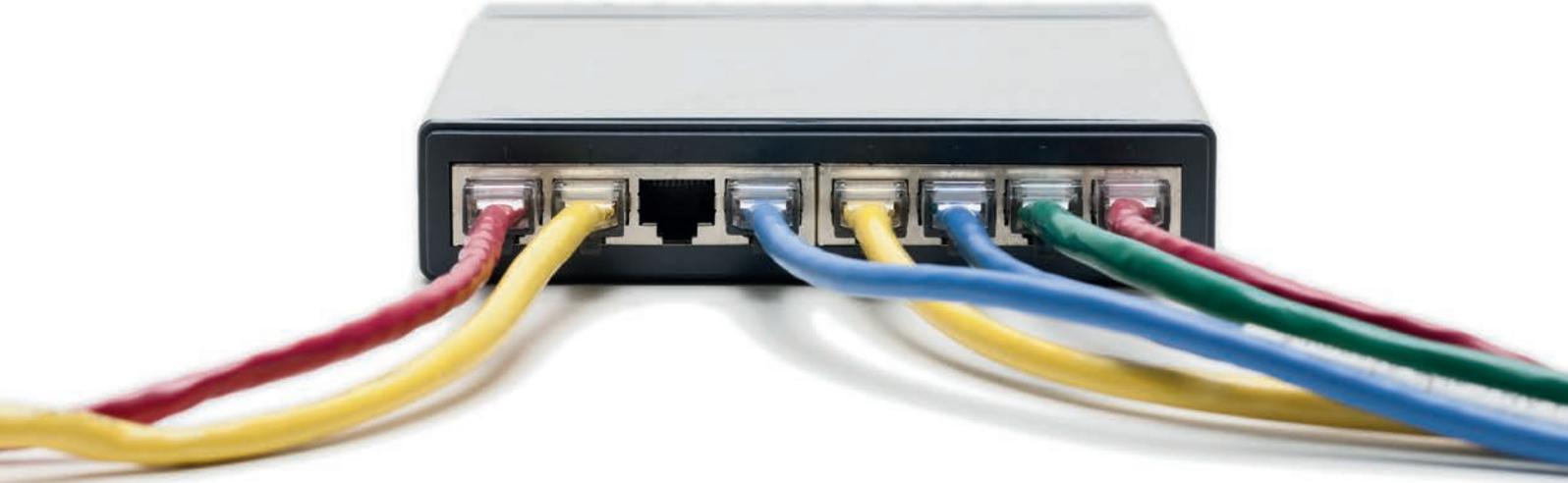


Luxembourg  
The European hub for China



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# Foreword: Why Luxembourg for China?



Luxembourg Grand Duchy has an old saying  
*"Small is beautiful"*.

Although Luxembourg is one of the world's smallest sovereign states, it has been successful in attracting mainland China-based investors, banks, multinational corporations, state-owned enterprises, sovereign wealth funds and high net worth individuals seeking to establish or expand their business in Europe through a multi-advantageous platform. We will describe some of the many advantages in this brochure.

Luxembourg is the perfect gateway for Chinese outbound activities, irrespective of their regulatory profile. It is the world's second-largest fund centre (after the United States), the global leader in cross-border fund distribution, and a long-established fund domicile for investment flows into and out of China.

In recent years, Luxembourg has progressively gained recognition as a key hub for cross-border renminbi business in the eurozone: it is the leading European centre for renminbi payments, deposits and loans, renminbi investment funds, and the listing of Dim Sum bonds.

Six large Chinese banks have chosen to establish their European headquarters in Luxembourg and thereby selected Luxembourg as a hub for their European operations. Leveraging the European Passport, these banks are able to serve the entire EU from Luxembourg, taking advantage of its business and Chinese-friendly regulatory and governmental environment.

Going forward, we expect Luxembourg and China to continue to strengthen their relationships, to the mutual benefit of their respective economies.

A handwritten signature in black ink, appearing to read 'Yves Knel', with a stylized flourish underneath.

**Yves Knel**  
Partner  
Luxembourg Chinese Services Group Co-Leader

# Luxembourg at a glance

## Charts and numbers

### Demographic data

Density:

**207.7 inhabitants/km<sup>2</sup>**

Literacy rate: **99%**

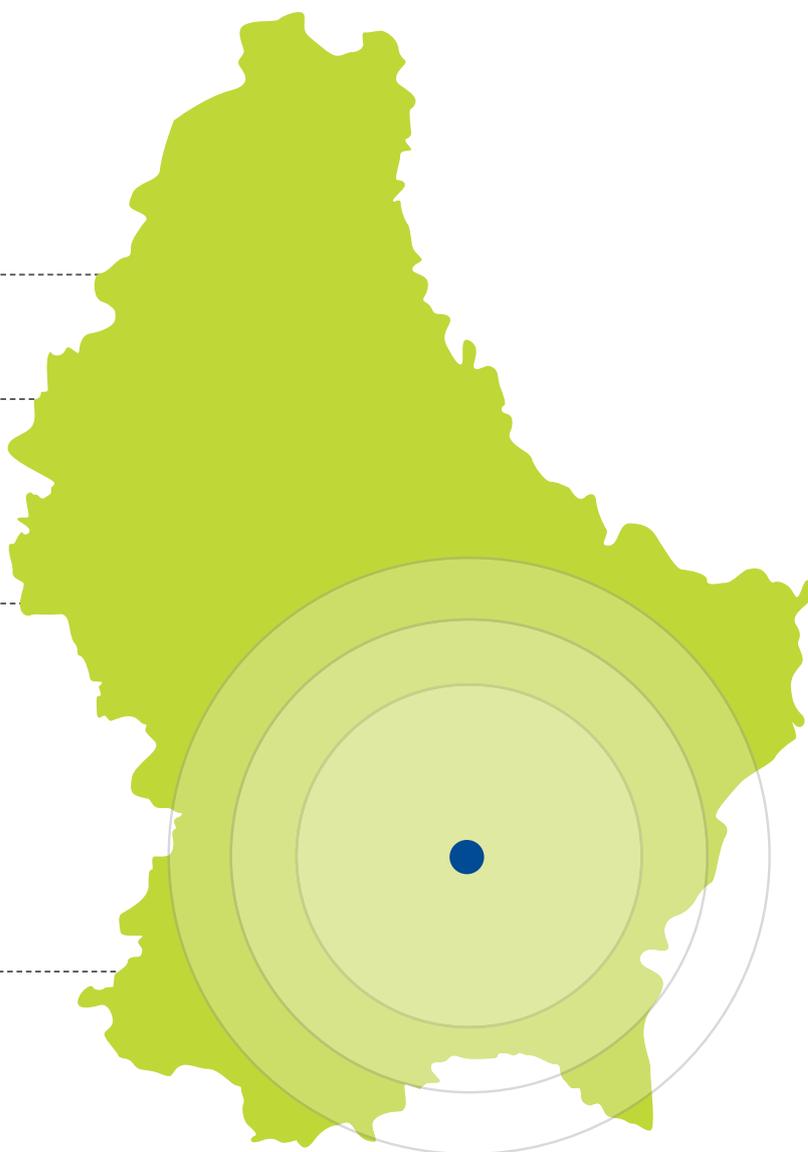
Human development index  
(UNDP 2012 report):

**0.875**; ranked **26<sup>th</sup>**

### Geographical data

Surface area: **2,586 km<sup>2</sup>**

Currency: **euro**





Population (1 January 2013):

**537,039**



**Luxembourg** is a parliamentary democracy under a constitutional monarchy ruled by a Grand Duke



A well-developed economy, with a very high GDP per capita



**Trilingual country** with the use and recognition of **German, French** and **Luxembourgish** as official languages. General fluency of **English**



A founding member of the major multilateral cooperation organisations (e.g. the **European Union, United Nations, NATO, OECD** and **Benelux**)



**Luxembourg city**, the country's capital and largest city, is the seat of several **EU institutions** and agencies including the **European Commission, European Parliament, European Investment Bank**, and **European Court of Auditors**



Centre for international RMB business in the eurozone



Luxembourg is also the largest **RMB securities settlement** centre and the leading listing place for RMB-denominated bonds in Europe



Leading European RMB fund centre



Largest RMB loan portfolios, deposits and trade finance volume in Europe



**Luxembourg is the European headquarters for major Chinese banks**

## Environment

- Neutral and safe
- Legal framework supporting social and environmental sustainability
- Local initiatives for environmental protection and sustainable development

## Talent

- International education systems
- University
- Highly skilled workforce
- Multilingual and multicultural
- Several research and innovation programmes

## Infrastructure

- State-of-the-art connectivity infrastructure
- Data centres, business continuity and ICT services
- Research centres

## Culture

- A diverse and multilingual culture
- Large cultural offering

## Regulations

- Professional secrecy law
- Strong personal data protection rules
- Business-oriented legal and regulatory environment
- Simple and straightforward administrative process

## European Institutions

- Many European institutions are located in Luxembourg (e.g. European Investment Bank, European Commission, Court of Justice of the European Union, European Court of Auditors)

## Tax

- Attractive tax model supporting investment and service delivery
- Competitive level of taxation for individuals and corporates
- Predictable tax environment
- Incentives for local investments
- IP regulation

## Location

- Central position in Europe
- Major capitals accessible within 2 hours
- Access to a market of 500 million consumers
- European logistics hub

## Political

- Minimal and pragmatic bureaucracy
- A pro-business government supporting innovative technologies and companies

# Business-friendly environment

Luxembourg has always been an ideal foreign trade and investment hub. Its government, regulatory authorities and business community understand the need for pro-business policies that facilitate trade and investment. As a result, one of Europe's most business-friendly environments is available to Chinese investors, thanks to these advantages:

- A geographical location at the heart of Western Europe, between Germany, Belgium and France—major EU cities such as Frankfurt, London and Paris are just an hour or so away by plane (or two hours by train)
- 40% of the EU's wealth is concentrated in a 500 km area around Luxembourg (70% if extended to 700 km)—Luxembourg provides access to over 500 million consumers with high purchasing power
- Consistency and stability—Luxembourg has one of the most stable governments and economies in the world, providing assurance that pro-business policies will remain a top development priority
- Minimal bureaucracy—Luxembourg's regulatory environment is all about 'business not bureaucracy'. Processes are streamlined and the administrative burden is kept to a minimum. It takes no more than a few days to set up a legal entity, with low capital requirements and low processing fees, and tax administration/filing procedures are simple and straightforward. Unsurprisingly, Luxembourg ranks first in Europe and third worldwide in the International Chamber of Commerce's "Open Market Index 2013"
- Favourable regulatory regimes and legal frameworks—a business-friendly regulatory and legal framework has been established to facilitate cross-border trade
- Easy access to political leaders and decision-makers—rapid approval processes and Luxembourg's 'business-first' mindset ensure businesses have easy and privileged access to the country's leaders and decision-makers. Regular networking events are organised by and in cooperation with the government, enabling leaders and investors to informally meet with officials who are always on the lookout for ways to facilitate entrepreneurship within the framework established by the EU
- Luxembourg offers an attractive and tax neutral environment for Chinese investors
- Luxembourg has a safe environment with a high quality of life, in a multicultural and multilingual setting

# Opportunities between China and Luxembourg

## Luxembourg, a favourite hub in Europe for Chinese banking

The growth of Asian trade and investments in the EU has given rise to trade finance and corporate loan opportunities. More specifically, strong economic growth in China means that the country's banks are looking for alternative investment opportunities and to diversify sources of income by entering EU markets.

Luxembourg is keen to diversify its economy by tapping into this need for Chinese banks to enter the EU single market. It already hosts the European headquarters of two of China's largest banks: Bank of China (BoC) and Industrial and Commercial Bank of China (ICBC).

In addition, China Construction Bank (CCB), which ranks in the world's top five listed banks by market capitalisation, set up both a branch and a subsidiary in Luxembourg in October 2013. Three additional banks—Agricultural Bank of China (ABC), China Merchants Bank (CMB) and Bank of Communications (BoCom)—have been granted a banking licence by the CSSF (Commission de Surveillance du Secteur Financier) and Luxembourg Ministry of Finance, and are planning to launch operations in the first six months of 2015.



## What can we do for you?



As more and more financial institutions seek to establish a footprint in Luxembourg, we have developed a unique service offering that combines all of Deloitte Luxembourg's capabilities. Our structured governance model and tailor-made approach ensure a high quality of deliverables, as well as the adoption of the right penetration strategy for the targeted markets, for example, through the creation of a dedicated network at EMEA level.

Setting up banking operations can be a complex endeavour, which, if not carefully managed, can lead to significant costs and time overruns. Deloitte helps its worldwide clients (including Chinese clients) to establish new operations efficiently, while avoiding the possible pitfalls. We propose a structured process comprising seven steps (see chart on page 8), from identifying the most appropriate financial structure to full implementation and expansion of branches in other EU countries.

Within this process, the licence application phase (regulated by the law of 5 April 1993, as amended) is particularly important. During this phase, we help clients

produce a series of documents (e.g. business plan and scenario analysis, description of policies, outline of the internal governance model) to be submitted to the CSSF, which the Minister of Finance will consult when ratifying the licence. Given the various areas to be covered in the application, a number of experts with a range of skills and expertise will be involved.

Once the licence has been granted, we help clients to define the components of the new entity's operating model (e.g. HR support, executive search and selection, IT infrastructure, drafting of procedures, accounting system configuration, training, etc.), and to implement each component before the start-up of activity.

Ultimately, once its Luxembourg operations are established and producing positive results, an entity may consider expanding its presence in Europe by opening branches in other EU countries, thereby leveraging the presence of its European headquarters in Luxembourg. During this phase, our support primarily consists of producing the relevant documentation in order to notify the CSSF of the entity's plans.



# Renminbi payment flows and investment funds in Luxembourg

The significant rise in the use of the renminbi in commercial transactions and as an investment currency shows that it has become a major force in the global commercial environment. According to SWIFT, the renminbi accounts for 1.59% of global payments, while in Luxembourg, renminbi payments increased by 517% between September 2013 and 2014. In terms of eurozone payment flows, Luxembourg ranks second, while globally it ranks seventh<sup>1</sup>.

The growing use of the renminbi internationally has created the need for convenient renminbi hubs in the eurozone. As mentioned above, Luxembourg is already host to the European headquarters of the largest Chinese banks, which can manage their networks throughout the single market of the European Union. It is in this context that Luxembourg has made significant efforts to become a leader in many renminbi activities, and has emerged as one of the eurozone's leading renminbi hubs.

In September 2014, ICBC was designated as the renminbi clearing bank. In December 2014, it launched its clearing services enabling renminbi payments to be cleared directly via ICBC Luxembourg, improving cost efficiency and the speed of transactions. According to Pierre Gramegna, Luxembourg's Minister of Finance: *"Luxembourg is actively helping to transform the renminbi from a trade into an investment currency"*.

## Renminbi trade finance in Luxembourg

RMB-denominated trade finance<sup>2</sup> has been an ongoing activity in Luxembourg for a number of years. This can be expected to continue to grow, as further Chinese institutions look to establish their European headquarters in Luxembourg, and with many non-Chinese banks in Luxembourg now offering renminbi accounts<sup>3</sup>.

Furthermore, with respect to loans (RMB 68.2 billion at end-September 2014) and deposits (RMB 58.8 billion at end-September 2014), Luxembourg currently holds the largest renminbi volumes in Europe. This is the result of Chinese banks using Luxembourg as a centre for granting RMB-denominated commercial loans to their European customers.

The Luxembourg Stock Exchange is Europe's premier Dim Sum bond listing venue<sup>4</sup>, and ranks third worldwide for this activity, with a market share of 20% (just behind Hong Kong and Singapore). Since the listing of the first Dim Sum bond in Luxembourg in May 2011 (for Volkswagen AG), 46 RMB-denominated bonds for a volume of RMB 34 billion have been listed by multinational companies and sovereigns using the Luxembourg Stock Exchange to fulfil their renminbi liquidity needs<sup>5</sup>. In the period from December 2012, the issuance of RMB-denominated bonds listed on the Luxembourg Stock Exchange has increased by RMB 12.4 billion<sup>6</sup>.

More recently, the Luxembourg Stock Exchange registered its first listing of a Dim Sum bond issued by a mainland Chinese company in the eurozone. Given the openness of the CSSF towards renminbi investment products, we expect to see more such products being launched in Luxembourg.

1 SWIFT RMB Tracker Q3 2013

2 Renminbi trade finance volumes in Luxembourg totalled RMB 70.1 billion in Q3 2013. Trade finance activities in renminbi notably include import and export financing, letters of credit and other loan guarantees

3 Luxembourg for Finance, 'Luxembourg Renminbi Business', February 2014, p.7

4 Dim Sum bonds are fixed income instruments denominated in offshore RMB that trade and settle outside of mainland China

5 Luxembourg for Finance, Asia Mission Press Release, 1<sup>st</sup> July 2014

6 Luxembourg Stock Exchange



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## The amount of RMB-denominated assets in the portfolios of Luxembourg-based investment funds had increased to RMB 250.9 billion as of end-September 2014

### Renminbi investment funds in Luxembourg

With over €3.083 trillion in assets under management (as of end of November 2014), Luxembourg is currently Europe's top investment fund distribution centre. Combined with Luxembourg's long-established expertise in fund distribution, this is a major factor in Chinese asset managers launching funds out of Luxembourg. Several funds have now an investment policy focusing on Asia, especially China. With growing interest in RMB-denominated products and China-focused investment products from European institutional investors and high net worth individuals, asset management companies will have to distribute renminbi funds in Europe if they want to meet those clients' needs<sup>7</sup>.

The amount of RMB-denominated assets in the portfolios of Luxembourg-based investment funds had increased to RMB 250.9 billion as of end-September 2014, and many prestigious international renminbi fund promoters (such as BlackRock, Fidelity, HSBC, JP Morgan and Allianz) have bases in Luxembourg. Most of the Chinese asset managers that have launched investment funds in Europe selected Luxembourg as a domicile for their funds.

Luxembourg was one of the first EU member states to adopt the UCITS regime. Implementation of the UCITS directive gave Luxembourg a passport for its regulated funds to be marketed in all EU member states. The UCITS regime gives China and its investors a guarantee of supervision and regulation, and the willingness of the Luxembourg authorities to adopt innovative financial schemes was the reason the eurozone's first RMB-denominated product was launched in Luxembourg, just months after Hong Kong had launched an RMB-denominated fund.

Since 2008, thanks to the proactive nature of the Luxembourg regulator (CSSF), Qualified Domestic Institutional Investors (QDIIs) are now allowed to invest directly in CSSF-regulated investment vehicles. Luxembourg is one of the few financial centres that has an agreement in place with the China Securities Regulatory Commission, which gives added security to all parties involved in renminbi transactions<sup>8</sup>. In the case of Qualified Foreign Institutional Investors (QFII), the Luxembourg and Chinese stock exchanges have signed memoranda of understanding to ensure greater cooperation, exchange information and ideas, and develop the listing of financial instruments<sup>9</sup>. The reciprocal market access that resulted has boosted cross-border renminbi business between China and Luxembourg.

<sup>7</sup> Ming Gao, Chairwoman of ICBC's Luxembourg-based European subsidiary, in *Duke Magazine*, *op. cit.*, p.39

<sup>8</sup> *Luxembourg for Finance*, "Luxembourg Renminbi Business", February 2014, p.9

<sup>9</sup> *Luxembourg for Finance*, "Luxembourg Renminbi Business", February 2014, p.9

## What can we do for you?



As mentioned above, we have gained extensive experience of the Chinese market through providing services to the large Chinese banks. Our unique expertise within Luxembourg's financial sector, backed by the support of our global network, makes Deloitte well placed to offer a broad range of investment fund services. These include, but are not limited to:

- Fund engineering and set-up
- Assistance in structuring fund distribution networks
- Investment compliance and due diligence
- Tax reporting for funds
- Conducting market assessments and providing entry strategy advice
- Tax planning and investment fund/investor tax matrices
- Assistance with the UCITS decision-making process
- Support for fund documentation and governance requirements

In addition, Luxembourg plays an instrumental role in the primary securities market and is known for its expertise in securities listing. Deloitte Luxembourg is a trusted advisor for all stages of the listing process and can assist with value-added services such as:

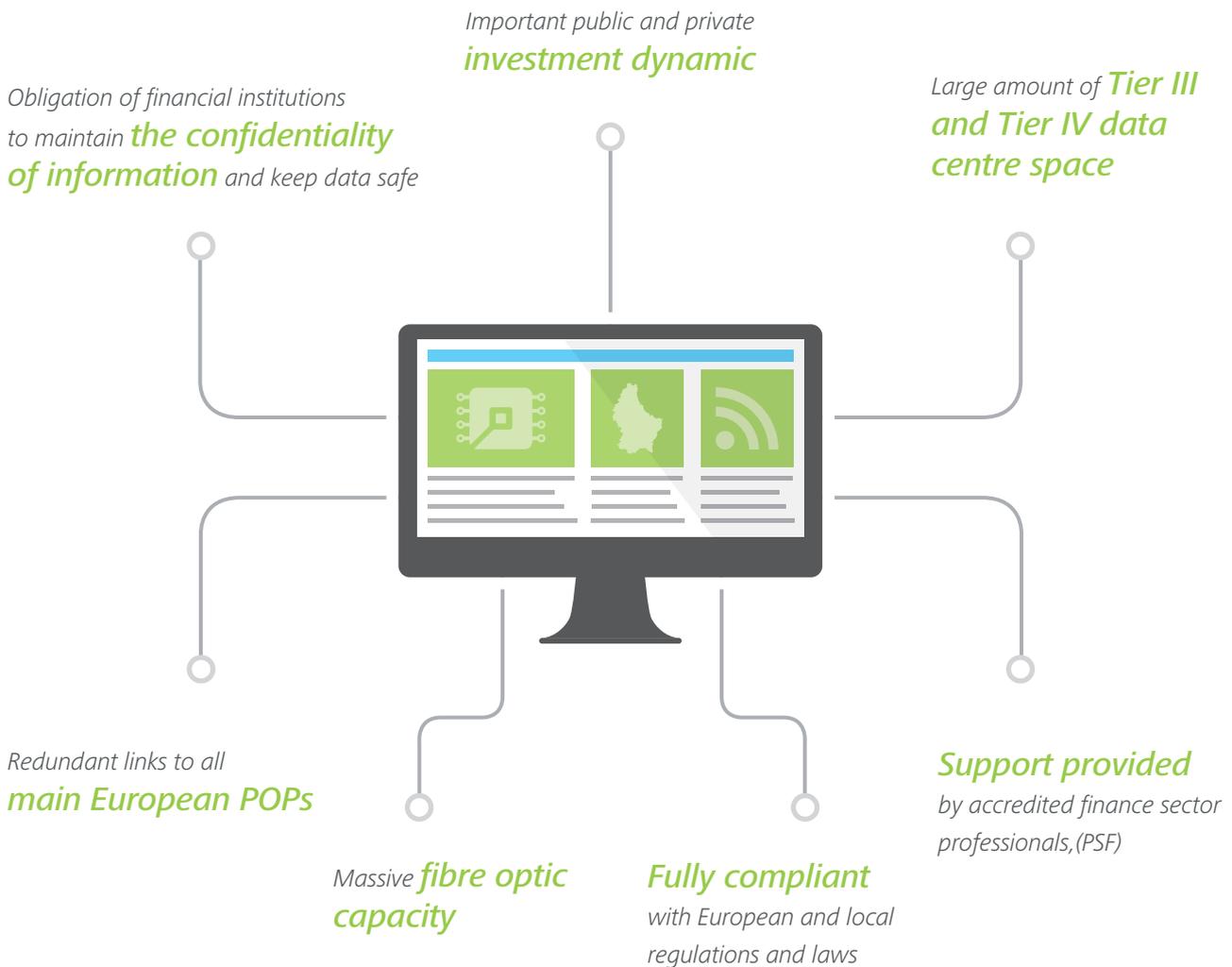
- Assistance in achieving compliance with securities law
- Accounting review and guidance
- Preparation of listing application and drafting of listing documentation
- Performance of due diligence
- Direct and indirect tax structuring advice
- Listing Schengen bonds in renminbi
- Listing coordination and communication between stakeholders



# Opportunities in China's ICT sector

Luxembourg has a market-leading ICT sector. It successfully embraced the IT revolution and is a pioneer in communication technologies, with applications in a wide range of activities (e-commerce, e-banking, phone and telecommunication networks, radio and television transmission, data protection, music and video downloads, etc.). Moreover, Luxembourg hosts two European giants, one in the media sector (RTL Group) and the other in satellite transmission (SES), as well as major names such as Amazon, iTunes, eBay, PayPal, Vodafone, RealNetworks, Rakuten and Skype, which have chosen the Grand Duchy as a platform from which to access worldwide markets.

The key factors relating to Luxembourg's state-of-the-art infrastructure are set out below:



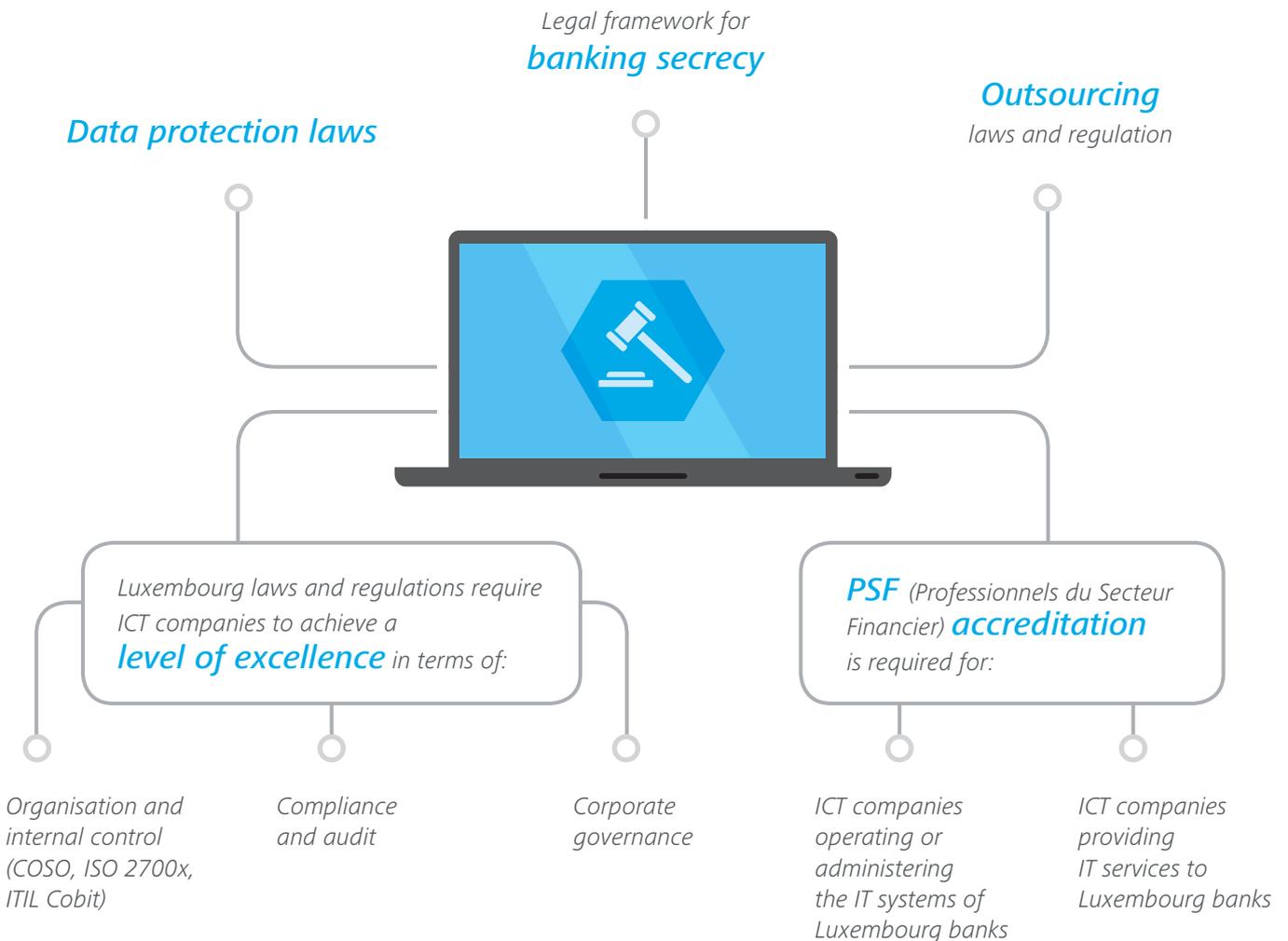
## What can we do for you?



Deloitte's Technology, Media & Telecommunications (TMT) industry group has one of the world's largest pools of deep industry experts who are respected for helping shape some of the world's most recognised TMT brands, enabling companies of all shapes and sizes to thrive in the digital world.

Deloitte Luxembourg can help Chinese technology companies take advantage of the ever-changing technology sector through a broad array of services. We assist businesses as they adapt to new challenges and evaluate new business opportunities, even as business cycles come and go.

Luxembourg's regulatory framework provides support and encouragement to innovative technologies and companies through:



Luxembourg has achieved high rankings on many international indices:



*For the share of ICT-using occupations in the total economy, with a penetration rate of 30.6%*  
*(source: OECD, 2008)*



*Among the most improved countries on the ICT Development Index*  
*(source: ITU)*



*Among 159 countries on the ICT Development Index, which covers factors such as ICT access, internet bandwidth, mobile broadband and cellular penetration*  
*(source: ITU, 2010)*



*Among 159 countries for lowest ICT tariffs*  
*(source: ITU 2010)*



*The most productive workforce in the EU*  
*(source: OECD, 2009)*



*EBRC awards for "Best Data Centre Operator Europe 2008" and "Best Regional European Data Centre Facility 2010"*

# Opportunities for outbound Chinese investments

Luxembourg is a first-choice location for Chinese investors looking for a prime business platform in Europe for investments and/or operational activities, such as trading, logistics and the ownership and management of foreign subsidiaries (or foreign permanent establishment, foreign real estate, etc.), group financing and cash-pooling, risk management, research and development, intellectual property, shipping business, e-commerce, etc. The opportunities are numerous and we will highlight just a few of them here.

## Favourable taxation regime

Over the past few years, Luxembourg has been able to maintain a competitive level of taxation for companies, ranking among the most favourable in Europe. In Luxembourg city, for example, the overall tax rate for companies is 29.22%.

Luxembourg companies are commonly used by international investors (increasingly those from China and Hong Kong) to hold their investments overseas and perform M&A transactions, etc. Chinese and Hong Kong investors may also take advantage of using Luxembourg as a gateway to Europe, and can avoid any withholding tax on dividends, interest and royalties deriving from their investments, as long as certain conditions are met. Similarly, they can also use Luxembourg as a gateway to the rest of the world and benefit from tax incentives generated by the broad Luxembourg double tax treaty network.

The use of a Luxembourg entity should not create additional taxation in Luxembourg, since dividends and capital gains can be exempt from taxation (under certain conditions), as well as foreign permanent establishment and real estate (provided the terms of the double tax treaty are met).

With respect of interest and royalties, the Luxembourg entity can also benefit from a favorable tax regime such as the Luxembourg IP box regime (see below), financing activities can be supported by advance pricing agreements (in line with international transfer pricing rules), etc..

Chinese and Hong Kong investors can boost returns and cash flow on investments in this way, and possibly defer the amount of tax payable in China until the related sums are repatriated (subject to the application of China's CFC rules).

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Over the past few years, Luxembourg has been able to maintain a competitive level of taxation for companies, ranking among the most favourable in Europe

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# The implementation of EU directives and signing of international agreements and treaties, such as the Trade-Related Aspects of Intellectual Property Rights (TRIPS), has strengthened Luxembourg's position as a premium European IP jurisdiction

## **Intellectual Property (IP) Regime**

Some years ago, the Grand Duchy's government established a safe intellectual property (IP) environment with the aim of attracting companies that invest in R&D, software and information technology. By positioning itself as a secure and beneficial location for IP activities, Luxembourg has displayed a flexible approach to today's knowledge economy, in which IP has become a major growth driver.

The implementation of EU directives and signing of international agreements and treaties, such as the Trade-Related Aspects of Intellectual Property Rights (TRIPS), has strengthened Luxembourg's position as a premium European IP jurisdiction. In addition, Luxembourg is a signatory to all major IP treaties and conventions, including the Bern Convention, the Patent Cooperation Treaty, the Paris Convention, the Patent Law Treaty and the Madrid Agreement and Protocol. Moreover, Luxembourg was one of the initial signatories of the European Patent Convention, in 1977. This proactive approach demonstrates the country's commitment to improving its IP standards, and has given rise to an environment that fosters and rewards innovation.

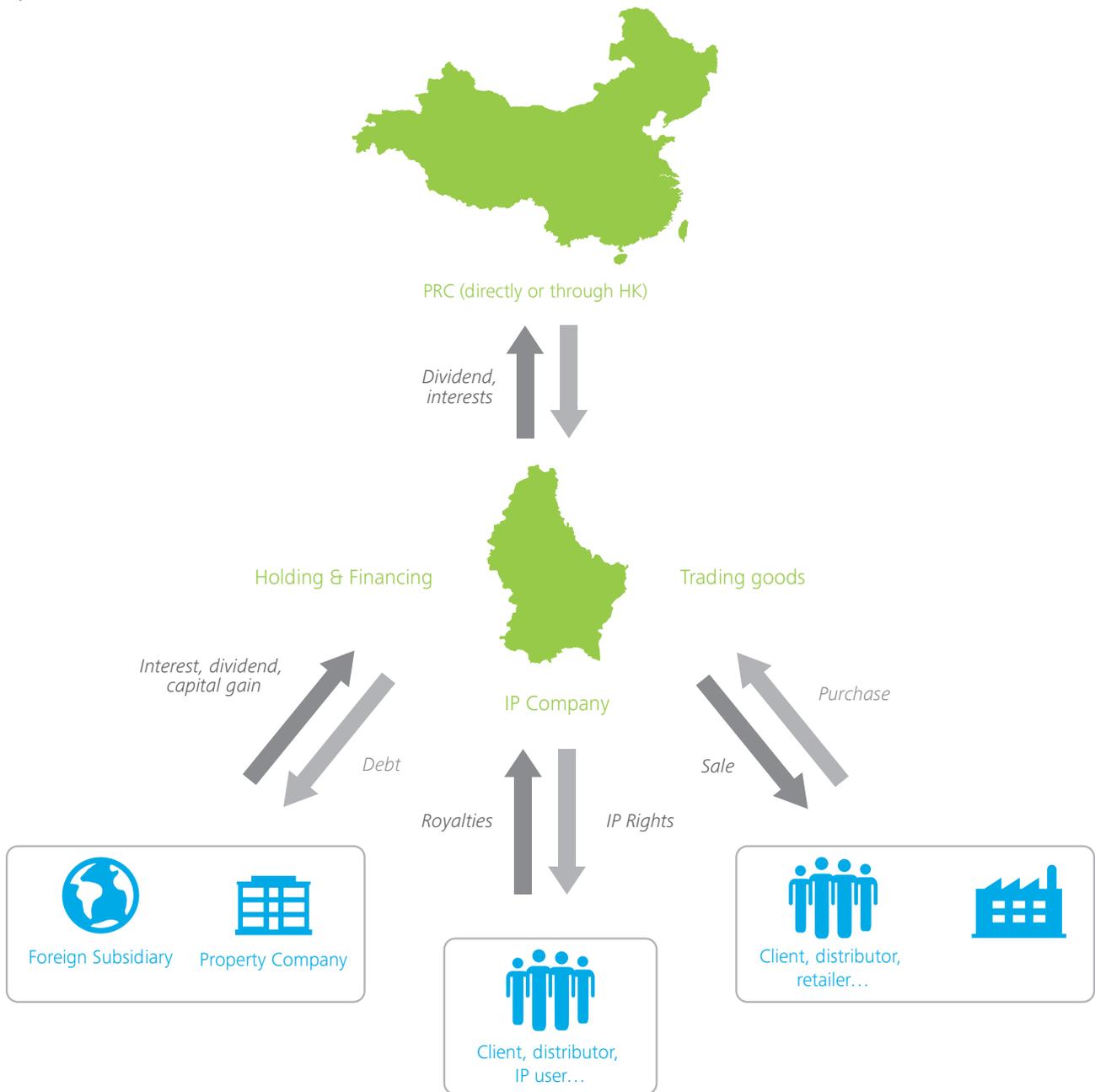
As part of this dynamic, a favourable tax regime for IP was introduced in 2008, allowing an 80% tax exemption on IP-related income (or of deemed IP-income if a taxpayer creates IP for his own use), as well as capital gains realised on the sale of the IP. Furthermore, qualifying IP is 100% exempt from net wealth tax, and there is no withholding tax on royalties paid (under certain conditions).

This beneficial tax regime applies to:

- Qualifying IP (copyright on software, any patent, trademark, design model or domain name)
- IP acquired or created after 31 December 2007
- IP rights acquired from a directly related party (i.e. direct parent or sister company) are excluded from the regime

Although several countries have developed beneficial IP tax regimes, it should be noted that the scope of Luxembourg's regime (in terms of eligible IP rights) is among the broadest worldwide.

Examples of Chinese outbound activities



### Alternative investment industry

Over a number of decades, Luxembourg has proven its ability to offer a stable and sound economic, political, social and tax environment, attracting investors and promoters from all around the world (including large SWFs) to use the Luxembourg platform as a gateway to global assets. Luxembourg offers the alternative investment fund industry a wide range of both regulated and unregulated products that can accommodate strategies focusing on public equity, fixed income, private equity, real estate, infrastructure, hedge funds, precious metals, etc.

Luxembourg entered the private equity game early in the past decade, with the introduction of the unregulated SOPARFI (financial participation company) structure, and in 2004 it established the SICAR (risk capital investment company), which is primarily intended for private equity and venture capital investments. As the Luxembourg fund industry grew, and with competition mounting among various international fund jurisdictions to attract capital, the country further diversified its fund vehicle range and successfully launched the lightly regulated, multi-purpose and flexible Specialised Investment Fund (SIF) in 2007 to cater to alternative investments, including private equity, real estate and hedge funds.

The creation of these structures came at an opportune time, as an increasing number of investors—clamouring for products that would diversify income sources and boost investment returns, while still affording a certain level of investor protection—shifted strategies and increased their allocations to alternative asset classes.

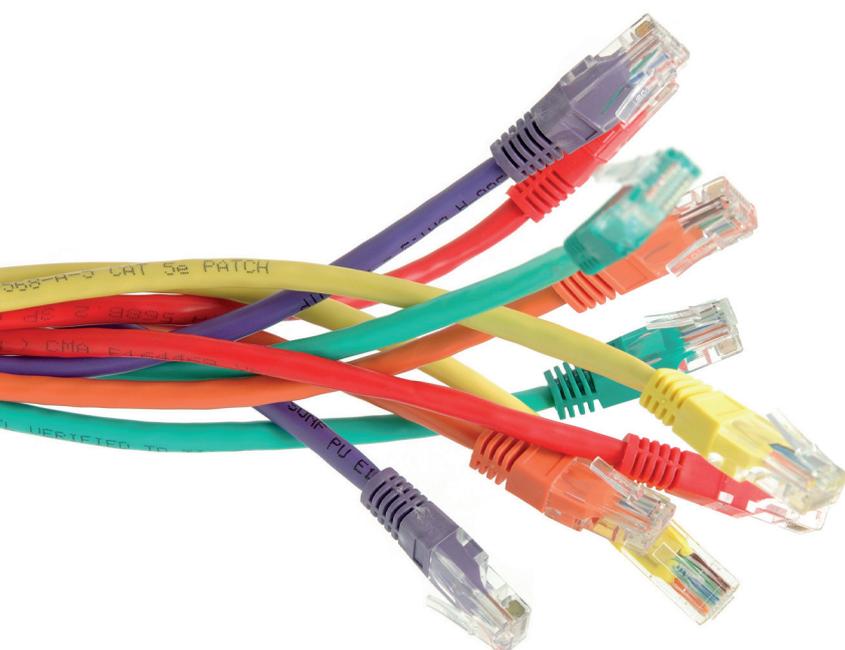
It is also interesting to note that Luxembourg recently introduced a new vehicle called the 'Special Limited Partnership', which was broadly inspired by the 'Anglo-Saxon' type limited partnership, with an element of tax neutrality.

### Other available vehicles

With two additional regimes available—the SPF (Société de Patrimoine Familial) and the securitisation vehicle—Luxembourg has been able to broaden its offer to meet clients' needs.

The SPF is a family wealth company with a preferential tax regime, which is used solely to manage the financial assets of an individual or a group of individuals. The vehicle benefits from a favourable tax regime (exemption of corporate, municipal and net wealth taxes), as well as a straightforward administrative framework.

Luxembourg's securitisation vehicle provides a broad range of opportunities and full flexibility. Its regulated/unregulated option, tax efficiency and neutrality and numerous flexible features (segregation, light reporting, multiple ways of financing, etc.) make it an ideal vehicle for investors seeking to acquire and securitise assets at risk.



## What can we do for you?



At Deloitte, we have a multi-disciplinary team of tax advisors that works closely with the financial advisory, legal and accounting experts who can assist you throughout the lifetime of your investments and/or operations, e.g. from the design and establishment of the structure until it is wound up.

Deloitte is well positioned to offer a broad range of services, including but not limited to:

- Preliminary work such as
  - Help to identify opportunities
  - Financial and tax due diligence
  - Asset valuations/financial modelling
  - Selection of service providers
  - Preliminary discussions with local authorities
  - Review of the tax implications and/or design of the structure
- Creation of the structure (with a lawyer)
  - Establishment of the Luxembourg entity/investment structure (and/or fund vehicle if applicable)
  - Assistance in drafting the main agreements of the entity related to its purpose/activities (and obtaining the regulatory approval if required), with a focus on the appropriate accounting and tax treatment in Luxembourg and elsewhere
- Assistance with the development of policies and procedures to ensure efficient management and review of the substance requirements to carry out the intended activity
- Confirmation of the tax treatment applicable, if any
- Coordination with external service providers
- Structuring of specific remuneration/performance/incentive scheme (if applicable)
- Ongoing work
  - Tax advisory and compliance, transfer pricing services
  - Audit, accounting, consolidation, IFRS services
  - Corporate and administration services
  - Undertaking business reviews of overseas assets and activities, as well as substance requirements
- Exit strategy/winding-up
  - Advice on appropriate exit/winding-up and cash repatriation strategies to preserve or maximise investor value

Thanks to the high-quality work provided by our tax and transfer pricing teams, we were ranked among Luxembourg's leading tax firms in the International Tax Review World Tax Guide 2015 and the International Tax Review Transfer Pricing Guide 2015.

# Deloitte Luxembourg, your trusted advisor



With over 80 partners and more than 1,600 employees, Deloitte Luxembourg is one of the leading professional service firms in the market. For over 60 years, we have delivered high-quality, value-added services to both national and international clients. The service offering covers audit, tax and consulting.

Within Deloitte, we specialise in different industries, both in the financial and non-financial sectors. To respond effectively and efficiently to the Grand Duchy's priority sectors, Deloitte is divided into ten industry segments, with highly qualified experts within our three service lines. From this platform we are well positioned to cover the needs of both new and established clusters.

To meet our clients' needs, we have created specific and tailor-made service teams with professionals experienced in their sector of expertise. Many of our staff have previously occupied senior positions in the financial services industry, including banking, funds and insurance, and/or in the commercial, industrial and public sectors.

Over the years, while respecting the strictest independence rules in relation to our audit clients, we have developed an integrated business model bringing together a vast pool of competencies. A cross-service line exchange of advice and support ensures all our clients receive the assistance they need and expect.

With a multicultural workforce comprising approximately 45 nationalities, we are committed to facilitating dialogue and understanding the needs of our clients around the world. The opening of three representative offices—in New York, Hong Kong and London—is also helping to bring our clients and our firm closer together, while extending Luxembourg's influence beyond its borders. Today, many of our clients are based abroad, and in several cases, even on other continents. In this way, we also contribute to Luxembourg's growing international influence.

# Deloitte Luxembourg Chinese Services Groups: an expert network

The Luxembourg Chinese Services Group (CSG) assists China-based companies seeking to access the Luxembourg and European markets—whether through the expansion of operations, raising of capital and/or engaging in external growth transactions. Deloitte Luxembourg offers high value-added services. We serve international companies, businesses and public institutions, as well as small and medium-sized enterprises.

We have experts and Mandarin-speaking professionals in all service lines to assist you from the earliest stages to the final delivery of your projects.

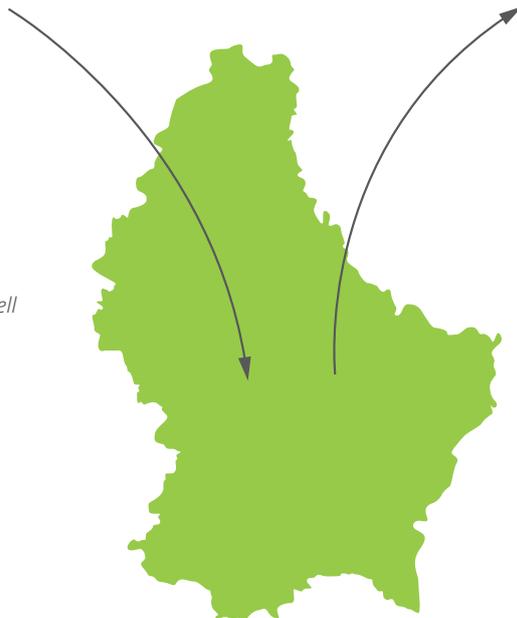
## Luxembourg CSG's mission

We are dedicated to:

- Providing more consistent and focused support for Chinese companies expanding their business in Luxembourg and Europe
- Helping global multinational companies achieve market penetration in China through our local knowledge and insights, and our established connections with China-based companies
- Facilitating the deployment of more China-focused practitioners by Deloitte Luxembourg and Chinese firms, building stronger global teams to serve outbound and inbound clients

## Inbound investment

- *Leverage Deloitte's global network to support Chinese firms' outbound strategy, providing financial advisory, tax and consulting services*
- *Ensure Chinese clients are well served by professionals who understand their business strategy and culture*
- *Deliver seamless services wherever Chinese clients wish to operate*



## Outbound investment

- *Facilitate access to industry experts and key decision makers throughout China*
- *Serve as a channel to communicate time-sensitive regulations and updates on China to clients*
- *Provide cross-functional services in China*

## Deloitte Luxembourg Asia Pacific Desk (Hong Kong)

In response to the increasing demand from Chinese and multinational companies seeking to invest in European products, Deloitte has opened a Luxembourg desk in Greater China, which is based in its Hong Kong offices.

Since 2008, this strategic presence has enabled Deloitte Luxembourg to advise a growing number of clients from China and the Asia-Pacific region (Japan, Australia, Taiwan, Singapore, etc.).

It also shortens the distances and removes any time-zone differences with its Asia-based clients, and provides a springboard for the development of Deloitte Luxembourg's consultancy activities (financial investment in or through Luxembourg, from China and across the whole Asia-Pacific region).

Whether contemplating market entry, mergers and acquisitions, or the optimisation of existing operations, multinational enterprises can call on our Asia Pacific Desk to help them implement cross-border investment strategies and manage the associated risks.

Deloitte Luxembourg also works closely with offices in Hong Kong and mainland China via its Asia Pacific Desk, assisting companies from this region that are seeking access to worldwide markets (Luxembourg and the rest of Europe, and on occasion, the Russian and North/South American markets), to expand operations, raise capital and/or engage in external growth transactions.

The Luxembourg desk in Hong Kong, led by Cédric Carnoye, can also help asset managers in Asia to raise funds from all over the world, in order to invest in Asia-focused projects.





# Acknowledgement

Deloitte Luxembourg would like to extend its sincere thanks to the following contributors for their testimonials, which we received in the third and fourth quarters of 2014, and for sharing their experiences and views on future Sino-Luxembourg opportunities.



## Mr. Zeng, the Chinese Ambassador *(EN translation)*

I am very glad to see the brochure on Sino-Luxembourgish cooperation published by Deloitte. In terms of size, Luxembourg is a small country. However, in the financial sector, Luxembourg is one of the biggest and strongest countries in the world. It presents irresistible attractions to Chinese banks and enterprises.

Luxembourg has its natural advantages. Geographically and economically, it is located in the heart of the EU and the heart of the eurozone. It is a doorway to 500 million potential consumers in the EU market. 40% of EU production is generated within a 500 km radius of Luxembourg, whereas 79% of EU GDP is generated within an 800 km radius. Luxembourg is the top centre of private banking in the eurozone and the second biggest location of investment funds in the world (after the United States), the top location of fund management and the no.1 Eurobond trade centre.

Luxembourg has stable politics, favourable yet consistent policies in the financial sector, and efficient yet effective administrative procedures. As such, Luxembourg is one of the

few EU member states that retained an AAA rating throughout the financial crisis. It is considered to be one of the few financial centres with huge upward potential. With its open economy policies, Luxembourg attracted the European headquarters of many world-leading companies. As a result, Luxembourg has been no.1 in the world's GDP per capita rankings for many years.

Currently, there are 150 banks, 3,864 investment funds and 330 insurance companies located in Luxembourg. Bank of China, ICBC, CCB, China Merchant Bank and CASIC have all established themselves in Luxembourg to carry out their European operations, in which Deloitte has played a crucial role. China has realised the advantages and convenience offered by Luxembourg. I believe that more and more Chinese banks and enterprises will come to invest in Luxembourg, which will push Sino-Luxembourgish cooperation to a new height. I truly hope Deloitte will enjoy this ride with us.



## Nicolas Mackel *(Luxembourg for Finance)*

In recent years, Luxembourg has established itself as a European hub for Chinese business. The three major Chinese banks have established their European headquarters here—Bank of China, ICBC and China Construction Bank—and just recently, Agricultural Bank of China and China Merchants Bank have announced that they will follow. Alipay, China's largest e-payment platform, will join them soon as well.

Many non-financial Chinese firms have also been attracted to Luxembourg. When asked for the reasons underlying their choice of Luxembourg, the answers are consistent:

Luxembourg offers a stable economy with a diversified financial centre in the heart of Europe, business-friendly and responsive authorities, and a multilingual workforce. Moreover, Luxembourg is Europe's largest renminbi centre in terms of business volumes and is developing this sector very successfully. The combination of openness, knowledge and experience make the Luxembourg financial centre a prime location for Chinese business.





## Luc Decker *(Consul General at the Consulate General in Shanghai)*

With the new normality of a slower (but still impressive) growth rate in China, many Chinese companies are looking for growth beyond their domestic market. In fact, I have hardly ever come across an enterprise in China, whether a SOE or private company, that had not, at least, thought about its internationalisation. It is not surprising that, in terms of this ‘going global’ strategy—which is also encouraged by the Chinese government—companies look to the largest overseas market: the European Union.

Luxembourg, with 45% of its population being non-Luxembourgish (39% are Europeans, 1% Chinese) is certainly the most international country in Europe and the most European country in the world. As a founding

member of the EU, Luxembourg has been a pioneer in the development of the European Union and will certainly continue this role under the Presidency of its former prime minister at the EU Commission. Any Chinese entrepreneur who wants to travel to the European Union needs to have the name of a small Luxembourg village in his passport: Schengen. Luxembourg is, in many respects, the key to the European Union. If you want to do business in one European country, you should establish in that country. If you want to do business in the whole European Union, you should consider setting up in Luxembourg.



## Cédric Carnoye *(Deloitte Luxembourg Asia Pacific Desk, Hong Kong)*

Since its inception in 2008, the Deloitte Luxembourg Asia Pacific Desk has had a pivotal role in promoting Luxembourg solutions to Chinese companies. Today—more than ever—Luxembourg is recognised by the Chinese community as a primary location to set up business, invest through and into. We already know the appetite of the Chinese financial and corporate industry for Luxembourg, but recent trends show that Chinese private equity firms are also taking their first steps

into the complex world of international M&A transactions. With a direct coordination point based in Hong Kong and a Chinese-focused team in Luxembourg, Deloitte Luxembourg definitely has a major card to play and is well placed to capture an increasing number of opportunities.



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