





➤ **716,000,000**
Distilled water production capacity in litres

➤ **91,000,000**
Total units of toys manufactured

➤ **14,000,000**
Total retail space in square feet



- | | | | |
|-------------------|-------------|-------------------|--------------------|
| 1 The Philippines | 7 Singapore | 12 Lithuania | 17 Switzerland |
| 2 South Korea | 8 Malaysia | 13 Poland | 18 Luxembourg |
| 3 Taiwan | 9 Thailand | 14 Hungary | 19 The Netherlands |
| 4 Hong Kong | 10 Turkey | 15 Czech Republic | 20 Belgium |
| 5 Macau | 11 Latvia | 16 Germany | 21 United Kingdom |
| 6 Mainland China | | | |

The retail and manufacturing division consists of the A S Watson group, Hutchison Whampoa (China), listed subsidiary Hutchison Harbour Ring and listed associate TOM Group. The A S Watson group is one of the world's largest and most diversified retailers, operating seven retail chains in Europe and three major retail chains in Asia, currently with more than 4,800 stores worldwide that provide high quality personal care, health and beauty products; food, wine and general merchandise; and consumer electronic and electrical appliances. A S Watson also 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 also engages in the design and manufacture of high quality consumer electronic products and accessories. TOM Group is a leading Chinese-language media group in the Greater China region.

Turnover for the retail and manufacturing division totalled HK\$74,445 million, an increase of 16%, compared to last year. EBIT of HK\$3,654 million was 57% above last year, mainly due to strong organic growth of its successful retail brands and store concepts, and also from the acquisition of the Drogas branded chain in Latvia and Lithuania and the Dirk Rossmann branded chain in Germany during the year. This division contributed 45% and 6% of the Group's turnover and EBIT from its established businesses respectively.

A S Watson

The health and beauty businesses in Europe reported combined sales 24% above and EBIT 8% above last year, mainly due to the better sales performance of Kruidvat and the contributions from Drogas and Dirk Rossmann which were acquired in 2004. This division continued to expand its presence in Europe by adding 216 stores and acquiring 869 stores during the year. To further enhance its presence in Europe, in June, the Group acquired Drogas, a health and beauty retail chain in the Baltic States with a total of 83 retail outlets. In August, the Group exercised an option obtained in the Kruidvat acquisition in 2002, to acquire a 40% stake in Dirk Rossmann, a health and beauty retail chain with 786 outlets in Germany. Currently, there are more than



- Kruidvat continues to be one of the leaders in the health and beauty market in the Netherlands.



- Superdrug is the second largest health and beauty retailer in the UK. It is known as a value retailer through a mix of unbeatable offers and deals on a wide range of everyday essentials and branded products.

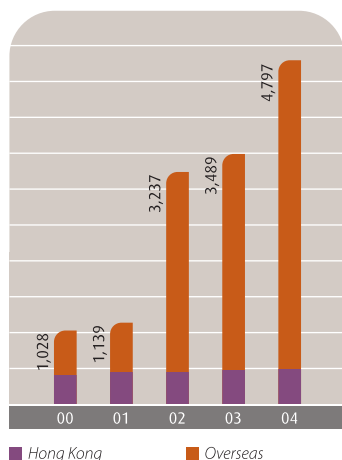


- *PARKnSHOP's Megastore in Huizhou, China, provides an unrivalled range of products at the best value for money in a "one-stop" shopping environment.*

3,400 retail outlets in the UK, the Netherlands, Belgium, Luxembourg, the Czech Republic, Poland, Hungary, Germany, Latvia and Lithuania. In January this year, the Group announced a cash offer of €534 million for the French listed health and beauty retailer, Marionnaud Parfumeries, one of the largest perfumery and cosmetic retailers in France with 1,226 stores in 15 countries, mainly in Europe.

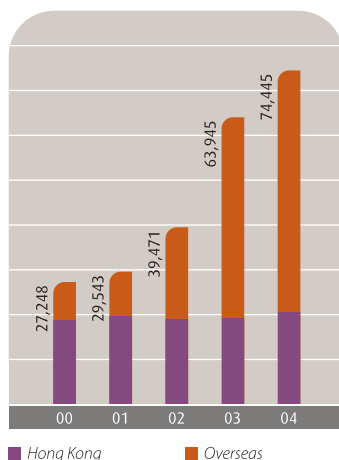
In Asia, Watsons personal care, health and beauty business continues to be the leading retail chain with strong brand name recognition in Hong Kong, Taiwan, the Mainland and four other countries in Southeast Asia. Watsons continued to expand in Asia by adding 210 outlets during the year and currently operates more than 1,000 stores. These operations reported combined sales 22% above and EBIT 27% above last year. In Taiwan, Watsons reported sales growth and an

Number of Retail Stores



Retail and Manufacturing Turnover

HK\$ millions





- *The first Watsons Your Personal Store opened near Hong-ik University signifies the entrance of Asia's No1 health and beauty retail brand into the Korean market.*



- *Drogas, a popular household brand in Latvia and Lithuania, becomes an A S Watson family member in June 2004. The acquisition marks Hutchison's first entry into the Baltic States.*

increased EBIT and added 67 stores during the year. In the Mainland, Watsons expanded its profitable operations by adding 45 stores during the year to reach a milestone of 100 stores, while Watsons Hong Kong's profitability was affected by keen competition. In Southeast Asia, the Watsons operations in Singapore, Malaysia, Thailand and the Philippines reported increased sales and EBIT, mainly due to expansion with 80 new store openings and strong organic growth. In November, the Group formed a joint venture with GS-Retail in South Korea named "GS-Watsons" to develop a new health and beauty retail chain. The first store was opened in March this year under the "Watsons" brand name and the chain plans to open over 10 stores per

year thereafter. Also in March this year, the Group announced an expansion into Turkey with its latest acquisition of "Cosmo Shop", a health and beauty retail chain with seven outlets in the country.

The PARKnSHOP supermarket chain in Hong Kong continued to be affected by a slow economy and increased competition. Although it maintained a leading market share with 223 stores, its sales and EBIT were adversely affected. PARKnSHOP's operations in the Mainland continued to expand by opening nine stores and 30 stores are now in operation. This expanding business performed well, reporting increased sales and EBIT.

Fortress, the consumer electronic and electrical appliance retail chain in Hong Kong, reported a very significant improvement in its performance after the "re-launching" of its business in the second half of last year. As a result, sales and EBIT increased 17% and 24% respectively over last year.

Nuance-Watson, a 50% joint venture with Nuance International Holdings, holds retail concessions at the Hong Kong International Airport and at the Singapore Changi Airport. Sales and EBIT increased 46% and 110% respectively compared to last year when passenger traffic was adversely affected by SARS.

The manufacturing division's operations comprise well-known brands of water, soft drinks and fruit juices that are manufactured and distributed in Hong Kong and the Mainland. Sales and EBIT of this division increased to healthier levels after a renewed and focused effort was made to increase sales and reduce costs in the face of strong competition.

❖ **EBIT from Retail and Manufacturing:**

HK\$3,654 million



- *TASTE, a new generation lifestyle food store in Hong Kong, delivers quality diversified products from around the world in a cozy atmosphere and modern ambience.*

Hutchison Whampoa (China)

Hutchison Whampoa (China) currently has investments in a number of aviation services and healthcare projects. During the year, the Group disposed of its 20% interest in the Procter & Gamble - Hutchison joint venture to Procter & Gamble for a cash consideration of US\$2 billion, which gave rise to a one-time profit on disposal of HK\$13,759 million.

Hutchison Harbour Ring

Hutchison Harbour Ring ("HHR"), a 61.97% owned subsidiary listed on the Stock Exchange of Hong Kong, is a leading toy manufacturer and a supplier and manufacturer of consumer electronic products as well as a licencing and sourcing service provider. The company also holds investment properties in the Mainland. HHR announced turnover, including its share of associated companies' turnover, of HK\$2,611 million and profit attributable to shareholders of HK\$163 million, an increase of 18% and 14% respectively, mainly due to increased sales and profits of consumer electronics products such as mobile handset accessories, which offset the adverse effects of the toys manufacturing business due to high plastics prices and labour costs.

TOM Group

TOM Group ("TOM"), a 24.5% associate, is listed on the Stock Exchange of Hong Kong and its businesses include Internet, outdoor media, publishing, sports, television and entertainment. TOM announced turnover of HK\$2,595 million and profit attributable to shareholders of HK\$860 million, increases of 24% and 6,725% respectively.



- *HHR's products include Bluetooth headset/accessories for 3G mobile phones and consumer electronics. The company has well established production facilities, strict inspection and stringent quality control.*