

Bonjour,

We know you like to be informed about fascinating facts and highlights about wine and we are also very enthusiastic to share current wine trends, news and updates with you.

Take advantage of our expertise and come for our Wine Investment Cocktail this September 19. We also look inside Asia's wine market and China's thirst for wine in this issue.

Oh, do share your comments and thoughts on our website with me. Check out www.vintageassets.net

Au revoir!

Chris Low and The Vintage Assets Team

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China's Thirst For Wine Is Rising

by Duncan Mavin

FEATURES FROM THE FINANCIAL POST

HONG KONG – China's thirst for the grape has come a long way since the eighth-century poet Li Bai – the "Immortal of Wine" – penned "Drinking Alone by Moonlight." In his most celebrated work, Li Bai recalls enjoying "a cup of wine, under the flowering trees." These days, it would be a tough task to find a solitary spot in most crowded Chinese cities to sink a cooling glass of Chardonnay.

Indeed, you'd have no shortage of takers to share a tippie. As 21st century China has undergone the most rapid urbanization in history, the country's nouveau riche are taking to wine like never before.

Today, China is the world's ninth-largest wine market by volume and the sixth-largest wine producer. From a base of almost nothing a few years ago, the country boasts more than 400 commercially viable domestic wineries. Meanwhile, the value of wine imports to China is expected to reach US\$870-million by 2017, up almost fivefold from US\$184-million in 2007.

With such huge growth projected - the size of Asia's wine market, including China, is expected to increase by up to 20% per year for the next five years, compared to less than 1% in the rest of the world - it is not surprising many foreign vintners, including a bunch of adventurous Canadians, are jostling for a drop of the market.

Despite the obvious attraction of selling into China - huge population, rising middle class, and a thirst for luxury goods - there are hurdles to overcome.

"The consumer is not fully knowledgeable about how to drink wines," Paul Lizak, the wiry president of Legends Estate Winery says, echoing the thoughts of a number of exhibitors at the Hong Kong wine fair.

Bridget Guiney of Greedy Sheep winery in Western Australia tells stories about wealthy Chinese buyers diluting US\$500 wines with a splash of Coke. Also, they prefer reds, because red is an auspicious colour. Ms. Guiney says in 2006, red wines accounted for about 70% of the Chinese market, compared to about 50% in most developed markets. "But they prefer sweet whites that are easier to drink. That's why we brought our rosé."

Mr. Lizak is not fussed by the lack of sophistication in China's enormous wine market. Twenty-five years ago, when Canadians were first getting into the wine scene, the most popular varieties were bigger, bolder wines, too.

Talks And Tastings

Join us for a glass of fine wine, fine food and an evening of thoughtful conversation while we tell you how you can multiply your wealth through wine investments. Best of all, the entire evening is complimentary!

What: Wine Investment Cocktail
 When: Friday, 19 September 2008
 Where: The Fig Tree Coffee and Restaurant
 Ground Floor, Wisma Perintis, 47 Jalan Dungun,
 Damansara Heights, 50490 Kuala Lumpur.
 Time: 7.30pm

For reservations please call Ms Fong Yik Peng @ 03-7490 8880 or 016 313 1873.

Other challenges are not so easy to overcome. For starters, shipping costs that have risen dramatically thanks to soaring oil prices make it almost impossible to compete on price with Chinese producers who can rattle out a bottle for less than US\$1.

Forging reliable agreements with distributors willing to transport and market product is not straightforward either given language barriers and legal differences, as well as the physical size of China. Large international grocers such as Carrefour Group and Wal-Mart are making inroads and would offer a familiar partner, but there's competition to seal their business from China's domestic winemakers and other foreign players from more globally recognized wine producing regions such as Australia, New Zealand, South America or Europe.

A glut of fake wines makes things even harder. Canadian ice wine, which enjoys a disproportionately high profile thanks to the local taste for sweet wines, has been the victim of a well-organized faking industry that swallowed an estimated 60% of the total ice wine business in China last year. Meanwhile, wine aficionados can tell an abundance of stories about Chinese counterfeiters who recycle empty bottles carrying expensive labels by filling them with cheap local wine that is passed off as the real deal.

The way to overcome these hurdles may be to ignore China's mass market altogether. The paradox for small wine producers such as those in Canada is that China is attractive not because of its mass market demographics, but because of the rapidly growing niche market at the top end of the price spectrum.

China's booming affluent classes already see expensive foreign wine as a symbol of their rising power. Ordering a bottle of Chateau Margaux 1995 in a glitzy Shanghai restaurant signals to other diners that you are both cosmopolitan and rich.

Indeed, while London and New York remain the world's top wine centres, some estimates say 40% of the global demand for high-end wine comes from buyers in Hong Kong and China.

~ Adapted from The Financial Post, 22 August 2008

SNIPPETS FROM XINHUA.COM

Hong Kong, France sign memo on cooperation in wine-related businesses

HONG KONG, Aug 19 - Hong Kong and France signed a Memorandum of Understanding (MOU) on cooperation in wine-related

businesses on 19 August 2008. The Hong Kong-France Memorandum of Understanding on Cooperation in Wine-related Businesses was signed by Secretary for Commerce and Economic Development of HKSAR government Rita Lau and French Minister for

Agriculture and Fisheries Michel Barnier.

The memorandum, Hong Kong and France would facilitate and promote trade in wine. The two sides would strengthen cooperation, exchanges and the sharing of experience in areas including the stimulation of wine-related trading and investment activities, wine education and manpower training, promotion of wine-related tourism and wine culture, as well as customs cooperation against counterfeit wine.