

Chasing viticultural success in China's gateway city

Vancouver entrepreneur pioneering local wine production on small island south of Hong Kong

By Richard Chu

A whitewashed 20-storey-plus industrial complex on the southern outskirts of Hong Kong is a far cry from B.C.'s picturesque Okanagan wine country.

But the giant industrial office park is home to Hong Kong's first winery, which was founded by Vancouver-born Lysanne Tusar.

"That's Hong Kong for you," said Tusar. "You really can't judge a book by its cover around here."

The 8th Estate Winery takes up about 6,500 square feet on the third floor of the Harbour Industrial Centre on Ap Lei Chau Island, about five kilometres south of central Hong Kong. It's home to two production rooms, two barrel rooms for its 340 barrels of wine, a tasting bar and a terrace overlooking the East Lamma Channel with its constant stream of container ships.

Unlike a traditional winery that has its own vineyard, 8th Estate sources grapes from vineyards from various regions around the world. Grapes for its first vintage came from Washington state; its second vintage was created with grapes from Italy; its third vintage will use grapes being sourced from Australian vineyards.

The grapes are flash-frozen and shipped in food-grade barrels to Hong Kong in temperature-controlled containers. The winery's vintner oversees the entire process. Once the grapes are thawed, which takes about two weeks, the traditional wine making begins.

The winery's first two vintages were produced in oak barrels, which was a highly labour-intensive process. But its most recent vintage will be produced in two stainless-steel tanks, which were shipped to the winery in late March and then aged in American, French and Hungarian oak barrels.

Tusar christened her enterprise 8th Estate because eight is a lucky number in Chinese. She might need some of that luck to make a go of the winery business in Hong Kong. The city is alive with businesses of all sizes in all sectors, except wineries.

The idea behind launching a winery in Hong Kong was seeded more than three years ago during a family dinner conversation about the pros and cons of producing wine from flash-frozen grapes.

Not your usual mealtime discussion, perhaps, but the Tusars, who live in West Vancouver, have a keen interest in wine. So wine production methods are familiar family discussion topics.

"It's been proven that there aren't adverse effects to making good quality wine [from flash-frozen grapes], so realistically, you could set up a winery anywhere in the world. The conversation was in September [2006] and by January [2007], I was here in Hong Kong."

Tusar took a sabbatical from her work as an executive responsible for Western Canada at a global beverage firm and spent a few weeks developing her business plan. Tusar's focus for her winery was local production for a local clientele, because the quality of wine in bottles deteriorates the

longer it has to travel, and wine from most major wine-producing countries has to travel a long way to get to Hong Kong.

She settled on Hong Kong as her winery's home base primarily because it's considered one of the easiest markets in Asia to access. In addition:

- English is the city's business language;
- Hong Kong is one of the world's key wine-trading capitals;
- the city offers resources to help foreigners set up businesses; and
- it's close to China's huge population.

After crunching the numbers, she concluded that setting up a winery in Hong Kong was not as much of a pie-in-the-sky idea as she originally thought. By the summer of 2007, she had found two investors and sold her house. She quit her job and flew to Hong Kong in October.

For Tusar and the winery, the past three years have been a whirlwind of growth and challenges. Atop the latter category: government bureaucracy.

Tusar worked with the Hong Kong government to pioneer the regulations for wine production in the special administrative region (SAR). At the time, Hong Kong had a 40% levy on wine imports, but it had to determine how to tax domestic wine.

In 2009, Hong Kong's government eliminated the import levy. That greatly reduced the winery's paperwork and increased demand and consumption of wine in the region.

Tusar noted that Sotheby's last wine auction in Hong Kong was the largest in the company's history, and many wine collectors bring their collections to Hong Kong for what is essentially a free-trade policy on wine in the SAR.

The winery capitalized on the tax changes and the subsequent boost to the local wine market. Its first vintage of 60,000 bottles is almost sold out, and 8th Estate is expecting brisk sales for the estimated 80,000 bottles of its Italian vintage. Its wines sell for roughly \$30 a bottle. In addition to sales to individuals, much of the 8th Estate's wine has been picked up by major Hong Kong hotel chains, including the Shangri-La Group, the Meridian, Starwood Hotel and Marco Polo.

Tusar noted the winery has benefited from the patriotism of Hong Kong residents, who buy 8th Estate wines as gifts. The government also serves the company's wines to visiting dignitaries and international government officials.

The 8th Estate remains on track to become profitable next year and has been offering wine tastings and other events to the local Chinese and international tourism markets. Tusar recently finalized a deal with China Travel Services to offer tours of the winery for 50 people three times a week.

Tusar's success to date has impressed government officials and business leaders on both sides of the Pacific. Barry Macdonald, chairman of the Federation of Hong Kong Business Associations

Worldwide and Vancouver partner at PricewaterhouseCoopers, noted that Tusar has successfully tapped into a growing interest among the middle class in Hong Kong and China for Western-style wines.

Finding success as Hong Kong's first winery is also no small feat.

"A lot of mistakes can be made, so sometimes it's better to be the second person," Macdonald said. "But it's well thought out and well-researched. She's doing it without an established infrastructure, which is impressive."

With a staff of five, Tusar said her winery is likely to remain local, although people have suggested she begin distribution into China, particularly the country's Pearl River Delta region.

Given there's a free trade agreement in China for products that are made in Hong Kong, Tusar's company would have an advantage over foreign wineries. But she remains focused on developing 8th Estate's Hong Kong market, because the elimination of the city's wine tax has also greatly increased competition as many international wineries are now angling to establish a foothold in Hong Kong.

If she were to expand her business to other regions, Tusar said it would more likely focus on creating local wineries rather than expanding 8th Estate.

"If this goes well and I have the stamina. We want to keep it local. I wouldn't necessarily manufacture and distribute from here, [I would] expand somewhere else." •

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