

ROY ASSET HOLDING SE

# Half-year financial report 2021

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## LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

Our business activities comprise the two operating segments Real Estate and Ceramics. The company acts as a real estate project developer in the U.S. and as a manufacturer of high-quality ceramic tiles in Germany.

In the course of the first half of 2021 we were able to sell a single family home from the Houston portfolio which resulted in a small profit. The largest project of our Group, the 3300 Main/Travis project development, is doing very well. The company's first midtown high-rise apartment building has been completed, and the current occupancy rate has recently exceeded 80 percent. The total investment has extremely paid off compared to the current evaluation price. Therefore we are currently exploring the possibilities of doing a similar high rise project.

In the Ceramics business we faced reduced sales compared to the corresponding period in 2020. However, the restructuring process of the Ceramics business is ongoing and we are confident to find a proper solution.

Mainly due to the burden of depreciation on moveable assets and real estate we face a net loss of EUR 10.6 million, compared to EUR 6.1 million in the first half of 2020.

For the future our Real Estate activities will continue to focus on Los Angeles, respectively California, to develop luxury residences houses. Not only because of the nice weather conditions and "Hollywood" wealthy families from all over the world gather there. Demand exceeds supply and real estate prices are developing well. According to recent market studies during the last five years home prices increased more than 11 percent per year.

Another spot we are active in is the city of Houston, Texas, which is known as the world's medical center. The rapid growth of the middle class is expected to make Houston the third largest city within the United States. According to recent research studies Houston home prices increased 9.5 percent within the last year.

In the Ceramics business, which is performed in the German Klingenberg factory, we are in the process of transforming the tiles production business into a high-value-added production. This will be one of the main tasks in the upcoming months.

We would like to thank you, dear shareholders, for your trust in ROY Asset Management SE and will continue to do everything in our power to justify your confidence.

With kind regards,

Surasak Lelalertsuphakun  
Chairman of the Board of Directors (CEO)

# CONDENSED MANAGEMENT REPORT OF THE ROY ASSET HOLDING SE GROUP FOR THE PERIOD FROM JANUARY 1, 2021 TO JUNE 30, 2021

## 1. GROUP PROFILE

### 1.1 General Informationen

ROY Asset Holding SE, Munich (hereinafter referred to as "Company" or "ROY" for short) is the parent company of the Group. The Company is a European stock corporation (Aktiengesellschaft) founded on May 8, 2014 and registered in the Commercial Register of Munich (HRB 211752) with the administrative headquarters (business address) Gießener Straße 42, 35410 Hungen.

On April 30, 2015, the shares of ROY Ceramics SE were listed for the first time in the Prime Standard of the Frankfurt Stock Exchange (Germany) and at the same time on the unregulated market (Third Segment) of the Vienna Stock Exchange (Austria). The shares are traded under the securities identification number RYSE88 and ISIN DE000RYSE888.

#### Changes in the management team

In July 2021 Mr Siu Fung Siegfried Lee was appointed Managing Director and Chief Financial Officer (CFO) of ROY Asset Holding SE. Mr Lee, who was born in Thailand and holds UK nationality, is the former Chairman and CEO of ROY Ceramics Holding SE, now ROY Asset Holding SE. He holds a Master's degree in ceramic machinery from South China University of Technology. He has been an entrepreneur in Hong Kong since 1993 and has more than 35 years of extensive financial experience.

Effective 31 August 2021 Matthias Herrmann stepped down as Managing Director and as Deputy Chairman of the Board of Directors. Therefore Surasak Lelalertsuphakun, Chairman of the Board of Directors, assumed the additional position of Managing Director (CEO) from 1 September 2021.

The new management team thus consists of Surasak Lelalertsuphakun (CEO), Siu Fung Siegfried Lee (CFO) and Suriya Toaramrut (COO). In the following we provide a brief CV of each of the very experienced board members:

**Surasak Lelalertsuphakun (37)** attended Epsom College and graduated from London City University with a master's degree in Automotive Engineering. In 2006, he joined ROY and completed intensive training programs in all production departments at ROY's manufacturing facility in Beijing. In 2007 and 2008, Mr. Lelalertsuphakun worked as a project manager for ROY and was responsible for investor relations, customer relationship management, managing logistics and developing a franchise network in China. From 2008 to 2010, he gained additional professional experience as a sales manager and engineer at Vanson Electronics Co. Ltd. in Hong Kong. In 2010, he joined Lion Legend Holding Ltd. as Vice President and Director of Research and Development. There, he was responsible for investor relations, daily management of production lines, customer relationship management, and product development and design. After the successful IPO of ROY Ceramics SE on the Frankfurt Stock Exchange in April 2015, he joined Lee's Pharmaceutical Holding Ltd. as Executive Assistant to Chairman and works there as Manager.

**Siu Fung Siegfried Lee (63)**, who joined the management in July 2021, is the former Chairman and CEO of ROY ceramics Holding SE, now ROY Asset Holding SE. He holds a master's degree in ceramic machinery from South China University of Technology. Mr. Lee has been an entrepreneur in Hong Kong since 1993 and has more than 35 years of extensive experience in finance. Since the listing of ROY ceramics Holding SE in April 2015, Mr. Lee has also successfully managed the Group's property business in the United States.

**Suriya Toaramrut (38)** holds a Bachelor of Business Administration degree and was the Managing Director

of Tako works Co. Limited until 2017. Prior to that, he worked as a Management Trainee by Maersk Line. Mr. Toaramrut is responsible for the development of ceramic production.

## 2. ECONOMIC REPORT

### 2.1 Report on corporate development and business performance

The following discussion and analysis of ROY's results of operations, financial position and net assets by management relates to the IFRS consolidated financial statements of the ROY Group for the six months ended June 30, 2021 and June 30, 2020 (comparative period).

The financial data in the following tables are mostly presented in thousands of euros (kEUR) and are rounded according to commercial rounding. The percentages contained in the following text and in the tables have also been rounded to one decimal place for commercial reasons. As a result, the sum of the figures in the text and tables below may not add up to the exact totals and percentages stated, but may not necessarily equal 100%.

#### 2.1.1 Results of operations

The following table presents information from the consolidated income statement of ROY for the six months ended 30 June 2021 and 30 June 2020.

Selected disclosures from the consolidated statement of comprehensive income:

	<b>01.01. to 30.06.2021</b>	<b>01.01. to 30.06.2020</b>	<b>Change in %</b>
	<b>kEUR</b>	<b>kEUR</b>	
Sales - Ceramics	3,167	3,772	-16%
Rental income from real estate	25	177	-86%
Proceeds from sale of real estate	481	32,421	-99%
Carrying value of real estate sold	(476)	(25,397)	-98%
Result from the sale of real estate	5	7,024	-100%
Cost of sales	(1,020)	(4,367)	-77%
<b>Gross profit</b>	<b>2,177</b>	<b>6,606</b>	<b>-67%</b>
Other income	479	0	
Administrative costs	(10,142)	(5,905)	-72%
Other operating expenses	0	(5,829)	-100%
<b>Operating income/ EBIT</b>	<b>(7,486)</b>	<b>(5,128)</b>	<b>46%</b>
Financial income	386	0	
Financial expenses	(19)	(173)	-89%
Result from joint ventures carried at equity	(3,465)	0	
<b>Earnings before taxes</b>	<b>(10,584)</b>	<b>(5,301)</b>	<b>100%</b>
Income tax expense	(1)	(844)	-100%
<b>Net result in the reporting period</b>	<b>(10,585)</b>	<b>(6,145)</b>	<b>72%</b>

## ROY Asset Holding SE

### 2.1.2 Proceeds

The revenues of the Ceramics division result from Klingenberg Dekoramik acquired in 2019. Due to difficult market conditions sales in the first half of 2021 are 16 percent lower than in the corresponding period last year.

Further rental income was realized from leased properties in Houston. Gross rental income in the first half of 2021 amounted to EUR 25 thousand (in the first half of 2020: EUR 177 thousand).

### 2.1.3 Administrative cost

General and administrative expenses amounted to EUR 10,142 thousand in the first half of the 2021 financial year compared to EUR 14,026 thousand in the first half of 2020 financial year. The item also includes depreciation in the amount of EUR 5,866 thousand (previous year: EUR 6,560 thousand). It significantly decreased because in the previous year it reflected depreciation and amortization on real estate investments made and the additional depreciation and amortization of the subsidiary Klingenberg Dekokeramik.

## 2.2 Financial Position

Consolidated balance sheet of ROY according to IFRS (Group)

kEUR	30.06.21	31.12.20
<b>Assets</b>		
Total non-current assets	55,348	60,425
Total current assets	10,722	13,459
<b>Total Assets</b>	<b>66,070</b>	<b>73,884</b>
<b>Equity and liabilities</b>		
Total equity	61,069	68,336
Total liabilities	5,001	5,548
<b>Total equity and liabilities</b>	<b>66,070</b>	<b>73,884</b>

### 2.2.1 Non-current assets

Non-current assets mainly relate to property, plant and equipment in Germany and Thailand and to real estate in the USA.

### Segment related investment information

As of June 30, 2021, several of the Group's properties are located in the USA. The properties serve as investment properties or are under development.

### 2.2.2 Current assets

#### Cash and cash equivalents

On June 30, 2021, the Group's cash position amounted to EUR 347 thousand (December 31, 2020: EUR 4,679 thousand). The change resulted from the general costs and investments in securities and investments in the 3300 Main/Travis project.

### 2.3.4 Non-current liabilities

The bank liabilities resulted mainly from minor financing. Non-current liabilities also include the item financial liabilities which is the pension provisions at Klingenberg Dekoramik GmbH.

## 2.4 Other factors relevant to earnings

The Jurupa Valley project in California has been recently sold and the construction of additional single-family homes in Houston is on track. Due to the current corona pandemic, this process took longer than expected. In Houston we sold another single-family home in July 2021.

### 3. REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

The following statements regarding ROY's future business performance and the underlying assumptions regarding the economic development of the market and industry deemed to be material for this purpose are based on estimates that ROY considers realistic according to the information currently available. However, these estimates contain a certain degree of uncertainty and an unavoidable risk that the forecast developments will not materialize either in their tendency or to the extent expected.

For further information on the outlook, opportunities and risks, we refer to the statements in the combined management report as of December 31, 2020, which are essentially unchanged.

#### 3.1 Outlook for ROY Group

The business segments of the ROY Group are still affected by the Corona Pandemic, as already described in the Management Report as of December 31, 2020.

We see further uncertainty in the ceramics segment, especially in the foreign business, which is important for Klingenberg. We assume that full-year 2021 sales revenues in the Ceramics division will be less than in 2020. Despite introduced measures to significantly reduce the cost base, we expect a loss for the year as a whole for Klingenberg Dekoramik GmbH.

In the real estate segment, ROY generates some rental income from rented properties in Houston. We expect additional income from the sale of additional single-family homes from the portfolio in the second half of the year. Furthermore, high start-up costs are expected for the further real estate projects currently under development, which will have a correspondingly negative impact on the earnings of the ROY Group in 2021.

We do not expect that the budgeted revenues cover the running costs in 2021 in the U.S., Hong Kong and Germany, in particular from general and administrative expenses. Therefore we expect a net loss for the Group in 2021, mainly due to the ongoing high expenses for the development of the real estate projects and the ongoing investments in tile production restructuring. Furthermore, the forecast is subject to a high degree of uncertainty, as the further course of business continues to depend largely on the further development of the corona pandemic.

#### 3.2 Report on opportunities and risks

ROY's business activities, net assets, financial position and results of operations could be materially and adversely affected if one or more of these risks materialized. Other risks and uncertainties in ROY of which the Company is currently unaware or the extent of which it is currently misjudging could also adversely affect ROY's business and adversely affect the Company's operations, net assets, financial position and results of operations. At the same time, the selection and content of risk factors are based on assumptions that may subsequently prove to be incorrect.

The activities of Klingenberg Dekoramik GmbH are still subject to risks in the necessary continuation of the restructuring of the Company and possible further liquidity requirements beyond the amounts provided. The opportunity, however, is offered on the one hand by synergy effects and future revenues not only from project development, but also in the sourcing of ceramic products. The opportunities and risks in the area of real estate activities are to be evaluated in particular from the perspective of liquidity, risk distribution, security, transparency and return.

**ROY ASSET HOLDINGS SE  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 30 JUNE 2021**

	<b>30.06.2021</b>	<b>31.12.2020</b>
	<b>kEUR</b>	<b>kEUR</b>
<b><u>Non-current assets</u></b>		
Investment properties	18,918	17,932
Property, plant and equipment	12,505	18,554
Claims against an Executive Director	2,591	2,289
Investments accounted for using the equity method	21,334	21,650
	<u>55,348</u>	<u>60,426</u>
<b><u>Current assets</u></b>		
Inventories	7,441	6,519
Trade and other receivables	2,413	2,260
Investment in securities	521	0
Bank and cash balances	347	4,679
	<u>10,722</u>	<u>13,458</u>
<b>Total assets</b>	<u><b>66,070</b></u>	<u><b>73,884</b></u>
<b><u>Current liabilities</u></b>		
Bank borrowings	0	0
Trade and other payables	4,382	4,844
Lease liabilities	0	0
Loan from holding company	0	0
Amount due to holding company	0	0
Income tax payable	0	0
<b>Total current liabilities</b>	<u><b>4,382</b></u>	<u><b>4,844</b></u>
<b><u>Non-current liabilities</u></b>		
Provision for pensions	267	622
Financial liabilities	352	82
	<u>619</u>	<u>704</u>
<b>Total liabilities</b>	<u><b>5,001</b></u>	<u><b>5,548</b></u>
<b><u>Capital and reserves</u></b>		
Subscribed capital	54,327	54,327
Capital reserves	78,527	78,527
Loss carried forward	95,314	84,730
Other equity components	18,845	15,528
<b>Equity attributable to owners of the company</b>	<u><b>56,385</b></u>	<u><b>63,652</b></u>
Non-controlling interest	4,684	4,684
<b>Total Equity</b>	<u><b>61,069</b></u>	<u><b>68,336</b></u>
<b>Total liabilities and equity</b>	<u><b>66,070</b></u>	<u><b>73,884</b></u>



**ROY ASSET HOLDINGS SE  
CONSOLIDATED PROFIT OR LOSS  
FOR THE PERIOD ENDED 30 JUNE 2021**

	<b>01.01. to 30.06.2021 kEUR</b>	<b>01.01. to 30.06.2020 kEUR</b>
Sales - Ceramics	3,167	3,772
Rental income from real estate	25	177
Proceeds from sale of real estate	481	32,421
Carrying value of real estate sold	(476)	(25,397)
Result from the sale of real estate	5	7,024
Cost of sales	(1,020)	(4,367)
Gross profit	2,177	6,606
Other income	479	0
Administrative costs	(10,142)	(5,905)
Other operating expenses	0	(5,829)
Operating income/ EBIT	(7,486)	(5,128)
Financial income	386	0
Financial expenses	(19)	(173)
Result from joint ventures carried at equity	(3,465)	0
Earnings before taxes	(10,584)	(5,301)
Income tax expense	(1)	(844)
<b>Net result in the reporting period</b>	<b>(10,585)</b>	<b>(6,145)</b>
Loss and total comprehensive expense for the year attributable to:		
Owners of the company	(10,585)	(6,145)
Non-controlling interests	0	0
	<b>(10,585)</b>	<b>(6,145)</b>

ROY Asset Holding SE

ROY ASSET HOLDINGS SE  
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE PERIOD ENDED 30 JUNE 2021

	Attributable to owners of the Company				Total kEUR	Non- controlling interest kEUR	TOTAL kEUR
	Subscribed capital kEUR	Capital reserve kEUR	Conversion reserve kEUR	Retained earnings kEUR			
<b>Currency: kEUR</b>							
At 1 January 2020	54,327	78,527	19,467	(62,585)	89,736	4,973	94,709
Exchange rate difference	0	0	(3,938)	0	(3,938)	(289)	(4,227)
Loss and other comprehensive expense for the year	0	0	0	(22,145)	(22,145)	0	(22,145)
Non-controlling interest	0	0	0	0	0	0	0
At 31 December 2020	54,327	78,527	15,529	(84,730)	63,653	4,684	68,337
Loss and other comprehensive expense for the period	0	0	3,317	(10,585)	(7,268)	0	(7,268)
Dividend paid	0	0	0	0	0	0	0
Non-controlling interest	0	0	0	0	0	0	0
At 30 June 2021	54,327	78,527	18,846	(95,315)	56,385	4,684	61,069

## NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR REPORT

### 1. GENERAL INFORMATION

The business purpose of ROY Asset Holding SE (hereinafter referred to as "Company") and its subsidiaries (collectively referred to as the "Group") is, on the one hand, to manufacture and sell ceramic sanitary ware and accessories, on the other hand, to purchase and sell real estate, as well as to develop real estate projects and act as a real estate investor. The Company acts as an investment holding company.

The consolidated financial statements are presented in thousands of euros (EUR thousand).

The figures in the tables have been calculated and summed up exactly. The figures have been rounded. This may result in rounding differences in the totals.

The interim consolidated financial statements were neither subjected to an auditor's review nor an audit. In the following we provide detailed information on selected issues reflected in the profit & loss statement as well as the balance sheet to increase transparency.

### 2. ACCOUNTING AND VALUATION METHODS

When preparing the consolidated interim financial statements, the same accounting and valuation methods and calculation methods were used as in the consolidated financial statements as of December 31, 2020. The scope of consolidation as of June 30, 2021 has not changed compared to the consolidated financial statements as of December 31, 2020.

### 3. ADMINISTRATION COSTS

The administrative costs include the following expenses:

<b>KEUR</b>	<b>30.06.21</b>	<b>30.06.20</b>
Auditor's fee	40	78
Building management fee	62	20
Depreciation	5,866	6,560
Energy costs	616	699
Allowances for trade and other receivables (IFRS 9)	10	40
Minimum payments for operating leases for rented premises	403	200
personnel costs:	1,944	3,050
Salaries and expenses (including the remuneration of the Managing Directors)		
Legal and consulting fees	101	165
Other general administrative expenses	1,100	3,294
<b>Total</b>	<b>10,142</b>	<b>14,026</b>

### 4. PROPERTY, PLANT AND EQUIPMENT

Subsequent to the sale of the Chinese operating subsidiaries to White Horse as of September 30, 2015, a portion of the movable assets previously used at the Beijing plant were transferred to LLH. The property, plant and equipment is included in the balance sheet at its net book value and is depreciated using the straight-line method over its expected useful life of 10 years. Straight-line depreciation of machinery as property, plant and equipment amounts to EUR 5,829 thousand for H1 2021 (H1 2020: EUR 5,829 thousand).

## 5. TRADE RECEIVABLES AND OTHER RECEIVABLES

kEUR	30.06.21	30.06.20
Receivables from deliveries and services	1,700	1,274
Other receivables	713	2,210
Advance payments	0	0
<b>Total</b>	<b>2,413</b>	<b>3,484</b>

Other receivables consist of short-term investments.

## 6. TRADE PAYABLES AND OTHER LIABILITIES

kEUR	30.06.21	30.06.20
Liabilities from deliveries and services	1,410	1,613
Other liabilities	1,017	2,364
Other tax liabilities	0	680
Loan EB-5	842	893
Liabilities to majority shareholder	0	0
Accrued Debt	1,113	1,118
Other	0	163
<b>Total</b>	<b>4,382</b>	<b>6,831</b>

## 7. AMOUNTS OWED BY A MANAGING DIRECTOR

kEUR	30.06.21	30.06.20
Amounts owed by a managing director	2,591	2,345

As of June 30, 2021, and June 30, 2020, there is a short-term receivable from Siu Fung Siegfried Lee, which is unsecured and interest-bearing and is repayable on demand at any time.

## 8. TRANSACTIONS WITH RELATED PARTIES

With the exception of the transactions with a managing director listed, the Group did not enter into any material transactions with related persons or companies in the 2021 reporting period.

## 9. EVENTS AFTER THE BALANCE SHEET DATE

A further single-family house from the Houston portfolio was sold July.

## INSURANCE OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for half-yearly financial reporting, the half-year consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, 30 September 2021

ROY Asset Holding SE  
The Managing Director

Surasak Lelalertsuphakun  
Chairman (CEO)

Siu Fung Siegfried Lee  
CFO

Suriya Toaramrut  
COO

## NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements which are based on the current assumptions and estimates of the management of ROY Asset Holding SE. Forward-looking statements are characterized by the use of words such as expect, intend, plan, anticipate, assume, believe, estimate and similar formulations. These statements should not be construed as guarantees that these expectations will prove to be correct. Future developments and the events actually achieved by ROY Asset Holding SE and its affiliated companies are dependent on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are beyond ROY Asset Holding SE's control and cannot be accurately predicted, such as the future economic environment and the behavior of competitors and other market participants. ROY Asset Holding SE neither promises nor plans to update the forward-looking statements.

## IMPRINT

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