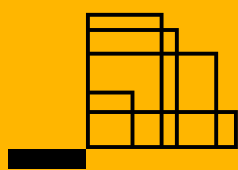




Luxembourg

The premier gateway to Europe

for Chinese automotive & EV companies

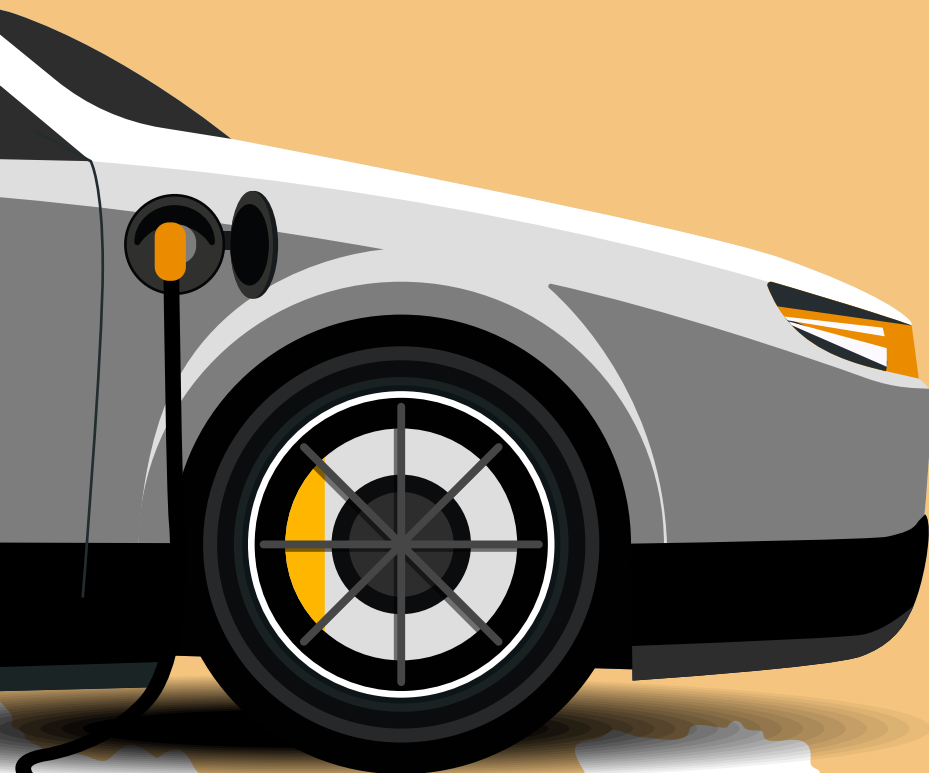


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Why Luxembourg is the ideal hub for European automotive expansion

Luxembourg stands out as a strategic entry point for Chinese automotive and electric vehicle (EV) manufacturers looking to establish their European headquarters. With its unique combination of political stability, favourable tax environment, and advanced financial ecosystem, Luxembourg provides an ideal platform for success in the competitive European automotive market.



1

Strategic location and easy access to key markets

Luxembourg's central location in Europe offers unmatched logistical advantages. Its proximity to major European automotive markets ensures that companies are just a 1- to 2-hour flight away from all major cities in the region, facilitating efficient communication and coordination across Europe.



Key benefits:

- Optimal location for European headquarters, with easy access to key automotive hubs.
- Robust transportation and logistics infrastructure to support the import/export of vehicles and components.

2

Stable and business-friendly environment

Known for its long-standing political and regulatory stability, Luxembourg offers a reliable setting for long-term business operations. The government is open to dialogue with businesses, creating a supportive environment that attracts some of the world's leading automotive and technology companies.



Key benefits:

- Supportive government policies that welcome international businesses.
- Easy access to decision-makers and regulatory authorities for smooth business operations.

3

Favourable tax and legal framework

Luxembourg's competitive tax environment features incentives tailored for automotive and EV manufacturers. These include:

- Corporate tax stability: Among the most attractive rates in Europe.
- Lowest VAT rate in the EU: At 17%, significantly reducing operational costs.
- Extensive double tax treaty network: With 86 treaties in force, ensuring businesses avoid double taxation.
- Investment tax credits: Up to 18% tax credit for digital and ecological transformation, benefiting R&D in EV and sustainable automotive technologies.



Key benefits:

- Exemption from withholding tax on interest and certain dividends.
- Tax credits and incentives to support automotive R&D and innovation.
- A favourable VAT environment that lowers business costs.



4

Access to leading financial services

As a top financial centre in Europe, Luxembourg provides unique access to capital and financing solutions suitable for automotive and EV manufacturers.

- Chinese financial institutions presence: Seven of the largest Chinese banks have their EU headquarters in Luxembourg.
- Comprehensive financial ecosystem: Financing options include working capital, acquisition finance, project finance, green loans, leasing, and more.
- Investment hub: Luxembourg manages 56% of the world's cross-border investment funds, offering financing solutions for innovation and expansion.



Key benefits:

- Direct access to Chinese financial institutions and diverse financial products.
- Leverage Europe's largest fund centre for automotive projects and growth.



5

Advanced automotive ecosystem and innovation in mobility

Luxembourg's Automobility Cluster and commitment to innovation make it a key location for automotive and EV companies. The network, with over 500 businesses, encourages innovation, partnerships, and cross-border synergies essential for the development of next-generation mobility solutions.

- Major R&D centers: Companies like Goodyear, BorgWarner, and IEE have established innovation centres in Luxembourg.
- Mobility innovation campus: A hub for advancements in AI, data economy, and automotive digitalisation.



Key benefits:

- Collaborate with top automotive and technology firms to drive EV innovation.
- Access to a highly skilled multilingual workforce for R&D and specialised roles.

6

Streamlined customs and regulatory procedures

Luxembourg's centralised customs clearance simplifies the logistics of importing and exporting vehicles across the EU, reducing administrative burdens and costs.



Key benefits:

- Simplified import/export processes with centralised clearance.
- Enhanced operational efficiency for automotive logistics.

7

Expertise in Mergers and Acquisitions (M&A)

Luxembourg's legal and business environment makes it an attractive destination for M&A activities, including joint ventures and acquisitions in the automotive sector. The country's expertise helps companies navigate complex transactions and expand their European presence.



Key benefits:

- Robust legal framework for simplifying M&A transactions.
- Access to expert advisors to optimise M&A strategies for long-term success.

8

Expertise in Mergers and Acquisitions Thriving leasing market and EV transformation

The leasing market in Luxembourg is significant and evolving rapidly, especially with the shift toward electric and hybrid vehicles. This growth is driven by the large cross-border workforce and the country's focus on green mobility.



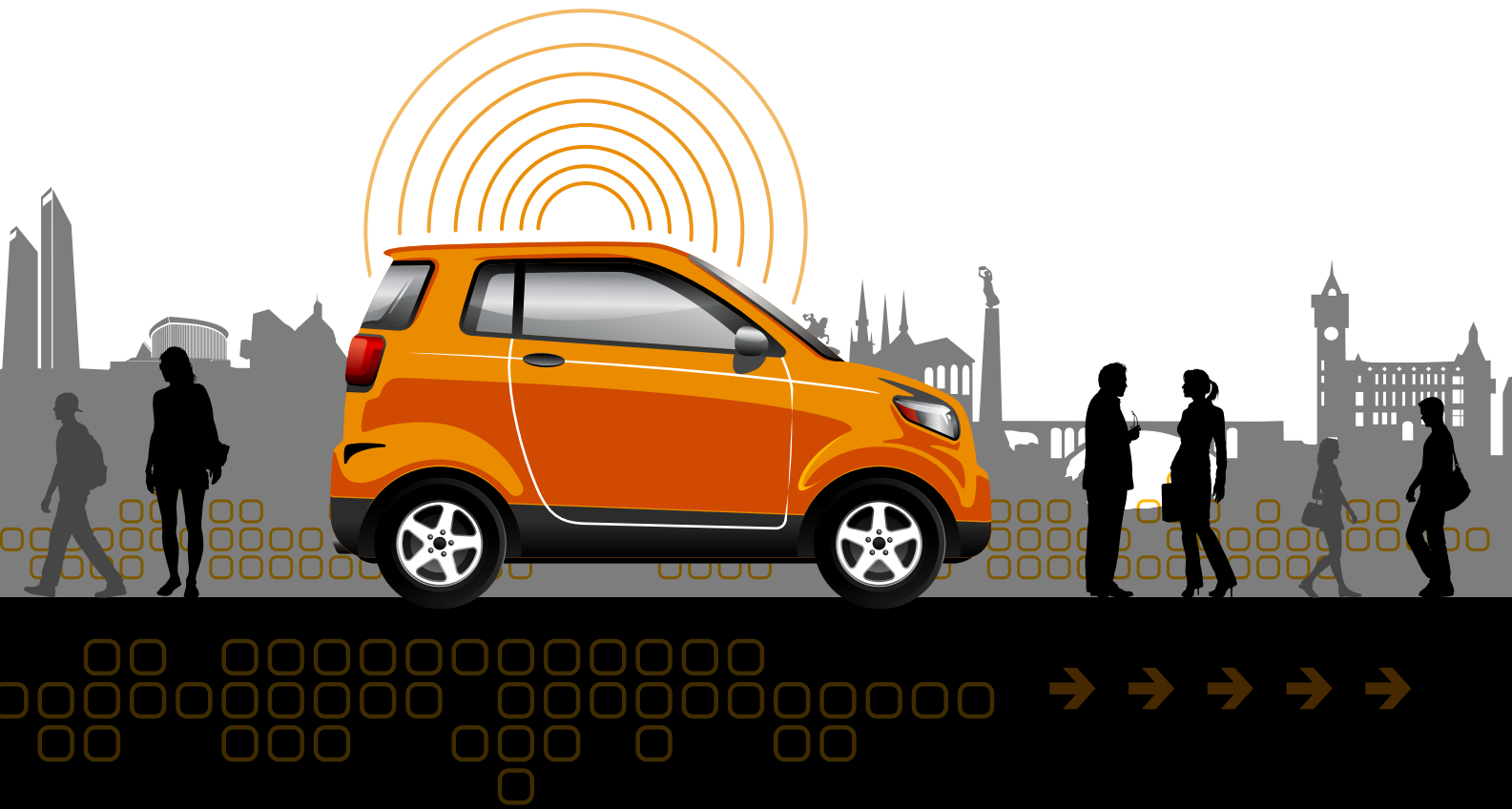
Key benefits:

- Capitalise on a growing EV leasing market.
- Leverage opportunities in a market transitioning to sustainable mobility solutions.

Conclusion: Luxembourg – your gateway to European automotive success

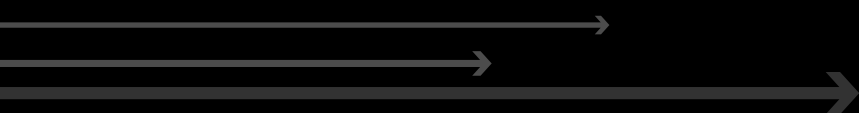
The leasing market in Luxembourg is significant and evolving rapidly, especially with the shift toward electric. Choosing Luxembourg as the base for your European headquarters allows Chinese automotive and EV manufacturers to unlock a wealth of opportunities, including a central location, business-friendly policies, and access to leading financial markets. With government support, a well-established automotive cluster, and a skilled workforce, Luxembourg is the premier destination for innovation and growth in Europe's automotive sector.

Make Luxembourg your partner for a successful expansion in Europe's automotive market.



Luxembourg value proposition in the automotive market

- 1. Value points of Luxembourg**
- 2. Potential role of a Luxembourg entity for the automotive industry players.**
- 3. Credentials of a Chinese automotive company establishing entities in Luxembourg**



1

Value points of Luxembourg:

Convenient geographical advantage:

Luxembourg is in the heart of Europe and Luxembourg is just 1 to 2 flight hours away from most big cities in the Europe.

Unmatched political and budgetary stability:

Luxembourg is famous for its long-standing political stability. The Luxembourg government has always had an open and friendly ear for business players. The authorities are accessible, officials are easy to contact and open to dialogue. This close relationship between the government and the business community strengthens even more the Luxembourg's position as one of the most attractive business centres.

A stable and rewarding tax environment:

Stability: Luxembourg has one of the most stable and at the same time attractive corporate tax system in the EU;

Low VAT: Luxembourg has the lowest VAT rate in the EU (17%);

Extensive withholding tax exemption: There is no withholding tax on the interest in Luxembourg. The withholding tax on the dividends to qualifying entities in the EU and countries where the double tax treaty with Luxembourg is signed are exempted under certain conditions.

Comprehensive double tax treaty network: Luxembourg has signed, and continues to sign, a large number of treaties with EU and non-EU countries (86 tax treaties in force as of January 2024) to avoid double taxation of individuals and companies.

Investment tax credit regime: 18% tax credit for investments and operating expenses connected with digital and ecological transformation. 12% tax credit for any other qualifying investments. Automotive companies who have set their R&D centre in Luxembourg can benefit greatly from this tax credit regime.

One of the largest investment platforms

Luxembourg, being 1st European fund domicile and 2nd largest fund centre globally, is known as the home of the global fund industry. Taking advantage of its solid legal and fiscal framework, stable political environment and international inclusiveness, together with a mature eco-

system of professional agencies. Luxembourg attracts 56% of global market share in cross-border investment funds.

Easy access to funding sources:

Seven of the largest Chinese banks established their EU headquarter in Luxembourg during recent years. In addition, major Chinese financial services companies like Alipay and Ping Pong have already established their EU headquarters in Luxembourg. A growing number of Chinese multinational enterprises have also incorporated the EU management company in Luxembourg. Being the financial centre of Europe, more than 122 banks are currently operating in Luxembourg, offering sufficient funding support to enterprises.

Network with Luxembourg Automobile Cluster:

Luxembourg is a co-founding member of the largest cross-border automotive network - Luxembourg Automobile Cluster, comprising more than 500 businesses in the Greater Region. The network ensures that businesses active in the automotive and mobility sector find the international partnerships and synergies that they need for their development and for the success of the next generation of mobility solutions. It fosters innovation, business development and cross-sector cooperation. A wide range of world acclaimed companies such as BorgWarner, Goodyear and IEE have established their research and development centres in Luxembourg. Aiming at digitalisation, Luxembourg goes beyond automotive sector and transfers itself to be a pioneer in artificial intelligence and data economy. Mobility Innovation Campus, an innovation centre, was established in 2016 in order to guarantee the implementation of these ambitions.

IEE S.A., a Luxembourg-born automotive company, is world leader in advanced sensor technology for the automotive, building management and security and footwear/medical industries, offering customised solutions for specific applications. It has a great focus on R&D and innovation, constantly expanding its business markets and setting industry standards with unique products. IEE S.A. excels at passenger and child safety and pioneered in occupant detection and classification.

One of the world class tire manufacturers Goodyear has been present in Luxembourg, where it employs over 3.500 associates, since the 1950s. Goodyear in Colmar-Berg is an integrated industrial complex, which is complemented by various plants and installations. It is Goodyear's most diversified complex outside the United States. It is constituted by Regional Calendaring Centre

and the mold plant, where rubber, aluminium and steel molds are designed and produced; the Luxembourg Mounting Center (LMC), the most modern truck wheel assembly operation in Europe; and Goodyear Innovation Centre Luxembourg, Goodyear's major tyre research and development centre outside of the United States.

Centralised clearance for custom simplification

Centralised clearance is a customs simplification that authorises a business to lodge the declaration for goods which are presented at another customs office within the customs territory of the European Union (article 179 UCC). Upon the application for a licence of Authorised Economic Operator within the EU and a centralised clearance authorisation in its country of establishment, the company can benefit from a centralised and integrated accounting, logistics and distribution, having all tax obligations and formalities under one umbrella. It also saves administrative and transaction costs and provides a genuine simplification of procedures for the companies.

2 Potential role of a Luxembourg entity for the automotive industry players.

Holding and management function – choice for EU HQ

Due to Luxembourg's central position and convenient geographical location in Europe, communications with the other group entities in Europe would be smooth and effective. In this case, the Luxembourg entity can act as a management role, which oversees consolidating information and requests from the manufacturing entity, R&D centre, and distributing entity all over Europe.

Financing function

Based on automotive market practice, we note that financing function would serve as a base for a company to steer towards success via necessary funds to start, operate, and expand their operations, especially for Chinese automotive companies who wish to enter the European market. In this respect, Luxembourg would be seen as an ideal investment platform for automotive companies to achieve business goals.

- Flexible financing products
 - Luxembourg is an international hub for bilateral and syndicated loans in the Eurozone and beyond;
 - In Luxembourg, financing of all types is available, including working capital lines, acquisition finance, asset finance, project finance and green loans, as well as factoring, receivable finance, fiduciary finance, leasing, supply chain finance and capital markets transactions.
- Sufficient skilled workers specialising in the financing industry
 - The entity in Luxembourg would have access to a huge talent pool of +11 million inhabitants in the Greater region; and extensive European talent pool considering 4 million commuters to Luxembourg City;
- In addition, a highly skilled multilingual workforce is provided in Luxembourg.

M&A function

Following the trend of Chinese automotive companies expanding in the European market, we understand that it is common for some Chinese automotive companies with smaller size or less famous brands, to enter the European market via M&A with the local automotive brand. In addition, we understand that along the EV value chain, there are growing interdependencies which will lead to acquisitions, joint ventures and strategic alliances. In this regard, we believe that it is critical for these Chinese automotive companies and suppliers to start the journey in Europe in a country that provides a competitive legal framework, supporting infrastructures and high-skilled talents for M&A activities and Luxembourg would be the perfect match.

With specialists in M&A transactions, M&A service providers in Luxembourg can help clients witness opportunities and bring integration expertise, deep industry knowledge, a global network, and a focus on building M&A capabilities, assisting clients at every stage and on all aspects of a transaction. Luxembourg's favourable regulatory framework and historical stability also contributes to promising M&A volumes and values in Luxembourg.

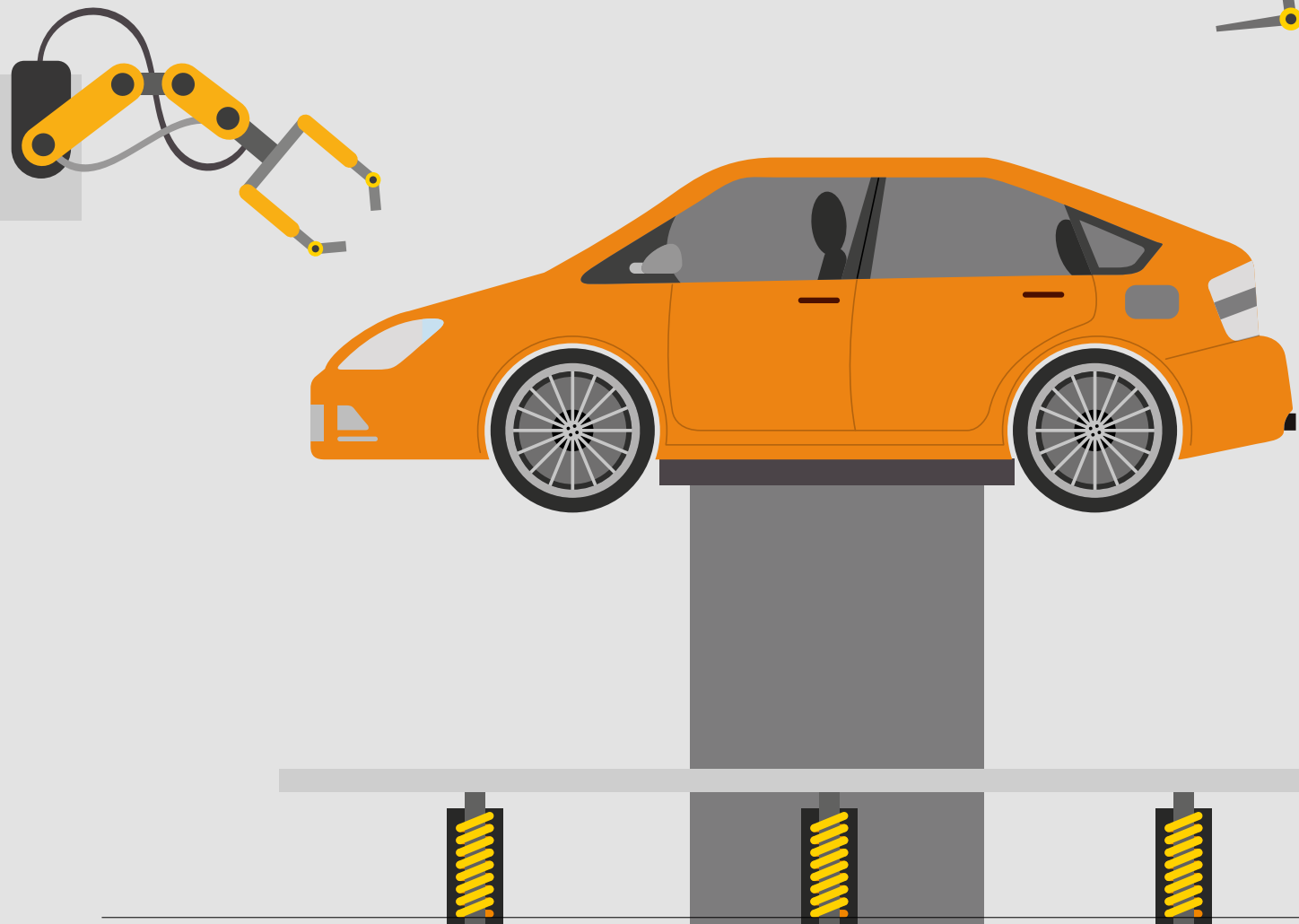
Leasing function

Taking the advantage of the fact that almost half of Luxembourg's workforce are cross-border workers, the leasing market in Luxembourg is significant and on the rise. With the promotion of EV cars and the ever-faster evolution in techniques, the car leasing industry in Luxembourg will thrive in the near future while undergoing a full transformation to electric / hybrid cars.

3 Credentials of a Chinese automotive company establishing entities in Luxembourg

To expand its EV business in Europe, one famous Chinese automotive company has established its headquarter in Luxembourg. The Luxembourg entity acts as a distributor of EVs and holding platform of the group in Europe. It signs contracts with its China parent entity and dealerships in Europe for the transfer of goods and it also holds various investments across Europe.

In the meantime, the Luxembourg entity is also responsible for the customs compliance and VAT compliance of all the ports importing the EVs.



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