

# Grape expectations lure investors into rare vintages

## WINE

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Hong Kong investors are turning to rare vintages as an alternative bet for good capital growth, a trend driven by an insatiable demand for imported wine in China.

Having witnessed tumultuous times on the stock and property markets in the financial crisis, investors now see fine wine as a relatively low-risk, cheap investment that guarantees long-term returns.

"We can easily buy HSBC shares because they will always be available," says George Tong, a wine connoisseur-cum-investor and toy company owner. "Fine wine, on the other hand, is something that cannot be replenished. Its value is bound to rise."

"Every time someone opens a bottle of 1982 Chateau Lafite-Rothschild, the rest of the world is deprived of one," he says, referring

to one of the most sought-after vintages globally.

The strongest impetus for investors came from a surging demand for imported wine on the mainland, which has seen breakneck growth in personal wealth boosted by the government's



4 trillion yuan (HK\$4.55 trillion) economic stimulus package last year. Top-echelon vintages can be a status symbol for the super-rich as well as a powerful tool for building business relationships.

"You have to appreciate it from a cultural point of view," says Carson Chan, managing director of auction house Bonhams Asia. "Chinese people show you how much they value you from the type of wine they serve you. In order to return the respect, you must serve them wine of the same calibre."

Chan says the wealthy and the rising middle class on the mainland are becoming increasingly knowledgeable about Western wine, and that their hunt for quality will eventually widen from the current focus on Bordeaux.

He says fine wine will become an increasingly common investment for people in Hong Kong and elsewhere in the region.

Xavier de Eizaguir, president of

Vinexpo, the world's biggest wine and spirits exhibition, says the mainland, one of the 10 biggest wine consumers last year, will be ranked seventh by 2012.

Wine prices have been significantly boosted by the Chinese market. The price for a bottle of 2005 Domain de la Romanee Conti, for instance, jumped from about US\$2,000 in 2005 to US\$8,200 early this year.

Hong Kong's wine market has been a major beneficiary of that trend, thanks in part to a government move to scrap a 40 per cent tax on wine last year and to its proximity to the mainland.

Auction houses Sotheby's and Christie's both said this month that Hong Kong has overtaken New York and London as the world's largest market for rare vintages.

Sotheby's raised US\$14.3 million from just two auctions in Hong Kong this year, almost double the figure for London, which has held a



A surging Chinese wine market has boosted prices worldwide. Photos: AFP

total of eight wine sales so far this year.

At Sotheby's latest wine sale in October, mainland buyers accounted for up to 35 per cent of the total number of buyers, compared to 10 per cent in its April

sale in Hong Kong – the first held by the auction house in the region.

A Sotheby's spokeswoman says that the October sale fetched 30 per cent more than its estimate, with an anonymous Chinese bidder splashing out a record US\$93,077

for a bottle of 1982 Chateau Petrus Imperial.

Rival Christie's says its Hong Kong wine auctions boasted the highest average lot values among its global sales, at US\$150,000 per lot.

For some, there is another dimension to the investment potential of wine.

Investment planner Samuel Young, who bought more than 10 boxes of rare vintages at Sotheby's October auction, says he will sell the wine to his key clients.

"My business clients, including those from the mainland, would sometimes ask if they can buy a few bottles from me," he says.

"I will sell the wine to those I want to build a good relationship with and I won't try to make any money out of it."

"It's like doing a favour to them. To me, it's another kind of investment."

Agence France-Presse