

# Taking Chinese spirits global

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Chinese baijiu – a potent, eye-watering white liquor – is one of the most consumed spirits in the world, although you probably won't find it at your local pub.

Distilled from fermented sorghum, the liquor has cultural and political significance in China, where it is a staple at festive occasions. It is also touted as the drink of diplomacy, being used to toast important political figures, including former United States President Richard Nixon during his landmark trip to China in 1972.

## **PREMIUM GROWTH**

Baijiu is easily available in convenience stores across China and selected online grocery stores in Singapore. However, it is the premium end of the market that looks set to drive growth in Chinese alcohol spending.

Rising income and changing lifestyles have led to an increasing number of people who enjoy leisure eating and drinking. This year, the luxury baijiu market is projected to reach 1 trillion yuan (\$199 billion), according to a January report by digital publication Jing Daily, which publishes luxury consumer trends in China.

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Companies like China Liquor are leveraging baijiu's growing popularity in China. Headquartered in Australia, Jingying International – whose global roles include investment, production and sales activities – is the parent company of China Liquor.

Currently, the company's total inventory in China stands at about 8.1 million bottles of liquor.

## **375 GROWTH STRATEGY**

China Liquor plans to invest in 375 companies between 2018 and 2020. This is part of its "375 market cluster" strategy to extend its business to the asset-investment field, while focusing on production and sales as secondary business activities.

These investments comprise 50 first-tier subsidiaries and 325 second-tier subsidiaries as China Liquor plans to build a cluster of entities covering the administration regions of China.

According to Ms Chen Han Xiao Ying, chairlady of the Board of Directors, Strategic Development Committee, China Liquor, the company will invest 425 million yuan during the first phase of the investment.

“The main business income of each subsidiary is about 90 per cent of the total investment amount. We estimate that the main income of the company in future will be about 3.28 million yuan,” she said.

In the longer term, the company will also explore opportunities to acquire overcapacity projects or products that have low market share in China.



One of the most widely consumed spirits in China, baijiu is a staple during festive occasions.

## **VENTURING ABROAD**

Meanwhile, aided by greater consumer awareness of baijiu and its improved brand perception, China Liquor wants to capitalise on the Belt and Road initiative and venture overseas.

The initiative is a massive development programme under which China is building infrastructure projects that help connect it to other countries, boosting trade and economic growth. The “road” portion of the initiative refers to a sea route that links the southern coast of China to parts of the Mediterranean and east Africa. The “belt” is actually a series of land-based roads through the Middle East and Central Asia that link China and Europe.

It will focus on the 19 ASEAN capital cities as well as the European and the South American markets. Apart from selling Chinese white wines, the overseas foray will see China Liquor acquiring high-end luxury-brand products and embarking on exclusive management work to provide a link for the company’s cross-industry development. “We will create nearly 4,000 senior jobs for countries where we have an operating presence,” said Ms Chen.

To propel its ambitious domestic and overseas expansion plans, China Liquor is riding on its consortium strength and resource-based assets. Ms Chen explained that the company does not have any financial liabilities and its asset liability is zero.

“We have a total of 1.37 million boxes of Chinese vintage baijiu in China and high-end wine in South Australia,” she said.

## **LONG-TERM VIEW**

Apart from liquor reserves and a large-scale strategic liquor base in the south-western region of China, China Liquor also has large swathes of land in Australia, which can be used for cross-industry development. “We have a land area of 24 million sqm in Ceduna, South Australia. These rich land and land reserves are the company’s intangible assets and offer us a huge competitive advantage,” said Ms Chen.

Believing in the principles of “sharing” and “win-win”, the Chinese Liquor group is also using bartering as a core commodities trading platform for settlement as it exchanges daily essentials manufactured in China with African resources. These resources can then be used to establish raw material processing facilities in South-east Asia.

As China Liquor mulls an impending initial public offering (IPO) on the Singapore Exchange, it will leverage Singapore’s strategic geographical location to open up sea channels and put the company and its products on the world map.