

CORPORATE DEVELOPMENTS

As part of its plan to broaden growth opportunities beyond Malaysia to other markets in the Asia region, Courts Mammoth acquired a controlling interest in PT. Matahari Courts Tbk of Indonesia during the year under review. Subsequent to the acquisition, the Indonesian company was re-named PT. Courts Indonesia Tbk, hereinafter referred to as "PTCI"

The acquisition of 636,567,050 ordinary shares of Rp100 each represented a 94.99% equity interest in the Indonesian company. Valued at RM47.6 million upon completion of the transaction in November 2003, the purchase was made with internally generated funds.

PTCI was incorporated in Indonesia in 1994 and in June 2002, was converted into a public company and listed on the Surabaya Stock Exchange. The company is an established retailer of furniture and electrical goods trading under the "Courts" brand and at the time of acquisition, operated 24 stores in three provinces in Indonesia – 13 in Bali, three in Lombok and eight in East Java. By the close of the Group's financial year on 31 March 2004, PTCI's retail network had grown to 27 branches.

The tragic Bali bombing of 2002 and other unfortunate events continued to have a negative impact on the Indonesian economy making trading conditions extremely difficult for

PTCI in 2003. Notwithstanding this, the Board of Directors sees the PTCI acquisition as a prudent investment for long-term profitability as Indonesia's massive population of 220 million presents great potential for a quantum leap in business. Furthermore, the similarity in the Company's and the Indonesian subsidiary's core business activities will bring synergistic benefits to the Group in areas such as retail management, buying, marketing, human resource development and information technology.

On the home front, Courts Mammoth concentrated on enhancing quantitative and qualitative output in every facet of the Malaysian operation. Strategic Business Units (SBUs) were established to foster greater responsibility and accountability at all levels in the Company. Short, medium and long term goals were set by these SBUs and key performance indicators were put in place to measure performance of the respective areas. This move was initiated to instil a results-oriented mindset and in turn, to mobilise the Company's resources towards achieving its vision "We at Courts Mammoth must be No.1 for everyone, everyday, everywhere and in everything we do!"



Courts stores in Indonesia attract strong customer support



THE YEAR IN REVIEW

FINANCIAL REVIEW

Revenue recorded by the Company for the year ended 31 March 2004 increased by 12.6%, from RM497.6 million in 2003 to RM560.1 million with a strong rebound in sales for furniture and electrical appliances in the Malaysian market. Due to increased operating expenditure arising mainly from expansion and upgrading of the retail network, profit before tax of the Malaysian operation was RM73.7 million, marginally up from the previous year.

For the year under review, Group revenue was RM580.7 million and pre-tax profit was RM70.8 million. These included the four months trading results of PTCL.

The Directors are proposing a final tax-exempt dividend of 3.5 sen per share, amounting to RM9.87 million, for the year ended 31 March 2004. Together with the interim dividend of 2.5 sen per share, less tax at 28% payable in January 2004, the total dividend payable for the year amounts to a gross equivalent of 6.0 sen per share.

NETWORK DEVELOPMENTS



■ Thousands turned up at Kota Kinabalu on opening day

During the year under review, Courts Mammoth expanded its retail network in Malaysia to maximise market coverage and to make its product offering more accessible to more people. Six new stores were added at locations hitherto not served by Courts Mammoth: Jerantut in the state of Pahang, Cukai and Rompin on the east coast of Peninsular Malaysia and Kota Kinabalu, Tawau and Papar in Sabah. These new stores, particularly Kota Kinabalu, performed well above expectation and contributed in no small way to the Company's revenue growth for the year.

In addition, five other outlets bearing a newly-created "Red Hot Bargain Centre" branding were opened at Kuantan, Cheras, Segamat, Malim and Kota Bharu to sell used furniture and electrical products.

With these new stores up and running, the Malaysian retail network consisted of 79 stores at the close of the financial year on 31 March 2004. These frontline retail operations are supported by a comprehensive warehousing and distribution system comprising 17 warehouses strategically located throughout the country.



■ The newly renovated Cheras store received positive customer response

NETWORK DEVELOPMENTS CONTINUED FROM PAGE 13

At the same time, the Company continued to invest in its equally important rollover programme to renew and upgrade existing Courts Mammoth stores. Older stores were reviewed and renovated to improve store ambience and efficiency with the ultimate aim being to enhance the customer shopping experience. 10 stores - Cheras, Setapak, Kuala Selangor, Nilai, Kuala Pilah, Port Dickson, Ipoh, Bukit Mertajam, Sungai Petani and Kuching - were refurbished and given a new look.

Over in Indonesia, PTCl added three new stores at Pandaan, Pare and Mojokerto so that by the close of the financial year on 31 March 2004, the Indonesian retail network had of a total of 27 stores. Network expansion will be accelerated so that the company can achieve economies of scale and quickly return to profitability when the Indonesian economy recovers.



■ New concept in merchandise display draws customers' attention to best buys



THE YEAR IN REVIEW

MERCHANDISING ACTIVITIES

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Consumer demand in the Malaysian market showed encouraging signs of recovery in 2003 and in line with this positive trend, Courts Mammoth stepped up its merchandising activities to capitalise on growth opportunities across a wide range of products.

Sales of electrical products in the year under review increased by 20% in spite of tough competition from established retailers and new market entrants in Malaysia.

Audio-visual products, primarily televisions and hi-fi equipment, remained an important part of the electrical product mix contributing significantly to total sales. White goods such as refrigerators and washing machines in particular, showed impressive gains in market share. Further growth was also achieved with new product introductions such as projection TVs at mid-price points, home theatre systems, air-conditioners, domestic land-line telephones, lightning isolators and several

new products sold under the Akita name, a house brand of the Courts Group.

Close collaboration with suppliers is an essential part of the retail industry and Courts Mammoth remained committed to developing the market for consumer electronics working with the world's top brands such as Sony, Panasonic, LG and Samsung. Courts Mammoth was the largest buyer for most of these brands.

New concepts in merchandise display were introduced at major stores to draw customer attention to the best buys. Prominently sign-posted as "This Week's Power Buy" and "This Week's Star Buy", these solus display structures were erected at hot spots within each store to maximise sales potential for the designated electrical and furniture products on offer. At flagship stores such as Setapak and Cheras in Kuala Lumpur, aspirational lifestyle elements were introduced



Aspirational lifestyle elements were introduced to reflect a more modern outlook at Setapak and Cheras

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