



Dim Sum in Favour

Appleby has continued to advise on a number of renminbi denominated bond/notes issued by offshore companies in Hong Kong. Bonds denominated in renminbi (yuan) and issued in Hong Kong are commonly referred to as dim sum bonds. The key attraction of issuing bonds in yuan is that they enable issuers to borrow at lower interest rates, hence reducing their cost of capital because of investors' expectation of the yuan's continued appreciation in the future.

Appleby acted as Cayman Islands counsel to Sinochem Offshore Capital Limited on its issuance of RMB3.5 billion Guarantee Notes. Sinochem is a Chinese state owned enterprise and China's biggest integrated agricultural company. Their business also includes energy, chemical, real estate and finance. Commenting on the transaction, Judy Lee, Appleby Hong Kong Partner, said: "We are excited to have advised on this deal, not only because of the size involved, but because of the importance of the development of the RMB bond market."

Dim sum bonds provide investors with alternative means to speculate on yuan appreciation. Foreign investors, who are prevented from buying China's domestic yuan debt by strict capital controls, face no such obstacles when it comes to dim sum bonds. They serve to provide access to global investors who are looking for exposure to the Chinese currency, who would otherwise find it restrictive to access. US\$5.36 billion of renminbi denominated debt was sold in 2010, more than double that in 2009, according to data provider Dealogic.

During the first quarter of 2011, Appleby also advised TPV Technology Limited and PCD Stores (Group) Limited on the issuance of RMB500 million and RMB750 million notes/bonds respectively.

Remarking on the recent bond/notes transactions, Frances Woo, Appleby Hong Kong Managing Partner, commented: "We are delighted to have been involved in such significant transactions and expect to see a substantial increase in RMB bond offerings in the future. With our wealth of experience in capital markets in Asia, we believe that we are able to offer our clients outstanding offshore guidance. One of the key benefits of employing Appleby for these debt market exercises was Appleby's multi-jurisdictional capability and in depth knowledge of the Chinese market."

Companies with existing operations and businesses in China have been increasingly interested in raising yuan for the purpose of funding their expansion plans and reducing the need to hedge if they bring in US dollars or other foreign currencies. Going forward, it is expected that dim sum will be in favour for some time.

For more information, please contact:



Frances Woo
Managing Partner - Hong Kong
Corporate & Commercial
Tel: +852 2905 5720
Email: fwoo@applebyglobal.com



Judy Lee
Partner
Corporate & Commercial
Tel: +852 2905 5737
Email: jlee@applebyglobal.com

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