

Savers Health & Beauty chain focuses on branded products at discount prices but also provides a clean, bright, easy to shop environment and excellent service standards.

KN SHOP CYBERSTORE

15% DISCOUNT
MOSCOW CITRUS

Case

The Group's A S Watson division is one of Asia's largest retailers, operating three major retail chains with more than 800 stores in the region. The division also operates a chain of over 170 health and beauty stores in the UK under the name Savers. The division manufactures and distributes water and other beverage products in the region as well as "POWWOW" branded mineral and spring water products in Europe. The Hutchison Whampoa (China) division invests in various ventures in the Mainland.

ers



Watsons new logo is the frontage to an updated store design to be rolled out throughout Asia.



PARKNSHOP wet markets offer the freshest and widest selection of live and icebed fish at very competitive prices.



Turnover for the retail and manufacturing division for 2000 totalled HK\$27,248 million, an increase of HK\$3,443 million, or 14%, compared to 1999, due to continued growth in, and expansion of, these businesses in Hong Kong, the Mainland and overseas. Reported EBIT of HK\$665 million is, after adjusting for non-recurring profits in 1999, 358% ahead of last year, mainly as a result of the improved performances of the Fortress and airport retail concessions in Hong Kong, the retail and manufacturing operations in the Mainland and expansion activity in Southeast Asia and Europe. In 1999 non-recurring profits were realised from the Group's Mainland joint ventures with Procter & Gamble and the sale of the division's ice cream businesses and therefore, including these items, the division's EBIT decreased 49% in absolute terms.



A S WATSON

2000 was another difficult year in the Asian retail sector with strong competition in all the businesses and weak, although gradually improving, consumer demand in most markets. The A S Watson division again performed better than the retail industry average due to the division's focus on essential consumer goods and to its successful promotion campaigns.

The 189 store PARKNSHOP supermarket chain in Hong Kong maintained and increased its leading market share despite an extremely competitive market. Sales increased by 13% and a positive EBIT was

reported despite a price war during the year. PARKNSHOP continued to expand and implement its successful "wet market" concept for fresh foods and larger format superstores during the year and increased its trading area by 22% to 1.8 million sq ft.

PARKNSHOP's chain store operation in the Mainland reported an impressive improvement following a successful restructuring exercise in the first half of the year. Sales increased 11% and losses were significantly reduced. In addition, the performance of a larger format store which was opened in Guangzhou in November has initially proved to be



Watson's Water has established itself as the leading five gallon water supplier in the UK, with the acquired companies united under the POWWOW brand.



The Fortress chain of stores enjoyed a record year in 2000.

very encouraging and, if its current performance continues this year, a cautious expansion plan in China will be implemented.

Watson's The Chemist ("WTC") is a leading retail chain of personal care products with strong brand name recognition in Hong Kong, Taiwan and other countries in South East Asia. WTC successfully expanded the total number of its outlets in the region to 539 at the end of the year. The 61 store Fortress electrical consumer goods store chain in Hong Kong performed very well. Although these operations were affected by heightened competition and difficult consumer market conditions, combined sales and EBIT increased 15% and 3% respectively.

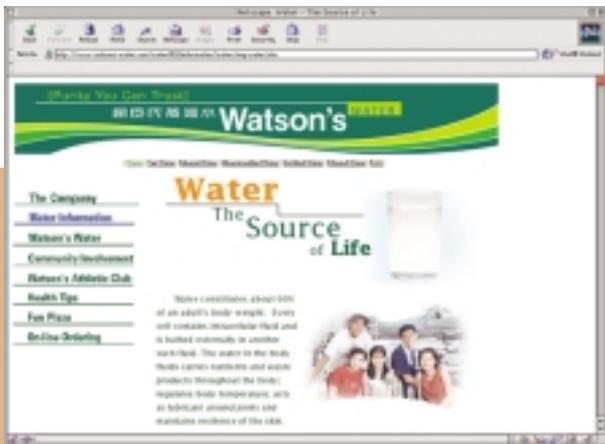
In September, the Group acquired a chain of discount health and beauty outlets in the UK operating under the brand name

Savers. The performance to date of this chain of over 170 stores located in small and medium size cities has been better than expected. The Group plans to capitalise on its expertise developed in the personal care store businesses in Asia to aggressively expand the Savers chain of stores in the UK.

A S Watson, together with its 50% joint venture partner Nuance International Holdings holds concessions for the sale of perfume, cosmetics and general merchandise at the Hong Kong International Airport. As a result of an increase in the number of travellers passing through the airport facilities, and enhanced product offerings and promotions, the joint venture reported improved sales and results.

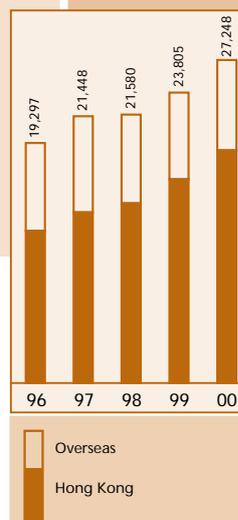
The manufacturing division's operations are comprised of well known brands of distilled water, soft drinks and fruit juices which are manufactured and

The Watson's Water web site is one of many ways to communicate with consumers and understand their needs – a crucial step to help us achieve excellent customer services.

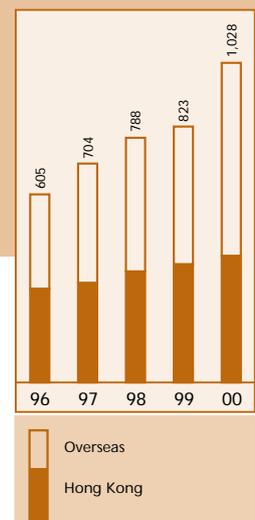


Retail and Manufacturing Turnover

HK\$ millions



Number of Retail Outlets



distributed in the region and mineral and spring water which is manufactured and distributed to the home and office market in Europe. Sales increased 22% and EBIT improved by 11% over 1999 due to expansion of the businesses, mainly in continental Europe. During the year, a major rebranding exercise for the European water business commenced under the brand name "POWWOW".

HUTCHISON WHAMPOA (CHINA)

Hutchison Whampoa (China) Limited invests in ventures in the Mainland and currently has investments in a number of successful consumer product, aviation and agricultural projects.

The Group'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, before non-recurring items, from this joint venture improved marginally over the previous year despite strong competition from international and domestic companies for market share.

The Guangzhou Aircraft Maintenance Engineering Company in which the Group has a 25% interest, reported a 20% increase in EBIT due to increased demand for maintenance services. China Aircraft Services (20% interest), a joint venture operation providing line maintenance and cabin cleaning services at the new Hong Kong International Airport, also had a successful year and reported a 16% increase in EBIT. The Group's rice farming project in Heilongjiang Province has made steady progress and is marketing and distributing its products in Southern China and Hong Kong.