



Watson

IT injects extra value for Fortress customers

New CEOs appointed for Europe

Fitter in the Philippines

Service with a smile

A.S. Watson

The retail and manufacturing group of
Hutchison Whampoa Limited



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Dear Colleagues,

In this issue of *Wats On* I'd like to say a special farewell to Dick Siebrand, founder of the successful Kruidvat formula that became part of the A.S. Watson family last year. Dick has been the driving force behind the brand for almost 30 years, and his concept has married seamlessly with our other operations and helped propel A.S. Watson into a leading position globally. We wish Dick lots of future happiness and congratulate Jurgen Schreiber who takes over as CEO of Health & Beauty for Continental Europe.

We at A.S. Watson know that value for money means offering customers the twin benefits of great prices and great quality. In the highly competitive world of retail, the two go hand in hand. We have been driving the value message in our businesses across Asia, and the response from customers has been very positive. In the next few months we'll be extending this value focus to operations in other parts of the world.

Besides offering the highest quality at the best prices, we need to keep alive our passion for giving customers the best possible retail experience. Initiatives in both IT and customer service are vital in maintaining competitive edge. Share the Fortress IT story and "Service with a smile" snapshots of our frontline staff featured in this issue.



Ian F. Wade
Group Managing Director

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Cover story

ASW has a long and proud record of being at the forefront of deploying useful technology to improve its operations – Fortress is taking this advantage to add value to customer experience.

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 and regions across Asia and Europe. Today, the Group operates over 3,600 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 39 countries.

Editorial committee

Adviser	S K Chan				
Editor	Malina Ngai				
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Results round-up

Hutchison Whampoa Limited (HWL) reported audited profit attributable to shareholders for 2003 of HK\$14,378 million.

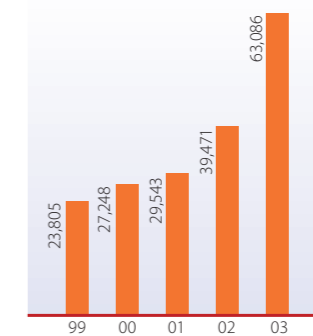
Earnings per share amounted to HK\$3.37 (2002 – HK\$3.37). Excluding exceptional profits and 3G start-up losses in both years, profit attributable to shareholders increased 25%.

Turnover for the year totalled HK\$145,609 million, an increase of 31% over last year. Earnings before interest expense and taxation (EBIT) was HK\$29,535 million, 21% better than last year. The total dividend was unchanged at HK\$1.73 per share.

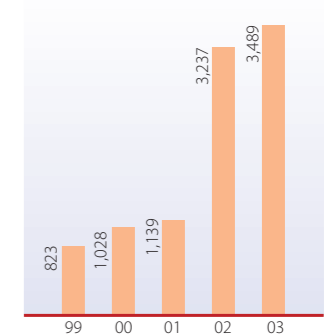
A.S. Watson Group, HWL's retail and manufacturing division, reported turnover of HK\$63,086 million, a 60% increase. EBIT of HK\$2,305 million was 124% ahead of last year (35% on an annualised basis).

For full results, see: www.hutchison-whampoa.com/eng/investor/annual/annual.htm

Retail and Manufacturing Turnover
HK\$ millions



Number of Retail Outlets



New CEO appointment

We are delighted to announce the appointment of Jurgen Schreiber as CEO of Health & Beauty Continental Europe, effective from 1 March.

Mr Schreiber first joined the ASW family in March 2002. He started out as Managing Director of Health & Beauty in China, where the business saw exciting growth under his leadership. At the beginning of 2003 he was appointed Group Director of the International Buying Division, helping to significantly improve the Group's buying power.

In his new role Mr Schreiber is responsible for Kruidvat, Trekleister, ICI PARIS XL and Rossmann Central Europe. "My priority is to build on the success of these brands and further strengthen their competitiveness," he says. "I am confident in bringing more benefits and surprises to consumers."

Mr Schreiber's appointment follows the retirement of Dick Siebrand, founder of the Kruidvat concept in 1975. (See the interview with Dick Siebrand on p.19)

Meanwhile, the Group has also announced the appointment of Dennis Casey as CEO of Health & Beauty Eastern Europe. Look out for a more detailed story in the coming issues. (Also see the interview with Dennis Casey on p.20)





“Scentimental” journey

To further promote its brand to Dutch consumers, ICI PARIS XL launched a public relations programme in March comprised of store tours for the media and interviews with key executives along with joint promotions and store opening activities.

During a recent store tour, ICI PARIS XL Netherlands Managing Director Jules Abbenhuis (top photo, left) describes the brand concept to the media. Meanwhile, Miss Holland Sanne de Regt (top photo, right) was appointed as spokesperson of the chain. **ICI PARIS XL**



Smart choices for Malaysian consumers

Watsons' Smart Choice programme rolled out in Malaysia in April to deliver high-quality health and personal care products at low prices every day, with 500 product lines covered. Through a combination of price reductions, constant price checking, operational support, marketing and a designated customer service hotline, the new price policy will help save Malaysian consumers RM12.5 million a year.

The strategy is in tune with extensive research carried out by Watsons, which shows customers appreciate "value for money" – both affordable prices and excellent quality. **Watsons**



Ian Cruddas, General Manager of Merchandise & Operations (middle) and the Watsons Malaysia team give their thumbs up for the Smart Choice Campaign.



Gerard Hazelebach, Managing Director of Superdrug (second right), congratulates staff from the South region who have completed 15 years of service.

Delivering a step change

Four Superdrug management conferences took place in four different regions in March under the theme "Delivering a Step Change". The conferences were a great success, giving store and area managers a real focused direction, a clear strategy and goals to ensure Superdrug's continued success.

The conferences began with an opening speech read on behalf of Ian Wade, Group Managing Director of A.S. Watson, followed by various presentations on key business plans for Superdrug in 2004, a video and workshops designed to help store teams improve their customer service and store standards.

The conferences also highlighted regional successes and acknowledged staff who had completed 15 years of service.

At the end of each session store managers had the opportunity to present questions to Philip Ingham, CEO of Health & Beauty UK and Gerard Hazelebach, Managing Director of Superdrug. **Superdrug**



Fitter in the Philippines

Watsons has extended its Pharmacy Self Care health programme to the Philippines following its successful launch in Hong Kong.

Endorsed by the Department of Health and supported by local pharmaceutical companies, the programme encompasses the free provision of health education leaflets, pharmacist consultation and lifestyle health checks at stores.

The programme started with the health theme "Live Healthier Lives, Energise with Vitamins", to be followed at two-month intervals by "Women's Health" and "Coughs and Colds".

Currently Watsons employs 103 pharmacists and operates 63 pharmacy counters amongst its 93 stores in the Philippines. **Watsons**





Watsons pharmacists your health companion

Understanding the public's need to have convenient access to health and medication advice, the recent Watsons "Pharmacy Self Care" TV commercial in Hong Kong successfully communicated the message that "our professional pharmacists are always standing by to attend to your health, slimming and beauty needs."



The Champion's work captures the energy of sports and reflects the theme that Watsons Water is part of daily life.

Fuel for sport

Watsons Water joined Hong Kong City Polytechnic University and Hong Kong Polytechnic University to organise the "Watsons Water Bottle Label Design Competition", held in April.

Based on the theme "Sports", about 90 tertiary design students competed for the Champion Prize and three Merit Prizes.

"As a famous local brand with over 100 years' history, Watsons Water is dedicated to promoting local creativity," said Steve Tong, General Manager of Watsons Water. "This competition highlights in an imaginative way that water is not only crucial to our daily life but is also closely associated with sports and fitness."

To join in the spirit of the Olympic Games, Watsons Water will focus on "Sports" this year.

Power breakfast

300 store managers and supervisors attended the Fortress "Year Beginning Breakfast Meeting" on 24 February.

Iwan Evans, CEO of Food, Electronics & General Merchandise and Peter Dove, Managing Director of Fortress, reviewed the 2003 performance and announced strategies for 2004. Under the slogan "New Fortress, New Perspective" Fortress will reinforce its image through innovative store design, a diversified product range, thrilling promotional activities and even better customer service.

Annual awards were presented to outstanding staff and stores and the breakfast ended on a high note with a performance by the "12-lady band".



Teamwork – Sales managers formed the "12-lady band" to invigorate colleagues at the Fortress breakfast meeting.

Best value **5倍** guaranteed



PARKNSHOP launched another initiative to bring the biggest savings to customers. Following a products and price survey with more than 5,000 customers, PARKNSHOP nominated a few hundred of the most popular products from a wide variety of yellow-labelled items and offered them as the "permanently lowest price" products. The PriceWatch programme was also enhanced to refund five times the difference to customers who discover a lower price on any yellow-labelled items in their area. A PriceWatch Hotline has been established for customers to report any lower price on these items.



Everyday Saver



Sharing the load

Actions speak louder than words – that's why Iwan Evans (pictured), CEO of Food, Electronics & General Merchandise, led a Chinese New Year initiative asking office managers to take off their suits and taste life on the frontline at PARKNSHOP stores. The lunar new year holiday is one of the busiest times in retail, especially at store level. The team spirit demonstrated by PARKNSHOP worked wonders. Managers all enjoyed spending two full days at stores, acting as customer ambassadors and even rolling up their sleeves to fill shelves or unload trucks.



Love blossoms at Great

Valentine's Day customers at Great were invited to express their affection by writing personal notes to their loved ones on the "Great Message Valentine" cards. The messages, hung from the "Great Tree Valentine", created a heart-warming display. Great also offered cooking classes with a special Valentine's Dinner menu to help loving couples enjoy a memorable evening.



Supermarket "first aid"

In March, staff of PARKNSHOP Guangzhou and PARKNSHOP Shenzhen joined the Guangzhou Red Cross Society and the Shenzhen Emergency Medical Centre respectively for first-aid training, which included first-aid theory and practical skills.

After the training, frontline staff are better equipped to react confidently in emergency situations such as fire, poisoning or a customer suffering a sudden heart attack.

Health & fitness advisors share insights

On 28 February, more than 200 Watsons Health & Fitness Advisors (HFA) met for the HFA development review and the fruitful exchange of work experiences.

The latest innovative initiative is to set up in-store "health advice stations" to take care of health enquiries from customers during specific time slots.

As part of Watsons' ongoing commitment to expand its health service, the HFA coaching programme started in 1999 with the aim of equipping selected staff with knowledge to assist customers with health enquiries.



Winning recognition all round

The ASW family continues to excel in many areas, as our array of new awards shows below. These sustained achievements would not be possible without our talented and dedicated staff, who share a commitment to product innovation and service excellence.



Watsons Water

Superbrand 2004/05 (Superbrands)
Superbrand Platinum, HK (Reader's Digest)
2003 Hong Kong Top Ten Brandnames (Chinese Manufacturers' Association of HK)

2003 Asia Pacific Aqua Awards

- Best Bottle Design & Label
- Best Television Advertising
- Best Print Advertising



Bottledwaterworld Design Awards 2003

- Best Overall Concept
- Best Bottle in PET
- Best TV/Cinema Marketing Campaign
- Runner-up of Best Consumer Marketing Campaign

Mr. Juicy

Superbrand 2004/05 (Superbrands)
Superbrand Platinum, HK (Reader's Digest)

Sunkist

Superbrand 2004/05 (Superbrands)

PARKNSHOP

Yahoo! Emotive Brand Awards
Superbrand 2004/05 (Superbrands)
Top Service Award 2004 – Supermarket & Convenience Store category (Next Magazine)

Fortress

Superbrand 2004/05 (Superbrands)

Watsons

Superbrand 2004/05 (Superbrands)



Cool new flavour added to MJ family

Brand new MJ Plum Juice flavour was introduced in April to quench thirsts for healthy and convenient drinks.

Made of real plum and supplemented with haw, MJ Plum Juice offers an authentic plum taste that appeals to consumers. It should further uplift MJ's market share in the cooling drink segment following the successful launch earlier of MJ Sugarcane Juice.





Fortress unveils stylish flagship store



Guest appearance by Canton-pop star Louis Koo at the launch of renovated Fortress store at Times Square.



Fortress in March re-launched its flagship Fortress World at Times Square. The 15,000 sq-ft outlet is the most exciting personal electronics and home appliances store ever seen in Hong Kong. The sleek and futuristic shop environment features a silver colour scheme, stylish in-store images and dedicated product displays, and offers more than 5,000 items in over 100 categories.

Fortress has invested over HK\$100 million since June 2003 to revamp its outlets.

Bigger is so much better in Taiwan

Watsons' biggest store opened in February, rising three storeys and covering 300 sqm.

The store is three times bigger than the existing average store and incorporates the third-generation concept. With a spacious and contemporary layout, more products and an enhanced merchandise arrangement, the combination of a mini-department store and personal store promises to make shopping even more fun.

- 1 The Beauty Zone features eight popular cosmetics counters with a dazzling array of skincare and cosmetics brands arranged in an open-plan format – and even a VIP skin treatment room.
- 2 The Health Zone leads customers into a world of health products, ranging from plaster to foot-care and baby care. Watsons' friendly pharmacist is on hand to provide health consultations at the pharmacy counter.
- 3 The Fun Zone stocks a variety of home accessories as well as candies, snacks and fashion products.



1



2



3

Amazing Grace takes off

Nuance-Watson (HK) officially opened the Amazing Grace store at Hong Kong International Airport in February.

Established more than 20 years ago, Amazing Grace's flagship store in downtown Tsim Sha Tsui is a popular destination for both local and overseas shoppers who love its unique ethnic Asian merchandise.

Now tourists and residents can delve into a treasure trove of Asian arts and crafts before departure, including apparel, chinaware, tableware, gifts and jewellery sourced from more than 200 different suppliers across 13 Asian countries.



Store openings (Feb to Apr 2004)



Hong Kong
Times Square – Fortress World
Hopewell Centre – Fortress World

Taiwan
Keelung – Fortress Digital



Hong Kong
Kimberley Road
Chun Yee Building, Mongkok
Fuk Lo Tsun Road
Metro City III
Tai Wai KCR Station

China
HuiMing, Shanghai
Yuanhua, Hangzhou
Yangguang, Shanghai
Zhongrong, Shanghai
JiuGuang, Shanghai
Xian
Sohu, Beijing
Xidan, Beijing

Taiwan
Yung Fu, Taichung City
Keelung, Keelung City
Shin Yi 3, Taipei City
Hsin Tai 2, Taipei County
Kang Chian, Taipei City
Ming Cheng, Kaohsiung City
Mu Zha III, Taipei City
Yi Xian, Taipei City
Lin Sen II, Taipei City
Ken Din, Pingtung County
Cheng Ho, Kaohsiung City
Kwang Yuan, Kaoshiung County
Wen Dan, Pingtung County

Thailand
Tesco, Lotus Charansanitwong, Bangkok
Major Megaplex Rangsit, Pratumthanee

Singapore
Pearl Centre
Hougang Point

Philippines
Greenhills, San Juan
EDSA Central, Mandaluyong City,



China
Le Parc – Superstore

Hong Kong
Carmell Hill – Supermarket



Netherlands
Hilvarenbeek, Diessenseweg 31
Deventer, Boxbergerweg 44
Roermond, Roersingelpassage 31
Heerlen, Homerusplein 8
Leiderdorp, Winkelhof 18
Amsterdam, Jodenbreestraat 96

Belgium
Bilzen, Passage 6
St. Niklaas, Waasland Shopping Center



Netherlands
Diemen, Claas van Maarsseplein 50
Dordrecht, Van Oldenbarneveldplein 89-92
Tilburg, Korvelseweg 116A
Purmerend, Gildeplein 4
Rotterdam, Lusthofstraat 67
Bergambacht, Hoofdstraat 19
Ermelo, Stationstraat 103a



Belgium
St. Niklaas, Waasland Shopping Center



Poland
Gdańsk, Wały Jagiellońskie 2/4
Elk, Armii Krajowej 19a
Chelm, Lwowska 12
Gdańsk, Grunwaldzka 82
Elbląg, Grunwaldzka 2
Warszawa, Aleje Jerozolimskie 179

Czech Republic
Bruntál, Náměstí Míru 24

Hungary
Pecs, 7621, Pecs Arkad, Bajcsy Zs.Strasse 11



Hong Kong
Amazing Grace



Hong Kong
Lee Gardens II, Causeway Bay





IT injects extra value for Fortress customers

When A.S. Watson (ASW) started out in retailing more than 175 years ago, the "technological" tools of the trade consisted of little more than an abacus, a ledger book and a fountain pen.

But ASW has always had a policy of thinking ahead to improve its operations. Over the decades, the company has been at the forefront of pioneering and adopting useful technology. For example, ASW was the first company in Hong Kong to use a motor truck for deliveries. In the age of the information technology (IT) revolution, ASW has consistently been ahead of the curve.

Today, the company deploys state-of-the-art IT solutions throughout its 3,500-store network to deliver a competitive edge. In this issue, we take a closer look at how Fortress is taking advantage of IT advancement to streamline operations and offer even better value to customers.

Fortress in transformation

As Hong Kong's leading consumer electronics chain, Fortress not only retails the latest technology but is also at the forefront of using the latest IT to deliver better services and products more efficiently and more cost-effectively than ever before.

"IT innovation is a driving force that keeps us ahead of competitors through better operational efficiency, inventory and data management, as well as seamless communications between the front and back office," says Peter Dove, Managing Director of Fortress. "Fortress's IT initiatives are part of the New Fortress campaign we started in June 2003. Our customers benefit from better service standards and our staff are more productive and efficient."

Fortress deploys an industry leading IT system called FIT (Fortress in Transformation). The system has significantly streamlined operations, increased efficiency, reduced costs and improved the bottom line.

FIT is complemented by ASW's group-wide IT system, called SIMPLE (Smart Infrastructure Makes People's Lives Easier). It encompasses the core technical architecture, web based delivery, two data centres, the network system servers, and the common database upon which all ASW's other IT systems sit. It focuses on business priorities, combining innovation and world-class practice to deliver practical solutions that offer the best return, continuous improvement, simpler operations and consistent service at reasonable cost. The architecture is also designed with mobile deployment and 3G technology in mind, so ASW can take advantage of the exciting developments in these areas.



One touch connects to Fortress world

With SIMPLE in place, Fortress can deploy dedicated Oracle-based Retek systems for merchandising and distribution, providing solutions in the areas of warehouse data, demand forecasting, sales auditing, customer order management and various other functions important for the smooth running of the business.

FIT also adds a mobile dimension to the IT capabilities of Fortress through using Wireless Mobile Handheld Terminal scanning technology that links staff directly to the IT workplace without the need to be at a desktop.



Wireless support from warehouse

Not only does the deployment of cutting-edge IT bring new solutions to the store environment that enhance the experience for customers and sales staff, it also brings significant improvements to logistics operations.

The Retek Distribution System, deployed in the warehouse, supports various IT innovations, including barcode labels, mobile handheld's, system cross-docking and delivery booking. All items, shelves, locations, ship doors and trucks have their own barcode labels while floor staff are equipped with a mobile handheld that records logistics events, from receiving and storing goods to shipping and delivery. This provides better inventory tracking, which increases efficiency and productivity.

The new IT strategy has proved to be very successful in the back office operations. Within 11 months of its introduction in April 2003, the capacity to handle store orders increased from an average of 40,000 units to 170,000. The system also provides vital support to the front office for handling customers' orders more efficiently. Updated warehouse data can be shared faster internally, allowing staff to respond more quickly to store and customer needs through the timely replenishment and delivery of goods. The system also facilitates demand forecasting, thus lowering the cost of inventory.



Innovation never stops at Fortress

"The implementation of the IT innovation project has sped up the whole transaction process and maximises the opportunity for sales growth," says William Chan, IT Manager of Fortress.

Ian Wade, Group Managing Director of A.S. Watson, says "Using innovative wireless technology in the New Fortress format was ideal. Not only was it an excellent opportunity to improve customer service and staff productivity, but it also helps to reinforce the New Fortress image. We couldn't have taken this step without the significant effort during 2003 to implement the new FIT system. We now have a strong IT systems foundation and this will allow us to explore many exciting opportunities to improve value for the customer. This is the vision of the ASW Group IT strategy, but the job is not finished, the innovation never stops."

In 2004, Fortress will launch several additional initiatives, including the Retek Data Warehouse (RDW) system; introduction of a Customer Order & Point-of-Sales Solution and replacement of BMS (the old IT system); Installation Booking System; EDI Invoice Implementation; and Fortress Website Enhancement.

innovation

Multi-functional service enhancement

The Mobile Handheld provides strong advantages in six specific areas:

- 1 Stock Enquiry:** Information on stock inventories in other outlets, warehouses and stock on order can be accessed simply by pressing a button. Staff save time by not having to check with different parties separately and can therefore provide an instant response to customers' queries.
- 2 Features Enquiry:** With barcode scanning function, a summary of the features of each electrical appliance can be shown. Linked to a portable wireless printer, a "quotation" containing the electrical appliance's features and price can be printed out for customers instantly.
- 3 Delivery Status Enquiry:** This function enables Fortress to provide better after-sales service to customers as they can check the delivery status after ordering.

4 Spot Check: Similar to a small-scale stock take, non-durable products such as batteries can be checked on site against the system records. Information on the most updated quantities helps speed up stock checking.

5 Store Details Enquiry: Information about Fortress outlets is saved on the mobile handhelds and can be printed out. This enables customers to get information on nearby outlets immediately, thus reinforcing and extending the sales opportunity.

6 Bridal Registry: Couples can compile a wish list under the Fortress "Ideal Gift List Service" which can then be retrieved from the mobile handheld, allowing the couple's friends and family to easily select and purchase desired gift items.



IT helps create an easier working environment. That means happier staff, which translates to happier customers.



1

8-9 Finalists of the Ms/Mr Watsons Pageant (HK) pose for the camera while "loyal fans" voice their support.

10-12 Ada Wan (lower left) takes the Ms/Mr Watsons title while Rosaline Tsang (upper) wins the Healthy & Energetic Award and Yiu Ho (lower right) takes the Most Charming Award.

13-15 Several famous showbiz personalities made an appearance at the Watsons HK annual dinner. Do you recognise them? They are, in fact, members of the management team showing off hidden skills as impersonators!



8



9



11

Annual gathering in the East

After a hard-working year, some of the business units at ASW gathered together to take a break at the annual dinner parties. Sumptuous meals, entertaining performances, engaging games, fabulous prizes and well-deserved awards created an enjoyable night out for all.



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10



12



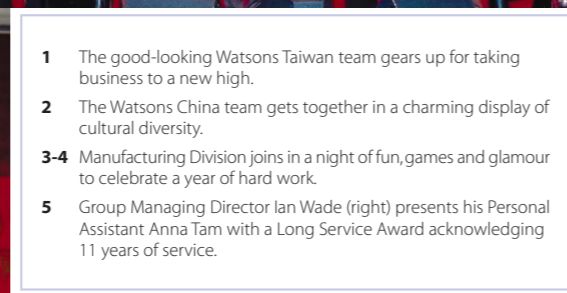
13



5



6



1 The good-looking Watsons Taiwan team gears up for taking business to a new high.
2 The Watsons China team gets together in a charming display of cultural diversity.
3-4 Manufacturing Division joins in a night of fun, games and glamour to celebrate a year of hard work.
5 Group Managing Director Ian Wade (right) presents his Personal Assistant Anna Tam with a Long Service Award acknowledging 11 years of service.



7

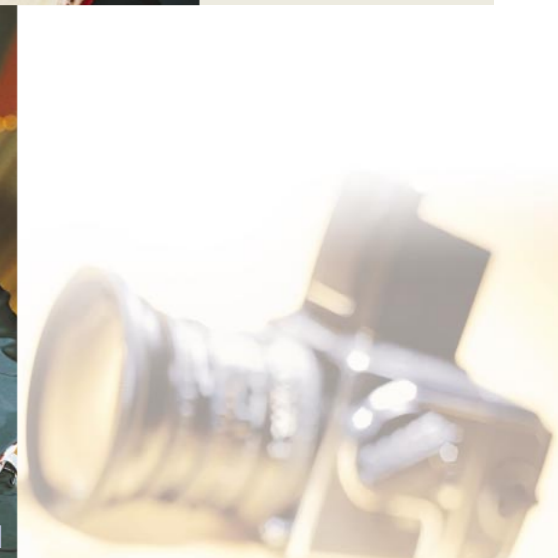
6 Andrew Miles, CEO of Health & Beauty Asia (left), receives the 15-year Long Service Award from Mr Wade.
7 Pumped-up ASW staff members battle it out in a fun-filled wrestling match.



14



15



Are you the host tonight? Pick your wine yet?

Divine wines

Seeing a growing number of wine enthusiasts in the territory, Watson's Wine Cellar has created a unique concept for wine enjoyment, with its recently opened store in Lee Gardens Shopping Centre, Hong Kong.

The high tech "new-look" store is the first to feature in-built plasma screens showing footage of favourite vineyards and producers. It also features a pioneering interactive wine kiosk, where customers can use a touch-screen computer to discover facts about wine, such as the origin, taste and appropriate foods to match. Customers can also scan any bottle they find in the store to get background information on the screen.

Simply superb

Customers can get information and advice from well-trained store staff, most of whom have a Wine and Spirits Education Trust certificate.

A few helpful tips on choosing wine:

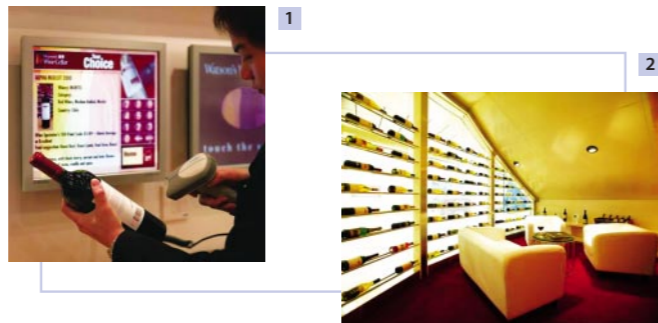
- 1: Don't be shy. Wine is like any other product, you either like it or not. Get advice, but be confident to disagree.
- 2: It's okay to set a budget. A wine is only good for you if you have no regrets.
- 3: Get to know the most popular grapes. For red: Cabernet Sauvignon, Merlot and Shiraz. For white: Chardonnay and Sauvignon Blanc.
- 4: Once you have found a grape you like, try the same grape from different countries.
- 5: Take note of how different winemakers have their own style and how each vintage has its own characteristics, then move on to another type of grape.



Vintage service

To provide the best service Watson's Wine Cellar takes pride in its professionalism at all levels. Sales staff make every effort to understand what the customer likes, not what the staff member personally likes.

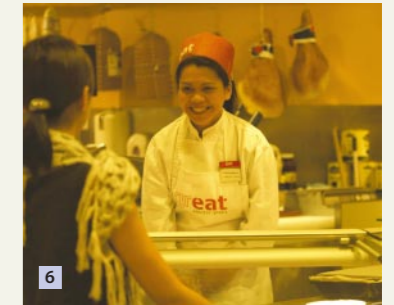
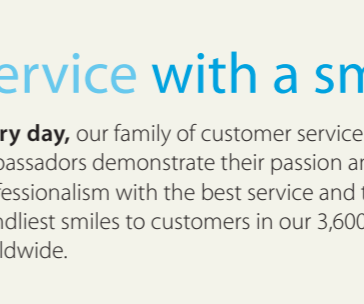
Production is limited, so getting a good wine allocation is vital. Buyers are well connected to producers and carefully follow wine prices, which fluctuate daily. Thanks to the knowledge and negotiation skills of buyers, the finest wines are sourced at the best prices.



1. In the Fine Wine area, customers can relax over a selection of wine magazines, taste wines and chat with the wine specialists.
2. The Interactive Wine Kiosk allows customers to find out more about wine at their own pace.

Tasteful tips

- Ask store staff how long you can keep a certain wine
- Ask when a wine will be at its full peak (French wines need to age before reaching their full taste while New World wines are generally made for immediate consumption)
- Keep wines cool (14-17 degrees centigrade)
- The worst thing for wine is if it is moved regularly or if the temperature fluctuates



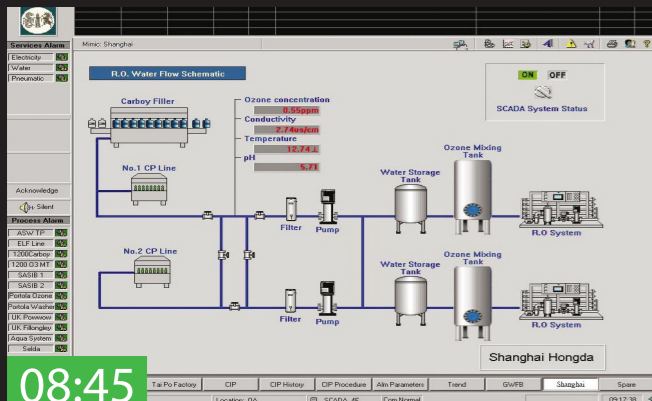
Service with a smile

Every day, our family of customer service ambassadors demonstrate their passion and professionalism with the best service and the friendliest smiles to customers in our 3,600 stores worldwide.

- 1 Gary Pang (Watsons HK)
- 2 Quah Siew-lan (Watsons Singapore)
- 3 Ho Hoon-lan (Watsons Singapore)
- 4 Chris Liu (Nuance-Watson HK)

- 5 Hon Tsz-ho (Watson's Wine Cellar)
- 6 Patricia U (Great)
- 7 A staff member at Trekpleister
- 8 Tony Yau (Great)
- 9 Tsui Wai-chu (PARKNSHOP HK)

- 10 Stephanie Lau (Fortress HK)
- 11 Fong Lai-wah (PARKNSHOP HK)
- 12 Jenny Lee (Nuance-Watson HK)
- 13 Adele Kong (Watsons HK)
- 14 Billie Cheng (Nuance-Watson HK)



08:45

- Monitors control parameters of distilled water production through the SCADA system



10:30

- Reviews all laboratory test results, verify ISO documentation, HACCP plan and labelling issues



13:00

- Department meeting – reviews customer complaints and discuss action plans



14:00

- New product development and sample evaluation for new products



16:30

- Spot check on bottle quality and review of new outer cap performance

Starting in this issue, *Wats On* takes you behind-the-scenes to various departments, showing a typical day of the operation that many of us may not be familiar with. To begin with, Lina Lim, General Manager of Quality Assurance at Watsons Water, tells of a fruitful day assuring the highest quality standards of water products.



18:30

- Meeting with supplier for new product and discuss with engineer on change of schematic production flow



watsons water

With the aim of serving the customers with top-quality distilled water, the Watsons Water distribution team is ready at 7am for the start of a busy day.

An average of over 800 carboys of water are delivered by each truck everyday.

Fond farewell

After 30 years as a driving force, Dick Siebrand retired in April 2004 as CEO of A.S. Watson Health & Beauty Continental Europe.

His knowledge, commercial acumen and dedication led him to become a leading authority in the retail world.

Starting in February 1974, he was involved in the company's impressive expansion. He created the Kruidvat formula, started the Kruidvat Private Label Skin Care range (since extended to more than 1,300 products), and he completely revitalised the Health & Beauty Division. No retail organisation has achieved such success in such a short time.

Dick always saw the person in the employee and he regarded the customer as king, saying "We only have one chief and that is our customer. I thank all employees who make us realise this."

In turn, Dick enjoyed great respect. "He was an inspiring, loyal, pleasant boss to work with and for," says Alex Phaff, Head of Kruidvat's advertorial department.

Dick was also a noted no-nonsense buyer, always focused on what to be asked for at the best prices.

Based on his slogan "Evolution, not revolution, keep improving the concepts, but do not do foolish things", Dick Siebrand's vision and business formula led to a company to be proud of.

Dick will long be remembered as an extraordinary strategist who created the most beautiful store concepts in the Netherlands.

A new generation will continue in his spirit and tradition.



DICK SIEBRAND - MILESTONES

4 Feb 1974	Dick Siebrand joined the company
10 Sep 1975	First Kruidvat store opened (Turnover Euro 65,000)
1983	100th store opened, introduction of first Kruidvat magazine
1988	200th store opened, celebrating 12.5-year jubilee
1991	300th store opened
1992	First Kruidvat store opened in Belgium
1996	Joint venture with Rossmann Central Europe and acquisition of ICI PARIS XL
1997	Acquisition of Trekpleister
2001	Acquisition of Superdrug (700 stores)
22 Oct 2002	Acquired by the A.S. Watson Group, Dick Siebrand became member of the International Board of ASW Health & Beauty International and CEO of ASW Health & Beauty Continental Europe
2003	New Continental European head office in Renswoude opened
5 Apr 2004	Dick Siebrand retired after 30 years with the company.



Long service awards reward staff dedication

How long have you been with A.S. Watson?

A year or two? Five years? Or maybe even 10 years?

The following staff are all veterans, having each spent between 16 and 25 years at ASW. Their tremendous contribution and dedicated efforts are the driving forces that keep the Group going.

Here, they share their stories and experiences with *Wats On*.



Name: Dennis Casey (otherwise known as "Talisman")
Position: CEO, Health & Beauty Eastern Europe
Years of Service: 16

- Your greatest work achievement?**
The most recent always seems to be the greatest. Some highlights have been starting Watsons in Singapore, establishing the Watsons brand in the Philippines, opening 220 Watsons stores in Asia, helping to acquire Savers and, before joining ASW, taking Underwood's from five stores to being a listed company.
- What inspires you about your work environment?**
ASW is growing and hopefully will become the No.1 health and beauty retailer in the world in the next two to three years.

- Who was your mentor?**
Richard Bett in the UK at Underwood's, who was Managing Director but had a brilliant marketing and retail mind and was a superb motivator.
- What is the secret of your success?**
Great family support and ignoring the politics.
- Which business person do you most admire?**
Henry Sy of Shoemart and others like him who start with a small good business and develop it into a huge great business and still keep working at taking it further.
- What would you do if you were not in retail?**
Journalism and attempting to write a best seller!
- What is your favourite country?**
Australia. It has everything you would ever want and it is open to everybody.



Name: Sirina Tse
Position: Area Manager
Years of Service: 25

- Describe your current job.**
To maintain effective communications between store level and other departments, achieve sales targets, provide quality customer service and ensure proper store layout.
- How did you get into retail?**
25 years ago when I walked into a Fortress store in

- Central, I found the staff were nicely dressed and they introduced products to foreign visitors in fluent English. I was impressed by their professional customer service and decided to apply for a job.
- What is the best part of your job?**
Staff training as I can share my working experience and skills to increase the productivity of my colleagues.
 - Who do you most admire?**
Mr Li Ka-shing for his diligence and persevering work attitude.



Name: Rebecca Mak
Position: Pharmacist Co-ordinator
Years of Service: 20

- Describe your current job.**
I provide pharmacist's counselling services at the stores, co-ordinate store openings, manpower deployment of pharmacists, and design training courses for pharmacy students at the Chinese University of Hong Kong.
- Can you recall any memorable incidents at work?**
During the SARS period when everyone was in a panic. Many customers came to us with their concerns about

- the disease and we tried our best to provide drug consultation and precautionary tips to ease their worries.
- Greatest work achievement?**
Providing excellent health and drug consultations to customers.
 - Any tips for someone looking to start in your line of work?**
You should be sociable, friendly, patient and dedicated to serving others. You should also be skilled in communicating with people from different walks of life and committed to educating the public about drug knowledge.



Name: Lau Siu-hung (otherwise known as "Dr Slump")
Position: Driver, Sales Department
Years of Service: 20

Lau is a driver of large 16-ton truck. On an average day, he has to effectively manage delivery of carboys for 200 customers!

- How did you get into your job?**
In June 1983 I saw the job advertised and applied for the position.

- What is the best part of your job?**
Driving to different places every day, the job is interesting and challenging.
- Who was your mentor?**
My former boss Mr Wong Siu-wang. I learned the value of patience from him.
- Who do you most admire?**
Mr Tang Siu-ping, former president of China. He keeps working even in old age.
- What would you do if you were not in the driving business?**
Be a tour guide.



Name: Richard Keung
Position: Operations Director, Hong Kong
Years of Service: 25

- How did you get into retail?**
I joined the company in 1978 as a part-timer at the Happy Valley store. I was given a full-time job after three months. Thereafter, I was given ample opportunities to grow within the company until now.
- What is the best part of your job?**
The stores under my supervision provide quality customer service and a pleasant shopping environment.

- Who do you most admire?**
My wife. We have been married for 23 years. She knew little about cookery before she married me. Knowing I am a keen eater, she made a great effort to learn to prepare my favourite meals. Despite no formal training, she is now an excellent cook. Her signature dishes such as abalone, fish fin and chicken-in-wine are all my favourites.
- What is your favourite book or film?**
Books about history and wars – both East and West. History reflects the truth.
- Any hobbies?**
Eating. The greatest enjoyment is to have a hearty dinner after a day of hard work.



Name: Berthina van Oversteeg
Position: Special Project Assistant
Years of Service: 25

- How did you start your career with Kruidvat?**
After finishing my studies at the School for Laboratory Assistants I could not find employment. So in 1979 I joined as a cashier in a Kruidvat-owned supermarket.
- How did you get from supermarkets to health & beauty?**
The health & beauty formula of Kruidvat was expanding rapidly. I was looking for a new challenge and was hired to set up the new office.

- How did you manage back in the early 80s?**
It was a real challenge. With only two colleagues I was responsible for the support of more than 100 stores as well as assisting Managing Director Dick Siebrand.
- Did you work in the back-office all the time?**
No. In 1995, Kruidvat divided the back-office into several departments. Besides the Buying Department, Dick Siebrand was also in charge of environmental subjects. This was a splendid opportunity to use my laboratory experience. Later, I worked for Kees Buur, Deputy Director of Buying, and on special projects and environmental subjects.
- A remarkable career, isn't it?**
Yes. It reflects Kruidvat's slogan "Always Surprising". And I still enjoy my work every day.



Name: Ame Fan
Position: Media Controller
Years of Service: 25

- Describe your current job.**
I manage all media inventory, replenishments and off-site arrangements. I am also responsible for printing material inventory and replenishment.

- What is the best part of your job?**
A harmonious working environment.
- Can you recall any memorable incidents at work?**
My first time on night time stand-by in the office on New Year's Eve 2000. Everyone looked very serious and I was nervous, but nothing unexpected happened and we celebrated the New Year together in the office.
- What would you do if you were not in your line of work?**
Run a Chinese-style cafe.
- Any hobbies?**
Mahjong.



Caring for children

Watsons Thailand made a special donation to The Protection of Children's Rights Foundation on 10 January, the country's Children's Day. The 112,449 baht cheque will go towards helping needy children. The sum was raised during a Christmas initiative where Watsons donated one baht for every purchase of selected merchandise.

Olympics medallist meets local sprinting elites

Pauline Davis Thompson, silver medallist of Women's 200m and gold medallist of Women's 4x100m relay at Sydney Olympics 2000, was invited by Watsons Athletic Club to host the Sprinting Elite Training Workshop on 27 April at the Hong Kong Sports Institute.

The workshop attracted more than 50 local athletes and coaches, who were fascinated by the star athlete's expertise and experience



in running, coaching and competitions. She also shared with the participants her key to success. "You must have the three Ds – Determination, Dedication and Discipline," said Miss Thompson.



Nurturing young talent

Junior Elites of Watsons Athletic Club (WAC) secured 32 gold, 22 silver and 22 bronze medals in the Watsons Water Hong Kong Age Group Athletic Meet. Building on these outstanding achievements, WAC continues to nurture promising young athletes, recently organising its sixth Junior Elite Training Programme, with 300 energetic kids taking part in the 100m, 400m, long jump and high jump events.

Superdrug raises £30,000 for National Asthma Campaign

Superdrug has raised an amazing £30,000 through supporting the "Blowing Bubbles for Asthma" campaign.

The fundraising initiative, which saw bubble-blowing tubs for sale in Superdrug's 704 stores, was designed to increase awareness of asthma and raise money for research into the debilitating condition. Information and advice on asthma was also available to customers.

"We are thrilled with the amount that has been achieved and were delighted to be asked by the National Asthma Campaign to participate," said David Clark, Head of Pharmacy at Superdrug.



Member of Parliament Kevin Hughes, Chris Jarrett from the National Asthma Campaign and the Doncaster store team celebrate Superdrug's success.



Breaking down barriers for the disabled

In appreciation of PARKNSHOP's commitment to providing a convenient shopping environment for the disabled, Barrier Free City Concerns Alliance recently awarded PARKNSHOP with the "Equal Share Award".

PARKNSHOP has been a pioneer in introducing the concept of a "Barrier-free City" with reserved parking that can be booked in advance, sufficient space for wheelchairs to pass through, and barrier-free entry to stores.



Crazy auction helps needy kids

To celebrate the Times Square store re-launch, ten of the hottest personal electronics and home appliances valued at HK\$80,000 were put up for auction starting at the crazy bid price of HK\$1.00.

While the wishes of Hong Kong consumers came true in the crazy auction, so did those of Hong Kong's needy children, since HK\$52,005 in auction proceeds were donated to the Make-A-Wish Foundation of Hong Kong, an organisation committed to realising the hopes and wishes of children with life-threatening illnesses.

Easter cheer

To celebrate Easter with the entire community, Great organised the "Great Egg Painting" fundraiser for the Hong Kong Society for the Protection of Children (HKSPC). 100 children from the HKSPC were invited to paint "Wishes from the Children" pictures which were then displayed on the Great Egg in the centre of Great Pacific Place together with a collection box for fundraising from 26 March through 15 April.

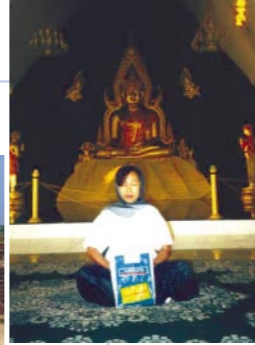




1



2



Live "the moment"

- 1 Cheers! Fanny Chan (3rd row, rightmost) of Watsons Water and her colleagues at a BBQ gathering.
- 2 Anothai Klungkaew of Watsons Thailand pictured during her meditation trip in India.

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. 61)

Super Prize (20)

KiO skincare gift sets

Watsons presents its brand new skincare label KiO Pinky White Series gift sets containing moisturiser, masks, eyecare and serum/essence developed with advanced technology using Ginseng from Korea. (Sponsored by)



Gold Prize (5)



Watsons Water Centennial Bottles

Designed by renowned local artists in celebration of its centenary, Watsons Water is giving away a full set of 12 centennial bottles of limited edition. (Sponsored by)

Silver Prize (2)

Mini walkie-talkies

The mini walkie-talkies bring you more fun and convenience to keep in touch with your friends, anytime, anywhere. (Sponsored by)



Bronze Prize (20)

Superdrug sports bags

The sports bag is designed for multi purposes. It comes in handy size and navy blue colour. (Sponsored by)



1. Who has been promoted CEO of Health & Beauty Continental Europe?
2. Name any TWO key functions Fortress mobile handheld system provides.
3. Who was invited to host Watsons Athletic Club Elite Training Workshop?

Answers to Issue no. 60:

1. Martina Navratilova, Juan Carlos Ferrero, Roger Federer, Venus Williams, Elena Dementieva, Martin Verkerk, Chanda Rubin, Max Mirnyi, Maria Sharapova (Any two)
2. ICI PARIS XL
3. A.S. Watson Group, PARKNSHOP, Watsons Water, Fortress, Watson's Wine Cellar, Great (Any two)

Super Prize:

Name	Company & Department
1. Heung Suk-fan	ASW – Group Finance
2. Pinky Wong	ASW – Group Finance
3. Yillano Wan	ASW – Group Finance
4. Haw Tsui-fan	PARKNSHOP – Property Development
5. Linda Wong	PARKNSHOP – Store Development
6. Ruby Kwan	ASWI – Finance
7. Fung Wing-sze	ASWI – Finance
8. Cheung Yee-shan	ASWW – Business Information
9. Lau Siu-wai	ASWW – Sales
10. Wong Wai-kuen	CGI – Sales
11. Lau Chi-fai	CGI – Sales
12. Lee Kam-lan	Watsons – Account
13. Mandy Ng	Watsons – Account
14. Carol Chan	Watsons – Account
15. Minerva Wong	Watsons – Site Development
16. Wong Mei-lan	Fortress – Human Resources
17. Steve Lewes Daley	Savers
18. Sarah Barker	Health & Beauty Europe
19. Guillaume Kriek	Health & Beauty Europe
20. Rami G Santiago	Watsons Philippines

Silver Prize:

Name	Company & Department
1. But Siu-kam	ASWI – Engineering
2. Tsang Yim-fong	ASWI – Garage
3. Gloria Kan	Watsons – Site Development
4. Rona Xu	PARKNSHOP – Southern China
5. Zheng Zhong-yu	Watsons Beijing

Bronze Prize:

Name	Company & Department
1. Shirley Hui	ASW – Group Finance
2. Eli Tsoi	ASW – Group Finance
3. Wong Wai-yiu	ASW – Office Service
4. Yeng Chau-han	ASWI – Finance
5. Ng Chi-fung	ASWI – Engineering
6. Wan Sze-man	ASWW – Customer Services
7. Yip Pui-yee	ASWW – Business Information
8. Leung Yin-yu	Fortress – Human Resources
9. Shu Xiang-ping	PARKNSHOP – Southern China
10. Carol Huang	Watsons Taiwan
11. Ling Wei-yu	Watsons China – Guangzhou
12. Janet Ho	Watsons China – Guangzhou
13. Jeffrey Heng	Watsons Singapore
14. Low Wan-loon	Watsons Singapore

Gold Prize:

Name	Company & Department
1. Ranee Fung	ASWI – Finance
2. Marieke Willemsen	Health & Beauty Continental Europe

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 : 16 July 2004



LI KA SHING
foundation

LKS Foundation brings equal education to rural China

More than 10,000 primary and secondary schools in remote regions of northwest China have had satellite dishes and computers installed since 2001, under the groundbreaking Satellite Transmission Advance Network for Distance (STAND) learning project jointly sponsored by the Li Ka Shing Foundation and the Ministry of Education. The new technology means school children can receive educational programming provided by CETV through a multimedia satellite transmission platform.

STAND is a major component of the Foundation's HK\$300 million programme to develop education and healthcare projects in northwest China. Based on its success, the Central government has invested a further RMB1.3 billion to develop a similar distance learning platform for more than 500,000 primary and secondary schools over the next five years.

The project is particularly timely as distance learning is becoming a major global trend thanks to new Information and Communications Technologies (ICT), which allow people to learn anytime, anywhere.

International experts on open learning gathered in Hong Kong on 18 February to discuss developments in this emerging field at The 21st World Conference on Open Learning and Distance Education, sponsored by the Foundation and hosted by the Open University of Hong Kong.

Professor Wei Yu, China Vice President of CAST and former Vice Minister of Education, gave an update on STAND's progress. She said bridging the digital divide between developed and developing nations has wide-ranging implications for quality education. In particular, Professor Wei stressed the importance of bridging the gap between urban centres in eastern China and the more remote western areas.

Statistics show that in 2002, 4.6% of China's population, or 59.1 million people, used the Internet. But the figure was only 0.2% in the southwestern province of Guizhou.

"Our (educational) platform must conform to international standards and meet the demands of our urban centres," Professor Wei said. "It must also serve as a platform of distance learning for our less-developed regions in the West."

This is the first time such massive distance learning infrastructure has been installed in such a short period anywhere in the world, according to Professor Wei.

