

LONDON, ENGLAND, December 26, 2013 /**24-7PressRelease**/ -- One area of the world popular in many a financial discussion is China, and one area of investment popular within China is wine. China made it very clear it intended to be a dominant presence within the world's fine wine market, and flourishing way beyond any industry leading expert's expectations - over the last few years, has done exactly that. China is now the fifth-largest consumer of wine in the world and more importantly, it has surpassed the UK and Germany as the largest importers of Bordeaux wine.

Bordeaux has reported a strong surge in overseas sales - with China and Hong Kong confirming absolute dominance of the region's export market. China and Hong Kong now account accumulatively for well over EUR557m - over 60% of the region's total export market. Continuing to confirm merit to the Eastern promise, Hong Kong also overtook New York as the wine auction capital of the world last year, as total sales reached HK\$1.2bn (US\$155m).

Hon John Tsang Chun-Wah - Hong Kong's financial secretary, said that strong ties with the established wine territories have helped Hong Kong to prove that fine wine "can be both good for the stomach and for the bank account".

Demand for fine wine is unsurprisingly on an upswing in Asia. The newer developments in the market are that they are now buying for multiple reasons and not solely for consumption. "Fine wine has become an aspirational must have asset to many wellheeled entrepreneur. Soaring hanghai stocks, coupled with government stimulus and an explosive property market has converged to make the Chinese tycoon the world's most potent high net worth individual," says Daniel Paterson, Senior Market Analyst at [BWC Management & Consulting](#) .

It was back in October 2009 when the Chinese began their rise to the top of the fine wine ladder. In a six-day display of financial muscle flexing in Hong Kong, an impressive series of auctions were held by Sotheby's, in which a single litre bottle of Chateau Petrus was sold for GBP58,000, far exceeding its estimates. With similar record-breaking success ever since, the Chinese are now not only buying for consumption and customary gifting, but also for investment.

"Europe and the U.S have utilised the investment opportunities within wine for years, of course the Chinese realise the market's investment potential. Many are looking at the volatility of stocks and shares and whispering; why not invest in something that not only holds value but also more often than not, appreciates consistently each year. There are many mouths to feed, and all of them appreciate the rarity involved," explains Freddie Achom, investment entrepreneur and chairman of Rosemont Group Capital Partners.

With the British, French and U.S governments, openly benefitting from investing into wine, it wasn't long after China's tax abolishment on alcohol in 2008, that their Government approved several wine investment funds of their own (including the Dinghong fund which is at the end of its second year having invested more than GBP37million and planning for at least another GBP55million over the next three years). Meanwhile the amount of wine drunk at British government functions went up 20% last year with more than GBP45,000 spent in additional stock for the cellar - with the government stressing it is funded by auctioning off the most expensive bottles to buy more. The annual statement on the use of the wine cellar shows GBP63,000 was raised auctioning off just 54 bottles of wine. With major lots of Bordeaux sold at auction, consisting of trophy labels such as Chateau Lafite, Mouton, Latour and Petrus. The U.K. government's wine cellar, Bordeaux still leading the way for the world's wealthiest investors, particularly in China By Samuel Cheung of [BWC Management & Consulting](#) Chinese Investors develop a taste for Alternative Investments Samuel Cheung enjoying a glass at London's oldest wine bar - Gordon's Wine Bar has an estimated market value of over GBP2.8million.

Also in the last 6 months, with the French Government a little strapped for cash, the French presidential cellar at the Elysee Palace sold more than EUR500,000 (GBP418,658) at auction, with the bulk of the top lots purchased by Asian investors and importers. The majority of the funds raised were allocated to the public purse, but when the French Government revealed their budget for 2014, at least EUR50,000 would be dedicated to the purchasing of "new vintages". According to the French daily newspaper Le Parisien, tenders had been released to "four or five large Bordeaux houses", no surprises to which.

As levels of economic uncertainty have increased, the traditional savings accounts and general investment facilities within those countries affected have been unable to offer anything of substantial interest to most. Alongside this, it has also been unavoidable to notice the opposing parallel of growing levels of extreme wealth. It is often in such quandaries of disparity, that there lies the opportunity to make an investment. With the growing share of such prosperity seemingly going to the world's richest; it comes with little shock that certain luxury markets, such as fine wine (that offer benefits to both parties - rich or otherwise) remain busy throughout the world. Especially in China, where such divisions are quite common and millions are hunting for investment opportunities. Quite simply, the fine wine investment market suits their social and economic taste.

To say the pockets of all those concerned, or those considered to be within the 1% of our world's wealthiest, are limitless in their funds, would be both obtuse and impertinent, but they are certainly well supported in the current climate, and are financially capable of expansion. According to a new report by Wealth-X and UBS, China's UHNW (ultra-high-net worth) tier by individual wealth, totals an impressive \$1,515 billion dollars alone, and those individuals worth

\$500 million or more, now own 40% of that wealth, up from 37% in 2012. A financial disparity is seemingly increasing further within China. "The more unequal a society, the greater the incentive for the rich to pull up the ladder behind them," says Tim Harford - 'Undercover Economist' and columnist for the Financial Times. As the growing 'ultra-high-net worth' of the BRIC economies keep climbing, an ambitious appetite for luxury and wealth retention has emerged. With it, superior and sometimes elitist levels of purchasing power.

A 2013 Chinese Millionaire Wealth Report - an annual report of the wealthiest individuals in China published by The Hurun Report, seemingly offers further incentive to analyse China's investment mentality. The publication is a monthly magazine best known for its "China Rich List". It includes a vast amount of statistical information about how private wealth in China is growing at an unimaginably fast rate and how these individuals are choosing to invest their money, and most relevant to wine, how they are also choosing to "gift". Interestingly, as the report points out "the gifts which are most commonly given to wealthy Chinese men are watches, followed by red wine". Perhaps more interesting still, is the fact that Chateau Lafite Rothschild is the only wine brand in the top 15 preferred brands for gifting by male millionaires, coming in at No. 10 before Armani and Prada. Lafite first came to the spotlight in China after the famous Hong Kong movie star Chow Yun-fat uttered the lines, "uncork me a bottle of 1982 Lafite" in the 1989 movie, 'God of Gamblers'. Since then, Lafite has attained cult status and is seen as a symbol of status and wealth. But such widespread popularity, huge demand and limited stock availability has made even the most frivolous millionaire or billionaire sit up and take note of the very obvious investment potential in Lafite and the other wines within its class.

A reservation to all this however, is if pricing is moved beyond what conventions will bear. Though, in that situation all that will happen is that individuals will subsequently be forced to broaden their scope beyond the finest premier cru for a while, and there is much to appreciate beyond the fields of 'First-Growth'. The risk of being priced out of the market has always been present, but for those fortunate enough, this has always presented opportunity. It still surprises me how frequently it just comes down to how badly someone wants it - and if it is the best wine in the world, many will. That is a sentiment that still translates globally, despite any financial or political encumbrance.

By Samuel Cheung of BWC Management & Consulting