



BY EMAIL (slchan@legco.gov.hk)

Chairman
Bills Committee on Revenue Bill 2007
Legislative Council

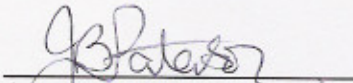
25 May 2007

Dear Chairman,

In response to the proposed Bills Committee meeting regarding the reduction in the duty on wine, Watson's Wine Cellar would like to submit our view as follows:


1. Watson's Wine Cellar (WWC) welcomes the tax reduction. We believe this could allow and encourage customers to enjoy more variety and higher quality of wine.
2. Our company policy has always been to offer customers the best value. Whilst our warehouse is still carrying stock purchased at the previous level of duty, WWC was one of the first retailers taking the initiative to immediately pass on savings to our customers.
3. On 2 March 2007, within two days of the Budgetary Address announcing reduction in wine duty, WWC immediately reduced the retail price of over 1,200 wines (almost 50% of our range), by 14% to 22%. As of May, we have made further price cuts on another 800 wines.
(Note : 40% decrease in duty translates to approximately 22% reduction on retails)
4. There are several market factors leading to no change in the retail price of some of the wine products:
 - Some local suppliers have so far passed on only small savings in their cost price to WWC
 - World market prices for fine wine, where there is high demand and low supply (mainly top end Bordeaux), are increasing
 - Recent unfavourable exchange rates are increasing our buying cost
5. WWC is committed to continue seeking room for retail price reduction on wines.

Yours sincerely,


Jeanette Paterson
General Manager
Watson's Wine Cellar

Watson's Wine Cellar

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 A MEMBER OF A.S. WATSON GROUP