

Drogas

Drogas

Watson

Baltic Beauty: ASW acquires Drogas

Staff star in commercials

Double celebration for Watsons Philippines

A.S. Watson

The retail and manufacturing group of
Hutchison Whampoa Limited





Dear Colleagues,

A.S.Watson has enjoyed a landmark half year – making two major acquisitions within five weeks. The newest members of our family,namely Drogas, was acquired in June,and Apex,which came on board in early July.

Drogas is a well-established health & beauty chain in Latvia and Lithuania – both countries that have great potential for economic growth and increased customer spending.The deal is also exciting in that it is the first move by A.S.Watson and,in fact,the entire HWL Group,into Eastern Europe.

Apex is a trusted pharmacy chain in Malaysia that adds significantly to our market presence in the country.Both acquisitions are in line with the Group's strategy to expand our portfolio both in Asia and Europe.Meanwhile,organic growth continues to play a major part in our expansion.We are adding an average of one store every day this year.

I would like to personally thank every member of staff for keeping our company strong and helping to make this successful expansion possible.I hope the growth momentum inspires us all as we go about our daily tasks.Your individual and collective commitment is of utmost value to us.



Ian F. Wade
Group Managing Director

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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 18 countries and regions across Asia and Europe. Today, the Group owns more than 3,700 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 64,000 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 42 countries.



Cover story

ASW's latest acquisition of the Drogas health & beauty chain in Latvia and Lithuania paints a pretty picture for growth in these promising markets.

ASW acquires European retail chain Drogas

A.S. Watson (ASW) in June acquired Drogas, one of the best-known health & beauty retail businesses in the Baltic States.

Established in 1993, Drogas has become synonymous with beauty and healthcare and is now a household brand in Latvia and Lithuania. In 2001, the company was named "Best retailer in Latvia" by the leading business newspaper *Dienas Bizness*.

Drogas operates 85 stores – 61 stores in Latvia and 24 stores in Lithuania. It has a 30% share of the Latvian market and employs more than 500 staff.

Drogas carries a range of high-quality and good-value merchandise in line with the retail concept of ASW's other health & beauty operations. It sells more than 10,000 product lines, including cosmetics, fragrances, personal care products, household goods, fashion accessories, toys, stationery and gifts. In 2002, Drogas launched its first own label pantyhose product and now has a 35% market share. (Also see Focus on p.12-15)



HWL achieves “Fortune 500” status

A.S. Watson's parent company Hutchison Whampoa Limited (HWL) has edged into the *Fortune* 500 list, joined by 14 other Mainland or Hong Kong-listed companies.

Fortune magazine ranks the world's largest companies according to the companies' revenue. HWL was placed 407, with revenue of HK\$145.61 billion last year.

Meanwhile, *BusinessWeek* magazine ranked HWL 166th in its annual Global 1000 index – the highest ranking for a Hong Kong firm. The index is calculated by multiplying the companies' share prices as at 31 May 2004 by the available number of shares outstanding.



Group Managing Director named in honours list

Ian Wade, Group Managing Director of A.S. Watson, has been awarded the Bronze Bauhinia Star in the Hong Kong 2004 Honours List for his long-term distinguished service to the community.

Mr Wade currently sits on the Executive Committee and Board of the Community Chest, and is the Advisory Board Member of Red Cross. The Bauhinia Stars are annual awards given since 1997 to recognise individuals who have made an outstanding contribution, or who have rendered devoted community service to Hong Kong.

Editorial committee					
Adviser	S K Chan				
Editor	Malina Ngai				
Members					
Head Office	Anna Tam	Franda Cheung	Irene Man		
Health & Beauty	Alice Lui	Mary Yau	Sharon Foo	Wendy Campling	Marie-Jose Schroote
	Nuanphan Pat Jayanama				
Food,Electronics & GM	Winnie Chow	Daisy Chong	Teresa Pang		
Manufacturing	Dora Poon	Lilian Au			

Wats On is the quarterly family magazine of the A.S.Watson Group. Materials from this publication may only be reprinted with full accreditation to "Wats On".

Published by
A.S.Watson & Co., Limited
Watson House, 1-5 Wo Liu Hang Road, Fotan, Hong Kong
Email: WatsOn@asw.com.hk
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Watsons Malaysia acquires Apex

Watsons Malaysia in July acquired Apex Pharmacy Sdn Bhd from Apex Healthcare Bhd (AHB), a Bursa Malaysia main board-listed company.

Watsons has taken full ownership of 24 stores nationwide which will continue to operate under the "Apex Pharmacy" name.

Founded in 1962, Apex Pharmacy has established itself as a community and family-oriented chain offering high-quality pharmaceutical products, including prescribed and over-the counter medication.

The total number of Watsons stores in Malaysia has increased to over 100 together with an enlarged chain of 33 pharmacy counters, and over 1,000 staff.



ASW's first-ever global senior management conference



A.S. Watson (ASW) hosted its first Global Senior Management Conference in Bangkok in June. It was a rare opportunity to bring together more than 90 colleagues of 24 nationalities, who are leading our businesses in 18 markets.

Echoing the theme of "Branding for Success", fellow delegates shared their experiences on best practices through workshops, "open forum" discussions and various presentations. They made new contacts and expanded their horizons – helping to overcome the cultural barriers of ASW's widespread operations.

The Conference was chaired by renowned UK broadcaster Jonathan Dimbleby, who tied all the elements together and helped create a stimulating and interactive atmosphere amongst delegates. Scott Bedbury, former chief marketing strategist for Starbucks and Nike, was another highlight, sharing his thought-provoking insights about marketing the two great brands.

By the end, delegates took away with them valuable experiences and new friendships. Armed with the PPF formula for retail success advocated by Group Managing Director Ian Wade – which stands for Passion, Process & Fashion – they were ready to start afresh on the ASW journey and build even more successful brands.

Christmas comes early at Superdrug

Superdrug held its popular annual Christmas press show in late July in central London. The event showcased Superdrug's vast collection of gifts, deals and ranges to the media in preparation for their Christmas issues.

The venue was styled on a traditional "advent calendar" theme, also reflected in the press packs and invites. The lively, interactive event included makeovers, manicures, hair styling and even aura readings.

The show attracted journalists from leading women's magazines including *New Woman*, *Cosmopolitan*, *Cosmopolitan Bride*, *Essentials*, *Elle*, *Zest* and from several national newspapers including the *Daily Mail*, *Daily Star*, *Sunday Mirror* and *News Of The World*.

Superdrug.



Daring, dazzling new Spirit

Giving customers even more reasons to shop at Superdrug, 7 July saw the relaunch of in-store magazine *Spirit*, to reflect the new "everyday, dazzling, daring" brand concept.

A runaway success with Superdrug customers since its launch four years ago, the new *Spirit* will be published monthly (previously bi-monthly) and a special Christmas gift guide issue will hit stores in October. *Spirit* will offer customers a fresh approach to the use of colour and imagery and will carry additional beauty, fashion and healthcare features, with more emphasis on affordable glamour.

Superdrug.

Learning in the great outdoors

The ICI PARIS XL Belgium management team got together in March for two days of energetic adventure and team building at Spa, Belgium.

Managers revived their team spirit with challenging activities far removed from their usual environments. Teams exerted themselves at the "jungle track", taking part in the "death ride", rock climbing, rope ladder climbing – and eventually, a much more relaxing BBQ.

Each team member made a presentation of who they are to share with the group. Goals were clearly defined for all operations and implementation strategies agreed on – a valuable learning exercise to take back to the work place.

ICI PARIS XL

- 1 The Belgium resort Spa was the chosen location for ICI PARIS XL's vigorous team building exercises in an inspiring outdoor setting.
- 2 The ICI PARIS XL management team.



Royal recognition

The Dutch queen, Her Majesty Queen Beatrix, bestowed royal honours on two of our highly valued employees on her birthday in April.

Dick van Hedel, Deputy Chairman of Health & Beauty International, was named a Knight of the Order of the House of Orange for his service to society in both business and social areas. Dick is an active member of a local business club that raises money for charity. He was also previously the president of a consumer foundation and gained much respect in the community.

Peter Voerman, Treasurer of Health & Beauty Continental Europe, was named a Member of the Order of the House of Orange in honour of his more than 25 years' voluntary work. His achievements include guiding less fortunate youth groups in club activities and helping them to raise money to finance holidays by organising flea markets.



- 1 Dick van Hedel wears his royal badge of honour with pride.
- 2 Peter Voerman (left) shares his joy in receiving the well-earned honour with his wife. Peter has been with A.S. Watson (previously Kruidvat Holdings) for 41 years.



Fond farewell to Dick van Hedel

Dick van Hedel, the popular Deputy Chairman of Health & Beauty International, retired at the end of May.

Appointed President of Kruidvat in 1997, Dick presided over a critical period in the company's development, and was instrumental in A.S. Watson's acquisition of Kruidvat in 2002. In the 18 months before his retirement Dick ably supported the business integration of the two companies.

On 28 June, the Group hosted a farewell dinner at Peace Palace in the Netherlands for Dick's family, friends and business associates.

Renowned pianist Jan Vayne and flutist Ellen Helmus performed recitals dedicated to Dick, and rising Dutch star Do sang songs from her latest album.

Dick was also entertained with several speeches by colleagues that covered his professional career. The celebration was a wonderful retrospective on Dick's long and distinguished career and also marked the beginning of a happy and well-deserved retirement.

- 1 Group Managing Director Ian Wade surprises Dick with a very special and precious gift – a porcelain camel from China's 7th century Tang Dynasty.
- 2 Dick bursts into laughter when his brother jokes about him being the smartest in the family.
- 3 Dick and his wife Josine receive a painting named "Botanica" by Hungarian artist Gyula Bubarnik.



Going for gold with Olympic campaign

Fortress held a "Fortress Olympic Opening Ceremony" in July to celebrate the 2004 Athens Olympic Games.

Cheerleaders put on an energetic display, while two performers dressed as ancient Greek goddesses from Athens passed on Olympic torches to Fortress staff, symbolising the Olympic fever permeating Fortress which includes giveaways of more than HK\$600,000 in free prizes and other special offers.

FORTRESS





Welcome to the Beauty Club

Ten beauties and socialites in town including Janet Ma, Sophie Rahman, Balia Chan, Coco Chiang, Rosemary, Elaine Lee, Angela Tong, Lucy Shih, Lucylia Rohmig, Josephine Leung & Eleanor Morris were invited to celebrate the official launch of Watsons' first-ever customer loyalty programme, called "Beauty Club", in May. In just a few months since the soft launch in January, the Club has had a huge response with 100,000 applications received.

Customers who shop at any cosmetic counters or self-selection shelves will be entitled to a membership card that provides exclusive redemption offers and privileges.

More than skin deep

At the Skin Simple Summer Beauty Awards held in May, Watsons conferred titles to ten acclaimed beauties with the most beautiful skin and spirited summer looks. Winners included Korean star model Choi Hye-yun, Ruby Lin from Taiwan, Hong Kong pop idols Yumiko Cheng, Niki Chow, Isabella Leung, Belinda Hamnett, Fiona Yuen, Kennix Kwok, top model Ana R and actress-turned businesswoman Mariane Chan.

The event also marked the launch of hit Korean Ginseng skincare brand KiO, available exclusively at Watsons.



Staff star in price-check commercials

A series of TV commercials was introduced in early June to increase public understanding of PARKNSHOP's price-checking mechanism to reinforce its lowest price promise. For the first time, several PARKNSHOP staff starred, revealing their daily price-checking practices.

Customer Insights Manager Jessica To leads a smart team that keeps an eye on competitors' discount offers and makes necessary price adjustments for the stores. Brian Tong, Senior Store Manager, stands on the frontline to ensure that the prices of products in the store are the lowest. Harriet Chong, Commercial Manager (Personal Care & Baby), specialises in helping customers search for personal care and baby products at the most competitive prices.

The real-life approach adverts were very effective, judging by the results of an ACNielsen survey. About 50% of the interviewees believe Brian, Jessica and Harriet are actual PARKNSHOP staff involved in the price-checking process, and 57% said they successfully communicated the low-price promise.




Low price pledge in China

The Watsons China team, led by Managing Director Ivor Morton, solemnly raised their right hands on 16 June to pledge: "I dare to swear, Watsons guarantees low price!" The event marked the kick-off of its long-term policy in South East China to guarantee everyday low prices, following the successful launch in Taiwan, Thailand, Hong Kong and Malaysia. It is estimated that consumers can save up to a total of RMB 65 million each year on more than 1,200 health and beauty products. The pledge also offers a double-the-price-difference refund to consumers who find a lower price for the same product elsewhere.



Discovering more at Watsons

Watsons Taiwan in June launched a TV commercial series, "Discover more – at the beach" to convey the message that "Watsons is your best choice for whatever you want and whenever you encounter" at the lowest price guaranteed.

The commercial has proved to be a success, being selected as "the most memorable commercial in June" in research conducted by Asia's leading marketing/communications magazine *Media*. 

A night on the town


At the annual staff dinner in July, Alessandra Piovesana, Managing Director of Nuance-Watson (HK) (centre), presents to several staff members the "Top Superstar in Sales" and "Service Champion of the Year" awards for their dedication and excellence. The presentation, along with other live performances showcased the staff's team spirit.




Nuance-Watson (Singapore) wins double accolades at Raven Fox Awards

Nuance-Watson tops the chart

Nuance-Watson (HK) was highly commended in five categories of the Raven Fox Awards for Travel Retail Excellence in Asia Pacific 2004, including "Best Fragrances & Cosmetics Travel Retailer", "Best Fashion, Leather Goods & Accessories Travel Retailer", "Best Confectionery & Food Travel Retailer", "Best Gifts Travel Retailer" and "Best New Shop Opening at an Airport in Asia Pacific".


In the meantime, Nuance-Watson (Singapore) achieved "Best Fragrances & Cosmetics Travel Retailer in Asia Pacific" and "Best New Shop Opening at an Airport in Asia Pacific". 

Sporty labels add summer sparkle

Watsons Water not only brings you the purest drinking water but also adds extra sparkle to life. The "Let's Go" summer promotion saw the introduction of seven new special-design bottle labels, each representing a different outdoor activity. To correspond with the launch, a lucky draw offered a grand prize of two return tickets to Auckland. 




Distilled learning

With a 100-year tradition in the business, Watsons Water has collaborated with the Modern Educational Research Society to introduce the distillation process as topical research material for General Studies of the primary school curriculum. Watsons Water is the first in the industry to be involved in a project of this kind. The material consists of a CD-Rom and an online website that functions as a multimedia information library containing FAQs, animation and short films. 



Passing the fresh test at PARKNSHOP China

The first transparent fresh food checking laboratory at PARKNSHOP's Guangzhou store has attracted the attention of every customer since its launch in July.

Two fresh food inspectors, equipped with advanced testing gear, conduct a range of tests on foodstuffs before they go on sale, including vegetable and agricultural chemical tests, meat wetness tests and seafood methanol tests. The results are then posted in-store. 



Fit for summer with Mr. Juicy

Mr. Juicy adopted a new summer theme in May "Breakfast with Mr. Juicy, fit from day to night". A new TV commercial and a cute newspaper advertisement reminded consumers to drink Mr. Juicy for their breakfast to keep fit and healthy.

Mr. Juicy also launched its new website (www.mr-juicy.com.hk) where consumers can download funny wall paper, play games and enjoy various promotional benefits. 

Double celebration for Watsons Philippines

Watsons held a grand opening celebration on 16 July to inaugurate its 100th store in the Greenbelt Mall in the Philippines. Key suppliers were invited to the cocktail reception during the day, as well as a grand evening event, where Watsons took the opportunity to honour long-serving employees who have worked with the company for either ten or 15 years.



- 1 The Watsons management team is joined by Shoemart executives at the ribbon-cutting ceremony. 4th from left is Ian Wade, Group Managing Director of A.S. Watson; (from right) Andrew Miles, CEO of Health & Beauty Asia; Nigel Healey, Managing Director of Watsons Philippines and Grace Lee Rivera, Merchandise Director of Watsons Philippines.
- 2 A wonderful celebration of Watsons Philippines' 100th store.
- 3 Loyal Watsons employees receive awards for their 15 years of service.



Megastore opens in Huizhou



PARKNSHOP China opened a new Megastore at Huizhou in June. In line with the "one-stop shop" concept and echoing PARKNSHOP's mission to provide the "Lowest Price, Comprehensive Choices, Best Quality and Excellent Customer Service", the 15,000 sq-ft store retails over 20,000 product items within three storeys. There is also a café, beauty shop, pharmacy, and optical shop.



"Even after losing my shoe, I still go shopping at PARKNSHOP."

Store openings (May to July 2004)



Hong Kong
Island Resort Mall
Kingswood Richly Plaza
Tung Lo Wan Road
Times Square (re-opened)

Mainland China
Dynasty Plaza, Guangzhou
Jiahua Garden, Huizhou

Macau
Sun Ku

Taiwan
Wen Dan, Kaoshiung
Hsin Hi, Taipei
Da Wu Lon, Keelung
Tai Lin, Taipei
Zi You, Kaoshiung
Wen Chung, Taipei
Chaio Yuan, Taipei
Tesco-Chong Li, Taoyuan
Chu Shan, Nantou
Peng Hu, Penghu
Fang Liao, Pingtung
Chin Nian, Kaoshiung
Hsin Hwa, Tainan
Ren Wu, Kaoshiung
Yu Li, Hwalin
Asia World, Taipei
Wen Hwa, Taichung
Xi Chian, Taipei
Da Wan, Tainan
Shi Chuan, Taipei
Long Hwa, Taoyuan
Hsin Pu, Hsinchu
Chia Ler, Chiayi
Shui Li, Nantou
Sher Tou, Changhwa
Shue Chia, Tainan
Magong City, Penghu

Philippines
Greenbelt Mall, Makat
Lim Ket Kai Mall, Cagayan de Oro
Dasmariñas Mall, Dasmariñas Cavite
Dasmariñas Supermarket, Dasmariñas Cavite
Dasmariñas Dept. Store, Dasmariñas Cavite
Commercial Mall, Olongapo
Shangrila Plaza, Mandaluyong
Boni Avenue, Mandaluyong
Greenbelt Shopping Complex, Makati
Baguio Mall, Baguio
Gaisano Mall, Davao



Mainland China
Huizhou – Megastore



Thailand
SF Major Cineplex Chachoengsao
Majoy Cineplex Pinkloa
Seri Center
Lotus Khantieng, Chiangmai



Hong Kong
Maritimes Square – Fortress World
Ocean Centre – Fortress Vision
Mirador Mansion – Fortress Digital
Tsuen Wan – Fortress World
Jade Plaza – Fortress Digital
Dong Wah – Fortress World



Netherlands
Nieuwegein, Muntplein 25
Biddinghuizen, Baan 12
Vlissingen, Paauwenburgweg 1
Venlo, Nijmeegseweg 20
Huizen, Oosterpark Noord 11
Doetinchem, Houtsmstraat 152
Meijel, Dorpsstraat 3
Leiden, Vijf Meiplein 176-178
Ten Boer, Koopmansplein 12-14
Leeuwarden, Snekerterweg 23
Barendrecht, Van Beuningenhaven 32

Belgium
Peer, Oudestraat 23
Kampenhout, Mechelsesteenweg 44
Schilde, Turnhoutsebaan 241



Netherlands
Nijmegen, Zwanenveld 90-28/90-30
Veldhoven, Pleintjes 90-94



Poland
Poznań, Dworcowa 1 Hauptbahnhof
Poznań EKZ Kaufland, Serbska 42
Warszawa, Modzelewskiego 27
Częstochowa, 11 Listopada 1/3
Gdynia, Starowiejska 10-12
Głogów, Wolności 4-6
Warszawa, Kondratowicza 39

Czech Republic
Zabreh na Morave, Osvobozeni 10
Zatec, Obrancu Miru 4
Rychnov nad Kneznou, Havlickova 1371

Hungary
Tiszavasvári, 4440, Kossuth Strasse 11-13
Veszprem, 8200, Balaton Plaza
Debrecen, 4026, Kossuth Strasse 1
Gyula, 5700, Kossuth Platz 27
Mako, 6900, Szechenyi Platz 14-16



United Kingdom
Barrow in Furnes
Runcom 2
Waltham Cross
St Helens
Airdire
West Ealing
Worcester
Cheadle 2
Brighton
West Bromwich
Stroud
Ellesmere Port
Newport
Maryhill
Margate
Eltham
Londonderry
Crewe
Ashford
Gainsborough
Bedminster
Acton
Kirkcaldy
Kirkby 2
Morecambe
Newton Abbott
Newport Pagnell
Ballynahinch
Sodihull
Bishopbriggs
Wallesey
Droylesden
Motherwell
Carrickfergus
Armagh
New Malden
Pontypool
Bearwood



Netherlands
Eindhoven, Piazza 32
Veenendaal, Hoofdstraat 7-9
Zoetermeer, Promenadeplein 133
Amsterdam, Gelderlandplein 123-125
Oss, Heuvelstraat 14

Belgium
Brussels, Cora shopping Anderlecht
Brasschaat, Bredabaan 226
Maasmechelen, Pauwengraaf 27-29





1



2



3



4

Baltic Beauty

The women of the Baltics are among the most beautiful in the world. They pay special attention to their skin and hair, preferring natural products, and they are spending more today than ever before on health & beauty. A.S. Watson's (ASW) latest acquisition of the Drogas health & beauty chain in Latvia and Lithuania paints a pretty picture for growth in these promising markets.

- 1 Tallinn, the capital city of Estonia
- 2 St. Peter's Church, one of the oldest Gothic architecture in Latvia, dated from 1209
- 3 Historic Art Nouveau building in Riga city centre.
- 4 Built by King Mindaugas in 1251, Vilnius Cathedral underwent changes and development over the years

Photo courtesy of Patricia Tourist Office, Riga www.rigal Latvia.net



Nicknamed the "Baltic Tigers", Latvia, Lithuania and Estonia are the newest members of the European Union (EU) and standards of living there are rising fast. The big international brands recognise this and are rapidly introducing their products to the market.

When ASW in June acquired Drogas, one of the best-known health & beauty retail chains operating in Latvia and Lithuania, it opened the door for significant growth in Continental and New Europe.

"Latvia and Lithuania is our springboard to the Baltic, the Confederation of Independent States and Nordic markets," said Ian Wade, ASW Group Managing Director. "The region's recent accession to the EU gives it a new powerful impulse to create a free, secure and prosperous economy. We see great potential in these markets."

Established in 1993, Drogas has become synonymous with health & beauty and is now one of the best-known brand names in the region, with 85 outlets as of June 2004.

In Latvia, Drogas operates 61 stores and has a 30% share of the market. In 2001, the company was named "Best retailer in Latvia" by the leading business newspaper *Dienas Bizness*.

In Lithuania, the first Drogas store opened in 2001. By June 2004 it was operating 24 stores.

Headquartered in the city of Riga in Latvia, which has a young, upwardly mobile population, Drogas is well placed to spearhead ASW's expansion not only into the Baltic countries but also into the Commonwealth of Independent States (Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine) as well as the Nordic countries (Finland, Denmark, Sweden and Norway). This region covers a total population of more than 300 million. That's a lot of health & beauty.

Drogas 
J u m s l ī d z ā s !

"Drogas" means "herb" in Latvian. The word was associated with the earliest natural medicine stores more than 100 years ago, and was brought back into the world of modern retail by the founder of the new Drogas chain, whose family were original owners of the name.

The strelitzia – a flower that needs warmth and sunshine – symbolises that life is made up of small things, which by interacting ensure a rhythm that is well-ordered and dynamic.

The Drogas slogan means "Next to you". It characterises the extensive product offerings to customers in places convenient to them. In Latvian, the slogan is associated with being close, including in your thoughts.



	LATVIA	LITHUANIA
Area	64,589 sq km	65,200 sq km
Language	Latvian (official), Lithuanian, Russian	Lithuanian (official), Polish, Russian
Population	2,306,306*	3,607,899*
Capital	Riga	Vilnius
Currency	Latvian lat (LVL)	LITAS (LTL)
GDP per capita	US\$8,400	US\$8,900

*As of July 2004

- 5 Two children wear Latvian costumes for an arts-and-crafts event
- 6 The famous Daugava River in Riga, Latvia
- 7 The Latvian tradition of wearing cultural costumes for celebration of food festivals



Dennis Casey, ASW's newly appointed CEO for Eastern Europe, will take charge of managing the expansion, saying: "Though this region's retail market is still developing, its proximity to Central & Western Europe where ASW has established businesses will create significant synergy in purchasing, operations as well as earnings growth."

Core Customers

For Drogas, the primary customer base is city-based women who earn an average income and are in the 18- to 35-year age bracket. The secondary customer base is women aged 15 through to 60.

A study carried out in June 2003 by ACNielsen, a market research company, shows that Drogas occupies the leading position in Latvia with a 29% market share (personal care and household) in comparison to other retail chains that offer similar categories of goods. The commercial format of the chain is described not as a segment of the household and cosmetics market, but as "Health & Beauty".

Product Portfolio

Drogas offers more than 10,000 products in such categories as make-up, skin care, hair care, hygiene goods, household and home care, products for children, haberdashery, seasonal offers, vitamins, medical products, etc.

The range of washing, cleaning and other household products needed for everyday living are supplemented by kitchen utensils, topical seasonal goods and home decoration products. Special focus is put on child hygiene products and toys.

While there is a comprehensive range of products for men, women receive the most attention and enjoy a retail experience that offers the convenience of being able to buy everything needed on a day-to-day basis as well as opportunities to try out new offers from seasonal collections.

"Polar bear" in action

Dennis Casey, CEO of Health & Beauty Eastern Europe, likens Drogas to a polar bear "It lives in the North in cold climates, is beautiful, has great strength and energy and is loved by customers and feared by competitors," he says.

Going forward Drogas is set to grow stronger by:

- Implementing planograms
- Upgrading store layouts
- Boosting promotional efforts
- Expanding general merchandise
- Introducing private label



New man at the helm in Eastern Europe

Dennis Casey has been appointed CEO of Health & Beauty Eastern Europe, effective 25 March.

He joined the ASW family in March 1988 as Managing Director of Singapore/Malaysia, where the business saw healthy growth under his leadership. From 1992, Mr Casey helped grow Watsons' operations in Taiwan from 30 stores to 200 – establishing Watsons as the clear leader in the drug and personal store category – and provided full management support to Fortress' entry into the Taiwanese market.



Mr Casey was later appointed as the Group's Business Development Director overseeing the development of exclusive brands, private labels and new business opportunities in Europe, including ASW's purchase of Savers, one of the UK's fastest growing retail chains.

In his new role, Mr Casey is responsible for the operation of all health & beauty concepts in Latvia and Lithuania and the whole of Eastern Europe covering Norway, Sweden, Finland, Denmark, Estonia, Ukraine and Russia.

Market Maker

Every marketing campaign advocated by Drogas is backed by sales data, customer demand and seasonal factors. The success of a product is "calculated" and never "accidental". Drogas deploys a very effective marketing tool – friendly prices. These are further supplemented by continuous promotion activities related to different product mixes, with up to 250 promotions annually.

During each of the campaigns, one or several product groups are offered with large discounts, which are very often supplemented with lucky draws and gifts. This way, Drogas delights and surprises its customers every time they visit the store. The more frequently a customer visits Drogas, the higher the chances he/she discovers good bargains and gets the shopping cart filled at attractive prices.

With its significant size and international experience, ASW brings tremendous synergies to Drogas and its regional teams are working closely to help develop Drogas' full potential.

Drogas stores have a similar format and customer profile to other high-street health & beauty brands within ASW, and lessons learnt in Asia and Europe, particularly the IT systems and logistics process, can be effectively applied and adapted to fit the local market.

Undoubtedly, Drogas will also benefit from the Group's extensive network of suppliers, when it comes to sourcing top-quality products at the best prices from around the world.

Bright and Beautiful

Drogas is the local market leader in training using both on-the-job and off-the-job methods.

Internal training is conducted by shop personnel and office staff, giving staff the opportunity to develop, to grow and to make a career within the company. Staff also receive training from world-renowned professionals.

Last year Mercuri International awarded Drogas in Latvia the title "Best Corporate University" for its Drogas Sales School programme. Outstanding employees who win an annual contest also have the chance to gain an academic education paid for by Drogas.

It all adds up to a recipe for success, not only for the ASW family but also for consumers who will benefit from extra convenience and greater choices at competitive prices. One thing is certain: The women (and men) of the Baltics and beyond will be more beautiful than ever before!





15-17 October, Hong Kong

Ready, set, go!

Discover your sports talent and be part of your division's team at the 2nd A.S. Watson Group Sports & Fun Day, scheduled for 15-17 October in Hong Kong.

Last year's event was a tremendous success. Over 1,100 colleagues from ten countries competed in front of thousands of spectators at the Ma On Shan Stadium in Hong Kong, showcasing the ASW spirit that makes us a leader in the business field.

The event was initiated last year with the aim of providing a platform for staff from global operations to gather in a fun and relaxed environment. It also reflects the Group's emphasis on a healthy lifestyle, which includes promoting sports participation.

You will hear more about the Sports Day through your country Human Resources Department. Meanwhile, get fit and gear up for the three days of fun!



Healthy teeth give plenty to smile about

Source: [Watsons](#)

More than 80% of participants in a research poll agreed that oral hygiene has a paramount effect on the impression you make, and your self-confidence. Mouth blisters and rotten teeth can be very damaging. Our useful tips of preventive oral care should keep you smiling!

Selecting the right toothbrush:

Brush Head

- The latest 3D designs give better results
- Choose a size that fits your mouth
- Consider your personal preferences. In general, a soft head is good for gums and preserves enamel.

Brush Handle

- Look for antiskid protection and an elastic design.
- Replace your toothbrush every two to three months. A worn-out brush will affect cleaning and harm gums.
- Use fluoride toothpaste to strengthen teeth and prevent decay.
- Avoid tooth-picks. Instead, use dental floss.
- Use mouthrinses to minimise oral cavity problems and kill bacteria.
- Visit your dentist every six months.
- Avoid foods that are too sour or hard, which harms enamel.

How often should I brush my teeth?

Brush your teeth with fluoride toothpaste at least twice a day, and use floss. Some dentists suggest brushing three times a day for three minutes.

I have bad breath. What should I do?

Causes of bad breath

- 1 Poor oral hygiene**
 - Dental plaque, rotten teeth, periodontal diseases
 - Unhygienic and ill-fitting dentures
- 2 Smoking**
 - Stains teeth and gives bad breath
- 3 Strong foods**
 - Foods such as onions or garlic cause temporary bad breath
- 4 Illnesses**
 - Nasal sinus inflammation or problems with the intestine and stomach affect the breath

Cures

- 1 Make a habit of good oral care**
- 2 Stop smoking**
- 3 After eating strong foods:**
 - brush your teeth immediately or
 - chew gum or
 - use mouthrinses
- 4 Schedule a dental check to find out the underlying cause of bad breath**



Team spirit – the key to success

As the old saying goes: "Birds of a feather flock together."
The best results always come from working hand in hand. In this column our dedicated staff show how they have been inspired by **TEAM SPIRIT**.



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- 1 Hands up! Watsons Water Beijing demonstrates high spirit and energy in an outdoor team building exercise
- 2 The winning team of Watsons Thailand at the Health & Beauty Awards 2004
- 3 Anniversary celebration of the Watsons Capitol Centre store in Hong Kong, after its relaunch
- 4 Staff at Watsons Taiwan show the victory signs at a training session
- 5 Frontline colleagues at Nuance-Watson are busy managing the day's delivery schedule
- 6 Enthusiasm shows on the delegates' faces at a problem-solving session in the Senior Management Conference



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- 7 The Watsons Taiwan team dares to swear in delivering lowest price, best quality and most attentive service
- 8 "We are the champions!" More than 90 executives of the ASW family show their determination for success in the Senior Management Conference
- 9 "Hello! We are the girls from Kruidvat Netherlands. We have a great team and we really enjoy working together," say Ingrid, Bernadette, Ellen, Angelique, Anja, Sonja, Joycel, Ann, Carla, Elly, Sandra, Uazin, Pieta



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In this issue, *Wats On* follows a typical day of another behind-the-scenes hero, PARKNSHOP's Quality Assurance Manager, Peter Johnston. He guides us through a packed day as gatekeeper at one of Hong Kong's largest supermarket chains.



04:15

Meeting with duty laboratory technician to review the night's testing result on Chinese leafy vegetables for pesticide residues.



05:15

Reviews the night's pork cutting operation.



08:00

Meeting with Audit Manager Cindie Chow who is conducting a food hygiene audit in a nearby Superstore and efficiency trials on the use of photo catalytic oxidation for the purification of food fish tank water in the store.



10:00-11:30

Attends weekly QA department meeting to review all laboratory testing results, customer complaints and related issues.
Meets with Group Legal to discuss the implications of proposed food labelling regulations and agree on a course of action.



13:00

"Bun on the run" lunch taken while driving to visit a *dim sum* supplier.



17:00

Checks with fresh food distribution centre to see if PARKNSHOP sells a particular brand of ham which is linked to a food contamination incident.

18:00


Quick gym session and home family.

Walking almost all week!



Five of our colleagues in the Netherlands recently joined the "4-daagse van Nijmegen", a famous annual 200-km walking event. We are pleased to report they are all happily back at work, having survived the challenging four days. More than 45,000 walkers participated this year, on 20-23 July.

The first challenge is undoubtedly the early start – imagine starting at 4am every day and having a 50km walk ahead of you!

Let's hear what our colleagues had to say... 



Edwin (in green T-shirt) decided he had to do the walk once in his life and this year was his first time. "I started together with six friends who made me survive the 4th day as I was already injured on the first day. My family and friends supported me during the route and my colleagues wished me luck. Once, but never again!"



Joop (right, in ASW T-shirt and cap) took part for the 2nd time as he wanted to walk the real four-day event. "Last year the daily distance was shortened to 40km due to the heat but I wanted to do the 200km as a physical challenge. What I really enjoyed is that you never walk alone. I would like to invite my Asian colleagues to join next year."



Kathelijnn, walking is a family event started by her grandfather. "I have participated four times now and am already a little bit addicted. My family arranged a sponsor and every 10-15 kms there was a supporting team with food, drinks and some chairs. It gives you a kick every day when you reach the finish. I will definitely participate again next year."



Antoinette (standing beside a police officer holding a banner) is a store manager who has been with the company for 23 years. "This year is the 10th time I have done the walk with my family. For me the toughest day was the 3rd day because the route is very hilly – there are seven hills. I especially enjoy walking with people from all over the world, like Hong Kong, Mainland China and Japan."

Your story invites you to share happenings in your life, at work or outside work, with our 64,000 colleagues around the world. If you have a story that you feel has touched your life, just write to us at WatsOn@asw.com.hk



Superdrug raises £300,000 for Macmillan Cancer Relief

Superdrug has supported charity organisation Macmillan Cancer Relief in the United Kingdom through various fundraising initiatives over the years, including the sale of Macmillan pin badges and the Masked Charity Ball, which Superdrug hosts every two years. This year's gala was held in July at a top London hotel, attended by 1,000 staff and guests. Superdrug raised a staggering £300,000 (£159,000 more than the Ball held in 2002), with generous support from suppliers who sponsored almost everything, from the invitations to the entertainment as well as various competitions and an auction that helped boost the fundraising effort.

All proceeds will go towards Macmillan's increasing range of services, including its nurses, doctors, cancer care centres, a range of cancer information and direct financial help for those in need. **Superdrug**



Savers celebrates youthful achievement

Savers sponsored the inaugural "Celebration of Learning Awards 2003", organised by the Learning and Skills Council and Connexions in Tees Valley and backed by Prime Minister Tony Blair.

The awards recognise the achievements of young people in the Tees Valley region aged between 13 and 19 in 13 categories – from retail to health, arts, engineering and sports.

Human Resources Manager Pamela Flowers (pictured far right), a judge, said, "The Retail Achiever Award went to an 18-year-old shop worker who is dedicated to his work and actively encourages other youngsters." **savers**

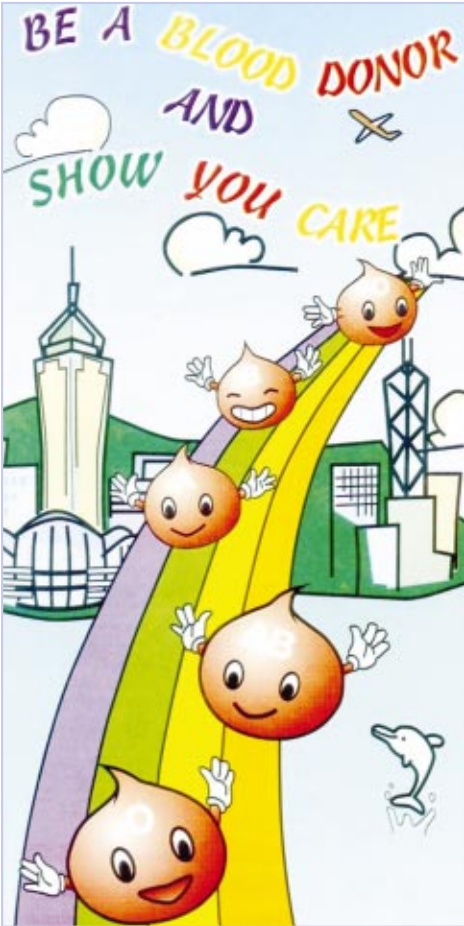


Winning team supports junior athletes

Fortress has teamed up with PARKNSHOP in sponsoring the Watsons Athletic Club Junior Elite Training Programme. Offering a healthy track and field activity including all-round basic athletic training and knowledge such as running technique & speed, spring and fitness, etc. for children aged 8-11, the programme held a selection in summer with national men's 400m record holder Xu Zi-zhou demonstrating his skills and exchanging experiences with local athletes. 500 children have been selected from the trial to receive the one month training. **Fortress** **ParkNShop**

Faster and faster

Watsons Athletic Club athlete Tang Hon-sing set a Hong Kong Record of 14.32 seconds in the Men's 110m Hurdles at the Watsons Water Athletic King Championships 2004 Round III in June. This is the 4th time in a year he has broken the record. Tang will compete with "Asian Hurdles King" Liu Xiang in October's final.



Giving the gift of life

Demonstrating its mission to be a caring corporate citizen dedicated to helping people in need, A.S. Watson (ASW) held a Blood Donation Day on 12 July for the Hong Kong Red Cross, which provides blood to all hospitals in Hong Kong.

Breaking ASW's past record, 98 colleagues donated their blood, confirming their care and commitment to the community.





How to enter:

Simply take along one of our retail bags whenever you travel, and pose for 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. Act now!** (E-mail: WatsOn@asw.com.hk)

Superquiz (Issue no. 62)

Super Prize (5)
7-up mini fridge
Want a cooler summer right at your side? PARKNSHOP is giving away a handy 7-up mini fridge that can store up to six cans of drinks and your favourite snacks. Ladies may keep their cosmetics in the fridge to get the best effects, too! (Sponsored by 7-up)

Gold Prize (30)
Beckham limited edition watch
Are you a Beckham super fan? Don't miss the chance to get this Beckham limited edition watch. You can go everywhere, everyday with your hero, football star David Beckham! (Sponsored by Omega)

Silver Prize (15)
Mr. Juicy mascot
The four members of the Mr. Juicy plush family each have their own characters and habits. Mr. Skate is an outgoing boy who likes skating, M-boy is a helpful boy who likes swimming, Miss Beauty loves everything to do with beauty and Mr. Juicy drinks Mr. Juicy all day. (Sponsored by Mr. Juicy)

Bronze Prize (20)
Mcdull gift set
Mcdull, Hong Kong's most successful home-grown cartoon character, has a new look this summer. Dressed as a prince, his name is Mcdull Prince de la Bun. Watsons presents a lovely Mcdull Prince de la Bun gift set, which includes a CD holder and shopping bag. (Sponsored by Mcdull)

- 1. "PPF" is the success formula advocated by Group Managing Director Ian Wade. What do they stand for?
- 2. Which TWO countries does Drogas operate in?
- 3. How many stores have been taken by Watsons in the acquisition of Apex Pharmacy?

- Answers to Issue no. 61:**
- 1. Jurgen Schreiber
 - 2. Stock enquiry, features enquiry, delivery status enquiry, spot check, store details enquiry, bridal registry (any two)
 - 3. Pauline Davis Thompson

Super Prize :		Silver Prize:	
Name	Company & Department	Name	Company & Department
1. Wong Wai-kuen	ASW – Office Services	1. Eva Chow	Fortress – Human Resources
2. Tsang Sum-chuen	ASW1 – Finance	2. Margaret Bartholomeusz	Superdrug
3. Yang Oi-yee	ASW1 – Finance		
4. Silvia Ip	ASWW – Sales		
5. Haw Tsui-fan	PARKNSHOP – Property		
6. Wong Mei-lan	Fortress – Human Resources		
7. Szeto Suet-yee	Fortress – Sales Administration		
8. Yo Yo Cheng	Nuance-Watson – Human Resources		
9. Florence Lee	Watsons – Account		
10. Kate Kaur	Watsons – Merchandising		
11. Billie	ASWW Beijing		
12. Wu Yan-ming	Guangzhou Watson's Food & Beverage		
13. Daw Wu Nu Tha	Watsons Singapore		
14. Shamsath Begam	Watsons Singapore		
15. Marek Mazur	Health & Beauty Continental Europe		
16. Carla Westein	Health & Beauty Continental Europe		
17. Marjolein Plagge	Health & Beauty Continental Europe		
18. Sarah Barker	Savers		
19. Stella Macdonald	Savers		
20. Christine Burbage	Superdrug		

Gold Prize :	
Name	Company & Department
1. Lam Lai-yi	PARKNSHOP – SDC Administration
2. Siu Wai-ching	PARKNSHOP – Account
3. Carol Chan	Watsons – Account
4. Veerle Van den bussche	ICI PARIS XL
5. Elaine Thornton	Savers

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

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: 8 October 2004



Adding value to the community

Mr Li Ka-shing, Chairman of the Li Ka Shing Foundation, called for initiative, care and resolve within all sectors of the community to work closely together in sowing the seeds of a free, just and caring society.

The appeal followed a speech Mr Li delivered at Shantou University in June entitled *"The Art of Giving"* during the "Walking with the Master" forum organised by the Cheung Kong Graduate School of Business and attended by more than 1,000 students and guests. The response was so overwhelming that the audience spent more than two hours in unscheduled discussions with Mr Li.

Mr Li reiterated the core values that he holds dear – fairness, integrity, sincerity and empathy – and in particular he encouraged business people to work together in building a culture of giving.

He said those without principles would find themselves floating about unanchored.

"The key to success," he said, "is to identify principles with which one can chart the course of one's life. Holding fast to the right principles will enable us to play different roles while at the same time remaining true to ourselves."

Mr Li drew comparisons between the lives of ancient Chinese politician Fan Li and US statesman Benjamin Franklin. Fan Li, a renowned military strategist, went on to become one of China's earliest entrepreneurs, famous for initiating trade in agricultural goods in the southern Changjiang River region. His efforts brought him great personal success. Benjamin Franklin, on the other hand, in a different place and at a different time in history, used his talents not only to improve his own fortunes but also to improve the fortunes of others.

"They played identical roles at certain stages of their lives, but were guided by totally different principles," he said. Fan Li wished only to live his own life, but with wisdom, power and dedication while Benjamin Franklin created a better society for the future."

"Today's Chinese are going through a period of social re-engineering unprecedented in Chinese history," Mr Li added. "We are seeking to build a society of openness and rule of law while striving to maintain economic growth and foster a healthy sense of self. We have the opportunity to build up the self and simultaneously pursue selflessness, just like Benjamin Franklin did."

"At a time of continued globalisation, we must learn from the past, observe the present and dream about the future," Mr Li concluded. "Business people should be even more earnest, hardworking and self-disciplined to create a fair, just, moral, self-respecting and law-abiding society. Only then can the true meaning of stability and freedom prevail."

