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Dear Mr Tien,

I read your article on 'Ming Po' Newspaper on 10<sup>th</sup> April, 2002 And I am glad that you have recognized the 80% duty on wine has brought negative effect to Hong Kong.

I own a wine company which has been established in Hong Kong for almost 20 years. My company has indeed one of the biggest inventory of premium wine in Asia or in the world. It holds a market value of at least 60 million Hong Kong dollars of wine in the bonded warehouse. In the recent years, our sales of wine priced over HK\$400.00 has dropped dramatically due to a severe price competition and the economic downturn. Most of our premium wine can only sell to duty free shops and other countries. The local market has always disturbed by some merchants who can offer an unrealistic low 'duty paid' price, moreover there are always some private collectors who claim they have their way to import their wine for personal use.

As you well noted, Hong Kong wine duty is one of the highest in the world. Tourists and business travelers who 'need' to drink wine find Hong Kong wine price unreasonable all the time. Our corporate customers who need wine for business celebration or entertainment always complain to our fully duty paid price and their purchase from us has been diminishing from year to year. We do not object to the duty policy of Hong Kong Government. However, how can this policy be realistic and protect the legitimated merchants like us. I would like to point out a few facts:

- No government in the world could evaluate an accurate and fair value for duty, especially the premium wine which has a volatile market price and fluctuating currency market. Some merchant could perhaps cheat the wine duty by under-invoicing easily. It is not fair to other merchants who pay the full duty.
- We always heard that some merchants organized with the travel agents and they hire some travelers to bring back the wine from Macau to skip the duty in Hong Kong. These merchants then place the wine into the wholesale market at a price we can hardly compete. It is not fair to other merchants who pay the full duty.
- A medical doctor who was my good customer before. When I met him recently, he told me that he is now an expert of importing wine for personal use. He told me his group of friends always buy wine from action in UK and ship the wine back for personal use. We could see on the newspaper that some high profiled individuals who has a huge premium collection of fine wine which could easily cost 10 or 20 million dollars of duty, sometimes I wonder if all of them paid Hong Kong wine duty fully?

I strongly urge a fixed amount of duty based on the volume of the wine, where every bottle will pay a same amount of duty to government like in Singapore and Taiwan. This is the only practical way to stop smuggling of wine, and I am sure this will eventually bring a more healthy and solid duty income to Hong Kong. As you mentioned in the article, a duty ceiling of HK\$600.00 is indeed too high, many wine which are selling at \$350 to \$500 duty paid price in Hong Kong are targeted by the people which are cheating the duty. In order to be a competitive and fair society, Hong Kong Government cannot ignore these problems.

Thank you for your attention, and last but not least, please don't hesitate to contact with us if you need to buy some wine for your personal enjoyment. Looking forward to discussing with you about this matter in the future.

Yours truly,

Thomas F.C. Yip