





## The Netherlands

Kruidvat is one of the major retail brand names of the Kruidvat Group acquired by A S Watson. The Kruidvat Group has approximately 1,900 outlets operating under five retail chains in six European countries. Other brands include Superdug, Trekpleister, Rossmann and Ici Paris XL.

## Flying Colours for Nuance-Watson



Nuance-Watson has won all four awards in which it was nominated at the fifth annual Raven Fox Awards for Travel Retail Excellence in Asia/Pacific 2002

including the coveted "Asia/Pacific Travel Retailer of the Year" Award. The company also won three product category awards: "Best Fashion, Leathergoods and Accessories Travel Retailer in Asia/Pacific", "Best Fragrances and Cosmetics Travel Retailer in Asia/Pacific" and "Best Food and Confectionery Travel Retailer in Asia/Pacific".

This is the fourth consecutive year that Nuance-Watson has won in this annual event.

## Great Voted "Best Food Hall"

For the second year running, Great has been voted the Best Food Shop by readers of *HK Magazine*.

Opened in December 2000, Great Food Hall was designed to be the best food hall in Asia ranking alongside the leading food halls in the world such as Harrods of London, or Dean & DeLuca of the U.S. Great Food Hall provides an exciting environment for both shopping and dining, combining a gourmet food hall and food court, a premium florist and dry cleaners as well as a large selection of complimentary services to ensure a complete shopping experience.

Within the food hall, shoppers can find the largest selection of international products, the best selection of fresh foods - including live fish and seafood, fresh meats, delicatessen cheeses and meats, fruit and vegetables as well as a selection of international food brands including Harrods, Harvey Nichols, Fortum & Mason and Godiva chocolates.

## Watson's Wine Cellar Rated "Superior Vintage"

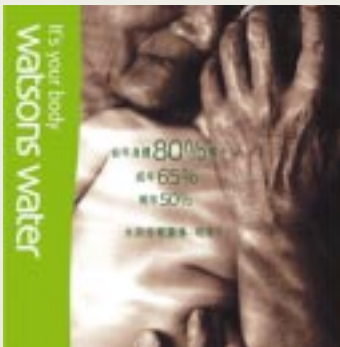
Watson's Wine Cellar has been named "The Best Wine Store" by *HK Magazine* for the fourth time.

The Cellar offers the growing wine market in Hong Kong a larger range of wines than any other retail wine store in Hong Kong. With wines sourced directly from over 20 countries, Watson's Wine Cellar lists over 1,500 different vintages in total, over 400 of which are "exclusive" and cannot be found elsewhere in Hong Kong.

A particular high point of the Cellar is the Fine Wine Room containing over 300 different vintages from the top Chateaux from Bordeaux as well as emerging New World Classics from around the world.

Watson's Wine Cellar offers free wine tasting all day and every day at their Tasting Table where customers can appreciate the wines and talk to the sales team for specific information and advice.

## Awards aplenty for Watsons Water



Watsons Water's new bottle, launched in June 2002 has been honoured by the Hong Kong Print Awards (established by the Hong Kong Trade Development Council, the Hong Kong Productivity Council and the Hong Kong Leisure and Cultural Services Department) as winner of The Best Packaging Material Printing.

Watsons Water was also honoured for its creativity, winning the 4A's Creative Awards for its latest advertising campaign, "It's Your Body". The Watsons Water "It's Your Body - Sports" TVC earned an editing and cinematography award, whilst its 'Life' counterpart also received a cinematography award.

The retail and manufacturing division consists of the A S Watson group, Hutchison Whampoa (China) and listed subsidiary Hutchison Harbour Ring. The A S Watson group is one of the world's largest food, personal care, health and beauty retailers, operating three major retail chains in Asia and six retail chains in Europe, with more than 3,200 stores worldwide that provide food and general merchandise, high quality personal care, health and beauty products, and consumer electronic and electrical appliances. The division manufactures and distributes various water and other beverage products in Hong Kong and the Mainland. Hutchison Whampoa (China) invests in various ventures in the Mainland. Hutchison Harbour Ring is a leading manufacturer of toys and has recently commenced the design and manufacture of high quality consumer electronic products and accessories.

Turnover for the retail and manufacturing division totalled HK\$39,471 million, an increase of HK\$9,928 million, or 34% compared to last year, due to the turnover contributed by the recently acquired Kruidvat Group. EBIT of HK\$1,031 million was 92% above last year, mainly due to profits contributed by the Kruidvat Group and improved results from existing operations.



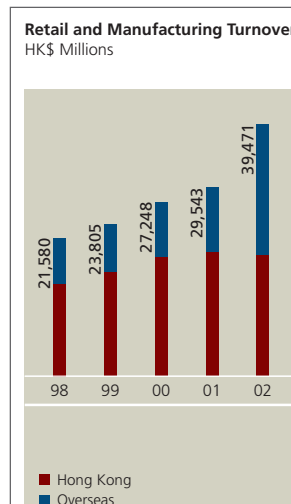
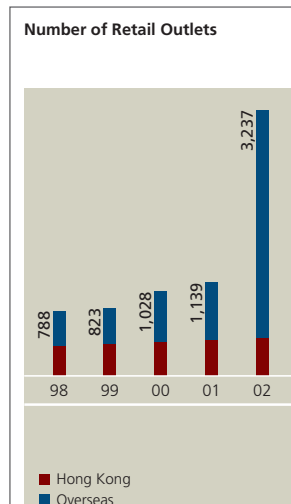


PARKNSHOP has achieved considerable success in China with its revolutionary Megastore concept. Located in Haizhu District of Guangzhou, the Fujing Garden store is the largest PARKNSHOP in China with a store space of 203,380 sq ft.

### A S Watson

Despite continuing deflation in food prices, PARKNSHOP in Hong Kong reported improved results and maintained its leading market share, continuing to expand its offers by introducing more fresh food, new product lines and concepts such as "\$8 mart". Its Mainland operations reported more encouraging results and opened an additional four large-format stores. In Southern China PARKNSHOP currently operates 19 stores and more large-format stores are planned for this year.

The personal care, health & beauty retail businesses include Watsons, a leading retail chain with strong brand name recognition in Hong Kong, Taiwan, Mainland China and other countries in Southeast Asia, Savers in the UK, and the recently acquired Kruidvat Group in the UK and continental Europe. These operations reported combined sales 89% above and EBIT 93% above the previous year. Watsons continued to expand its presence in Asia with the acquisition of a 60% interest in a 60 store retail chain of personal care, health, beauty and drug products in the Philippines. In addition, Watsons opened 45 outlets during the year and currently operates more than 660 stores in Asia.





Superdrug is the second-largest health and beauty chain in the United Kingdom with more than 700 stores.

In Hong Kong, sales were in line with last year while EBIT increased mainly due to cost reductions. In the Mainland, Watsons reported sales growth of 31% and EBIT was 145% higher reflecting eight new store openings as this chain continues to expand. In Southeast Asia, Watsons' operations in Singapore, Malaysia and Thailand reported a 13% increase in sales and EBIT was 38% above the previous year, mainly due to new store openings. In the UK, Savers expanded its outlets by 56 to over 290 at the end of the year and reported a 34% increase in sales and a 29% increase in EBIT. The Group acquired the Kruidvat Group, a leading health and beauty retail chain in Europe in October 2002. Kruidvat Group has a store portfolio of approximately 1,900 outlets, operating

under five retail chains in six European countries which include the health and beauty chains branded Superdrug in the UK, Kruidvat in the Netherlands and Belgium, Trekleister in the Netherlands, Rossmann in the Czech Republic, Poland and Hungary and the perfumery chain of Ici Paris XL in the Netherlands and Belgium. Kruidvat Group was immediately accretive to the Group, contributing two months of earnings and cashflow. This acquisition significantly enhances A S Watson's retail presence in Europe and is expected to provide synergistic benefits, particularly in sourcing, across the Asian and European operations.



PARKNSHOP Hong Kong has launched the \$8 mart in 25 of its stores, creating additional excitement for customers.



**Left:** Watsons Taiwan has established itself as the top health and beauty retailer in Taiwan with over 220 stores.



**Right:** Watson's Wine Cellar was again named the Best Wine Store in Hong Kong by a popular local magazine.

Nuance-Watson, a 50% joint venture with Nuance International Holdings, holds concessions for the sale of perfume, cosmetics and general merchandise at the Hong Kong International Airport and the sale of perfume and cosmetics at the Singapore Changi Airport. Combined sales increased 42% and EBIT also improved due to an increase in passenger numbers and spending. In January 2003, Nuance-Watson was awarded five-year concessions for six outlets, to sell luxury brand goods at the Hong Kong International Airport.

The manufacturing division's operations comprise well known brands of water, soft drinks and fruit juices, which are manufactured and distributed in Hong Kong and the Mainland, and mineral and spring water, which is manufactured and distributed to the office and home markets in Europe. Sales were in line with last year, however combined EBIT declined

significantly due to price competition in all markets, poor weather in Europe and generally slow economies in Hong Kong and Europe. In January 2003, an agreement was signed to sell the European water operations, subject to regulatory approval, to Nestlé Water for approximately €560 million. The disposal is expected to be completed later this year and a profit will be recorded at that time. This disposal will allow A S Watson to focus more on its rapidly expanding European health and beauty retail businesses.



The creativity reflected in the new packaging and its inspired advertising campaign brought Watsons Water many industry awards in 2002.



### Hutchison Whampoa (China)

Hutchison Whampoa (China) (“HWC”) currently has investments in a number of successful consumer products, aviation services and healthcare projects.

HWC’s principal investment is a 20% interest in Procter & Gamble-Hutchison, which manufactures and distributes a range of hair-care, skin-care, soap, detergent, dental hygiene and paper products throughout the Mainland. The Group’s share of EBIT from this joint venture increased substantially compared to last year, reflecting both improved results and the effect of a one time restructuring charge last year.

HWC continued to develop its healthcare joint ventures. Hutchison Healthcare, an 80% owned joint venture in Guangzhou, manufactures and distributes health products in the Mainland and Shanghai Hutchison Pharmaceuticals, a 50% owned joint venture in Shanghai, manufactures and distributes Traditional Chinese Medicine (“TCM”) products in the Mainland. In November 2002, the Group opened its first retail outlet in the UK to test market TCM related products under the “Sen” brand.



Sen, Hutchison’s new Chinese medicine brand, offers a wide variety of products in modern formats including high-quality tablets beautifully packaged to appeal to Western consumers.



A Hutchison Harbour Ring operator is tuning the focus of an optical lens on a CMOS sensor – a critical process in making a quality digital camera.

### **Hutchison Harbour Ring**

Hutchison Harbour Ring (“HHR”), a 50.5% owned subsidiary, is listed on the Stock Exchange of Hong Kong (“SEHK”) and is a leading toy manufacturer. Recently HHR expanded its business scope to include the design and manufacture of high quality consumer technology products such as mobile handset accessories, computer peripherals, MP3 players and FM radios. It also holds a number of investment properties in the Mainland. HHR announced turnover of HK\$1,816 million and profit attributable to shareholders of HK\$105 million, compared to HK\$681 million in 2001. The 2001 results include a one time write-back of provisions of HK\$968 million related to a major and fundamental restructuring of its business strategy. Excluding this one time write-back, the comparative 2001 result was a loss of HK\$287 million. The improved results of the recurring operations in 2002 reflect a strategy, after restructuring, to focus primarily on its core manufacturing operation.