ROY ASSET HOLDING SE

ANNUAL REPORT 2020

KLINGENBERG
OBJEKT+WOHNKERAMIK

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LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

Since 2019, ROY has been operating under the name ROY Asset Holding SE. Our business activities comprise the two business segments Real Estate and Ceramics. Both business segments are operationally active and generate sales. The net loss in 2020 of EUR 22.1 million was, as in previous years, largely due to the scheduled depreciation of movable property, plant and equipment and real estate (in the reporting year in the amount of EUR 12.8 million). In addition, an impairment of EUR 3.8 million was recognised in the reporting year on the machinery in storage. Overall, the result was burdened by non-cash expenses of EUR 16.6 million due to these two effects. The purchase of Klingenberg Dekoramik GmbH in July 2019 was the first step towards reactivating activities in the Ceramics business segment. Klingenberg Dekoramik currently operates as a manufacturer of high-quality technical tiles and attractive residential tiles. The production site is suitable for expanding the ceramic activities to include sanitary ceramics. First, however, the turnaround of Klingenberg Dekoramik GmbH is being driven forward. Due to the worldwide COVID-19 pandemic, these measures have been delayed and will continue beyond 2020. Substantial permanent measures could already be taken in 2020 to improve the cost structure, as well as to expand the product portfolio in the residential sector and also to extend the technical tile programme.

In the real estate business segment, we achieved our first major milestone in the USA in 2020 with the realisation of the Kirby Interchange project. With a sales price of USD 35 million and an equity yield of approx. 18% pa. we clearly exceeded our target of 12% pa. In addition, we completed the 3300 Main/ The Travis project in 2020, albeit with COVID-19 related delays. We are now focusing on increasing the occupancy rate and aim to complete the project in 2022. Development of the Houston properties is ongoing and we expect to start developing the first four homes in 2021. The development of the projects in California has also been delayed. However, we expect that once a sufficient vaccination rate is achieved in the USA, the realisation times of the project developments will return to normal. In addition, we are working at full speed on further promising project developments with a focus on Texas. However, we have to take into account the still unforeseeable development of COVID-19 and possible negative effects on our business segments. As a result of the continuing uncertainty, it is currently not possible to make a reliable forecast for the course of business in 2021. The further development of the real estate sector in particular is difficult to plan due to the still dynamically developing situation as of the date of preparation of the annual report.

I would like to thank all shareholders for their support.

Yours sincerely,

Matthias Herrmann
CEO of ROY Asset Holding SE

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors was continuously informed about significant events between regular meetings and telephone conferences throughout 2020. Due to the size of the Board of Directors and the single-tier management structure of the Company, there were no additional committees. No separate efficiency review of the Board of Directors was conducted. Process improvements are considered regularly and implemented as needs are identified. A total of four meetings of the Board of Directors were held and five resolutions were passed by circulation.

The annual financial statements of ROY Asset Holding SE as at 31 December 2020, together with the consolidated financial statements as at 31 December 2020, including the combined management report, were prepared by the Managing Directors and audited by ECOVIS Wirtschaftstreuhand GmbH Wirtschaftsprüfungsgesellschaft Munich, who issued an unqualified audit opinion.

The combined management report and the audit report were available to all members of the Board of Directors.

The auditor attended the annual report meeting on 28 April 2021 and reported on all significant findings and results for the 2020 financial year. In accordance with section 314 (2) of the AktG, the auditor reviewed the dependency report and came to the following conclusion:

"*According to the final result of our audit, there are no objections within the meaning of Section 313 (4) of the German Stock Corporation Act (AktG) to be raised against the report of the managing directors on relations with affiliated companies. We therefore issue the following unqualified audit opinion pursuant to Section 313 (3) of the German Stock Corporation Act (AktG) on the report of the managing directors on relations with affiliated companies of ROY Asset Holding SE, Munich, for the 2020 financial year in accordance with Annex 1:*

Based on our audit and assessment in accordance with professional standards, we confirm that

- *the actual information in the report is correct,*
- *in the legal transactions listed in the report, the company's performance was not unreasonably high or disadvantages were compensated. "*

The Board of Directors reviewed and approved the annual financial statements, the consolidated financial statements, the combined management report as well as the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity during 2020, without raising any objections after a review. The Board of Directors has adopted the annual financial statements and approved the consolidated financial statements.

The managing directors propose to carry forward the balance sheet profit of ROY Asset Holding SE to new account. This proposal has been approved by the Board of Directors.

Munich, 28 April 2020

Surasak Lelalertsuphakun
Chairman of the Board of Directors

COMBINED MANAGEMENT REPORT OF ROY ASSET HOLDING SE AND THE ROY ASSET HOLDING SE GROUP FOR THE FINANCIAL YEAR FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

1. GROUP PROFILE

1.1 General information

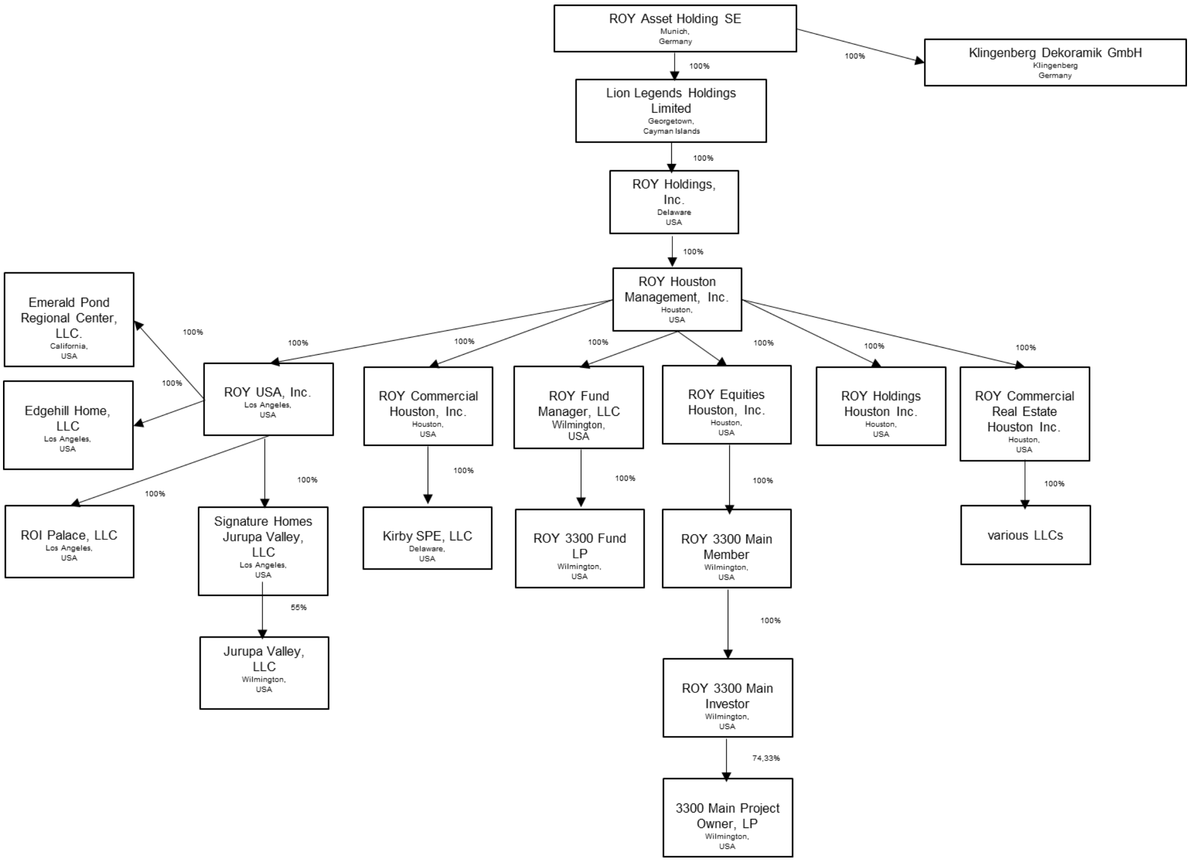
ROY Asset Holding SE, Munich (hereinafter referred to as the "Company" or "ROY" for short) is the parent company of the Group. The Company is a European stock corporation incorporated on 8 May 2014 and registered in the Commercial Register of Munich (HRB 211752) with its administrative headquarters (business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

On 30 April 2015, the shares of ROY Asset Holding SE were listed for the first time on the Prime Standard of the Frankfurt Stock Exchange (Germany) and simultaneously 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.

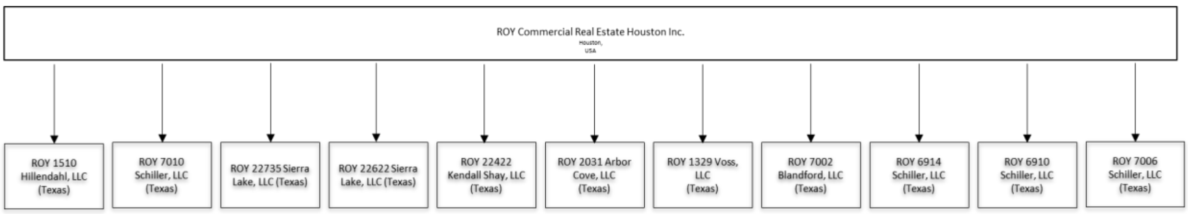
The business purpose of the Company and its subsidiaries (together referred to as the "Group") comprises the two business segments Real Estate and Ceramics. In the business segment Real Estate, the Group conducts real estate business of all kinds, with a geographical focus on the USA. The Ceramics segment is engaged in the manufacture and distribution of ceramic products. The company acts as an investment holding company. The principal activities of its subsidiaries and the Company's shareholdings and voting rights are also presented in section 33 of the notes.

1.2Group structure

The Group structure changed in 2020. Essentially, one company was dissolved and another special purpose entity was founded in California. The ROY Group plans to establish a separate company for each new real estate transaction, as is customary for project developments. The group structure as of 31 December 2020 is as follows:



The LLCs listed in the USA under ROY Commercial Real Estate Houston Inc. are as follows. The LLCs each hold a plot of land that is to be developed or also sold in the near future. The property LLCs are described in detail in section 33 of the notes:



1.3 Business model

ROY has successfully established itself as a real estate company, with a focus on project development and investment in the USA. The real estate business segment makes a stable and significant contribution to the group's success. As is usual in project development, the income from the projects that have been started will only make a significant contribution to the result in two to five years.

In the ceramics business segment, ROY generates substantial sales with its subsidiary Klingenberg Dekoramik GmbH in the field of ceramic tiles. In addition, ROY aims to establish itself in the newly developing market of shower toilets (smart toilet seats) in Europe and the USA. This is primarily done in cooperation with well-known Asian manufacturers who provide the corresponding technical know-how in this field. ROY plans to outsource the production of standard branded ceramic products to a new OEM manufacturer in Eastern Europe. In addition, ROY plans to realise its own production of shower toilets in Germany in the sanitary ceramics segment in the long term. In the 2021 financial year, the ROY shower toilet will be distributed for the first time via the subsidiary Klingenberg Dekoramik GmbH.

1.4 Strategy

In the ceramics business segment, ROY uses the ROY and Klingenberg brands. Now that these are already effectively known in Asia, they should also be introduced or strengthened in new international markets in the USA, ASEAN countries and Europe. Regarding the risks, see section 3.2.

In the future, ROY will again participate in important real estate and ceramics trade fairs as soon as the COVID-19 situation allows it or there are reasonable virtual alternatives. In 2020, ROY was only able to participate in two trade fairs for ceramics in the Netherlands and Germany due to COVID-19.

In the Ceramics business segment, ROY will continue to push ahead with the restructuring of the subsidiary Klingenberg Dekoramik. The goal is to increase sales and further optimise costs. In addition, the international business will be expanded and sales will be opened up for other ceramic products. In the first stage, Klingenberg's product portfolio has developed from a specialist for floor tiles to a full-range supplier in the tile sector.

In the business segment real estate, ROY plans to further establish itself as a reliable and competent partner in all areas of the real estate business, especially in project development, as an investor and real estate revitaliser, with a focus on the USA, and to increase awareness. In addition, ROY strives to implement all real estate projects with professional and established partners. The geographical focus of the real estate activities is currently Texas, but ROY is continuously reviewing promising projects throughout the USA and outside the USA. In terms of real estate type, the focus is on office, single-family and multi-family housing projects

ROY plans to open up new sources of financing for further real estate projects and is also looking into opening up ROY real estate projects to professional investors, as well as additionally establishing long-term partnerships with new financing partners.

1.5 Control system

The ROY Group's ambition is to grow sustainably and to operate successfully. To make this possible, the responsible persons in the group use an internal management system to coordinate and control the companies. This system is based on a variety of mechanisms and key figures, such as EBT and a risk management policy, which depict division-specific processes and make them measurable. Overall, ROY has identified the following seven risk categories, credit risk, market risk, liquidity risk, operational risks, business risks, reputational risks and other risks. These risks are continuously monitored and analysed on the basis of their probability of occurrence and possible amount of damage. A case-based internal control system is essentially used for this purpose. This essentially covers the existing real estate projects and Klingenberg Dekoramik GmbH. The Board of Directors and the Managing Directors regularly review the requirements for the internal control system and risk management. With the resumption of business operations and substantial sales, the management system was realigned and adapted to the two business segments, especially in the ceramics segment and in the context of the expansion of the real estate business. The Group is managed in particular on the basis of the key figures for turnover and contribution margin, as well as gross profit margin.

1.6 Company bodies, management and founders

The Board of Directors of the Company currently comprises the following members:

Name	Member since
Surasak Lelalertsuphakun (Chairman)	18 September 2014
Matthias Herrmann (Vice-Chairman)	02 October 2017
Christian Peter	02 October 2017
Siwen Mao	02 October 2017
Sujida Lelalertsuphakun Lee	02 October 2017
Shing Hei Lee	06 August 2020

Name	Member until
Siu Fung Siegfried Lee	06 August 2020

2. ECONOMIC REPORT

2.1 Economic development

General economic development

According to the International Monetary Fund's (IMF) World Economic Outlook, in January 2020, the IMF estimated that the global economy would grow by 2.9% in 2020, but with the onset of the COVID-19 situation, the IMF revised its forecast to a contraction of 4.9% for the global economy in 2020. This means that compared to the 2.9% growth in 2019, the global economy is significantly reduced in 2020.

According to "tradingeconomics.com", the Chinese government expects the Chinese economy to grow by 2.3% in 2020, despite COVID-19, the slowest economic growth in 44 years. This is evidence of less dynamism due to COVID-19.

According to the European Commission's autumn forecast, the European Union's economy is expected to contract by 7.8% in 2020.

In the USA, the economic decline in 2020 was 3.5%, compared to growth of 2.2% in the previous year. This development is also reflected in falling or stagnating incomes in 2020 with high unemployment rates overall. Real estate prices held up in 2020 in the Houston metropolitan area as well as in the Los Angeles, California metropolitan area. However, fewer real estate transactions took place. The further development remains to be seen in view of the continued dynamic development of the situation with COVID-19 in the USA.

In the Ceramics business segment, the slowdown in economic growth in the previous markets also had an impact on the ROY Group's business development. In the business segment Real Estate, the clouding of the economy due to COVID-19 had a negative impact on the development of the ROY Group, as ongoing projects were delayed.

The markets where ROY intends to strengthen its operations, particularly the US as well as Europe and ASEAN countries, are showing signs of COVID-19 in 2020. Nevertheless, ROY was able to significantly increase its consolidated revenue in 2020 compared to 2019.

2.2 Earnings, financial and asset situation

The following discussion and analysis of ROY's results of operations, financial position and net assets by management relate to the consolidated financial statements of the ROY Group prepared in accordance with IFRS and the separate financial statements of ROY Asset Holding SE prepared in accordance with German GAAP for the financial years ended 31 December 2020 and 31 December 2019 (comparative period).

The financial data in the following tables is predominantly stated in thousands of euros (KEUR) and is rounded commercially to thousands of euros in each case. The percentages contained in the text and tables below have also been commercially rounded to one decimal place. Consequently, the sum of the figures given in the text and tables below may not add up to the exact totals given and the sum of the percentages may not add up to 100 %.

Comparisons between the 2020 and 2019 results and significant financial performance indicators are limited due to the reactivation of ceramic activities only in the second half of 2019. In 2017, the Real Estate business unit was established. This division included the Kirby Interchange, which was sold in February 2020, several building sites in Houston and in Los

Angeles, an existing property in California, as well as one large project development each in Houston and Los Angeles. Overall, business performance has been satisfactory under the circumstances, particularly due to the sale of the Kirby Interchange shortly before the outbreak of the COVID-19 pandemic in the US. As a result of the pandemic, there was a significant decrease in real estate transactions in our core states in the USA.

In the Ceramics Division, sales were in line with expectations due to the purchase of Klingenberg Dekoramik GmbH. Due to the takeover of the company and necessary restructuring measures, the result was satisfactory under the circumstances.

The results of ROY Asset Holding SE itself will not be discussed in detail, as the company has so far not carried out any trading activities in substance and acts as an investment company for the Group.

2.2.1 Income situation

The income statement of the individual financial statement of ROY Asset Holding SE shows a profit of 5,091 kUSD as of 31 December 2020 compared to a loss of 1,558 kUSD in the previous year. The profit in the 2020 financial year resulted mainly from a dividend receivable on a loan basis from the subsidiary LLH in the amount of USD 7,000 thousand, from its capital reserve.

The forecast consolidated revenues of approximately EUR 14.5 million to EUR 16.5 million were not achieved. This was mainly due to a renewed lockdown in large parts of Europe in the fourth quarter of 2020 and exchange rate fluctuations, as well as the accounting treatment of the sale of Kirby Interchange. In our forecast, we had calculated the gain on disposal as the difference between the expected proceeds from the sale and the book value of the disposed property. In our forecast, we had allocated expenses of approximately EUR 1,500,000 related to the sale to administrative costs. For accounting purposes, the gain on disposal was to be determined as the difference between the net disposal proceeds and the book value, whereby the net disposal proceeds are calculated by deducting the expenses related to the disposal from the sales price achieved. Due to the corresponding reclassification of the costs of sale at the end of the year, the administrative costs and, in the same course, the profit from the sale of the property were each reduced by approximately EUR 1,500,000. For details, please refer to the explanations under item 9 in the notes to the consolidated financial statements.

The previous year's forecast in the real estate segment was achieved with the sale of the Kirby Interchange with a gross sales price of $35m. The net proceeds after deduction of all costs and the partner's profit participation amounted to approximately EUR 4 million. No forecast was made in the ceramics segment. Sales in the 2020 financial year were significantly lower than in the previous year. This was mainly due to drastic lockdown measures worldwide to combat the pandemic and the corresponding restrictions on sales via the existing dealer network.

The following table sets out information from ROY's consolidated income statement for the years ended 31 December 2020 and 31 December 2019.

Selected disclosures from the consolidated statement of comprehensive income:

KEUR	**Business year as at 31.12.2020**	**Financial year ended 31.12.2019***	**Change in %**
Sales revenue ceramics	7,170	4,584	**56**
Proceeds from property rental	210	3,267	**-94**
Revenues	7,380	**7,851**	**-6**
Result from the sale of real estate	**3,959**	**0**	**n/a**
Cost of sales	7,998	6,303	27
Gross profit	**3,340**	**1,548**	**116**
Other operational Income/expenses	-22,677	-17,546	47
Operating result/EBIT	**-19,337**	**-15,998**	**40**
Financial income	425	6	6.967
Financial expenses	179	823	**-78**
Financial result	246	-817	**70**
Share of losses in companies accounted for using the equity method	3,045	0	n/a
Result before income taxes/EBIT	**-22,136**	**-16,815**	**32**
Income taxes	-11	-68	-85
Net result in the reporting period before first-time consolidation of Klingenberg Dekoramik	**-22,147**	**-16,747**	**32**
Profit from first-time consolidation Klingenberg Dekoramik	**0**	**7,311**	**-100%**
Net result in the reporting period after first-time consolidation Klingenberg Dekoramik	**-22,147**	**-9,436**	**135**
Gross profit margin in %	*29*	*20*	*n/a*
EBIT margin in %	*-303*	*-204*	*-67*

pp = percentage points

n/a= The net profit margin is not meaningful due to the losses. Accordingly, we have not reported on it this year.

The comparative information was adjusted due to error corrections. (see note 39)

2.2.2 Revenues and result from the sale of properties

In the Ceramics business segment, relevant sales were generated by the subsidiary Klingenberg Dekoramik GmbH in 2020.

In the real estate business segment, we were able to realise steady rental income from the Kirby Interchange property in 2020 until its sale. With the sale of the Kirby Interchange in February, this rental income ceased. In addition to the Kirby, two other single-family homes were also sold in 2020. With a total sales price of KEUR 30,597 (KUSD 35,878), net sales proceeds of KEUR 29,097 and income of KEUR 3,959 were achieved after deducting transaction costs of KEUR 1,500, which led to a significant improvement in gross profit.

In addition, rental income was generated from three other rented properties in Houston, which are located on the land purchased in 2017 and will be rented until demolition or sale. The breakdown of revenue by region is provided in the segment report in Note 14 of the Notes to the Consolidated Financial Statements.

2.2.3 Gross profit and gross profit margin

The following table shows a breakdown of gross profit and gross profit margin for the financial years ended 31 December 2020 and 31 December 2019.

KEUR	2020	2019
Gross profit	3,340	1,548
Gross profit margin	29%	20%

2.2.4 Financial result

The Group's financial income increased from EUR 6k in the 2019 financial year to EUR 425k in the 2020 financial year. This is mainly due to interest on a loan from a former Executive Director, as well as interest income on interest-bearing balances.

The Group's financial expenses decreased significantly from EUR 823k to EUR 179k in 2020. The decrease in financial expenses is due to the sale of the Kirby Interchange.

2.2.5 Administrative expenses and other operating expenses

The Group's administrative expenses mainly comprise wages and salaries as well as fringe benefits and remuneration expenses for the Executive Directors, other management and administrative staff, travel and entertainment expenses of the Executive Board and the Executive Directors, depreciation expenses of fixed assets, utilities expenses, repairs and maintenance expenses, rental expenses, office expenses, transport expenses as well as allowances for trade and other receivables.

Administrative expenses amounted to KEUR 8,008 in the 2020 financial year compared to KEUR 6,529 in the 2019 financial year. The increase in the 2020 financial year compared to the previous year was mainly due to the costs of the company Klingenberg Dekoramik GmbH, which existed in the entire 2020 financial year; in 2019, these costs were only incurred on a pro rata basis. In 2020, scheduled depreciation was higher than in the previous year at EUR 772 thousand (2019: EUR 513 thousand), mainly due to currency effects and depreciation on machinery at Klingenberg Dekoramik GmbH. The depreciation on the machinery in storage, as well as the impairment recognised, is reported separately in the statement of comprehensive income. Depreciation relating to Klingenberg's production is reported in cost of sales.

2.2.6 Income tax (Group)

Under Cayman Islands and British Virgin Islands ("BVI") regulations, the Group is not subject to income tax in the Cayman Islands and British Virgin Islands.

KEUR	**2020**	**2019**
Current taxes		
Income tax in the USA	**11**	-112
Income tax in Germany	**0**	0
Income tax in Hong Kong	**0**	-1
Deferred taxes USA	**0**	45

The Group has deferred tax liabilities in the USA of EUR 0 thousand (2019: EUR 45 thousand) in the financial year or at the end of the reporting year, compared to deferred tax assets of EUR 0 thousand (2019: EUR 0 thousand).
The tax loss carried forward of ROY Asset Holding SE as of 31 December 2020 amounts to EUR 738,000. ROY Asset Holding SE does not generate an operating result, but essentially generates investment income, which is taxable at 5%.

2.3 Consolidated balance sheet of ROY according to IFRS (Group)

KEUR	**31.12.2020**	**31.12.2019**
Assets		
Total non-current assets	60,426	105,210
Total current assets	13,458	12,793
Total assets	**73,884**	**118,003**
Equity and liabilities		
Total equity	68,336	94,708
Total liabilities	5,548	23,295
Total equity and liabilities	**73,884**	**118,003**

2.3.1 Non-current assets

The non-current assets are mainly property, plant and equipment in Germany, Thailand and Belarus, as well as real estate in the USA.

The reduction in non-current assets in the 2020 financial year compared to the 2019 financial year is predominantly due to the sale of the Kirby Interchange and depreciation on machinery in storage.

Segment-related investment disclosures

In connection with the sale of the Chinese operating subsidiaries to White Horse as at 30 September 2015, the movable property, plant and equipment previously used at the Beijing plant were transferred to LLH. These machines are shown in the balance sheet at their residual book values, which are derived from an independent and professional valuation carried out by Sinno Appraisal Limited.

Since 2016, the property, plant and equipment previously used in the Beijing factory has been depreciated at an annual rate of 15% based on a reassessment, which corresponded to a remaining useful life of approximately 6 years at that time. In the previous year, 10% was given as the figure for the annual depreciation of the machines. However, the actual depreciation was already 15% to account for the storage of the machines. This is an error in the naming of the depreciation rate and the aforementioned depreciation period. In 2020, no reassessment of the remaining useful life was made, but an additional depreciation on the carrying amount of EUR 3,765 thousand was made, due to the longer than originally planned storage period. ROY plans to use some of the existing machines from the former production in China for the production of ceramic tiles and, in the future, sanitary ceramics at the Klingenberg site.

As at 31 December 2020, several of the Group's properties are located in the USA. The properties serve as income properties. The Group's largest investment property to date, the Kirby Interchange, was successfully sold in February 2020.

In the Ceramics Division, investments were made in the area of optimising production and improving production processes with the purchase of Klingenberg Dekoramik GmbH in 2019.

2.3.2 Current assets

Cash and cash equivalents

As at 31 December 2020, the Group's total bank balance was KEUR 4,679 (2019: KEUR 1,416). Of this, KEUR 4,353 of the bank balances were denominated in US dollars and KEUR 231 in euros. The remaining balances are mainly denominated in Hong Kong dollars. The bank balances in the USA and Hong Kong are subject to variable interest at the respective interest rate for callable balances. The bank balances are with creditworthy banks where there is no past evidence of potential default risk. In the USA, a cash pool system was established with a leading bank in 2018.

Trade receivables and other receivables

Trade and other receivables mainly include a receivable from the project company of 3300 Main for the EB-5 investor funds raised in 2018 (USD 1 million; approx. EUR 0.9 million), which could be used in 2020 in the amount of USD 500 thousand for the capital increase at 3300 Main; another USD 500 thousand are still held in trust. Due to the continuing situation of COVID-19, ROY is currently not raising any further EB-5 funds.

2.3.3 Current liabilities

Trade payables and other liabilities

Trade payables primarily include liabilities from external consulting services or to external service providers. Other liabilities include liabilities for wages and salaries and social benefits, pension benefits and other tax liabilities.

2.3.4 Non-current liabilities

In connection with the sale of Kirby Interchange, corresponding loans in the amount of KEUR 16,699 were repaid. Non-current financial liabilities as at 31 December 2020 mainly comprise provisions for pension obligations, for former executives of Klingenberg Dekoramik GmbH in the amount of KEUR 622 (2019: KEUR 667).

2.4 Balance sheet of ROY Asset Holding SE (individual financial statements according to HGB):

KEUR	31 Dec. 2020	31 Dec. 2019
Assets		
Total fixed assets	24,629	25,217
Total current assets	37,005	31,372
Total assets	61,634	56,589
Equity and debt capital		
Total equity	61,310	56,219
Total borrowed capital	324	370
Total equity and debt capital	61,634	56,589

The fixed assets in both years are mainly the shares in Lion Legend Holdings Ltd. (LLH) and a loan to a subsidiary in the USA.

Current assets are mainly cash and cash equivalents and loans receivable from the subsidiaries Klingenberg Dekoramik GmbH, Lion Legends Holdings Limited, and ROY Houston Management Inc.

The change in equity as of the reporting date 31.12.2020 is due to the profit of the past financial year. In the previous year, a capital increase from own funds in the amount of EUR 36,218,000 was carried out by issuing new shares at a ratio of 1:2. The subscribed capital increased by EUR 36,218,000 per share denominated in one euro.

Liabilities consist mainly of provisions, trade payables and liabilities to Lion Legend Holdings Ltd. As in the previous year, all liabilities have a term of up to one year.

2.5 Shortened cash flow statement of the ROY Group

KEUR	2020	2019
Cash flow from operating activities before change of current assets	**-10,198**	-3,779
Net cash inflow from operating activities	**-7,601**	-3,090
Net cash inflow from investing activities	**26,795**	-8,943
Net cash outflow from financing activities	**-17,013**	2,358
Net increase (decrease) in cash and cash equivalents	**2,181**	**-9,675**
Consolidation-related changes		
Currency translation effects	**0**	490
Cash and cash equivalents at the beginning of the period	**1,012**	1,327
Cash and cash equivalents at the end of the year	**1,416**	9,274
the period	**4,679**	**1,416**

The Group was able to meet all its payment obligations in full at all times in 2020.

The cash flow statement to ROY's individual financial statements shows a negative cash flow from the Group's holding company activities as at 31 December 2020, primarily resulting from administrative costs for the listing on the Frankfurt Stock Exchange, salaries and other general administrative costs.

2.6 Other factors relevant to results

2.6.1 Research and development

With the acquisition of Klingenberg Dekoramik GmbH, the research and development area in the ceramics segment is strengthened. In particular in the area of developing new ceramic tiles for the commercial and residential sectors, development work is carried out at the Klingenberg site in the existing laboratory. Internal costs for research and development were only incurred to a minor extent in Klingenberg in 2020. External expenses in the context of a cooperation with a ceramic research institute amounted to KEUR 11 in 2020.

2.6.2 Production sites

At the Klingenberg site, it is planned to build up the know-how and various production steps for sanitary ceramics as well (cf. section 2.6.4.4).

2.6.3 Marketing and distribution of ROY products

ROY worked intensively with an OEM manufacturer in Eastern Europe to set up pre-production for sanitary ceramics. ROY supports with know-how on site to meet the high quality requirements for our products. Due to COVID-19, this process is significantly delayed. With the completion of this process and corresponding sufficient production reliability, ROY will use the existing distribution network to market these products. In particular, the existing worldwide distribution network of the subsidiary Klingenberg Dekoramik will be involved in this process.

2.6.4 Intellectual property

2.6.4.1 Trademarks

The company believes that the "ROY" brand and Klingenberg or KeraClean are an essential factor for its successful business activities on national and international markets. For this reason, ROY must continue to strengthen the brand perception of its brands. To protect the "ROY" brand, the Company has already registered its trademarks and intends to register them as trademarks in other countries as well. In addition, the Klingenberg brand is protected. Further trademarks have already been protected for the European and American markets.

2.6.4.2 Patents

Siu Fung Ceramics (Beijing) Sanitary Ware Co., Ltd. (SFC) applied for a patent (patent name: "A kind of a toilet") for a universal toilet adapter on 23 January 2014. The patent was approved on 5 November 2014. The patented adapter enables the installation of a toilet that can be designed with both floor and wall drainage using different PVC pipes. The toilet installation with floor drain can be carried out according to the Chinese standard with a connection pipe of 305 mm and 400 mm diameter or via another non-standard connection pipe using different sized PVC pipes. The connection pipe of toilets with floor drain can be converted into a connection for toilets with wall drain. The toilets can therefore be installed with both vertical and horizontal drain pipes.

The information on SFC's patent can be summarised as follows:

Patent holder	Siu Fung Ceramics (Beijing) Sanitary Ware Co. , Ltd.
Patent designation	A kind of toilet
Inventor	Siu Fung Siegfried Lee, Sikun Jiang
Patent number	ZL 2014 2 0044813.6
Area	PRC
Date of the patent application	23 January 2014
Date of patent approval5	. November 2014
Protection period until	23 January 2034

Arrangements were made with White Horse to transfer this patent from Siu Fung Ceramics (Beijing) Sanitary Ware Co, Ltd. to LLH by 30 June 2017. The reassignment was made to Ms. Wen in May 2017 and Ms. Wen has contractually agreed to transfer this patent to the holding company of ROY Asset Holding SE. The transfer process was legally started, but due to COVID-19, the transfer could not be completed until now.

2.6.4.3 Domains

www.roykeramik.de
www.royasset.de
www.royasset.eu
www.dekoramik.de
www.klingenberg-dekoramik.de

The above mentioned domain names are registered to ROY Asset Holding SE and Klingenberg Dekoramik GmbH respectively. In case of a possible development of further markets in other countries, the purchase of further domain names will be considered.

2.6.4.4 Production process

The intellectual property involved in the production process is a secret ceramic formula and a secret production process that is carefully kept under wraps by ROY, but without legal protection. This technology has been developed in-house over several years. It allows ROY's products to be marketed internationally, which is an essential part of ROY's expansion plans. This also includes the production processes as well as the sealing technology for tiles of Klingenberg Dekoramik GmbH.

2.6.5 Employees

As at 31 December 2020, the ROY Group employed a total of 95 employees (previous year 102) in addition to the Executive Directors of the Company.

It is planned to recruit additional staff for the next development phase of ROY.

The parent company ROY Asset Holding SE had a total of 2 employees in 2020, and 2 employees in the previous year.

2.6.6 Experienced management team

The acting Chief Executive Officer (CEO) of the company, Matthias Herrmann, has many years of experience in financing and administration, as well as in the real estate sector. Mr. Suriya Toaramrut, is highly experienced in the field of ceramics and sales with relevant contacts in the ASEAN countries.

2.6.7 Company locations, tangible assets, real estate, tenancies

2.6.7.1 Production sites

ROY's production facilities in the ceramics segment is at the Klingenberg site. The area covers approx. 40,000sqm and has been the location for the production of high-quality tiles for residential and commercial use since 1899. The site is classified as an industrial site and has its own water source for production.

2.6.7.2 Equipment and machinery

The accredited and independent valuation experts of Sinno Appraisal Limited, Hong Kong, conducted on-site inspections from 2016 to 2020. In February year 2021, a virtual on-site audit of the machines was carried out. Sinno Appraisal Limited has valued the fair value of the movable property, plant and equipment remaining with the ROY Group at HKD 129,862,000 million (approximately EUR 13.6 million) as at 31 December 2020 in accordance with the International Valuation Standards issued by the International Valuation Standards Committee (IVSC). The other machines have a carrying amount of EUR 1.9

million.

2.6.7.3 Real estate

In addition to its activities in the commercial and multi-family real estate sector, ROY Asset Holding SE is also involved in the development of a single-family home portfolio through its indirect subsidiaries in Houston. For this purpose, several project companies were founded and equipped with land in the period from June to October 2017. It is planned to build on the plots of land with real estate and to offer these properties to interested investors and persons, in particular from the Asian area, after successful construction with upscale real estate, as well as to sell developed plots of land promptly and at a profit.

In addition to the real estate projects in Houston/Texas, the ROY Group participated in another real estate project at the headquarters of ROY USA, Inc. in Los Angeles/California in April 2018. The project in Jurupa Valley has a total investment volume of approximately USD 72 million and it is planned to build 97 single-family homes and 118 multi-family homes on a site of approximately 10 hectares, spread over several construction phases and a period of three years. ROY is participating in the project with an initial investment of USD 5 million and will receive a majority share of 55 % in the project company in return.

On 1 May 2018, ROY Asset Holding SE, through a subsidiary in the USA, entered into a joint venture agreement with a project partner in the USA to participate in the development of a multi-family high-rise building in Houston. The project comprises the construction of a high-rise building with approx. 328 residential units and approx. 1,380 sqm of commercial space. The building is centrally located in Houston, Texas. Construction time to completion is approximately two years and substantial occupancy is expected to be achieved within two years of completion. The total cost of the project is approximately USD 130 million, of which ROY is contributing USD 29 million in equity. The construction costs are secured by a guaranteed maximum price contract. ROY Asset Holding SE's contractors are leading real estate developers in Houston with a proven track record in developing similar projects and a major American civil engineering and design firm. The plan is to sell this property to an investor upon completion and achievement of a substantial occupancy rate. The project development is on schedule and the start of leasing of the residential units was launched in the first quarter of 2020 and the achievement of a substantial occupancy rate is expected in the first quarter of 2022. In October 2020, a capital increase of approximately USD 1.5 million was carried out for the project to reduce the thinning of the capital cover caused by COVID-19 delays.

In February 2020, the Kirby Interchange was sold for a gross amount of USD 35,000 thousand. The sale generated an IRR of approximately 18%, which was significantly above the Group's target IRR of 12%. With the sale, the previously existing financing of the project was fully repaid. The proceeds from the realisation of the project will be invested in the development of existing projects in order to advance them despite the effects of the COVID-19 pandemic.

2.6.7.4 Leases

ROY leases premises for its activities in the USA. ROY USA, Inc. has been renting premises in Pasadena, California, since 1 April 2017 for a monthly rent of USD 570 until 31 March 2022. In addition, another lease has been in place since 14 March 2017, expiring 14 March 2027 with a monthly rent of USD 7,000. The rent is paid to Hi Scene Industrial Limited, which is also the main shareholder of ROY Asset Holding SE.

In Houston/Texas, premises at a cost of USD 10,220 per month are leased by ROY Houston Management, Inc. in the 3300 Main project. The lease started in October 2020 and runs until the end of December 2021. The previous lease for an office in Houston was terminated at the end of September 2020.

ROY Asset Holding SE rents an office in Hungen for an annual flat-rate rent of EUR 1,500, as well as an office with service in Frankfurt for EUR 339 per month with a term until March 2021. The contract for the office with service in Frankfurt has been terminated. In addition, ROY Asset Holding SE rents a hall in Selb/Bavaria and in Erfurt/Thuringia for the subsidiary Lion Legends Holdings Limited, in which machines are housed. The monthly rent amounts to a total of EUR 21,480. The rental agreement for the hall in Selb/Bavaria has an originally agreed term until 31 May 2019 and is automatically extended by six months if the agreement is not terminated three months earlier. The rental agreement for the hall in Erfurt/Thuringia is for an indefinite period and has a notice period of three months. Further rental expenses of KEUR 1 (HKD 9,800) per month are paid for an archive in Hong Kong where records of Lion Legends Holdings Limited are kept.

3. REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

The following statements regarding ROY's future business performance and the underlying assumptions about the economic development of the market and the industry that are considered material for this purpose are based on estimates that ROY considers to be realistic according to the information currently available. Nevertheless, this includes a certain degree of uncertainty as well as an unavoidable risk that the forecasted developments will not actually occur either in their tendency or in the expected extent.

3.1 Prognosis report

3.1.1 Future economic environment

Due to the new increased focus on international markets, the likely development of the global economy is of growing importance for the ROY Group. There are currently good growth prospects for the global economy, provided that the COVID-19 pandemic ends soon. For example, the IFW (Kiel Institute for the World Economy) calculated a significant increase in world production of around 6.2 % for 2021. For world trade, the WTO expects an increase of 7.2 % for 2021.

However, developments in all regions of the world are heavily influenced by the current COVID-19 pandemic, suggesting that at the time of writing a global recession due to Corona cannot be ruled out. The advanced economies are therefore likely to continue to pursue an expansionary monetary policy coupled with a less restrictive fiscal policy in order to cushion possible recessions. Attempts at expansionary fiscal policy in order to achieve stability also leads to possible uncertainties due to the increasing enormous debt levels of states and companies, which represents a potential risk for the global economy.

For the US economy, an increase in gross domestic product of around 3.7 % is expected for 2021 (for comparison: in the euro area for 2021: 4.9 %). Growth in Europe is also expected to be 4.0 % in the following year. The above assumptions have been made due to the ongoing outbreak of the COVID-19 pandemic and are therefore subject to considerable uncertainty. The spread of the coronavirus is still expected to have a significant negative impact in most developed economies in 2021, but at the time of writing, the impact on the global economy cannot yet be described with certainty.

3.1.2 Future Business Environment

The medium-term outlook forecasts strong growth for China of 9.2% in 2021, despite COVID-19. This strong economic growth in China will also affect the rest of the Asian region in 2021. In the rest of the Asian region, economic growth is expected to rise to 6.5% in 2020. This development is expected to be driven by stronger exports and catch-up effects due to the COVID-19 pandemic in 2020. It remains to be seen how the COVID-19 pandemic will develop, so it is not possible to make a reliable statement about the future business environment.

3.1.3 Future development of ROY

The following information provides an overview of the Group's recent developments and ROY's future strategies. Despite the COVID-19 pandemic, ROY will continue to pursue its current strategy.

3.1.3.1 Reactivation of the ROY brand

ROY plans to participate in key trade fairs in Europe and the US in 2021/2022 and to strengthen the ROY brand and Klingenberg Dekoramik to a wider customer base in Europe, the US and ASEAN markets. In 2020, ROY has already exhibited at successful trade fairs in Europe through the Klingenberg Dekoramik brand. In 2021, ROY will participate in various virtual trade fairs through its subsidiary Klingenberg.

3.1.3.2 Future production of sanitary ceramics and further expansion of tile production

In order to support the establishment of an outsourced sanitary ceramics production for ROY at an OEM manufacturer, several suitable manufacturers were visited and a suitable location for the production line was found in Klingenberg. Contracts are now being concluded with suppliers in the first stage to obtain the necessary product components for production or final assembly in Klingenberg. Furthermore, it is planned to invest in new tile products. Essentially, ROY plans to optimise the production processes at Klingenberg Dekoramik and thus save costs and increase efficiency and production utilisation.

3.1.3.3 Forecast for ROY Asset Holding SE and the ROY Group

In the ceramics segment, initial sales revenues were achieved in 2020. Overall, we do not expect these sales to cover the running costs in 2021 in the USA, Hong Kong and Germany, especially from general administrative costs. We expect a higher net loss in 2021 as a whole than in 2020, mainly due to operating overheads. We expect slightly higher revenue in 2021 from tile production. In addition, small initial revenues are expected from the partnership with a new OEM partner in 2021, provided they can consistently deliver high quality ceramics, in line with our quality requirements, to sufficiently serve the sales channels that will be created. Overall, ROY expects other income in the Real Estate segment of approximately €5 million. In the ceramics segment, we expect revenue of between 7 million euros and 8 million euros; overall, this would correspond to a slight increase in revenue compared to the previous year. In 2020, turnover amounted to 7.4 million euros and income from other results to 4.3 million euros. Due to the global effects of COVID-19 for 2021, no reliable forecast can be made for the Ceramics and Real Estate business segments. No forecast can be made for ROY Asset Holding SE for 2021 due to COVID-19, but we expect a slight recovery in the ceramics segment and slightly higher other income in the real estate segment.
Nevertheless, the management expects the initiated projects at subsidiaries to continue, although significant delays are still to be expected and planned project realisations, especially with regard to the high-rise in Houston, are not expected until a later date. The management will continue to pursue a conservative strategy and focus on optimising costs and securing liquidity within the Group. In the overall result, we expect a slight increase in earnings, as well as slightly higher average revenues in the Ceramics business segment. In real estate, we expect the trend towards higher revenues to continue, above our target return of 8% IRR in the realisation of current projects.

In the real estate segment, ROY generates rental income from three leased properties in Houston, which generate rental income for ROY Commercial Real Estate Houston, Inc. In addition, high upfront costs are expected for the other real estate projects under development, which will have a corresponding negative impact on the ROY Group's result in 2021.

The main uncertainty of this outlook for the year 2021 results from the estimation of the possible effects of the currently rapidly spreading coronavirus on the economic development and the activities of the ROY Group. These are difficult to estimate as the situation continues to develop dynamically despite ongoing national vaccination campaigns, especially in the focus markets in the USA, Europe and Asia. On the whole, the Group expects an improved result, as it has succeeded in significantly and sustainably reducing the cost structure, especially at the subsidiary Klingenberg Dekoramik GmbH.

3.2 Report on opportunities and risks

ROY Asset Holding SE's business, net assets, financial condition and results of operations could be materially and adversely affected if one or more of these risks were to occur. Other risks and imponderables at ROY of which the Company is currently unaware or the extent of which it currently misjudges may also adversely affect ROY Asset Holding SE's business and adversely affect the Company's business, net assets, financial position and results of operations. At the same time, the selection and content of the risk factors are based on assumptions that may prove to be incorrect in retrospect.

The production of tiles is particularly influenced by market developments, the competitive situation and the supply of raw materials. The opportunities and risks in the area of real estate activities are to be assessed in particular from the perspective of liquidity, risk distribution, security, transparency, controllability and return. In addition, there are uncertainties regarding the reconstruction of sanitary ceramics at the Klingenberg site, as well as potential project partners in Eastern Europe.

3.2.1 Market risks

The ROY Group's risk management is carried out in a clearly defined and coordinated process. All relevant levels of the ROY Group are continuously monitored. ROY is not currently aware of any risks that could jeopardise its existence. Significant identified risks for the ROY Group are listed below with their probability of occurrence. Especially due to the worldwide spread of the new coronavirus, it is currently difficult to assess the market risks, as the virus as such may temporarily restrict the free trade and movement of goods due to border closures. At the moment, a reliable risk assessment on this point is therefore only possible to a limited extent.

3.2.1.1 Risks of staff fluctuations

ROY's future success depends heavily on the continued performance of its management and other key employees. Should one or more members of management or key employees be unable or unwilling to retain their current positions, ROY may not be able to retain or adequately replace them, as there is a very high demand for experienced personnel in particular and the search for employees with the appropriate skills can be very time-consuming and costly.

In addition, there is a risk that a member of management or key employees will move to a competitor of ROY or establish a competing company, which may result in a loss of know-how, customers, additional key employees and employees. ROY aims to retain the central management team for the next phase of ROY's development in the US and ASEAN markets as well as in Germany. The risk from staff turnover is considered low, but should a key employee leave a senior position, there would be a risk from staff turnover. This applies in particular to the senior management of the ROY Group, as the loss or departure of a member of senior management can be a strong risk due to the lean organisation.

3.2.1.2 Risk in the production of ceramic products

In our opinion, particular risks that could significantly influence the planned course of business for 2021 currently lie in the increasingly oppressive regulations and documentation, increases in energy levies and taxes and price pressure due to stronger competition in the domestic market as well as in the export markets for our ceramic products that are important for our company.

There is a risk that ROY may have to terminate or not be able to finalise the agreement with the OEM plant in Eastern Europe for the development of products and further OEM partners for the production of ROY-branded products if the products do not meet the usual high-quality levels that our customers expect. At the same time, production would have to be timely, efficient and cost-effective and in sufficient quantities.

It is assumed that the partner found operates a suitable OEM plant and that the production of high-quality ROY sanitary ceramics can take place. In addition, the managing directors of ROY Asset Holding SE communicate with and visit the partners at regular intervals to keep themselves informed about developments. The probability of occurrence of a substantial risk for ROY is not considered low, but manageable.

3.2.1.3 Risk in real estate projects

There is the risk that ROY enters into obligations that only subsequently turn out to be economically unacceptable. In addition, there is the risk that liquidity commitments, project development services, construction services, static and economic agreements of partners, commissioned trades or other third parties are not provided on time or to the agreed extent and have a corresponding negative impact on ROY. This risk also includes the choice of a poor location for new projects and a lack of attractiveness for leasing and sales.

ROY assumes that its due diligence in the selection of partners can be considered appropriate and sufficient. ROY works with reputable construction companies and real estate project partners. In addition, ROY enters into necessary cooperations and, if required, purchases external expertise and has analyses and expert opinions prepared prior to a purchase or development. ROY assesses the probability of occurrence of an existential risk for the ROY Group, based on the processes and analyses carried out before a decision is made, as not low, but manageable.

3.2.1.4 Competitive market

The Company believes that the market for ceramic products is highly competitive. Numerous domestic and international brands compete for market share in all world markets through, among other things, product design, product variety, product quality, price and brand loyalty. It cannot be excluded that competitors place their brands on the same level as ROY and its subsidiary Klingenberg Dekoramik and also penetrate the same segments. Moreover, many manufacturers of ceramic tile and sanitary ware products have already achieved a similar, if not greater, brand and market awareness and have already secured market shares, or are in the process of securing them, because they currently have better financial resources or reach than ROY its subsidiaries and are thus better placed in terms of marketing, sales, etc.

There is a risk that ROY will not be able to assert itself against existing or new competitors in the future, that it will have to relinquish market shares it has already captured or that it will not gain any new market shares. Since ROY has so far only been directly active in the tile market and the sanitary ceramics sector is only being built up again, this risk is currently regarded as significant but manageable, since there are also different levels of entry barriers depending on the market.

3.2.1.5 Dependence on major customers and projects

Following the closure of ROY's manufacturing plant in Beijing in 2015, ROY's established customers are now buying sanitary ware from other manufacturers. There is a risk that ROY's access to previous major customers and also new major customers will be made more difficult due to strong competition. As ROY is established as a brand and has a worldwide distribution network for ceramic tiles through its subsidiary Klingenberg Dekoramik, which is also suitable for the distribution of sanitary ceramics, this risk is currently considered to be low.

3.2.1.6 Fluctuating trends and customer preferences

ROY's residential ceramic products are, on the one hand, particularly aimed at customers who prefer high quality and luxurious furnishings. In commercial ceramics, ROY predominantly serves high-end office buildings and commercial/government buildings, real estate developers, property management companies, retail shops, hotels, architects and design studios. ROY's success depends in part on the group's ability to keep abreast of design trends and technical developments in this market. Equally important is the ability to react to new trends in good time and to identify new trends at an early stage. ROY therefore continuously launches new designs to expand its own customer base and increase its appeal in order to boost sales.

The ROY design and development department is located at the Klingenberg site and the know-how and contact with the former employees and external service providers in the sanitary sector will remain and it is assumed that when the growth phase for sanitary is entered, these resources can be reactivated. The introduction and development of any new product line involves a significant investment of time and resources. Notwithstanding the foregoing, there is no assurance that ROY will always be able to respond effectively and positively to changing customer needs and preferences and develop product designs that are attractive to the targeted market. Similarly, there can be no assurance that any new product line that ROY may launch in the future will be commercially viable or successful. If ROY is unable to adapt to market needs, tastes and desires and consistently design and sell commercially viable, high quality products, demand for ROY branded products could decline. This could have a material adverse effect on ROY's net assets, financial position and results of operations. As ROY is operationally active only in the ceramic tile market, this risk is currently assessed as low.

3.2.1.7 Risks regarding the development and promotion of the brand

The ROY and Klingenberg Dekoramik brands are an important factor in ROY's success in the market for high-quality and luxurious residential and commercial ceramics. ROY believes that brand image and brand awareness are important factors in customers' purchasing decisions. ROY's marketing focuses on attracting and retaining customers in the target groups addressed by ROY. These include, in particular, outfitters of upscale residential, office, commercial and government buildings, construction companies, property management companies, retail outlets, hotels and architects as well as design studios.

Future sales of ROY's products depend in part on the extent to which ROY's efforts to increase brand awareness and recognition for its products have an impact and how well ROY succeeds in protecting the ROY brand from third-party use or counterfeiting. The latter could damage the reputation and goodwill associated with the brand. Furthermore, when ROY can go to market with new sanitary ware products is crucial.

There is a risk that ROY will not succeed in raising awareness of the ROY and Klingenberg Dekoramik brands in the intended manner. Reasons for this could be a lack of availability due to the selection of an unsuitable OEM partner for sanitary ceramics, negative headlines, a negative perception of the ROY brand or a negative image of the brand, this also applies to ceramic tiles. Another reason could be if ROY fails to promote, protect and maintain its image as a manufacturer of high quality ceramics. The brand awareness and goodwill associated with the brand could even decrease. This could lead to a loss of customer confidence and a lack of sales. This risk is currently considered to be low, as the existing ceramic tiles from Germany enjoy an excellent reputation worldwide.

3.2.1.8 Unprotected intellectual property rights

As the design and manufacture of ROY products involves numerous manufacturing formulas and production technologies, their protection is extremely important to the success of ROY and its competitive position.

To date, there is no protection for ROY's technology, production formulas and know-how. Therefore, there is a risk that third parties copy these technologies, production formulas and know-how or other know-how used by ROY and ROY has no effective legal means to prevent this. In such cases, ROY is not in a position to seek permanent injunctions or damages for the aforementioned infringements.

In addition, it cannot be ruled out that ROY's technologies and manufacturing formulas as well as other know-how infringe the rights of third parties, which could lead to actions for permanent injunctions and/or damages on the part of these third parties against ROY. The risk is assessed as given but manageable.

3.2.2 Opportunities report

3.2.2.1 Opening up new markets

In the area of ceramics, opportunities arise from the development of a new sanitary product line. With the label "Made in Europe", ROY's management assumes an increased acceptance of ROY's products on the entire Asian and American continent (Asia, South America, USA, Canada) and also in Europe as sales markets. The proximity to these new customer groups is another location advantage that can be exploited. Furthermore, opportunities arise with the focus on high-margin ceramics and shower toilets, which have so far played an underrepresented role in the Western markets. In the field of tiles, it is planned to use ROY's popularity in Asia and the USA and to further expand the existing distribution network there.

In addition, opportunities arise from the real estate business area. Essentially, real estate, where location is key, offers stable rental income and value growth opportunities in locations with development potential. ROY considers the current focus of real estate activities in Houston/Texas to be very good. Houston as a real estate market, after a decline in previous years, is experiencing a revival, which was largely characterised by a recovery trend in oil prices since 2019. Houston's development, with resumed creation of attractive and well-paying jobs by companies in the medical sector and oil industry is expected to be a continuing trend, with corresponding rent increase and sales potential for ROY projects. In 2020, there were temporary impacts due to COVID-19, particularly in Multifamily projects, however, early openings and a rollback of restrictions due to COVID-19 were enacted in Texas. Market expectations and recovery for Texas and especially Houston have been more positive since the end of 2020.

In addition, the combination of real estate projects and potential future furnishing of the projects with own ROY tiles and sanitary ware is seen as a positive effect for the marketing strategy, as well as additional revenue potential.

3.2.2.2 Efficient structures

The Group is well positioned in the structures created with short decision-making paths for the rapid implementation of the strategy. Communication is deliberately kept simple and fast. The organisational and regulatory effort at the individual group levels has also decreased significantly. In the future, ROY will be able to react faster and better to the requirements of the market and to implement forward-looking strategies.

3.2.2.3 Financing

ROY uses internal sources of liquidity of the group through capital increases and/or through additional external financing, which can be expanded as needed. With the implementation of the first projects in the US, ROY is enhancing its financing reputation with financing partners there, along with the expectation of easier access to fresh funding.

4. DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE GROUP ACCOUNTING PROCESS (SECTION 315 (4) HGB)

ROY uses an internal control system as well as a risk management system which, measured against the current size and complexity, defines appropriate structures and processes for accounting and the preparation of financial reports. These systems are designed to ensure timely, consistent and accurate accounting for all business processes and transactions and also to ensure compliance with legal requirements and standards of accounting and financial reporting.

At present, due to the manageable organisational structures, these systems are largely characterised by the interaction between the management and the board of directors.

The (sub-)consolidated financial statements are largely prepared in cooperation with external service providers and are mainly based on the documents submitted by the subsidiaries involved. The annual financial statements and subgroup financial statements are audited for by renowned auditing firms in the USA, Hong Kong and Germany. ROY's accounting department and the external service providers are responsible for the consolidation, certain alignments with the Group's policies and monitoring of the timing and procedures. System-based controls are monitored by staff and supplemented by spot checks and plausibility checks. There is currently no internal audit due to the size of the company.

Due to the further development and growth of the Group, the complexity and scope of accounting will increase. The Executive Directors are therefore planning a corresponding expansion of the control and risk management system, as well as the use of a new ERP system, the implementation of which will take place in the first half of 2021. The implementation of this system will be completed at the subsidiary Klingenberg Dekoramik by the end of Q2 2021.

5. REMUNERATION SYSTEM

5.1 Remuneration of the managing directors

The Managing Directors of ROY Asset Holding SE in the year under review were:

Matthias Herrmann, Chief Executive Officer, Rodgau/Germany,

Suriya Toaramrut, Technical Director, Bangkok/Thailand.

Siu Fung Siegfried Lee, HongKong (until 06 August 2020)

As of 31 December 2020, Matthias Herrmann is Managing Director, as well as Deputy Chairman of the Board of Directors of ROY Asset Holding SE. Mr Herrmann was appointed as Managing Director in August 2019 for a period of five years. As Mr Herrmann is both Managing Director and member of the Board of Directors, he can only be removed from office for good cause. In accordance with his contract, the Managing Director Mr Herrmann received a non-performance-related remuneration of KEUR 325 in 2020 (2019: KEUR 234). Mr Herrmann does not receive any remuneration for his work on the Board of Directors. A D&O insurance policy has been taken out for Mr Herrmann.

The basic remuneration is fixed and amounts to 288,000 euros for the financial year 2020. For the year 2019, holiday compensation in the amount of 27 kEUR and an agreed one-time bonus in the amount of 10 kEUR were paid in the first quarter of 2020. In addition, a pension plan was agreed in accordance with the annual maximum pension contribution 2021 maximum rate. The fringe benefits granted in 2020 include contractual compensation for holidays and a lump-sum contribution to the pension plan. Mr Herrmann has declared his waiver of the holiday compensation and pension contribution for 2020. In addition, a variable remuneration of a flat 10% was agreed on the basis of a positive EBIT of Klingenberg Dekoramik GmbH. The target was not achieved in 2020.

Siu Fung Siegfried Lee received a fixed remuneration for his service as an executive director and director at subsidiaries of EUR 316 thousand (USD 360 thousand) in 2020 (2019: EUR 345 thousand) until his retirement as an executive director of ROY Asset Holding SE. Mr Lee did not receive any remuneration for his service as Chairman of the Board of Directors.

The Managing Director Mr Toaramrut received no remuneration in this capacity.

The directors in office as at 31 December 2020 are neither direct shareholders in the company nor do they hold options to acquire a share in the company.

To date, no share option agreements have been concluded with any member of the Executive Board on the basis of the "Share Option Programme 2020" resolved at the Annual General Meeting 2020.

The Board of Directors is responsible for determining the remuneration of the Executive Directors.

5.2 Remuneration of the members of the Board of Directors

The Board of Directors of the Company currently comprises the following members:

Name	Member since
Surasak Lelalertsuphakun (Chairperson)	18 September 2014
Matthias Herrmann (Vice-Chairman)	02 October 2017
Siwen Mao	02 October 2017
Christian Alexander Peter	02 October 2017
Sujida Lelalertsuphakun Lee	02 October 2017
Shing Hei Lee	06 August 2020

Each member of the Board of Directors shall be entitled to an annual payment of EUR 18,000.00, the Chairman to an annual payment of EUR 24,000.00 and the Deputy Chairman to an annual payment of EUR 20,000.00. This payment shall be made within one week after the General Meeting has resolved to discharge the Board of Directors. Members of the Board of Directors who were members for only part of the year shall be entitled to one twelfth of the annual payment for each month of membership. If a member of the Board of Directors is also an Executive Director, he or she shall not receive any remuneration for his or her work as a member of the Board of Directors.

Following the transfer of 64.77% of the shares in the Group from Shine Eagle Trust to Hi Scene Industrial Limited, Ms Sujida Lelalertsuphakun Lee has a direct shareholding in the Group. Other than the above, no other Director has any direct or indirect shareholding in the Group.

Surasak Lelalertsuphakun is a director of the majority shareholder Hi Scene Industrial Limited. Sujida Lelalertsuphakun Lee owns 100% of the shares in Hi Scene Industrial Limited, which has 75.47% of the shareholding in the company.

The shares of the majority shareholder Hi Scene Industrial Limited, are held by Mr Lee's daughter.

6. disclosures pursuant to § 289a para. 1 AND § 315e Para. 1 HGB AND EXPLANATORY NOTES

6.1 Composition of the subscribed capital

The subscribed share capital of the company amounts to EUR 54,327,000. It is divided into 54,327,000 bearer shares with a nominal value of EUR 1.00. All shares are fully paid up. Each share grants the holder one voting right at the Annual General Meeting.

6.2 Restrictions on voting rights or the transfer of shares

Each share in ROY Asset Holding SE entitles the holder to one vote. According to the Company's Articles of Association, there are no restrictions affecting voting rights or the transfer of shares beyond the general provisions of the German Stock Corporation Act (AktG).

6.3 Direct or indirect shareholdings in the capital of more than 10%.

The statutory voting rights notifications received by the Company from shareholders with a significant direct or indirect interest in the Company can be found in the notes to the consolidated financial statements of the Company.

6.4 Holders of shares with special rights conferring powers of control

ROY has not yet issued shares with special rights conferring powers of control.

6.5 Voting rights control if employees have an interest in the capital

The Company does not have an employee share ownership programme and therefore no voting controls exist.

6.6 Legislation and provisions of the Articles of Association on the appointment and removal of the Executive Directors and the Board of Directors and on the amendment of the Articles of Association

The managing directors are appointed by the Board of Directors. According to § 13 No. 1 of the Articles of Association of ROY Asset Holding SE, the latter may appoint several managing directors. The managing directors manage the business of the company and represent it vis-à-vis third parties. If only one managing director has been appointed, he/she shall represent the company alone. If there are several managing directors, the company shall be represented by two managing directors jointly or by one managing director together with an authorised signatory. The Board of Directors may determine, as was done in the case of Mr. Herrmann, that individual managing directors are authorised to represent the Company alone. The Board of Directors may dismiss the managing directors at any time by resolution. Pursuant to § 13 No. 2 of the Articles of Association of ROY Asset Holding SE, a managing director who is also a member of the Administrative Board may, however, only be dismissed if reasons are given.

The members of the Administrative Board are elected at the Annual General Meeting.

According to § 9 No. 1 of the Articles of Association of ROY Asset Holding SE, the Administrative Board consists of eight members. The Administrative Board elects a Chairman and a Deputy Chairman from among its members.

The declarations of the Board of Directors are made by its Chairman or, if he is unable to do so, by the Deputy Chairman. The Administrative Board manages the Company, determines the basic guidelines of the business policy and supervises the implementation of the measures planned by it. The rights of the Administrative Board are therefore comparable to the rights of the Executive Directors and Supervisory Board of a German stock corporation or a European company with a two-tier management structure.

The Chairman of the Board of Directors of ROY Asset Holding SE shall convene an ordinary meeting at least every three months. The Board of Directors passes its resolutions in its respective meetings. It constitutes a quorum when all members are involved in the decision-making process. Members of the Board of Directors who are not present at the meeting may participate in the vote by having their written vote submitted by a member who is present.

The board of directors convenes the general meetings, prepares the implementation of the shareholders' resolutions, appoints the managing directors, manages the accounting system and must implement a control system to detect developments threatening the existence of the company as early as possible, proposes the auditors annually, reviews the approval of financial statements and informs - if necessary - about the loss of half of the share capital and about insolvency.

The members of the Board of Directors are entitled to attend the Annual General Meeting and to participate in amendments to the Articles of Association. They are also entitled to issue new shares in connection with capital increases under the authorised capital.

6.7 Powers of the Executive Directors with respect to the ability to issue or repurchase shares

According to § 6 No. 1 of the Articles of Association of ROY Asset Holding SE, the Board of Directors is authorised until 05 August 2025 to increase the share capital of the Company by up to EUR 27,163,500 in total by issuing new bearer shares on one or more occasions against cash or non-cash contributions. The new shares are entitled to a dividend from the financial year of the company in which they are issued (Authorised Capital 2020). The authorised capital 2017 was cancelled.

The Board of Directors of the Company is further authorised to exclude the shareholders' statutory subscription right in the following cases:

- for fractional amounts;
- in the case of capital increases against contributions in kind, in particular in the form of companies and participations in companies, claims or other assets;
- in the case of cooperation with another company, if the cooperation serves the company's business purpose and the company with which cooperation is being entered into requires participation;
- in the issue of employee shares, also for the employees and management of affiliated companies in accordance with the interest of the Company, in particular in the interest

of a commitment to the Company and as an incentive;

- to the extent necessary to establish subscription rights in respect of new shares issued by the Company or its subsidiaries for holders of warrants and convertible bonds in the amount to which they are entitled upon exercise of their conversion option under the warrants;

- in the case of an increase of the registered capital against cash contribution, provided that the proportion of the registered share capital represented by the new shares does not exceed a total of 10% of the registered share capital of the Company at the time of the registration of this authorised capital in the Commercial Register or exceeds a total of 10% of the registered share capital at the time of the issue of the new shares and provided that the issue price of the new shares is not significantly lower than the stock exchange price.

In 2020, the company's capital was conditionally increased by a total of EUR 5,432,700 in accordance with § 6a of the Articles of Association. This capital increase will only be carried out if subscription rights are issued in accordance with the 2020 share option programme that was resolved at the same time (conditional capital 2020/I). This has not yet been done.

The conditional capital (2017) was dissolved in 2020.

A further conditional capital increase pursuant to § 6b of the Articles of Association concerns an amount of EUR 21,730,800. This conditional capital increase serves to grant new no-par value bearer shares to the holders or creditors of convertible bonds, bonds with warrants and/or participating bonds and/or profit participation rights issued on the basis of the authorisation of the same date (conditional capital 2020/II). No issue of one or more of the aforementioned instruments has taken place to date.

6.8 Significant agreements that take effect in the event of a change of control following a takeover bid

ROY Asset Holding SE has not entered into any material agreements that take effect in the event of a change of control as a result of a takeover bid.

6.9 Compensation agreements with management and employees

There is a compensation agreement with the Managing Director Matthias Herrmann, which takes effect in the event of a change of control as a result of a takeover bid, and in total a maximum of the salaries still to be paid until the end of the contract. No agreements exist for other members of management or employees.

7. DEPENDENCE REPORT

All legal transactions disclosed in the dependency report as at 31 December 2020, which were known to the Executive Directors at the time, were not concluded to the detriment of ROY Asset Holding SE.

8. CORPORATE GOVERNANCE STATEMENT

The corporate governance statement required by § 289f HGB and § 315d HGB can be found on our company homepage at https://royasset.de/anlegerbeziehungen/unternehmensfuehrung.

The declaration of compliance with the German Corporate Governance Code in accordance with § 161 of the German Stock Corporation Act (AktG) has been issued and is publicly available on the company's website at https://royasset.de/anlegerbeziehungen/unternehmensfuehrung.

The managing directors of ROY Asset Holding SE manage the company and the group on their own responsibility. They are bound to the interests of the company and must act in the best interests of the companies. In addition, they are guided by the intention of sustainably increasing the value of the company. As an international company, ROY Asset Holding SE is aware of its responsibility to act in accordance with legal, social and ethical concerns.

The target for the quota of women on the Board of Directors was reached by the end of June 2017. Due to resignations for personal reasons, this quota has been undercut in the meantime and the ROY Group has therefore not set itself a target of 30% women on the Board of Directors for the next five years.

Munich, 28 April 2021

ROY Asset Holding SE

The Managing Director

MATTHIAS HERRMANN	SURIYA TOARAMRUT
CEO	Technical Director

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR AS AT 31 DECEMBER 2020

ROY Asset Holding SE, Munich

CONSOLIDATED BALANCE SHEET

ASSETS	Annot.	31.12.20 in KEUR	31.12.19 in KEUR	LIABILITIES AND EQUITY	Annot.	31.12.20 in KEUR	31.12.19* in KEUR
I. Current assets				I. Current liabilities			
Cash and cash equivalents	21	4,679	1,416	Trade payables and other liabilities	22	4,844	5,929
Inventories	19	6,519	6,729	Total current liabilities		4,844	5,929
Trade receivables and other receivables	20	2,260	4,648				
Total current assets		13,458	12,793	II. non-current liabilities			
				Financial liabilities	26	82	16,699
II. non-current assets				Provision for pensions	30	622	666
Investment property	27	17,932	41,507	Total non-current liabilities		704	17,365
Property, plant and equipment	17	18,554	36,046				
Claims against an Executive Director	23	2,289	2,003	III. equity			
Investments accounted for using the equity method	28	21,650	25,655	Subscribed capital	24	54,327	54,327
				Capital reserves	25	78,527	78,527
				Loss carried forward		84,731	62,585
				Other equity components		15,529	19,467
				Equity attributable to the owners of the parent company		63,652	89,736
Total non-current assets		60,426	105,210	Non-controlling interests		4,684	4,973
				Total equity		68,336	94,709
Total assets		73,884	118,003	Total liabilities and equity		73,884	118,003

The adjustment of the acquisition of Klingenberg Dekoramik GmbH was recognised in the consolidated financial statements using the retrospective method, i.e. the adjusted amounts were recognised as if the accounting for the acquisition had already been completed at the time of acquisition. Please refer to note 35

ROY Asset Holding SE, Munich

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR 2020

	Annot.	2020 in KEUR	2019 in KEUR*
Ceramics sales revenue	7	7,170	4,584
Income from real estate rentals		210	3,267
Revenues		7,380	7,851
Result from the sale of real estate	9	3,959	0
Cost of sales	12	7,998	6,303
Gross profit		3,340	1,548
Other income	11	345	382
Administrative costs	10	8,008	6,529
Other operating expenses	11	15,014	11,399
Operating result		**-19,337**	**-15,998**
Financial income	8	425	6
Financial expenses	15	-179	823
Financial result		246	817
Share of losses in companies accounted for using the equity method		3,045	0
Result before income taxes		-22,136	**-16,815**
Income tax expense / income	16	**-11**	68
Group result before first-time consolidation Klingenberg		-22,147	**-16,747**
Income from first-time consolidation Klingenberg		**0**	**7,311**
Group result		**-22,147**	**-9,436**
Other comprehensive income to be reclassified to the income statement in subsequent periods:			
Exchange rate differences due to currency translation		**-4,228**	920
Other consolidated result		-4,228	**920**
Consolidated total income		**-26,375**	-8,516
Total comprehensive income attributable to:			
Owners of the parent company		-26,086	-8,516
Non-controlling interests		-289	0
		2020 in EUR	**2019 in EUR**
Earnings per share weighted average:	24	-0.41	-0.29

The comparative information was adjusted due to error corrections. (see note 38)

ROY Asset Holding SE, Munich

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2020

	Subscribed capital in KEUR	Capital reserve* in KEUR	Conversion reserve in KEUR	Profit/loss carried forward in KEUR	Non-controlling interest in KEUR	Total in KEUR
Annot.	24	25	25	25	25	
Status: 1 Jan. 2019	18,109	78,527*	18,547	-16,932	0	98,251
Exchange rate difference	0	0	920	0	0	920
Profit / Loss	0	0	0	-16,746	0	-16,746
Capital increase	36,218	0	0	-36,218	0	0
First-time consolidation income Klingenberg Dekoramik	0	0	0	7,311	0	7,311
Non-controlling interest	0	0	0	0	4,973	4,973
Overall result	36,218	0	920	-45,563	4,973	-3,452
Status: 31 Dec. 2019	54,327	78,527	19,467	-62,585	4,973	94,709
Status: 1 Jan. 2020	54,327	78,527	19,467	-62,585	4,973	94,709
Exchange rate difference	0	0	-3,938	0	-289	-4,228
Profit / Loss	0	0	0	-22,147	0	-22,147
Non-controlling interest	0	0	0	0	0	0
Overall result	0	0	-3,938	-22,147	-289	-26,375
Status: 31 Dec. 2020	**54,327**	**78,527**	**15,529**	**-84,731**	**4,684**	**68,336**

ROY Asset Holding SE, Munich

CONSOLIDATED CASH FLOW STATEMENT

For the year from 1 January to 31 December 2020

	Annot.	2020in KEUR	2019in KEUR
Current business activity			
Result before taxes		-22,136	-16,815
Corrected by			
(Interest income) /Interest expenses		-246	818
Leasing interest		52	4
Lease repayment portion		166	76
Book profit from the sale of real estate		-7,002	0
Book profit from the disposal of fixed assets		-158	0
Loss / (gain) from deconsolidation of Easy Taken Credit.		7	0
Depreciation		12,110	12,150
Impairments on receivables	6	199	-12
Impairment on machinery		3,765	0
Other non-cash expenses		3,046	0
Cash flow from operating activities before changes in current assets		**-10,198**	-3,779
Decrease / (increase) in inventories at Klingenberg Dekoramik		210	-1,206
Decrease / (increase) in trade receivables and other receivables		2,298	2,146
Decrease / (increase) in verb. and ford. compared to a director		-229	345
(Decrease) / increase in trade payables and other liabilities and financial liabilities		329	-528
Cash flow from operating activities		**-7,590**	-3,022
Income tax paid		-11	-68
Net cash flow from operating activities		**-7,601**	-3,090
Investment activity			
Interest received	8	163	2
Payments for investments in investment property	27	-2,949	-9,434
Payments for investments in companies valued at equity	28	-937	0
Payments for investments in property, plant and equipment		-270	27
Proceeds from disposals of property, plant and equipment		191	0
Proceeds from the sale of investment property		30,597	462
Cash flow from investing activities		**26,795**	-8,943
Financing activity			
Interest paid	15	-178	-823
Leasing interest		-52	-4
Lease repayment portion		-166	-76
Proceeds from borrowings		82	3,261
Loan repayment		-16,699	0
Net cash flow from financing activities		**-17,013**	2,358
Net increase/(decrease) in cash and cash equivalents		**2,181**	-9,675
Consolidation-related changes		0	490
Currency translation effects		1,012	1,327
Cash and cash equivalents at the beginning of the period		1,416	9,274
Cash and cash equivalents at the end of the period	21	**4,679**	1,416

GENERAL INFORMATION

ROY Asset Holding SE (hereinafter referred to as the "Company") is the parent company of the Group. The Company is a European public limited company incorporated on 8 May 2014 and registered in the Commercial Register of Munich (HRB 211752), Germany, with its administrative headquarters (business address) at Gießener Straße 42, 35410 Hungen.

The business purpose of the Company and its subsidiaries (together referred to as the "Group") is, on the one hand, the manufacture and sale of ceramic sanitary ware and accessories and, on the other hand, the purchase and sale of real estate, as well as project development of real estate and as a real estate investor. The company acts as an investment holding company. The principal activities of its subsidiaries and the Company's shareholding and voting rights are disclosed in Note 34.

On 30 April 2015, the shares of ROY Asset Holding SE were listed for the first time on the Prime Standard of the Frankfurt Stock Exchange (Germany) and simultaneously on the unregulated market (Third Segment) of the Vienna Stock Exchange (Austria). The shares are traded under the securities identification number RYSE88 or ISIN DE000RYSE888. The delisting of the share from trading on the Vienna Stock Exchange was carried out in December 2020.

On 30 August 2016, all shares owned by Shine Eagle Trust Reg. were transferred to Hi Scene Industrial Limited, Tortola, Virgin Islands, a private company incorporated in the British Virgin Islands and owned and controlled by the family members of the former Chairman of the Board, Siu Fung Siegfried Lee. For further details, see note 32.

The consolidated financial statements are prepared in thousands of euros (KEUR). The functional currency of the Group in 2020 was the US dollar (USD), as the ROY Group made the majority of its operating investments in the USA.

The following exchange rates were used in the preparation of the consolidated financial statements:

- Income statement and other comprehensive income 2020 items: USD 1.1422 to EUR 1 and balance sheet 2020 items: USD 1.2271 to EUR 1.

- Items in the 2019 income statement and other comprehensive income: USD 1.1195 to EUR 1 and items in the 2019 balance sheet: USD 1.1234 to EUR 1.

The figures in the tables were calculated exactly and totalled. The presentation is rounded. This may result in rounding differences in the totals.

The consolidated financial statements will be approved by the Executive Directors for submission to the Board of Directors on 28 April 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING AND BALANCE SHEET PRINCIPLES

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union during the financial years under review.

The additional disclosure requirements pursuant to § 315e of the German Commercial Code (HGB) are included in the notes under the relevant paragraphs.

The International Accounting Standards Board (IASB) has adopted several new or revised standards, the application of which is mandatory for financial years beginning on 01 January 2020. The requirements of the standards applied have been met in full and give a true and fair view of the Group's net assets, financial position and results of operations. For the purpose of preparing and presenting the financial statements for the periods under review, the Group has applied uniform accounting policies. All accounting policies set out in Note 3 have been consistently applied throughout the period under review. The consolidated financial statements have been prepared on the historical cost basis unless otherwise explicitly stated.

2. THE APPLICATION OF NEW AND REVISED IFRS

The IASB has published the following standards or amendments to existing standards that have been adopted by the EU and are applicable for reporting periods beginning on or after 1 January 2020:

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of "material
- Amendments to IFRS 3 "Business Combinations" - Definition of "Business Operation
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Reform of reference interest rates
- Amendments to IFRS 16 "Leases" - COVID 19-conditional lease concessions (from 1 June 2020)

The aforementioned amendments to existing standards have no or only insignificant effects on these consolidated financial statements.

In addition, the managing directors are reviewing whether other new or amended standards to be applied for the first time in subsequent reporting periods will have an impact on the consolidated financial statements. No significant effects are expected.

3. SIGNIFICANT ACCOUNTING AND VALUATION PRINCIPLES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

A subsidiary is a company that is controlled by ROY Asset Holding SE. Control exists where the Company has power over the subsidiary, is exposed to variable returns from its involvement with the subsidiary and has the ability to use its power to affect the amount of the variable returns. Control over a subsidiary exists when the Company has existing rights that give it the current ability to direct the relevant activities of the subsidiary.

Subsidiaries are fully consolidated from the date of acquisition, i.e. the date on which a controlling influence is obtained. Full consolidation ends at the time when the controlling influence ends. The financial statements of the subsidiaries are prepared uniformly in accordance with the Company's accounting policies for the purpose of presenting financial information. All income, expenses and unrealised gains and losses resulting from transactions within the Group are fully eliminated in the consolidation.

Intra-group balances and transactions and all unrealised income and expenses (other than income and expenses arising from foreign currency transactions) arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains on transactions with entities accounted for using the equity method are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same manner as unrealised gains, but only if there is no indication of impairment.

(b) Joint ventures and associated companies

A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement. Joint control is the contractually agreed, jointly exercised control of an arrangement. This is only the case when decisions about the relevant activities require the unanimous consent of the parties involved in joint control.

An associated company is a company over which ROY Asset Holding SE has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the company in which the investment is held. There is neither control nor joint management of the decision-making processes.

The results, assets and liabilities of joint ventures and associates are accounted for in these financial statements using the equity method. Under the equity method, investments in joint ventures and associates are included in the consolidated statement of financial position at cost, adjusted for changes in the Group's share of profit or loss and other comprehensive income of the associate or joint venture.

The provisions of IFRS 9 are used to determine whether there are indicators that the shares in associated companies or joint ventures are impaired. If an impairment test is to be carried out, the carrying amount of the investment is tested for impairment in accordance with the provisions of IAS 36. For this purpose, the recoverable amount, i.e. the higher of the value in use and the fair value less costs to sell, of the investment is compared with its carrying amount. Any resulting need for impairment is offset against the carrying amount of the investment.

(c) Related companies and persons

A company or person is treated as a related party if

a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by or is under common control with the reporting entity; (ii) has an interest in the reporting entity that gives it significant influence over the entity; or (iii) is involved in the joint control of the entity;

b) the party is an associate or a joint venture;

c) the party holds a key management position in the reporting entity or its parent;

d) the party is a close family member of a natural person pursuant to a) or c);

e) the party is an entity that is controlled by, under common control with, significantly influenced by, or that directly or indirectly owns a substantial majority of the voting rights of a natural person referred to in c) or d) above.

(d) Property, plant and equipment

Property, plant and equipment are valued at acquisition cost less scheduled and unscheduled depreciation. The cost of a fixed asset includes the purchase price and all directly attributable costs incurred in bringing the asset to its working condition and location. Expenditure on property, plant and equipment that is incurred subsequently (e.g. repair and maintenance costs) is recognised in the consolidated income statement in the financial year in which it is incurred. If significant parts of an item of property, plant and equipment need to be replaced at certain intervals, they are capitalised as individual assets with independent useful lives and depreciation amounts.

With the exception of assets under construction, property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives for property, plant and equipment are as follows:

Owner-occupied buildings	20 years
Leasehold improvements	5-20 years
Machines	10-20 years
Machines in storage	6.6 years
Office equipment	5 years
Motor vehicles	5 years

Fully depreciated assets are kept in the asset accounting until their disposal. No further depreciation is applied to these assets. If assets of property, plant and equipment have different useful lives, the acquisition costs are allocated to these parts and depreciated separately.

Residual values, useful lives and depreciation methods are reviewed at least at the end of the financial year and adjusted accordingly if necessary. Insofar as the use of property, plant and equipment extends beyond the originally assumed useful life, we make a corresponding change insofar as we assess the effects of this change to be material.

The machines in storage are depreciated at a higher rate of 15% due to the storage. The estimated remaining useful life is 6.6 years.

An item of property, plant and equipment, as well as any separately recognised material part of such an item, is derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses on disposal or retirement are recognised in the income statement in the year of disposal for the difference between the disposal proceeds and the carrying amount.

(e) Investment property

Investment property is property held to earn rentals and/or for capital appreciation and is not owner-occupied or held for sale in the ordinary course of business. They are valued upon addition at acquisition or production cost including transaction costs and subsequently at amortised acquisition or production cost (including scheduled straight-line depreciation). A useful life of 28 to 40 years is assumed.

The fair value is additionally disclosed in the notes.

Investment property is reclassified to property, plant and equipment when there is a change in use as evidenced by the commencement of owner occupation of the property.

For the treatment of investment property on disposal, please refer to our explanations in section 26.

(f) Leases

The Group recognises, as lessee, an asset for the right to use the leased assets and a corresponding liability for the payment obligations at present value for all continuing obligations that are based on the use of an identified tangible asset for a specified period of time in exchange for a payment to control the asset. In determining the term of the lease, any renewal and termination options are included. The payment obligation is generally discounted at the Group's incremental borrowing rate of 4.626%, as the Group cannot reliably determine the implicit interest rates of the leases entered into. The right-of-use asset is measured at cost at the inception of the lease, which is the aggregate of the initial amount of the lease liability, incentive payments and contract and restoration costs. Subsequent measurement of the right of use is in accordance with comparable acquired assets, i.e. property, plant and equipment and investment property are depreciated on a straight-line basis.

The Group uses the application relief for low-value and short-term leases (less than twelve months) and generally recognises the lease payments as an expense in the consolidated income statement on a straight-line basis.

If a company enters into a contract with the Group as lessor under which all material risks and rewards are transferred to the lessee, the future lease payments to be made by customers are recognised as lease receivables in the amount of the net investment in the lease instead of the leased asset.

The leases entered into by the Group with its tenants are classified as operating leases. Accordingly, the Group is the lessor in a large number of operating leases (tenancies) of various forms over investment property from which revenue and income are generated.

Leases are classified as finance leases when the terms of the lease substantially transfer the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group reports rights-of-use that do not meet the definition of investment property in 'Property, plant and equipment' and consequently in the same line item in the financial statements in which the underlying assets owned by the Group are reported.

The lease liabilities are reported in the consolidated balance sheet under other financial liabilities.

Lessee defaults

Efforts are made to minimise bad debt risks through careful selection of contractual partners. For this purpose, available data is used to assess the historical payment behaviour as well as the solvency of the lessees. In addition, the ROY Group works with external service providers and intermediaries in the USA to find suitable lessees. Furthermore, customary security instruments such as sureties, real collateral, guarantees, letters of comfort, retentions and deposits are used when appropriate. Possible bad debt losses are counteracted by a structured receivables management process with our external property management partners. ROY Asset Holding SE has a high-quality portfolio of properties and generates stable cash flows from letting. A significant impairment of the cash flows and thus the financial and earnings position can arise from defaults or insolvencies of anchor tenants.

(g) Inventories

Raw materials, work in progress and finished goods are valued at the lower of acquisition or production cost and net realisable value. Acquisition or production costs include direct material and production costs as well as appropriate portions of variable and fixed overheads, whereby the latter costs are determined on the basis of normal capacity. Cost is allocated to individual inventory items on the basis of weighted average cost. The cost of purchased inventories is determined after deducting discounts and allowances. The net realisable value is determined as the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Impairment losses of non-financial assets

Non-financial assets mainly comprise property, plant and equipment and inventories. At the end of the reporting period, the Group reviews the carrying amount of non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. The recoverable amount is determined for each individual asset, unless an asset does not generate cash flows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and written down to its recoverable amount.

For non-financial assets, an assessment is made at each balance sheet date as to whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. If any such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. However, the carrying amount is increased to no more than the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised. The reversal of the impairment loss is recognised in profit or loss.

(i) Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Initial recognition takes place at the time the Group becomes a party to the contract. Financial assets and financial liabilities are generally reported separately. For regular way purchases or sales of financial assets, the Group uses trade date accounting for both initial recognition and derecognition.

Financial instruments are initially recognised at fair value. For subsequent measurement, the financial instruments must be classified at the time of initial recognition. In the process, financial assets are allocated to the following measurement categories of IFRS 9 "Financial Instruments" on the basis of the Group's business model for managing financial assets and the characteristics of the contractual cash flows: (i) financial assets measured at amortised cost, (ii) financial assets measured at fair value through other comprehensive income and (iii) financial assets measured at fair value through profit or loss. They are not reclassified after initial recognition unless the Group changes its business model for managing the financial assets. If a financial asset is measured at fair value through other comprehensive income, directly attributable transaction costs are included in determining the carrying amount.

Financial assets

Financial assets of the Group include in particular trade receivables, other receivables, receivables from an executive director as well as cash and cash equivalents.

The business model is determined at the portfolio level according to the intentions of the management as well as the treatment of business transactions in the past. The examination of the cash flows is carried out on the basis of the individual financial assets.

(i) Financial assets measured at amortised cost

Financial assets are measured at amortised cost if the objective of the business model is to hold the financial asset exclusively to collect contractual cash flows ("hold" business model) and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The valuation at amortised cost after initial recognition is carried out using the effective interest method less impairments. Interest income, currency differences and impairments are recognised in profit or loss. Income or expenses from derecognition are recognised in profit or loss.

(ii) Financial assets measured at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset to collect contractual cash flows or to sell the financial assets ("hold and sell" business model) and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. This category also includes equity instruments that are not held for trading and for which the option to recognise changes in fair value in other comprehensive income was exercised.

After initial recognition, they are measured at fair value through profit or loss, with unrealised gains and losses recognised in other comprehensive income. If the financial assets are debt instruments, interest income calculated using the effective interest method, currency differences and impairments are recognised in profit or loss. When a debt instrument is derecognised, the accumulated other comprehensive income is reclassified to profit or loss. If the financial assets are equity instruments, the dividends are recognised in profit or loss when the legal claim arises. On disposal of the equity instruments, the cumulative gains and losses are reclassified from other comprehensive income to retained earnings with no effect on profit or loss.

(iii) Financial assets measured at fair value through profit or loss
Financial assets are measured at fair value through profit or loss if the contractual terms do not result in cash flows at specified times that consist solely of principal and interest payments on the outstanding nominal amount. In addition, this item also includes financial assets that are neither allocated to the "hold" business model nor to the "hold and sell" business model. The Group has not made use of the option to designate a financial asset as at fair value through profit or loss.

Impairment of financial assets
Impairments are recognised from the initial recognition of the financial assets on each balance sheet date on the basis of the expected credit losses. Impairment is recognised for financial assets measured at amortised cost and financial assets from debt instruments measured at fair value through other comprehensive income.

The expected credit loss approach uses a three-step approach to allocate allowances:

Level 1 includes all financial assets without a significant increase in default risk since initial recognition. These are contracts and those whose payments are less than 30 days overdue. In assessing whether there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is relevant and reasonably available in terms of time and cost. In particular, a debt instrument has a low risk of default if its credit risk rating meets the global definition of investment grade. For a financial asset in this grade, a valuation allowance is measured at the amount of the 12-month expected credit loss. This corresponds to the expected credit loss resulting from default events that appear possible within twelve months after the reporting date or a shorter period.

If there is a significant increase in the default risk of a financial asset, it is assigned to **level 2.** An overdue period of more than 30 days may indicate a significant increase in the default risk. However, no impairment of creditworthiness occurs. The expected credit losses, which are measured as possible payment defaults over the entire term of the financial asset, are recognised as an impairment. For trade receivables, the Group applies the simplified approach, according to which these receivables are already allocated to level 2 upon initial recognition. Accordingly, no assessment of a significant increase in credit risk needs to be made.

If a financial asset is impaired or defaulted, it is assigned to **level 3.** The expected credit losses over the entire term of the financial asset are recognised as an impairment loss. Objective evidence that a financial asset is impaired includes being more than 90 days past due and other information about significant financial difficulties of the debtor.

In measuring expected credit losses, a neutral and probability-weighted amount, the time value of money and reasonable and supportable information available at the balance sheet date without undue cost or delay shall be considered. Expected credit losses are the probability-weighted estimates of credit losses and are measured as the present value of defaults. Payment defaults are measured as the difference between the payments owed to the Group under the contract and the payments the Group expects to collect. Expected credit losses are discounted at the effective interest rate of the financial asset.

Impairments for expected credit losses are recognised in profit or loss and deducted from the gross carrying amount of the financial assets in the balance sheet. For debt instruments measured at fair value through other comprehensive income, the impairment is recognised in other comprehensive income.

Derecognition of financial assets

Financial assets are derecognised when the Group does not have a reasonable expectation that all or a portion of the financial asset will be recoverable. The Group does not expect any significant recovery of the derecognised amount after derecognition. Nevertheless, in accordance with the Group's valuation policies, derecognised financial assets may be subject to enforcement actions for recovery.

Financial liabilities

Financial liabilities of the Group include in particular trade payables and other financial liabilities as well as bank liabilities.

All financial liabilities are initially measured at fair value less directly attributable transaction costs, if any. For the purpose of subsequent measurement, a financial liability is classified upon initial recognition. Financial liabilities are allocated to the following IFRS 9 measurement categories: (i) financial liabilities measured at amortised cost and (ii) financial liabilities measured at fair value through profit or loss.

(i) Financial liabilities measured at amortised cost

After initial recognition, all financial liabilities are measured at amortised cost using the effective interest method. Resulting interest expenses and income as well as foreign currency differences are recognised in the income statement as "financial expenses" or "financial income".

(ii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives that are not included in hedge accounting as hedging instruments are classified as held for trading. All gains and losses from financial liabilities held for trading are recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises a financial liability when the contractual obligations are discharged, cancelled or expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and an addition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and liabilities are offset and presented as a net amount in the consolidated statement of financial position when there is a currently enforceable legal right to offset the recognised amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value of financial instruments

The fair value of financial instruments traded in an active market is determined using quoted bid prices or dealer price quotations (bid price for long positions and ask price for short positions), without deducting transaction costs.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, cash in hand and short-term deposits with a contractual maturity of three months or less.

(k) Equity

An equity instrument is a contract that evidences a residual interest in the assets of the entity after deducting its liabilities. Equity instruments issued by the Company are accounted for at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised for the purchase, sale, issue and cancellation of the Company's own equity instruments.

(l) Non-controlling interests

The components of non-controlling interests in business combinations are measured at fair value at the acquisition date or at the proportionate share of the acquiree's identifiable net assets. The Group decides which valuation method to use separately for each business combination.

(m) Revenue and income recognition

The Group recognises revenue from contracts with customers relating to the sale or transfer of goods and the provision of services to customers in the amount of consideration expected to be received in exchange for those goods or services.

Revenues from the ceramics sector

In the business segment "Ceramics", the Group generates sales revenues from the marketing of high-quality ceramic tiles. Revenue is recognised when control is transferred from the Group to the customer at the amount to which the Group expects to be entitled after the performance obligation has been fulfilled. At the time of delivery to the customer, the Group's performance obligation is fulfilled. The customer's right of return is taken into account by reducing the sales revenue by a return rate estimated on the basis of experience.

The fees from the marketing of ceramic tiles are generally invoiced after delivery has been made. Insofar as the Group collects advance payments on orders received, these contractual liabilities are reported under other liabilities.

Turnover from the real estate sector

From the business segment "Real Estate", the Group generates revenues from real estate project development, renting and trading in real estate.

Revenue from the rental of real estate is recognised over the term of the rental agreements (leases) in the amount agreed in the rental agreement.

Revenue from the sale of project properties is recognised in accordance with IFRS 15 either at a specific point in time or over a specific period of time as soon as the customer obtains control over the asset in question. Insofar as the sale of properties in the portfolio is concerned, the revenue is regularly recognised at the time when the Group has fulfilled its performance obligations. In the case of the sale of project properties, there may also be a period-related transfer of control to the customer, so that revenue is recognised depending on the stage of completion of the construction project from the time the contract is concluded with the customer. The degree of completion is measured on the basis of the cost-to-cost method.

Result from the sale of real estate

Proceeds from the sale of investment properties are reported in the income statement as net sales proceeds. These are calculated by deducting the directly attributable costs of disposal from the sales proceeds. The book value of the disposed asset is openly deducted from the net sales proceeds, so that the profit or loss from the sale is shown as the difference.

Additional costs when initiating the contract

Additional contract initiation costs are to be capitalised as an asset and depreciated according to schedule. If the period between conclusion of the contract and acceptance of the property does not exceed one year, the contract initiation costs are not capitalised and are immediately recognised as an expense. Warranty claims are always accounted for in accordance with IAS 37.

Contract balances

Contract assets from the fulfilment of contractual performance obligations under contracts for work and services and before an unconditional right to receive the consideration arises are reported under other non-financial assets.

Contract liabilities essentially relate to advance payments received on orders, which are reported under other liabilities.

(n) Cost of debt

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the related asset. All other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs are interest and other costs that an entity incurs when it borrows funds.

(o) Costs of retirement benefits

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance carriers on the basis of statutory or contractual obligations or on a voluntary basis. The Group has no further payment obligations after payment of the contributions. The contributions are recognised in profit or loss as employee benefit expenses when they fall due. Prepayments of contributions are deferred as assets to the extent that a refund claim exists or future contribution payments are reduced.

Four former executives have acquired pension entitlements at Klingenberg Dekoramik. For these pension entitlements, the extent of the obligation is calculated annually by an independent actuary in accordance with the provisions of IAS 19. The present value of the defined benefit obligation is calculated at each balance sheet date using the projected unit credit method. In addition to the pensions known on the balance sheet date, the calculation also takes into account the expected future rates of increase in pensionable salaries and pensions (remuneration and pension trend). The present value of the pension obligation is determined on the basis of an interest rate. The data basis for the interest rate calculation is the corporate bonds recorded by Bloomberg for the Eurozone with an AA rating from at least half of the rating agencies. Using financial mathematical methods, a yield curve is derived from this data basis and from this a discount rate is derived that is congruent with the obligations in terms of maturity. The probabilities for death, disability and marriage are taken from the Prof. Klaus Heubeck 2018 mortality tables. Statutory insolvency protection for pension obligations is provided by the Pension Security Association.

(p) Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties on income taxes, including uncertain tax items, do not meet the definition of income taxes and are therefore accounted for under IAS 37.

(i) Actual taxes

Current tax is the expected tax payable or receivable on the taxable income or tax loss for the financial year, based on tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years. The amount of the expected tax liability or tax receivable reflects the best estimate, taking into account tax uncertainties, if any. Current tax liabilities also include any tax liabilities that arise as a result of the assessment of dividends. Current tax assets and liabilities are netted only under certain conditions.

(ii) Deferred taxes

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for Group accounting purposes and the amounts used for tax purposes. Deferred taxes are not recognised for

- temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit.
- temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, provided that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- taxable temporary differences on initial recognition of goodwill.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilised. Future taxable profits are determined based on the reversal of taxable temporary differences. If the amount is not sufficient to fully capitalise deferred tax assets, the future taxable profits - taking into account the reversal of temporary differences - are determined on the basis of the subsidiaries' individual business plans. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised; reversals are made when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that future taxable profit will allow them to be recovered.

Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred taxes reflect any uncertainty in income taxes. The measurement of deferred tax reflects the tax consequences that follow from the Group's expectations about the manner in which the carrying amounts of its assets will be recovered or its liabilities settled at the reporting date. Deferred tax assets and deferred tax liabilities are offset if certain conditions are met.

(q) Foreign currencies

The Group has prepared the consolidated financial statements in euro (€), the functional currency is the US dollar and the reporting currency is the euro.

Transactions in foreign currencies are translated into the respective functional currency of the Group companies at the spot rate on the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency at the reporting date are translated into the functional currency at the closing rate. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated at the exchange rate prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Currency translation differences are generally recognised in profit or loss for the period and reported within finance costs.

Assets and liabilities from foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the closing rate on the reporting date. Income and expenses from foreign operations are translated using the exchange rate at the date of the respective transaction.

Currency translation differences are recognised in other comprehensive income and reported in the currency translation reserve in equity, unless the currency translation difference is allocated to non-controlling interests.

On the disposal of all or part of a foreign operation that results in a loss of control, significant influence or joint control, the cumulative amount recognised in the foreign currency translation reserve relating to that foreign operation up to that date is reclassified to profit or loss as part of the gain or loss on disposal. In the case of only partial disposal, without loss of control of a subsidiary that includes a foreign operation, the relevant portion of the cumulative translation difference is allocated to non-controlling interests. When the Group only partially disposes of an associate or joint venture that includes a foreign operation, but retains significant influence or joint control, the relevant portion of the cumulative translation difference is reclassified to profit or loss.

(p) Fair value measurement

The Group measures financial instruments, such as derivatives, and non-financial assets, such as investment property, at fair value at each reporting date. In the case of investment property, this valuation is primarily used to test for impairment - investment property is accounted for using the cost model. Fair value is the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In measuring fair value, it is assumed that the transaction in which the sale of the asset or the transfer of the liability takes place is either

- on the principal market for the asset or liability, or
- if there is no principal market, is made in the most advantageous market for the asset or liability. The entity must have access to the principal or most advantageous market.

The fair value of an asset or liability is measured using the assumptions that market participants would use in pricing the asset or liability. It is assumed that market participants act in their best economic interest. In measuring the fair value of a non-financial asset, the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that has the highest and best use for the asset is considered.

The entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The use of significant observable inputs is minimised and the use of unobservable inputs is maximised. All assets and liabilities for which fair value is determined or reported in the financial statements are categorised in the measurement hierarchy described below based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement as a whole is observable on the market, either directly or indirectly
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement as a whole is unobservable on the market

For assets and liabilities that are recognised at fair value in the financial statements on a recurring basis, the entity determines whether transfers have occurred between levels in the hierarchy by reviewing the classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.
The company has not yet formed a separate valuation committee, as the real estate division is still in the process of being set up and the management still makes all decisions in this regard jointly; this also applies to the question of whether the company commissions external appraisers or does without an appraisal, depending on the timing of the investment made.

External valuers are used for the valuation of significant assets, such as property, plant and equipment and available-for-sale financial assets, as well as significant liabilities, such as contingent consideration. The decision on whether to engage external valuers is made annually by management after consultation with the Board of Directors.

Selection criteria for valuers are, for example, market knowledge, reputation, independence and compliance with professional standards. Valuers are usually re-selected after three years. The valuation committee decides which valuation techniques and input factors to use in each case after discussions with the company's external valuers.

At each reporting date, management analyses the changes in value of assets and liabilities that need to be revalued or reassessed in accordance with the ROY Group's accounting policies. In this analysis, it reviews the significant inputs used in the last valuation by cross-checking the information in the valuation calculations with contracts and other relevant documents. Together with the Group's external valuers, management also compares the changes in fair value of each asset and liability with relevant external sources to assess whether the respective changes are plausible.

4. CRITICAL EXERCISE OF JUDGEMENT AND IMPORTANT REASONS FOR ESTIMATION UNCERTAINTIES

In applying the Group's accounting policies as described in Note 3, the Company's Executive Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not clearly evident from other sources. The estimates and related assumptions are based on historical experience and other factors that are believed to be significant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and in future periods if the revision affects both current and future periods.

Exercise of discretion in the application of the company's accounting and valuation principles
No judgement has been exercised, except in respect of estimates (see below) made by the Executive Directors of the Company in the process of applying the Group's accounting policies.

Important reasons for estimation uncertainties
The key assumptions concerning the future and other key reasons for estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Depreciation of property, plant and equipment
Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, taking into account their estimated residual values. The determination of the useful life and residual value requires an estimate by management. The Group reviews the residual value and useful life of property, plant and equipment annually and the depreciation charge in the financial year and the respective estimate of value in future reporting periods may change if the expectation differs from the original estimates.

In addition, an impairment test was performed in 2020 for certain items of property, plant and equipment from the former production facility in China. The result was that an additional impairment loss is to be recognised in 2020 in the carrying amount of property, plant and equipment as at 31 December 2020. See also note 15.

Estimated impairment loss on trade and other receivables
The Group estimates the impairment loss on trade and other receivables resulting from customers' inability to make the required payments when it can be objectively demonstrated that the Group will not be able to collect the full amount due. These estimates are based on past payment history, creditworthiness of customers, past write-off experience and default or delinquency. If the financial condition of the customers deteriorates, the actual write-offs may be higher than the allowances made to date. As at 31 December 2020, the carrying amount of trade and other receivables and the carrying amount of loans granted, net of impairment losses under IFRS 9 for impairment loss, are respectively EUR 4,549 thousand and EUR 199 thousand (2019: EUR 5,175 thousand and EUR 107 thousand).

5. CAPITAL RISK MANAGEMENT

The Group manages its financial resources to ensure that Group companies can continue to operate while maximising shareholder return by optimising the debt to equity ratio. The

Group's overall strategy remains unchanged from the previous year. See further related notes in the combined management report.

KEUR	2020	2019
Net liquidity (consisting entirely of "positive cash)".	**4,679**	1,416
Equity attributable to owners of the company	**63,652**	89,736

The Executive Directors of the Company review the capital structure on a regular basis. As part of this review, the Executive Directors of the Company consider the cost of capital and the risks associated with each type of capital. Based on the recommendation of the Executive Directors, the Group weights its overall capital structure by paying dividends, issuing new shares and raising new debt or repaying existing debt.

6. FINANCIAL INSTRUMENTS

	as at 31.12.2020		as at 31.12.2019	
KEUR	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets				
	9,228	9,228	8,067	8,067
Total	**9,228**	**9,228**	**8,067**	**8,067**
Financial liabilities				
	4,926	4,926	22,628	22,628
Total	**4,926**	**4,926**	**22,628**	**22,628**

Financial assets consist of loans and receivables (including trade and other receivables, long-term loans and receivables due from an Executive Director)

Financial liabilities consist of liabilities measured at amortised cost, trade payables and other liabilities, excluding liabilities from wage and personnel costs and costs for social benefits and other tax liabilities).

Objectives and strategies in the management of financial risk

In the ordinary course of the Company's business, it is exposed to foreign currency risk, interest rate risk, credit risk and liquidity risk. These risks are mitigated by the Group's financial management and execution policies described below. Default risk in particular is regularly monitored in risk management and identified and quantified by means of regular internal risk surveys and recommendations for action are derived. Defaults are defined based on historical experience and defaults.

Foreign currency risk

Except for certain balances and credit balances, most of the Group's financial instruments such as trade and other receivables are denominated in USD, which is artificially at a stable exchange rate level against HKD. The operating activities in China were discontinued as at 30 September 2015. Accordingly, there is little foreign currency risk from operating activities between HKD and USD. Nevertheless, there is a foreign currency risk in the preparation of the consolidated financial statements, which are presented in Euro. The translation differences resulting from the translation are treated separately in the consolidated statement of comprehensive income.

Sensitivity analysis with regard to foreign currency risk

The following table approximates the sensitivity to a possible change in the exchange rate of the USD against the EUR as the reporting currency at the end of the reporting period if all other variables remain constant.

KEUR	**2020**	2019
Impact on profit after tax		
USD / EUR		
- increased by 10	-1,834	-1,171
- fallen by 10	1,834	1,171

The sensitivity of equity is shown in the table below:

KEUR	**2020**	2019
Effects on equity		
USD / EUR		
- increased by 10	2,564	10,415
- fallen by 10	-2,564	-10,415

The Group did not enter into any hedging transactions during the 2020 financial year. However, the Executive Directors of the Company continuously monitor the respective foreign currency risk and consider hedging transactions if necessary in case of significant foreign currency risk.

Interest rate risk

The Group has bank balances which bear interest at the prevailing market rate. The resulting interest income is relatively immaterial to the Group's operations and therefore its revenue and operating profit are substantially unaffected by changes in market interest rates.

Furthermore, there was a bank loan until the beginning of 2020, which was taken out to finance the purchase of a property in Texas. The loan has a nominal amount of USD 19,500,000 and was subject to an interest rate of 300 basis points above LIBOR as a reference interest rate. This loan was fully repaid in February 2020 and accordingly there are no longer any interest rate risks as at 31 December 2020. An interest rate change of plus / minus 100 basis points would have the following impact on the annual interest costs and the income statement.

KEUR	**2020**	2019
Effects on the interest rate risk		
- increased by 100 basis points	0	-173 KEUR (-195 KUSD)
- fell by 100 basis points	0	173 KEUR (195 KUSD)

The Group did not engage in any interest rate hedging transactions during the 2020 financial year. However, the Executive Directors of the Company continuously monitor the interest rate risk and consider hedging transactions if necessary in case of increasing interest rate risk.

Default risk

The Group deals only with creditworthy third parties. According to the Group's policy, all customers, including tenants, who wish to transact on credit are subject to a credit assessment. In some cases, the Group uses external partners to assess creditworthiness. In order to minimise the risk of default, management reviews the recoverable amount for each trade and other receivable at the end of the reporting period to ensure that a corresponding impairment loss is recognised for uncollectible amounts. In this regard, the Company's executive directors consider the Group's default risk to be manageable. In accordance with IFRS 9, the default risk is reviewed accordingly through impairment tests. The expected credit losses over 12 months are expected to be 2%. Changes in the creditworthiness of the contracting parties are reviewed regularly.

With regard to liquid assets, the default risk is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

For the existing financial assets, the following expected credit defaults according to IFRS 9 arise as at 31 December 2020.

Loss allocation as at 31.12.2020 under IFRS 9	**2020 KEUR**	**2019** KEUR
Start of the year	139	151
Expected credit loss provision	199	0
Amounts written off during the year	0	0
Reversal of the expected credit loss provision that was created and is no longer required	0	12
	338	139

Liquidity risk

In managing liquidity risk, the Group is concerned with monitoring and maintaining a certain amount of cash and cash equivalents that management believes is sufficient to fund the Group's operations and mitigate the impact of fluctuating cash flows.

The table below provides an overview of the maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments.

KEUR	Callable daily or due within one year	Due within one to five years	Not Total discounted cash flows	Book value
Status: 31 December 2020 **Non-derivative financial liabilities:**	4,844	82	0	4,926
Status: 31 December 2019 **Non-derivative financial liabilities:**	7,930	17,365	17,365	25,295

Non-derivative financial liabilities consist of trade payables and other liabilities, excluding liabilities from wage and personnel costs as well as costs for social benefits and Other tax liabilities

Fair value of financial instruments

The Group does not disclose the fair value measurement in the measurement hierarchy as the Group does not hold any financial instruments that are measured at fair value in the statement of financial position. The fair value is appropriately represented by the carrying amount less any existing impairment of receivables and liabilities.

7. CONVERSION SOLUTIONS

The proceeds comprise the amount received or receivable for the sale of ceramic products less sales-related taxes as well as current rental income from the real estate properties.

KEUR	2020	2019
Turnover from ceramics activities	7,170	4,584
Turnover from real estate activities (rents)	210	3,267
Total	**7,380**	**7,851**

Sales in the area of ceramics are realised as soon as the goods are collected by the customer or the commissioned forwarding agent. Delivery terms are based on Incoterms 2010 and Ex Works. Payment terms vary between advance payment and up to 120 days and are generally dependent on the creditworthiness and destination country of the customer. The sale of the Kirby Interchange is not shown as turnover, but as a result from the sale of real estate within the consolidated income statement.

8. FINANCIAL INCOME

KEUR	2020	2019
Interest on loans and receivables	425	2
Total	**425**	**2**

The Group generated significantly higher interest from loans and receivables in 2020. This is mainly due to interest receivable from a former Executive Director and invested surplus liquidity.

9. RESULT FROM DISPOSAL OF PROPERTIES

The Group generates revenues in the real estate business segment

KEUR	2020	2019
Book value	23,595	**0**
Proceeds from the sale	30,597	**0**
Profit	7,002	**0**
Other costs	1,543	
Indirect transaction costs for Kirby	1,500	0
Proceeds from the sale of investment properties	3,959	**0**

The proceeds from the sale of investment property relate in particular to the sale of the Kirby Interchange. Under a contract dated 19 February 2020, the Group sold all shares in the project company Kirby SPE LLC. The purchase price amounted to KEUR 30,526 (KUSD 35,000) and was paid in full on 19 February 2020. In addition, two single-family houses were sold in 2020 with a net result of KEUR 71. The Group partly used the inflow of funds to redeem existing bank loans from the financing of the project in the amount of KEUR 16,699.

10. ADMINISTRATIVE COSTS

Administrative expenses include the following expenses:

KEUR	2020	2019
Auditors' fees	215	166
Building management fee	20	8
Allowances for trade and other receivables (IFRS 9)	199	-12
Minimum payments for operating leases for rented premises and property, plant and equipment	602	446
Personnel costs:		
Salaries and allowances (including the remuneration of the Executive Directors)	1,471	1,008
Social security contributions	258	207
Legal and consulting fees	480	383
Other general administrative expenses	4,763	4,323
Total	**8,008**	**6,529**

11. OTHER OPERATING EXPENSES

The item other operating expenses includes the depreciation of the stored machines as well as the impairment carried out for the 2020 financial year in accordance with the expert opinion on the stored machines. The regular depreciation on the stored sanitary ceramics machines amounts to KEUR 11,249 for the 2020 financial year. The impairment was calculated at KEUR 3,765. In total, other operating expenses amount to KEUR 15,014.

12. COST OF SALES

The cost of sales consists of costs for the management of real estate, as well as expenses from material costs, personnel costs and depreciation of production in Klingenberg. In 2020, costs were higher than in the previous year due to the addition of Klingenberg Dekoramik GmbH during the year.

KEUR	2020	2019
Cost of sales from ceramic activities	7,793	3,822
Thereof cost of materials	4,013	2,093
Thereof personnel costs	3,070	1,491

Thereof depreciation	710	238
Cost of sales from real estate activities	205	2,481
	7,998	6,303

In the cost of sales for 2019, a correction was made in the reporting; previously, pro rata depreciation and labour costs of production were shown in the administrative costs. With the correction, the cost of sales was increased by this item and the administrative costs were reduced by the amount. See also note 38.

Please refer to Note 17 for information on depreciation and amortisation expense.

13. SEGMENT REPORTING

For the purpose of corporate management, the ROY Group's business is organised into business units and has the following two reportable operating segments:

- The business segment "Ceramics" comprises the development, production and marketing of high-quality ceramic tiles and sanitary ceramics. The sanitary ceramics segment is currently idle.

- The business segment "Real Estate" comprises the area of real estate project development, renting and trading of real estate. In the financial year, this business segment mainly comprises investment property with rented office space and land in Houston and California that is being developed and is owned by ROY.

The operating results of the business units are monitored by the Executive Board, the responsible corporate body, in order to make decisions on the allocation of resources and to determine the profitability of the units. The development of the segments is assessed on the basis of the result and evaluated in accordance with the result in the consolidated financial statements.

The transfer prices between the business segments are determined on the basis of arm's length conditions.

Revenue from transactions with other segments is eliminated for consolidation purposes and is summarised in the column "other". Other adjustments and eliminations made are detailed in subsequent reconciliations.

Adaptations

Financial income and expenses as well as gains and losses from financial assets measured at fair value are not allocated to the individual business segments because the underlying financial instruments are managed at Group level.

Current taxes, deferred taxes and certain financial assets and financial liabilities are also not allocated to the individual business segments because they are managed uniformly across the Group.

Capital expenditure relates to additions to property, plant and equipment, intangible assets and investment property, including assets from the acquisition of subsidiaries. Proceeds from transactions with other segments are eliminated for consolidation purposes.

The newly added investments in associated companies and joint ventures are shown separately.

Financial year ended 31 December 2019	Ceramics	at-equity real estate	Real estate	other	Total business segments	ROY Group
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Revenues	4,584	0	3,267	0	7,851	7,851
Total sales revenue	4,584	0	3,267	0	7,851	7,851
Other income/ (expenses)	-1,998	0	-8,248	-1,581	-9,032	-9,032
Employee benefit expenses	-2,532	0	-623	-261	-3,416	-3,416
Depreciation	-11,637	0	-512	0	-12,150	-12,150
Segment result	**-11,582**	0	**-3,845**	**-1,319**	**-16,746**	**-16,746**
Total assets	32,675	25,655	50,704	8,970	118,003	118,003
Total debts	-5,578	0	-19,129	-588	-25,295	-25,295

Financial year ended 31 December 2019	Ceramics	at-equity real estate	Real estate	other	Total business segments	ROY Group
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Further information	27	0	9,434	0	9,461	9,461
Investments						

Financial year ending 31 December 2020	Ceramics	at-equity real estate	Real estate	other	Total business segments	ROY Group
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Revenues	7,170	0	210	0	7,380	7,380
Total sales revenue	7,170	0	210	0	7,380	7,380
Other income/ (expenses)	-9,336	-3,046	3,646	-171	-8,906	-8,906
Employee benefit expenses	-3,681	-	-723	-427	-4,831	-4,831
Depreciation	-15,250	-	-534	-2	-15,786	-15,786
Segment result	-21,098	-3,046	2,599	-601	-22,147	-22,147
Total assets	24,708	21,650	23,262	4,264	73,884	73,884
Total debts	-3,229	-	-2,027	-292	-5,548	- 5,548

Financial year ending 31 December 2020	Ceramics	at-equity real estate	Real estate	other	Total business segments	ROY Group
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Further information	270	937	4.420	0	5.627	5.627
Investments						

Reconciliation of the result	2019 "Real Estate"	2019 "Ceramics"	2019 "other"	2019 Total
	KEUR	KEUR	KEUR	KEUR
Segment result				
Financial income	2	0	4	6
Financial expenses	778	45	0	823
Result before taxes	-2,783	-12,028	-2,003	-16,814
Reconciliation of assets				
Assets of the business segment	76,037	30,994	8,970	116,001
Loans to members of the Executive Board	321	1,682	0	2,003
Promissory note loans	0	0	0	0
Total assets	76,359	32,675	8,970	118,003
Reconciliation of debts				
Debts of the business segment	-2,430	-4,910	-589	-7,930
Interest bearing loans	-16,699	0	0	-16,699
other	0	-667	0	-667
Total debts	-19,129	-5,578	-589	-25,296
Information on geographical areas				
Revenue from external customers				
Asia	0	645	0	645
Europe	0	2,818	0	2,818
USA	3,267	568	0	3.836
Other	0	552	0	552

Reconciliation of the result	2020 "Ceramics"	2020 "Real Estate"	2020 "at-equity real estate"	2020 "other"	2020 Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Segment result					
Financial income	**0**	425	0	0	425
Financial expenses	**67**	112	0	0	179
Result before taxes	**-21,098**	2,680	-3,116	-600	-22,136

Reconciliation of assets

Assets of the business segment	**23,239**	22,461	22,058	3,856	71,614
Loans to members of the Executive Board	**1,488**	801	0	0	2,289
Promissory note loans		0			0
Total assets	**24,708**	23,262	22,058	3,856	73,884

Reconciliation of debts

Debts of the business segment	2,607	2,027	0	292	4,926
Interest bearing loans	0	0	0	0	0
other	622	0	0	0	622
Total debts	3,229	2,027	0	292	5,548

Information on geographical areas

Revenues with external customers					
Asia	759	0	0	0	759
Europe	6,256	0	0	0	6,256
USA	155	210	0	0	365

The depreciation determined in the Ceramics segment includes, within the framework of the allocation, the depreciation on the machines in storage recorded under other operating expenses, as well as the impairment on the machines in 2020 and the current depreciation, as well as the depreciation of the rights of use in the amount of KEUR 236 on the machines used at Klingenberg Dekoramik GmbH.

The calculated cost of sales from note 12 is included proportionately in the items other income/(expenses), employee benefit expenses and depreciation stated for the respective segment.

14. REMUNERATION OF EXECUTIVE DIRECTORS AND THE BOARD OF DIRECTORS .

KEUR	2020	2019
Fixed remuneration of the Executive Directors		
Siu Fung Siegfried Lee	316	345
Matthias Herrmann	325	234
Fixed remuneration of the Board of Directors	74	74
	715	653

The remuneration from the Executive Directors concerns the remuneration of the Managing Directors Mr Lee (until August 2020) and Mr Herrmann. Mr Lee continues to receive unchanged remuneration for his continuing role as Director for the ROY Group's US business. The remuneration in 2020 did not include any variable components. Mr Herrmann has declared in the course of the COVID-19 situation that he will waive payment of his 2020 annual leave entitlement, which has not been taken in full, as well as the fixed allowance for his pension in the amount of 20 kEUR.

15. FINANCIAL EXPENSES

In 2020, the Group incurred financial expenses of EUR 179 thousand (in 2019: EUR 823 thousand), mainly in relation to a bank loan financing the purchase of the Kirby Interchange. The included interest portion of the lease amounts to EUR 66 thousand.

16. INCOME TAX

KEUR	2020	2019
Current taxes:		
Corporate tax to the USA	-11	112
Corporate Income Tax in Hong Kong	0	1
Deferred taxes	0	-45
Total	-11	68

Under Cayman Islands and British Virgin Islands ("BVI") regulations, the Group is not subject to income tax in the Cayman Islands and British Virgin Islands. This tax rate is the most appropriate to be used for the Group tax rate in the 2020 financial year.

The income tax expense for the financial year can be reconciled to the loss before tax in the consolidated income statement and other comprehensive income as follows:

KEUR	2020	2019
Loss before taxes	-22,136	-16,814
Tax at the rate applicable in the Cayman Islands of 0%.	0	0
Tax implications of non-deductible expenses	0	0
Losses of the current year for which no deferred tax asset was recognised (Tax rate in 2020: 29.83 %; 2019: 29.83 %)	0	113
Deviations due to tax rates	0	0
Use of previously unrecognised tax losses	0	0
Creation of deferred taxes on loss carryforwards in the USA	0	-45
Income tax income (expense) for the year in USA	11	68
(Effective tax rate 2020 0.0 %, 2019: 0.0 %)		

Due to the loss at ROY Asset Holding SE in 2020, the resulting tax loss of EUR 738,000 will be carried forward.

17. SHAREHOLDERS

KEUR	Self-occupied buildings	Tenant fixtures	Machines	Office equipment	Motor-vehicles	Total
At acquisition cost or after valuation						
Status: 1 January 2019	**0**	**108**	**72,849**	**56**	**2,926**	**76,978**
Exchange rate adjustments	0	3	2,731	7	404	3,146
Access	0	0	0	96	65	65
Additions Klingenberg	5,331	0	2,029	325	0	6,738
Disposals	0	0	-66	0	-37	-103
IFRS 16 Additions	0	0	552	0	0	552
Status: 31 December 2019	**5,331**	**111**	**78,095**	**484**	**3,358**	**87,379**
Exchange rate adjustments	0	0	-6,455	-14	-270	-6,739
Access	0	0	270	0	0	270
Disposals	0	-111	-80	0	0	-191
Status: 31 December 2020	**5,331**	**0**	**71,830**	**470**	**3,088**	**80,719**
Accumulated depreciation						
Stand: 1 January 2019	**0**	**33**	**32,782**	**16**	**561**	**33,392**
Currency adjustments	0	0	566	1	63	630
Access	0	1	0	31	0	32
Additions Klingenberg	4,718	0	42	285	0	5,045
Reported in the financial year	114	22	11,637	14	363	12,150
IFRS 16 Additions	0	0	84	0	0	84
Disposals	0	0	0	0	0	0
Status: 31 December 2019	**4,832**	**56**	**45,111**	**347**	**987**	**51,333**

Currency adjustments	-12	0	-4,734	2	-79	-4,823
Access	0	0	27	0	0	27
Value adjustment	0	0	3,765	0	0	3,765
Reported in the financial year	83	20	11,485	38	395	12,021
Disposals	0	-76	-80	-2	0	-158
Status: 31 December 2020	**4,903**	**0**	**55,574**	**385**	**1,303**	**62,165**
Book values						
Status: 31 December 2020	428	0	16,256	85	1,785	18,554
Status: 31 December 2019	499	55	32,983	138	2,371	36,046

The above tangible fixed asset items are depreciated on a straight-line basis over their estimated useful lives, taking into account their estimated residual values, as follows:

Owner-occupied buildings	20 years
Leasehold improvements	5-20 years
Machines	6-20 years
Office equipment	5 years
Motor vehicles	5 years

Property, plant and equipment includes machinery that was transferred to LLH following the sale of the Chinese operating subsidiaries to White Horse in 2015. Previously, the machines had been used for sanitary ware production at a plant in Beijing. The machines are currently in storage. ROY plans to put the machines back into operation and use them for the production of ceramic tiles at the Klingenberg site.

The carrying amount of the machines was EUR 29,873 thousand as at 31 December 2019. The machines are depreciated according to the straight-line method over their expected useful life of 6.6 years. The recognised scheduled depreciation of the machinery amounts to KEUR 11,249 in the financial year 2020 (in 2019 KEUR 11,399).

As the machines are currently not in operation, we have obtained an independent expert's valuation of the machines as at the balance sheet date of 31 December 2020 to assess the existence of any impairment. Based on this valuation, the recoverable amount of the machines, determined as their fair value less costs to sell, was HKD130 million or EUR14.6 million as at 31 December 2020 (in 2019, HKD262 million or EUR29.7 million). Based on this valuation, we recognised an impairment loss of EUR 3,765 thousand, so that the machines are subsequently recognised at their fair value of EUR 13.6 million in the statement of financial position as at 31 December 2020.

The fair value was determined by the appraiser Sino Appraisals, Hong Kong, using a cost-based approach. The value determined in this way reflects the amount that would be required to replace the performance capacity of the assets. The fair value is assigned to level 3 in the fair value hierarchy. The valuation was based on the replacement cost of the machines, with deductions to take account of their actual condition on the valuation date. The impairment loss is included in other operating expenses (Note 11) for the 2020 financial year.

18. DEFERRED TAXES

No deferred taxes were recognised in the current year or in previous years. Deferred taxes mainly result from differences in depreciation between US tax law and IFRS. The net deferred taxes developed as follows:

KEUR	2020	2019
As of 1 January	0	-44
Income or expense recognised in the consolidated income statement	0	44
Status: 31 December	0	0

The Group's tax loss in Germany amounts to EUR 738 thousand as at 31 December 2020 (EUR 1,558 thousand as at 31 December 2019). The tax rate to be applied in 2020 is 29.83% (previous year 31.925%). A tax loss can generally be offset against future taxable profits of ROY Asset Holding SE in Germany without any time limit.

19. INVENTORIES

Inventories mainly include finished goods, semi-finished goods and raw materials and supplies.

KEUR	2020	2019
Of which finished products	5,267	5,343
Of which semi-finished products	446	419
Thereof raw materials, consumables and supplies	806	967
Status: 31 December	6,519	6,729

Finished goods were devalued by 219 KEUR due to discontinued series or lower sales prices. The semi-finished products and raw materials were partially written down by EUR 219,000. The book value of the inventories as of 31 December 2020 after devaluation amounts to EUR 6,518,000.

20. TRADE RECEIVABLES AND OTHER RECEIVABLES

KEUR	2020	2019
Receivables from deliveries and services	1,268	1,437
Other receivables	992	3,197
Advance payments	0	14
	2,260	4,648
Other receivables and prepayments, net	2,260	4,648
Less: prepayments that were classified as non-current assets	0	0
Trade receivables and other receivables	**2,260**	4,648

Other receivables consist of short-term investments and advance payments, as well as an EB-5 loan receivable of EUR 440k from a trustee.

21. CASH AND CASH EQUIVALENTS

As at 31 December 2020, the Group's total bank balances were denominated in KEUR 4,679 (2019: KEUR 1,416). Of this, EUR 4,353 thousand of the bank balances are denominated in US dollars and EUR 231 thousand in euros and the remaining balances are mainly denominated in Hong Kong dollars.

The bank balances bear variable interest at the respective interest rate for balances callable on demand. The bank balances are with creditworthy banks that have not had any defaults in the recent past.

22. TRADE PAYABLES AND OTHER LIABILITIES

KEUR	2020	2019
Liabilities from deliveries and services	1,074	2,099
Deposits received	13	140
Other liabilities	2,268	2,289
Liabilities from wage and personnel costs and costs for social benefits	378	0
Other tax liabilities	-145	13
Leasing liabilities	376	468
Loan EB-5	880	886
Liability to majority shareholder	0	34
Trade payables and other liabilities	**4,844**	**5,929**

Below is a schedule of liabilities sorted by maturity based on the invoice date at the end of the reporting period.

KEUR	2020	2019
Within 180 days	3.776	2,868
181 to 365 days	188	175
1 - 2 years	880	886
Total	**4,844**	**5,929**

The average payment period for the purchase of goods ranges from 30 to 180 days. The Group and the Company have developed risk management strategies to ensure that all payables are settled within the payment period.

23. CLAIMS AGAINST AN EXECUTIVE DIRECTOR

KEUR	2020	2019
Claims against an Executive Director	2,289	2,003

In the 2019 and 2020, there is a receivable from Siu Fung Siegfried Lee which is unsecured and repayable on demand at any time. The loans bear interest at 3% from 2019 and the interest is final. Also included in these receivables is an unsecured loan to Managing Director Suriya Toaramrut amounting to USD 379 thousand, which is also guaranteed by Mr Lee.

24. SHARE CAPITAL

KEUR	Share capital 2020
As of 1 January 2020	54,327
Change in 2020	0
As at 31 December 2020	54,327

The share capital amounts to EUR 54,327,000.00 and consists of 54,327,000 no-par value shares in the form of bearer shares evidenced by a global certificate.

In 2019, a capital increase from own funds in the amount of EUR 36,218,000 was carried out. The issued shares were issued with profit entitlement as of 01 January 2019, therefore the number of shares weighted, taking into account the capital increase entered in the commercial register on 30 July 2019, is used as the basis for calculating the earnings per share for 2019.

The Authorised Capital 2017 was cancelled at the Annual General Meeting 2020 and an Authorised Capital 2020 was created. Pursuant to Article 6 of the Articles of Association of the Company, the Board of Directors is now authorised until 1 October 2022 to increase the share capital of the Company against cash and/or non-cash contributions once or several times by up to EUR 21,730,800.

	2020	2019
Earnings per share in euros		
weighted average:	-0.41	-0.29

The calculation of the weighted average earnings per share for the 2019 financial year is based on the weighted average number of ordinary shares, which was 33,199,833.

In the 2020 financial year, the company's capital was conditionally increased by a total of EUR 5,432,700 in accordance with § 6a of the Articles of Association. This capital increase will only be carried out if subscription rights have been issued in accordance with the 2020 share option programme resolved at the same time (2020 conditional capital). This has not yet been done.

A further conditional capital increase pursuant to § 6b of the Articles of Association concerns an amount of EUR 21,730,800. This conditional capital increase serves to grant new no-par value bearer shares to the holders or creditors of convertible bonds, bonds with warrants and/or participating bonds and/or profit participation rights issued on the basis of the authorisation of the same date (conditional capital 2020/II). No issue of one or more of the aforementioned instruments has taken place to date.

The Board of Directors of the Company is, however, authorised to exclude the shareholders' statutory subscription right in the case of authorised capital in accordance with Article 6 of the Articles of Association,

- insofar as this is necessary to compensate for peak amounts;
- in order to acquire, in appropriate cases, companies, shares in companies or participations in companies or other assets, including receivables, in return for the transfer of shares;
- and in the case of a cash capital increase, the proportion of the share capital attributable to the new shares for which the subscription right is excluded does not exceed a total of ten percent of the share capital both at the time the authorisation becomes effective and at the time it is exercised, and the issue price of the new shares is not significantly lower than the stock market price of the Company's shares of the same class within the meaning of sections 203 (1) and (2) of the AktG. and 2, 186 para. 3 sentence 4 of the German Stock Corporation Act (AktG); in calculating this ten per cent limit, account shall be taken of (i) the portion of the share capital attributable to treasury shares that are sold as from the effective date of this authorisation in direct or analogous application of section 186 para. 3 sentence 4 AktG, as well as (ii) the portion of the share capital attributable to shares to which conversion and/or option rights or conversion obligations under the bonds and other instruments covered by section 221 AktG. relate, which are issued under exclusion of the subscription right pursuant to section 186 para. 3 sentence 4 AktG.

25. RETURN

The amount of the Group's reserves and the change in them during the financial year and previous years are presented in the consolidated statement of changes in equity. The figures are explained as follows:

Capital reserve: The capital reserve includes the increase in the parent company's capital in 2014 and the contribution in kind of the subsidiary LLH, which results from the difference between the nominal value of the newly issued shares issued to the holders and the nominal value of the newly issued shares transferred to the owners.

Translation reserve: The translation reserve results from the accumulated foreign currency translations recognised in other comprehensive income from the assets and liabilities of the Group's financial statements whose currency is not EUR and the reserve is not distributable as a dividend.

Retained **earnings:** Retained earnings comprise the net profits determined and retained over time in the consolidated income statement.

26. FINANCIAL LIABILITIES

The purchase of the properties from Kirby Interchange was partly financed by a bank loan. The Group had a floating rate bank loan of EUR 16,699 thousand (USD 18,591 thousand) with Midfirst Bank as at 31 December 2019. The interest rate is LIBOR with 3% premium and maturity 1 September 2020. The loan was fully repaid in February 2020, with the sale of Kirby Interchange.

ROY offers interested and qualified investors the opportunity to invest in the "3300 Main" project in Houston under the USA EB-5 investment programme. As of 31 December 2020, two investors have invested a total of EUR 886 thousand (USD 1,000 thousand). The loans bear interest at the market rates of EB-5 Investments at 1% p.a.. In October 2020, 500 KUSD were paid in as part of the capital increase at 3300 Main. In addition, there is a loan of 82 kUSD which, as a PPP loan in the USA, had not yet been repaid or waived at the end of the year.

Non-current liabilities

The changes in non-current liabilities result from the repayment of the loan with Midfirst Bank in February 2020.

	1 January 2020 in KEUR	Cash flows in KEUR	Exchange rate changes in KEUR	other in KEUR	31 December 2020 in KEUR
Interest bearing loans	16,699	-16,699	0	82	82
Total liabilities from financing activities	**16,699**	**-16,699**	**0**	**82**	**82**

27. INVESTMENT PROPERTY

The item "Investment property" includes seventeen existing properties as at 31 December 2020.

In 2020, rental income totalling EUR 71 thousand (in 2019: EUR 134 thousand) was generated from the rented single-family homes in Houston. It is planned to develop the undeveloped and ready-to-build plots and sell them at a profit, thus generating income for the company.

A property in California, previously held for operational purposes, was sold in the 2020 financial year.

KEUR	Completed	In development	Total
At acquisition cost			
Status: 1 January 2019	25,979	2,815	28,794
Access	2,998	10,419	13,417
Exit	0	462	462
Currency adjustment	1,005	193	1,198
Status: 31 December 2019	29,982	12,965	42,947
Status: 1 January 2020	29,982	12,965	42,947
Access	1,045	570	1,616
Reclassification	627	-627	0
Exit	24,762	0	24,762
Currency adjustment	-542	-1,148	-1,690
Status: 31 December 2020	6,350	11,761	18,111
Accumulated depreciation			
Status: 1 January 2019	685	0	685
Reported in the financial year	732	0	732
Exchange rate adjustments	25	0	25
Status: 31 December 2019	1,441	0	1,441
Status: 1 January 2020	1,441	0	1,441
Reported in the financial year	62	0	62
Exchange rate adjustments	9	0	9
Exit	1,334	0	1,334
Status: 31 December 2020	178	0	178
Book values			
Status: 31 December 2019	28,542	12,965	41,507
Status: 31 December 2020	6,171	11,761	17,932

As at 31 December 2020, the fair values of the properties are based on valuations carried out by accredited independent valuers. The fair values determined in the appraisals by BDO and the available offers total KEUR 18,220 (USD 20,890 thousand). In particular, the fair value offer from Jurupa Valley, LLC significantly exceeds the determined carrying amount in total.

KEUR	2020	2019
Rental income from investment property	210	2,738
Direct operating expenses (including repairs and maintenance and depreciation) that generate rental income (included in cost of sales)	205	2,095
Direct operating expenses (including repairs and maintenance) that do not generate rental income (included in cost of sales)	0	0
Result from investment properties	5	643

There are no restrictions on the saleability of investment property and no contractual obligations to purchase, construct or develop investment property. Furthermore, there are no contractual obligations for repairs, maintenance or improvements.

The following valuation techniques are used as the basis for measuring the fair value of investment property in Level 2 in accordance with IFRS 13.

	Evaluation procedure	Significant unobservable inputs	Bandwidth (weighted average)	
			2020	2019
Residential property	Comparative value method	Estimated sales price per sqm based on past comparable transactions	EUR 3-7	EUR 3-7

Fair value of investment property as at 31.12.2020

KUSD	2020
520 Haverstock Road, La Canada Flintridge, CA 91011	2,200
1329 Voss Road, Houston, TX 77055	640
1510 Hillendahl Boulevard, Houston, TX 77055	635
7002 Blandford Lane, Houston, TX 77055	560
7006 Schiller Street, Houston, TX 77055	340
7010 Schiller Street, Houston, TX 77055	340
6910 Schiller Street, Houston, TX 77055	340
6914 Schiller Street, Houston, TX 77055	340
2031 Arbor Cove, Katy, TX 77494	470
22622 Sierra Lake Court, Katy, TX 77494	385
22735 Sierra Lake Court, Katy, TX 77494	380
22422 Kendall Shay Court, Katy, TX 77450	360
Jurupa Valley LLC,	13,900
Total of the fair values determined	20,890

The comparative value approach develops an assessment of the fair value of the property in question by comparing it with property transactions that have comparable characteristics. This approach is based on the substitution principle, which implies the value of a specific property that is interchangeable.

As transactions vary in size, sales prices are usually analysed on the basis of individual comparables. Based on this assumption, the best means of comparison is to determine a price per square metre.

Prior to this, the comparison units are adjusted to various individual characteristics of the properties used for comparison in order to determine a corresponding comparison value.

The underlying comparison criteria in relation to the properties to be valued are as follows:

1. existing property rights

2. financing conditions

3. terms of sale

4. necessary investments immediately after purchase (if applicable)

5. market conditions

6. layer

7. physical properties

8. Other economic characteristics (if applicable)

The sales price per square metre is then calculated by dividing the determined sales price by the building area.

As at 31 December 2020, the valuation reports for the Group's property include a note on "material valuation uncertainty" due to market disruption in light of the COVID 19 pandemic. While this does not invalidate the valuation, it implies that there is currently significantly greater uncertainty than would be the case under normal market conditions.

28. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

On 12 April 2018, 3300 Main Project Owner, LP, Delaware, was incorporated. The ROY Group holds a 74.3% interest in the company. The ROY Group exercises management jointly with a partner company. Accordingly, 3300 Main Project Owner, LP is included in the financial statements at equity as a joint venture. There are no further obligations from either company, nor are there any significant restrictions. In October 2020, a capital increase in the 3300 Main Project was made in the amount of USD 1.5 million, of which ROY's share was USD 1.2 million. The carrying amount of investments in associates and joint ventures accounted for using the equity method changed as follows in the 2020 financial year:

KEUR	2020	2019
Carrying amount 1 January	25,655	29,302
Access	937	0
Disposals	0	3,647
Exchange rate change	-1,896	0
Result for the period	-3,046	0
Dividend payment	0	0
Carrying amount 31 December	21,650	25,655

The 3300 Main Project Owner, LP company owns a high-rise building in Houston with a property value at cost of USD 121,010 thousand (EUR 98,623 thousand), offset by liabilities of USD 87,545 thousand (EUR 71,349 thousand). The total balance is USD 123,303 thousand (EUR 100,491 thousand). The loss of the project, in the year of completion, was USD 4,505 thousand (EUR 3,672 thousand) as at 31 December 2020, of which ROY Group's share was USD 3,348 thousand (EUR 3,046 thousand).

29. CAPITAL COMMITMENTS

There are no contracts for capital commitments to be mentioned in the financial statements at the end of the reporting period.

30. RETIREMENT BENEFITS

The Group operates a "Mandatory Provident Fund" (hereinafter referred to as "MPF") for its eligible employees in Hong Kong. The assets of the MPF are held separately from the Group's assets under the control of trustees as special assets. The Group contributes 5% of the relevant salary costs to the MPF each month, with employees paying the same amount. In addition, a further EUR 6 thousand was spent by the company on a company pension scheme for Mr Herrmann.

At the subsidiary Klingenberg Dekoramik GmbH, pension commitments exist as fixed-amount plans as an employer benefit to four former executives as at 31 December 2020. Provisions of KEUR 622 were made for this purpose. The provision was made on the basis of an actuarial report. The expert opinion was based on the HEUBECK GUIDELINES 2018 G on life expectancy. The annual payments amount to approximately KEUR 60. There are two benefit plans for the beneficiaries, one with a survivor's pension of 60% for three beneficiaries and one plan without a survivor's pension for one beneficiary. The applied discount rate for both plans is 0.70% and the pension dynamic is 2%. The discount rate at the beginning of the period was 0.68%. The calculation method for the provision according to IFRS is the Projected Unit Credit Method and no variable for salary trend or fluctuation is applied. The calculated obligation in terms of the defined benefit obligation corresponds to the provision of EUR 622,000. The interest cost in the following year is calculated at EUR 4,000 and payments of EUR 60,000 are expected from the existing benefit plans in 2021.

Payment of the contractually agreed pensions is secured by insurance taken out by Klingenberg Dekoramik GmbH with the Pensionssicherungsverein.

In the financial year ended 31 December 2020, the total pension contribution recognised in the consolidated income statement is kEUR 7 (2019: kEUR 7). In the current year, the interest expense amounts to 4 kEUR.

31. LEASE COMMITMENTS AND IFRS 16

The Group leases IT equipment with contractual terms ranging from one year to three years. These leases are either short-term or (and) based on low-value items. The Group also leases offices and warehouses. Each of these agreements has a short-term duration and the expenses amounted to EUR 4 thousand. The Group has decided not to recognise rights of use or lease liabilities for these short-term or small-ticket leases.

As lessee

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

KEUR	2020	2019
Within one year	667	739
From the second to the fifth year inclusive	472	751
Longer than five years	20	100
Total	1,334	1,590

The lease payments are rents paid by the Group for its office space. The term of the leases is fixed for a period of one to five years.

Presentation of rights of use from leasing contracts

KEUR	2020
Status 1 January	468
Additions Rights of use	25
Depreciation	105
Disposals of rights of use	0
Status 31.12.2020	388

The rights of use from leasing result from the rental of production machinery at Klingenberg Dekoramik GmbH.

As lessor

The following gross rental income was generated in the reporting period:

KEUR	2020	2019
Kirby Interchange	139	2.605
Houston Single Family Homes	71	118
California	0	15
Total	210	2.738

The terms of the contracts for the Houston single-family homes are short-term.

At the end of the reporting period, the Group had receivables from future payments from nonpre-terminable existing leases from the Kirby Interchange property, as well as the currently leased three properties in Houston, which are due as follows:

KEUR	2020	2019
Within one year	43	2,272
From the second to the fifth year inclusive	0	6,999
Beyond the fifth year	0	2,940
Total	43	12,211

32. RELATED PARTIES AND DISCLOSED SHAREHOLDINGS

An overview of related parties and persons can be found in section 35 IMPORTANT SUBSIDIARIES AND AT-EQUITY INVESTMENTS, section 1.6 of the management report on "Corporate bodies, management and founders" and in the remuneration report of this annual report.

Shine Eagle Trust reg., Balzers, Liechtenstein, notified the Company on 24 August 2016 that due to its liquidation its 8,507,000 shares have been transferred to Hi Scene Industrial Limited, Tortola, British Virgin Islands.

Ms Sujida Lelalertsuphakun Lee, China, has notified the Company pursuant to section 21 (1a) WpHG old version that her percentage of voting rights in ROY Asset Holding SE, Hungen, amounted to 75.47% as at 01 September 2017.

Surasak Lelalertsuphakun is the son of Siu Fung Siegfried Lee and Sujida Lelalertsuphakun Lee is the daughter of Siu Fung Siegfried Lee.

At the same time, 75.47% of this is attributable to it pursuant to Section 22 (1) Sentence 1 No. 2 of the German Securities Trading Act (WpHG a.F.) and was held by the following shareholders, from whose shares in ROY Asset Holding SE 3% or more is attributable in each case:
- Hi Scene Industrial Limited, Tortola, British Virgin Islands

Mr Tak Chung Pang, China, has notified the Company pursuant to section 21 (1a) WpHG old version that his share of voting rights in ROY Asset Holding SE, Hungen, amounted to 3.81% of the voting rights at the time of the first-time admission of the shares of ROY Asset Holding SE to trading on the regulated market of the Frankfurt Stock Exchange on 29 April 2015.

Of these, 3.81% are attributable to him pursuant to Section 22 (1) sentence 1 no. 1 WpHG old version and were held by the following companies controlled by him, whose share of voting rights in ROY Asset Holding SE amounts to 3% or more in each case:
- Golik Holdings Limited, Hamilton, Bermuda
- Golik Investments Ltd, British Virgin Islands

Golik Investments Ltd, Tortola, British Virgin Islands, has notified us pursuant to section 21 (1a) WpHG a.F. that its share of voting rights in ROY Asset Holding SE, Hungen, amounted to 3.81% of the voting rights at the time of the first-time admission of the shares of ROY Asset Holding SE to trading on the regulated market of the Frankfurt Stock Exchange on 29 April 2015.

Of these, 3.81% are attributable to it pursuant to Section 22 (1) sentence 1 no. 1 WpHG old version and were held by the following companies controlled by it, whose share of voting rights in ROY Asset Holding SE amounts to 3% or more in each case:
- Golik Holdings Limited, Hamilton, Bermuda

33. TRANSACTIONS WITH RELATED PARTIES

In addition to the transactions disclosed in notes 23, and 32, the Group entered into the following significant transactions with related parties during the financial year:

KEUR	2020	2019
Rent for property in California, provisioned for: Hi Scene Industrial Ltd.*	69	34

*Hi Scene Industrial Ltd is a shareholder of the Company.

The above transactions were entered into with Hi Scene Industrial Ltd (Hong Kong) on an arm's length basis. In addition, the Company has receivables from Mr Lee and Suriya Toaramrut as disclosed in Note 23.

34. IMPORTANT SUBSIDIARIES AND AT-EQUITY INVESTMENTS

Details of the Company's subsidiaries as at 31 December 2020 and 2019:

Name of the subsidiary	Seat	Equity	Shareholding in the Company and voting rights		Main activity	Net profit/loss for the year
			31.12.2020	31.12.2019		
Lion Legend Holdings Limited	George-town, Cayman Islands	EUR 17,362,434 (HKD 165,189,667)	100 % direct ownership	100 % direct ownership	Investment participation	KEUR -17,897 (HKD -159,025,957)
Klingenberg Dekoramik GmbH	Klingenberg	EUR - 3,901,555	100 % direct ownership	100 % direct ownership	Investment participati	KEUR -3,201
Emerald Pond Regional Center, LLC	Los Angeles/ California	(0 KUSD) 0 KEUR	100 % direct ownership	-	inactive	(0 KUSD) 0 KEUR
ROY USA, Inc.	Los Angeles, California	(1,138,395 USD) EUR 927,712	100 % indirect ownership	100 % indirect ownership	Investment participation	(-USD 1,311 THOUSAND) KEUR -1,148

ROY Holdings Inc.	Wilmington, Delaware	(USD 10,000) 8 KEUR	100 % indirect ownership	100 % indirect ownership	Investment participati	(0 KUSD) 0 KEUR
ROY Equities Houston, Inc.	Houston, Texas	(- USD 4,247,403) EUR - 3,461,334	100 % indirect ownership	100 % indirect ownership	Investment participation	(-USD 3,572 THOUSAND) KEUR -3,127
ROY 3300 Fund LP	Wilmington, Delaware	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Investment participation	(0 KUSD) 0 KEUR
ROY 3300 Main Investor LLC	Wilmington, Delaware	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Investment participation	(0 KUSD) 0 KEUR
ROY 3300 Main Member LLC	Wilmington, Delaware	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Investment participation	(0 KUSD) 0 KEUR
ROY Fund Manager LLC	Wilmington, Delaware	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Investment participation	(- 2 KUSD) -2 KEUR
ROY Commercial Houston, Inc.	Houston, Texas	(USD 4,008,896) EUR 3,266,968	100 % indirect ownership	100 % indirect ownership	Investment participati	(4,049 KUSD) KEUR 3,546
ROY Commercial Real Estate Houston, Inc.	Houston, Texas	USD 2,233,175) EUR 1,819,880	100 % indirect ownership	100 % indirect ownership	Investment participation	(-USD 227 THOUSAND) -199 KEUR
ROY Holdings Houston, Inc.	Houston, Texas	(326 USD) 265 EUR	100 % indirect ownership	100 % indirect ownership	Investment participati	(0 KUSD) 0 KEUR
ROY Houston Management, Inc.	Houston, Texas	(USD 18,667,759) EUR 15,212,908	100 % indirect ownership	100 % indirect ownership	Investment participation	(-USD 509 THOUSAND) KEUR -445
ROY 6914 Schiller LLC	Houston, Texas	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Real estate company	(0 KUSD) 0 KEUR
ROY 2031 Arbor Cove LLC	Houston, Texas	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Real estate company	(-USD 30 THOUSAND) -26 KEUR
ROY 22622 Sierra Lake LLC	Houston, Texas	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Real estate company	(-USD 18 THOUSAND) -16 KEUR
ROY 22735 Sierra Lake LLC	Houston, Texas	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Real estate company	(-USD 3 THOUSAND) -2 KEUR
ROY 22422 Kendall Shay LLC	Houston, Texas	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Real estate company	(-USD 8 THOUSAND) -7 KEUR

ROY 6910 Schiller LLC	Houston, Texas	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Real estate company	(0 KUSD) 0 KEUR
ROY 7006 Schiller LLC	Houston, Texas	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Real estate company	(0 KUSD) 0 KEUR
ROY 7010 Schiller LLC	Houston, Texas	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Real estate company	(-USD 7 THOUSAND) -6 KEUR
ROY 1510 Hillendahl LLC	Houston, Texas	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Real estate company	(-USD 16 THOUSAND) -13 KEUR
ROY 7002 Blandford LLC	Houston, Texas	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Real estate company	(0 KUSD) 0 KEUR
ROY 1329 Voss LLC	Houston, Texas	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Real estate company	(-USD 8 THOUSAND) -7 KEUR
ROI Palace, LLC,	Los Angeles, California	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Investment participation	(-2 KUSD) -2 KEUR
Edgehill Home LLC	Los Angeles, California	(0 USD) 0 EUR	100 % indirect ownership	100 % indirect ownership	Real estate company	(-USD 15 THOUSAND) -13 KEUR
Signature Homes Jurupa Valley, LLC	Los Angeles/ California	(0 USD) 0 EUR	100%indirect ownership	100%indirect ownership	Investment participation	(0 KUSD) 0 KEUR
Jurupa Valley, LLC	Los Angeles/ California	(USD 9,656,295) EUR 7,869,200	55% Indirect ownership	55% Indirect ownership	Investment participation	(-USD 17 THOUSAND) -15 KEUR

Companies valued at equity

3300 Main Project Owner, LP	Houston/Texas	USA	(35,757,702 USD) 29,140,007 EUR	(4,505 KUSD) KEUR 3,671	73.8 % - indirect

Jurupa Valley, LLC is fully consolidated because the ROY Group bears all material risks and rewards and ROY holds the majority of voting rights at the executive committee meeting.

The listed property LLCs of ROY Commercial Real Estate Houston, Inc. were formed with the goal of clearing and building new homes on the three developed lots in Houston and developing the seven undeveloped lots in Houston. ROY, together with a local partner, plans to develop two house models to be built on the aforementioned lots.

ROY Asset Holding SE, Munich, holds a 100 % share in LLH. As the parent company, ROY Asset Holding SE prepares consolidated financial statements for the largest group of companies within the meaning of § 315a of the German Commercial Code (HGB). These are available in the Federal Gazette.

LLH prepares subgroup financial statements in accordance with the local requirements of Hong Kong Financial Reporting Standards (HKFRS) (smallest group of companies). These are available at the offices of the Company.

35. ADJUSTMENT OF THE ACCOUNTING FOR THE ACQUISITION OF KLINGENBERG DEKORAMIK GMBH IN THE VALUATION PERIOD

ROY acquired all shares in Klingenberg Dekoramik GmbH in July 2019 and has since included this company in the consolidated financial statements by way of full consolidation. For information on the accounting treatment of the acquisition, please refer to note (34) of our consolidated financial statements for the financial year ended 31 December 2019.

The initial accounting for the acquisition in the 2019 financial year was partly based on provisional values. In the reporting period, these provisional values were reviewed and, where necessary, adjusted in accordance with IFRS 3.45 et seq. taking into account all information available in the meantime.

The only item to be adjusted was the valuation of an obligation from an onerous contract recognised in the preliminary purchase price allocation. This obligation was recognised at a value of EUR 2,000,000 in the preliminary purchase price allocation. Based on the information available in the meantime, we assume that the obligation should not have been recognised at the time of acquisition or should have been recognised at a fair value of zero.

The adjustment of the preliminary purchase price allocation results in the following changes to the amounts recognised:

KEUR	Provisional value	CorrectedValue
Obligation from onerous contracts	2,000	0
Total identifiable net assets acquired	5,311	7,311

The acquisition of Klingenberg Dekoramik GmbH by ROY took place at a symbolic purchase price of 1 euro. The accounting of the company acquisition resulted in a so-called bargain purchase within the meaning of IFRS 3.34, which had to be recognised as a profit in the income statement of the financial year 2019. Based on the preliminary values, this profit amounted to EUR 5,311 thousand. Due to the adjustment explained above, the profit increases to 7,311 kEUR.

The adjustment was recognised in the consolidated financial statements using the retrospective method, i.e. the adjusted amounts were recognised as if the accounting for the acquisition had already been completed at the acquisition date. Thus, the comparative information provided in these consolidated financial statements had to be adjusted as follows:

KEUR	Value to date	Adjusted value
Consolidated balance sheet as at 31.12.2019		

Trade payables and other liabilities	7,929	5,929
Equity		
Loss carried forward	-64,585	-62,585
Total equity	92,709	94,709
Consolidated Profit and Loss Account 31.12.2019		
Income from the initial consolidation of Klingenberg	5,311	7,311

36. AVERAGE NUMBER OF EMPLOYEES

The average number of employees was 95 in the 2020 financial year and 54 in the 2019 financial year, of which an average of 4 were senior managers (2019: 4) and 91 were salaried and hourly workers (2019: 48).

37. AUDIT FEES

The auditor's fee for the consolidated financial statements included in the expenses for the 2020 financial year amounts to EUR 125 thousand (2019: EUR 105 thousand) and has been provided in the amount of EUR 125 thousand for audit services and in the amount of EUR 0 thousand for other services.

38. ERROR CORRECTIONS

As part of the audit of the financial statements, the Group noted that the cost of sales for Klingenberg in 2019 did not include depreciation and costs for production employees. These costs were included in administrative expenses. The error has been corrected and a corresponding reclassification and disclosure made for 2019 within the statement of comprehensive income. The result determined for 2019 does not change and the effects of the error correction are as follows:

	Effects due to error corrections		
	as reported earlier	Adaptations	Adapted
Cost of sales	4,575	1,728	6,303
Administration costs	19,656	-13,127	6,529
Other operating expenses	0	11,399	11,399
	24,231	0	24,231

39. EVENTS AFTER THE BALANCE SHEET DATE

The main uncertainty of the outlook for the year 2021 presented in this annual report results

from the estimation of the possible effects of the currently still rapidly spreading coronavirus on the economic development and the activities of the ROY Group. These are difficult to estimate due to the very rapidly developing situation on the date of preparation of the annual report, especially in the focus markets in the USA, Asia and Europe.
Against this background, the management assumes that the plan for 2021 is no longer valid and that no reliable forecast can be made for 2021 due to the rapidly developing situation.

One property with a sales price of USD 420 thousand is currently in the sales process. The sale is expected to be completed in Q2 2021.

In April, another capital increase was carried out at The Travis project with a participation of ROY in the amount of 520 KUSD (426 KEUR).

40. DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The declaration of compliance with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) was issued in the reporting year as of 23 October 2020 (previous year 25 August 2019). The declaration of compliance is publicly available on the company's homepage at https://royasset.de/anlegerbeziehungen/unternehmensfuehrung.

Munich, 28 April 2021

ROY Asset Holding SE

The Managing Director

MATTHIAS HERRMANN	SURIYA TOARAMRUT
CEO	TECHNICAL DIRECTOR

INSURANCE OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report 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.

Munich, 28 April 2021

ROY Asset Holding SE

The Managing Director

MATTHIAS HERRMANN	SURIYA TOARAMRUT
CEO	TECHNICAL DIRECTOR

AUDITOR'S REPORT

We have issued the following unqualified audit opinion on the consolidated financial statements and on the group management report, which was combined with the management report of the parent company:

"To ROY Asset Holding SE, Munich

Report on the audit of the consolidated financial statements and the group management report combined with the management report of the parent company

Audit Opinions

We have audited the consolidated financial statements of ROY Asset Holding SE, Munich and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the group management report, which has been combined with the management report of the company, of ROY Asset Holding SE for the financial year from 1 January to 31 December 2020. We have not audited the content of the group management declaration and the corporate governance report in accordance with German legal requirements.

In our opinion, based on the findings of our audit, the consolidated financial statements are

- the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the additional requirements of German law pursuant to section 315e (1) HGB and give a true and fair view of the financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in accordance with these requirements; and

- the attached group management report, which has been combined with the management report of the parent company, as a whole provides a suitable view of the Group's position. In all material respects, this group management report, which has been combined with the management report of the parent company, is consistent with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the group management report, which has been combined with the management report of the parent company, does not cover the content of the aforementioned group corporate governance statement.

In accordance with section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations concerning the correctness of the consolidated financial statements and the group management report, which has been combined with the management report of the parent company.

Basis for the audit judgements

We conducted our audit of the consolidated financial statements and the group management report, which was combined with the management report of the parent company, in accordance with section 317 HGB and the EU Regulation on Auditors (No. 537/2014; hereinafter "EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these regulations and principles is further described in the section "Auditor's responsibility for the audit of the consolidated financial statements and the group management report" of our auditor's report. We are independent of the group entities, in accordance with European law and German commercial and professional regulations, and have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, pursuant to Article 10 (2) (f) EU-APrVO, we declare that we have not performed any prohibited non-audit services pursuant to Article 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the group management report.

Particularly important audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

In the following, we present the audit matters that we consider to be the most significant:

- **Existence and recoverability of property, plant and equipment recognised in the consolidated financial statements**
- **Existence and recoverability of investment property recognised in the consolidated financial statements**

We have structured our presentation of these key audit matters as follows:

1) Description of the facts, including reference to related disclosures in the consolidated financial statements; and
2) Auditing procedure.

Existence and recoverability of property, plant and equipment recognised in the consolidated financial statements

Description of the facts

For information on the accounting policies applied, please refer to the notes in section "4. SIGNIFICANT ACCOUNTING AND VALUATION PRINCIPLES" and section "5. CRITICAL ASSESSMENT AND SIGNIFICANT REASONS FOR ESTIMATES". Information on the development of property, plant and equipment can be found under note "18. PROPERTY, PLANT AND EQUIPMENT".

In the consolidated financial statements of ROY Asset Holding SE, total assets of KEUR 18,126 are reported under the balance sheet item "18. PROPERTY, PLANT AND EQUIPMENT" as at

31 December 2020.

A large part of these assets consists of machines that were used to produce ceramic products in Beijing, China until September 2015. Parts of the machines were shipped to Germany in previous financial years for the purpose of preparation for a possible sanitary ceramics production of ROY. The Company provides for annual straight-line depreciation taking into account the estimated remaining economic useful life. In addition, an impairment test was performed on the machinery at the reporting date based on a valuation report by an independent valuation expert to determine whether there were any indications of further impairment. As at 31 December 2020, an unscheduled depreciation of KEUR 3,765 was taken into account.

The impairment test of property, plant and equipment is complex and based on a number of discretionary assumptions. These include, in particular, the future use of the machines. There are long-term plans to build a new production facility in Europe. There is a risk for the consolidated financial statements that the property, plant and equipment is not recoverable. From our point of view, this matter was of particular importance in the context of our audit.

Auditing procedure

As part of our audit, we questioned management about the measures taken to recover and utilise the machinery. We asked management about identified indications of impairment and assessed, based on the information obtained during our audit, whether there were further indications of impairment not identified by the Company. Furthermore, the involved sub-division auditors analysed the valuation report of an independent expert and we evaluated the sub-division auditor's reporting and conducted interviews with management.

Existence and recoverability of the investment properties reported in the consolidated financial statements

Description of the facts

For information on the accounting policies applied, please refer to the notes in section "4. SIGNIFICANT ACCOUNTING AND VALUATION PRINCIPLES" and section "5. CRITICAL ASSESSMENT AND SIGNIFICANT REASONS FOR IMPAIRMENT". Information on the development of the properties can be found under note "28. PROPERTIES HELD AS FINANCIAL INVESTMENT".

The subsidiary of Roy Asset Holding SE, Lion Legends Holdings Limited, indirectly holds several special purpose entities, each with one property as fixed assets, via ROY Houston Management Inc, Houston, Texas. Individual properties are held through other companies within the subgroup. The properties are held for subsequent sale or lease and are measured at amortised cost. The impairment testing of the properties is complex and based on a number of discretionary assumptions. In the USA, there are long-term plans to expand the real estate business and to generate sustainable rental income as well as to sell properties. There is a risk for the consolidated financial statements that the properties are not recoverable. In our view, this matter was of particular importance in the context of our audit.

Auditing procedure

As part of our audit, we inquired of management regarding the actions taken to value the properties. We asked management about identified indications of impairment and assessed, based on the information obtained in our audit, whether there were other indications of impairment not identified by the Company. The recoverability of the properties was verified by external appraisals. The integrated subgroup auditors analysed the appraisals of an independent appraiser and we evaluated the reporting of the subgroup auditors.

Other information

The legal representatives are responsible for the other information. The other information includes:

- the Group Corporate Governance Statement,
- the other parts of the annual report, in particular the letter from the executive directors to the shareholders and the report of the board of directors
- the assurance pursuant to section 297 (2) sentence 4 HGB on the consolidated financial statements and the assurance pursuant to section 315 (1) sentence 5 HGB on the group management report, which was combined with the management report of the parent company.

Our audit opinions on the consolidated financial statements and on the group management report, which has been combined with the management report of the parent company, do not cover the other information and, accordingly, we do not express an audit opinion or any other form of conclusion thereon.

In connection with our audit, we have a responsibility to read the other information and, in doing so, consider whether the other information is

- are materially inconsistent with the consolidated financial statements, the group management report, which has been combined with the management report of the parent company, or our knowledge obtained in the course of the audit; or

- otherwise appear to be materially misrepresented.

Responsibility of the legal representatives and the Board of Directors for the consolidated financial statements and the group management report, which has been combined with the management report of the parent company

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for accounting on a going concern basis unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report, which has been combined with the management report of the parent company, that as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for the arrangements and measures (systems) that it has deemed necessary to enable the preparation of a group management report, which has been combined with the management report of the parent company, in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the group management report, which has been combined with the management report of the parent company.

The Board of Directors is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the Group management report, which has been combined with the parent company's management report.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report Combined with the Management Report of the Parent Company

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report, which is combined with the management report of the parent company, as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the audit findings, in accordance with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report, which is combined with the management report of the parent company.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 consolidated financial statements and group management report, which have been combined with the management report of the parent company.

During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore

- Identify and assess the risks of material misstatement of the consolidated financial statements and the group management report combined with the management report of the parent company, 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 audit opinion. The risk of not detecting material misstatements is higher in the case of non-compliance than in the case of inaccuracies, as non-compliance may involve fraud, forgery, intentional omissions, misleading representations or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of the arrangements and actions relevant to the audit of the group management report, which has been combined with the management report of the parent company, 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 those systems.

- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the group management report, which has been combined with the parent company management report, or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Group being unable to continue as a going concern.

- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU, and the additional requirements of German law pursuant to § 315e Abs. 1 HGB.

- obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the group to express opinions on the consolidated financial statements and on the group management report, which has been combined with the management report of the parent company. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- we assess the consistency of the group management report, which has been combined with the management report of the parent company, with the consolidated financial statements, its compliance with the law and the understanding of the group's position given by it.

- We perform audit procedures on the forward-looking statements made by management in the group management report, which is combined with the management report of the parent company. On the basis of sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

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

We make a declaration to those charged with governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and the safeguards that have been put in place to address them.

From the matters we discussed with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure of the matter.

Other statutory and other legal requirements

Report on the audit of the electronic reproductions of the consolidated financial statements and the combined group management report prepared for the purpose of disclosure pursuant to section 317 (3b) of the German Commercial Code (HGB)

Audit opinion

Pursuant to section 317 (3b) HGB, we have performed a reasonable assurance engagement as to whether the reproductions of the consolidated financial statements and the group management report combined with the management report of the parent company contained in the attached file royceramics_189488.zip and prepared for disclosure purposes (hereinafter also referred to as "ESEF documents") comply in all material respects with the electronic reporting format ("ESEF format") requirements of section 328 (1) HGB. In accordance with German legal requirements, this audit only covers the conversion of the information in the consolidated financial statements and the combined group management report into the ESEF format and therefore neither the information contained in these reproductions nor any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the combined group management report contained in the aforementioned attached file and prepared for the purpose of disclosure comply in all material respects with the electronic reporting format requirements of section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying combined group management report for the financial year from 1 January to 31 December 2020 contained in the preceding "Report on the audit of the consolidated financial statements and the combined group management report combined with the management report of the parent company", we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the combined group management report contained in the above-mentioned attached file in accordance with section 317 (3b) of the German Commercial Code (HGB) and in compliance with the draft IDW Auditing Standard: "Audit of electronic reproductions of financial statements and management reports prepared for disclosure purposes in accordance with section 317 (3b) of the HGB" (IDW EPS 410). Our responsibility thereunder is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has applied the quality assurance system requirements of the IDW Quality Assurance Standard: "Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis" (IDW QS 1).

Responsibility of the legal representatives and the Board of Directors for the ESEF documents

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the combined group management report in accordance with section 328 (1) sentence 4 no. 1 of the German Commercial Code (HGB) and for the award of the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 of the HGB.

Furthermore, the company's management is responsible for the internal controls as they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of section 328 (1) HGB.

The legal representatives of the Company are also responsible for submitting the ESEF documents together with the auditor's report and the accompanying audited consolidated financial statements and audited combined group management report as well as other disclosable documents to the operator of the Federal Gazette. The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group auditor's responsibility for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB. During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore

- Identify and assess the risks of material non-compliance with the requirements of section 328 (1) HGB, 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 audit opinion;

- Obtain an understanding of internal control relevant to the audit of the ESEF documents 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 those controls;

- we assess the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documentation complies with the requirements of Delegated Regulation (EU) 2020/815, as amended at the reporting date, regarding the technical specification for that file;

- we assess whether the ESEF documentation provides a consistent XHTML representation of the audited consolidated financial statements and the audited group management report;

- we assess whether the mark-up of the ESEF documents with inline XBRL technology (iXBRL) provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

Other information according to Article 10 EU-APrVO

We were elected as auditors of the consolidated financial statements by the Annual General Meeting on 6 August 2020. We were appointed by the Board of Directors on 20 January 2020. We have been the group auditor of ROY Asset Holding SE, Munich, without interruption since the 2015 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the audit committee pursuant to Article 11 EU-APrVO (audit report).

Auditor in charge

The auditor responsible for the audit is Mr. Armin Weber.

Munich, 30 April 2021

ECOVIS Wirtschaftstreuhand GmbH
Auditing firm
Munich Head Office

Peter Knop Auditor	Armin Weber Auditor

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Publisher

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FINANCIAL CALENDAR 2021

Publication of the Annual Report 2020
30 April 2021

Q1 Interim Statement 2021
31 May 2021

Annual General Meeting 2021
TBA

Publication of the Half-Yearly Report 2021
30 September 2021

Q3 /9M Interim Communication 2021
30 November 2021

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