

April 2003

WATSON

No.57 A.S. Watson quarterly family magazine

Is perfume just expensive air?

ASW brings Cliff Richard to Hong Kong

Watsons Water Centennial Celebration

Badaracco collection launches in Hong Kong

THE PHARMACY THAT BECAME A GLOBAL RETAILER

175th Anniversary

2003

since 1828



1841



1871



2002

1981



1903



1886












1883

A.S. Watson

The retail and manufacturing group of
Hutchison Whampoa Limited



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Dear Colleagues,

This year marks another very special moment in our history with the celebration of the 175th Anniversary of the A.S. Watson Group.

Since our founding in 1828, we have certainly come a long way, growing from a local company with a few stores into a global retailer with 3,300 retail outlets and several proprietary beverage brands.

While we owe much to our entrepreneurial Group forebears, I am also very proud of the growth that we have experienced.

ASW is a company with a history of achievements and where many of us have built our life careers. In my time with the Group, I have seen many changes in Asia itself and certainly in our marketplace, which has become more fragmented and of course competitive. Europe is a relatively new addition to the company but early results are most encouraging.

All of our colleagues around Asia and Europe are to be congratulated on their continued performance. To stay at the forefront, we have to be more sensitive to change, and to respond to new challenges proactively and decisively.

During our long history, one thing that is remarkable has been our ability to stay individualistic rather than corporate. I believe that is one of the keys to our outstanding success and encourage you all to retain that unique individual spirit which makes this Group more responsive and immediate.

As we pause to reflect on our past success, let us not stop looking forward. In future, the Group will continue our expansion. We are continuously seeking new opportunities in markets like Belgium, Austria, Germany, South Korea, India and Indonesia.

I am proud to have a great team behind me, making such growth possible, and I thank you all for your continued dedication and commitment.



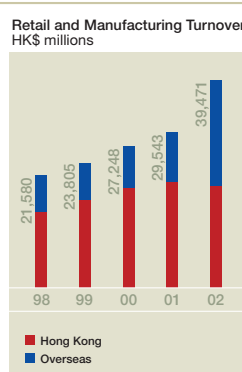
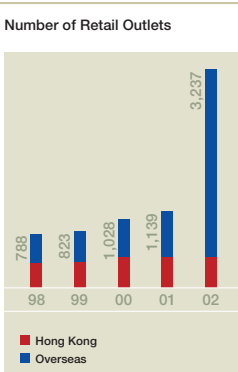
Ian F. Wade

Ian F. Wade
Group Managing Director

HWL Annual Results

Hutchison Whampoa Limited's ("HWL") consolidated net profit for the year ended December 31, 2002 amounted to HK\$14,288 million (approximately US\$1,832 million), an increase of 19% over the previous year. Excluding exceptional gains, profit attributable to shareholders increased by 44%.

Earnings before interest expense and taxation ("EBIT") were HK\$24,447 million, an increase of 13%. Earnings per share were HK\$3.35, an increase of 19%, with a total dividend per share of HK\$1.73, unchanged from the previous year.



period, the Group is focused on continuing the development of its existing businesses while laying the groundwork for future growth and value creation in its new 3G mobile multimedia telecommunication operations.

A.S. Watson Group, HWL's retail and manufacturing division, reported turnover of HK\$39,471 million, a 34% increase reflecting the increased turnover from the acquisition of the Kruidvat Group. EBIT at HK\$1,031 million was 92% better than last year, mainly due to profits contributed by the Kruidvat Group and improved results from existing operations.

For full results, see: www.hutchison-whampoa.com/eng/stock/investor2.htm

Powwow sold to Nestlé Waters

In January, Hutchison Whampoa and Nestlé Waters signed an agreement for the acquisition of Powwow from ASW for €560 million. The transaction is a result of a major review of ASW's European businesses, following its successful acquisition of the Kruidvat group, one of the largest health and beauty chains in Europe.

"Whilst ASW has decided to sell the Powwow business to focus on the expansion of its health and beauty retail portfolio in Europe, it will continue its Asian water and beverage businesses," confirmed Ian Wade, ASW Group Managing Director.

ASW first launched Powwow in 2000, helping build the brand into one of the leading players in the Home and Office Delivery water business in Europe. The closing of the transaction is subject to the usual closing conditions, including relevant regulatory approvals.



About A.S. Watson Group

With a history dating back to 1828, the A.S. Watson Group (ASW) has evolved into an international retail and manufacturing business with operations in 15 countries across Asia and Europe. Today, the Group operates over 3,300 retail stores running the gamut from health & beauty chains to its food, electronics, general merchandise and airport retail arms. An established player in the beverage industry, ASW provides a full range of beverages from bottled water, fruit juices, soft drinks and tea products to the world's finest wine labels via its international wine wholesaler and distributor.

ASW employs over 51,000 staff and is a member of the world renowned Hong Kong-based conglomerate Hutchison Whampoa Limited, which has major interests in ports, telecommunications, property, energy and retail with businesses in 41 countries.

Cover story

This issue's cover features the traditional Chinese characters for birthday celebration, ideally representing both our Asian history and our 175th Anniversary milestone. The image was taken from an A.S. Watson & Co. calendar from 1895. One of a long line of promotional calendars with descriptions of products and store locations, these calendars were distributed annually to suppliers and customers and are an exciting and interesting part of the company's archives. The milestone timeline on the cover updates some of the biggest moments in our 175 years of success from our founding in 1828. Let's continue this history of achievement in future.

- 1828 Canton Dispensary, the forerunner of A.S. Watson, opens in Canton, Guangzhou (southern China)
- 1841 Canton Dispensary extends its operation to Hong Kong, founding the Hong Kong Dispensary
- 1871 The Hong Kong Dispensary becomes A.S. Watson & Company
- 1883 A.S. Watson expands overseas to the Philippines; establishes a pharmacy and soft drink factory in Manila
- 1886 Certificate of Incorporation of A.S. Watson & Co., Limited issued on 19 January
- 1903 Watson's Water is established to provide the purest and healthiest water for consumers in Hong Kong and China
- 1981 A.S. Watson becomes a wholly owned subsidiary of Hutchison Whampoa Ltd.
- 2002 A.S. Watson acquires the Kruidvat group, significantly expanding its portfolio in Europe and making it one of the world's largest health and beauty retailers





ASW exclusively presented Cliff Richard in Hong Kong



Cliff collectible: The ASW-branded concert poster for the Cliff Richard WANTED tour

Three A.S. Watson Group (ASW) flagship brands, PARKnSHOP, Watsons and Fortress teamed up in March to present Sir Cliff Richard's Wanted World Tour in Hong Kong on 5 March at the Hong Kong Coliseum.

ASW's association with the Tour was a coup for the company, as even after 30 years, Cliff Richard remains one of Hong Kong's favourite superstars. The Tour was used as part of ASW's ongoing celebrations of its 175th anniversary in 2003 and presented an ideal opportunity for hosting important guests, suppliers and business partners.

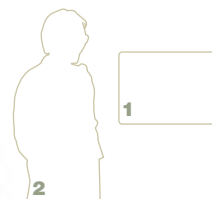
Before the rise of 'Canto pop', Cliff was one of a handful of international superstars taken to heart by legions of young Hong Kong fans, many of whom have grown up but not older, as they demonstrated by singing and dancing along at the concert. His fan base still remains strong as was proven in the PARKnSHOP Cliff Richard Wanted World Tour in Hong Kong advanced booking and ticket redemption promotions. All the tickets were snapped up within two weeks of the promotion's start.



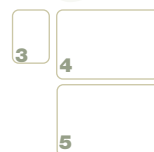
Cliff's performances have become famous for their striking stage celebrations of the eras through which he has progressed, incorporating both theatrical elements and a true rock and roll spirit. Cliff did not disappoint in Hong Kong either, playing over three magical hours of his hits and reconfirming his status as one of the true legends of pop music.

Some Group members, clients and guests also had the once in a lifetime opportunity to meet Cliff at a special private party thrown by the Group the night before the concert at the Harbour Plaza Hotel. Cliff was thrilled by the hospitality and even performed a few songs for guests on the evening.

The special pre-concert party and the concert itself were two smash hits for Sir Cliff Richard and the ASW Group in Hong Kong.



- 1 Ian Wade, ASW Group Managing Director, presents Sir Cliff Richard with a Chinese souvenir at the ASW private party.
- 2 Sir Cliff Richard sings a few songs at the pre-concert party.



- 3-4 Cliff works his magic at the Hong Kong Coliseum.
- 5 Cliff shows why he is still a fun favourite in Hong Kong.

Badaracco's Basso to wet whistle at wine world championships



Badaracco's Paolo Basso will represent Switzerland for the second time at the 9th World's Best Sommelier Competition in November 2003 in San Francisco. Basso also participated in the last world championships, held in Montreal in 2000, where he was named World Vice-Champion.

Basso outperformed 35 other Swiss sommeliers and successfully passed a series of examinations in the hall of the Grand Hotel Villa Castagnola in Lugano to again qualify. He fondly recalled "the moment when the jury announced my name to participate in the Final", as an unforgettable experience. "To be able to contest the World Champion's title has fulfilled my dreams," said Basso.

Following his Swiss success, Basso will begin an even more extensive preparation for the World Championships, spending as much as four hours each day studying. To be a world champion requires a comprehensive knowledge of viticulture, oenology, origin and wine legislation in all wine-producing countries, as well as a familiarity with all beverages and even produce like chocolates, olive oil, cigars and spices. Besides this practical knowledge, the sommeliers are tested for their ability in tasting, food and wine combinations, service, commercial sense and behavior under stress.

Wats On congratulates Paolo on his grape success and wishes him the best of luck in San Francisco!

Prestigious Badaracco Collection launches in Hong Kong



Watson's Wine Cellar, Hong Kong's leading wine retailer, has ushered in a new era in fine and rare vintages in the region with the unveiling of the Badaracco Collection. Paolo Basso, Badaracco's sommelier and one of the world's most acclaimed wine experts attended the launch in Hong Kong also (see related story above).

The Badaracco Collection features over 180 vintage and future wines (mainly Bordeaux and Italian). A major highlight of the collection is the range of wines in large 12L, 15L and 18L bottles. The Collection will be housed in state-of-the-art temperature controlled Fine Wine Rooms, alongside Watson's Wine Cellar's existing 300-plus vintages from the top Bordeaux Chateaux and emerging New World Classics.

Badaracco, a member of the A.S. Watson Group, is a Swiss-based international wine trading company. The largest company of its kind in the world, Badaracco uses 14,000 wine sources and boasts a 900,000-bottle collection spanning hundreds of years with vintages dating back to the 18th century.



900,000
bottle collection

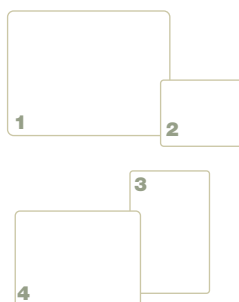
Watsons Water celebrates 100th birthday with “Year of Hong Kong Creativity” campaign



In 2003, Watsons Water is celebrating its 100th year of providing Hong Kong with the purest distilled water. Consistent with the company's innovative spirit, Watsons Water has launched a centennial campaign, a "Year of Hong Kong Creativity", to commemorate this milestone.

The campaign features the introduction of a new Watsons Water bottle label designed by well-known Hong Kong artists each month. The labels will incorporate the work of 12 local artists, using themes that capture Hong Kong's unique character. The label will also feature one letter each month that will eventually spell "WATSONS WATER". The 12 artists are Craig Au Yeung, Kwok Mang-ho, Ted Yeung, Freeman Lau, John Ho, Li Chi-tat, Mathias Wu, Ma Wing-shing, Lai Tat-tat-wing, See Man, Chi Hoi, and Edward Lam. The centennial bottles for January, February, March and April have been well received by the public with many enquiries about their availability.

Other celebratory activities included a Centennial Parade with 100 students and Watsons Athletic Club (WAC) athletes as participants. The parade was led by renowned WAC athlete Tang Hon Sing – Hong Kong Olympian and record holder in Men's 110m Hurdles. To extend its joy to the entire community, Watsons Water distributed 1,000 mini birthday cakes to passers-by at the parade.



- 1 (From left to right) Chris Atkins, General Manager of Watsons Water, Ian Wade, Group Managing Director of A.S. Watson Group, and Jon Rigg, Regional Managing Director of Watsons Water (Asia), officiate at a cake-cutting ceremony to mark the 100th Anniversary of Watsons Water.
- 2 Chris Atkins (centre), General Manager of Watsons Water, poses with Craig Au Yeung (right) and Kwok Mang-ho (left) – artists for the January and February Watsons Water Centennial bottles, at a media luncheon.
- 3 The Centennial Parade in Tsimshatsui features 100 students and WAC athletes marching down Salisbury Road to the great enjoyment of onlookers.
- 4 Members of the Watsons Water management team take a group photo at the head of the 100 students and WAC athletes parade.



PARKnSHOP China is the consumers choice

PARKnSHOP China was again named a "Consumers Most Favourite Brand Shopping Centre" in 2002. The accreditation is organized by the Shenzhen Consumer Council and Shenzhen Economic Daily and is a result of the annual Customer Satisfaction Survey. The Survey was conducted with more than 5,700 respondents from last September to February 2003. Finally 23 companies were selected for awards.

It is the third consecutive year that PARKnSHOP has received this award, symbolizing its high brand awareness and consumer acceptance in Shenzhen.



Iwan Evans, CEO of Food, Electronics & General Merchandise Division, proudly accepted the award at the presentation ceremony.

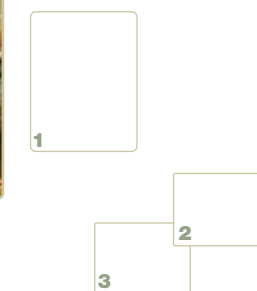
PARKnSHOP makes way for Noddy



Delighting children and pleasing adults, PARKnSHOP Hong Kong has launched special in-store "Noddy Toy Zones" during the Chinese New Year (February), featuring Noddy, the popular children's TV and book character. Noddy products include educational books and videos, plush toys, crayons, activity books, notebooks, stamp sets, photo albums, floor mats - and more.

"PARKnSHOP is proud to bring children this timeless favourite as we mark our first major push into the toy market and evolve from the traditional food retailing base on which we have built our reputation," said Peter Dove, PARKnSHOP's Regional Trading Director, General Merchandise and Electrical.

To celebrate the launch, life-sized Noddy mascots visited 15 PARKnSHOP stores for singing, storytelling and colouring with little Noddy fans.



- 1 Little Noddy fans showed their artistic talent in a colouring activity.
- 2-3 Noddy was a big hit with both kids and adults.

Mr. Juicy & Sunkist named 2003 “Superbrands”



Sunkist and Mr Juicy have been named as Superbrands in 2003 after passing a stringent selection process in terms of market share, history, reputation, consumer loyalty and above all, brand recognition.

Sunkist's credentials are clear. Its products have a healthy image which is widely perceived as a leading brand.

Meanwhile, Mr. Juicy is the clear leader in the Hong Kong chilled juice market. With the aim of providing quality and fresh juice to the public, Mr. Juicy revitalized its icon and packaging, introducing the loveable Orange Man to give the brand a warmer, livelier look. The promotion theme of "One Day, One Juice" encourages students to build up a juice drinking habit.

The listing is a confirmation of Mr. Juicy and Sunkist efforts to continually improve quality over the years, efforts that are undoubtedly bearing fruit.



Mr. Juicy promotes one-day-one juice

To help educate students and parents on the importance of drinking juice every day, Mr. Juicy organized the Mr. Juicy Produce Green Foundation Fun Day.

On 15 December 2002, nearly 200 students and their parents attended the Mr. Juicy Fun Day at Produce Green in Fanling. The visitors had the chance to play games and participate in different activities including a visit to the farm, bread-baking and paper-making.

The game session was especially fun, with Mr. Juicy playing and taking photos with the families. Together, the kids and their parents squeezed a lot of fun out of the Fun Day.



Mr. Juicy made a sun-sational appearance at the Fun Day...



...where he joined the families in squeezing a lot of fun from the day's activities.



Nuance-Watson reaches new heights in airport retail

Nuance-Watson Ltd has been awarded the significant General Merchandize Concession at the Hong Kong International Airport, along with six other specialty boutique concessions! The six new boutiques are: Bally, Boss, Bvlgari, Ermenegildo Zegna, Longchamp and Omega.



A jubilant Managing Director Alessandra Piovesana commented on the success saying, "This was the perfect way for us to start the year. I would like to thank all of the staff. We could not have achieved this without the dedication of everyone at Nuance-Watson."

Nuance-Watson is now ideally positioned to bring its plans for the new concessions to life, raising its total number of operations in Hong Kong to 29. Wats On congratulates Nuance-Watson on its outstanding success already this year.

Airport Customer Service Champion Award 2002

Recognizing outstanding achievement in customer service, the Hong Kong International Airport (HKIA) presents an annual Airport Customer Service Champion Award to nominated airport retail and service staff for their exceptional customer service. Five staff were nominated from Nuance-Watson for 2002. Congratulations to our champions!



Alessandra Piovesana, Managing Director of Nuance-Watson (middle), with nominated staff at the presentation ceremony (from left) Nataila Chan, Margaret Cheng, Walter Ho, Jeffrey Chan, Susanna Lee and Cheerful Ip.

Great tastes from Great Britain at Great!



Together with Trade Partners UK, the British Consulate and Food From Britain, Great Food Hall ran a month-long "Tastes of Great Britain" festival featuring British food tastings, cooking demonstrations and face painting for kids throughout March.

Each weekend during the festival, customers had the opportunity to sample a wide range of British food and beverages in a carnival style environment. Great taste, Great Britain and a great time at whereelse but at Great!



Children's Choir singing British folk songs at the opening.



Fortress demonstrates strong team spirit



Fortress staff show their team spirit in the Slogan and Lyrics Competitions.



Iwan Evans, CEO of Food, Electronics & General Merchandise Division, joined the meeting to show his support.

The Fortress Kick-Off Meeting 2003 was held on 7 January to set targets for achieving the "Fortress First in Digital" platform. Participants at the meeting included store managers, supervisors and other management staff. Iwan Evans, Chief Executive Officer of Food, Electronics & General Merchandise Division, also attended the meeting to lend his support to Fortress' colleagues.

One of the highlights of the event was the slogan competition during which Fortress' strong team spirit was demonstrated with staff cheering loudly the day's slogan "Fortress is number one in the digital era. We are the best team. We are invincible." Awards were also presented to the winners of the Slogan and Lyrics Competitions who were responsible for creating the meeting's catchy refrains.



Product ranges get room they deserve in new Kruidvat Formula

Even with a successful retail formula like Kruidvat's, there is always room for improvement. Further enhancing its offering, Kruidvat has opened a different type of store in Dordrecht in the Netherlands emphasising a leisure shopping concept. Since its opening, consumers have responded positively to the new concept which encompasses a wider range of products and more space for creative product presentation.

The Kruidvat District Manager Rob Delmée explained, "In the past the product range was widened without examining the consequences. Now, we are making a kind of blueprint from our experiences in

Dordrecht, so that we can create a new standard for Kruidvat stores."

New product groups have been selected according to Kruidvat's existing 'special offer' fast-moving goods formula, with consumables also selected so consumers return to the store for repeat purchases. The Dordrecht concept has major possibilities for further widening the Kruidvat product range. In future, products such as digital photography, electrical equipment and a wide range of textile products will also be offered creating new revenue streams and opportunities.



Superdrug opens super outlet in the UK

In March, Superdrug opened its newest store in East Kilbride, offering customers a retail format with unique initiatives that have been successful in Europe and Asia including zoning. The store will focus on offering East Kilbride customers the opportunity to get the best value health & beauty products and gifts.

Among the new features are mirrored wall displays for Medicines and Fine Fragrances. The Fine Fragrance counter service has also been replaced with an 'open sell' initiative, enabling customers to shop at

their leisure without purchase obligation. A new 'FoodZone' offers a wide range of food and beverages and confectionery and a one-hour film processing service is also offered.

Gerard Hazelebach, Managing Director for Superdrug said, "We are really excited about the many changes. Our customer feedback shows that there is a growing demand for different shopping formats and we need to be able to respond to these emerging propositions and adapt our store formats and products to meet changing needs."



New store openings



Watsons
Hong Kong
Mongkok



Watsons
Hong Kong
Hong Kong International Airport



Watsons
China
Beijing



Fortress
Hong Kong
Metropolis Mall –
Fortress Digital



Park'n Shop
Hong Kong
Ma Wan - Supermarket
Lai Chi Kok - Supermarket
Hing Wai Building - PARKnSHOP Express



Trekpleister
The Netherlands
Ridderkerk, Dillenburgplein 16-18
Tilburg, Buurmalsenplein 7-9
Hillegom, Hoofdstraat 87



Kruidvat
The Netherlands
Enkhuizen, Koperwiekplein 20
Volendam, De Stient 1b
Dordrecht (see story above)



Rossmann
Belgium
Merchtem, Nieuwstraat 7
Oostende, Torhoutsesteenweg 574



Rossmann
Czech Republic
Chomutov, Ruska 83



Rossmann
Hungary
Celldomolk, Széchenyi u. 2
Székesfehérvár, Varkapu u. 2
Bonyhad, Szabadsag tér 4

Celebrating the Year of the Ram

In Asia, Lunar New Year celebrations are important occasions for the entire family. As such, the theme of togetherness is extended into the working environment as well. In February, A.S. Watson Group business units throughout Asia gathered to celebrate the Lunar New Year together, enjoying sumptuous spring dinners and evenings of fun, laughter, prizes and awards.

Together we share the joy and hope of this festive season.



Hong Kong



Beijing (PRC)



Shanghai (PRC)



Thailand



Taiwan



- 1 Ian Wade, Group Managing Director of ASW, receives the 20-year Long Service Award from S.K. Chan, General Manager of Group Human Resources (middle). Joining him is Mrs Elaine Wade.
- 2 Team-building at the General Office Spring Dinner: who can create the longest length of cloth?

- 3 Gods of Wealth from our Manufacturing Division: Regional Managing Directors Jon Rigg (left) and Ricky Cheung
- 4 Andrew Miles, CEO of Health & Beauty Asia, introduces a new Watsons Leadership Programme – 008 Golden "I".
- 5 Staff Winners of the "Store of the Year Award"
- 6 The new "Cookies" (a group of female singers) featuring Ray Fung, Operation Director of Watsons Hong Kong, and other area managers.
- 7 The MC invites a staff member, Michelle, on-stage for an impromptu singing and dance performance.
- 8 Lucky draw winner with Stephen Lo, General Manager of Watsons, Northern China (left).
- 9 One of the evening's highlights was the staff drama performances.
- 10 "Work hard! Play hard!" – Iwan Evans, CEO of Electronics & General Merchandise Division, and his staff both work and play hard.
- 11 Watsons Shanghai staff wearing Chinese costumes to echo the evening's theme – The fusion of traditional and modern beauty.
- 12 The F4 look-alike (a famous group of Taiwanese singers).
- 13 Award presentation to store staff in Central Ladpro store for Best Performance Store of the Year.
- 14 Staff performances in the final round of costume contest.
- 15 Managers come on-stage to thank staff for hosting the great show.
- 16 "Do you recognize them?" Beautiful ladies in masks and costumes added to the entertainment and mystery of the evening.



Wise words from “Super” Staff

Positive Thinking

"No pain, no gain!"

Victor Tsang, Operations Director

Victor is a role model for all PARKnSHOP China employees. When colleagues seek his advice, Victor always offers clear, straightforward solutions that reflect his positive thinking. With extensive experience in the retail industry, Victor believes that the key to success in store strategy is market research.

Continuous enhancement

"A rule of thumb can only show the way. Thinking out of the box can direct your way out."

Henry Ng, of Operations & Training Manager

Henry is a seasoned Hong Kong expatriate with 25 years of retail experience in China. He has even trained most of the senior operation managers and store managers with PNS China today. At present, he is responsible for the Operations Administration & Training and was instrumental in driving the modification of cash and checkout systems, and many other areas, helping catalyse PARKnSHOP China's continued development.

High flexibility

"Flexibility is among the most important success factors in China."

Gloria Kam, Finance Director

Gloria is responsible for maintaining a very strict accounting policy at PNS China and her sharp detailed mind helps ensure all requirements are met. On the other hand, Gloria knows that she also needs to incorporate flexibility in her daily operations in order to maximize efficiency. The fact that PNS China is a small company with minimal hierarchy facilitates more direct communications between departments.

Non-stop breakthrough

"Try our best without regret!"

Vincent Wai, Supply Chain Manager

PNS has been operating a Central Warehouse at Shenzhen for five years, bringing tremendous benefits to the business. According to Vincent, PNS was among the very first supermarkets in China to keep stock in a central warehouse, while other competitors were keeping theirs in store backyards. With the introduction of cross-docking, delivery lead time has been reduced dramatically from 7.8 days to 2.3.

Planning

"When you fail to plan, you plan to fail!"

Alan Han, Operations Manager

Used to making three store visits in one day in Hong Kong and Taiwan, Alan is now challenged by the greater travel distances in China as well as the significantly larger store sizes. Alan's ability to carefully plan means that PARKnSHOP's continued growth in China will be well managed.

Patience

"Local colleagues are eager to learn and will follow instructions step-by-step."

Victor Yuen, Operation Manager

In Victor's eyes, every individual is different but motivation appeals to all. The industry in China is still developing and most of the procedures and policies are new to the staff. According to Victor, time is a critical factor to success in retail. Being able to develop within a short period of time and continuously upgrade the service quality is what makes PNS China different. Victor also believes that coaching and mentorship is key to this process.

Words from our mainland colleagues

Job satisfaction

Jia Heng-long, Fresh Food Buying Manager

"I am proud to work for the world's most successful Chinese businessman, Mr Li Ka-shing. I feel that I am highly respected in the company and there is a lot of room for self-development. There is a high level of autonomy in PARKnSHOP and it provides a good base for me to negotiate better terms for goods."

Support from management

Susanne Liao, Administration Manager

"In China, the licensing process is very complicated and a number of government departments are involved. It is a big challenge for the Department to strike the balance between complying with government policies, gaining government support and ensuring the company's interests. The management's full support and delegation of authority allows me to deal with the Government efficiently. I would like to express my gratitude to Mr Evans for his support in the past years"

Revolution vs tradition

Jenny Hon, Store Design Manager

"During the last phase of construction for the first Megastore at Jin Tian Garden, a geomancer advised us to place a pair of statues at the entrance to attract more business. This posed a challenge because we were concerned that the statues would spoil our contemporary design and harm the image of our flagship store. We did not want to avoid local tradition, but needed to find a balance. On opening day, the pair of statues we finally chose attracted lots of customers; some were even taking photos with the statues." 

Let's meet the Miracle Team



The PNS China Management Team (from left): Sally Zhao, Jessy Qiu, Jenny Han, Michael Chen, Chen Ze-jun, Cathy Zhang, Wendy Zhang



Dollars and Sense: The PNS China Buying Management Team (from left) Jackie Li, Peter Yu, Jia Hang-long, Soff Zhang, Joanna Chen, Connie Zhang, Monique Ederique, Diana Deng, Yvonne Han, Dominic Wong, Mason Wu



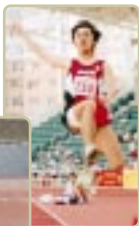
The PNS China Operations Management Team (from left): Francis Yeung, Victor Yuen, Victor Tsang, Angus Yip, Henry Ng, Tang Kwok-hung



Expatriate echelon: Original PNS Hong Kong Staff in China (from left): Sallus Wong, Francis Yeung, Vincent Wai, Gloria Kam, Dominic Wong, Victor Tsang, Henry Ng, Pauline Tsang, Angus Yip, Jackie Li, Sylvia Tse, Marvin Law, So Wai-ling, Tang Kwok-hung and (front) Victor Yuen

ASW Group Sportsman Gathering

family matters



Award winners share their joy with Group management. Back row (from left): Lai Wai-man, Mick Wong, Cheng Hin. Front row (from left): Ron Lam, Anthea Li, Dominic Wong, Abe Cheung, Tang Hon-sing, Kenny Lo, Chang Yu-ho

To acknowledge the outstanding achievements of ASW Group sportsmen and women and continue encouraging employees to actively participate in sport, the A.S. Watson Group Sportsman Gathering 2003 was held on 9 January at the Harbour Plaza Hotel. Over 100 guests attended the event, including the ten recipients of the ASW Achievement Awards and Sports Scholarships. (Also refer to the Sportsman Scholarship Diaries on p.18.)

Sports Achievements in 2002

HWL Group Sports Competition	
Sports & Family Day	Overall Champion (763 points) Medal count: 38 gold, 16 silver, 15 bronze Individual champions: men's open, men's senior, men's veteran, ladies' New records: 3
Basketball	Men's Team 1st Runner-up
Bowling	Ladies': Team Champion (4th consecutive year) Individual Champion, Individual Highest Pin-Fall per Game Men's : Team 1st Runner-up

Other Corporate Sports Competitions	
HSBC/ Standard Chartered Bank Invitation Cross-Country Run	Men's Team Champion
Standard Chartered Hong Kong Marathon – Corporate Challenge (10 Km)	Men's Team Champion
Corporate Games – Track & Field Competition (organized by government's Leisure and Cultural Services Department)	Overall Champion Medal counts: 14 gold, 5 silver, 4 bronze

The secret of PARKnSHOP China's four-year miracle



With the help of a professional team of young managers and the flexible adaptation of the business model for changing market conditions in China, PARKnSHOP (PNS) grew to become a leader in food retail in southern China in the four years since 1999. *Wats On* talked to the team to find out the secret of their four-year miracle.

Since 1999, PARKnSHOP has successfully adapted its business model for the challenging China market, and effectively re-positioned itself to attract record numbers of store visits through streamlining and consolidation of its existing stores.

A revolution in three phases

1984-1999: market penetration

After cultivating a strong market position in Hong Kong over eleven years of operations, PNS first made the decision to expand its operation across the border in 1984 with the opening of a Hong Kong style supermarket in Shekou. The small store was limited to providing basic daily necessities for citizens in the immediate vicinity. In an effort to further penetrate the market, store openings continued progressively over the next decade. By 1999, there were a total of 50 stores located across southern China.

1999: The need for change

With the completion of the first phase, results were still not as envisioned. Among the challenges for PNS was the fact that, according to Iwan Evans, CEO of Food, Electronics and General Merchandise Division, "The retail market in mainland China significantly differs from that of Hong Kong. Our competition is of wider scope in China with competitors coming from all over the

world. In that sense, I would say that the market is much more sophisticated."

In this market, Evans noted that the need to "break new territory" was vital. Hence, the business model which had proven so successful in Hong Kong and Taiwan would have to be completely re-vamped, with the adoption of a unique model for the China market.

As Victor Tsang, Operations Director for PNS China, would often say, 'no pain, no gain.' To successfully re-position PNS in the China market meant the closure of several stores. "It was a painstaking decision for us to close 30 stores in a short period of time during 1999, but, luckily, it proved to be the right one," recalled Tsang. The expertise of PNS China's veteran staff was then combined with the local nous, energy and exuberance of the mainland staff in meeting the new challenges. The result was the opening of the first ever PNS Superstore in China in Guangzhou and the beginning of the four-year miracle.

The great leap forward: the birth of the Superstore

"Guangzhou was our first Superstore in the China market. The store concept came from Hong Kong but had to be adapted for the needs of our market. The launch had a great impact on Guangdong citizens and helped increase our sales," said Evans. The market

PARKnSHOP in the old days.....



warmly accepted the Guangzhou Superstore, "Customers were queuing up outside the store for 20 minutes to get in. It was unbelievable that such a phenomenon could persist for three consecutive months from the store opening. All the staff were excited to be one of the team members to create such a miracle in China's retail market," he added.

The opening of the Jin Tian Garden Megastore in Guangzhou in 2000 marked another progression in PNS China's development as it was the first time in company history that a store concept had fully originated from a specific China model to meet local market needs and expectations.

"By that time, we had performed thorough market research on consumer attitudes and buying habits. The Jin Tian Garden store reflects the information gleaned from these surveys," noted Tsang. Spacious, with a comfortable one-stop-shop environment, the Jin Tian



Garden layout is clear, with its thousands of products (90% of them sourced from the mainland) differentiated by thematic zoning, and greatly appeals to the Chinese consumer.

100 flowers in bloom

Today, the number of PNS stores in China is again on the rise, with nearly 20 stores already becoming a vital and trusted partner in their communities. The results speak for themselves with PNS China weekly store visits growing an amazing of four times since 2000. Today, nearly one million people visit their neighbourhood PARKnSHOP each week.

Looking back on the past four years, Evans is "proud to see the increasing popularity of PARKnSHOP's self-serviced, discount department store format amongst Chinese consumers."

It is a well-placed pride, as PNS China doubled its business last year over 2001 and is again creating a strategy for increasing expansion, this time one that is locally-inspired and driven to ensure maximum reception in the China market. "This year, we are planning to open ten more stores in China and to double the size of the company as well as our business over last year," projected Evans.

Dedicated team makes miracle possible

So what is the secret behind this four-year miracle? Intelligent, professional and dedicated staff committed to working as a team for the greater good of PNS on the mainland.

It is a belief expressed frequently in PNS China circles. "All the miracles of PARKnSHOP China can be attributed to the staff. The strong team here helps me create success stories again and again. I am so glad to see their achievements and the smooth operations among all departments," said Angus Yip, Engineering Manager and Pauline Tsang, Property Manager.

This is echoed by Training Manager Sally Zhao who sees the unique cultural mix of PNS China staff as a key factor behind the success.

"Although our staff is a mix of locals, overseas expatriates and Hong Kong colleagues, we work together as a family. We respect each other. This helps create a harmonic working atmosphere. Even though we communicate in different languages, we do not see any barrier because of the friendliness and consideration of everyone."

The strong sense of team spirit can be felt around the company from front-line to back-office. Jackie Li, Buying Administration Manager, is another who believes that PNS China's success can be attributed to the mix of Hong Kong and Mainland staff. "The China culture favours collectivism, but Hong Kong people pursue individualism more, the blend of these factors has created a powerful synergy for the company."

It is this talented creative synergy that has effectively re-positioned PNS in the world's largest market and has the company shopping for even greater success in 2003 and beyond.



Scent-sational

"This issue's Europe Focus article is written by Miek Vercouteren, Managing Director of ICI PARIS XL Belgium."

Is perfume just expensive air...

Not for ICI PARIS XL stores in Belgium and the Netherlands, where the concept of a perfumery store with only luxury brands is extremely particular...

Europe's sophisticated market means that the largest category of products sold in the luxury and beauty category is perfumes and fragranced products. Sales of perfumes and fragranced products account for more than half of total sales; treatments (including sun-care products) constitute 30%, and make-up and accessories the remainder.



Or the delivery of a dream?

The essence of the popularity lies in the mysterious role of perfume, which reflects a very personal need, desire or dream. Manufacturers try to respond to this - which is never an easy job. In today's fragmented scent market, it is more difficult than ever before to launch a perfume that will last and become a classic scent. Many perfumes fail because there is more marketing than feeling involved, which customers can sniff out very easily. If the concept does not fit or does not have the ability to carry the right message or feeling, it simply will not sell. But, when a perfume has the ideal message or

dreamy essence and is also presented in the right way, it becomes an instant and magical success.

The pride of perfumeries

The perfumery ICI PARIS XL is reaching out to help manufacturers by creating an excellent platform where newly introduced perfumes can blossom. The secret is in the service. When an ICI PARIS XL customer wants information about a new product, they are never overwhelmed by too many assistants or choices. Instead, the beauty consultant guides the consumer through the different possibilities to fit their exact desires, character, skin-type and more.

This individual philosophy is one of the reasons why ICI PARIS XL is still growing strong in Europe. With more and more people feeling lost in the so called open-to-sell stores where customers can sample everything and only interact with staff when they pay, there is a need for treating a personalized product like perfume with personal assistance. This concept is being successfully revived at ICI PARIS XL.



First founded in Belgium in 1969, ICI PARIS XL means 'this is Paris'. The name symbolizes the Paris train trips taken by founders and

merchandisers to buy their perfumes at famous stores like Galleries Lafayette, Printemps and Samaritaine. XL refers to the location of the first shop in Ixelles (pronounced 'XL'), a suburb of Brussels in Belgium.

A perfumery for the people

From the start the main goal of ICI PARIS XL was to make available the broadest offering of prestigious brands in the beauty-world at a price and retail style accessible by everyone. Research indicates that about 82% of customers are female; however, men account for about 25% of total purchases, often buying for a significant other. This meant a new approach towards the traditional perfumery shop concept. Instead of the exclusive 'luxury behind closed doors' tradition of high-end perfumeries, ICI PARIS XL literally opened its doors, making the shop an integral part of the high street.

Another aim was to offer the most luxurious products at a lower price, leaving an added good feeling of extra savings for the customer while fulfilling the *raison d'être* of the world of perfume and beauty which promises the fulfilment of a dream to look and feel better. To ensure this sense of satisfaction was effectively distributed to the customer, every front-line beauty advisor, no matter how experienced, received a profound training which helped them instill positive practices which will last them throughout their careers.



Like the perfect parfum, these attractive ingredients were marketed with a distinguished and discerning style through "There's always something going on at ICI PARIS XL" promotions and events which

help bring the shops to life for the customer. Promotional success continues to this day, with every conceivable occasion and sales technique used to bring happiness to its customers.

The smell of success

As a result, ICI PARIS XL today enjoys 45% market share in Belgium and nearly 30% in the Netherlands - only 6 years on from its introduction. The formula has proven its success!

So what are the fashionable men and women of Europe wearing these days?

The largest and most popular brands sold at ICI PARIS XL are Dior, Lancome, Chanel, Armani, Estée Lauder, Clinique, Sisley and Yves Saint Laurent. Next to these and a few other exclusive brands, ICI PARIS XL carries its own popular accessories



collection, ONLY YOU, which offers a large choice of colours in basic make-up (e.g. 140 shades of lipstick) and is by far the largest brand in the nail-lacquer category.

What about those hard to find items?

On average, about 16,000 products are carried at ICI PARIS XL, 30% of which are new or introduced within the previous year, making ICI PARIS XL a convenient one-stop shop for beauty. Of these 16,000 products, 4,000 are fragrance products, representing about 800 different styles! With upwards of 150 new fragrances launched each year, the challenge for ICI PARIS XL staff is to pick the latest winners.



ICI PARIS XL's house magazine "ONLY YOU" keeps customers abreast of the latest beauty news.

ICI PARIS XL provides some buying tips to help you develop a sense for scent and find the secret to unlocking your hidden beauty.

- Never try more than 3 different fragrances at one time. Human capacity to smell and evaluate perfumed alcohol correctly can be easily saturated after only a few scents. Trying more than three fragrances will confuse your sensory system making the choice too difficult and leading to the purchase of unwanted products.
- Ask to have it sprayed on the inside of the arm or wrist.
- Do not rub in the applied perfume. The alcohol has to dampen naturally from the skin.
- The scent of perfume typically develops in three phases:
 - Top note** : the first smell, that disappears after a few minutes
 - Mid note** : this scent will last from 10 to 30 minutes.
 - Base note** : the basic perfume that lasts for a few hours.
- Take the time of dampening of the alcohol into account, which differs according to the various types of fragrance:
 - Perfume or Extract (96° alcohol)
 - Eau de Parfum (90° Alcohol)
 - Eau de Toilette (80° Alcohol)
 - Eau de Cologne (60° Alcohol)
- The more alcohol, the longer the perfume lasts!
- The best places on the skin to perfume are the wrists, behind the ears, the back of the knees and between the breasts.
- Never use dark coloured fragrances on your clothes.
- If you are going for a gourmet dinner where high-quality wines are to be served, do not use a heavy perfume.
- For every moment there exists the ideal fragrance: working and socialising are different, even though they can both bring pleasure. It is suggested to vary your perfume for your different activities.



Sportsman Scholarship diaries

The A.S. Watson Group (ASW) has become one of Hong Kong's most competitive companies, and not just in the boardroom, as many ASW staff have recorded significant sporting achievements over the past decade.

To encourage this tradition of athletic success and to support those athletes who represent Hong Kong in international competitions, and thank them for their commitment and effort, ASW offers annual scholarships with 2-week paid leave for training as well as financial subsidies to its most promising company athletes.

This team-focused attitude not only ensures ASW's continued success in the sporting arena, but continued cooperation towards achieving targets and goals in the workplace. Last year, three ASW scholarship winners travelled together to the Beijing University Sports Training Centre in December for some elite instruction on how to further improve their promising performance. Let us share their experiences.

By Lam Sau-kwan, Cheng Hin, Wong Kin-on

"When we found out that we were being sent to the Beijing University for training, we were happy and worried at the same time. Happy because we were grateful to the company for giving us this chance to go to China – the greatest sporting nation in Asia – to pick up new techniques. Worried because the sub-zero temperatures of the Beijing winter would make training extremely demanding. However, since the company had kindly made all the arrangements and invested a lot of time and money, we were determined to give it our best shot and in the process improve the level of our performance."

It was one of the coldest winters in Beijing ever....

Lam Sau-kwan, Watsons Athletic Club – Administration Assistant

"The local athletes were very friendly and gave me a lot of encouragement. When we trained together, they often gave me pointers on ways to improve and after training we would always gather together to play soccer, basketball or badminton."



"My trip to Beijing was beneficial, not only in terms of my physical training, but because it also gave me a great opportunity to learn and practise Mandarin. The techniques I have acquired in Beijing will go a long way towards helping me improve my performance. I would like to take this opportunity to thank the company, Mr Wade and our Group Human Resources colleagues who helped make this trip a resounding success!"



(From left) Cheng Hin, Lam Sau-kwan, Wong Kin-on

Cheng Hin, Citrus Grower International – Sales Supervisor

"The daily training sessions – one in the morning and one in the afternoon – were tough and tiring, but we were given ample rest and our bodies gradually adapted. We rose at around five every morning and did our morning runs in the wind and snow. The physical exertion was tremendous and our fitness levels greatly improved. After every run we were covered in snowflakes."

This trip was also of great benefit to me in terms of getting advice from the professional distance running coaches at the University. I would like to thank the company and the Group Human Resources Department for making this trip possible."



Wong Kin-on, PARKnSHOP China

"In the two weeks I was in Beijing, never once did I go to the Great Wall or the Forbidden City – all the time were dedicated to our training. The training focused mainly on stamina, fitness and sprints. Cheng Hin and I had to run around the slush-covered tracks in the falling snow. Despite the cold, we were soaking in our own perspiration."

Even though we did not get the chance to visit the Great Wall, we did visit a ski slope twice, so learning to ski was a serendipitous reward of this trip! After the skiing, we also joined the coaches and the rest of the training team in a sumptuous meal."

"My thanks to all who were involved in the organization of this wonderful programme."



Long Service Awards recognize staff efforts and loyalty

Earlier this year, more than 400 ASW employees who have served in various operations from 10 to 40 years were presented with Long Service Awards.

Wats On talks to some colleagues who have been with ASW for 25 and 40 years to share their special stories from years of hard work and dedicated service to the company.

Peter Voerman

Accountant, ASW Health and Beauty Continental Europe

(previously Kruidvat Holding)

On 1 March 2003, Peter Voerman celebrated his 40th anniversary with the company, having started in 1963. "In those days, we didn't have a computer. We entered the data ourselves on punch cards and then took them to IBM. This could only be done at night, after the IBM production was finished. If the production failed, we had to start all over again until we were kicked out by the day shift."

New challenges

Over the years many new stores and formulas arrived. "Because I always had different work within the company, and new challenges, I was able to grow. However, store administration has always remained the same: it's about turnover, margins, shrinkage (loss of stock) and labour costs. In fact we had a shrinkage work group (we call it a Task Force now) 25 years ago."

Corporate philosophy

Peter was always at the heart of things: "We had to keep studying to get anywhere, which is what I did for 23 years. I always encouraged my people to continue their studies in order to extend their personal and professional frontiers."

Personal approach

The fact that he has been employed with the same company for 40 years is not only due to the exciting new challenges, "This company has remained a real family business, with a personal approach. That is something I have always liked. You were proud when each job was successfully completed."

Leisure time

Peter and his wife are heavily involved in volunteer work. "My motto is: help others. And my definition of volunteer work is: if you do something for somebody else, you will keep mischief at bay and you will see the world in a very different light. You may only give a little, but you get a lot in return."



“ Administrative techniques may change, but the goals remain the same. ”



Kong Kam-po

General Manager, Shanghai Sparkling

Kong Kam-Po, or "Uncle Po", has worked for Watsons for 40 years, starting as a factory errand boy before advancing to Group Leader, Production Supervisor, and Plant Manager. In 2000, he was appointed the General Manager of Shanghai Sparkling and Beijing Watsons Water.

Turning point

Uncle Po joined the company's food production plant in 1963. After a few years he was offered a promotion to Group Leader.

"I was worried that I wasn't up to the job because of my insufficient industry knowledge," he said. "So I rejected my superior's good intentions. However, after he scolded me for having no confidence and for giving up without trying, I accepted the position."

An unforgettable experience

His most unforgettable experience occurred years ago. There was a breakdown in communication between the newly appointed Operations Manager and the production line, resulting in insufficient stock to meet orders. To meet the one-day deadline for delivery, Uncle Po, then Plant Manager, rallied the workers on the production line to work through the night. A few thousand crates of distilled water were delivered on time the following morning. The team spirit of his workers touched him deeply. "I hadn't expected them to say yes."

An appreciative boss

Uncle Po is indebted to his colleagues, superiors and family for their help and support, especially his former boss Yeung Shun-tuen and Ian Painter, who first recommended him



“All I said to them was, ‘Can you work overtime through the night for the sake of the company?’”

for the Shanghai posting. "In 1990, I was troubled when I knew that an expatriate would be my new boss, I was afraid that I would not be able to communicate with him because I was not fluent in English." Uncle Po wanted to resign but with Yeung's encouragement and his own persistence, he overcame the difficulties. "I tried learning English by having conversations with my children and applying what I learned in daily life. Also contributing to our improving relationship was the fact that Ian was very open-minded and listened to other people's opinions not just with his eyes and ears, but also with his heart."

Life motto

Uncle Po insists on leading a life guided by "conscience, honesty and fairness". He recalled that since starting out on a wage of HK\$6 a day he had never asked for a raise. "All my bosses have been kind to me. They rewarded me for my performance and I had been paid a fair salary."

Enjoying life

A music lover, Uncle Po plays the *erhu*, *sanxian* (Chinese stringed instruments) and violin. He also likes singing Cantonese opera. After he retires in May, he plans to spend more time with his five children, travel around the world, and enjoy his life.



Uncle Po worked in the first Watson's Water factory in To Kwa Wan (pictured above), which was later moved to Kwai Chung before finding its current home in Tai Po Industrial Estate.

Long Service Awardees

KWOK Shu-kay

Service Operation Department, Fortress

Delivery is his trade; a smiling face is his hallmark. Kwok believes any product must be delivered not only on time, but also with a smile. He says: "The more impatient and irritable a customer is, the more patient and friendly we should remain. The trick is to communicate and to serve in a sincere and polite way." During his 25 years with Fortress, he cannot recall any row with colleagues. On the contrary, "my strongest job satisfaction comes from the



friendship with my colleagues. We would often get together after work, to dine out, play football or go on trips."

Chung Kwai-yau

Service Operation Department, Fortress

Chung, better known as "Mr Bald" or "Brother Sum", began his career with Fortress due to three simple reasons: big company, more holidays, and good benefits. After 25 years' service, Brother Sum has no problem in adding two more: job satisfaction and friendship. Deeds speak louder than words – that's precisely



the way he gets his job done. He thanks not just his colleagues, but also his family for their long years of faithful support.

Yip Kwok-hung

Service Operation Department, Fortress

"Big Hung" is in charge of maintenance work. As a technician, he is particularly sensitive to the pace of technological development. "There are so many kinds of domestic appliances these days. To keep up, we must stay informed and keep on learning." When things are not going too smoothly, Big Hung never forgets to take a break, go out and breathe some fresh air. The most important thing, he says, is to assume a sincere and positive attitude.



During his 25 years with Fortress, Big Hung found that the teamwork and the co-operation between colleagues is incomparable.

Chan Goom-lam

Service Operation Department, Fortress

Chan is famous for his efficiency. Our "Mr Speedy", as he is called jokingly by his friends, has gone from the age of television to the latest trends in home cinema. Every new appliance brings with it a new challenge and new fun, Chan believes. Recalling how hard he must study to handle new appliances, he admits, "It's rather stressful. The only way is to keep learning, gathering information and asking for advice."



Blessed with a pleasant personality, Chan earns customers' goodwill easily. "Many years ago, I became acquainted with a customer after several repair visits. Since then, whenever we called on him, there were always sandwiches waiting for us. We were even asked to have dinner together."

Chan Cheong-tam

Service Operation Department, Fortress

"Uncle Chan" is responsible for delivering such appliances as air conditioners and water heaters. Besides minding his own business with dedication, he is always available to comfort any frustrated colleague. While Uncle



Chan's pet phrase is "Tomorrow will be better", he treasures every day he spends with his colleagues.

Tse Yen-cheong

Warehouse and Distribution Department, Watsons Hong Kong

As supervisor of a delivery team, Tse enjoys the fun of delivery work because it constantly exposes him to new experiences and widens his horizons. At times of frustration, he will stay calm and turn to his superiors or more experienced colleagues to work things out.

Feeling indebted to his supervisors and colleagues for their unfailing support, he is delighted to receive the long service award.



We are proud of you!!





Dehumidify your home this Spring

Source:  Fortress

The humid weather of the spring season can sometimes bring discomfort to many homes. Here are some tips for you to enjoy a refreshing and comfortable springtime.

Dehumidifying capacity

If you have a large house or your home is located in a humid area like on the seashore or hillside, it is suggested to choose a dehumidifier with larger dehumidifying capacity. For a 100 sq ft room, dehumidifying capacity of at least 10 liters per day will be sufficient. In addition, you may also consider selecting some of the latest models which are equipped with humidity control devices. When indoor humidity reaches a pre-set level (average of 50%) the dehumidifier will stop automatically to maintain a stable and pleasant environment.

User-friendly drainage system

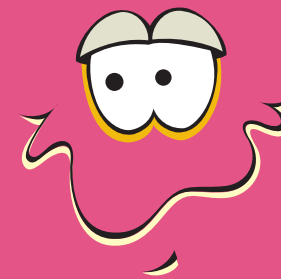
Those living in humid areas may choose dehumidifiers with larger water tanks so they have to drain the water tank less frequently. To prevent water overflow from the tank, it is recommended to select models with overflow protection lights or alarm devices. If you need to operate a dehumidifier for a long period of time, models with drainage systems are more suitable.

Multi-functional dehumidifying

To cater for local needs, new models are equipped with a laundry function. Continuously operating the dehumidifier at a high velocity can provide an effective laundry effect, filtering impurities from the air. To ensure a fresh air supply, filtering screens can effectively remove bacteria and hazardous elements.



Dehumidifier



Fun Fun Fun



Ha! Ha!



The Stud Farm (Contributed by Wong Chi Wa, Watsons HK)

A couple was visiting a stud farm and the stud farm owner was showing them a few special boars.

The first boar they came across was a bronze medal winner, who could mate once every other day.

On hearing this, the wife gave her husband a sharp look and snapped, "What have you got to say for yourself!"

The man said nothing and hung his head in shame.

The second boar they were shown was a silver medallist who could mate every day.

The wife gave her husband a long, cold stare and in a loud voice exclaimed, "What have you got to say for yourself!"

The man again said nothing and hung his head even lower.

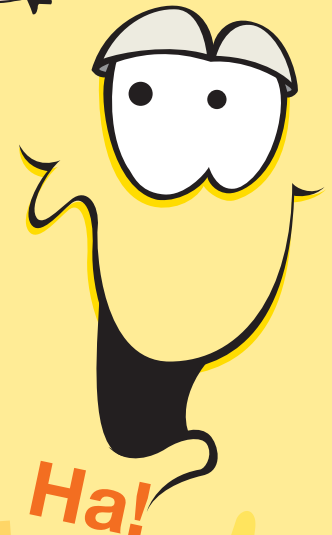
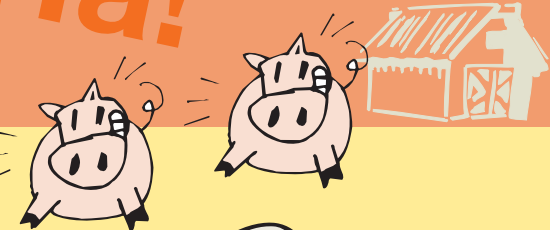
The gold medallist was next. He fully deserved his gold medal because he could mate two, three, four and even more times per day.

The wife was livid and screamed at the top of her voice, "What have you got to say for yourself!"

The man's head could go no lower. Then in a small voice he asked the stud farm owner, "The bronze medal, the silver medal and the gold medal boars - do they always mate with the same sows?"

The stud farm owner replied, "Of course not! They would mate only if they have different partners each time."

The man turned and smiled at his wife. Then, in a full-throated, masculine roar, shouted, "What have you got to say for yourself!"



Ha!

Ha!

Perfect Vintage

A customer complained, "Why is there a strand of white hair in my glass of wine?"

The waiter replied with a smile, "That, sir, proves that our vintage is aged to perfection!"



Looking for laughs

Heard a funny joke? Send it in to **Wats On**. If you can make us laugh, you'll be smiling. If your joke is printed in the magazine, you will win a HK\$100 gift certificate or a gift of an equal value.

(Email: WatsOn@asw.com.hk or Fax: 852-2608 8409)

The Silent Treatment (Contributed by Szuwina Lee, PARKnSHOP HK)

A man and his wife were having problems at home and were giving each other the silent treatment.

This had gone on for several weeks when the man realized he would need his wife to wake him up at 5:00 am for an early flight to Sydney.

Not wanting to be the first one to break the silence, he finally wrote on a piece of paper, "Please wake me at 5:00 am."

The next morning the man woke up only to discover it was 9:00 am., and he had missed his business flight.

Furious, he was about to go and see why his wife hadn't woken him, when he noticed a piece of paper beside his bed.

It said in big bold, black print...

"IT'S 5:00 A.M., WAKE UP!!!"





A challenging but fulfilling experience...



◀ The Standard Chartered Hong Kong Marathon is an annual international road race in Hong Kong. Its exciting city route attracts over 18,000 local and overseas runners every year.

▼ The start of the race was officiated by Hong Kong SAR Chief Executive Tung Chee-hwa (4th from left).



The Hong Kong Marathon 2003 was held on 16 February. The Group sent two teams to take part in the 10km Corporate Challenge Team Race. The competition was ferocious with over 18,000 participants, but our teams gave their best and excelled against other very strong teams.

After thorough preparation, our marathon men went all out to give the race their best shot. But what was running through their minds after the race? Let's hear THEIR STORIES.

A.S. Watson Group Team B : Champion



Cheng Hin (1st right) came third in the individual 10km race

Cheng Hin, Citrus Grower International – Sales Supervisor

The Hong Kong Marathon was the ultimate test after the intensive training I went through in Beijing. The race started at 6:45am. As I was used to getting up very early during the past two months in Beijing, I actually arrived at the venue an hour early. Considering the number of runners, I knew my performance would be affected if I failed to secure a strategic starting position. The most taxing part of the race was obviously the last leg when the runners behind me tried hard to push ahead while my physical strength and speed made it hard for me to keep from dropping. Thanks to the Beijing training, I persisted and emerged as the second runner-up in the individual event and helped win the team championship for Watsons!

Lai Wai-man, HKWB – Sales Representative

This was not my first international marathon, but I treated it no less seriously. I spent more than three months preparing for the demanding race. Weather on the day was not really favourable, with the relative humidity reaching a horrific height of 90%. However, I still managed to be the 25th runner – among more than 10,000 (in the 10km race) – to finish. Not a bad result. I knew I owed my performance to months of harsh training. Next year, I am sure my performance will be even better.

Wong Kai-tung, PARKnSHOP Southern China – Merchandising Manager

This is my fourth year to participate in this event. It's not just a running competition but also a sports event famous in many other countries. As I remember, ASW has won the Team Champion in the corporate challenge race every year.

Fellow colleagues, let's keep up the good results !

Lai Chun-hung, ASW Group – Group HR Development Assistant

On Marathon day, I got up very early. If there was any sleepiness left when I reached the luggage area on Nathan Road, it was swept away by the sight of more than 18,000 runners vying for the best position at the starting point. I understood why they were doing so especially when I was stuck among my fellow runners shortly after starting. It was a tough race, especially the last 4km, with numerous annoying slopes and footbridges. Out of sheer will power, I managed to reach my destination, helping the Watsons team clinch the championship. After all was said and done, I was quite pleased with myself.

A.S. Watson Group Team A: 2nd Runner-up



Early morning smile from our runners: (from left) Mak Wing-yiu, Wong Kai-tung, Martin So, Lai Chun-hung

Chan King-wan, Watsons Hong Kong – Distribution Truck Driver

I arrived at Tsim Sha Tsui (starting point) as early as 5:30am to join the annual Hong Kong Marathon. We started our warm up routine once the Watsons team shirts were put on. The race kicked off at 6:45am. I was so thrilled when I knew we had won the team championship and I was the second runner-up in the 10km race. My mind is, however, already set on next year's Marathon and an even more ambitious target: to be No.1.

Mak Wing-yiu, PARKnSHOP Hong Kong – Warehouse Operations Manager

6:45am, 18°C, Nathan Road, Tsim Sha Tsui, 18,492 runners.... Among this horde of runners, I joined the exciting 10km race. The starting gun blasted and we started dashing towards the Golden Bauhinia Square (finishing point). All the way, I was reminding myself not to disappoint my teammates and dishonour my Watsons team shirt.

Martin So, ASW Group – Group Finance Director

It was challenging but fulfilling.

For a non-sportsman, the thought of having to run for more than an hour is prohibitive. At my age, would I collapse? Yet it was tempting to test myself to the limit. In the end, I completed the application form, still wondering if it was a stupid mistake.

The start was very eventful. I had never seen so many people lining up on Nathan Road at twilight. All were energetic and ready to go!

The first kilometre was relatively easy but the idea of another 9 km was disheartening. The Western Harbour Tunnel was a boosts for me. It was a unique experience to run below the harbour.

I had been forewarned that the section after the tunnel was extremely difficult but I did not realize it could be that exhausting to climb up the flyover. By the time I reached Central (last 2 km), I was so tired that I wanted to give up but I struggled on.

It was a breakthrough for an aged accountant. I was very honoured to be able to join the A.S. Watson Team. I have to thank my colleagues at ASW, especially Malina Ngai and Kenneth Leung, without their encouragement and support, I could never have completed the 10km run.

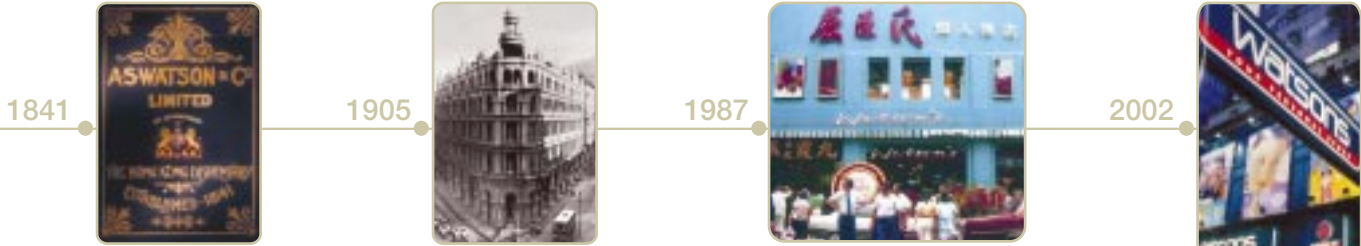
Mak Lin-nang, Watsons Water – Sales Assistant

I was very glad to be able to join in this annual event. I would like to thank my colleagues, my family and my friends for their wonderful support, without which my team would have never achieved such impressive results. I'm sure I will join again next year and give an even better performance.

Ho Chi-kong, Watsons Water – Distribution Forklift Driver

I was thrilled to take part in the 10km race. I was also honoured to be able to represent my company. I did better than last year, justifying the long months of tough training I had gone through before the race.





History of the brand

Watsons dates back to 1828 with the opening of the Canton Dispensary. The small dispensary was first founded as a clinic to provide free medical aid to the poor in Canton, and Watsons commitment to public health continues to this day. By 1841, the company had moved to Hong Kong where it was renamed the Hong Kong dispensary. Thirty years later, the Watson family leased the company to two doctors and thereafter trading was done under the name A.S. Watson & Company. A Certificate of Incorporation in Hong Kong was first granted to the company in 1886.

Achievements

Expansion has been rapid since the early 1980's when Watsons had just 9 stores in Hong Kong. Today, Watsons is the leading

Health & Beauty chain in Asia with close to 700 stores in 8 countries. Watsons most recently opened 80 outlets in the Philippines in 2002, joining its operations in Hong Kong, China, Taiwan, Singapore, Malaysia, Thailand and Macau.

Watsons' growth and continued success across Asia has established it not only as the leading beauty and personal care retailer in the region, but also as Asia's leading pharmacy chain – with around 400 pharmacy outlets providing heat care products and advice to their local communities.

Watsons product diversity is at the heart of its success with product ranges extending from prestige cosmetics to everyday toiletries, and from Pharmacy medicines to gifts, snacks, and fashion items. This unique mix gives Watsons a distinctiveness that consumers love and competitors find hard to match.

Recent developments

In recent years, Watsons has "reinvented" itself behind a proposition of helping customers "Look Good, Feel Great and Have Fun"! As well as its market – leading product ranges, the reinvigorated Watsons brand has brought a new bright, contemporary feel to its stores and has introduced unique programmes of personalized advice and counselling in Beauty, Health and Baby-care areas. These programmes, together with a continued drive for innovation in its core product areas are creating a new

generation of Watsons stores, all designed to cater for the changing Health & Beauty needs of modern Asia women.

Brand values

Watsons has defined its brand mission as "helping customers enjoy their lives more... by making a positive difference to their health, their looks and the way they feel".

To fulfil this mission Watsons builds on its heritage of innovation (in products and in store environments), of great value, and of caring and expert service. These values have always been at the heart of the Watsons brand, and are driving the way the brand is re-inventing itself to adapt to the changing needs of its customers and the challenges of its competition.

The strength of these core values remains as fundamental to the brand today as they have always been.

What you don't know about Watsons

- Watsons re-established its presence on the Chinese mainland through the opening of Watson's The Chemist store in 1989, ending an absence of more than 50 years.
- Watsons overseas expansion began in the 1880s when the company opened a soft drinks factory and a pharmacy in Manila, Philippines.

ASW proudly recognizes youth achievement

On 21 March, A.S. Watson announced its sponsorship of the SDB Outstanding Junior Athlete Awards 2003 in Hong Kong. The sponsorship aims to give support and recognition to youngsters who strive for excellence in sport. An initiative of the Hong Kong Sports Development Board (HKSDB) since 1999, the Award is also supported by the Sports Federation and Olympic Committee of Hong Kong, China and the Hong Kong Sports Press Association.



Group Managing Director Ian Wade expressed his excitement about the sponsorship saying, "youth is an extremely important asset in our community. As such, sponsoring an award for youth sports excellence is something that we are proud of and feel is very meaningful. Twenty years ago when I first joined Hutchison Whampoa Group as a junior executive, I was given the responsibility to lead the corporate team in the 'Inter-hong (inter-company) Sports Competition.' We came in last and I realized then that we needed to build up our sports culture, which we have done very successfully over the past two decades."

"The WAC establishment of the Watsons Athletic Club in 1989 was a key element in this success providing local junior athletes with more opportunities to better their performance and build character through sport," explained Mr. Wade.

S.K. Chan, General Manager for Group Human Resources, added that the Group is "proud to employ over 30 former and current athletes. To recognize the honor they bring to Hong Kong, we allow flexible working hours so that they can continue to train and 11-day paid leave per year for their participation in overseas competitions. We will continue our support to junior athletes this year, next year and in the years after."

The move to sponsor the Junior Athlete Awards continues the Group's long and distinguished history in supporting sport. The company has become well recognized for its strong involvement in various sports, especially Track and Field. This reputation was first established with the Watsons

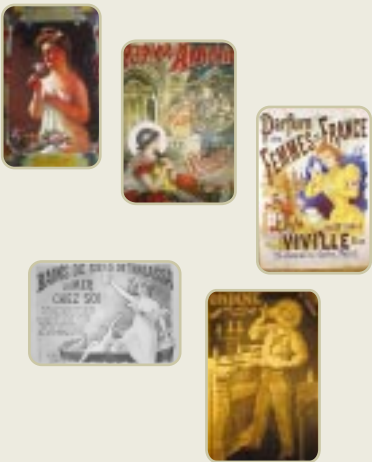
Athletic Club and has since been re-confirmed through a number of Group activities including the internal Sports Scholarship Awards, appreciation dinners for outstanding employee athletes, the organization of the "WAC Summer Athletic Training Programme" which attracts over 2,500 students each year, and the provision of elite training with prominent China athletics coaches to name only a few.

ASW's race to promote Hong Kong sport and encourage the local community to participate in sport for a healthier and happier life and increased self confidence is only just beginning.





The history of perfume



Mankind has been using perfume for 4,000 years. It is assumed today that the art of combining scents first began in the Near East and was then brought west to Greece and Rome before being brought to Asia by Arab spice merchants. In Europe, the first perfume-making centre was established in Renaissance Italy, but the industry became most established in France in the 18th century.

The word perfume comes from the Latin *per fumum* or "through smoke" because the earliest perfumes were often spices burned like incense. Its power to emit wafts of sweet-smelling smoke made perfume mankind's privileged medium for carrying messages to the gods. Thus, perfume came to fulfil two primordial functions, both the pious and the profane, as perfumes used for their spiritual and therapeutic virtues also became prized for their extreme seductive power. The delightfully mysterious essence of perfume continues to be celebrated today.

The pictures shown are perfume labels from the 19th century provided by ICI PARIS XL.



See the possibilities seize the opportunities

The Cheung Kong Scholars Programme, a joint initiative between the Li Ka Shing Foundation and China's Ministry of Education, was set up in 1998 to provide incentives for outstanding Chinese academics. At the 5th award presentation ceremony held recently in Beijing, HWL Chairman Li Ka-shing delivered a speech entitled *The Power of Mauve* to illustrate the symbiotic link between creativity and business. *Wats On* is pleased to share Mr Li's message with you.

The Power of Mauve

I recently read a biography entitled *Mauve: How One Man Invented a Color that Changed the World*. Its protagonist, Sir William Perkin, was the first chemist to make a fortune by transforming an invention into an industrial process.

At school, his teacher once asked him to perform a chemistry experiment to extract quinine. The experiment failed and a black chemical substance was produced instead, which stained the tablecloth purple. This black substance, called benzene, was to become the basic ingredient of mauve, a dyeing agent with extensive industrial applications.

Sir William took out a patent for his invention 18 months later and commercialised it. His discovery was to become the "catalyst" for many subsequent inventions by other scientists whose applications in dyeing, pharmaceuticals, cosmetics and food production created industries worth billions of dollars.

Sir William lived more than a century ago, but we can learn valuable lessons from his life story. The resounding success of his scientific work at age 16 was not fuelled solely by his quest for material profit but also by his innate curiosity.

We can imagine how difficult it was for such a young lad to earn the trust of other people. Nonetheless he surmounted all the obstacles before him and persisted in turning his invention into a commercial enterprise. He eventually became an outstanding entrepreneur. At 23 he was already a very wealthy man. At 36 he retired and returned to what he liked doing best - scientific research. His success was not the result of sheer luck but was founded upon qualities that everyone should strive to possess: keen powers of observation, a voracious appetite for knowledge, a dogged determination to succeed, and confidence to defy all odds.

The scientist Joseph Henry once said: "The seeds of great inventions are always around us but they can only germinate in hearts that are prepared to receive them." Education is what prepares us and it should not be confined to the mere transfer of skills. The greatest challenge for educationalists today is to fire our youth with the enthusiasm to pursue knowledge and be part of the learning process. Success in life depends on a combination of different factors, but the most critical one is the ability to grasp an opportunity when it arises and apply the knowledge one has built up.

Competing in business in today's increasingly globalised world is a battle of wits. To survive we must combine motivation with vision and curiosity, and move ahead with perseverance and courage. Like Sir William, we should seek perfection through innovation in whatever we do.

Finally, I would like to quote a line from the book: "Without experimenting I am nothing. Try and then try again. Who knows what is possible?"



Superquiz (Issue No.57)

Test your knowledge and try your luck, you could win one of the following fabulous prizes.

Premium Prize (20)

Estée Lauder premium make-up blockbusters
(sponsored by **ICI PARIS XL**)



Gold Prize (20)

A do-it-yourself Hello Kitty badge maker brings you all the fun of badge making. Create a unique badge all your own in only minutes.



1. Where is the new Kruidvat store located?
2. Which award did PARKnSHOP China win lately?
3. Where was ICI PARIS XL founded in 1969?

Send your completed entry form to :

Recreation & Welfare Section
A.S. Watson Group
7/F Watson House,
1-5 Wo Liu Hang Road
Fo Tan, Shatin, Hong Kong

or Email to WatsOn@asw.com.hk

Deadline : 31 May 2003

Answers to Issue No. 56

1. Dragon, horse and pagoda
2. Fortress and Nuance-Watson
3. Kruidvat

Super Prize

Name	Company & Department
1. Lau Yuk Fong, Elaine	ASW – Finance Dept.
2. Wan Hok Yin	ASW – Group Accounts
3. Leung Hok Man	ASW – Group IT
4. Louise Reid	Savers – Human Resources
5. Alain Huygens	ICI PARIS XI – Belgium

Golden Prize

Name	Company & Department
1. But Siu Kam	ASWI – Engineering.
2. Le Siu Mun	ASWI – Human Resources
3. Wong Wai Kuen	CGI – Sales
4. Lee Pak Kin	PNS – Trading
5. Au Kin Wah	PNS – HIRC
6. Paris Tang	PNS – Trading
7. Leung Wei Nam	PNS – Trading
8. Cheung Pui Fan	Watson Taiwan – Merchandise
9. Kelly Lin	Watson Taiwan – Buying
10. Michael Cai	Watson Shanghai

Name of Staff:	(Eng)	(Chin)
Company & Department:	Country:	
Employee No:	Contact Tel No:	Signature:
A1:	A2:	A3: