% of 2005 total revenue). SE-ED Book Center are medium-sized bookshops selling all kind of books, with modern design and good layout plan, efficiently selling and emphasize in being located in convenient location for people to come buying books. The main locations will be located in leading shopping malls (such as Central, The Mall, Robinson, Future Park Rangsit, Future Park Bangkai, provincial leading shopping centers, etc.), leading super centers (such as Tesco Lotus, Big C, and Carrefour, etc.) and education institutes (such as Ramkhamhaeng

University, National Institute of Development Administration, Dhurakij Bundit University, Siam University, Khon Kaen University etc.) in different formats both in Bangkok and other provinces.

The company has also launched new bookstores in another name of “Book Variety” (which is the same name as the company own TV program produced and broadcasted on UBC cable TV channel 8 and later transferred to broadcast on TTV Channel 1) since July 2002. This is considered on type of SE-ED Book Center bookstore.

At the end of 2005, there have been 200 branches of SBC opened. In this amount, 190 branches are still in operation, with 94 branches in Bangkok and nearby provinces, and 96 branches in other provinces. 184 of them belongs to SE-ED, another 4 branches are designated as SE-ED Book Center Network Bookstores (SE-ED Book Center fully supports the shops by providing all merchandises) and 3 branches are SE-ED Network Bookstores. (SE-ED does not fully supports, since the shop owners have to order the merchandises by themselves.) Moreover, SE-ED also takes charge of managing the books and magazines sales spaces of super centers, Tesco Lotus Express stores, and other shopping centers in several sales models totaling of more than 209 different sales locations.

Currently, SE-ED Book Center and Book Variety operate the highest number of chain bookstores and sales in Thailand.

SE-ED Book Center and Bookstores Chain Branches at year-end

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Branches increase in the year	2	1	1	4	2	2	10	13	12	19	28	27	22	31	26
Branches opened	2	3	4	8	10	12	22	35	47	66	94	121	143	174	200
Branches closed in the year	–	–	–	–	–	–	–	–	–	(1)	–	–	(3)	(1)	(5)
Total existing branches	2	3	4	8	10	12	22	35	47	65	93	120	139	169	190
Kiosk in operation	1	1	2	2	2	2	5	8	11	17	28	37	39	42	44
Petty sales in operation	–	–	–	–	–	–	–	–	–	–	2	63	75	115	165
Total operation selling point	3	4	6	10	12	14	27	43	58	82	123	220	253	326	399

Remarks – There is a reclassification of bookstores branches to be proper managed, so the number of branches may be different from the previous documents as the **branches** has included the small size of bookshop of 20-50 square meters. **Kiosk** means mainly the newsstand sales type. **Petty sales** means sales type that the company takes charge in managing the goods in book corners (including newspapers and magazines) in Lotus super centers and in Tesco Lotus Express by selling jobs are responsibilities of the area owner.

- At year's end 2005 there are 190 existing branches in operation. There are 94 branches in Bangkok and its vicinity and 96 branches in other provinces. This figure has included the small scale of 11 branches.
- At year's end 2005 there are 163 existing branches in operation, using the brand of SE-ED book center, 14 branches in the branch of Book Variety, 4 branches in universities book centers and 9 branches in other brand name.
- At year's end 2005 there are 163 existing branches in operation, which are regarded as network branches (the company takes charge of all goods), and non-fully network model (the company offers to be able to use the company brand name but the owners have to manage their merchandises by themselves) in operation 3 branches, 44 branches of kiosk and 165 branches of petty sales.

5. Other activities. The company also performs additional activities as follow:

- Organized the Thailand Electronics & Industrial Technology Trade Show in order to promote Thailand's electronics industry.
- Organized SE-ED Kiddy Camp for the youth from 8-14 year which were held in academic vacation period.
- Created the Book Variety Program, the television program about books circles, broadcasted on TTV1 Nation Channel every Saturday at 9.00 am - 9.30 am.
- Arranged training courses in engineering field and arranged the seminars in specialized field such as "Thailand Network" and "Thailand Metrology" etc.

Policy and Marketing

Marketing Strategy Throughout the past 30 years, the company has been a leading initiator in the technical book publishing business, especially in the "How-to..." category. This reputation as Thailand's main publisher of technological books and journals enabled its other operations to flourish and enjoy greater success. The company's marketing policy emphasizes on:

- Selecting the location for new SE-ED Book Center and Book Variety branches :- location of high potential to be profitable in long term considered.
- Creating total added value by utilizing the strong point of having company own retail outlets, SE-ED Book Center and Book Variety. Focus in creating distribution models appropriated for each shop in each book and each category to fit the target group of customers and reduce the sales return rate.
- Setting direction, selection and production plan of new books accord with the market's needs, so the main products will have long life cycle time in the market and will make profit in long term.
- Developing tools and channels for public relation activities in order to promote the new products for gaining more chances at launching time.
- Creating the good relationship with suppliers and customers in all levels to be impressed in co-operation and acquires more business opportunities.

Policy on Price The company pricing policy is set to meet the purchasing power of each target group, tally with real production costs and having reasonable profit in long run. However, this will not be applied to magazines sales, which depend on advertising income as the main revenue earner.

Distribution Channels The company distributes books and magazines to SE-ED Book Center, Book Variety and other bookshops in Bangkok and other provinces by managing the distribution channels according to customers, products and services as follows:

- 1. Books and Magazines Retail customers.** The customers are general readers and working people. The company distributes books and magazines to 200 branches with 190 branches are still in operation including 7 branches for network bookstores (as of December 31, 2005) which the centers of books and entertainment for family and working people, located in shopping centers and super center in Bangkok and other provinces and also in the higher educational institutes.
- 2. Books and Magazines Wholesale customers.** This group of customers is accounted for over 800 different large and small bookshops around the country. The company distributes books and

magazines to several bookshops in Bangkok using its own transportation. However, for distribution to provincial bookshops, the company uses either a service of The Express Transportation Organization of Thailand or other private companies as it seems appropriate.

For circulation and distribution of magazines in Bangkok and its vicinity, the company has distributed via several distributors to bookstores and newsstands in each area. For other provinces, one distributor has been appointed to distribute to bookstores and newsstands all over the country.

For circulation and distribution to stores in Bangkok and around its vicinity, the company utilizes the “Standing Order” distribution system, a combination of consignment and non-returnable sales system. For most of booksellers in other provinces, a non-returnable sales system has been applied with a limit of returnable quantities.

3. Advertisers. Major companies in the industrial circles including the computer and electronics circles are both regular and irregular advertisers in the company’s monthly magazines.

These customers are not related in any way to the company and have no future obligations whatever with the company.

Industry Competition

Industry Overview and Competition The publishing industry grew at ever larger rate expected to be around 10-15% for from 2000 to 2006. There are still market opportunities. As the result, it attracts many interested individuals into the publishing business, retail business and magazines business. The competition has, therefore, increased dramatically. However, it is believed that this will stimulate the market growth in long run.

However, the company has a very good growth rate in book publishing business, wholesale and retail business, as the company still holds strength in these areas. Whereas the overall magazines business still grows in but the computer periodicals were hardest hit by competition and an advertising price war, causing a significant decrease in its advertising revenue. However, electronics and industrial periodicals still show significant growth.

Opportunities and Threats Government policy currently promotes more advanced education for its citizens to better prepare them for global change. This, in turn, stimulates a greater thirst for new areas of knowledge, triggering an increase in local demand for books. All these conducive factors contribute much to the even brighter and more stable future for the book business as a whole, particularly technical books and magazines. The rapid expansion of mega stores and super centers all over the country has helped to mushroom the company’s retail outlets. As a major publisher and distributor of technical books, and the owner of largest bookstores chain with high liquidity cash basis, the company is in a strong position to respond to this encouraging market trend, and grew ever larger than the market average growth.

However, the growth of bookstores branches expansion in the super centers may be effected by the slow down in growth of super centers unless the government treats with leniency about enacting the town plan law to control of the super centers expansion.

Key Success Factors The factors that contribute to the company’s current leading position and the company’s more important role in future book business can be summarized as follows:

- **Business policy is evidently conducive to national development** Since its inception the company has all along adhered to its business in knowledge dissemination, with a view to developing the full potential of Thai people in areas essential to national development. The company's continued growth is in line with national development, and fortunately not severely affected by the economic slump. Besides, its corporate image is clear, well received and trusted by every party concerned.
- **SE-ED has the tools and business components to efficiently operate future business.** Nowadays, the company's business divisions cooperate among themselves and render greater opportunity for even more success.
 1. The company has its own distribution channel and system via the use of the SE-ED Book Center, and Book Variety, which is the important distribution channel because it spreads to many major communities all over the country with largest number in branches and is always the first to be offered to select new location for its new branches. These effects support the wholesale growth opportunity and cause the lower cost of bookstores business in return. Otherwise it effects to the higher opportunity for success for publishing books.
 2. The company also has its own media and public relations, including 10 different journals, a Book Variety TV Show, website www.se-ed.com, free email service and free homepage via www.se-ed.net.
- **Quantity and size of Competitors.** As book business is one of the continuous growth businesses and has also great potential to grow and the barrier to entry is low, many people are interested to get into this business each year both in publishing role and also in retailing role, despite that fact that many of them went out of business already. Because each of them tries to differentiate from each other, this result in the flourishing of books and the base of books readers keeps expanding. As a result, such activity does not severely affect the company.

Moreover, as the company does business cover all categories ranged from publishing, wholesaling, distributing and bookstores it is, of course, beneficial in either way for the new comer in each role, as the result the effect of competitors is slightly.

For the bookstores business, there are more competitors from several large firms interested in doing this business but the market has divided conform to the products mixed in the stores and to location, as such, this causes not much effect to the company. While the company as the market leader with strong financial position and receiving great acceptance by general readers and being ready to expand new branches, the company can keep a great step ahead from taking advantage of first priority to choose new location and has the lower operating investment. In future the books business is expected to grow out of a few large firms who are well prepared to face the competition.

- **Market share.** Although the company is the market leader in 3 important businesses :- the leading retailer in bookstores chain, the great book wholesaler, and books publishers, but has yet reached significant market share. The largest market share is in bookstore business in which SE-ED shares no less than 20% of the market - the same situation as in other countries whereby no single player gains huge market share.

For the business of books distribution to bookstores, the company shares highest part in the market but in publishing business can stand in one of the three top book distributor in the market, depending on the number of bestselling books acquired during the year.

- **Substitution products.** The rapid development in industry and business leads to a need to learning

new things and developing knowledge to gain advantage over the competition. Regardless of how far the communication and computer technology progress, books still play an important role in imparting knowledge to people conveniently and inexpensively anywhere, anytime, and for a life time.

- **Bargaining power of buyers and sellers.** As the books business has a level of the standard trading condition structure with several traders in which nobody can evidently monopolize the market and the needs to be interdependent of each other, there are not much problem in bargaining. However, due to the fact that new large retailers in other business expand into the books business and may cause bargaining with publishers and distributors according to the general retail business nature but is still not much effect of the over all business as their market share is still not significantly large enough at present.

Procurement

1. Books for distribution. At present the books that are distributed to all bookstores through out the country come from the company own publishing house and other more than 478 publishers who decide to grant the company as their distributors to distribute their book nationwide. The company will consider only the products which are in accordance with the company marketing direction and have sales opportunity.

2. Books and other goods SE-ED Book Center deals directly. SE-ED Book Center receives goods from 2 channels. From the company distribution business unit which is the distributor to the whole country and the other channel and mostly deals directly with suppliers by the marketing department of SE- ED Book Center in charge of consideration and selection products for sales in the company bookstores.

3. Books and magazines published by the company. This business line is responsible by the book publishing group and the magazines group to prescribe the direction and selection of original manuscripts to publish including the production process of printing into complete copy before handover to the company distribution group for distribution.

Production utilization ratio. As the company does not own any printers, the production of books and magazines are in the responsibility of in-house work group to take care of the production throughout the complete cycle and spread the printing jobs to several printers matched with the schedule. Therefore the real production can be increased or decreased without any unnecessary waste.

Raw material and supplier. Paper is the main raw material which the company purchased from local distributors in lump sum (no any import paper by the company). The types of paper used in production of books and magazines mostly are wood-free, newsprint, coated and cover coated.

Relation with materials and raw material suppliers and the effect of losing them The main suppliers of paper are Lau Hua Chiang Company Limited and Rien Thai Boon Kij Company Limited with the purchasing term of non-refundable condition with 30 days credit term payment. The company has no relation with these suppliers and no any binding obligation to buy from them in any uneventful situation. In case of these two suppliers can not provide paper, the company can acquire them from other suppliers. The total value the company pays for raw materials and finished goods to 10 main suppliers was 21.54% of the cost of products sold in 2005 which can be considered that no suppliers have influence to cause effect to the company.

Risk factors

The factors that may cause risk for investment of investors or affect the issuer are as following:

Risk in Specialist shortage. Experts and specialized field personnel are the most important resources in academic books and magazines production including other creative works in the company business line which most of them are the pioneer businesses.

The company completely realizes the importance of the personnel mentioned above, then the ESOP project has been set up to provide stock options to employees to persuade them with motivation to create company growth in long-term. This project has been approved from SEC to issue warrants in December 2001. Besides, the company has also provided training and developing the company culture in order to improve the employees in gaining higher potential and work more happily.

Risk in Distribution Channels. One of the main distribution channels is the chain retail outlets, SE-ED Book Center and Book Variety in leading department stores and super centers nationwide. This channel made profit as 84.12% of total income in 2005.

Then the company spreads risk by opening the bookstores distribute through several groups of shopping center groups, not binding to any malls or opening bookstores in one specific shopping mall group. Most of the leasing contracts for bookstores are in long term period for stability in sales location investment. Therefore, if any malls or super centers encounter problems or can not operate in any condition or changing leasing policy, the company can be affected partially.

Besides the company has insured coverage damage occur to assets and goods to reduce unforecasted risk from any harm probably happen to the bookstores branches.

Copyright infringement. The academic books production may have risk from being used in case of the company infringed a copyright of others such as an author or publisher has infringed a copyright and entrust the company to publish and/or distribute while the company didn't aware of the infringement. The copyright holder may sue the company as the publisher or the distributor. Therefore, the company editorial staffs have to select the original manuscripts more carefully and cautiously in order to avoid the problem that arises from the copyright infringement. Besides, the company has specified in the contract with authors or manuscript owners that they have confirmed that their works did not infringe any copyright and will subsidy all damages happened to the company if the copyright infringement occurred. This will reduce the probability of any damages caused by this problem.

However, very few problems occur and the affected value are not significant.

Risk of outdate products and superseded by other media. At present the computer technology has been developed rapidly so the sales duration of computer books which the company is one of the leaders in this field is shorter than before. And the electronics media has begun to replace books in some category and some application so the company has modified the direction by increasing the ratio of books with long length of sales and have large volume sales in production line. Including the set up of company website www.se-ed.com for interesting people can be informed more quickly about the new books launching.

However the foreign statistics shows that even the electronics media will be rapidly developed but still take more adequate time to start taking significant effect towards books business. At that time the company can adapt to this trend in time as the company has already provided infrastructure for this case.

Risk from raw material and product deficiency. Paper is the important raw material in books production and price has been changed varying to market demand and production quantity all the time. But the books published by the company have target group with purchasing power and well educated so that the company can use the policy to set price in accordance with the real cost in that period, then this does not cause a considerable impact.

Risk from printing industry. As the company has not invested in printers so there is no risk and does not adversely affect from price war in printing industry. The company chooses several printers to support productions so that the company can control expense properly to the competitive printing price offer all the time and can fix the production time duration definitely.

Shareholder Information and Management Structure

Shareholder Information

(a) Major Shareholders List of the first 10 major shareholders according to article 258, Stock and Stock Exchange Act B.A. 2535, as of November 29, 2005.(latest share register closed date) were :

	Shareholders	Number of Shares	Percentage of Paid-up Capital
1	GMM Grammy Public Company Limited	42,422,200	13.20
2	HSBC (SINGAPORE) NOMINEES PTE LTD.	32,600,000	10.14
3	Mr. Rit Thirakomen	22,851,790	7.11
4	SE-EDUCATION Public Company Limited	19,783,600	6.16
5	RAFFLES NOMINEES PTE LTD.	11,493,100	3.58
6	Mr. Thanong Chotisorayuth	11,103,810	3.46
7	Mr. Pongsak Sivapatrakumpol	9,164,940	2.85
8	Bangkok Assurance Company Limited	8,800,000	2.74
9	Thai NVDR Company Limited	8,322,150	2.59
10	Mr. Wattana Chiengkul	5,186,600	1.61
	Total	171,728,190	53.44

Remark The issued capital and paid-up as of November 29, 2005 is equal to 321,373,660 Baht.

As of the share register book closed date, There were 2,021 Thai national shareholders total 265,276,460 shares which consists of 29 juristic persons and 1,992 persons, the foreigners shareholder amounted of 23 persons total 56,097,200 shares which consists of 11 juristic persons and 12 general persons.

(b) Names of main shareholders who practically have material influence in prescribing the management policy or the company operation is GMM Grammy Public Company Limited

Management Structure

Management Structure consists of 2 boards and 2 subcommittees that is the company directors, audit committee and remuneration subcommittee. The authorizations are as follows:

The Board of Directors has the duty to make recommendations and to draw company policy, working strategy and other visions of the company's operation.

As of December 31, 2005 the board consisted of the following 13 members:

1. Mr. Somboon Chinsawananon*	Chairman / Independent Director
2. Mr. Saroch Lamlerprasertkul	Chairman of Audit Committee / Independent Director
3. Mr. Pravit Tantiwasinchai	Audit Committee / Independent Director
4. Mr. Phairat Sittakul*	Audit Committee / Independent Director
5. Mr. Wattana Chiengkul	Director / Independent Director
6. Mr. Vorasit Pokachaiyapat	Director / Independent Director
7. Mr. Kachen Benjakul**	Director / Independent Director
8. Asst. Prof. Yuen Poovorawan	Director
9. Mr. Sumeth Damrongchaitham**	Director
10. Mr. Yongsak Ekprachyasakul**	Director
11. Mr. Thanong Chotisorayuth	Director / Managing Director
12. Mr. Viboolsak Udomvanich	Director / Deputy Managing Director/Company Secretary
13. Mr. Pongsak Sivapatrakumpol	Director / Deputy Managing Director

Remark * As the resolution of the board of directors no.2/2005 hold on May 12, 2005, Mr. Somboon Chisawananon was assigned to be Chairman and Mr. Phairat Sittakul was assigned to be Audit Committee.

** As the resolution of the board of directors no.3/2005 hold on June 28, 2005. The board of directors approved the resignation of Mr. Suthichai Yoon and Mr. Thanachai Santichaikul from the position of Director which has effected since June 21, 2005 and approved the resignation of Mr. Sermsin Samalapa which has effected since June 28, 2005. Accordingly, they assigned Mr. Sumeth Damrongchaitham, Mr. Yongsak Ekprachyasakul and Mr. Kachen Benjakul to substitution which has effected since June 28, 2005.

The directors authorized to sign for and bind the company to independently conduct various matters consist of Managing Director and Deputy Managing Director, with company-logo stamped and signed by at least two-thirds of authorized directors.

Scope of Duties of the Board of directors

The board of directors has duties to make decision and supervise the operation of the company except the following which has to be approved from the resolution of general shareholders:

1. Issues prescribed by law have to be approved by for the resolution of general shareholders.
2. Issue of related-party transactions with the value of item needed to be approved form the resolution of general shareholders according to the regulation or promulgation of the Stock Exchange of Thailand about related-party transaction of listed companies.
3. Issue of buying or selling significant assets with the value needed to be approved from the resolution of general shareholders according to the regulation or promulgation of the Stock Exchange of Thailand about acquisition and disposal of assets of listed companies.

There was a review of duties of the board of directors in order to harmonze with the good corporate governance policy.

Moreover, the company realized the importance of good supervising, as the result, 9 out of 13 directors completed the Director Accreditation Program (DAP) and Director Certification Program (DCP) which are set by Thai Institute of Directors.

The company secretary The company secretary has duty to take care of company conduction to be complied with the laws and the company regulations.

The Audit Committee has the duties to encourage operational efficiency and increase the organization's value to give effect to

1. Increasing confidence and trust in the company's financial statements and reports.
2. Improving the function and process of internal and external audits and improving the efficiency of communications between the internal audit committee and the auditor.

As of December 31, 2005 the audit committee consisted of the following 3 members and Secretary of the Audit Committee (2 directors have understanding or experience of accounting and finance) as follows:

- | | |
|-------------------------------------|--|
| 1. Mr. Saroch Lamlerprasertkul | Chairman of Audit Committee / Independent Director |
| 2. Mr. Pravit Tantiwasinchai | Audit Committee / Independent Director |
| 3. Mr. Phairat Sittakul | Audit Committee / Independent Director |
| 4. Mr. Wachiratham Siriarchawattana | Secretary of the Audit Committee |

Scope of Duties of the Audit Committee

1. Review of the financial statements of the company before submitting to the board of directors.
2. Review the effectiveness and adequacy of risk management process and internal control system.
3. Review the effectiveness and adequacy of internal auditing task and assess the operation of internal audit staffs.
4. Review of the company's operations to ensure that they are in compliance with the Securities and Exchange Acts, Stock Exchange of Thai regulation.
5. Take care of preventing the conflict of interest from occurring and consider to disclosure company information transparently and accurately in case of there are connected transactions or items probably to create conflict of interest.
6. Consider, select and appoint on auditor, and evaluate the auditor's works.

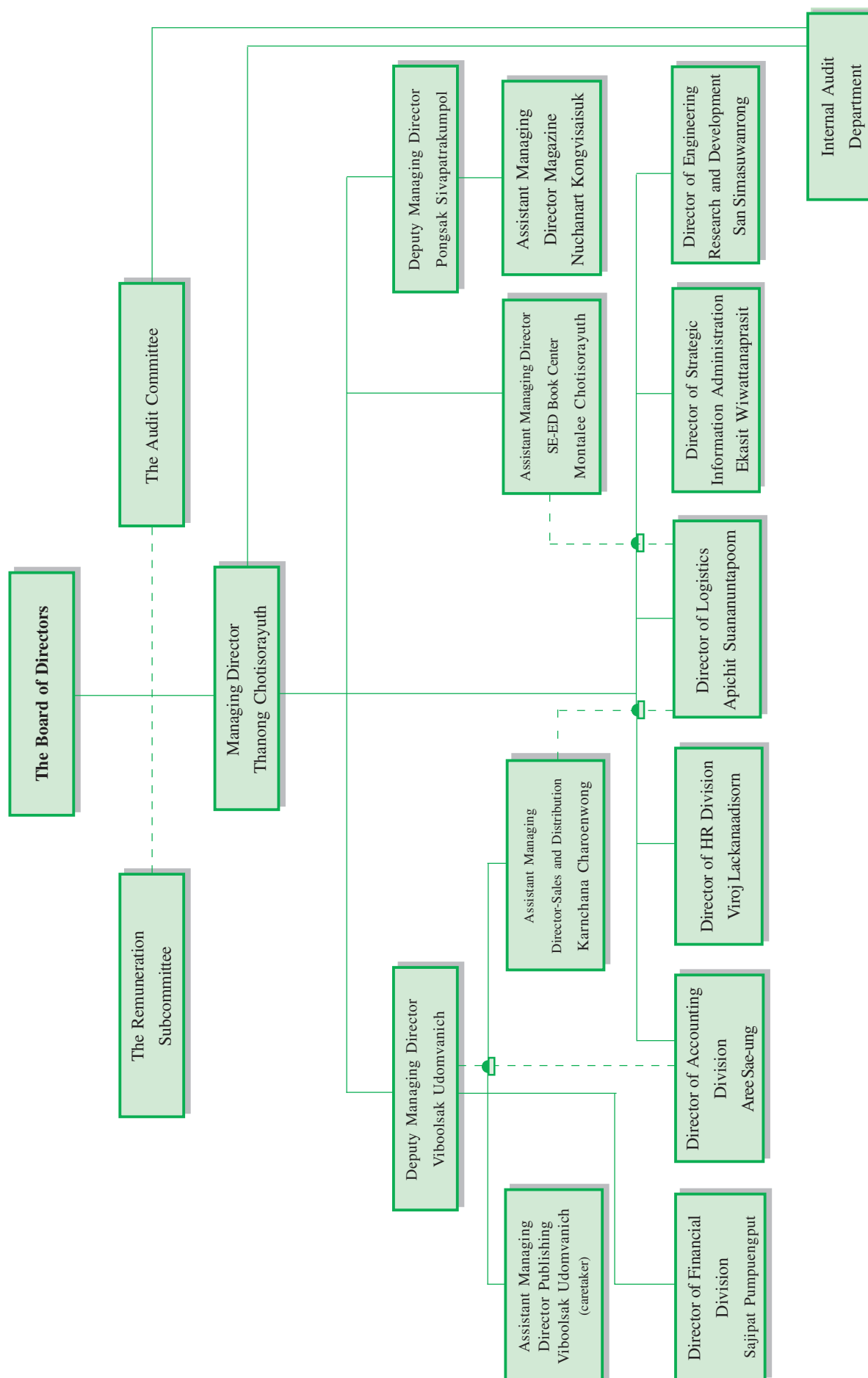
The Remuneration Subcommittee, appointed by the board of directors, has the joint duty to review the annual remuneration for the management team to be commensurate with the responsibility and the outside labor market. As of December 31, 2005 the Remuneration Subcommittee comprised three persons as follows:

- | | |
|-------------------------------|-----------------------|
| 1. Mr. Somboon Chinsawananon | Subcommittee Chairman |
| 2. Mr. Vorasit Pokachaiyapat | Subcommittee |
| 3. Mr. Sumeth Damrongchaitham | Subcommittee |

Scope of Duties of the Remuneration Subcommittee

1. Present the policy and criteria on payment of the remuneration for the directors, managing director, senior executives, advisors to the board of directors, subcommittees appointed by the board of directors.
2. Consider the annual remuneration of the directors, managing director, and senior executives, advisors to the board of directors, and the subcommittees appointed by the board of directors.

SE-EDUCATION/PUBLIC COMPANY LIMITED
Organization Chart



Company's executives as of 31 of December 2005 with the total of 12 individuals, as follows: (The executive's positions are ranked from 1 to 8 in accordance with the definition of SEC promulgation)

1. Mr. Thanong Chotisorayuth	Director / Managing Director
2. Mr. Viboolsak Udomvanich	Director / Deputy Managing Director
3. Mr. Pongsak Sivapatrakumpol	Director / Deputy Managing Director
4. Mrs. Montalee Chotisorayuth	Assistant Managing Director – SE–ED Book Center
5. Ms. Karnchana Charoenwong	Assistant Managing Director – Sales and Distribution
6. Mrs. Nuchanart Kongvisaisuk	Assistant Managing Director – Magazines
7. Ms. Sajipat Pumpuengput	Director of Financial Division
8. Ms. Aree Sae–ung	Director of Accounting Division
9. Mr. San Simasuwanrong	Director of Engineering Research and Development
10. Mr. Viroj Lackanaadisorn	Director of HR Division
11. Mr. Apichit Suananuntapoom	Director of Logistics
12. Mr. Ekasit Wiwattanaprasit	Director of Strategic Information Administration

Scope of Duties of Managing Director.

The managing director is empowered to act on behalf of all directors in the following matters:

1. To administer company affairs, follow objectives and obligations, including procedures and resolutions issued by the committee and assume authority to direct all professional staffs and employees. In managing company business, the Managing Director is directly responsible on behalf of the Committee.

2. To hire, position, appoint, and punish professional staffs and discontinue employment of staffs and employees, including the promotion, or salary adjustment. This directive excludes professional staff and employees who are employed, position, and punish and dismissed by a committee, or procedural regulations.

3. To determine the conditions of employment of professional staff and employees, to order or announce the procedure of administration and operation which does not obstruct the company's regulations, the committee's agreements, the labor law or other related laws.

4. To operate any other business following company regulations and the committee's agreement, including assigning operational functions to the company's officers and employees.

5. To act and commit for endorsement of contracts permitted under license and any other contracts involving licenses with appropriate and careful consideration to prevent any violation of a license held by others.

6. For any business related to external sources, the Managing Director and Authorized Directors have the authority to act and commit in the scope of the authority, specified in regulation No.1. Except any business in which the Managing Director and Authorized Directors might be in disagreement, or have some benefit from that business, or conflict with the company or company's subsidiaries. Conclusion would be reached when the committee meeting includes the independent directors. To meet this success, the managing director and the authorized directors will assign any person as a representative to respond to that particular duty.

7. In absence or unavailability of Managing Director, the deputy managing director will act on his behalf for general routine work and report to the managing director afterwards, other than that the deputy managing director will request permission to proceed from the chairman. When there is a vacancy for the position of managing director, the acting managing director will be selected from the list of directors or

shareholders approved by the board of directors.

Directors and executives of the company are qualified under Article 68 of the Act of Legislation for a Public Limited Company B.E. 2535, provided they are not disqualified in accordance with the announcement of the Stock Exchange Commission, to deal with requests and permission to sell new bonds.

Nomination of Directors and Executives The company does not have a committee for specific nominations. Nominations will be operated as follows:

Component and Appointment of Directors According to company regulations, the number of directors will consist of not less than 5 persons and at least half of whom must have residence in the Kingdom.

Directors will be elected in the general annual meeting of shareholders. One shareholder will have one vote for one share. Each shareholder must cast all the votes to select one or several persons as directors but may not share out the votes in any more or less manner to any candidate.

Persons receiving the maximum number of votes consecutively will be elected as directors. If too many candidates receive equal votes, they will draw lots to determine final selection.

At general annual meeting, one-third of directors will be retired. If the number of directors cannot be divided into three equal parts, the number of retirements may be calculated to the nearest one-third.

Directors are not allowed to operate another business, or to become partners or shareholders in other corporate that operate in the same business and compete with the company, unless they have informed the shareholders' meeting prior to the appointment.

Directors must inform the company immediately of any changes in interest to their contract with the company, or from their decrement and increment of bonds and shares of the company and subsidiary companies.

The signatures of two out of three directors, approved by a meeting of directors, with the stamp of the company's seal are considered a binding authorization by the company. The board of directors will delegate the names of directors selected for this duty.

Component and Appointment of The Audit Committee The board of directors appoints the audit committee, each member is qualified according to the promulgations of the Stock Exchange of Thailand.

Component and Appointment of The Remuneration Subcommittee The board of directors appoints the Remuneration Subcommittee from member of the board of directors and outside people who are experts in the publishing business.

Directors represent main shareholders as at December 31, 2005 the company has 2 directors who represent main shareholders, 2 directors are representatives from GMM Grammy Public Company Limited.

Good Corporate Governance

The company gives great importance to the good corporate governance and establishes the good governance process with the audit committee being a vital mechanism for the board of directors to inspect the proper management and operation to be compliance with standard procedures and in correct direction. The characters and scope of duties the audit committees are under the principles of good corporate governance

Remuneration for Executives

(a) Remuneration for board of directors consists of 17 persons as of year 2005 are as following:

(Unit : Baht)

Items	Cash Remuneration				Non-Cash Remuneration	Total
	Meeting allowance	Gratuity	Emoluments	Other Remuneration		
1. Mr. Somboon Chinsawananon*	124,000	170,000	140,800	–	–	434,800
2. Mr. Saroch Lamlertrprasertkul	110,000	190,000	120,000	–	–	420,000
3. Mr. Pravit Tantiwasinchai	75,000	170,000	72,000	–	–	317,000
4. Mr. Phairat Sittakul*	84,000	120,000	63,290	–	–	267,290
5. Mr. Wattana Chiengkul	50,000	120,000	48,000	–	–	218,000
6. Mr. Vorasit Pokachaiyapat	50,000	120,000	48,000	–	–	218,000
7. Mr. Kachen Benjakul**	20,000	–	24,000	–	–	44,000
8. Asst. Prof. Yuen Puvorawan	70,000	120,000	48,000	–	–	238,000
9. Mr. Sumeth Damrongchaitham**	20,000	–	24,000	–	–	44,000
10. Mr. Yongsak Ekprachyasakul**	20,000	–	24,000	–	–	44,000
11. Mr. Thanong Chotisorayuth	70,000	120,000	48,000	–	–	238,000
12. Mr. Viboolsak Udomvanich	70,000	120,000	48,000	–	–	238,000
13. Mr. Pongsak Sivapatrakumpol	70,000	120,000	48,000	–	–	238,000
14. Mr. Thanachai Teerapathanavong	20,000	200,000	60,000	–	–	280,000
15. Mr. Suthichai Yoon**	30,000	120,000	24,000	–	–	174,000
16. Mr. Thanachai Santichaikul**	10,000	–	6,580	–	–	16,580
17. Mr. Sermsin Samalapa**	30,000	120,000	24,000	–	–	174,000
Total	923,000	1,810,000	870,670	–	–	3,603,670

Remark * As the resolution of the board of directors no.2/2005 hold on May 12, 2005, Mr. Somboon Chinsawananon was assigned to be Chairman and Mr. Phairat Sittakul was assigned to be Audit Committee.

****** As the resolution of the board of directors no.3/2005 hold on June 28, 2005. The board of directors approved the resignation of Mr. Suthichai Yoon and Mr. Thanachai Santichaikul from the position of Director which has effected since June 21, 2005 and approved the resignation of Mr. Sermsin Samalapa which has effected since June 28, 2005. Accordingly, they assigned Mr. Sumeth Damrongchaitham, Mr. Yongsak Ekprachyasakul and Mr. Kachen Benjakul to substitution which has effected since June 28, 2005.

(b) Remuneration for 4 persons consisting of the board of director who also are in management team and other first 4 persons under the managing director and every executive in the same level of the 6 executives excluding director of financial division and director of accounting division.

Items	Cash Remuneration		Non-Cash Remuneration	
	Amount	Total (Baht)	Amount	Total (Baht)
Salaries	6	12,398,196	–	–
Bonus	6	4,779,932	–	–
Other Remuneration:				
– Contributions for the Provident Fund	6	1,318,268	–	–
– Vehicle Expense	6	576,000	–	–
– The difference between stock market price and exercised price (ESOP)	–	–	6	5,033,953
Total		19,072,396		5,033,953

specifications set by the Stock Exchange of Thailand.

Policy on Good Corporate Governance

The board of directors has been aware of the importance of good supervision to increase transparency, competitiveness and confidence to the shareholders, the investors and the involved parties. So it has prescribed a policy on advocacy of supervision on the business to essentially cover as follows:

- Treatment of shareholders and stakeholders equally and fairly to all concerned.
- The board of directors has determined to increase value to the business in the long run and manages the business thoroughly and carefully. It is responsible for working with ability and efficiency for optimization to the shareholders, and makes sure there is no conflict of interest and is responsible for its own actions.
- Operations must be transparent, able to be inspected and the information disclosed sufficiently to all parties concerned.
- Operations of the business considering the inherent risks with appropriate control and management.
- The company prescribes the business ethics for the directors, manager and all employees to uphold.

Shareholders: Rights and Equitable Treatment

In 2005, there was one shareholders' meeting which was the annual general meeting for 2005. The meeting was held at the company. The meeting notices and information on the agenda were sent out to shareholders 14 days in advance. In each item, the opinions of the board of directors and the minutes of the meeting were available for all shareholders to inspect.

In 2003, the company started to add alternatives to the shareholders by enabling independent directors to act as proxies for the shareholders who cannot attend the meeting. Also the company had a policy to improve the information for the meeting with more details. Since the company realizes the importance of the shareholders' right to access to the information of the company. It shall increase details on the matter for consideration for reason and necessity; with both positive and negative impacts on each item. Moreover, the company consistently discloses information via The Stock Exchange of Thailand, or minor shareholders can directly request for the information from our secretary or investor relation by emailing us at: ir@se-ed.com.

Various groups of Stakeholders

The company has given priority to all groups, regardless of being internal vested interests such as the employees or the management of the company or external vested interests such as trade partners, competitors, writers, translators, public servants and other involved parties. Since the company realizes that support from vested interests can help in competitiveness and profit building of the company, they are regarded as important to the long-term success of the company.

Shareholders' Meeting

Within four months of the closing of its previous accounting year, the company organizes the annual general shareholders' meeting to facilitate the equitable right of all shareholders. The company sends meeting invitations containing agenda details and related appendices together with the opinions of the board, proxy forms designed by the Ministry of Commerce, a list of all Independent Directors, and a map showing the

meeting venue, containing details about the credentials that each shareholder needs to bring, these invitations are mailed at least 14 days ahead of the meeting date. In addition, shareholders may view information about each meeting agenda item on the company's website ahead of the invitation mailing date.

Before each meeting, the Chairman explains clearly how ballots are cast and counted under company regulations. The company keeps count of shareholders who have not yet voted on any agenda item and illustrates ballot-counting procedures along with voting summaries throughout the process. At the extraordinary shareholders' meeting, the company asked shareholder volunteers to witness ballot counts for greater transparency. During the meeting, it allowed thorough expression of views and queries before each ballot round and summarized meeting resolution(s) on each agenda item. As a rule, SE-ED allowed registration of shareholders at least one hour before each meeting.

Significant Shareholders' Agenda.

- **Committee Election:** SE-ED completely provides committee's biography as well as the meeting attendance of the committee so that shareholders can elect the committee personally.
- **Auditors Appointment:** SE-ED details the name of auditors, auditor's office, remuneration, the reason for auditors selection, the past year performance quality and company's relationship.
- **Profit Allocation :** The company supplies details on profit allocation and reserve fund, dividend regarding company's dividend payment policy as well as the registered book closing date in order to give right of receiving dividend.
- **The board of directors' remuneration:** The company provides offered remuneration details which are based on policies and conditions of the board of directors' remuneration. Those aspects are considered by subcommittee regarding remuneration.

Leadership and Vision

The board of directors has participated in determination of vision, missions, strategies, goals, and business plans, including supervision for the management to comply with the specified business plans effectively and efficiently to increase the highest economic value to the business and maximum reliability to the shareholders.

The board of directors established the internal controls for the company, internal audit and measures to manage risk effectively, including continuous follow up on such matters in the board meetings.

The board of directors shall consider prescribing and separating the duty and responsibility between the subcommittees and the management clearly as the details in Management Structure Heading including communicating the roles, duties and responsibilities to the directors, subcommittees, the management and the employees of the company regularly.

Conflict of Interest

For prevention of conflict of interest the board of directors has paid special interest to items that may have conflicts of interest. By prescribing policies and procedures on approval of the connected items in writing, including prescribing the policy and supervision method so the management and the involved parties cannot use insider information for personal interest as follows:

- **Items that may have conflicts of interest.** The board of directors has learned of the items with conflicts of interest and the connected items and has considered appropriately each time. It includes complying with the criteria of the Stock Exchange of Thailand (SET) on the price and item as if it were on an arm's length basis. The detail, value, contract partner, reason/necessity of such connected items that are essential shall be disclosed in the annual report and the annual information form.

- **Supervision on the use of insider information.** The company prescribes the management to report on the change of the holding of securities to the Securities Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) pursuant to Section 59 of the Securities and Stock Exchange Act B.E. 2535. It also forbade the management or its departments that receive the insider information from disclosing the information to outsiders or uninvolved persons, and would not buy the securities of the company a month before the financial statement is distributed to the public.

Business Ethics

The company has upheld doing the right thing as a guideline for business of all the directors and employees. The company has announced the enforcement of business and employee ethics for the directors, the management and all the employees to uphold as guideline in performing duties according to duty with loyalty, honesty and justice. In addition, this also includes conduct with the company and vested interests, the public and society. The company has assigned the internal audit section to continuously follow up on compliance with ethics, and prescribes disciplinary actions in case of violations.

The board of directors has confidence that a good corporate governance process can help to promote the operations of the company, and is the heart of achieving the important basic target to optimize value for the shareholders. The values the company aims and expects for all the directors and employees to do in all missions are:

- Giving highest priority to building satisfaction for customers.
- Having confidence in working together.
- Dedication towards work with virtue and professionalism.
- Upholding the principles of good procedure and discipline.
- Readily responding to all uneventful situations.

Balance of Power for Non-Executive Directors

The board of directors consists of 13 members.

- Directors that are in the management team: 3 persons
- Directors that are not in the management team: 3 persons
- Independent directors: 7 persons

Thus, the company has seven independent directors equivalent to 53.85% of the total.

The board of the company is responsible for performing its duties according to legality, objective and company's regulations including shareholders' resolution with honesty and at the same time upholding company's benefit. The board of the company has exact amount of time to be in office, which is consistent with company's regulations which stated that one-third committees who have the longest term in position must accept the resignation in each annual common meeting.

The board of directors has considered prescribing definition of "independent director" conform to the minimum criteria of independent director definition promulgated by the Securities and Exchange Commission and The Stock Exchange of Thailand. As follow:

1. Holding shares not more than 5% of the whole notable shares of the company and its affiliated company, associated company of related company, which should be inclusive of the shares held by related person: mate, children under legal age.

2. No participation in management of the company inclusive of not being an employee, staff member, advisor who received regular salary or has control authority of the company or affiliated company, associated company or being a person probably to cause conflict of interest, actually no any benefit or interest of the mentioned nature would be applied for not less than one year.

3. No business relation, no direct or indirect, no direct or indirect benefit or interest both in finance and management of the company, its affiliated company, associated company or persons with may cause conflict of interest to affect independency.

4. Is not the relatives of any management member, major shareholders of the company, its affiliated company, associated company or persons who may cause conflict of interest and not being appointed to be the representative to take care of major shareholders or directors' beneficiary.

Position Combination or Seperation

The Chairman of the board and the president are two separate individuals. Besides, the board of directors' structure of the company is made up of 7 independent directors who keep balance and check over the management.

The Chairman takes the lead in defining company policy under the strategies jointly considered and established by the board and the management and ensures that board meetings are successfully conducted. During each meeting all directors are urged to actively participate as well as raising essential questions. Directors also occasionally meet to advice and support the management through the president. At the same time, the board is to stay away from routine tasks or business activities under the responsibility of the management. Only the president or the acting president can each be authorized by the board to do so, and to commit the company through his or her signature. Presidential authority and power are therefore efficiently channeled through the management. Therefore, the authority of the board and that of the management are clearly defined and segregated.

Remuneration for the directors and the manager

The policy on remuneration for the directors has been prescribed clearly and transparently with the remuneration at the same level as industry wide, and it is sufficient to take care and keep qualified directors as needed. The meeting of the shareholders has received approval already, and the directors that have been assigned as audit committees shall be given additional remuneration according to the increased volume of work.

Remuneration for the manager shall comply with the principle and policy that the board of directors agreed and determined, which relates to the operation of the company and results of the management of each person. The subcommittee shall consider the remuneration and present the appropriate amounts to the board of directors for consideration and final approval.

The Company has paid total remuneration to the directors and the manager in 2005 amounting to 27.71 million baht for cash remuneration amounting to THB 22.68 million and for non- cash remuneration to 5.03 million baht with the details in remuneration for executive.

Board of directors' Meeting

The board of directors has meeting schedules in advance and extra-meetings as necessary by specifying the agenda in advance, to follow up on the operations regularly. The secretary of the company shall

prepare the meeting notice with the meeting agenda and documents at least 7 days in advance, so that the board of directors has time to read up the data sufficiently before attending the meeting. In 2005, the board of directors held a total of 5 meetings, the audit committee held a total of 5 meetings and the remuneration subcommittees held a total of 1 meeting.

Furthermore, there were written minutes of the meetings that were filed and certified by the board of directors for the board of directors and involved parties to audit.

Name of Directors	Board of directors' Meeting		Audit Committees' Meeting		The Remuneration Subcommittees' Meeting	
	Attendance (Times)	Total Meeting (Times)	Attendance (Times)	Total Meeting (Times)	Attendance (Times)	Total Meeting (Times)
1. Mr. Somboon Chinsawananon*	5	5	3	3	1	1
2. Mr. Saroch Lamletprasertkul	5	5	5	5	–	–
3. Mr. Pravitt Tantiwasinchai	2	5	5	5	–	–
4. Mr. Phairat Sittakul	5	5	2	2	–	–
5. Mr. Wattana Chiengkul	3	5	–	–	–	–
6. Mr. Vorasit Pokachaiyapat	3	5	–	–	1	1
7. Mr. Kachen Benjakul**	2	2	–	–	–	–
8. Asst. Prof. Yuen Poovarawan	5	5	–	–	–	–
9. Mr. Sumeth Damrongchaitham**	1	2	–	–	1	1
10. Mr. Yongsak Ekprachyasakul**	2	2	–	–	–	–
11. Mr. Thanong Chotisrayuth	5	5	–	–	–	–
12. Mr. Viboolsak Udomvanich	5	5	–	–	–	–
13. Mr. Pongsak Sivapatrakumpol	5	5	–	–	–	–
14. Mr. Thanachai Teerapathanavong	–	1	–	–	–	–
15. Mr. Suthichai Yoon**	2	2	–	–	–	–
16. Mr. Sermsin Samalapa**	2	3	–	–	–	–
17. Mr. Thanachai Santichaikul**	1	1	–	–	–	–

Remark * As the resolution of the board of directors no.2/2005 hold on May 12, 2005, Mr. Somboon Chinsawananon was assigned to be Chairman and Mr. Pirach Sitthakul was assigned to be Audit Committee.

* * As the resolution of the board of directors no.3/2005 hold on June 28, 2005. The board of directors approved the resignation of Mr. Suthichai Yoon and Mr. Thanachai Santichaikul from the position of director which has effected since June 21, 2005 and approved the resignation of Mr. Sermsin Samalapa which has effected since June 28, 2005. Accordingly, they assigned Mr. Sumeth Damrongchaitham, Mr. Yongsak Ekprachyasakul and Mr. Kachen Benjakul to substitution which has effected since June 28, 2005.

Subcommittees

The board of directors has appointed a committee and subcommittees to help supervise the business of the company as follows:

1. The Audit Committee
2. The Remuneration Subcommittee

The lists of the committee and subcommittees with their scope and duties of each is detailed under the Management Structure Heading.

Controlling System and Internal Audit

1. Control and internal audit system, the company sees the importance of internal control at the management and the operation level, so it has clearly prescribed duties and powers on the operation of the operators and the management, specifically in writing. There is a control on the use of the assets of the company to the highest benefit, and there is the separation of duty between the operators, the controllers and evaluation, for suitable check and balance among each other. Moreover, there is internal control on the financial system and the company has prepared the financial report system for submission to the responsible management line of duty.

The company has an internal audit unit responsible to reassure that the main practices and essential financial activities of the company are in line with the guideline and are operated with effectiveness. It includes audit on legal compliance and compliance control as well as the independent internal audit unit who is capable of performing the check and balance with complete freedom. Therefore, the board of directors has designated that the internal audit unit to report the results of the audit directly to the audit committee, and is also evaluated by the audit committee.

2. Risk Management, the risks are regularly evaluated against business risk on the internal and external factors. The working group consists of the assistant managing director in the involved line of work for each risk, and the supervisor of each unit involving in the analysis and causes of risk factors, prescribing measures on risk management including follow-up on the risk management plan.

Directors' Reporting

The board of directors is responsible for the financial statements of the company and financial information appearing in the annual report. The financial statements are prepared according to generally accepted accounting principles in Thailand, using the accounting policy that is suitable as practice regularly and with careful discretion together with the best projections in the preparations, including disclosure of the important data adequately in the added notice section supplementing the financial statements.

The board has provided and maintained all necessary requirement of the internal audit with effectiveness, so as to ascertain with rationality that the accounting records are correct, complete and sufficient to maintain the assets and to learn of any weakness so that any significant irregularity can be prevented.

The board of directors of SE-EDUCATION Public Co., Ltd has appointed the audit committees consisting of non-management directors to supervise the quality of the financial report and internal control, as well as the opinions of the audit committee regarding this issue. Comments concerning this matter appear in the report of the audit committee, already shown in the annual report.

The board of directors considers overall internal control of SE-EDUCATION Public Co., Ltd. to be satisfactory, and is trustworthy for the reliability of the financial statement of SE-EDUCATION Public Co., Ltd. as at 31 December 2005.

Relations with Investors

The board of directors is aware that data concerning the company's finance and non-finance aspects have affected the investor's decision-making process and vested interests. It, therefore, ensured that the management has implemented matters concerning disclosure of data were complete, accurate, reliable, consistent, and timely, to which the management has always given priority to and upheld all along. On investor relations, the company has not set up a specific unit, as there still are not many activities in this matter but has assigned a deputy managing director to connect with institutional investors, shareholders, including analysts and the public sector involved. Investors may contact 66-2739-8000 press 8 or e-mail: ir@se-ed.com and website www.se-ed.com for more information.

Monitoring the Use of Inside Information The company has a policy and measures to ensure management does not use inside information to their own advantage, or to trade securities according to article 59, Stock Exchange Act B.A. 2535, particularly in the month prior to the public circulation of the Company's financial statements. If any executive or employee breaks this rule, they may be penalized by a warning, salary decrease, work stoppage without salary, or dismissal.

Personnel Total number of employees on December 31, 2005 was 1,762 (808 from the Company's head office at Nation Tower Building, 954 from the company's network of bookshops nationwide). Total employee remuneration (salary, bonus and provident fund) totals THB 259.95 million. (For 2004, the total number of employees was 1,744 with expenses totaling THB 251.51 million.)

Personnel Development Policy The company has a policy to enhance the potential and efficiency of its staff on a regular basis with a view to better preparing them of global change in both competitiveness and new technology. In-house training courses are designed and catered for different ranks, professional standards, goals and objectives of each business unit. The company also provides opportunities for external training either locally or abroad.

Internal Control

In the meeting of board of directors 5/2005 on November 8, 2005 there have been an appraisal of the company internal control sufficiency by answering the questionnaires as in the documents attached. All the three members of audit committee has joined in the meeting and brief the opinion about internal control sufficiency into 5 parts as follow:

Part 1 Corporate and Its Environment The company determines business goals which are accurate, clear, possible and measurable, by dividing the plan into short term plan of 1-year and long term 3-year plans. Moreover, the company's structure supports the goals. There are regulations and penalties to prohibit executives and employees from possible conflict of interest. The company, however, is in the stage of establishing policies and regulations about financial, purchasing and administrative transactions. All policies are based on fair business with partners for long-term benefit.

Part 2 Risk Management The company always considers both internal and external business risks. The working group consisting of the assistant managing directors and managers analyze risk factors, as well as the control and follow-up action for risk administrative plans.

Part 3 Controlling Executive Performance The administrative responsibilities include authorization, accounting and information booking and asset keeping. To authorize any transaction, 2 directors have to co-sign documents.

Transaction authorization between the company and major shareholders, director, executives, and related persons are regarded for these advantages, as with any external transactions with others.

Part 4 Information and Communications System The company provides enough significant information for directors' decisions. However, the company is sometimes able to submit a financial statement with the meeting letter 7 days before the meeting, but it can be proposed just a day before, or at the meeting room.

Accounting documents are filed systematically in accordance with the accounting system for the purposes of business policy.

Part 5 Pursuit System The company uses a follow up system comparing each quarter's goal, which is examined by the internal audit, by reporting the performance directly to the Audit Committee. When significant errors are encountered, the internal audit must immediately inform the committee concerned, as

well as the updated error correction report.

Moreover, the audit committee has found that there were not any significant weaknesses, from effectiveness assessment, in the accounting control system.

Dividend Payment Policy

The company declared a policy since financial year 1991 to pay dividend no less than 50% of the net profit after the deduction of corporate income tax. The payment will be made in the annual general meeting of the year immediately following the operating year.

The dividend payment of the past three years can be found in the note to financial statements number 14.

Related Party Transactions

Related party transaction between the company and probable conflicted persons appeared in the notes to financial statements item 4 : Inter-Company transactions.

Need and reasonable of related party transactions Transactions between the company, associated companies and related parties shall be approved by the Board Committee, comprising of independent directors for fair transactions and appropriate costs compared to outside persons transactions and no interests transfer between the company subsidiaries, associated companies and related parties.

Transactions between related parties Transactions between the company, management or shareholders, or related parties are considered by the volume of transactions (according to the regulations defined by the Stock Exchange of Thailand). The company has designated executives who are Members of the Board, comprising of Mr.Thanong Chotisorayuth, Mr. Viboolsak Udomvanich and Mr. Pongsak Sivapatrakumpol to approve transactions, by which agreements have to be signed and co-signed by two out of three executives.

Related transactions with executives or shareholders that meet the regulations determined by the SET have to follow those regulations.

Connected transactions with common interest persons need to be concurred by an external committee or independent experts.

Policy and trend of future transactions The company may have transactions with major shareholders and executives in the future which are in the forms of leasing, service providing, and copyright contracts for the mutual benefit of the company by disclosure of the types and amount of related transactions between the company and probable conflicted persons accordance with the promulgations and regulations of SEC and SET.

Remuneration of auditor

Auditing Fee

The company and its associated company has paid auditing fee for the period of fiscal year 2005 to the SAM NAK-NGAN A.M.C. Co., Ltd. in the amount of THB 610,711. The Auditor doesn't have any relation with the company other than auditing service only.

Other service fee

The company and its associated company don't pay any other service fee to the SAM NAK-NGAN A.M.C. Co., Ltd. for the fiscal year 2005.

Report on Internal Control System in Accounting

No. GL044/2006

February 24, 2006

To The Board of Directors

SE-EDUCATION Public Co., Ltd.

46/87-90 Moo 10 Nation Tower Building 19th Floor

Bangna-Trad Rd., Bangna, Bangkok 10260

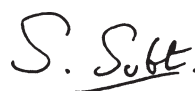
Subject: Report on the internal control system in accounting

I was assigned to audit the balance sheet of SE-EDUCATION Public Company Limited as at December 31, 2005, in accordance with generally accepted auditing standards, to express our opinion whether the financial statements and operations are correct based on our auditing principle and criteria. The audit includes studying and assessing the capability of the internal control system for accounting as seemed necessary in order to determine concisely and appropriately the scope of auditing task.

We would like to inform you that we did not audit every item, but audited by examining selected items to test for authenticity. With the exception as discussed in the last sentence of the first paragraph, we, therefore, cannot point out any weak-point in this internal control system. However, we did not find any significant weak-point in this internal control system for accounting that would affect the balance sheet.

We would like to extend our thanks to executives and all the staffs of SE-EDUCATION Plc. for their cooperation and good supports to our tasks.

Best regards,



(Miss Sukanya Sutheepasert)

Certified Public Accountant (Thailand)

Interpretation & Analysis of Financial Status and Results of Operations

Profitability and Operating Efficiency

Year	2005	2004	2003
Total Income (THB million)	3,391.13	2,856.34	2,429.96
Growth (%)	+18.72	+17.55	+21.30

During past 3 years, the company has continuously grown its revenue. The major satisfactory growing rose from the expansion of distribution channels through SE-ED Book Centers and Book Variety.

In 2005, the company newly opened more 26 branches of bookstore. As of December 31, 2005, the total branches became to 200 in various styles. From this amount, there were 190 branches still be in operation, plus 209 points of sales. SE-ED still took more important role in distribution to support its branches growing, including increasingly published best-sellers.

Such growth confirmed the increased public awareness of information and of the need to keep abreast of economic and technological developments, despite economic downturn.

Operating Results The company's total revenue as of December 31, 2005 is as follows:

1. The company's total revenue for year rose to THB 3,391.13 million, an increase of THB 534.79 million, or up 18.72%. The sales revenue accounted for THB 3,365 million, an increase of THB 531.35 million, or 18.75%. The main driver for such growth was the increased revenue of SE-ED Book Center and Book Variety, which grew at 19.70%, came principally from the opening of new branches and sales points and the sales growth of the same branch undergone renovation. In 2005, there were 26 more new branches totaling 200 branches opened with its 190 branches still in operation. Moreover, the wholesale to other bookstores and educational institutes grew by 12.81%.
2. The net profit (including non-operation items) as of December 31, 2005 was THB 187.91 million, representing 5.54% of total revenue or THB 0.63 EPS. (In 2004, the net profit was THB 116.96 million, representing 4.09% of total revenue or THB 0.41 EPS.) The profit of this quarter increased by THB 70.95 million, or 60.66% compared with the same period of previous year.

The operating profit after tax was THB 180.26 million, or 5.32% of total revenue. Compared with THB 116.07 million in the same period of 2004, the profit increased by THB 64.19 million, or 55.30% due to representing 4.06% of total revenue due to:

- The gross profit rose by THB 180.11 million from the sales growth of non-returnable bestsellers. Compared with the same period of previous year, sales revenue rose by 18.75%.
- The selling and administrative expenses excluding the non-operating items increased by THB 93.49 million or 13.32%.

Additionally, the non-operation item revenue and expenses after tax of 2005 was THB 7.65 million. The main driver was revenue from dividend and realized gain on disposal of securities available for sales and the decreasing expenses due to adjusting for physical counted asset with replacement method, and found that the value of supplies and warehouse equipments was higher than in book value.

Financial status analysis for year 2005 compare to 2004

Financial status

Total Asset As of December 31, 2005 the company had a total asset of THB 1,442.27 million, increasing from the last year by THB 334.46 million representing 30.19% as following details:

- Cash and cash equivalent item was increased by THB 173.25 million to THB 316.08 million. The most of them are the result of investing in the government bond at the amount of THB 114 million.
- Loan to associated companies increased by THB 9 million, by providing the financial support to PLOEN PATT Company Limited as current capital expenditure.
- Inventories-net increased THB 72.54 million from more non-returnable purchasing of goods, particularly mobile top-up card, cookbooks, premiums, etc.
- Leasehold on buildings-net increased by THB 29.85 million from changing leasing contracts of two bookstores for long-term rental in Q1 and Q2 of this year.

Total liabilities As of December 31, 2005, the Company had a total liability of THB 828.97 million, increased by THB 236.24 million as followings:

- Account and note payable of THB 648.57 million increased by THB 215.83 million due to the rising of distribution suppliers' creditors as the result of the sale growth of non-returnable bestsellers books.
- Accrued corporate income tax increased by THB 17.51 million because of the profit growth in 2005.

Shareholders' equity As of December 31, 2005, was in the amount THB 613.30 million, increasing by THB 98.22 million or 19.07% due to:

- Paid-up share capital increasing THB 7.98 million from the exercised warrants to common shares:
 - The exercise of SE-ED-W1 in the amount of THB 5.21 million.
 - The exercise of ESOP project in the amount of THB 2.77 million.
- Premium of share capital increasing by THB 3.39 millions from the exercise of SE-ED-W1. -
- Net profit from operation result of 2005 in the amount of THB 187.91 million.
- Dividend payment of 2005 in the amount of THB 98.72 million.

Cash flow and sufficiency of capital structure.

(Unit : THB millions)

For the Year ended on December 31,

Descriptions	2005	2004	2003
Cash received (used in) operating activities	409.67	144.88	165.11
Cash received (used in) investment activities	(146.82)	(29.37)	(10.28)
Cash received (used in) finance activities	(89.60)	(119.06)	(87.34)
Net cash received (used)	173.25	(3.55)	67.49

Cash flow receive from operation activities, in 2005, was THB 409.67 million as listed below:

- Profit from operation increased in the amount of THB 326.44 million:
 - 2005 net profit amounted to THB 187.91 million.
 - Non-monetary expenses with the amount of THB 138.53 million (Depreciation and Leasehold written-off in the amount of THB 88.34 million, loss from lost goods as THB 32.66 million, and loss from slow moving goods as THB 9.97 million.)
- Cash flow from the increase of trading debt costed THB 207.27 million. The main drivers were trading credit and note payable.
- Decrease in Cash flow at the value of THB 115.62 million due to the increasing of operation asset including inventories.

Cash flow used from investment activities, for 2005 in the amount of THB 146.82 million:

- Purchase of assets costed THB 92.16 million.
- Purchase of securities available for sales valued THB 20 million.
- Cash invested in leasehold valued at THB 11.87 million.
- Providing financial support to Ploen Patt Co.,Ltd. amounted to THB 9 million.

Cash flow used from financing activities, in 2005 as THB 89.60 million :

- Cash used in dividend payment with the amount of THB 98.72 million.
- Cash received from the warrant exercised in 2005 resulted in the amount of THB 11.37 million.
- Bank overdrafts increasing to THB 2.25 million.

FINANCIAL STATEMENTS

SE-EDUCATION PUBLIC COMPANY LIMITED

FOR THE YEAR ENDED 2005

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Shareholders of SE-EDUCATION PUBLIC COMPANY LIMITED

I have audited the balance sheets of SE-EDUCATION PUBLIC COMPANY LIMITED as of December 31, 2005, the related statements of income, changes in shareholders' equity and cash flow for the year then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness in the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements for the year ended on December 31, 2004 which were shown for comparative purpose were audited by another auditor in the same firm who expressed an unqualified opinion in the Auditor's report dated February 11, 2005. The financial statements of associated company as mentioned in the notes to the financial statements no.8.3, which the investment in them were recorded by the equity method, have been reviewed by another auditors. I have received the reports of those auditors. My report presented regarding the amounts of transactions of the said associated companies, which included in these financial statements, is based on the reports of said another auditors. As of December 31, 2005, the investment in the said associated company at Baht 33.14 million equivalent to 2.30% of the total asset in the balance sheet and the participating loss in the associated company included in the statement of income for the year then ended at Baht 1.70 million equivalent to 0.90% of the net profit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SE-EDUCATION PUBLIC COMPANY LIMITED as of December 31, 2005, the results of its operations, and cash flow for the year then ended, in conformity with generally accepted accounting principles.

SAM NAK- NGAN A.M.C. CO., LTD.



(Miss Sukanya Sutheepasert)

Certified Public Accountant (Thailand) No. 5063

Bangkok,

February 24, 2006

SE-EDUCATION PUBLIC COMPANY LIMITED

BALANCE SHEETS

As of December 31, 2005 and 2004

(Unit : Baht)

		2005	2004
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalent items		316,075,813.87	142,825,561.52
Short-term investment-net (net from allowance for diminution of value in year 2005 and 2004 in amount of Baht (5,757) thousand and Baht (5,558) thousand respectively)	(Note 5)	182,718,703.86	161,938,919.59
Trade accounts and notes receivable-net	(Note 6)	83,939,509.94	83,740,934.17
Loan due from an associated company	(Note 4)	9,000,000.00	—
Inventories-net	(Note 7)	226,026,870.27	153,488,650.28
Other current assets		35,666,656.12	27,415,518.84
TOTAL CURRENT ASSETS		853,427,554.06	569,409,584.40
NON-CURRENT ASSETS			
Investments in subsidiary and associated companies	(Note 8)	50,650,667.54	34,837,233.21
Property, plant and equipment-net	(Note 9)	255,282,034.74	241,942,722.51
Leasehold on buildings-net	(Note 10)	166,861,601.31	137,008,959.41
Assets pending for sales-net	(Note 11)	21,000,000.00	21,000,000.00
Land and building not used for operation-net	(Note 12)	32,367,498.94	32,433,316.93
Guarantee for rental and deposit		62,677,008.71	71,175,611.74
TOTAL NON-CURRENT ASSETS		588,838,811.24	538,397,843.80
TOTAL ASSETS		1,442,266,365.30	1,107,807,428.20

Notes to financial statements are an integral part of the above statements.

SE-EDUCATION PUBLIC COMPANY LIMITED
BALANCE SHEETS
As of December 31, 2005 and 2004

(Unit : Baht)

	2005	2004
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Bank overdrafts	58,331,724.50	60,579,408.22
Trade accounts and notes payable	648,570,955.69	432,742,133.38
Accrued expenses	32,378,315.19	27,535,913.29
Accrued corporate income tax	40,137,019.48	22,626,483.40
Other current liabilities	44,512,181.55	46,578,448.76
TOTAL CURRENT LIABILITIES	823,930,196.41	590,062,387.05
NON-CURRENT LIABILITIES		
Other-non current liabilities	5,035,838.20	2,668,616.46
TOTAL NON-CURRENT LIABILITIES	5,035,838.20	2,668,616.46
TOTAL LIABILITIES	828,966,034.61	592,731,003.51

Notes to financial statements are an integral part of the above statements.

SE-EDUCATION PUBLIC COMPANY LIMITED

BALANCE SHEETS

As of December 31, 2005 and 2004

(Unit : Baht)

		2005	2004
SHAREHOLDERS' EQUITY			
Share capital	(Note 13)		
Authorized share capital			
348,128,690 ordinary shares @ Baht 1.00 each		348,128,690.00	348,128,690.00
Issued and paid-up share capital			
322,135,910 ordinary shares @ Baht 1.00 each		322,135,910.00	–
314,152,170 ordinary shares @ Baht 1.00 each		–	314,152,170.00
Premiums on share capital		147,776,311.25	144,388,836.25
Capital surplus from assets revaluation		17,344,226.09	19,483,961.72
Unrealized loss - securities available for sale		(5,756,671.03)	(5,558,140.99)
Retained earnings			
Appropriated			
Legal reserve	(Note 14)	35,626,916.56	32,085,816.62
Treasury stock reserve	(Note 15)	122,641,095.00	122,641,095.00
Unappropriated		96,173,637.82	10,523,781.09
<u>Less</u> Treasury stock 19,783,600 shares @ Baht 6.20 each	(Note 15)	(122,641,095.00)	(122,641,095.00)
TOTAL SHAREHOLDERS' EQUITY		613,300,330.69	515,076,424.69
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,442,266,365.30	1,107,807,428.20

Notes to financial statements are an integral part of the above statements.

SE-EDUCATION PUBLIC COMPANY LIMITED

INCOME STATEMENTS

For the Year ended on December 31, 2005 and 2004

(Unit : Baht)

		2005	2004
REVENUES FROM OPERATION			
Sales		3,365,001,439.53	2,833,648,547.03
Other income		24,615,294.59	21,116,194.31
Participating gain in the associated companies		1,513,434.33	1,575,691.03
TOTAL REVENUES		3,391,130,168.45	2,856,340,432.37
EXPENSES FROM OPERATION			
Cost of sales		2,332,844,882.37	1,981,604,000.48
Selling and administrative expenses		791,154,528.59	705,015,247.21
Directors' remuneration	(Note 16)	2,723,000.00	2,426,000.00
TOTAL EXPENSES		3,126,722,410.96	2,689,045,247.69
PROFIT BEFORE INTEREST EXPENSES AND CORPORATE INCOME TAX		264,407,757.49	167,295,184.68
INTEREST EXPENSES		(156,776.18)	(238,833.27)
CORPORATE INCOME TAX	(Note 17)	(76,337,032.94)	(50,094,747.51)
NET PROFIT		187,913,948.37	116,961,603.90
BASIC EARNINGS PER SHARE	(Note 18)	0.63	0.41
DILUTED EARNINGS PER SHARE	(Note 18)	0.59	0.38

SE-EDUCATION PUBLIC COMPANY LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Year ended on December 31, 2005 and 2004

(Unit : Bath)

	Issued and paid-up share capital	Premiums on share capital	Capital surplus from assets revaluation	Unrealized gain (loss) securities available for sale	Retained earnings		Treasury Stock	Total
					Appropriated	Unappropriated		
Balance as of January 1, 2004	255,071,000.00	107,829,742.25	21,954,446.25	1,077,936.95	25,131,822.09	154,978,983.92	-	566,043,931.46
Depreciation-Capital surplus from assets revaluation	-	-	(2,470,484.53)	-	-	-	-	(2,470,484.53)
Unrealized loss-securities available for sale	-	-	-	(6,636,077.94)	-	-	-	(6,636,077.94)
Unrealized transaction in the income statements	255,071,000.00	107,829,742.25	19,483,961.72	(5,558,140.99)	25,131,822.09	154,978,983.92	-	556,937,368.99
Shares purchase by exercising warrants of shareholders, directors, employees (Note 13)	59,081,170.00	36,559,094.00	-	-	-	-	-	95,640,264.00
Appropriation for legal reserve in the period (Note 14)	-	-	-	-	6,953,994.53	(6,953,994.53)	-	-
Appropriation for treasury stock (Note 15)	-	-	-	-	122,641,095.00	(122,641,095.00)	-	-
Dividend payment (Note 14)	-	-	-	-	-	(131,821,717.20)	-	(131,821,717.20)
Purchase of treasury stock (Note 15)	-	-	-	-	-	-	(122,641,095.00)	(122,641,095.00)
Net profit for the year	-	-	-	-	-	116,961,603.90	-	116,961,603.90
Balance as of December 31, 2004	314,152,170.00	144,388,836.25	19,483,961.72	(5,558,140.99)	154,726,911.62	10,523,781.09	(122,641,095.00)	515,076,424.69
Depreciation-Capital surplus from assets revaluation	-	-	(2,139,735.63)	-	-	-	-	(2,139,735.63)
Unrealized loss-securities available for sale	-	-	-	(198,530.04)	-	-	-	(198,530.04)
Unrealized transaction in the income statements	314,152,170.00	144,388,836.25	17,344,226.09	(5,756,671.03)	154,726,911.62	10,523,781.09	(122,641,095.00)	512,738,159.02
Shares purchase by exercising warrants of shareholders, directors, employees (Note 13)	7,983,740.00	3,387,475.00	-	-	-	-	-	11,371,215.00
Appropriation for legal reserve in the period (Note 14)	-	-	-	-	3,541,099.94	(3,541,099.94)	-	-
Dividend payment (Note 14)	-	-	-	-	-	(98,722,991.70)	-	(98,722,991.70)
Net profit for the year	-	-	-	-	-	187,913,948.37	-	187,913,948.37
Balance as of December 31, 2005	322,135,910.00	147,776,311.25	17,344,226.09	(5,756,671.03)	158,268,011.56	96,173,637.82	(122,641,095.00)	613,300,330.69

Notes to financial statements are an integral part of the above statements.

SE-EDUCATION PUBLIC COMPANY LIMITED

CASH FLOW STATEMENTS

For the Year ended on December 31, 2005 and 2004

(Unit : Baht)

	2005	2004
CASH FLOW FROM OPERATION ACTIVITIES		
Net profit	187,913,948.37	116,961,603.90
Adjustment to net profit for cash receipts (payments) from operation		
Gain from short-term investment	(978,314.31)	—
Realized loss on disposal of securities available for sale	—	1,552,402.66
Doubtful debts and bad debt (return of bad debts)	403,066.56	(720,373.33)
Loss from estimation of returns goods (reversal)	(113,277.96)	(210,779.23)
Adjustment for clearing of trade accounts receivable	621,263.98	—
Loss from lost goods	32,662,042.59	26,258,879.87
Loss from dilapidated and slow moving goods	9,967,118.27	6,812,361.11
Participating gain from investment in associated companies	(1,513,434.33)	(1,575,691.03)
Depreciation—assets for operation	76,106,617.29	64,086,390.32
Asset donation	520,910.95	35,627.57
Loss from amortized assets	506,035.16	—
Gain on disposal of assets	(514,015.68)	(181,367.92)
Leasehold written-off	12,237,274.74	9,399,912.75
Depreciation—assets not used for operation	65,817.99	65,990.17
Adjustment for clearing of trade accounts payable	8,557,192.81	1,685,891.33
Profit from operating before change in operating assets and liabilities	326,442,246.43	224,170,848.17
(Increase)Decrease in trade accounts and notes receivable	(1,109,628.35)	(3,695,468.04)
(Increase)Decrease in inventories	(115,622,981.51)	(49,347,686.74)
(Increase)Decrease in other current assets	(8,251,137.28)	(4,505,188.11)
(Increase)Decrease in guarantee for rental and deposit	(21,717,784.64)	(33,891,705.60)
Increase(Decrease) in trade accounts and notes payable	207,271,629.50	13,885,856.58
Increase(Decrease) in accrued expenses	4,842,401.90	2,578,257.61
Increase(Decrease) in accrued corporate income tax	17,510,536.08	(13,551,317.35)
Increase(Decrease) in other current liabilities	(2,066,267.21)	8,732,187.04
Increase(Decrease) in other non current liabilities	2,367,221.74	510,077.52
Net cash received (used) from operating activities	409,666,236.66	144,885,861.08

Notes to financial statements are an integral part of the above statements.

SE-EDUCATION PUBLIC COMPANY LIMITED
CASH FLOW STATEMENTS
For the Years ended on December 31, 2005 and 2004

(Unit : Baht)

	2005	2004
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of securities available for sale	(20,000,000.00)	(211,396,060.57)
Cash receipt from disposal of securities available for sales	–	298,318,651.84
(Increase) Decrease in loan due from an associated company	(9,000,000.00)	–
Additional investment in associated company	(15,000,000.00)	–
Purchase of assets	(92,157,013.60)	(86,642,305.30)
Cash receipt from disposal of assets	514,018.68	182,242.99
Purchase of leasehold	(11,873,528.97)	(30,534,137.00)
Dividend receipt from investment in associated company	700,000.00	700,000.00
Net cash received from (used in) investing activities	(146,816,523.89)	(29,371,608.04)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase(Decrease) in bank overdrafts	(2,247,683.72)	39,758,883.19
Cash receipt from additional warrants exercised to purchase shares	11,371,215.00	95,640,264.00
Purchase of treasury stock	–	(122,641,095.00)
Dividend payment	(98,722,991.70)	(131,821,717.20)
Net cash received from (used in) financing activities	(89,599,460.42)	(119,063,665.01)
Cash and cash equivalent items increase(decrease)–net	173,250,252.35	(3,549,411.97)
Cash and cash equivalent items at the beginning of the period	142,825,561.52	146,374,973.49
Cash and cash equivalent items at the end of the period	316,075,813.87	142,825,561.52
Supplemental disclosures to the cash flow statements		
1. Cash paid during the period:		
Interest paid	156,776.18	238,833.27
Corporate income tax	58,826,496.86	63,072,801.39
2. Items do not affect cash flow		
2.1 For the years ended on December 31, 2005 and 2004 , the Company adjusted unrealizable gain(loss) on revaluation of securities available for sale with the shareholders' equity amounting to Baht (0.20) million and Baht (6.64) million respectively.		
2.2 For the year ended on December 31, 2005, the Company transferred the guarantee for leasehold on building amounting to Baht 30.22 million to leasehold on building since the leasehold right have been transferred during the first quarter of 2005.		
3. Cash and cash equivalent items consist of;		
Cash	14,934,637.33	15,940,453.69
Cash at Bank (not exceeding 3-months)	187,141,176.54	126,885,107.83
Government bond (maturity period not exceeding 3 months)	114,000,000.00	–
	316,075,813.87	142,825,561.52

Notes to financial statements are an integral part of the above statements.

SE-EDUCATION PUBLIC COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

1. General information

The Company was registered for establishment as a limited company on July 29, 1974 and was converted to a public company limited on April 29, 1993, registration number 0107536000285. The Company is situated at 46/87–90 Nation Tower Building, 19th Floor, Bangna–Trad Road, Bangna, Bangkok 10260.

- Major areas of business:
 1. Sell books and magazines on a retail basis through their own SE-ED book centers and Book Variety.
 2. Publish and distribute their own technical books and magazines, as well as distribute books from other publishers and organizations to nationwide bookshops.
 3. Advertising services magazines published by SE-ED.
 4. Publishing engagement and sell electronic parts and equipments.
- Employee information

	For the Year ended on December 31,	
	2005	2004
Average number of employees (person)	1,970	1,942
Employee expenses (Million Baht)	259.95	251.15

2. Basis of financial statement preparation

- 2.1 The financial statements were prepared in accordance with the generally accepted accounting principle under the Accounting Act B.E. 2543 which implies the accounting standard determined by the Federation of Accounting Professions, set up in accordance with the Accounting Professions Act. B.E.2547 which has been announced to be effective and in accordance with the determination of the Office of the Securities and Exchange Committee on the subject of preparation and presentation of the financial reports.
- 2.2 Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosure. The actual results may differ from those estimates.
- 2.3 The Company did not prepare the consolidated financial statements between the Company and the SE-ED Book Center Co., Ltd., which is a subsidiary company since the investment value in such subsidiary is not material to the Company financial statements.

- 2.4 The Company prepares the financial statements in the Thai language in accordance with Thai Law which were translated into English language for the convenience of the readers.
- 2.5 The financial statements for the year ended on December 31, 2004 have been reclassified by reclassifying the leasehold to prepaid expense and shown in the other non-current assets amounting to Baht 30.22 million for comparison with the financial statements for the year ended on December 31, 2005.

3. Summary of significant accounting policies

The significant accounting policies can be summarized as follows:-

- 3.1 • Sales are recognized when goods have already been delivered to customers except goods on consignment whose sales are recognized when such goods are checked at the consignees place at the end of agreed period.
- Revenue from advertising are recognized once the advertisement is released.
- 3.2 Cash and cash equivalent items includes bank deposit in the types of saving, current and not exceeding three-month fixed deposit and government bond with maturity not exceeding three-month period with no guarantee obligation.
- 3.3 The short term investments are investments in personal funds, mutual funds and opened-ended mutual funds units, which are regarded as securities available for sales and valued at fair value. The Company recognizes the change of value as separate caption in the shareholders' equity and accounted in the statement of income when such investment is sold.
- 3.4 Allowance for doubtful debts is made by estimating each of the uncollectible accounts receivable.
- 3.5 The Company has the policy to set up the allowance for returned goods at the percentage rate of the average returned goods for the year of the upcountry sales.
- 3.6 Inventories
 - Paper-raw materials are valued at cost price under simple average method or net realizable value, whichever is lower. Work in process are valued at actual cost.
 - Finished goods produced by the Company holds accounting policies as follows:
 - Finished goods at head office and consignment on hand are valued at cost price under simple average method or net realizable value, whichever is lower.
 - Finished goods purchased for sale are valued at cost price under simple average method or net realizable value, whichever is lower.
 - Returned periodicals are not valued.
 - Allowance for diminution in value of inventories is based on obsolete, out of date, dilapidated goods.
 - Allowance for lost inventories; the Company holds the policy of allowance for lost inventories at the rate of 1.11 percent of sales at respective branch, which the Company revises such allowance after the inventory taking at the respective branch.
- 3.7 Property, plant and equipment
 - 3.7.1 Land and building are valued at fair value which are appraised by an independent appraiser. The Company holds policy that an independent professional appraiser appraises the value of assets every 5 years. During this period if there are any other factors which materially

affect the value of assets, the Company will arrange for new appraisal by an independent professional appraiser in that year. Any increase of new appraised price is regarded as surplus from assets appraisal in the caption of shareholders' equity and any decrease of new appraised price is regarded as loss from decrease in assets appraisal in the statement of income.

3.7.2 Decoration, office equipment, air-conditions and vehicles are recorded at cost less accumulated depreciation.

3.7.3 The depreciation are calculated on a straight-line method over the estimated useful life are as follow:

• Building	20 years
• Furniture and office equipment	5 years
• Air-conditions	5 years
• Vehicles	5 years

The Company records depreciation as expense in the period. The Company takes depreciation of increase in appraised price out of the surplus from assets appraisal in the caption of shareholders' equity.

3.8 Accrued foreign copyright expenses are calculated by the rate specified in the agreement on an accrual basis.

3.9 Investments in associated company are recorded by equity method and investment in the subsidiary company is recorded by cost method since the investment value in subsidiary company is not material to the Company financial statements.

3.10 Items denominated in foreign currencies are recorded in Baht at the exchange rate ruling on the day that transaction occurs, while the remaining balances of assets and liabilities denominated in foreign currencies at the year-end are translated into Baht at the prevailing exchange rate on that date, and the gain or loss arising from such translated is included in the related statement of income.

3.11 Earnings per share

- Basic earnings per share are calculated by dividing net profit with the weighted average number of issued and paid-up shares during the period.
- Diluted earnings per share is calculated by dividing net profit with the sum of weighted average number of issued and paid up shares and the weighted average number of diluted ordinary share equivalents that needed to cover the warrants converted to ordinary stock.

3.12 Financial assets and liabilities as presented in balance sheets are consisted of cash and cash at bank, short-term investment, trade accounts receivable and notes receivable, overdrafts and trade accounts payable and notes payable. The particular accounting policy for each transaction is respectively disclosed in each related caption.

4. Inter – company transactions

The Company constitutes accounting transactions incurred with related entities, comprising the same group of shareholders or common directors. The materially remaining balance and inter-transactions between the company and related entities are as follows:

4.1 Inter-asset and liabilities

(Unit : Thousand Baht)

	As of December 31,		
	Type of relation	2005	2004
Loan due from associated company Ploen Patt Co.,Ltd.	Associated company	9,000	–
Accrued interest receivable Ploen Patt Co.,Ltd.	Associated company	174	–
Trade accounts payable M AND E Co.,Ltd.	Associated company	2,088	2,119
Nation Multi Media Group Public Co.,Ltd.	Shareholders (Year 2004)	4,280	1,322
Nation Egmont Edutainment Co.,Ltd.	Company related with shareholder (Year 2004)	13,263	8,296
Nation Book International Co.,Ltd.	Company related with shareholder (Year 2004)	12,817	9,664
Bliss Publishing Co., Ltd.	Company related with shareholder	1,708	3,470

As at December 31, 2005, the whole amount of loan due from an associated company that operate in the business of private educational institution was in the form of promissory note with a maturity period of 1 year. The interest rate is the rate of credit interest of a commercial bank at MLR+1. The objective of the loan is for the associated company to use for construction and working capital for the school.

4.2 Inter-revenues and expenses

(Unit : Thousand Baht)

	Type of relation	For the year ended on December 31		Policy of Inter-price setting
		2005	2004	
Interest receivable values Ploen Patt Co., Ltd.	Associated company	505	–	MLR+1
Purchase goods values M AND E Co.,Ltd.	Associated company	2,903	2,412	Market price
Nation Multi Media Group Public Co.,Ltd.	Shareholder (Year 2004)	30,120	4,252	Market price
Nation Egmont Edutainment Co., Ltd.	Company related with shareholder (Year 2004)	11,140	10,220	Market price
Nation Book International Co., Ltd.	Company related with shareholder (Year 2004)	28,027	31,594	Market price
Bliss Publishing Co., Ltd.	Company related with shareholder	6,381	6,493	Market price
Nation Broadcasting Corporation Co., Ltd.	Company related with shareholder (Year 2004)	2,021	338	Market price
Rental and service charge Nation Multi Media Group Public Co.,Ltd.	Shareholder (year 2004)	7,826	7,688	Agreed upon price

In the second quarter of 2005, Nation Multi Media Group Public Company Limited, the major shareholders of the Company, disposed the investment in the ordinary shares of SE-EDUCATION PUBLIC COMPANY LIMITED to a company and the transfer of ownership was performed on June 20, 2005.

5. Short – term investment–net

Consisted of: –

(Unit : Baht)

	As of December 31,	
	2005	2004
Securities available for sales: –		
– Investment in personal funds	117,957,803.86	118,586,099.59
– Investment in mutual fund	44,760,900.00	43,352,820.00
– Government bond (exceeding 3–month maturity period)	20,000,000.00	-
Total	182,718,703.86	161,938,919.59

6. Trade accounts and notes receivable – net

Consisted of: –

(Unit : Baht)

	As of December 31,	
	2005	2004
Trade accounts receivable		
Within credit term	42,391,364.09	40,583,253.43
Over credit term less than 6 months	39,751,685.68	39,060,077.77
Over credit term more than 6 months to 12 months	3,913,220.88	4,810,778.51
Over credit term more than 12 months	21,723,659.00	20,799,573.43
Total	107,779,929.65	105,253,683.14
Notes receivable	3,653,940.98	5,691,823.12
Less Allowance for doubtful debts	(24,005,263.04)	(23,602,196.48)
Allowance for returned goods	(3,489,097.65)	(3,602,375.61)
Net	83,939,509.94	83,740,934.17

As at December 31, 2005, for the trade accounts receivable that were over credit term for more than 12 month, the majority of it has the provision set up since the year 1998. It is in the process of filing the application for debt repayment to the Comptroller in Bankruptcy where the Bankruptcy Court issued a court order of absolute receivership for the said debtor on October 13, 2005 which the court official scheduled to review the application for debt repayment on March 23, 2006.

7. Inventories–net

Consisted of: –

(Unit : Baht)

	As of December 31,	
	2005	2004
Paper and package	12,220,922.45	6,099,100.42
Work-in-process	9,691,570.12	7,712,065.32
Finished goods	271,630,424.93	192,463,724.27
Total	293,542,917.50	206,274,890.01
<u>Less</u> Allowance for lost goods	(20,105,095.02)	(15,342,405.79)
Allowance for dilapidated and slow moving goods	(47,410,952.21)	(37,443,833.94)
Net	226,026,870.27	153,488,650.28

8. Investments in subsidiary and associated companies

Consisted of: –

(Unit : Baht)

As of December 31, 2005

	Nature of business	Paid-up share capital	Percentage of share holdings	Cost	Investments		Dividend
					Cost Method	Equity Method	
Subsidiary company SE-ED Book Center Co., Ltd.	Business consulting firm	100,000.00	99.93%	99,930.00	99,930.00	–	–
Associated companies M AND E Co., Ltd.	Printing office company, produces technical magazines and engineering manuals	400,000.00	25.00%	100,000.00	–	17,410,634.35	700,000.00
Ploen Patt Co., Ltd.	Institute of private education–Ploen Pattana School	124,350,000.00	26.00%	38,000,000.00	–	33,140,103.19	–
				38,199,930.00	99,930.00	50,550,737.54	700,000.00

(Unit : Baht)

As of December 31, 2004

	Nature of business	Paid-up share capital	Percentage of share holdings	Cost	Investments		Dividend
					Cost Method	Equity Method	
Subsidiary company SE-ED Book Center Co., Ltd.	Business consulting firm	100,000.00	99.93%	99,930.00	99,930.00	–	–
Associated companies M AND E Co., Ltd.	Printing office company, produces technical magazines and engineering manuals	400,000.00	25.00%	100,000.00	–	14,899,973.04	700,000.00
Ploen Patt Co., Ltd.	Institute of private education– Ploen Pattana School	80,000,000.00	28.75%	23,000,000.00	–	19,837,330.17	–
				23,199,930.00	99,930.00	34,737,303.21	700,000.00

- 8.1 Investments in the SE-ED Book Center Co., Ltd., which is a subsidiary company, the Company recorded investment by cost method since the investment's value in the subsidiary company did not materially effect the Company's financial statements.
- 8.2 For the year ended on December 31, 2005, the Company did not recognize participating from operations in M AND E CO., LTD., since the associated company did not prepare the quarterly financial statements and year end closing. However, the Company received the financial statements for the year ended on December 31, 2004 of M AND E CO., LTD., which were audited by another auditor. The Company consequently recorded participating from operations in such associated company in the income statement for the year ended on December 31, 2005 for the amount of Baht 3.21 million was equivalent to 1.71% of net profit and as of December 31, 2005 and 2004, investment in the said associated company for the amount of Baht 17.41 million and Baht 14.90 million was equivalent 1.21% and 1.34% of total assets respectively.
- 8.3 The financial statements for the year ended on December 31, 2005 and 2004 of Ploen Patt Co., Ltd. which is an associated company, were used to account for investment by equity method and these financial statements have been reviewed by another auditor. As at December 31, 2005 and 2004 the investment in associated company for the amount of Baht 33.14 million and Baht 19.84 million equivalent to 2.30% and 1.79% of total assets in the balance sheet respectively, and participating loss from operation in that associated company as presented in the statement of income for the years ended on the same date for the amount of Baht 1.70 million and Baht 1.35 million equivalent to 0.90% and 1.15% of net profit respectively.

9. Property, plant and equipment–net

Consisted of: –							
(Unit : Baht)							
Descriptions	Land	Building	Building decoration	Office equipments and air conditioners	Vehicles	Work in progress	Total
Cost:							
As of December 31, 2004	4,714,125.00	2,353,700.00	218,892,282.39	275,089,201.93	26,810,276.12	2,482,377.15	530,341,962.59
Purchase Sale/transfer in	–	–	30,928,505.62	55,281,501.68	2,137,276.24	27,312,915.74	115,660,199.283
Sale/transfer out	–	–	(35,742,180.75)	(1,097,206.16)	(1,383,388.85)	(23,503,185.68)	(61,725,961.44)
As of December 31, 2005	4,714,125.00	2,353,700.00	214,078,607.26	329,273,497.45	27,564,163.51	6,292,107.21	584,276,200.43
Accumulated depreciation:							
As of December 31, 2004	–	(2,353,699.00)	(141,880,812.53)	(145,830,767.51)	(17,817,922.67)	–	(307,883,201.71)
Depreciation for year	–	–	(29,358,327.83)	(43,008,778.00)	(3,739,511.46)	–	(76,106,617.29)
Sale/transfer out	–	–	35,411,450.47	856,590.99	1,383,385.55	–	37,651,427.31
As of December 31, 2005	–	(2,353,699.00)	(135,827,689.89)	(187,982,954.52)	(20,174,048.28)	–	(346,338,391.69)
Capital surplus from assets revaluation:							
As of December 31, 2004	17,344,225.00	7,392,092.32	–	–	–	–	24,736,317.32
As of December 31, 2005	17,344,225.00	7,392,092.32	–	–	–	–	24,736,317.32
Accumulated depreciation–capital surplus							
As of December 31, 2004	–	(5,252,355.69)	–	–	–	–	(5,252,355.69)
Depreciation for the year	–	(2,139,735.63)	–	–	–	–	(2,139,735.63)
As of December 31, 2005	–	(7,392,091.32)	–	–	–	–	7,392,091.32
Net Book Value:							
As of December 31, 2004	22,058,350.00	2,139,737.63	77,011,469.86	129,258,434.42	8,992,353.45	2,482,377.15	241,942,722.51
As of December 31, 2005	22,058,350.00	2.00	78,250,917.37	141,290,542.93	7,390,115.23	6,292,107.21	255,282,034.74
Depreciation in the income statement for the year							
ended on December 31, 2004							64,086,390.32
ended on December 31, 2005							76,106,617.29

As of December 31, 2005, the Company amortized the decoration cost of renovated branches at the net book value of Baht 0.51 million with the cost value of Baht 35.74 million.

As of December 31, 2005 and 2004, the Company has fixed asset which were fully depreciated at the cost value of Baht 147.98 million and Baht 138.94 million respectively, which some of these asset were still in used.

10. Leasehold on buildings–net

The whole amount of the leasehold on buildings was for areas in leading shopping centers in order to open 13 branches of SE–ED Book Center. Most of these leaseholds were for the period of approximately 15–30 years. For the years ended on December 31, 2005 and 2004, these leasehold rights were amortized to expenses by the amount of Baht 12.24 million and Baht 9.40 million respectively.

11. Assets pending for sales – net

Consisted of: –

(Unit : Baht)

	As of December 31,	
	2005	2004
Cost	38,912,859.15	38,912,859.15
<u>Less</u> Allowance for impairment of assets	(17,912,859.15)	(17,912,859.15)
Net	21,000,000.00	21,000,000.00

12. Land not used for operation–net

Consisted of:–

(Unit : Baht)

	Land not used for operation	Land improvement not used for operation	Total
Cost:			
As of December 31, 2004	49,495,608.93	658,413.00	50,154,021.93
As of December 31, 2005	49,495,608.93	658,413.00	50,154,021.93
Accumulated depreciation:			
As of December 31, 2004	–	(225,096.07)	(225,096.07)
Depreciation for the year	–	(65,817.99)	(65,817.99)
As of December 31, 2005	–	(290,914.06)	(290,914.06)
Allowance for impairment			
As of December 31, 2004	(17,495,608.93)	–	(17,495,608.93)
As of December 31, 2005	(17,495,608.93)	–	(17,495,608.93)
Net Book Value:			
As of December 31, 2004	32,000,000.00	433,316.93	32,433,316.93
As of December 31, 2005	32,000,000.00	367,498.94	32,367,498.94
Depreciation in the income statement for the year ended on			
December 31, 2004			65,990.17
December 31, 2005			65,817.99

13. Share capital

In accordance with the resolution of the annual general shareholders' meeting No. 1/2001 held on April 30, 2001, it was resolved to issued warrants as follows: –

- 13.1 Warrants to purchase ordinary shares for the existing shareholders at the ratio of 1 warrant to 1 ordinary share. The right to exercise warrants for existing shareholders is at the price of Baht 1.65 per unit with the maturity period of 5 years commencing from the date of warrant issuance.

The warrants' right can be exercise every 3 month and the last date to exercise the right is December 15, 2006.

- 13.2 Warrants to purchase ordinary shares for the directors, employees and sub-agents at the price of Baht 1.00 per unit. It divided into 5 versions. The period of exercising each version of right is 1 year apart. The warrants' right can be exercised every 3 month and the last date to exercise the right is January 14, 2008. The right of each version can be exercised to purchase ordinary shares in the proportion of 10%, 10%, 10%, 30% and 40% of the entire number of rights received respectively.

For the year ended on December 31, 2005, directors and employees had exercised their rights to purchase ordinary shares in number of 2,772,240 units and existing shareholders had exercised their rights to purchase ordinary shares in number of 5,211,500 units. Thus the Company had increased the issued and paid up share capital and the premiums on share capital by the total of Baht 7.98 million and Baht 3.39 million respectively. The Company registered the change in paid-up share capital on December 22, 2005. The remaining balance of exercisable warrants not yet exercises are 92,880 units for directors and employees and 2,826,490 units for existing shareholders. The remaining warrants not yet exercisable for the directors and employees as in the said terms is 23,073,280 units.

14. Dividend payment and appropriation of legal reserve

Consist of:

(Unit : Baht)

	Year 2005 operating result						
	Resolutions of the Company's Board meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)	Legal reserve	
						% of Net profit	Amount (Million Baht)
Quarter 1	2/2005	12/05/2005	10/06/2005	0.10	30.02	5%	1.71
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	—	—
Total					0.30	90.32	1.71

	Year 2004 operating result						
	Resolutions of the Company's Board meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)	Legal reserve	
						% of Net profit	Amount (Million Baht)
Quarter 1	2/2004	14/05/2004	14/06/2004	0.10	27.74	5%	1.47
Quarter 2	3/2004	11/08/2004	08/09/2004	0.10	29.31	5%	1.56
Quarter 3	5/2004	12/11/2004	09/12/2004	0.06	17.62	5%	0.98
Quarter 4	1/2005	27/04/2005	25/05/2005	0.028	8.40	5%	1.83
Total				0.288	83.07		5.84

	Year 2003 operating result						
	Resolutions of the Company's Board meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)	Legal reserve	
						% of Net profit	Amount (Million Baht)
Quarter 1	2/2003	12/05/2003	09/06/2003	0.10	21.38	5%	1.15
Quarter 2	3/2003	11/08/2003	05/09/2003	0.10	21.38	5%	1.86
Quarter 3	4/2003	14/11/2003	11/12/2003	0.10	21.39	5%	1.88
Quarter 4	1/2004	27/04/2004	24/05/2004	0.20	57.15	5%	2.94
Total				0.50	121.30		7.83

15. Treasury stock

In accordance to the resolutions of the Board of directors' meeting No. 1/2004 held on February 24, 2004, it was resolved to buy back treasury shares with the objective for financial management as the Company had excess liquidity. The Company, therefore, set up a project to buy back 25.78 million shares with the limiting amount of not exceeding Baht 160 million. The buy back treasury shares was determined to be proceeded from March 11, 2004 to September 11, 2004. From April 2, 2004 to September 8, 2004 the total treasury shares bought back under the said project amounting to 19.78 million shares with the total value of Baht 122.64 million. The Company set a policy to sale buy back treasury shares to less than 3 years after the six-month of buy back period.

In accordance to the resolutions of the board of directors' meeting No. 4/2004 held on September 6, 2004, it was resolved to increase the amount of reserve for buy back treasury shares by Baht 10 million. Therefore the formerly the maximum reserve amount of Baht 160 million for buying back treasury shares changed to the maximum reserve amount of Baht 170 million for buying back treasury shares. This only changed the maximum amount of money for buying back treasury shares, not affecting the number of buy back treasury shares.

According to the Federation of Accounting Professions' announcement no. Sor. Sor. Vor. Bor. Chor. 016/2548 dated February 4, 2005, required public limited companies that buy back treasury shares should have retained earnings not less than the amount of the buy back treasury shares remain in the account. In the event the retained earning is used to pay dividends, the retained earning after the dividend payment should not be less than the buy back treasury shares. This is to be in accordance with the announcement of the Judicial Council, which deliberated the issue of treasury share schemes under Section 66/1(2) of the Public Limited Companies Act B.E. 2535.

As at December 31, 2005, the Company had buy back treasury shares of 19.78 million shares equal to 6.14 % of the total shares sold. The total of the buy back treasury shares is Baht 122.64 million and the Company has appropriated the retained earning as the treasury stock reserve for the whole amount

16. Directors' remuneration

Director's remuneration is the contribution paid to Company's directors in accordance with Section 90 of the Public Companies Act., exclusive of salaries and related fringe benefits payable to executive directors.

17. Corporate income tax

For the year ended of December 31, 2005, the Company calculated income tax at 25% of net book profit before recognition of participating gain (loss) from investments in associated company plus prohibited expenses under the Revenue Code over which taxable rate is the new rate attributable to Royal Decree No. 387 (B.E. 2544).

18. Basic and diluted earnings per share

Consist of:

For the three-month periods ended on December 31,

	Net profit		Weighted average number of ordinary shares		Earnings per share	
	2005 Baht	2004 Baht	2005 Shares	2004 Shares	2005 Baht	2004 Baht
Basic earnings per share						
Net profit	65,741,030.13	36,647,741.88	302,115,254	293,773,907	0.22	0.12
Effect of diluted equivalent ordinary shares						
The balance of warrants able to be exercised						
25,992,650 units						
(Year 2004 : 33,976,390 units)	–	–	20,886,252	27,294,425	–	–
Diluted earnings per share						
Net profit of ordinary shareholders assuming the conversion into ordinary shares	65,741,030.13	36,647,741.88	323,001,506	321,068,332	0.20	0.11

For the years ended on 31 December,

	Net profit		Weighted average number of ordinary shares		Earnings per share	
	2005 Baht	2004 Baht	2005 Shares	2004 Shares	2005 Baht	2004 Baht
Basic earnings per share						
Net profit	187,913,948.37	116,961,603.90	300,105,205	282,477,545	0.63	0.41
Effect of diluted equivalent ordinary shares						
The balance of warrants able to be exercised						
25,992,650 units						
(Year 2004 : 33,976,390 units)	–	–	20,539,342	27,593,616	–	–
Diluted earnings per share						
Net profit of ordinary shareholders assuming the conversion into ordinary shares	187,913,948.37	116,961,603.90	320,644,547	310,071,161	0.59	0.38

For the years ended on December 31, 2005 and 2004, the diluted earnings per share was calculated by including the number of the ordinary shares that the Company may have to issue even when the determined condition or event has not occurred yet, with consideration of the effect of the exercisable warrants but not yet been exercised.

19. Disclosure of sectoral business operations

The Company operates in one principal business sector, namely business of production and sale of books and confines its operation only in one geographical area i.e. in Thailand. Thus all income, profit and assets shown in the financial statements were related to the said business sector and geographical area.

20. The statements of income for the three-month periods ended on December 31, 2005 and 2004

The statements of income for the three-month periods ended on December 31, 2005 and 2004, were reviewed in accordance with the auditing standard issued by the Institute of Certified Accountants and Auditors of Thailand as follows:

		Unaudited Limited Review Only (Unit : Thousand Baht)	
		For the three-month period ended on December 31,	
		2005	2004
REVENUES FROM OPERATION			
Sales		919,019	761,879
Other income		6,521	4,442
Total Revenues		925,540	766,321
EXPENSES FROM OPERATION			
Cost of sales		622,518	533,259
Selling and administrative expenses		211,508	180,278
Participating loss in associated company		366	162
Directors' remuneration	(Note 16)	164	164
Total Expenses		834,556	713,863
PROFIT BEFORE INTEREST EXPENSES AND CORPORATE INCOME TAX		90,984	52,458
INTEREST EXPENSES		(8)	(50)
CORPORATE INCOME TAX	(Note 17)	(25,235)	(15,760)
NET PROFIT		65,741	36,648
BASIC EARNINGS PER SHARE (BAHT)	(Note 18)	0.22	0.12
DILUTED EARNINGS PER SHARE (BAHT)	(Note 18)	0.20	0.11

21. The provident fund

The Company has established provident fund in accordance with the Provident Fund Act B.E. 2530. Employees who are members contribute for each month and the company respectively contributes equally the other portion to the provident fund which one domestic finance institution is appointed as the fund manager.

22. Subsequent events

As at January 16, 2006, directors and employees had exercised their rights to purchase ordinary shares in number of 7,724,160 units resulted in the issued and paid up share capital of the Company increased by Baht 7.72 million. The Company registered the change in paid-up share capital on January 27, 2006.

23. Financial instruments

The Company obtains non-material risk with respect to the change of interest rates and exchange rates. Due to the business's expansion, the Company's investment is utilized by current cash flow; however long term liabilities which incurred interest obligation do not exist. The nature of the Company's operation related to foreign currency has non-material proportion so the Company did not use financial instruments to hedge against the risk. Moreover, when the nature of the Company's operation related to foreign currencies shows an increased proportion, when the Company, as a result, would consider the adoption of appropriate financial instruments to hedge against such risk. Nevertheless, the Company holds no policy to adopt any with financial instrument off the balance sheets which are derivative instruments for speculative or for trade purpose.

23.1 Risk on credit provision The Company obtains risk from provision in relation to trade debtors. Nevertheless, the Company constitutes the careful policy in granting credit. Hence, the Company does not anticipate any material indemnity from debt collection.

23.2 Risk on interest rates Risk on interest rate is derived from the change of interest rates in the future which affects upon the Company operating result and cash flow. Due to the short term investment which generates interest receivable and dividend fluctuated to the market rates (Floating interest rate), the Company, therefore, does not adopt any financial instrument to hedge against such risk.

23.3 Fair value Since the financial assets and liabilities are mainly classified under short-term type, such book values of financial asset and liabilities are presented in the value, which are not materially different from their fair values. Regarding the short-term investment, the Company has adjusted investment value to its fair value.

24. Obligations and contingent liabilities

24.1 As of December 31, 2005 and 2004, the Company also holds contingent liabilities and obligations with a bank in relation to letter of guarantee for the amount of Baht 3.52 million and Baht 3.90 million respectively.

24.2 The Company has entered into agreements of building lease and agreements of service with the company and an outside party so as to use as head office and the distribution center of merchandise. The Company has also entered into area rental agreements so as to use as branch offices totaling 183 branches. The leased period ranged from 1 to 10 years. The total rental fee and public utility service fee that the Company has to pay are approximately Baht 261.18 million per year.

The Company has entered into two lease agreements for a warehouse (Kingkaew Road) with the lease period of 3 years commencing from January 1, 2006 to December 31, 2008 with the contractual value of Baht 46.37 million. As of June 7, 2005, the Company has issued a post-date cheque dated on January 1, 2006 for the amount of Baht 10.64 million as the advance payment for the first year rental fee of the warehouse, to comply with the mutually agreed covenant.

25. Approval of financial statements

These financial statements have been approved by the Company's board of directors of SE-EDUCATION PUBLIC COMPANY LIMITED.

กิจกรรม Activities



งานแถลงข้อมูลประจำปี
ที่สุดในธุรกิจหนังสือ

SE-ED's Annual Publisher Conference-
"The Ultimate in Book Business
of the Year 2005"



ซีอีเอดพบนักลงทุน
Opportunity Day
SE-ED & Investors on
Opportunity Day



การประชุมวางแผนงานประจำปี
Annual year planning workshop



งานเปิดตัวหนังสือที่ร้าน
ซีอีเอดบุ๊คเซ็นเตอร์

Books debut at SE-ED Book Centers



รายการโทรทัศน์ Book Variety
SE-ED's "Book Variety" TV program



งานแถลงข้อมูลประจำปี
ที่สุดในธุรกิจหนังสือพิมพ์และนิตยสาร

SE-ED's Annual Press Conference-
"The Ultimate in Newspapers
& Magazines of the Year 2005"



เรามุ่งมั่นที่จะทำให้คนไทยเก่งขึ้น

Our Determination is to enhance Thais' Competitive Edge



ศูนย์สร้างคนเก่งซีเ็ด



ซีเ็ด

บริษัท ซีเ็ดยูเคชั่น จำกัด (มหาชน)

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