

Watson

Watsons own label products enjoy signature success

EXTRA: 1st A.S. Watson Group Sports & Fun Day

A.S. Watson goes online

Kruidvat & Trekpleister Store Managers Day

A.S. Watson

The retail and manufacturing group of
Hutchison Whampoa Limited





Dear colleagues,

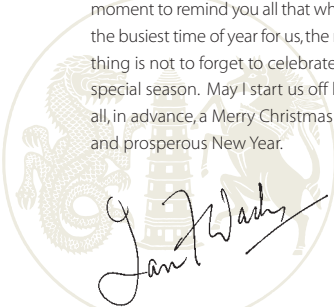
Time flies and we are now fast approaching the end of 2003.

This is an ideal time to look back and reflect on how far we have progressed in the past year. We started this remarkable year by beginning our latest expansion of health & beauty stores throughout six countries in Europe. This success has not only allowed the Group to achieve a more balanced geographical portfolio between Asia and Europe, but we have also been able to realise substantial synergies and increased profits as reflected in the HWL interim results.

The past three months have been very busy for all of our colleagues with the opening of a brilliant 76 stores around the world.

Other developments include a new brand identity and store concept for Superdrug, Savers' 300th store opening, the Kruidvat & Trekpleister Store Managers Day, PARKNSHOP's 30th anniversary and the first ever Group Sports & Fun Day. I am sure you will enjoy reading about all these exciting activities in this issue of *Wats On*.

With Christmas coming soon, I want to take a moment to remind you all that while this is always the busiest time of year for us, the most important thing is not to forget to celebrate and enjoy this special season. May I start us off by wishing you all, in advance, a Merry Christmas and a healthy and prosperous New Year.



Ian F. Wade
Group Managing Director

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Cover story
This issue of *Wats On* focuses on the success story of Watsons own label products in China.

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 16 countries across Asia and Europe. Today, the Group operates over 3,400 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 55,000 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.

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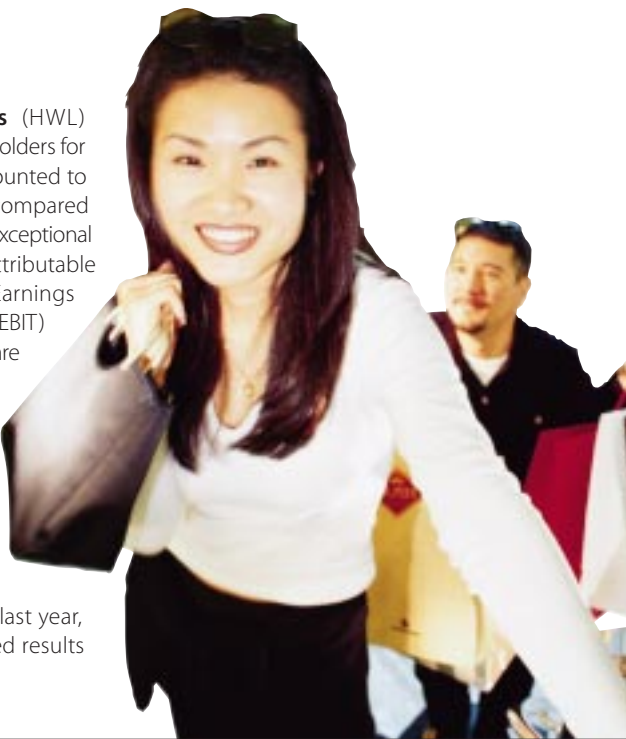
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HWL interim results show ASW turnover up 79%



Hutchison Whampoa Limited's (HWL) unaudited profit attributable to shareholders for six months ending 30 June 2003 amounted to HK\$6,067 million, an increase of 2% compared to the same period last year. Excluding exceptional items and 3G start-up losses, profit attributable to shareholders increased by 47%. Earnings before interest expense and taxation (EBIT) were HK\$11,311 million. Earnings per share were HK\$1.42, an increase of 2%, with a total interim dividend per share of HK\$0.51, unchanged from the previous year.

A.S. Watson Group, HWL's retail and manufacturing division, reported turnover of HK\$29,352 million, a 79% increase mainly reflecting increased turnover from last year's acquisition of the Kruidvat Group and from the existing health and beauty operations in Asia and the UK. EBIT at HK\$599 million was 94% ahead of last year, mainly due to additional profits contributed by the Kruidvat Group and improved results from the Group's joint venture with Procter & Gamble in the Mainland.



ASW goes online

Great news! The official website of A.S. Watson Group (ASW) has been launched at www.aswatson.com

As ASW continues its rapid international growth, the new website will serve as an effective communications platform for getting better acquainted with the Group's various businesses, latest developments, and much more.

The dynamic site features lifestyle images that highlight ASW's ultimate business goal – to create value-added living for our customers. A concise introduction to the Group's three core divisions is offered, along with other entertaining elements like "A.S. Watson TV", which offers short video clips of stores and the latest TV commercials from various operations.



The website also includes a careers section, which keeps job-seekers up to date on the latest career opportunities within the Group.

Superdrug super Christmas show

In July, Superdrug hosted its spectacular Christmas Press Show 2003 in Central London with a fitting "Fairyland" theme. The show is an annual event designed to highlight Superdrug's vast range of Christmas gifts and its large health and beauty range to the media in advance of the festive Christmas season. The popular seasonal event enjoyed one of its best attendances ever, attracting over 95 journalists from leading women's magazines including Elle, She and Red and from several national newspapers including the Sunday Telegraph, Sunday Express, Sunday Times and the Daily Mail.



Superdrug's biggest ever September sale

September saw the launch of Superdrug's biggest ever sale with massive discounts of up to 80% on over 2,000 products in core categories, top brands, hero deals and gift items, providing a fantastic opportunity to sell clearance lines in time for the new Christmas ranges which are expected to hit stores soon. Extensive marketing support was also provided including a strong POS promotional package consisting of eye catching "sale" window posters, shelf edge strips, themed gondola and blip materials and more. The sale was further supported by advertisements in leading UK dailies commencing in the first and second week of September, while a direct mail campaign saw sale leaflets distributed to six million homes in August and September.



Together at last

In June and July, staff from Kruidvat's five different office locations were centralised into a brand-new headquarters in Renswoude. The new premises house Kruidvat and its various elements including Trekpleister, ICI PARIS XL and Rossmann and are home to over 400 staff. An open day was held on 27 September to enable office staff to show off the new headquarters to their families and friends.

The centralisation was first put forth in 1998 and it was concluded that having a fully-fitted head office was an absolute necessity. Negotiations for buying the land and obtaining permission for building were a lengthy process to say the least, but thanks in part to the splendid headquarters design, Kruidvat was able to convince all of the relevant authorities. The new building is designed with a classical style and has a timeless feel as it is built around a courtyard for a more pleasant working environment. The "old" Kruidvat building is still in use, having been coupled to the new office by means of a glass overhead bridge.



The new Kruidvat office is built around a courtyard.



Dick van Hedel, Deputy Chairman of Health & Beauty International, officiates the opening ceremony by unveiling the sculpture.



"The Stronger to Co-operation" sculpture, designed by Marga Brey, was donated by the Working Council.

Kruidvat & Trekpleister Store Managers Day

In the first week of October every year, the traditional Kruidvat and Trekpleister Store Managers Day takes place. On this day all Kruidvat and Trekpleister store managers from across the Netherlands and Belgium, almost 1,000 people in total, are put in the spotlight and thanked for their efforts during the year.

This year was the 22nd annual Store Managers Day. The programme included speeches from Ian Wade, Managing Director of the A.S. Watson Group, and from Dick Siebrand, CEO of Health & Beauty Continental Europe. Malina Ngai, General Manager of Group Public Relations also presented some videos on the many activities of ASW and Hutchison Whampoa.

During the day, 25-year employees were acknowledged for their outstanding service and awards were given for the best store of the year. After the official part of the programme was over, store managers continued their reunion, catching up with colleagues and generally enjoying themselves. This year's Store Managers Day was organised by Hans Cabout and José Meerveld of the Kruidvat and Trekpleister buying department.



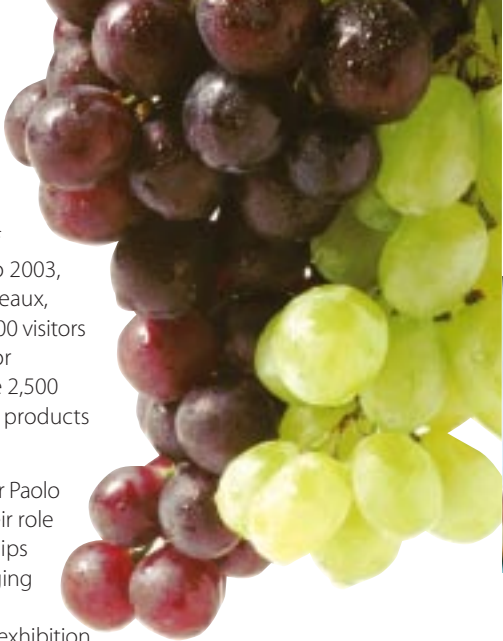
Two Paolos visit Vinexpo 2003



(From left) Paolo Cattaneo and Paolo Basso.

Badaracco marked its 15th consecutive year of participation in Vinexpo 2003 events at Vinexpo 2003, the world's largest wine exhibition held in Bordeaux, France in June. Vinexpo 2003 attracted over 47,000 visitors from 144 countries providing a unique forum for international wine and spirits professionals. The 2,500 participating exhibitors displayed nearly 30,000 products from around the world.

Badaracco was represented by Managing Director Paolo Cattaneo and house sommelier Paolo Basso. Their role was to create new opportunities and relationships with clients and further expand wine trading with suppliers worldwide especially in the emerging markets. Badaracco was successful in forging new business dealings and had the chance to meet with many Bordeaux producers and other international suppliers and clients during the exhibition.



Badaracco's new look

Badaracco has taken on a new look and a new name, Badaracco of Switzerland Premier Wine Bank, to better reflect its position amongst the world's leading wine traders. The new logo was developed to appeal to the rapidly growing number of Chinese consumers who are becoming more interested in collecting fine wines. The name change emphasises the company's headquarters in Switzerland, a leading nation for top-end international wine trading and a safe place to buy and store fine wines. The new corporate identity successfully promotes the luxury image of both the industry and Badaracco with its burgundy-coloured characters evoking the rich hues of red wine and a bunch of golden grapes rounding out the design while adding an exquisite touch. Overall, the new Badaracco identity projects an exclusive and prestigious image that better depicts the company's role as a leading also international fine wine trader.

Best wines meet best services



Along with its exclusive new look, Badaracco is offering exclusive long term cellaring. Under the service, fine wines sold for maturing will be stored in professional storage cellars in France, UK or Switzerland. Clients can purchase from a selection carefully chosen by the Badaracco team or choose wines from the extensive Badaracco listings. The service solves the dilemma of current high duty costs for the Hong Kong market and helps short term residents continue to build their private cellars before having their wine collections shipped home.



Watsons: We dare to swear



Watsons' latest Hong Kong campaign "We Dare to Swear" will save consumers an estimated HK\$65 million per year by offering the lowest everyday prices on over 1,400 leading personal care and health products.

Watsons has established a dedicated Price Centre to implement its comprehensive prices monitoring system. A team of ten price checkers was also formed to check Watsons' price against all other retailers' everyday and ensure its prices are equal to or better than other retailers.

"We recognize that our customers are focusing more closely on value and want more than short-term promotions. Watsons is answering this demand through the lowest price guarantee, not just for a day, but forever", said Andrew Miles, CEO of Health & Beauty Asia.

Watsons has worked extremely hard over the past 18 months to realise its new price policy.

Lowest prices guaranteed

Before the new initiative was put in place in Hong Kong, a similar "Lowest Price Guaranteed" promotion was launched in Thailand. With a team of price checkers monitoring market prices weekly, Watsons promised a double-the-difference refund to any customer who finds a product at a cheaper price from another retailer.



Watsons Thailand team gives a "V" for victory and for doubling the difference.

Watsons Health and Beauty Awards



In October, Watsons across Asia successfully held their Health and Beauty Awards. In Hong Kong, the 4th annual Watsons Health and Beauty Awards were celebrated with an elegant ceremony attended by representatives from Watsons best-selling suppliers and a variety of famous artists.

A similar event was also held in China but with a more adventurous theme of African tribes. Over 300 suppliers, journalists and celebrities shared Watsons success and enjoyed the charming and colourful environment.

The Watsons Health and Beauty Awards in Taiwan presented its customers with a special interactive element by encouraging them to vote for their favorite products from a shortlist voted on by a judging panel. The "ultimate 9" products were selected to be voted on from the more than 100 products nominated.

The Watsons Health and Beauty Awards are certainly growing in prestige throughout the region.



David Boynton, Managing Director of Watsons Hong Kong, presents the "Best of the Best" Awards to outstanding suppliers:

1. Long Far Herbal Medicine - Health & Fitness.
2. P&G - Personal Care.
3. Squina - Health & Beauty.
4. A musical drama from the Hong Kong Children's Musical Theatre demonstrates the importance of health & beauty in people's daily life.



The Health & Beauty Awards presentation ceremony in China is full of African flavour.



The Awards in Taiwan generate a lot of media interest.



Lowest prices guaranteed

Fortress is guaranteeing the lowest prices on every product in its stores every day, with its new PAY THE DIFFERENCE policy, a first for the Hong Kong electronic and home appliances retail market. If customers find the

same product for sale at a lower price on the day they bought it, they can return to the store and get the difference refunded - in cash and on the spot.

"We will not be beaten on price, and we guarantee it! This is not a one-off discount scheme. It is a long-term promise to the people of Hong Kong and we are determined to keep that promise," said Managing Director Peter Dove (at left in picture).

Seeing is believing at Fortress

The re-branded **Fortress** is delighting customers from every angle as shoppers are not only attracted by the enhanced product ranges, but also enticed by the fresh looks in its show windows promoting the latest monthly joint promotions with suppliers.



Joint promotion with Olympus on its newly launched digital camera.



Sunkist made its promotional slogan, "With Sunkist OJ, enjoy California sunshine wherever you are" a reality this past summer by launching a series of "Sunkist California Sunshine" events. Activities included barbecues, holiday farm visits, and bowling and day camps which were attended by various popular young artists. A special mini concert was held in September as a fitting finale for these festivals of youth fun.



Mr. Juicy travels around the world, around the Web

Mr. Juicy's latest promotional activities like the Mr. Juicy figurine redemption offer and the Fit Around the World Lucky Draw (offering free trips to Thailand, Japan, New Zealand, England and around the world), have generated massive public response. Fit Around the World, winners were drawn in August, which also served as the launch month for a new promotion, the Mr. Juicy One Juice, One Day online campaign in co-operation with Tom.com.

A special website has been created at <http://mrjuicyschoolprogram.tom.com.hk> to promote good health to school students. Students visiting the site can join in online games and win prizes or download a Mr. Juicy daily discount card.



SHOPnFLY free

PARKNSHOP become the first Hong Kong supermarket to give shoppers a chance to earn Asia Miles (Cathay Pacific Airlines reward points) by shopping at any of 21 selected stores. Customers with HK\$8,000 worth of receipts received 1,000 free Asia Miles, those spending HK\$12,000 got 2,000 Asia Miles and for purchases of HK\$16,000 or over, the reward was 3,000 Asia Miles.



New look for PARKNSHOP China

PARKNSHOP China has launched a new look for three of its newest stores in Guangzhou including the Fu Jian Garden Megastore, Jin Tian Garden Megastore and the Xiao Gang Wan Superstore. The new stores share much in common including locations in high-traffic residential areas, innovative store concept and increased textile products businesses like clothing, accessories and bedding.

The unique business concept has been advocated by Hicks Feng, Managing Director of PARKNSHOP China, and is the benefit of his long experience with major retailers in China. The textile strategy combines the positioning of a fashion warehouse and supermarket and injects new elements of style and class into PARKNSHOP China, further delighting local consumers.

Happy birthday to PARKNSHOP

PARKNSHOP celebrated its 30th anniversary in September by giving consumers big discounts, a HK\$1 million prize pool, and the chance of a free shopping spree.

"Over the past three decades, Hong Kong has changed immensely, and PARKNSHOP has evolved with it," said Managing Director Ian Pye, adding that, "We are saying thank-you to our customers, who have helped make PARKNSHOP the great business it now is."



(From left) Ian Pye, Managing Director and Andy Williams, Trading Director, celebrated the 30th anniversary of PARKNSHOP.

For the past 30 years, PARKNSHOP has led the market in developing new ways to help customers save money and get great value. Thirty Super Birthday Deals were offered during the four-week celebration, along with Match 'n' Win Weekly Lucky Draw and Grand Lucky Draw giving away 30 free shopping sprees and over HK\$300,000 in cash prizes.

Awards aplenty for customer service excellence

The **A.S. Watson Group** has been rewarded for going the extra mile to provide the best customer service as employees of PARKNSHOP, Watson's Wine Cellar, Watsons and Nuance-Watson have all won 2003 Service & Courtesy Awards. The Awards, organised by the Hong Kong Retail Management Association, were presented in October to seven colleagues who were recognized for their outstanding performance.

The Awards are aimed at upgrading the general standard of staff performance in the Hong Kong retail industry and recognize outstanding individuals for their excellent service. The Service & Courtesy Award is given based on four main criteria: appearance, personal presentation skills, communication skills and service.



1. (From right) Jennifer Tse, Store Manager of the Hing Wai Building Watson's Wine Cellar, and Clement Yip, Store Manager of the Fanling PARKNSHOP Superstore, receive the Award in supervisory level of Specialty Stores and Supermarkets/Convenience Stores categories respectively. Lee Chi-kin, Customer Services Manager of the Parkview PARKNSHOP Superstore, was selected as a finalist in the Supermarkets/Convenience Stores category.
2. (From right) Watsons Health & Fitness Adviser Wing Tsui won the Award in the Supermarkets/Convenience Stores category at frontline level. Alongside her is Senior Pharmacist Danny Chan, a finalist in the same category.
3. (From right) Assistant Store Manager Suzan Wan of Nuance-Watson receives the Award in the Department Store category at supervisory level. Alongside her is Zoe Lau, a finalist in the same category at frontline level.

Centennial bottle designs create storm in a cup

Watsons Water launched its latest centennial bottles for July and August. Designed by Mathias Woo, July's bottle incorporates a cup of hot water with the steam rising to represent the final letter "s" in the word Watsons. The August design comes from the creative mind of comic artist Ma Wing-shing, who used two of the main characters from his popular comic *The Storm*, "Wind" and "Cloud," on the new bottle.

Ma presented the characters in a cute new way creating a sparkling impression for Watsons Water and sending many loyal fans of his comics out to the stores to snap up the new bottles.



July's bottle

August's bottle



Super mini water dispenser

Watsons Water has launched a new super mini water dispenser (sized 19.5cm x 22cm x 28cm) in five special designs that are perfect for every taste. The new dispenser adds to Watsons Water's wide dispenser variety and serves as a handy reminder of the importance of drinking at least eight glasses of water everyday for good health. Watsons Water's new dispenser is the smallest in town offering both ambient and hot water for a most refreshing choice in today's bottled water market.



1



- 1 Pure dispenser
- 2 Ego dispenser
- 3 Dream dispenser
- 4 Wild dispenser
- 5 Cat dispenser

Loyal shopper wins S\$50,000 Mitsubishi Colt



Loyal Watsons shopper, Lee Eng-eng was all smiles as she received the keys to a brand new Mitsubishi Colt from Monica Chan (at right in picture), Merchandise Director of Watsons Singapore, after winning the Great Watsons Sale Draw.

Lee, a bank officer and frequent Watsons shopper, won the S\$50,000 car after spending a little over the minimum required sum of S\$50 for toiletries.

Savers savours success of 300th store

Savers is celebrating the opening of its 300th store in Thackeray Square, Fareham. The new shop has met with an extremely positive reaction from local residents who appreciate its low prices and diverse product range. Busy from the moment it opened, the store has reinforced Savers' successful profile in the Hampshire area.

Japan tastes great at Great



Great continues to bring the world's freshest foods to Hong Kong with its Japan Tastes Great at Great festival from 20 June to July 17. The festival was highly authentic with over 700 Japanese products and a lively programme of sushi-making, and Japanese gift-wrapping, together with food tasting hosted by Kimono-dressed promoters.

In September, the one-month long great Asian Gourmet Tour featured the highest quality products from around Asia in the stores. Customers could "tour around" the tastes of Asia fascinations without the hassel of packing!

Three yeses + one no = better health



The popular "What is Health?" campaign launched by Watsons Taiwan proposes a simple "3 Yeses and 1 No" policy to help customers stay healthy. The policy recommends "more protection", referring to summer health; "more energy", referring to enhancing immunity and "more love for yourself", referring to women's health. Watsons also says one no to stress, with its "less stress" stress management techniques. The campaign consists of a series of health check activities in stores, free consultation from Watsons pharmacists, free informational leaflets and much more.



Watsons Water helps local creativity bloom

To promote local creativity, Watsons Water held a Creative Workshop at the Hong Kong Design Centre in June. Nearly 100 participants attended the Workshop which featured lectures and experience-sharing from three Watsons Water centennial bottle series artists, Craig Au Yeung, Kwok Mang-ho and Freeman Lau.





Bigger, brighter and better!

Celebrity-cum-leading cosmetics businesswoman Benze Pornchita Na Songkhla (below, 2nd from left) joined Ivor Morton, ex-Managing Director of Watsons Thailand, Operations Controller Inthapol Intharakanchit, Merchandise Controller Peter Davies and Senior Store Manager Sudawadee Panyám at the ribbon-cutting for the new Watsons Central Lad Prao store in Thailand. The store has been completely refurbished to provide a shopping experience that is more convenient and pleasurable and will serve as a model for other store renovations coming up in the Thai market.



Largest Kruidvat Mega Store in the Netherlands opens

On 16 September, Kruidvat celebrated the reopening of the Kruidvat Mega store in Maastricht Wijckerbrug. The store has been enlarged by 200 m², bringing the total size of the sales area to 840 m² net.

With clowns leading the way, customers were given a warm welcome at the grand opening where they were invited to compete for various prizes such as a ride in a hot air balloon. Personnel and customers alike were surprised and enthusiastic about the additional range of products, ranging from toys to wines.

In particular the enlargement and additional range in the "young family" segment with products such as cots, baby chairs and baby clothes and toys for all ages is very positively received by consumers.

Other sizeable expansions are in stationary, handicrafts, textiles, electrical equipment and the addition of drinks, sweets and even a complete range of wines. Memories from the day's magic could be kept forever, as customers can now develop their digital photographs on-the-spot in a Kruidvat mini photo lab.



Superdrug sets to take on competitors with new Bullring store

After working closely with the Hutchison branding team to evolve the Superdrug brand and develop a new retail format that fits existing stores and is executionable across the entire estate, Superdrug opened its first new identity store in the Bullring Centre Development in September. The result is a new everyday, dazzling, daring concept that supports Superdrug's health and beauty proposition but still appeals to existing and prospective customers.



The store includes the new silver-fronted fascia/logo and window graphics which bring the essence of the brand identity to life, with a fresh approach to the use of colour, imagery and in-store communications. Ceramic tiled floors give a more spacious feel while the new lighting creates a more modern and enjoyable shopping environment. Glamorous coloured perimeter graphics and fixture headers have also been introduced around the store so customers can shop with ease, while large wall graphics communicating the "Wow Beautiful Things, Wow Beautiful Prices" theme have been introduced behind the front till point.

Store openings



Hong Kong

Goldjoy Shopping Paradise, Tsim Sha Tsui
Metropolis Mall, Hunghom
Nathan Road, Yau Ma Tei
Fung House, Central
Tin Wan Court, Aberdeen
Kiu Hing Mansion, Tin Hau
Middle Road, Tsim Sha Tsui
Chathan Road, Tsim Sha Tsui

Macau

Hong Vo Plaza

Singapore

Paragon Shopping Mall
Novena Square

Thailand

Big Jieng & Tesco Lotus, Nongkhai province
Central Lad Prao

Philippines

Farmers Plaza, Quezon City
Robinsons Galleria, Manila
Eastwood, Quezon City
Lucena Mall
Lucena Supermarket
Lucena Department Store

China

Mero, Shanghai
Raffles, Shanghai
New World, Shanghai
Left Bank Community, Beijing
New World, Beijing
Sunshine Department Store, Qingdao
Universal Plaza, Guangzhou
Shun Chang Plaza, Zhongshan
Madison Square, Quanzhou
Dongfang Plaza, Kummy

Malaysia

The Weld
Pusat Damansara
PJ Old Town
Kulai Hypermarket
Subang Jaya

Taiwan

Da Yuan, Tainan City
Hsiao Bei, Tainan City
Se Tun, Taichung City
Yo Chang, Kaoshiung City
An Kang, Taipei County



Hong Kong

Smithfield Road, Kennedy Town – Supermarket
Yuen Chau Street, Sham Shui Po – Supermarket
Wai Hang Cheong, Tokawan – Freshmarket
Hankow Road, Tsim Sha Tsui – Mini Supermarket

China

Guangzhou Jin Tian Garden – Megastore (Re-fit)
Guangzhou Fu Jian Garden – Megastore (Re-fit)
Guangzhou Xiao Gang Wan – Superstore (Re-fit)



Hong Kong

City Plaza, Tai Ko Shing – Fortress World
Goldjoy Shopping Paradise, Tsim Sha Tsui – Fortress Digital
East Point City, Tseung Kwan O – Fortress Digital



Netherlands

Drachten, Dwarswijk
Muiden, Pampusweg
Amsterdam, Maasstraat
Oosterwolde (Re-fit)
Maastricht Wijckerbrug (Re-fit)

Belgium

Mons, Shopping Les Grands Pres
Malmedy, Grand Rue



Netherlands

Uden, Galerij
Helmond, Markt
Rotterdam, Vuurplaat
Bennekom, Dorpsstraat
Zeist, Slotlaan



Hungary

Budapest, Rákóczi ut
Tatabánya, Fő tér

Czech Republic

Havlickuv Brod, Dolni

Poland

Stargard Szczecinski, ul. Pilsudskiego
Lodz, ul. Narutowicza
Tczew, Dabrowskiego
Ruda Slaska, Niedurnego
Legionowo, Pilsudskiego



Netherlands

Amstelveen, Binnenhof



United Kingdom

Bullring, Birmingham
Beckton



Hong Kong

The Plaza
Sound & Vision
OMEGA



Visions of innovation



August marked the opening for the first of several Nuance-Watson stores at the Hong Kong International Airport including the new "The Plaza" and "Sound & Vision" outlets. The openings are the beginning of an ambitious new store launch programme that will continue until early 2004.

Alessandra Piovesana, Managing Director of Nuance-Watson said, "All Nuance-Watson store concepts are built on the cornerstone of our customers' needs. My team and I are happy to be the ones who get to meet those needs."

Nuance-Watson opens new boutique

In August, leading international watchmaker OMEGA launched its new 42-square metre flagship store at the Hong Kong International Airport. Alessandra Piovesana, Managing Director of Nuance-Watson, he officiated the event along with Taiwanese pop star Richie Jen. Piovesana noted that "Both OMEGA and Nuance-Watson stand for a common goal, to present the best merchandise and service to travellers at the Hong Kong International Airport."



(2nd from left) Alessandra Piovesana, Managing Director of Nuance-Watson, at the ribbon-cutting ceremony with Richie Jen (middle) and OMEGA representatives.



Watsons

Heroic staff
effort helps
make
Watsons
own label
a hero brand
in China

In the past two years, Watsons China's own label products have demonstrated remarkable growth. Today, they account for 21% of sales in the personal care category, and have doubled their penetration, growing from 200 SKUs in 2001 to over 700. Most encouraging is the fact that Watsons own label brands are trusted in the China market for their high quality and good value proposition. Watsons own label proposition has struck a chord with Chinese consumers particularly young females aged 18 to 35. Another factor behind its appeal is that own label products are traditionally priced between 20-40% cheaper than comparative branded products. The benefits of low price and high quality are further reinforced by modern design and packaging, as well as the Watsons Own Label Team's ability to create innovative, first-to-market products.

Jurgen Schreiber, Managing Director of Watsons China, noted that "One of the essential factors behind the great success of own label brands in China is the total confidence the products have received from staff," adding that, "All own label products are first tested by our employees, in this way, we know that we have truly quality products and guaranteed staff endorsement, which helps create effective selling and word-of-mouth awareness."

Schreiber also proudly points out that the Watsons own label product range is ranked close to the market leaders for comparative products. "We benchmark the products against leading brand names in different price ranges, and it has been proven that the sales of own label products are very close to the market leaders."

Own label products are not just important according to Schreiber, they are "a must" for leading retailers. "They provide a unique proposition in stores; customers now visit Watsons to buy both branded and own label products. In the long term, the growth of own label products will help balance and grow the company's margins and counter the present retail trend of suppliers pressurising retailers more and more on price."



The future of own label brands

Building on the strong growth in the product range, Schreiber and the Watsons Own Label Team in China hope to drive market penetration even higher in the future, targeting 30% of the personal care category within two years.

"A key to achieving this success will be constantly updating the product portfolio," said Schreiber, adding that, "The lines that don't sell must be eliminated to make room for new favourites. From a marketing perspective, we also need to refresh our label design and packaging regularly to attract new consumers."

The development of "private label" products or exclusive own label brands for premium products, especially skin-care and hair colour treatments, will be explored in future for more defined markets.

Painstakingly chosen, proudly promoted

The process of developing an own label product

The first step in new product development is market research. Watsons analyses both sales trends in stores and consumer preferences. "We have a 'model shop' set up in the warehouse, where sales in every product sub-category and SKU are analysed," said Schreiber. "Based on the data on how well a product is selling, customer appeal and market research, a road map is set up which covers the brand plan for the next one to two years, including identifying which categories and products to pursue," added Schreiber.

Once product areas have been identified, the profit margins for own label production are examined. Should these margins prove positive, Watsons competitively selects manufacturers to create the product based on stringent internal quality guidelines. Product development depends on the categories but usually takes anywhere from two to six months to complete; however, for more specialised categories like skin care and hair colour treatment it takes longer because of the need to undergo a thorough product testing and registration process.

The finished product is delivered to stores where it is prominently displayed in Watsons own label corner. In-store staff are also given extensive product information, trial samples and special training to effectively promote own label products. Staff efforts are reinforced by Watsons' targeted marketing which sees 25% of the space in



every Watsons mailer, and all general and category specific in-store leaflets, reserved for own label products. Finally, a minimum of two to three metres of shelf space is reserved in every store for own label products, and a special own label booklet is produced detailing the categories and products carried.

Rounding off the promotions are regular sampling events in-stores with product testing units prominently displayed so customers can experience the quality, benefits and excellent value of the Watsons own label brand for themselves.

According to Schreiber, such efforts have played a major role in the successful acceptance of the brand in the China market, "The facts speak for themselves. When consumers find that own label products represent great quality and outstanding value, they come back for more."

But Watsons own label team is not satisfied to rest on its laurels and are now identifying some crucial aspects for continued success. Foremost amongst these is an unshakeable commitment to quality, a sentiment neatly encapsulated by Schreiber who says, "We will never cut corners on product quality. Through this commitment, we can ensure that our toughest customers, our own staff, will continue to place their complete trust in not only the quality but also the pricing and marketing position of Watsons own label products." This continued support from Watsons own staff, should ensure continued success for Watsons own label products.



Motto of success

"There are two essentials that led to the success of Watsons own label, product quality and a vote of confidence from staff."



Hero staff for hero products

1. Mark Li
Marketing & Product Development Manager
Previously served as Area Manager for Watsons Northern China, Mark is currently responsible for the overall development of own label for Watsons China and assists in sourcing products from China for Watsons international buyers.



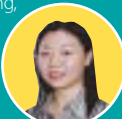
2. Rae Ho
Product Development Officer
Rae is responsible for developing new products for the Personal Care Division. She also works to market and promote the products, helping ensure the successful development of Watsons own label.



3. Monica Pan
Product Development Officer
Monica focuses on new product development and implementation of own label marketing and promotions in Northern China, working to ensure that own label initiatives are feasible at store level.



4. Emily Chan
Assistant Product Development Officer
Emily Chan is responsible for general administration including ordering, stock management, sales data analysis and more. Previously she was an Assistant Buyer for the Fashion Department.



5. Charck Wu
Product Development Assistant
After joining Watsons as a trainee in 2002, Charck quickly familiarised himself with the operation and was promoted to Product Development Assistant of the Own Label Department. His responsibilities include quality inspection and administrative support.



Do you have a flaky, itchy scalp?

Source: 

It could be dandruff. Dandruff causes dry skin to flake from the scalp, forming white flakes that fall onto the shoulders or are visible in the hair.

What causes dandruff?

Normal skin is in a constant state of renewal, always seeking a balance between new cells produced and old cells being shed. Usually, skin cells fall off naturally as they die and are not noticeable but dandruff occurs when dead skin cells on the scalp build up into flakes.

Research has shown that this build-up of dead skin cells is caused by the overgrowth of a tiny, naturally occurring fungus called *Pityrosporum ovale* (*P.ovale*). Factors that encourage the growth of *P.ovale* include humidity, harsh detergents and even some cosmetic products. Clothing that prevents the evaporation of perspiration and inadequate diet, stress, hormonal activity or even a person's genetic make-up may also lead to dandruff.

Are you at risk?

Signs and symptoms:

If you have one or more of these symptoms you probably have dandruff.

- Whitish scales on the scalp
- Red patches around the hair follicles
- Increased oily secretion on the scalp
- White flakes in or falling from the hair



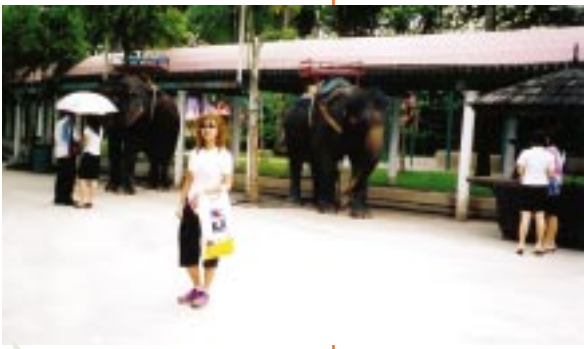
How to help yourself?

- Gently massage your scalp with your fingertips when you shampoo to remove dead skin and improve circulation.
- Avoid prolonged exposure to direct sunlight since ultraviolet rays can damage your hair.
- Rinse hair with clean water after swimming in chlorinated, polluted or salt water.
- If you have dandruff, use medicated shampoos designed to treat *P.ovale*.
- Be sure to read the instructions on medicated dandruff shampoos; some need to be used only twice weekly while others are used more often. When using medicated shampoos, allow the lather to stand for a few minutes before rinsing.
- Use conditioner to smooth out tangles.
- After the dandruff clears up, you can return to using regular shampoo, however *P.ovale* overgrowth can re-emerge, so it is best to use dandruff shampoo once every 1-2 weeks to keep it under control.
- Talk to your doctor if your dandruff persists, or if very large flakes are present or symptoms show around the nose, ears, or chest. You could have a more severe form of dandruff like seborrhea, psoriasis, or eczema.

Live "The Moment"

Innovation and devotion to meet the needs of customers has always been the ASW spirit. This is also the force behind the Group's magazine *Wats On* as we continue to strive for creativity.

"The Moment" invites interesting "branded" photos from staff around the world. Simply bring one of our retail bags (be it Superdrug, Kruidvat, ICI PARIS XL, Fortress, Watsons, etc.) wherever you travel, and take a photo with an interesting background and smile. It's as simple as that. You can win the equivalent of a HK\$100 cash coupon. And if you are the Star of Stars in that issue, meaning your photo is the most interesting amongst the submissions, you can win HK\$500. (Email: WatsOn@asw.com.hk)



1. Sarah Yeung at the Bangkok zoo. (Human Resources, PARKNSHOP Hong Kong)
2. Four IT men with carrier bags in Holland (IT, Watsons and Kruidvat)
3. Staff athletes from Superdrug, Savers and Kruidvat in Hong Kong for the 1st ASW Group Sports and Fun Day
(3rd row from left) Leanne Brown, Jose Meerveld, Marco Zinken, Jon Hayes, Rolf van Oort and Annelies Arkink
(2nd row from left) Louise Trueman, Joanne Coleman, Liz Jones and Silvana de Boer
(Front row from left) Patricia Zeguere, Cathy Bergin and Bill Fitzgerald

Star of Stars



Health achieved through physical exercise

Watsons Athletic Club (WAC) competed in the Watsons Pharmacy Self Care Cross Country Championships in 2003 in Hong Kong with flying colors, winning four of the championships in the Team category on 28 September.

The second race of the Championship series was a relay competition which took place on 26 October. WAC took runner-up positions in the Men's Senior, Women's Senior and Women's Junior categories.

A total of 54 athletes participated in the two races.



Artists Edwin Siu and Toby Leung were appointed Health Ambassadors for the event.

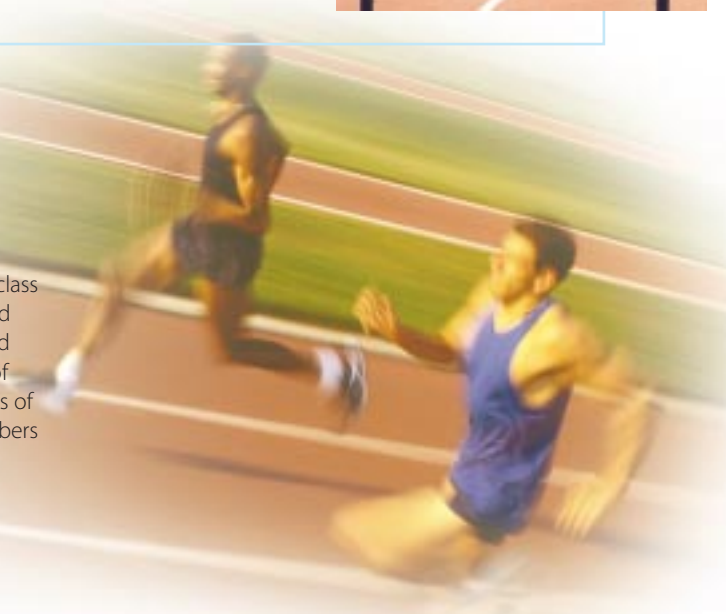


Record-breaking performances by WAC athlete

In July, elite WAC hurdler Tang Hon-sing broke the Hong Kong Men's 400m-hurdle record with a time of 52.29 seconds. Within two months, Tang set a new record, besting his previous performance with a record 52.06 second run at the 65th Singapore Track and Field Championships in September. With the hot conditions in Singapore, Tang was surprised to set a new record mark. He credits his top performances to the tailor-made training prepared for him at WAC.

WAC summer training class for teens

From 18 to 30 August, WAC hosted a two-week summer training class for its members. The training was designed to assist these talented young athletes by giving them top-flight professional training and imparting them with a better understanding of the importance of sport and a professional attitude for success. Beside the three days of intensive training, seminars and talks were held ensuring the members were treated to all-round professional sporting development.



Watsons Pharmacy Self Care cares for children



Watsons Pharmacy Self Care has launched a "Children's Development" campaign to raise parental awareness of issues affecting youth health and development. The two-month campaign includes the distribution of comprehensive health information and free health checks and consultation services for an expected 100,000 families with children aged from infancy to early teens.

The Children's Development campaign is the seventh in a series of Watsons Pharmacy Self Care campaign since the programme was launched in 2002. Materials offered in the programme include a children's development passbook designed to help parents monitor key factors that affect their child's health and growth; a children's development guidebook; fact cards outlining ten common childhood ailments and a guide on drug safety for children among other professional healthcare services.



Savers go green

Two Savers stores have been commended for their fantastic environmental effort. The Grimsby Savers was awarded for recycling more rubbish than any of the over 200 stores at the Freshney Place shopping centre, whilst the Savers in Swinton was presented with a Hygiene Excellence Award by the Environmental Health for their daily, weekly and monthly cleaning rotas which ensured that their premises were always spic and span.

Encouraging awards from Community Chest

A.S. Watson Group (ASW) proudly accepted two awards from the Hong Kong Community Chest in recognition of its outstanding corporate and staff charity efforts.

ASW made combined corporate and staff donations to the Community Chest's 2002/03 Corporate and Employee Contribution Programme, earning it the 2nd Highest Donation Award. ASW was also recognized for the 3rd Highest Donation Award in support of the Community Chest's Green Day and continues to be a significant donor to the Chest, which provides funds to more than 140 member agencies.



SK Chan, General Manager of Group Human Resources, accepts the 2nd Highest Donation Award

PARKnSHOP Junior Athlete Training Programme draws to a close

PARKnSHOP's Junior Athlete Training Programme has successfully concluded with an exciting competition and closing ceremony. Iwan Evans, CEO of Food, Electronics & GM Division, officiated the closing ceremony saying, "Sport and exercise is one of the best ways to maintain good health and ensure the positive development of our teenagers and the greater well-being of our community." This was the first time that PARKnSHOP has sponsored the Watsons Athletic Club.



Watsons cares about women's health

Following its study of women's health in Hong Kong, Watsons has launched a "Women's Journey of Health" programme providing free health tests, consultancy and personalized advice for women from its 37 pharmacy stores. The programme will be held in November and December with 10,000 free cholesterol tests given away to women as a launch event.



The true lessons of SARS

The SARS outbreak in Hong Kong alerted many to the important lessons of improving our environmental hygiene, but another valuable lesson came in the exceptional demonstrations of friendship and compassion occasioned by the crisis.

This was no different for PARKNSHOP, which saw two of its staff fall ill during the SARS crisis. Both staffers were females which meant that the pressures of being a mother and a busy working woman added to the severity of their illness. Fortunately, the two recovered with thanks to the local front-line medical heroes and encouraging support they received from family and colleagues which is the best kind of medicine available.

Li Kit-kwun worked at the meat counter of PARKNSHOP in Amoy Gardens, one of the worst affected SARS areas in Hong Kong. Li contracted SARS and had to undergo medical treatment in hospital for a month. During her illness, Li was overwhelmed by her colleagues' encouraging cards, baskets of fruit and words of comfort, one of her colleagues even offered to accompany her when she went to see the doctor.



A Buddhist proverb holds that "affinity is set by fate". Cecilia Leung (left) and Li Kit-kwun were drawn to each other by their traumatic shared experience and are now comrades in arms against the disease.

"I am very fortunate to have joined such a good company," said Li after recovering, adding that, "I was never alone, even during the hardest times. My colleagues and family were with me every step of the way to fight against SARS, even when rumors about the disease were most rampant."

PARKNSHOP Accounting Manager Cecilia Leung was also infected. Her 21-day stay in hospital gave new meaning to the old saying "blessing in disguise". Cecilia was also moved by the care and concern of her co-workers.

She was very surprised to find out that her situation was followed very closely by colleagues from various departments, some of them whom she did not even know. "Many PARKNSHOP staff called me every day. I want to give them millions of thanks for their unwavering support and encouraging cards," said Leung. She was also overwhelmed by the special welcome-back party the staff held for her on her return to the company. "It was something I will never forget," she said.

Winnie Chow, PARKNSHOP Human Resources Manager, spoke about the company-wide efforts which were held for sick staff, saying, "We care about both the physical and mental well-being of our staff, and we want to give them every support they need, particularly amid the hardest times like during the SARS epidemic, when we diverted all of our energy and efforts caring for our infected colleagues and putting preventive measures in place."

Cream of the Crop



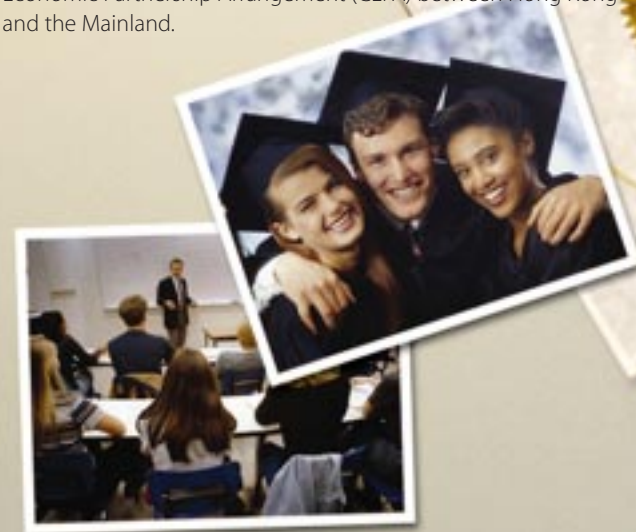
Hutchison Whampoa Chairman Li Ka-shing welcomes British Prime Minister Tony Blair outside the Cheung Kong Centre.

British Prime Minister Tony Blair took time from his busy schedule to meet with Hutchison Whampoa Chairman Li Ka-shing during his visit to Hong Kong in July. The two discussed their common passion for strengthening cultural bonds through educational exchange.

In 1999, as part of a package of initiatives to encourage more international students to study in the United Kingdom, Mr Blair introduced measures to reinforce the long-running global Chevening Scholarships scheme, which is funded by the British Foreign and Commonwealth Office and corporate sponsors.

In line with his commitment to support life-long education, Mr Li has contributed £2.02 million through the Hutchison Chevening Scholarships to support outstanding postgraduate students and executives in Hong Kong and the Mainland to pursue specialist studies abroad. The scheme commenced in October 2002 and will run for four years, with up to 15 students from Hong Kong and 48 from the Mainland participating each year.

A group of these Chevening Scholars visited Mr Li at the Cheung Kong Centre. They shared their views with Mr Li, who urged them to make good use of their professional knowledge and expertise and to seize every opportunity brought about by the Closer Economic Partnership Arrangement (CEPA) between Hong Kong and the Mainland.



How to enrol?

To sign up for the scheme, applicants must be permanent residents of Hong Kong or Macau, not currently working or studying in the United Kingdom and not in receipt of any other scholarship or award for the academic year 2003 - 2004.

Additionally, applicants are expected to hold an honours degree in a related subject and have good written and spoken English. They are expected to score 6.5 or above in the IELTS language proficiency test with no individual mark less than 6.0.

The scholarships are intended for post-graduate study only. Children of employees under the Hutchison group are encouraged to apply.

For application details, please visit the British Council website at: www.britishcouncil.org.hk/chevening/

Superquiz (Issue No.59)

Super Prize (20)

Handy and easy-to-use USB Flash Disk - a good storage medium compatible with all USB interfaces. Reusable for 100,000 times with data retention for up to ten years. (Sponsored by )



Golden Prize (15)

Watsons own label travel sets containing facial foam, cream bath and cream shampoo, plus a box of whitening mask.

(Sponsored by )

- 1. What are the two essentials that led to the success of Watsons own label products in China?
- 2. Name the two companies which held Store Managers Day in October?
- 3. Which division won the Champion of Cheering Team Performance in the Sports and Fun Day?

Answers to Issue No. 58: 1. Kolor 2. Mr. Juicy / Sunkist / OJ 3. 19 October 2003

Super Prize :

Name	Company & Department	Name	Company & Department
1. Angel Yip	ASW - Group Finance	17. Ann Wong	PARKNSHOP - Trading
2. Julianna Lai	ASW - Group Finance	18. Christine Cheng	PARKNSHOP - Trading
3. Ng Loi Chuen	ASW - Group Finance	19. Lee Lung Piu	ASWI - Finance
4. Sophia Heung	ASW - Group Finance	20. Lai Chi Ping	ASWI - Finance
5. Justina Ng	ASW - Group Human Resources	21. Yang Qi Yee	ASWI - Finance
6. Margaret Lau	ASW - Group Human Resources	22. Wong Wai Yung	ASWI - Finance
7. Mang Ka Yee	ASW - Group Human Resources	23. Cheung Yin Sau	ASWI - Finance
8. Shirley, Cheung Yim Ping	PARKNSHOP - Accounts	24. Teresa Wong	ASWI - Finance
9. Ng Kam Ho	PARKNSHOP - Accounts	25. Lam Yuk Chun	ASWI - Finance
10. Tang Yuk Han	PARKNSHOP - Accounts	26. Wan Sze Man	ASWW - Customer Services
11. Wong Man Man	PARKNSHOP - Accounts	27. Polly Lau	Fountain Food - Customer Care
12. Lok Kam Han	PARKNSHOP - Accounts	28. Lau Chi Fai	CGI - Sales
13. Wong Mei Shan	PARKNSHOP - Accounts	29. Chan Hoi Tik	Nuance-Watson - Merchandising Planning
14. Lun Ka Bo	PARKNSHOP - Shatin Distribution Centre Administration.	30. Desmond Low	Watsons Singapore
15. Garrick Chan	PARKNSHOP - Shatin Distribution Centre Administration.		
16. Lam Lai Yi	PARKNSHOP - Shatin Distribution Centre Administration.		

Golden Prize :

Name	Company & Department	Name	Company & Department
1. Tsang Wai Keung	ASW - Group Information Technology	6. Nelson Nip	ASWI - Finance
2. Chang Yu Ho	ASW - Group Human Resources	7. Wong Wai Kuen	CGI - Sales
3. Cheng Kwok Sing	ASWI - Finance	8. Annie Chan	ASWW - Customer Services
4. Liu Hoi Shan	ASWI - Finance	9. Yvonne Ward	Superdrug - Cosham 139
5. Yip Lai Yung	ASWI - Finance.	10. Margaret Bartholomeusz	Health & Beauty (UK) - Purchase Audit

Send your completed entry form to :

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

or Email to WatsOn@asw.com.hk

Deadline : 20 December 2003

Name of Staff: _____ (Eng) _____ (Chi)

Company & Department: _____ Country: _____

Employee No: _____ Contact Tel No: _____ Signature: _____

A1: _____ A2: _____ A3: _____