

ROY



ROY ASSET HOLDING SE

INTERIM REPORT 2022

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Letter to the Shareholders

Dear Shareholders,

Our business activities comprise the two operating segments, namely the Real Estate development and the manufacture and sale of ceramics. The Company and its subsidiaries (hereinafter referred to as the "Group") are a real estate project developer in the U.S. and a manufacturer of high-quality ceramic tiles in Germany.

In the course of the first half of 2022, it was quite a difficult year for all of us, as the Group had been recovering from the COVID-19 pandemic, and it experienced severe losses in the ceramic business. The operating losses for the six months ended 30.06.2022 amounted to EUR 8,295 thousand, representing approximately a decrease of 21.6% as compared with the corresponding period in 2021. The losses were mainly due to the operating losses from Klingenberg Dekoramik GmbH and 3300 Main Street in Houston, USA.

In the ceramics business, we ceased the manufacture of tiles in Klingenberg am Main, Germany in July 2021. The Group has entered into a Social Plan with a total cost of approximately EUR 3.5 million. We believe that the Social Plan will be completed at the end of October 2022. We will continue the trade of ceramics products under the trademark of Klingenberg, exploring the brand development and production by way of Original Equipment Manufacture (OEM) to the subcontractors. Klingenberg is a trademark registered with World Intellectual Property Organization in Spain. We are prepared to explore the trademark with various products in the future and sell a wide range of products in the EU and Worldwide. One of the new lines of products we are developing is the smart toilet, which is a total solution for personal hygiene and fitness programmes. The Group is now designing a new line of sanitary products and will produce them by OEM with a reputable factory in Thailand.

On the contrary, the US real estate business is getting better, and particularly the largest project of our Group, the Travis Project or 3300 Main Street of Houston is rented to the tenants with a high occupancy rate. Due to the financial and management structure of the Travis Project, we treat the Travis Project as a joint venture enterprise and account for the operating results under equity accounting method. In order to strengthen the balance sheets of our Group, we are now considering converting the rental property into a condominium for sale. In order to do so, we might involve procuring a new financier for the Travis Project and carrying out the necessary technical works to change its legal structure. We believe that we could accomplish this goal within 3 years. Having done this, we believe that the valuation of the Travis Project attributable to the Group is approximately USD128 million.

The Group will also undergo a corporate restructuring, the ceramics business will continue by setting up a new legal entity in the EU, while the land of approximately 45,000 square meters owned by our wholly owned subsidiary Klingenberg Dekoramik GmbH will be transferred to a new German entity for real estate development. Under the proposed plan to be submitted to the local government in Klingenberg am Main, there will be a total floor area of approximately from 24,000 to 27,000 square meters for letting or sales. We believe that the gross sales of the development will be in the range of EUR 96 million to 132 million in the next three years.

Since the Company has not announced and published the audited accounts for the year ended 31 December 2021, the Consolidated Financial Statements for the six months ended 30 June 2022 were prepared based on the unaudited opening balances brought forward from the individual companies' accounting ledgers. In this connection, the Statement of Changes in Equity is not disclosed in this Interim Report 2022.

We would like to thank all the shareholders, for your trust in ROY Asset Holding SE and will endeavour to create earnings and values to the ROY Group.

With kind regards,

Surasak Lelalertsuphakun
Co-Chairman of
the Board of Directors

Suriya Toaramrut
Co-Chairman of
the Board of Directors

Condensed Management Report for the Six Months Ended 30 June 2022

1. Group Profile

1.1 General Information

ROY Asset Holding SE, Munich (hereinafter referred to as the "Company" or "ROY SE" for abbreviation (*societates Europaeae in Latin*) is the parent company of the Group. The Company is a European stock corporation (founded on May 8, 2014 and registered in the Commercial Register of Munich (HRB 211752) with the registered address at Alexander-Wiegand-Str. 8, 63911 Klingenberg am Main, Germany.

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 the Company.

With Effect from 31 August 2021, Mr. Matthias Herrmann resigned from the office of Managing Director and as Deputy Chairman of the Board of Directors. Mr. Surasak Lelalertsuphakun, Chairman of the Board of Directors, assumed the additional position of Managing Director (CEO) from 1 September 2021. On 29 September 2022, Mr. Surasak Lelalertsuphakun resigned from the office of CEO and let his father Mr Siu Fung Siegfried Lee take up the same position. At the same time, Mr. Surasak Lelalertsuphakun became the Co-Chairman of the Board of Directors of the Company.

On 29 September 2022, Mr. Siu Fung Siegfried Lee also resigned from the office of CFO and let Mr. Ivan Wong take up the office of the same position.

On 29 September 2022, Mr. Suriya Toaramrut resigned from the office of Chief Operating Officer (COO) and let Mr. Tsz Kan Chung take up the same position. At the same time, Mr. Suriya Toaramrut took up the office of Co-Chairman of the Board of Directors.

The new management team now consists of Mr Siu Fung Siegfried Lee (CEO), Mr. Ivan Wong (CFO) and Mr. Tsz Kan Chung (COO). Set out below are the biographical details of management directors:

Siu Fung Siegfried Lee (64), who joined the management in July 2021, is the former Chairman and CEO of the Company. 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 ceramic business. Since the listing of ROY Asset Holding SE in April 2015, Mr. Lee has also successfully managed the Group's property business in the United States.

Ivan Wong (55), who joined the management in late September 2022, is the CFO of the Company, and holds UK nationality. Mr. Wong graduated from The Hong Kong Polytechnic University in 1989, he started his career with Price Waterhouse and also became members of ACCA and ICSA in 1994 and 1995 respectively. Mr. Wong held senior offices in a number of listed companies in Hong Kong such as CFO, Executive Director and Company Secretaries in the 1990s and 2000s. Prior to joining the Group, Mr. Wong was the Chief Executive Officer of a charitable organization in Hong Kong.

Tsz Kan Chung (45), who joined the management in September 2022, is the COO of the Company, and holds UK nationality. Mr. Chung graduated with a bachelor degree of Network Computing from Monash University in 2000. He also holds MBA and MSc in e-Commerce master degrees. He started his career with New World Mobility in 2001. In 2008, Mr Chung joined Hong Kong Trade Development Council (TDC). Prior to joining the Group, Mr Chung was the director of TDC Office in Fujian Province and Shenzhen, China.

Analysis on the Unaudited Consolidated Financial Statements

2. Financial Report

2.1 Report on corporate development and business performance

The financial reports for the six months ended 30 June 2022 are prepared under the IFRS with corresponding figures for the six months ended 30 June 2021. The financial data in the following tables are mostly presented in thousands of euros (EUR thousand) and are rounded up for commercial reasons, and 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, they may not necessarily equal to 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 2022 and 30 June 2021.

Selected disclosures from the consolidated statement of comprehensive income:

ROY Asset Holding SE

Consolidated Profit and Loss Account For the Six Months Ended 30 June 2022

| | 2022 | 2021 | Changes |
|-------------------------------------|-------------|-------------|----------------|
| | EUR'000 | EUR'000 | |
| Sales - Ceramics | 2,434 | 3,167 | 23.1% |
| Cost of sales - Ceramics | (2,174) | (1,020) | -113.2% |
| Gross profit - Ceramics | 260 | 2,147 | 87.9% |
| Rental income from real estate | 7 | 25 | 69.4% |
| Result from the sale of real estate | 0 | 4 | 100.0% |
| Gross profit | 267 | 2,176 | 87.7% |
| Other income | 452 | 479 | 5.7% |
| Administrative and general expenses | (3,282) | (4,276) | 23.2% |
| Depreciation | (1,599) | (5,866) | 72.7% |
| Operating losses | (4,162) | (7,487) | 44.4% |
| Exchange difference | 2,914 | 386 | -654.9% |
| Loss on valuation | (4,040) | (19) | -21164.7% |
| Equity result from a joint venture | (3,007) | (3,465) | 13.2% |
| Losses for the year | (8,295) | (10,585) | 21.6% |

2.1.2 Sales Revenue

The revenues of the Ceramics division resulted from wholly subsidiary Klingenberg Dekoramik GmbH. Due to difficult market conditions, the sales in the first half of 2022 were EUR 2,434 thousand or 23.1% lower than the corresponding figure last period (2021: EUR 3,167 thousand).

2.1.3 Administrative Cost

General and administrative expenses amounted to EUR 3,282 thousand in the first half of the 2022 financial year, or a decrease of 23.2% as compared with the last period (2021: EUR 4,276 thousand). The depreciation for the period amounted to EUR 1,599 thousand (2021r: EUR 5866 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 Dekoramik GmbH.

2.2 Financial Position

Consolidated Balance Sheet

| | As at | As at |
|-------------------------------------|-------------------|-------------------|
| | 30.06.2022 | 30.06.2021 |
| | EUR'000 | EUR'000 |
| Assets | | |
| Total non-current assets | 33,550 | 55,348 |
| Total current assets | 10,206 | 10,722 |
| Total assets | 43,756 | 66,070 |
| | | |
| Equity and Liabilities | | |
| Total equity | 36,834 | 61,069 |
| Total liabilities | 6,922 | 5,001 |
| Total equity and liabilities | 43,756 | 66,070 |

2.2.1 Non-current assets

Non-current assets mainly related to property, plant and equipment in Germany and to the real estate in the USA. As of June 30, 2022, several of the Group's properties are located in the USA. The properties serve as investment properties or are assets under development.

2.2.2 Current assets

Cash and cash equivalents

As at June 30, 2022, the Group's cash position amounted to EUR 132 thousand (2021: EUR 347 thousand). The decrease resulted from the general administrative costs and loss in securities trading and the investments in the 3300 Main/Travis project.

2.2.3 Non-current liabilities

The non-current liabilities mainly included the financial liabilities and the pension provisions with Klingenberg Dekoramik GmbH.

3. Outlook, Opportunities and Risks

The Consolidated Financial Statements contain figures that are based on assumptions or estimates about the future, or that are otherwise uncertain. Whilst these take into account historical experience, current trends, professional guidance and other relevant factors, actual results could be different.

3.1 Outlook for the ROY Group

The business segments of the ROY Group are affected by the Ukraine War and the inflation caused by the energy crisis in the EU.

We see further uncertainty in the ceramics segment, especially when the energy costs have been increasing since the outbreak of the Ukraine War in February 2022. We assume that full-year 2022 sales revenues in the Ceramics division will be less than in 2021. Coupled with the Social Plan implemented with the employees of Klingenberg Dekoramik GmbH, we expect that the Group will suffer a loss for the year ending 31 December 2022.

In the real estate segment, the rental income for the Group is insignificant. We will explore the opportunities with the financial institutions in the US, with a view to restructure the management structure of the Travis Project. Also, we will explore the feasibility of converting the Travis Project from rental property to condominium for sale. We believe that we could accomplish this goal within 3 years. Having done this, we believe that the valuation of the Travis Project attributable to the Group is approximately USD128 million.

The Group will develop the land of 45,000 square meters owned by our wholly owned subsidiary Klingenberg Dekoramik GmbH. The development will be a complex of commercial and residential units. Under the proposed plan to be submitted to the local government in Klingenberg am Main, there will be a total floor area of approximately from 24,000 to 27,000 square meters for letting or sales. The target customers will be those Asian merchants who wish to develop the European markets for different products. We will franchise the trademark of Klingenberg to potential customers and help them distribute their products in the EU and in the Far East. We believe that the gross sales of the development will be in the range of EUR 96 million to 132 million in the next three years.

3.2 Report on opportunities and risks

An opportunity for the ROY Group is to take advantage of the synergy from the current intellectual property such as the trademark of Klingenberg and the know-how of ceramic business, the existing plant and machinery and coupled of the experiences, design and proprietary inventions from the current management team, so that a new product line of the smart toilets will be established in the near future.

We will register the patents for the outlook of the toilet design, and also develop the software for personal hygiene and fitness programmes. We believe that we can launch a minimum viable product (MVP) in late 2023. The MVP will be a version of a product with just enough features to be usable by early customers, who can then provide feedback for future product development.

We believe that the market opportunities for smart toilets are tremendous. We may also consider raising additional funds from venture capital institutions for the smart toilet project in mid 2024.

Nevertheless, in view of the Ukraine War and the energy crisis in the EU, and also the currency risk associated with EURO, our smart toilet project may or may not be successful.

Consolidated Financial Statements

| ROY ASSET HOLDINGS SE | | |
|-----------------------------------------------------|---------------|---------------|
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | | |
| As at 30 June 2022 | 2022 | 2021 |
| | EUR'000 | EUR'000 |
| <u>Non-current assets</u> | | |
| Land and buildings | 8,967 | 18,918 |
| Properties, plants and equipment | 5,486 | 12,505 |
| Amount due from a managing director | 902 | 2,591 |
| Investments accounted under equity method | 18,464 | 21,334 |
| Total non-current assets | 33,550 | 55,348 |
| | | |
| <u>Current assets</u> | | |
| Inventories | 3,642 | 7,441 |
| Trade and other receivables | 5,711 | 2,413 |
| Investments in securities | 244 | 521 |
| Bank and cash balances | 132 | 347 |
| Tax prepaid | 477 | 0 |
| | 10,206 | 10,722 |
| Total assets | 43,756 | 66,070 |
| | | |
| <u>Current liabilities</u> | | |
| Trade and other payables | 5,198 | 4,382 |
| Tax payables | 189 | 0 |
| Accrued expenses | 835 | 0 |
| Total current liabilities | 6,222 | 4,382 |
| | | |
| <u>Non-current liabilities</u> | | |
| Provision for pensions | 507 | 267 |
| Financial liabilities | 193 | 352 |
| Total non-current liabilities | 700 | 619 |
| Total liabilities | 6,922 | 5,001 |
| | | |
| <u>Capital and reserves</u> | | |
| Share capital | 54,327 | 54,327 |
| Capital reserves | 102,263 | 97,372 |
| Accumulated losses brought forward | -112,549 | -84,729 |
| Loss for the period | -8,295 | -10,585 |
| Non-controlling interest | 1,089 | 4,684 |
| Total equity | 36,834 | 61,069 |
| Total equity and liabilities | 43,756 | 66,070 |

**ROY ASSET HOLDINGS SE
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

| | 2022 | 2021 |
|-------------------------------------|-------------|-------------|
| | EUR'000 | EUR'000 |
| Sales - Ceramics | 2,434 | 3,167 |
| Cost of sales - Ceramics | (2,174) | (1,020) |
| Gross profit - Ceramics | 260 | 2,147 |
| Rental income from real estate | 7 | 25 |
| Result from the sale of real estate | 0 | 4 |
| Gross profit | 267 | 2,176 |
| Other income | 452 | 479 |
| Administrative and general expenses | (3,282) | (4,276) |
| Depreciation | (1,599) | (5,866) |
| Operating losses | (4,162) | (7,487) |
| Exchange difference | 2,914 | 386 |
| Loss on valuation | (4,040) | (19) |
| Equity result from a joint venture | (3,007) | (3,465) |
| Losses for the year | (8,295) | (10,585) |

1. General Information

The principal activities of ROY Asset Holding SE (hereinafter referred to as the "Company") and its subsidiaries (collectively referred to as the "Group") are, on the one hand, the manufacture and sale of ceramic products and accessories; and on the other hand, the development of real estate properties. The Company is the investment holding company of its subsidiaries. The consolidated financial statements are expressed in thousands of euros (EUR thousand). The figures in the tables have been calculated and summed up exactly. The figures have been rounded up. This may result in rounding differences in the totals. The interim consolidated financial statements were neither subject to an auditor's review nor is it given an audit opinion. In the following notes to the accounts, we provide the breakdowns on selected components reflected in the Consolidated Profit and Loss Account, as well as the Consolidated Balance Sheet for discussion and analysis purposes.

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 previous years. The consolidation method as at 30 June, 2022 has not changed, as compared with the consolidated financial statements as of 30 June, 2021. Since the Company has not announced and published the audited accounts for the year ended 31 December 2021, the Consolidated Financial Statements for the six months ended 30 June 2022 were prepared based on the unaudited opening balances brought forward from the individual companies' accounting ledgers. In this connection, the Statement of Changes in Equity is not disclosed in this Interim Report 2022.

3. Administrative Costs

| For the Six Months Ended 30 June 2022 | | |
|-----------------------------------------------------------|--------------|--------------|
| | 2022 | 2021 |
| | EUR'000 | EUR'000 |
| Accounting fees | 41 | 40 |
| Rentals and building management fees | 329 | 465 |
| Energy costs | 88 | 616 |
| Provisions for doubtful debts | 0 | 10 |
| Staff costs including remunerations of managing directors | 1,816 | 1,944 |
| Legal and consulting fees | 152 | 101 |
| Other general administrative expenses | 856 | 1,100 |
| | 3,282 | 4,276 |

The administrative costs include the following expenses:

The accounting fees were EUR 41 thousand (2021: 40 thousand). The rental and building management fees were EUR 329 thousand (2021: 465 thousand). The energy costs were EUR 88 thousand (2021: 616 thousand), the savings were due to the cessation of production of tiles in Klingenberg am Main, Germany. The staff costs including the remunerations of managing directors were EUR 1,816 thousand (2021: EUR 1,944 thousand). Legal and consulting fees were EUR 152 thousand (2021: EUR 101 thousand), and the other general administrative expenses were EUR 856 thousand (2021: EUR 1,100 thousand).

4. Property, Plant and Machinery

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 Lion Legend Holdings Limited, a wholly owned subsidiary of the Company. 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 1,599 thousand for the six months ended 30 June 2022 (2021: EUR 5,866 thousand).

5. Trade Receivables and Other Receivables

| | EUR'000 | EUR'000 |
|-----------------------------------------|--------------|--------------|
| Trade Receivables and Other Receivables | | |
| Trade receivables | 793 | 1,700 |
| Other receivables | 4,918 | 713 |
| | 5,711 | 2,413 |

The trade receivables were EUR 793 thousand (2021: EUR 1,700 thousand). The other receivables were EUR 4,918 thousand (2021: EUR 713 thousand).

6. Trade Payables and Other Liabilities

| | 2022 | 2021 |
|--------------------------------------|-------------|-------------|
| | EUR'000 | EUR'000 |
| Trade Payables and Other Liabilities | | |
| Trade payables | 472 | 1,410 |
| Other payables | 4,726 | 1,859 |
| Tax payable | 189 | 0 |
| Accrued expenses | 835 | 1,113 |
| | 6,223 | 4,382 |

The trade payables were EUR 472 thousand (2021: EUR 1,410 thousand). The other payables were EUR 4,726 thousand (2021: EUR 1,859 thousand, restated). The tax payable was EUR 189 thousand (2021: EUR 0), and while the accrued expenses were EUR 835 thousand (2021: EUR 1,113 thousand).

7. Amount due from a Managing Director

| | 2022 | 2021 |
|-------------------------------------------|-------------|-------------|
| | EUR'000 | EUR'000 |
| Amount Due From a Managing Director | | |
| Amount due from Mr Siu Fung Siegfried Lee | 902 | 2,591 |

As of June 30, 2022, the amount due from Mr. Siu Fung Siegfried Lee was 902 thousand (2021: EUR 2,591 thousand). This amount represented certain expenses of personal nature, and the loan is unsecured and interest-bearing and is repayable on demand at any time.

8. Related Party Transactions

ROY USA, Inc, a wholly owned subsidiary of the Group, has been renting premises in Pansadena, California from Hi Scene Industrial Limited, the major shareholder of the Company. The monthly rental is USD 7,000, and the unexpired lease term is up to 14 March 2027. The premises are provided to Mr. Siu Fung Siegfried Lee as living accommodation and also a place of business.

Except for the expenditure of leasehold improvement and director's living accommodation above-mentioned, the Group did not enter into any material transactions with related persons or companies during the reporting period in 2022.

9. Post Balance Sheet Events

The Social Plan with the employees of Klingenberg Dekoramik GmbH will be completed in October 2022. The outstanding payment will be around EUR 676 thousand.

The Group received a letter dated 6 September 2022 from a minority partner of our subsidiary company, namely 3300 Main Project Owner, LP (74.33% owned by the Group). In the letter, the minority partner alleged that the

Group has defaulted the capital contribution under a Guaranty Fee Letter Agreement dated 23 June 2022 and the Side Letter dated 23 June 2022. The Group is now negotiating with the business partners of 3300 Main Project Owner, LP, whether the Group is obliged to provide capital contribution for an enterprise which is managed and controlled by the General Partner as defined in the Limited Partnership Agreement dated 28 April 2018. If the Group loses the case, it will have a negative impact on the cash flow for an amount of USD2.7 million plus interest.

The Group has identified a new place to store the machinery and equipment owned by Lion Legends Holdings Limited, our wholly owned subsidiary, and is considering relocating these assets to the new place at lower costs. The Company received a payment notice dated 22 September 2022 from one of the warehouse service providers. The warehouse service provider stated in the notice, that it might take action to liquidate the Company. Our legal representative has agreed with the warehouse service provider that the dispute shall be settled on or about 5 October 2022.

Save for the above-mentioned events, no other post balance sheet event was noted.

ROY Asset Holding SE

Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for the interim financial report, the consolidated financial statements for the six months ended 30 June 2022 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.

30 September 2022

ROY Asset Holding SE

The Managing Directors:

Siu Fung Siegfried Lee (CEO)

Ivan Wong (CFO)

Tsz Kan Chung (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 behaviour of competitors and other market participants. ROY Asset Holding SE neither promises nor plans to update the forward-looking statements.

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