

Registre de Commerce et des Sociétés

Numéro RCS : B169663

Référence de dépôt : L230170607

Déposé et enregistré le 03/08/2023

MVWAMYP20230629T15251501_002

RCSL Nr. : B169663

Matricule : 2012 2423 051

eCDF entry date : 27/07/2023

BALANCE SHEET**Financial year from** ⁰¹ 01/01/2022 **to** ⁰² 31/12/2022 (in ⁰³ EUR)

Impro Europe SARL

10, Boulevard Royal

L-2449 Luxembourg

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	103 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
B. Formation expenses	1107 _____	107 _____	108 _____
C. Fixed assets	1109 _____	109 <u>78.094.789,66</u>	110 <u>78.095.595,83</u>
I. Intangible assets	1111 _____	111 _____	112 _____
1. Costs of development	1113 _____	113 _____	114 _____
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115 _____	115 _____	116 _____
a) acquired for valuable consideration and need not be shown under C.I.3	1117 _____	117 _____	118 _____
b) created by the undertaking itself	1119 _____	119 _____	120 _____
3. Goodwill, to the extent that it was acquired for valuable consideration	1121 _____	121 _____	122 _____
4. Payments on account and intangible assets under development	1123 _____	123 _____	124 _____
II. Tangible assets	1125 _____	125 <u>1.772,66</u>	126 <u>2.578,83</u>
1. Land and buildings	1127 _____	127 _____	128 _____
2. Plant and machinery	1129 _____	129 _____	130 _____

The notes in the annex form an integral part of the annual accounts

	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131	1.772,66	2.578,83
4. Payments on account and tangible assets in the course of construction	1133		
III. Financial assets	1135	78.093.017,00	78.093.017,00
1. Shares in affiliated undertakings	1137 <u>Note 3</u>	78.093.017,00	78.093.017,00
2. Loans to affiliated undertakings	1139		
3. Participating interests	1141		
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143		
5. Investments held as fixed assets	1145		
6. Other loans	1147		
D. Current assets	1151	24.664.044,61	21.956.903,51
I. Stocks	1153	5.649.089,22	2.126.642,94
1. Raw materials and consumables	1155		
2. Work in progress	1157		
3. Finished goods and goods for resale	1159	5.649.089,22	2.126.642,94
4. Payments on account	1161		
II. Debtors	1163	18.812.877,26	19.673.477,62
1. Trade debtors	1165	13.512.750,01	12.414.113,11
a) becoming due and payable within one year	1167	13.512.750,01	12.414.113,11
b) becoming due and payable after more than one year	1169		
2. Amounts owed by affiliated undertakings	1171	5.247.756,63	7.219.087,81
a) becoming due and payable within one year	1173 <u>Note 4</u>	5.247.756,63	7.219.087,81
b) becoming due and payable after more than one year	1175		
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		
a) becoming due and payable within one year	1179		
b) becoming due and payable after more than one year	1181		
4. Other debtors	1183	52.370,62	40.276,70
a) becoming due and payable within one year	1185	52.370,62	40.276,70
b) becoming due and payable after more than one year	1187		

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	Reference(s)	Current year	Previous year
III. Investments	1189 _____	189 _____	190 _____
1. Shares in affiliated undertakings	1191 _____	191 _____	192 _____
2. Own shares	1209 _____	209 _____	210 _____
3. Other investments	1195 _____	195 _____	196 _____
IV. Cash at bank and in hand	1197 _____	197 <u>202.078,13</u>	198 <u>156.782,95</u>
E. Prepayments	1199 _____	199 <u>404.207,54</u>	200 <u>425.698,64</u>
TOTAL (ASSETS)		201 <u>103.163.041,81</u>	202 <u>100.478.197,98</u>

CAPITAL, RESERVES AND LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves			
	1301 <u>Note 5</u>	301 <u>9.648.294,36</u>	302 <u>27.522.662,18</u>
I. Subscribed capital	1303 _____	303 <u>20.000,00</u>	304 <u>20.000,00</u>
II. Share premium account	1305 _____	305 <u>2.250.000,00</u>	306 <u>750.000,00</u>
III. Revaluation reserve	1307 _____	307 _____	308 _____
IV. Reserves	1309 _____	309 <u>2.000,00</u>	310 _____
1. Legal reserve	1311 _____	311 <u>2.000,00</u>	312 _____
2. Reserve for own shares	1313 _____	313 _____	314 _____
3. Reserves provided for by the articles of association	1315 _____	315 _____	316 _____
4. Other reserves, including the fair value reserve	1429 _____	429 _____	430 _____
a) other available reserves	1431 _____	431 _____	432 _____
b) other non available reserves	1433 _____	433 _____	434 _____
V. Profit or loss brought forward	1319 _____	319 <u>250.662,18</u>	320 <u>-2.600.273,12</u>
VI. Profit or loss for the financial year	1321 _____	321 <u>7.125.632,18</u>	322 <u>29.352.935,30</u>
VII. Interim dividends	1323 _____	323 _____	324 _____
VIII. Capital investment subsidies	1325 _____	325 _____	326 _____
B. Provisions			
	1331 <u>Note 6</u>	331 <u>239.403,07</u>	332 <u>28.386,55</u>
1. Provisions for pensions and similar obligations	1333 _____	333 _____	334 _____
2. Provisions for taxation	1335 _____	335 _____	336 _____
3. Other provisions	1337 _____	337 <u>239.403,07</u>	338 <u>28.386,55</u>
C. Creditors			
	1435 _____	435 <u>93.275.344,38</u>	436 <u>72.927.149,25</u>
1. Debenture loans	1437 _____	437 _____	438 _____
a) Convertible loans	1439 _____	439 _____	440 _____
i) becoming due and payable within one year	1441 _____	441 _____	442 _____
ii) becoming due and payable after more than one year	1443 _____	443 _____	444 _____
b) Non convertible loans	1445 _____	445 _____	446 _____
i) becoming due and payable within one year	1447 _____	447 _____	448 _____
ii) becoming due and payable after more than one year	1449 _____	449 _____	450 _____
2. Amounts owed to credit institutions	1355 _____	355 _____	356 _____
a) becoming due and payable within one year	1357 _____	357 _____	358 _____
b) becoming due and payable after more than one year	1359 _____	359 _____	360 _____

	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	1361	361	362
a) becoming due and payable within one year	1363	363	364
b) becoming due and payable after more than one year	1365	365	366
4. Trade creditors	1367	58.248,12	122.588,64
a) becoming due and payable within one year	1369	58.248,12	122.588,64
b) becoming due and payable after more than one year	1371		
5. Bills of exchange payable	1373		
a) becoming due and payable within one year	1375		
b) becoming due and payable after more than one year	1377		
6. Amounts owed to affiliated undertakings	1379	Note 7 93.217.096,26	72.804.560,61
a) becoming due and payable within one year	1381	61.717.096,26	72.267.770,30
b) becoming due and payable after more than one year	1383	31.500.000,00	536.790,31
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385		
a) becoming due and payable within one year	1387		
b) becoming due and payable after more than one year	1389		
8. Other creditors	1451		
a) Tax authorities	1393		
b) Social security authorities	1395		
c) Other creditors	1397		
i) becoming due and payable within one year	1399		
ii) becoming due and payable after more than one year	1401		
D. Deferred income	1403		
TOTAL (CAPITAL, RESERVES AND LIABILITIES)	405	103.163.041,81	100.478.197,98

Registre de Commerce et des Sociétés

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eCDF entry date : 27/07/2023

PROFIT AND LOSS ACCOUNT**Financial year from** ⁰¹ 01/01/2022 **to** ⁰² 31/12/2022 (in ⁰³ EUR)

Impro Europe SARL

10, Boulevard Royal
L-2449 Luxembourg

	Reference(s)	Current year	Previous year
1. Net turnover	1701 <u>Note 8</u>	701 <u>65.644.380,44</u>	702 <u>49.402.377,30</u>
2. Variation in stocks of finished goods and in work in progress	1703 _____	703 _____	704 _____
3. Work performed by the undertaking for its own purposes and capitalised	1705 _____	705 _____	706 _____
4. Other operating income	1713 _____	713 _____	714 _____
5. Raw materials and consumables and other external expenses	1671 _____	671 <u>-60.716.594,91</u>	672 <u>-45.790.661,93</u>
a) Raw materials and consumables	1601 _____	601 <u>-59.774.489,72</u>	602 <u>-44.821.246,41</u>
b) Other external expenses	1603 _____	603 <u>-942.105,19</u>	604 <u>-969.415,52</u>
6. Staff costs	1605 <u>Note 9</u>	605 <u>-147.274,36</u>	606 <u>-227.934,69</u>
a) Wages and salaries	1607 _____	607 <u>-132.739,37</u>	608 <u>-219.435,22</u>
b) Social security costs	1609 _____	609 <u>-14.534,99</u>	610 <u>-8.499,47</u>
i) relating to pensions	1653 _____	653 <u>-8.056,06</u>	654 <u>-2.612,43</u>
ii) other social security costs	1655 _____	655 <u>-6.478,93</u>	656 <u>-5.887,04</u>
c) Other staff costs	1613 _____	613 _____	614 _____
7. Value adjustments	1657 _____	657 <u>-806,17</u>	658 <u>-590,34</u>
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 _____	659 <u>-806,17</u>	660 <u>-590,34</u>
b) in respect of current assets	1661 _____	661 _____	662 _____
8. Other operating expenses	1621 _____	621 _____	622 _____

The notes in the annex form an integral part of the annual accounts

	Reference(s)	Current year	Previous year
9. Income from participating interests	1715 <u>Note 10</u>	715 <u>7.500.000,00</u>	716 <u>31.752.352,10</u>
a) derived from affiliated undertakings	1717 _____	717 <u>7.500.000,00</u>	718 <u>31.752.352,10</u>
b) other income from participating interests	1719 _____	719 _____	720 _____
10. Income from other investments and loans forming part of the fixed assets	1721 _____	721 _____	722 _____
a) derived from affiliated undertakings	1723 _____	723 _____	724 _____
b) other income not included under a)	1725 _____	725 _____	726 _____
11. Other interest receivable and similar income	1727 _____	727 <u>43.484,17</u>	728 <u>40.950,59</u>
a) derived from affiliated undertakings	1729 <u>Note 4</u>	729 <u>43.484,17</u>	730 <u>40.950,59</u>
b) other interest and similar income	1731 _____	731 _____	732 _____
12. Share of profit or loss of undertakings accounted for under the equity method	1663 _____	663 _____	664 _____
13. Value adjustments in respect of financial assets and of investments held as current assets	1665 _____	665 _____	666 _____
14. Interest payable and similar expenses	1627 _____	627 <u>-4.336.386,99</u>	628 <u>-2.646.222,52</u>
a) concerning affiliated undertakings	1629 <u>Note 7</u>	629 <u>-3.926.600,08</u>	630 <u>-2.823.725,80</u>
b) other interest and similar expenses	1631 _____	631 <u>-409.786,91</u>	632 <u>177.503,28</u>
15. Tax on profit or loss	1635 <u>Note 11</u>	635 _____	636 _____
16. Profit or loss after taxation	1667 _____	667 <u>7.986.802,18</u>	668 <u>32.530.270,51</u>
17. Other taxes not shown under items 1 to 16	1637 _____	637 <u>-861.170,00</u>	638 <u>-3.177.335,21</u>
18. Profit or loss for the financial year	1669 _____	669 <u>7.125.632,18</u>	670 <u>29.352.935,30</u>

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Déposé le 03/08/2023

Impro Europe SARL
Société à responsabilité limitée

Annual Accounts
As at December 31, 2022
(With the Report of the Réviseur d'Entreprises Agréé
thereon)

10, Boulevard Royal
L - 2449 Luxembourg
R.C.S. Luxembourg: B 169.663

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Impro Europe SARL
Société à responsabilité limitée
Registered office: 10 Boulevard Royal
L-2449 Luxembourg
R.C.S Luxembourg: B 169663

Management report
for the financial year then ended December 31, 2022

To the Sole Member,

The Board of Managers hereby presents the annual accounts for the year then ended December 31, 2022 prepared in compliance with the provisions of company law, as amended.

1. Situation and activities of the Company during the financial year

The shares in affiliated undertakings held by the Company amount to EUR 78,093,017.00 as at December 31, 2022, no change occurred compared to the situation as at December 31, 2021.

The balance sheet totals to EUR 103,163,041.81 as at December 31, 2022 and as at December 31, 2021 EUR 100,478,197.98.

The sales of this year has reached EUR 65,644,380.44 compared to EUR 49,402,377.30 in 2021, this increase of 32.9% (2021: 22.4%) is mainly due to the recovery of customer orders after the Covid 19 pandemic.

The net result of the year is a profit of EUR 7,125,632.18 while last year the Company registered a profit of EUR 29,352,935.30. Strong 2021 profit is mainly due to receipt of dividend incomes from its subsidiaries, in total of EUR 31,752,352.10.

The Company has an average of 2 employees during the year of 2022 (2021: 3).

2. Principal risks and uncertainties

The principal risks and uncertainties which may affect the Company are mainly related to changes in automotive markets, as projects in this sector have limited life cycle and forecasted sales volume may fluctuate during the life cycle depending on end users' demand. In additional, the Company was heavily impacted by the market slowdown resulting from Covid 19 pandemic started at the beginning of 2020 as well as the Russia – Ukraine conflict started in February 2022. This will continue to have direct impact on the sales activities of the Company in 2023 as well as in the next several years.

The Company continues to adopt a prudent financial management and treasury policy to the effect that the Company can maintain a healthy financial position through different business cycles and achieve a long-term sustainable growth.

The currency risk is limited because account receivables in USD are offset by account payables in USD.

The Company's main credit risk primarily arise when it has exposure to individual customers. Individual credit evaluations are performed on major customers requiring credit over certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customers as well as pertaining to the economic environment in which the customer operates. Trade receivables are

due within 15 days to 120 days from the date of billing.

Concerning liquidity, even though the current assets are lower than current liabilities, the risk is under the control since the current liabilities are mainly inter-company loans and there is cash pooling at Group level.

The Company regularly monitor its liquidity to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from its creditors to meet its liquidity requirements in the short and long term.

3. Important events arisen after the end of the financial year

The Company received 2 times cash dividends of EUR 2,500,000.00 each from Cengiz Makina Sanayi Ve Ticaret A.S, on January 17, and April 27, respectively.

The Company received repayment for intercompany loan from BFG Feinguss GmbH, in total of EUR 299,026.16, on February 21, 2023. The interest rate for the remaining intercompany loan balance of EUR 1,200,000.00 increased from 1.55% to 2.8%, starting from February 21, 2023.

The interest rate for intercompany loan payable with Impro Germany GmbH and intercompany loan receivable from BFG Feinguss GmbH, is increased from 1.55% to 2.8% starting from February 1, 2023.

The Company made repayment to its Parent company Impro Investment Limited for 2022 tracking loan interest in total of EUR 2,195,617.45, on March 13, 2023.

The Company made an interest free shareholder cash advance of EUR 279,500.00 to its subsidiary BFG Feinguss GmbH, on April 26, 2023.

The Company made two intercompany loan repayments to its parent company Impro Investment Limited Hong Kong, EUR 3,000,000.00 and EUR 2,000,000.00, on March 27 and June 30, 2023, respectively.

4. Foreseeable development of the Company in the future

The Company expects its operating environment would be continuously challenging in 2023 resulting from the impact of Covid 19 pandemic, high energy costs, double digits inflation rate, and market uncertainty resulting from Russia and Ukraine conflict. The Company expects its 2023 sales turnover would be similar to 2022 level.

5. Activities of the Company in the field of research and development

The Company did not have any activity in the field of the research and development during this financial year.

6. Branches

The Company does not have branches as at December 31, 2022 (2021: Nil).

7. Acquisition of own shares

The Company does not hold and did not acquire any of its own shares, during this financial year ended December 31, 2022 (2021: nil).

8. The Board of Managers recommends the sole Member to

- i. Approve the annual accounts as at December 31, 2022;
- ii. Grant discharge to the Managers and the delegate of the daily management in respect of their duties and functions for the year;
- iii. Grant discharge to the Réviseur d'Entreprises in respect of their mandate as external auditor for the year;
- iv. Renew the Managers mandate;
- v. Allocate the result of financial year ended December 31, 2022 to be carried forward;
- vi. Appoint KPMG Luxembourg as independent auditor for the year then ending December 31, 2023.

Luxembourg, June 30, 2023



Kailiang CHEN

The Board of Managers



Yu Hui TANG



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L-1855 Luxembourg

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To the Shareholders of
Impro Europe S.à r.l.
10, boulevard Royal
L-2449 Luxembourg
Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of Impro Europe S.à r.l. (the "Company"), which comprise the balance sheet as at 31 December 2022, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 December 2022 and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the annual accounts » section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the annual report including the management report but does not include the annual accounts and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers for the annual accounts

The Board of Managers is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Managers determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Managers is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the réviseur d'entreprises agréé for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.
- Conclude on the appropriateness of the Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

Luxembourg, 27 July 2023

KPMG Audit S.à r.l.
Cabinet de révision agréé

A handwritten signature in blue ink, appearing to read 'F. Renard', written over a light blue circular stamp or seal.

F. Renard

Impro Europe SARL
Société à responsabilité limitée
NOTES TO THE ANNUAL ACCOUNTS
AS AT DECEMBER 31, 2022

NOTE 1 - GENERAL INFORMATION

Impro Europe SARL, (hereinafter the “Company”) is a Luxembourg Company incorporated on May 29, 2012 as a “Société à responsabilité limitée” (limited liability Company) for an unlimited period and subject to the Luxembourg commercial company law of August 10, 1915, as subsequently modified.

Based on the General Meeting dated May 18, 2018, the Company changed the name from Impro Europe S.à r.l. to Impro Europe SARL.

The object of the Company is the acquisition, the management, the enhancement and disposal of participations, in Luxembourg or abroad, in any form whatsoever. The Company may in particular acquire by subscription, purchase, exchange or in any other manner any stock, units and other participation securities, bonds, debentures, certificates of deposit and other debt instruments and more generally any securities and financial instruments issued by any public or private entity whatsoever.

The Company may borrow in any form, except by way of public offer. It may issue by way of private placement only, notes, bonds and debentures and any kind of debt and/or equity securities. The Company may also contract loans and grant all kinds of support, loans, advances and guarantees to companies, in which it has a direct or indirect participation or to any other companies of the group. It may also give guarantees and grant securities in favour of third parties to secure its obligations or the obligations of its subsidiaries, affiliated companies or any other company of the group. The Company may further pledge, transfer, encumber or otherwise create security over some of its assets. The Company may hold interests in partnerships. It may also acquire, enhance and dispose of patents, licences and sub-licences, and all other intangible property, as well as rights deriving there from or supplementing them. In addition, the Company may acquire, manage, enhance and dispose of real estate located in Luxembourg or abroad, and may lease or dispose of moveable property.

The Company may also execute intra group treasury management functions in favour of other companies in which it has a direct or indirect participation or to any other companies of the group.

The Company may pursue its activities directly or through branches established abroad and/or offices located abroad.

The Company may also carry out trading activities by purchasing from related entities or from suppliers outside the group and on-selling to European customers, highly engineered precision components, relating to heavy-duty and high horsepower engine, automotive, hydraulic equipment, recreational marine and vehicles, aerospace and healthcare, this list being not exhaustive.

In general, the Company may carry out all commercial and financial operations to enhance or to supplement the above-mentioned purpose.

Its registered office is established at 10 Boulevard Royal L-2449 Luxembourg, its R.C.S. number is B169663.

The Company’s financial year starts on January 1 of each year and ends on December 31 of each year.

Impro Europe SARL
Société à responsabilité limitée
NOTES TO THE ANNUAL ACCOUNTS
AS AT DECEMBER 31, 2022

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS

2.1 General principles

These annual accounts are prepared in accordance with Luxembourg legal and regulatory requirements and with generally accepted accounting principles in the Grand Duchy of Luxembourg.

The annual accounts have been prepared under the going concern basis which assumes that the Company will continue its operation existence for the foreseeable future.

The Parent Company Impro Investment (Hong Kong) Limited will provide the necessary financial support to the Company in order to ensure, that the Company will be able to meet its financial obligations and to ensure its existence as a going concern for a period of 12 months after the signature of the annual accounts.

Accounting policies and valuation principle are, beside the one laid down by the Law of December 19, 2012 as subsequently amended, determined and applied by the Board of Managers.

The preparation of the annual accounts requires the use of certain accounting estimates. It also requires that the Board of Managers exercises its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumption changed. The Board of Managers believes that the underlying assumptions are appropriate and that the annual accounts present a fair financial position.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In conformity with article 1711-7 of the Luxembourg law of August 10, 1915, as subsequently amended, on commercial companies, the Company is exempted from the obligation to establish consolidated accounts and a consolidated management report.

The Company is included in the consolidated financial statements of Impro Precision Industries Limited, the ultimate holding company. The registered office of Impro Precision Industries Limited is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The consolidated financial statements of 2022 is published in the Registre de Commerce et des Sociétés of Luxembourg and a copy of these consolidated financial statements is available at the Company's registered office in Luxembourg.

2.2 Significant accounting policies and valuation methods

The significant accounting policies of the Company are as follows:

Intangible assets

Intangible fixed assets are valued at purchase price including the expenses incidental thereto or at production cost less accumulated amortization and value adjustments, if any. Value adjustments are booked if, in the opinion of the Board of Managers, there is a permanent diminution in the value of the intangible fixed asset. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS (Continued)

The amortization method used is the straight-line method and is applied over a period from 3 to 5 years.

Tangible assets

Tangible fixed assets are valued at purchase price including the expenses incidental thereto or at production cost less accumulated depreciation and value adjustments, if any. Tangible fixed assets are amortised over their estimated useful economic lives.

Where the Company considers that a tangible fixed asset has suffered a durable depreciation in value, an additional value adjustment is recorded in order to reflect this loss. This value adjustment is not continued if the reasons for which the value adjustment was made have ceased to apply.

The depreciation rates and methods applied are as follows:

	Rate of depreciation	Depreciation method
Electronic equipment	25%	Straight line
Other equipment	20%	Straight line

Foreign currency translations

The Company maintains its accounts in Euro (EUR) and the balance sheet and profit and loss account are expressed in that currency.

Transactions in foreign currencies are recorded at the exchange rates ruling at the transaction dates. Fixed assets expressed in currencies other than EUR are translated into EUR at the exchange rates ruling at the dates of their acquisition. Unrealized exchange losses and realized exchange gains and losses are recognised in the profit and loss account. Unrealized exchange gains are not recognized unless they arise from cash at bank and in hand.

Cash at bank are translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. The realised exchange gains are recorded in the profit and loss account at the moment of their realisation. Consequently, only realised exchange gains and losses and unrealised exchange losses are reflected in the profit and loss account.

In case there is an economic link, both an asset and a liability are translated in total and only the unrealized net exchange losses or realized net exchange gains are accounted in profit and loss.

Financial assets

Shares in affiliated undertakings together with amounts owed by affiliated undertakings held as fixed assets are stated respectively at their acquisition cost including the expenses incidental thereto and nominal value. In case the value in use falls below the investment costs, and if the Board of Director estimate that there is a permanent decrease in value, a value adjustment is recorded on these assets to recognize this decline. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS (Continued)

Stocks

Inventory is composed of goods for resale which are valued at the lower between purchase cost and market value.

A value adjustment which is recorded when the market value is below the purchase price. This value adjustment is not continued if the reasons for which the value adjustment was made have ceased to apply. The inventory is managed with weighted average principle.

Debtors

Debtors are valued at their nominal value. They are subject to value adjustments when their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Cash at bank and cash in hand

Cash at bank and cash in hand is stated at its nominal value.

Prepayments

Prepayments include expenditure incurred during the financial year but relating to a subsequent financial year.

Provisions

Provisions are intended to cover losses or debts, whose nature is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but with uncertainty as to their amount or as to the date on which they will arise.

Creditors

Creditors are recorded at their reimbursement value. When the amount repayable on account is greater than the amount received, the difference is recorded in the profit and loss account when the debt is issued.

Net turnover

Turnover comprises the amounts derived from the sale of products falling within the Company's ordinary activities, after deductions of sales rebates and of value added tax and other taxes directly linked to the turnover.

Income Tax

The Company is subject to income taxes in Luxembourg

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NOTE 3 – SHARES IN AFFILIATED UNDERTAKINGS

The movements for the year are as follows:

	2022 EUR	2021 EUR
<u>Acquisition costs</u> at the beginning of the year	80,939,288.00	80,939,288.00
<u>Additions</u> for the year	--	--
<u>Disposals</u> for the year	--	--
<u>Acquisition costs</u> at the end of the year	80,939,288.00	80,939,288.00
<u>Accumulated value adjustments</u> at the beginning of the year	(2,846,271.00)	(2,846,271.00)
Value adjustments for the year	--	--
<u>Accumulated value adjustments</u> at the end of the year	(2,846,271.00)	(2,846,271.00)
<u>Net book value</u> at the end of the year	78,093,017.00	78,093,017.00

The detail of shares in affiliated undertakings in which the Company holds at least 20% of the share capital is as follows:

Company name	% of Holding	Result for the financial year (EUR)	Amount of capital and reserves including results of the year (EUR)	Net book value (EUR)
BFG Feinguss GmbH, registered office at Am Wehrhahn 8, 40211, Düsseldorf, Germany, for the year ended December 31, 2022. Reviewed	100%	2,886,049.94	3,422,418.79	2,878,729.00
BFG Czech s.r.o*, registered office at Libavské Údolí č.p. 44, 357 51 Libavské Údolí, Czech Republic, for the year ended December 31, 2022. Reviewed	98.6%	5,800.40	421,000.00	300,000.00
Cengiz Mnkina Sanayi Ve Ticaret A. S., ** registered office at TOSB - Taysad Org. San. Bölgesi 3.Cadde No: 22 41420, Sekerpinar, Cayrova / Kocaeli, TURKEY, for the year ended December 31, 2022. Audited	100%	18,641,099.04	70,573,673.15	74,914,288.00

* Converted * Converted at currency exchange rate as at December 31, 2022 EUR/CZK 24.115

** Converted at currency exchange rate as at December 31, 2022 EUR/TRY 17.4088 for P&L and EUR/TRY 19.9649 for BS.

With an effective date of January 01, 2021, BFG Feinguss Hessen GmbH transferred its assets as a whole with all rights and obligations under dissolution without liquidation to BFG Feinguss Niederrhein GmbH, by way of merger by absorption. Subsequently, BFG Feinguss Niederrhein GmbH was re-named as BFG Feinguss GmbH, with Business address at Am Wehrhahn 8, 40211, Düsseldorf, Germany.

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NOTE 4 – AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

For loans and interests, the movements for the year are composed as follows:

	2022	2021
	EUR	EUR
Gross book value at the beginning of the year	4,715,719.14	2,024,768.55
Additional loans for the year	--	2,650,000.00
Reimbursements of loans for the year	(2,998,973.84)	--
Rembursements of interest expenses	(246,561.80)	--
Additional interests for the year	43,484.17	40,950.59
	<hr/>	<hr/>
Gross Book Value at the end of year	1,513,667.67	4,715,719.14
Accumulated value adjustments at the beginning of the year	--	--
Value adjustment for the year	--	--
	<hr/>	<hr/>
Accumulated value adjustments at the end of year	--	--
Net book value at the end of year	1,513,667.67	4,715,719.14

The details of loans owed by affiliated undertaking is as follows:

			2022	2021
			EUR	EUR
Company Name	Maturity	Interest Rate	PRINCIPAL	PRINCIPAL
BFG Feinguss GmbH (Germany)	June 30, 2023	1.55%	1,499,026.16	4,498,000.00

In April 2018, an EUR 2,000,000.00 loan framework agreement between the Company and BFG Feinguss GmbH was concluded with a maturity date of April 19, 2019. This facility was increased to EUR 2,200,000.00 and extended to June 30, 2022.

During 2021, the Company issued five new loans to BFG Feinguss GmbH in total of EUR 2,650,000.00 (EUR 200,000.00 on June 30, 2021; EUR 250,000.00 on August 8, 2021; EUR 950,000.00 on August 19, 2021, EUR 400,000.00 on October 25, 2021; and EUR 850,000.00 on October 25, 2021).

On June 30, 2022, various intercompany loans lent to BFG Feinguss GmbH were consolidated into one agreement, in the total of EUR 2,048,000.00, and extended for 12 months, up to June 30, 2022, with automatically renewal for additional 12 months, unless amended by either party.

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NOTE 4 – AMOUNTS OWED BY AFFILIATED UNDERTAKINGS (Continued)

Starting from January 1, 2021, interest rate for all intercompany loans lent to BFG Feinguss GmbH is reduced to from 2.1% to 1.55%.

On June 10, 2022, the Company received EUR 2,998,973.84 as loan repayment and EUR 246,561.80 as payment for accumulated interest expenses.

Accrued interests recognized during the year on the combined loan receivable amounts to EUR 43,484.17 (2021: EUR 40,950.59).

The Company assessed the recoverability of the loans receivables as at the year end. The Board of Managers did not identify any value adjustments, as their recovery is not compromised.

For other receivables, the balance as at December 31, 2022 and as at December 31, 2021 is as follows:

	2022	2021
	EUR	EUR
BFG Feinguss GmbH trading accounts receivable	316,048.43	1,558,689.01
Cengiz makina Sanayi Ve Ticaret A.S. trading accounts receivable	2,179,751.99	939,986.42
Impro Germany GmbH	5,220.40	4,693.24
Impro Aerotek Europe SARL	40,467.35	--
Impro Investment Limited Hong Kong	1,192,949.39	--
Exchange adjustment	(348.60)	--
TOTAL	3,734,088.96	2,503,368.67

NOTE 5 – CAPITAL AND RESERVES

As at December 31, 2022 and as at December 31, 2021, the subscribed capital of the Company amounts to EUR 20,000.00 represented by 200 shares, having a nominal value of EUR 100.00 each; all the shares are fully paid.

Movements of capital and reserves for the year are as follows:

	Subscribed capital	Share premium account	Legal Reserves	Profit or loss brought forward	Profit or loss for the financial year	Total Capital and Reserves
	EUR	EUR	EUR	EUR	EUR	EUR
As of December 31, 2021	20,000.00	750,000.00	--	(2,600,273.12)	29,352,935.30	27,522,662.18
Allocation of previous year profits or losses	--	1,500,000.00	2,000.00	27,850,935.30	(29,352,935.30)	--
Dividend Distribution	--	--	--	(25,000,000.00)	--	(25,000,000.00)
Profit or loss for the financial year	--	--	--	--	7,125,632.18	7,125,632.18
As of December 31, 2022	20,000.00	2,250,000.00	2,000.00	250,662.18	7,125,632.18	9,648,294.36

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NOTE 5 – CAPITAL AND RESERVES (Continued)

Share Premium

The shareholder approved to increase its share premium by EUR 1,500,000.00 in June 2022.

Legal Reserves

The Company is required to allocate a minimum of 5% of its annual net income, with maximum of 10% of Subscribed Capital, to a legal reserve. In 2022, the Company has allocated EUR 2,000.00 to legal reserve equals to 10% of the subscribed capital. This reserve may not be distributed.

NOTE 6 – PROVISIONS

The total amount of EUR 239,403.07 (2021: EUR 28,386.55) includes the accruals for 2022 sales rebates for one customer and various professional services incurred in 2022.

NOTE 7 – AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

Amounts due and payable for the account under the caption “Amounts owed to affiliated undertakings” are composed by the following loans:

Name of affiliated undertaking	Issuance date	Maturity date	Interest rate	2022 EUR	2021 EUR	Change EUR
Impro Investment (Hong Kong) Limited* - short-term **	22-Aug-14	Upon request but not repayable within next 12 months	Interest free	53,000,000.00	54,660,399.22	(1,660,399.22)
Impro Investment (Hong Kong) Limited unpaid and capitalized interest of previous years is long-term **	29-May-12	29-May-22	1)	--	536,790.31	(536,790.31)
Impro Investment (Hong Kong) Limited, Tracking Loan 2022-2032 * - long-term	30-May-22	29-May-32		31,500,000.00	--	31,500,000.00
Impro Investment (Hong Kong) Limited accrued interest of the financial year is short-term			2)	2,195,617.45	2,675,572.55	(479,955.10)
Impro Germany GmbH - short-term	6-Jan-22	6-Jan-23	3) 1.55%	250,000.00	--	250,000.00
Impro Germany GmbH - accrued interest - short-term	--	--	--	25,641.28	--	25,641.28
Total short term				55,471,258.73	57,335,971.77	(1,864,713.04)
Total long term				31,500,000.00	536,790.31	30,963,209.69
Grand Total				86,971,258.73	57,872,762.08	29,098,496.65

* Impro Investment (Hong Kong) Limited is the Parent Company of Impro Europe SARL, holding 100% of its share capital.

** Impro Investment (Hong Kong) Limited agreed in written not to demand the repayment of the shareholder loans for the next 12 months after the signature of these annual accounts. On November 30, 2022, the Company made a prepayment of EUR 1,660,399.22 toward long-term loan.

*** Accrued tracking loan interest for 2021 is EUR 536,790.31, it was classified as short-term loan in 2021 as per tracking loan contract’s definition. For the period from January 1 to May 29, 2022, tracking loan interest is EUR 1,705,235.21. A total of EUR 4,917,598.07 was paid to Impro Investment (Hong Kong) in 2022.

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NOTE 7 – AMOUNTS OWED TO AFFILIATED UNDERTAKINGS (Continued)

- (1) The loan issued on May 29, 2012 is calculated based on a fixed and variable interests; the fixed interest is calculated based on the 0.1% (2021: 0.1%) per annum of the average outstanding advance of the relevant period; the variable interest is calculated based on 79.71% (2021: 73.63%) of the eligible income of the Company, if the eligible income is positive during the accrual period. The aggregate maximum amount of the loan is equal to EUR 8,000,000.00.

The tracking loan agreement dated May 30, 2012 is expired on May 29, 2022.

- (2) The Company signed a new Tracking Loan Agreement with its parent company Impro Investment (Hong Kong) Limited for principal amount of EUR 31,500,000.00, with an expiry date on May 29, 2032. Accrued tracking loan interest for period from May 30 to December, 2022 is EUR 2,195,617.45, of which is classified as short-term loan in 2022 as per tracking loan contract's definition.
- (3) The Company concluded an intercompany loan agreement with Impro Germany GmbH, in total of EUR 250,000.00, with an interest rate of 1.55% in January 2022. The Company has accrued an intercompany interest payable of EUR 25,641.28, related to intercompany loan and open intercompany payables, as of December 31, 2022.

As at December 31, 2022, the outstanding balance regarding purchases from affiliated undertakings is as below:

	Balance at 31.12.2022	Balance at 31.12.2021
	EUR	EUR
Impro International Limited (for trading merchandises purchases)	4,483,671.79	12,937,731.62
Impro Aerotek International Limited (for trading merchandises purchases)	157,043.78	275,194.17
Impro Germany GmbH (for sales commission)	1,531,098.75	1,486,430.37
Impro Germany GmbH (interest for unpaid sales commission)	--	23,043.60
BFG Feinguss GmbH (Germany)	--	491.81
Cengiz Makina Sanayi Ve Ticaret A.S.	--	35,065.76
Impro USA Inc.	18,544.30	35,997.95
Foreign Exchange Adjustment	55,478.91	137,843.25
TOTAL	6,245,837.53	14,931,798.53

NOTE 8 – NET TURNOVER

The net turnover of the Company is totally realized in European zone, 90.1% (2021: 91.6%) of it is related to external third parties and 9.9% (2021: 8.4 %) goes to related parties. By production process, 69.5% (2021: 68.0%) of it comes from investment casting, 10.7% (2021: 17.0%) comes from precision machining parts and 19.8% (2021: 15.0%) comes from sand casting.

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NOTE 9 – STAFF COSTS

The Company has 2 persons on average at the end of the financial year (2021: 3). They can be broken down by category as follows:

Category	2022	2021
Directors	2	2
Employees	--	1
Total	<u>2</u>	<u>3</u>

NOTE 10 – INCOME FROM PARTICIPATING INTERESTS

During the year, the Company receive dividends in total of EUR 7,500,000.00 from Cengiz Makina Sanayi Ve Ticaret A.S., the affiliated undertakings (2021: EUR 31,752,352.10).

NOTE 11 – TAXATION

The Company is a fully taxable company, subject to Luxembourg general tax regulations applicable to commercial companies.

Dividend income from BFG Feinguss GmbH is tax exempted according to European parent and subsidiary directives while dividend income from Cengiz Makina Sanayi Ve Ticaret A.S. is subject to 10% Turkish withholding tax.

NOTE 12 – COMMITMENTS

The only commitment that the Company has is related to office lease, the lease contract is valid from June 1, 2022 to May 31, 2023, with a 12-month auto renewal option. The commitment amount is EUR 11,610.00 within one year.

NOTE 13 – EMOLUMENTS GRANTED TO THE MEMBERS OF THE ADMINISTRATIVE, MANAGERIAL AND SUPERVISORY BODIES AND COMMITMENTS IN RESPECT OF RETIREMENT PENSIONS FOR FORMER MEMBERS OF THOSE BODIES

There are no emoluments granted to the members of the administrative, managerial and supervisory bodies in that capacity and the obligations arising or entered into in respect of retirement pensions for former members of those bodies of the Company.

NOTE 14 – ADVANCES AND LOANS GRANTED TO THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

There are no advances or loans granted during the financial year to the members of the Management or supervisory bodies of the Company.

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NOTE 15 – SUBSEQUENT EVENTS

The Company received 2 times cash dividends of EUR 2,500,000.00 each from Cengiz Makina Sanayi Ve Ticaret A.S, on January 17, and April 27, respectively.

The Company received repayment for intercompany loan from BFG Feinguss GmbH, in total of EUR 299,026.16, on February 21, 2023. The interest rate for the remaining intercompany loan balance of EUR 1,200,000.00 increased from 1.55% to 2.8%, starting from February 21, 2023.

The interest rate for intercompany loan payable with Impro Germany GmbH and intercompany loan receivable from BFG Feinguss GmbH, is increased from 1.55% to 2.8% starting from February 1, 2023.

The Company made repayment to its Parent company Impro Investment Limited for 2022 tracking loan interest in total of EUR 2,195,617.45, on March 13, 2023.

The Company made an interest free shareholder cash advance of EUR 279,500.00 to its subsidiary BFG Feinguss GmbH, on April 26, 2023.

The Company made two intercompany loan repayments to its parent company Impro Investment Limited Hong Kong, EUR 3,000,000.00 and EUR 2,000,000.00, on March 27 and June 30, 2023, respectively.