ROY ASSET HOLDING SE

ANNUAL REPORT 2019

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

Since 2019, ROY has been operating under the name ROY Asset Holding with two business areas. Both divisions have been operational since 2019 and generate sales. The net loss in 2019 of EUR 11.4 million was, as in previous years, largely attributed to the depreciation of EUR 12.2 million on the moveable assets as well as on the real estate. In addition, there was a positive special effect from the purchase of Klingenberg Dekoramik GmbH. With the purchase of Klingenberg Dekoramik GmbH in July 2019, the first step towards reactivating ceramics activities was taken. Klingenberg Dekoramik is a manufacturer of high-quality technical and attractive residential tiles and the location is also suitable for long-term expansion of ceramic activities to include sanitary ware. Until then, the turnaround of Klingenberg Dekoramik GmbH will be pushed ahead and sales will be expanded. ROY will use the tiles for its own projects.

In the growing business area of property, we have been able to make stable monthly rental income. With the acquisitions of plots in Houston made in 2017, we are now focusing on developing these plots. We assume that the first revenues in 2020 from the realisation of the housing construction on the plots will be achieved. In the project development area, ROY participated in 2018 in the construction of an apartment tower block and, in Los Angeles, is developing 215 single-family homes and apartment buildings in collaboration with partners.

We assume that the multi-family high-rise will be completed as planned in May 2020 and that the marketing of the apartments and commercial space, which has already started, will be fully let by early 2021. ROY works with well-known local partners and investors on project developments. The aim is to further expand the real estate area and to develop it as a stable source of income for the ROY Group. In addition, we are working intensively on other promising real estate projects in the area of project development with a focus on Houston / Texas and Los Angeles / California. However, we do not ignore the increasing deterioration in the markets in Asia, which are very important as buyers for US real estate and will therefore pursue a rather conservative strategy in 2020. ROY was already able to successfully sell two single-family houses from the portfolio in the first quarter of 2020 and to sell the Kirby Interchange in February 2020.

However, with COVID-19 it is currently not possible to provide a reliable forecast for the course of business in 2020. The significant uncertainty about the possible course of business is difficult to assess due to the rapidly developing situation on the date of preparation of the annual report, especially in the key markets in the USA, Asia and Europe. In addition, the effects of COVID-19 impaired the timely completion of the annual report.

I would like to thank all of our shareholders for their support.

Kind regards,

Matthias Herrmann
CEO of ROY Asset Holding SE

REPORT OF THE ADMINISTRATIVE BOARD

The Board was kept continuously informed of major events in 2019 between regular meetings and telephone conferences. Due to the size of the Administrative Board and the single-level management structure of the company, no additional committees existed. No separate efficiency audit was conducted in relation to the Board, as process improvements are regularly considered and implemented. A total of four meetings of the Board of Directors took place and three resolutions were carried out in a circulation procedure.

The annual financial statements of ROY Asset Holding SE as of 31 December 2019 were drawn up together with the consolidated financial statements as at 31 December 2019, including the management report by the managing directors and were audited by ECOVIS Wirtschaftstreuhand GmbH Wirtschaftsprüfungsgesellschaft, Munich, and given an unqualified opinion.

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

The auditor took part in the annual report meeting on 06 May 2020 and reported all relevant findings and results for financial year 2018. In accordance with §314 [2] AktG the auditor audited the dependency report and has come to the following conclusion:

“In accordance with § 313 [4] AktG (German Stock Corporation act), no objections are to be raised after the conclusion of our examination against the report of the managing directors over relations to affiliated enterprises. We therefore give the following unqualified audit opinion pursuant to § 313 [3] AktG for the financial year 2019 in accordance with the report of the Managing Directors on relations with affiliated companies of ROY Asset Holding SE, Munich:

Based on our audit and the conclusions reached, we confirm that

- *the actual details of the report are correct,*
- *in the transactions listed in the report, the company's performance was not unduly high or disadvantages were compensated."*

The Board of Directors examined and approved the annual financial statements, the consolidated financial statements, the combined management report, the consolidated statement of comprehensive income, the consolidated cash flow statement and the statement of shareholders' equity in the course of 2019, without raising any objections after a review. The Board has assessed and approved the annual financial statements and the consolidated financial statements.

The Managing Directors proposed that the loss be carried forward to new account. The Administrative Board endorsed this proposal of the Managing Directors.

Munich, 06 May 2020

Dr.h.c. Siu Fung Siegfried Lee
Chair of the Administrative Board

SUMMARISED MANAGEMENT REPORT OF ROY ASSET HOLDING SE AND THE ROY ASSET HOLDING SE GROUP FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

1. GROUP PROFILE

1.1 General information

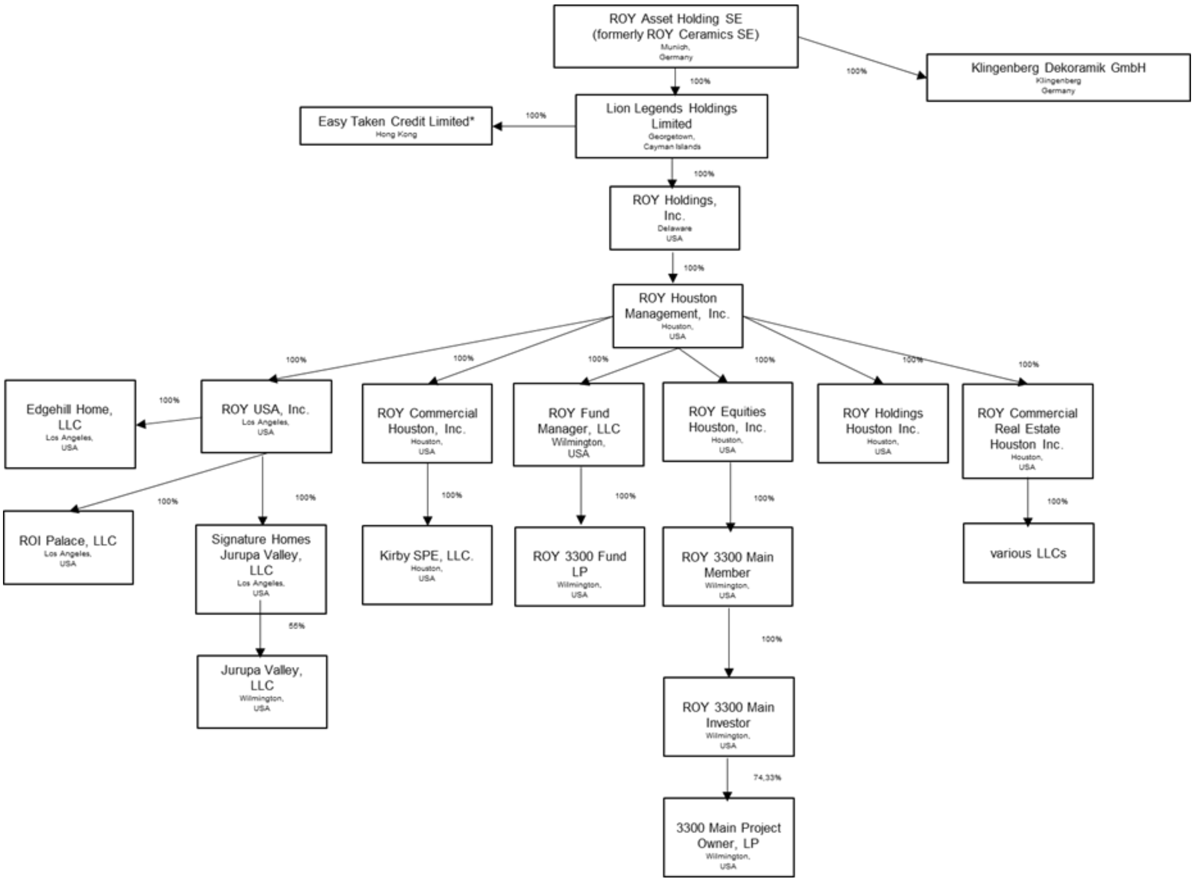
ROY Asset Holding SE, Munich (hereinafter referred to as the "Company" or "ROY") is the parent company of the Group. The Company is a European joint stock company founded on 8 May 2014 and entered in the Munich Trade Register (HRB 211752) with its registered administrative office (business address) at Gießener Straße 42, 35410 Hungen. The registered administrative office was moved from Munich to Frankfurt am Main on 6 March 2015. The registered administrative office was moved from Frankfurt am Main to Hungen, Germany, in 2016.

On 30 April 2015, the shares of ROY Asset Holding SE were listed on the Prime Standard of the Frankfurt exchange (Germany) for the first time and simultaneously on the unregulated market (third segment) of the Vienna exchange (Austria). The shares are traded under the Security Identification Number RYSE88 and ISIN DE000RYSE888.

The business purpose of the Company and its subsidiaries (jointly referred to as the "Group") up to 30 September 2015 consisted primarily of the production and sale of sanitary equipment and accessories made of ceramics. The Company acts as an investment holding company. The main activity of its subsidiaries and the participation and voting rights of the Company are presented in Section 33 of the Notes. The business purpose of ROY Asset Holding SE was expanded with the resolution of 2 October 2017 and real estate established as an additional field of business. The real estate division is under development and the primary objective is real estate transactions in the USA. In the ceramics sector, the ceramic segment was revived with the acquisition of Klingenberg Dekoramik GmbH.

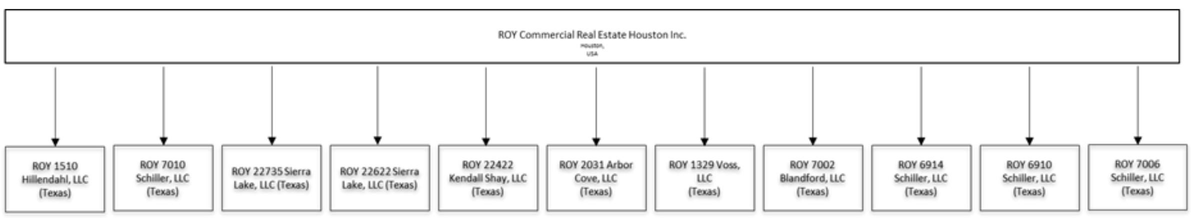
1.2 Group structure

The Group structure changed in 2019. Largely as a result of the real estate transactions carried out and planned in the USA, new companies were established in Houston. The ROY Group plans to establish a separate company for each new real estate transaction. The Group structure on 31.12.2019 was as follows:



*Easy Taken Credit Limited is inactive and the company was requested to be dissolved in 2019. As of the reporting date, the company had not yet been removed from the local commercial register.

The LLCs stated under ROY Commercial Real Estate Houston Inc. in the USA are as follows. The LLCs each hold one property, which is to be developed or sold without delay. The property LLCs are described in detail in Section 33.



1.3 Business model

ROY has successfully established itself in the US with a focus on project development and investment. The Real Estate division makes a stable and significant contribution to the company's development and success. As is usual in project development, the income from the projects that have just started will only make a significant contribution to the result in two to three years.

In the ceramic segment, ROY generates substantial sales with the subsidiary Klingenberg Dekoramik GmbH in the ceramic tile sector. In addition, ROY aims to establish itself in the newly developing market for shower toilets (Smart Toilet Seats) in Europe and the USA. This takes place primarily in cooperation with well-known Asian manufacturers who provide the appropriate technical know-how in this area. ROY plans to outsource the manufacture of its standard branded ceramic products to a new OEM manufacturer in Eastern Europe. In addition, ROY plans to realize its own production of shower toilets in Germany in the sanitary ware sector in the long term.

1.4 Strategy

In the field of ceramic sanitary ware, ROY now plans to introduce or strengthen the brand ROY, following its effective launch in the Chinese market, as well as in the new international markets in the USA, ASEAN countries and Europe. Cf. Section 3.2 regarding the risks.

In the future, ROY is planning to take part in important trade fairs in Europe and the USA and to strengthen the ROY and Klingenberg brand as a ceramic ware manufacturer and real estate company to develop additional future customer groups.

ROY plans on developing and supplementing the design of the universal drain adapter for ROY WCs further, which meets both European as well as US industry standards. Development of the ROY universal drain adapter took three years and has the potential to supply important international markets.

The cooperation with a reliable OEM manufacturing partner on production of standard sanitary ware products has priority for ROY. In this regard the production and distribution will be resumed by ROY with the following priorities:

- signing an agreement on the OEM production of ROY brand products and activation of distribution activities in the USA, Europe and the ASEAN area;

- planning smart seat ceramic sanitary ware production of our own in Europe;

- identification of a suitable location for a new flagship exhibition room for the integrated bathroom solutions of ROY in cooperation with a renowned designer. This is intended to address the upper market segment.

In the real estate business division, ROY plans to establish itself as a reliable and expert partner in all areas of real estate business, especially in project development, as an investor and revitaliser, focusing on the USA. Furthermore, ROY strives to realise all real estate projects with professional and established partners. Houston, Texas and Los Angeles, California are the main focus of the real estate activities, but ROY is examining continuous, highly promising projects in the whole USA and outside the USA. These will concentrate on the areas of offices, single-family and multi-family building projects.

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

1.5 Controlling system

The aim of ROY Ceramics Group is to grow sustainably and do business successfully. To facilitate this, an internal controlling system is used by those responsible in the Group for the coordination and control of the companies. This system is based on a multitude of mechanisms

and key figures, such as EBT and a risk management policy, which maps sector-specific processes and makes them measurable. Overall, ROY has identified seven risk categories: credit risk, market risk, liquidity risk, operational risks, business risks, reputational risks and other risks. These risks are monitored continuously and analysed on the basis of their likelihood to occur and potential damage. How This essentially involves a case-based internal control system. This essentially includes the existing real estate project and Klingenberg Dekoramik GmbH.
The Board of Directors and the Executive Directors regularly review the requirements for the internal control system and risk management. With the corresponding resumption of business operations and substantial sales, the control system was realigned, in particular in the ceramics sector and as part of the expansion of the real estate business and adapted to the two business segments. The group is managed in particular on the basis of the key figures on sales and contribution margin as well as gross profit margin.

1.6 Executive bodies, management and founders

The Administrative Board of the company currently has the following members:

Name	Member since
Siu Fung Siegfried Lee (Chair)	27. August 2015
Surasak Lelalertsuphakun (Deputy Chair)	18. September 2014
Matthias Herrmann	2 October 2017
Christian Alexander Peter	2 October 2017
Siwen Mao	2 October 2017
Sujida Lelalertsuphakun Lee	2 October 2017

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

2. ECONOMIC REPORT

2.1 Economic development

2.1.1 General economic development

Global economic growth in 2019 is expected to be 2.9% according to the global economic outlook of the International Monetary Fund. (IMF). Compared to 2018, growth has slowed down from 3.6%.

According to "tradingeconomics.com", the Chinese government expected the Chinese economy to grow by 6.0% in 2019 and as a result have the slowest economic growth in 29 years. This indicated weaker dynamism, but a hard landing in economic growth was not yet evident.

In the USA, economic growth in 2019 was 2.3%, which was below the previous year's figure of 3.0%. This development is also reflected in stable incomes and in 2019 and in the first two months of 2020 still strong construction activity and stable property prices in the Houston area, as well as slightly rising prices for properties in the Los Angeles area, California. Further developments remain to be seen under the rapidly developing situation with COVID-19 in the USA.

In the field of ceramic ware, the slower economic growth in previous markets had no effect on the business development of the ROY Group. In the real estate field of business, the improved economic conditions had a positive influence on the development of the ROY Group, resulting in lower vacancy rates in Kirby Interchange in Houston.

The markets in which ROY will strengthen its activities, in particular the USA, Europe and the ASEAN countries, will continue to show stable growth in 2019 and promise future sales potential for ROY.

2.2 Earnings, financial and asset position

The following discussion and analysis of the earnings, financial and asset position of ROY by the management refers to the consolidated financial statements drawn up according to IFRS of the ROY Group or the individual financial statements of ROY Asset Holding SE according to the German commercial law foundations for the financial years ending on 31 December 2019 and 31 December 2018 (comparative period).

The financial data in the following tables are for the most part stated in thousand euros (kEUR) and have been commercially rounded to a thousand euros. The percentages included in the text and tables below have likewise been commercially rounded to one decimal place. Consequently, the total of the figures stated in the text and in the tables may not result in the precise totals stated and the total of the percentages may not necessarily amount to 100%.

Comparisons between the results for 2019 and 2018 as well as significant financial performance indicators are only of limited significance due to the activities in the ceramics sector that were only reactivated in the second half of 2019. The real estate business division was established in 2017. This business division includes the Kirby Interchange, several construction sites in Houston and Los Angeles as well as a large property development in Houston and as well in Los Angeles. Overall, business development turned out to be favourable under the given circumstances.

In the field of ceramics, sales through the purchase of Klingenberg Dekoramik GmbH were in line with expectations. Due to the takeover of the company and the necessary restructuring measures, the result was satisfactory according to the circumstances.

The results of ROY Asset Holding SE itself are not discussed in detail, since the company has not yet carried out substantial trading activities and only functions as a holding company for the Group.

2.2.1 Earnings position

As of December 31, 2019, the income statement of the individual financial statements of ROY Asset Holding SE shows a loss of EUR 1,558 thousand compared to a profit in the previous year of EUR 29,300 thousand. The profit in the 2018 financial year resulted mainly from a dividend payment from the subsidiary LLH, from its capital reserve, to the parent company in the amount of EUR 30,000 thousand. The forecast sales of approx. EUR 9 million to EUR 10 million were not achieved because two planned payments from real estate transactions, one of which in Escrow and the other one under LOI no longer flowed to ROY in 2019. Both transactions were completed in January and February 2020. In addition, ROY announced a waiver of the loan granted in July as part of the purchase of Klingenberg Dekoramik GmbH in December 2019 in order to further strengthen Klingenberg's balance sheet. The first-time consolidation of Klingenberg Dekoramik GmbH resulted in a profit of EUR 5,311 thousand, which was taken into account in the consolidated income statement.
The ROY Group had a capital reduction at LLH in 2018 to strengthen the parent company's balance sheet in Germany for further growth. This capital was used in 2019 to carry out a capital increase from company funds. This led to a 1: 2 increase in the number of shares.

The following table includes information from the consolidated financial statements of ROY for the financial years ending on 31 December 2019 and 31 December 2018.

Selected information from the statement of comprehensive income of the Group:

kEUR	Financial year to 31.12.2019	Financial year to 31.12.2018	Change in %
Sales revenue	**7,851**	**3,032**	**159**
Cost of sales revenue	4,575	1,969	132
Gross earnings	**3,276**	**1,063**	**208**
Administrative costs	19,656	15,423	27
Other income	382	208	84
Operating earnings/EBIT	**-15,998**	**-14,152**	**13**
Financial income	6	12	-50
Financial expenses	823	729	13
Earnings before taxes	**-16,815**	**-14,869**	**13**
Deferred taxes	45	259	-83
Income taxes	-113	124	**-191**
Net profit in the reporting period before first consolidation of Klingenberg Dekoramik	**-16,747**	**-15,252**	***10***
Profit from the initial consolidation of Klingenberg Dekoramik	**5,311**	**0**	***n/a***

Net result in the reporting period after initial consolidation of Klingenberg Dekoramik	**11,436**	**0**	***n/a***
Gross profit margin in %	*42*	*35*	*20*
EBIT margin in %	*-214*	*-467*	*-54*
Net profit margin in %	*n/a*	*n/a*	*n/a*

pp = percentage points

n/a= The net profit margin is not meaningful due to the losses. Therefore, we have not reported them for this year.

2.2.2 Sales revenue

In 2019, steady rental income was realised in the real estate segment from the Kirby Interchange, four other leased properties in Houston, which are located on the in 2017 purchased properties and are being leased until demolition or sale, as well as from one leased property in California.

Relevant sales were generated in 2019 in the ceramic segment with the subsidiary Klingenberg Dekoramik GmbH.

2.2.3 Gross profit and gross profit margin

The following table shows a breakdown of the gross profit and gross profit margin for the financial years to 31 December 2019 and 31 December 2018.

kEUR	**2019**	**2018**
Gross earnings	3.276	1.063
Gross profit margin	42%	35%

2.2.4 Financial income

The financial income of the Group fell from kEUR 12 in financial year 2018 to kEUR 6 in financial year 2019. This is mainly due to the low interest rate level and lower liquidity available in the 2019 financial year.

The group's financial expenses rose from EUR 729 thousand to EUR 823 thousand in 2019. The increase in financial expenses is due to the increase in the loan with Midfirst Bank in order to build additional parking spaces for the Kirby Interchange.

2.2.5 Administrative costs

The administrative costs of the Group primarily include wages and salaries as well as ancillary wage and salary costs for managing directors, other management and administrative personnel, travel and entertainment expenses for management and managing directors, depreciation expenses for assets, benefit expenses, repairs and maintenance expenses, rental costs, office expenses, transport expenses and impairments of trade receivables and other receivables.

The administrative costs in the 2019 financial year amounted to kEUR 19,656 compared to kEUR 15,423 in the 2018 financial year. The increase in the 2019 financial year compared to the previous year was mainly due to the costs of the Klingenberg Dekoramik GmbH, which was acquired in the 2019 financial year. In 2019, the scheduled depreciation of EUR 12,150 thousand was above the depreciation of the previous year (2018: EUR 11,685 thousand), mainly due to currency effects and depreciation on machines at Klingenberg Dekoramik GmbH.

2.2.6 Income tax expenses (Group)

According to the laws of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income taxes in the Cayman Islands or the British Virgin Islands.

kEUR	**2019**	**2018**
Current taxes		
Income tax in the USA	-112	123
Income tax in Germany	0	0
Income tax in Hong Kong	-1	1
Deferred taxes USA	45	259

During the financial year or at the end of the year under review, the Group had deferred tax liabilities in the USA amounting to kEUR 45 (2018: 259 kEUR) by contrast deferred tax assets of 0 kEUR (2018: 44 kEUR).

The tax loss carried forward of ROY Asset Holding SE as at 31 December 2019 amounts to kEUR 459. ROY Asset Holding SE does not generate an operative result but essentially achieves income from investments which are taxed at 5%.

2.3 Balance Sheet of ROY (Group)

kEUR	**31 Dec. 2019**	**31 Dec. 2018**
Assets		
Total non-current assets	105,210	102,700
Total current assets	12,793	12,303
Total assets	**118,003**	**115,003**
Equity and liabilities		
Total equity	92,708	98,251
Total liabilities	25,295	16,752
Total equity and liabilities	**118,003**	**115,003**

2.3.1 Non-current assets

The non-current assets chiefly involved property, plant and equipment in Germany and Thailand and real estate in the USA.

The increase in non-current assets in the 2019 financial year compared to the 2018 financial year was chiefly due to the investment made in Kirby Interchange and the purchase of a new property and investments in project developments in the USA, as well as the acquisition of Klingenberg Dekoramik GmbH.

Segment-related investment information

In connection with the sale of the Chinese operational subsidiaries to White Horse on 30 September 2015, the movable property, plant and equipment previously used in the Beijing plant was transferred to LLH. This machinery is shown in the balance sheet at its residual book value, which was the result of an independent and professional valuation carried out by Sinno Appraisal Limited (formerly: NOVA Appraisals Limited).

Since 2016, the property, plant and equipment previously used in the Beijing factory has been depreciated on the basis of a new estimate amounting to 10% depreciation annually, which corresponds to a residual usage period of ten years. In 2019, no reassessment of the remaining useful life was made. ROY plans to use existing machines from the former production in China for the production of the ceramic tiles at the Klingenberg location.

On 31 December 2019, several pieces of real estate of the Group were in the USA. One piece of real estate is pledged as collateral for a loan of the Group and is encumbered with a land charge. The other pieces of real estate serve as income properties.

In the field of ceramics, the purchase of Klingenberg Dekoramik GmbH made investments to optimize production and improve production processes.

2.3.2 Current assets

Cash and cash equivalents

On 31 December 2019, the bank balance amounted to kEUR 1,416 (2018: kEUR 9,274). Thereof, kEUR 1,040 of the bank balances are denominated in US Dollar and kEUR 351 are denominated in Euro. The remaining balances were mainly in Hong Kong dollars (HKD). Bank balances in the USA and Hong Kong bear interest at variable rates based on the respective interest rate for bank balances that can be terminated on demand. The bank balances were at creditworthy banks at which in the past there have been no indications of a potential default risk. In 2018 a cash pool system has been implemented together with a leading banking partner.

Trade receivables and other receivables

The trade receivables and other receivables for the most part comprise a claim against the project entity of 3300 Main, on the in 2018, acquired EB-5 investment funds (1 Mio. USD; ca.0,9 Mio. EUR) currently held in trust by an escrow company. Due to the outbreak 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 advisory services or liabilities to external service providers. Other liabilities include liabilities for wages and salaries and social benefits, benefit payments and other tax liabilities.

2.3.4 Non-current liabilities

Non-current liabilities primarily include a bank loan of USD 18,6 million (EUR 16,6 million), that was taken out to finance the purchase of the Kirby property. There are also provisions for pension obligations for former managers of Klingenberg Dekoramik GmbH in the amount of EUR 667 thousand.

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

kEUR	**31. Dec 2019**	**31. Dec 2018**
Assets		
Total non-current assets	25,217	24,762
Total current assets	31,372	33,316
Total assets	56,589	58,078
Equity and debt		
Total equity	56,219	57,777
Total debt	370	301
Total equity and debt	56,589	58,078

The non-current assets in both years primarily involved shares in Lion Legend Holdings Ltd (LLH), as well as an intercompany loan to a subsidiary in the USA.

The current assets primarily involve cash and loan receivables against the subsidiaries Klingenberg Dekoramik, Lion Legends Holdings Limited and ROY Houston Management, Inc.

The change in equity is primarily attributable to the profit of the previous financial year.

ROY Asset Holding SE carried out a capital increase from own funds of EUR 36,218 thousand in July 2019. This capital increase was carried out by issuing new shares. Each existing shareholder received 1: 2 new shares. The subscribed capital was increased by the amount of EUR 36,218 thousand.

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

2.5 Abridged cash flow statement of the ROY Group

kEUR	31 Dec. 2019	31 Dec. 2018
Cash flow from business activity prior to a change in current assets	-3,779	-1,472
Net cash outflow from ongoing business activity	-3,090	18,047
Net cash inflow on account of investment activity	-8,943	-34,300
Net cash outflow from financing activity	2,358	1,169
Net increase (decrease) in cash and cash equivalents	**-9,675**	**-15,084**
Changes due to consolidation	490	0
Currency conversion effects	1,327	-1,332
Cash and cash equivalents at the beginning of the period	9,274	25,690
Cash and cash equivalents at the end of the period	**1,416**	**9,274**

In 2019, the Group was always in a position to meet all of its payment obligations in full.

As at 31 December 2019, the cash flow statement on the individual financial statement of ROY had negative cash flow from normal business activity, which arose primarily from the administrative costs for the listing on the Frankfurt stock exchange and other general administrative costs.

2.6 Other factors relevant to results

2.6.1 Research and development

New product series are constantly being developed during normal business activity. Applications have been submitted for various patents in the PRC, including for the universal drain adapter for WCs from ROY and production processes developed inside the company. In future, ROY will submit additional patents for new developments.

The purchase of Klingenberg Dekoramik GmbH strengthens the research and development area in the ceramics segment. Development work is carried out at the Klingenberg site, particularly in the area of developing new ceramic tiles for commercial and residential use. Internal costs for research and development were only incurred to a small extent in Klingenberg in 2019. External expenses in the context of a collaboration with a ceramic research institute amounted to EUR 10 thousand in 2019.

2.6.2 Production locations

All processes and the entire technological know-how of the former production facility in Beijing are to be integrated into the production facilities. In particular at the Klingenberg location, it is planned to build up the know-how and various production steps for sanitary ware (cf. Section 2.6.4.4).

2.6.3 Marketing and distribution of ROY products

ROY has been cooperating intensively with an OEM manufacturer in Eastern Europe on the development of pre-production for sanitary ceramics. ROY supports achieving the high-quality standards for our products with know-how onsite. With the completion of this process and adequate production security, ROY has used the existing sales network to market the products. In particular, the existing worldwide sales network of the subsidiary Klingenberg Dekoramik is integrated.

2.6.4 Intellectual property

2.6.4.1 Brands

In the view of the Company, the "ROY" and “Klingenberg” and “KeraClean” brand are an important factor in its successful business activity in its future success in national and international markets. For this reason, ROY has to continue to reinforce brand awareness. To protect the "ROY" brand, the Company has already had its trademarks registered and intends to have them registered as trademarks in other countries too. The Klingenberg brand is also protected. Other brands 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 on 23 January 2014 (patent name: "A kind of a toilet") for a universal toilet adapter. The patent was approved on 5 November 2014. The patented adapter permits the installation of a toilet that can be designed both with a floor as well as a wall drain by using various PVC pipes. The toilet installation with a floor drain can be designed according to Chinese standards with a pipe connection of 305 mm and 400 mm diameter or by another non-standard connection pipe using differently sized PVC pipes. The connection pipe of toilets with a floor drain can be converted to a connection for toilets with a wall drain. Therefore, the toilets can be installed both with vertical as well as horizontal drain pipes.

The information on the SFC patent can be summarised as follows:

Patent holder	Siu Fung Ceramics (Beijing) Sanitary Ware Co., Ltd.
Patent name	A kind of toilet
Inventor	Siu Fung Siegfried Lee, Sikun Jiang
Patent number	ZL 2014 2 0044813.6
Area	PRC
Date of patent application	23 January 2014
Date of patent approval	5 November 2014
Protective period until	23 January 2034

Agreements were reached with White Horse to transfer these trademarks from Siu Fung Ceramics (Beijing) Sanitary Ware Co., Ltd. to LLH by 30 June 2017. The retransfer to Ms Wen occurred in May 2017 and Ms Wen has contractually agreed to transfer this patent to

ROY Asset Holding SE. The transfer of this patent has been legally started and the required legal export documentation is prepared by an international patent law firm and submitted to the relevant authorities.

2.6.4.3 Domains

www.roykeramik.de
www.royceramics.de
www.royasset.de
www.royasset.com
www.dekoramik.de
www.klingenberg-dekoramik.de

The above-mentioned domain names have been registered for ROY Asset Holding SE and Klingenberg Dekoramik GmbH. The purchase of additional domain names will be considered in the event of the development of additional markets.

2.6.4.4 Production process

The intellectual property relating to the production process involves a secret formula and a secret process, which are carefully kept secret by ROY, but which are without legal protection. This technology has been developed in-house over several years. The products of ROY can be marketed internationally with it, which makes up a significant part of the expansion plans of ROY. This also includes the production processes and the sealing technology for tiles from Klingenberg Dekoramik GmbH.

2.6.5 Employees

On 31 December 2019, the ROY Group had a total of 102 employees apart from the managing directors of the Company (2018: five).

The plan is to hire additional employees for the next phase of development at ROY.

The ROY Asset Holding SE parent company had one employee in 2019 as in the previous year.

2.6.6 Experienced management team

The Chief Executive Officer (CEO) of the company, Matthias Herrmann, has many years of experience in the areas of financing and administration, as well as in the real estate sector. Mr Siu Fung Siegfried Lee (COO) is extremely experienced and has been active in the market for ceramic sanitary ware for over 30 years.

2.6.7 Company locations, property, plant and equipment, real estate, leases

2.6.7.1 Production locations

ROY's production facilities in the ceramic segment are located in Klingenberg. The area covers approximately 40,000 square meters 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 recognised and independent valuation experts of Sinno Appraisal Limited, Hong Kong, carried out an onsite inspection in years of 2016 until 2019 as well as in early 2020. Sinno Appraisal Limited estimated the fair value of the movable property, plant and equipment remaining with ROY Group pursuant to the international valuation standards published by the International Valuation Standards Committee (IVSC) on 31 December 2019 at an amount of HKD 262 million (approx. EUR 30 million). The other machines have a book value in the amount of EUR 1.6 million.

2.6.7.3 Real estate

Apart from activities in the commercial and multi-family real estate sector, ROY Asset Holding SE has committed itself to the development of a single-family home portfolio through its direct subsidiaries in Houston. Several project companies were established and equipped with properties for this purpose in the period June - October 2017. It is planned to develop the real estate in the near future with properties and offer them to interested investors and people, especially from the Asian area, after the development has been completed with superior properties.

Apart from the real estate projects in Houston/Texas, the ROY Group has become involved in another real estate project at the registered office of ROY USA, Inc. in Los Angeles/California. The project in Jurupa Valley has a total investment volume of USD 72 million and it is planned to erect 97 single-family homes and 118 multi-family homes on a property of approx. 10 hectares, distributed over several construction phases and a period of three years. ROY has taken part in the project with an investment of USD 5 million and in return will receive a majority share of 55% in the project company.

On 1 May 2018, through its subsidiary in the US, concluded an joint venture agreement with a project partner in the US today for the development of a multi-family high-rise. This project is a further step in expanding the presence of ROY Asset Holding SE in the US and strengthening the real estate business area.

The project involves the construction of a high-rise with approximately 328 residential units and approximately 1,380 m² of commercial space. The site is centrally located in Houston. The project will take approximately two years to build and stabilization is expected within two years after that. The total investment will be approximately USD ~130 million, of which ROY is investing USD 29 million in equity. The amount of the construction costs will be secured by a guaranteed maximum price contract. ROY's project partners are a leading property developer in Houston with a proven track record of successfully developing such projects and a large US based engineering and design firm. The implementation of the project will commence immediately. It is planned that the project will be sold after it is completed and stabilized. Leasing of the units started in Q4 2019 with project stabilization expected by Q2 2021.

2.6.7.4 Leases

ROY has leased premises in the USA for its activities. Since 1 April 2017, ROY USA, Inc. has been leasing premises in Pasadena, California, for a monthly rent amounting to USD 2,173, until

31 March 2020. In addition, another lease agreement has existed since 14 March 2017 with a term until 14 March 2027 with a monthly rent of USD 7,000. The rent is provided for Hi Scene Industrial Limited, which is also the primary shareholder of ROY Asset Holding SE.

Premises costing USD 2,850 per month are under lease in Houston/Texas by ROY Houston Management, Inc. The lease runs until the end of June 2020.

ROY Asset Holding SE has a lease for an office in Hungen for an annual flat-rate rent of EUR 1,500 and an office with service in Frankfurt for EUR 339 per month. The contract can be terminated on a quarterly basis. In addition, ROY Asset Holding SE is renting a warehouse in Selb/Bavaria as well as in Erfurt/Thüringen, for storing the machinery and equipment. The monthly rent in total is amounting to EUR 17,000. The rental contract for the warehouse in Selb/Bavaria initially matured on 31 May 2019 and has an automatic renewal element if the contract is not terminated three months prior. The rental contract for the warehouse in Erfurt/Thüringen matures on 31 December 2019. Further rental payments amounting to 1 kEUR a month (9,800 HKD) are paid for a storage room for documents of Lion Legends Holdings Limited.

3. REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

The following statements in regard to the future course of ROY's business and on the underlying assumptions judged to be important for its future course of business in regard to the economic performance of the market and industry are based on estimates that ROY considers realistic according to the currently available information. Nonetheless, there is a certain degree of uncertainty and an inevitable risk that the forecast developments will not actually occur in terms of direction or expected scope.

3.1 Forecast

3.1.1 Future economic environment

3.1.1.1 World economy

Due to new, greater orientation around international markets, the probable development of the world economy is increasingly important for the ROY Group. Currently, there are good growth prospects for the world economy. For example, according to calculations of the IFW (Kiel Institute for the World Economy), global production will increase by approximately 3.1% in 2020. An increase in world trade of 3.3% is expected for 2020. These assumptions are based on pre-COVID-19 analysis.

However, it is evident that development in all regions of the world is very strongly influenced by the current COVID-19 pandemic and suggests that a global recession due to Corona will occur at the time of writing. The advanced economies are therefore likely to continue to pursue an expansive monetary policy coupled with a less restrictive fiscal policy in order to cushion possible recessions. The attempts of an expansionary fiscal policy to achieve stability also lead to possible uncertainties due to the increasing enormous debt levels of states and companies, which represents a potential risk for the global economy.

The US economy continues to grow and is still slightly above average in global comparison. Gross domestic product is expected to increase by around 2.0% in 2020 for the USA (for comparison: in the euro area for 2020: 1.2%). It is expected that growth in Europe will also be 1.2% in the following year. The above assumptions were made before the COVID-19 pandemic broke out. Due to the spread of the corona virus, a recession is expected in most developed economies in 2020, but at the time of writing this report, the impact on the global economy cannot yet be described with certainty.

3.1.2 Future business environment

The medium-term outlook indicates continued slower growth in China of 6.0% in 2020 with a further slowdown in growth rates. This gradual cooling of economic development in China will also engulf the rest of the Asian region in 2020. Economic growth is expected to fall to 4.6% in 2020 in the rest of the Asian region. This development will be supported by stronger exports, greater political stability and increased investments. 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 most recent developments of the Group and the future strategies of ROY. Despite the COVID-19 pandemic, ROY will continue to stick to the strategy it has adopted so far.

3.1.3.1 Reactivation of the ROY brand

ROY plans to take part in leading trade fairs in Europe and the USA in 2020/2021 and to strengthen the ROY and Klingenberg brands in an even larger customer group in Europe, the USA and ASEAN markets. In 2019, ROY already visited successful trade fairs in Europe via the Klingenberg Dekoramik brand and already exhibited at several trade fairs in Q1 2020.

3.1.3.2 Future Production of sanitary ceramics and extension of tile production

In order to support the establishment of an outsourced sanitary ware 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 concluded with suppliers in the first stage in order to receive the necessary product components for production or final assembly in Klingenberg. It is also planned to invest in new tile products. ROY essentially plans to optimize the production processes at Klingenberg Dekoramik and thus save costs and increase efficiency and production utilization.

3.1.3.3 Forecast for ROY Asset Holding SE and the ROY Group.

In the field of ceramics, the first sales revenues were achieved in 2019. Overall, we do not expect these sales to cover ongoing costs in 2020 in the United States, Hong Kong, and Germany, particularly general administrative expenses. For the full year 2020, we anticipate a significantly lower net loss than in 2019, which is mainly attributable to operating overhead costs, but which is offset by rising rental income and sales revenue from real estate in the United States. We anticipate stagnating sales in 2020 from tile production. In addition, the first earnings from the partnership with a new OEM partner are expected to be low in 2020, provided that they can produce high-quality ceramics in accordance with our quality requirements in order to be able to adequately serve the sales channels that are created. Overall, ROY expects sales in the real estate segment of approx. 33 million euros. The sale of the Kirby Interchange is already taken into account in the forecast for sales in the real estate segment. In the field of ceramics, no forecast can be made for 2020 due to the global impact of COVID-19. No forecast for 2020 can be made for ROY Asset Holding SE due to COVID-19.

In the real estate segment, ROY generates rental income from the Kirby Interchange property, which is paid to the local subsidiary ROY Commercial Real Estate Houston, Inc. every month, and four other leased properties in Houston which generate rental income for ROY Commercial Real Estate Houston, Inc. as well as one leased property in Los Angeles, which generates rental income for ROY USA, Inc. Furthermore, high lead costs are expected for the other real estate projects being developed, which will have a correspondingly negative effect on the result of the ROY Group in 2020.

The main uncertainty of this outlook for 2020 arises from the assessment of the possible effects of the currently rapidly spreading coronoa virus on the economic development and activities of the ROY Group. These are difficult to estimate due to the rapidly developing situation as of the date of preparation of the annual report, especially in the key markets in the USA, Europe and Asia. Against this background, the management assumes that the plan for 2020 has lapsed and due to the rapidly developing situation, no reliable forecast for 2020 will be given.

3.2 Report on opportunities and risks

The business activity, net assets, financial and earnings position of ROY Asset Holding SE could be influenced significantly and disadvantageously upon the occurrence of one or more of these risks. Additional risks and uncertainties at ROY that the Company is currently unaware of or whose extent it is judging incorrectly at the moment may also have a negative impact on the business of ROY Asset Holding SE and the business activity, the net assets and the financial and earnings position of the Company. At the same time, the selection and the content of the risk factors is based on assumptions that could prove to be incorrect in hindsight.

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 segment of the real estate activities should be evaluated from the point of view of liquidity, risk distribution, security, transparency, manageability and return in particular.

3.2.1 Market risks

The risk management of the ROY Group occurs in a clearly defined and coordinated process. All relevant levels of the ROY Group are monitored continuously. ROY is currently not aware of any risks threatening its existence. The main risks identified for the ROY Group are stated below with the likelihood of occurrence. In particular due to the worldwide spread of the new corona virus, it is currently difficult to assess the market risks, since the virus as such may temporarily restrict free trade and trade 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 Risk in the production of ceramic products

In our opinion, particular risks that could have a significant impact on the planned course of business for 2020 currently lie in the increasingly overwhelming regulations and documentation, in increases in energy taxes and taxes and in price pressure due to stronger competition in the home market and in the export markets that are important for our company for our ceramic products.

There is the risk that ROY will have to terminate the agreement regarding development of products with the OEM plant in Easter Europe or another OEM plant for the manufacture of ROY brand products if the products do not meet the normal high-quality level expected by our customers. At the same time, production must occur efficiently and cost-effectively and in sufficient unit numbers.

It is assumed that the partner that was found operates a suitable OEM plant and the production of high-quality ROY sanitary ceramic ware can occur. In addition, the managing director of ROY Asset Holding SE visit the business partners at regular intervals to find out about the development. The likelihood of the occurrence of a substantial risk for ROY is regarded not as slight, but manageable.

3.2.1.2 Risk in real estate projects

There is a risk that ROY enters into obligations that only turn out to be economically unsustainable in retrospect. In addition, there is the risk that liquidity pledges, project development work, construction work, static and economic agreements are not performed in a timely manner by partners, commissioned building trades or other third parties or not to the extent agreed and this has correspondingly negative effects on ROY. This risk also includes the risk of the selection of a poor location for new projects and a lack of attractiveness for leasing and sale.

ROY assumes that the due diligence of ROY in selecting the partners can be regarded as complete and adequate. ROY cooperates with renowned construction companies and real estate project partners. In addition, ROY has entered into the cooperative measures required and hires external expert knowledge as required and has analyses and expert opinions drawn up before a purchase or development. ROY assesses the likelihood of the occurrence of an existential risk for the ROY Group on the basis of the processes and analyses carried out before a decision is taken, not as slight, but manageable.

3.2.1.3 Highly competitive market

The Company is of the opinion that intensive competition prevails in the market for ceramic ware. Numerous domestic and international brands struggle for market share in all world markets by means of, among other things, product design, product diversity, product quality, price and brand loyalty. It cannot be ruled out that competitors place their brands on the same level as ROY and its subsidiary Klingenberg Dekoramik also advance in the same segments. Moreover, many manufacturers of ceramic tiles and sanitary ware have already achieved a similar, if not greater, brand and market awareness and already secured market shares or are in the process of securing these, because they currently have greater financial resources or range than ROY and its subsidiary and consequently have better conditions in marketing, distribution, etc.

There is the risk that ROY will be unable to prevail against existing or new competitors in future, will have to surrender market share already conquered or does not acquire any new market share. Since ROY is currently only active operationally in the ceramic tile market and the sanitary segment has only just begun to be re-established, this risk is currently estimated to be as given, but manageable, since each market has different levels of market entry barriers.

3.2.1.4 Dependence on major customers and projects

Following the closure of ROY's production plant in Beijing in the third quarter of 2015, the established customers of ROY now buy sanitary ware from other manufacturers. There is a risk that ROY's access to previous major customers and also new major customers will be impaired due to the strong competition. Since ROY is established as a brand and through its subsidiary Klingenberg Dekoramik has a worldwide sales network for ceramic tiles, which is also suitable for the distribution of sanitary ware, this risk is currently assessed as low.

3.2.1.5 Fluctuating trends and customer preferences

The ceramic products of ROY for living are oriented particularly to customers who prefer high-quality and luxurious furnishing. In the field of commercial ceramics, ROY serves for the most high-quality office buildings and business/government buildings, real estate developers, real estate management companies, retail businesses, hotels, architects and design studios. The success of ROY depends in part on the capacity of the Group to keep up to date with design trends and technical developments in this market. The ability to react in good time to new trends and detect new trends at any early stage is just as important. Consequently, ROY is constantly bringing out new designs to expand its customer base in order to increase sales revenues and enhance its attractiveness.

The design and development department of ROY is located in Klingenberg and the know-how and contact to former employees and external service providers in the sanitary ceramics area remains, and it is assumed that upon entry into the growth phase for sanitary ware, these resources can be reactivated. The launch and development of each new product line is associated with the expenditure of considerable time and resources. Irrespective of this, there is no guarantee that ROY will always be in a position to react effectively and positively to changing customer preferences and to develop product designs that are attractive for the intended market. There can likewise be no certainty that a new product line launched by ROY in future will be commercially realisable or successful. If ROY is unable to adjust to the needs of the market and the taste and preferences of customers and always design and sell high-quality, commercially-realisable products, the demand for products of the ROY brand could decrease. This could have significant negative effects on the asset, financial and income position of ROY. Since ROY is currently only active in the ceramic tile segment, this risk is currently estimated to be slight.

3.2.1.6 Risks regarding the development and promotion of the brand

The ROY and Klingenberg Dekoramik brands are an important factor in the continuing success of ROY in the market for high-quality and luxurious living and commercial fittings. ROY is of the opinion that the brand image and brand awareness constitute important factors for the purchasing decisions of customers. ROY's marketing is focused on acquiring and retaining customers in the target groups that ROY appeals to. This in particular includes the outfitters of premium residential, office, commercial and government buildings, construction companies, real estate management companies, retail branches, hotels, architects and design studios.

Future sales of ROY products will in part depend on the extent to which ROY's efforts to boost the brand familiarity and recognition of its products are effective and how well ROY succeeds in protecting the ROY brand against third party use or forgeries. The latter could damage the respect associated with the brand and the company value. In addition, it is crucial when ROY can launch new sanitary ware products.

There is a risk that ROY will not succeed in boosting the familiarity of the ROY and Klingenberg Dekoramik brands in the manner intended. The reasons for this could be insufficient availability due to the selection of an unsuitable OEM partner for sanitary ware, negative headlines, negative perceptions of the ROY brand or a negative image of the brand, this also applies for its ceramic tile business. Another reason could be if ROY does not succeed in promoting, protecting and preserving its image as a manufacturer of high-quality ceramic ware. The brand familiarity associated with the brand and the associated good will could even decrease. This could result in a loss of customer trust and a lack of sales. This risk is currently assessed as low, as the previous ceramic tiles from Germany enjoy an excellent reputation worldwide.

3.2.1.7 Risks of personnel fluctuations

The future success of ROY depends heavily on the continuing performance of the management and other key employees. Should one or more members of the management or key employees be unable or unwilling to retain their current position, ROY may be unable to keep or replace them, since there is a very high demand in particular for experienced personnel and the search for employees with corresponding abilities can be very time- and cost-intensive.

Moreover, there is a risk that a member of the management or important employees switch to a competitor of ROY or establishes a competitor company, which could lead to a loss of know-how, customers, more employees in key positions and employees. ROY is determined to retain the central management team for the next development phase of ROY in the USA and on the ASEAN market and in Germany. The risk of staff fluctuation is estimated to be low, but if a key employee in a managerial capacity leaves, there would be a risk given.

3.2.1.8 Unprotected intellectual property rights

Since the design and manufacture and ROY products are associated with numerous production formulas and production technologies, their protection is extremely important for the success of ROY and its competitive position.

Up to the current time, there has been no protection for the technology, the manufacturing formulas and know-how of ROY. Consequently, there is the risk of third parties copying these technologies, production formulas and know-how or other know-how used by ROY, and ROY has no effective legal means of preventing this. In these cases, ROY would be unable to legally enforce permanent injunctions or damages for the breaches mentioned.

Moreover, it cannot be ruled out that technologies and production formulas and other know-how of ROY infringe the rights of third parties, which could lead to suits for permanent injunctions and/or damages on the part of these third parties against ROY. The risk is considered given but manageable.

3.2.2 Opportunity report

3.2.2.1 Development of new markets

In the field of ceramic ware, opportunities have arisen; through building a new sanitary production. The management of ROY assumes the label "Made in Germany" will result in clearly enhanced acceptance of the products of ROY on the entire Asian and American continents (Asia, South America, USA, Canada) and in Europe as sales markets. The proximity to these new customer groups is another location advantage that can be exploited. Moreover, opportunities arise through the focus on high-margin ceramic ware and smart toilet seats, which to date still play an under-represented role in western markets. In the area of tiles, it is planned to use ROY's popularity in Asia and the USA and to further expand the existing sales network there.

In addition, opportunities arise from the real estate business segment. On the whole, though location is decisive, real estate provides stable rental income and growth opportunities at localities with development potential. ROY regards the current focus of the activities on real estate in Houston/Texas to be very good. After a decline in recent years, Houston is once again experiencing a revival as real estate market, which was characterised largely by the trend towards the recovery of oil prices in 2019. The development of Houston, with the creation of attractive and well-paid jobs by companies in the medical sector and oil industry once again increasing, is regarded as a continuing trend with the corresponding rental increase and sales potential for ROY projects expected.

In addition, the combination of real estate projects and the potential future equipping of the projects with ROY's own ceramic tile and sanitary ware items is regarded as a positive effect for the marketing strategy as well and additional income potential.

3.2.2.2 Efficient structures

Within the new Group set-up, strategies can be implemented faster and decision-making paths are shorter. Communication is much simpler and faster. The organisational and regulatory effort at the individual Group levels has also been clearly reduced. As a result, ROY will in future be able to implement the demands of the market or forward-looking strategies faster and better.

3.2.2.3 Financing

ROY uses internal liquidity sources of the Group that can be expanded as required by increases in share capital and/or additional external financing. The implementation of the first projects in the USA has enhanced ROY's financing reputation among the local financing partners and easier access to new financing resources is expected.

4. DESCRIPTION OF THE MAJOR FEATURES OF THE INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEM REGARDING THE GROUP ACCOUNTING PROCESS (§ 315 no. 4 HGB)

ROY uses an internal controlling system and risk management system, which lays down appropriate structures and processes for the accounting and composition of the financial reports, measured according to the current size and complexity. These systems are intended to guarantee timely, uniform and accurate accounting for all business processes and transactions and in addition ensure the observance of legal provisions and the standards of accounting and financial reporting.

Due to the manageable organisational structures, these systems are currently characterised by the interplay between management and the Administrative Board.

The 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 by renowned auditing firms in the USA, Hong Kong and Germany. The accounting department of ROY and the external service providers are responsible for the consolidation, certain alignments with the guidelines of the group and the monitoring of the schedule and the procedures. System-based controls are monitored by the employees and supplemented by random checks and plausibility checks. Due to the size of the company, there is currently no internal audit.

Due to the further development and growth of the group, the complexity and scope of the accounting will increase. Therefore, the managing directors plan a corresponding expansion of the controlling and risk management system at the appropriate time, as well as the use of a new ERP system in the next 12 months.

5. COMPENSATION SYSTEM

5.1 Compensation of the managing directors

In the year under review, the managing directors of ROY Asset Holding SE were:

Matthias Herrmann, Chief Executive Officer, Rodgau

Siu Fung Siegfried Lee, Chief Operations Officer, Hong Kong

Suriya Toaramrut, Technical Director, Bangkok

On 31 December 2019, Siu Fung Siegfried Lee was managing director and also Chair of the Administrative Board of ROY Asset Holding SE. Siu Fung Siegfried Lee has been named managing director for an indeterminate period. Since Siu Siegfried Lee is both managing director as well as member of the Administrative Board, he can only be relieved of his office for good cause.

Siu Fung Siegfried Lee received a fixed compensation for his activity as managing director of kEUR 345 (3,025 kHKD) in 2019 (2018: 311 kEUR). Mr Lee does not receive any compensation for his activity as Chair of the Administrative Board.

The managing director Mr Herrmann received fixed compensation of kEUR 234 in 2019 (2018: 135 kEUR). Mr Herrmann does not receive any compensation for his activity on the Administrative Board. D&O insurance was taken out for Mr Herrmann. The contract with Mr. Herrmann was extended by 5 years in August 2019.

The managing directors Mr Toaramrut does not receive any payment in this capacity.

The managing directors officiating on 31 December 2019 are neither partners in the company, nor do they possess options to acquire an interest in the company.

To date, share option agreements on the basis of the "Share option programme 2017" decided at the shareholders' meeting 2017 have not been reached with any member of the management.

5.2 Payment of members of the Administrative Board

The Administrative Board of the company currently has the following members:

Name	Member since
Siu Fung Siegfried Lee (Chair)	27 August 2015
Surasak Lelalertsuphakun (Deputy Chair)	18 September 2014
Matthias Herrmann	2 October 2017
Siwen Mao	2 October 2017
Christian Alexander Peter	2 October 2017
Sujida Lelalertsuphakun Lee	2 October 2017

Each member of the Administrative Board is entitled to an annual payment of EUR 18,000.00, the Chair to an annual payment of EUR 24,000.00 and the Deputy Chair to an annual payment of EUR 20,000.00. These payments occur in each case within a week of the Annual General Meeting approving the actions of the Administrative Board. Members of the Administrative Board who were only members for a part of the year are entitled to a twelfth of the annual payment for each month of their membership. If a member of the Administrative Board is simultaneously active as a managing director, they do not receive any payment for the activity as a member of the Administrative Board.

Following the transfer of 64.77% of the shares in the Group of Shine Eagle Trust to Hi Scene Industrial Limited, Sujida Lelalertsuphakun Lee has a direct ownership of the Group. Beyond that no other member of the Administrative Board has any direct or indirect share ownership in the Group.

Surasak Lelalertsuphakun is a managing director of the majority shareholder Hi Scene Industrial Limited. Sujida Lelalertsuphakun Lee holds 100% of the shares in Hi Scene Industrial Limited, which holds 75.47% of the shares of the Company.

The shares of the majority shareholder Hi Scene Industrial Limited are held by Mr Lee's daughter and thereby indirectly imputable to Mr Lee as CEO and Chair of the Administrative Board.

6. INFORMATION PURSUANT TO §289a PARAGRAPH 1 AND § 315a PARAGRAPH 1 HGB AND NOTES

6.1 Composition of the subscribed capital

The subscribed capital stock of the Company is EUR 54,327,000. It is divided into 54,327,000 bearer shares with a nominal value of EUR 1.00. All shares are paid in full. Each share grants the bearer a right to vote at the shareholders' meeting.

In July 2019, the Annual General Meeting decided to issue new shares at a ratio of 1: 2. The increase in share capital was carried out from the retained earnings (own funds).

6.2 Voting rights or transfer of restrictions regarding transfer of shares

Each share of ROY Asset Holding SE grants the right to one vote. Pursuant to the Articles of Association of the Company, there are no restrictions relating to the voting rights or transfer of shares beyond the general provisions of the German Stock Corporation Act (AktG).

6.3 Direct or indirect capital interests of over 10%.

The statutory voting right notifications that the Company received from shareholders with a significant direct or indirect interest in the Company can be found in the Notes to the consolidated financial statements.

6.4 Bearers of shares with special rights that bestow powers of control

ROY has not yet issued any shares with special rights that bestow powers of control.

6.5 Voting right control if employees have a capital interest

The Company has no employee participation programme and consequently no voting right controls exist.

6.6 Statutory regulations and provisions of the Articles of Association on the nomination and recall of managing directors and the Administrative Board and on the amendment of the Articles of Association

The managing directors are appointed by the Administrative Board. Pursuant to § 13 no.1 of the Articles of Association of ROY Asset Holding SE, it can appoint several managing directors. The managing directors conduct the business of the Company and represent it vis-a-vis third parties. If only one managing director is appointed, he represents the Company on his own. If there are several managing directors, the Company is represented by two managing directors jointly or by one managing director with an authorised signatory. The Administrative Board can determine, as done with Mr Lee and Mr Herrmann, that individual managing directors are authorised for sole representation of the Company. The Administrative Board can recall managing directors by a resolution at any time. Pursuant to § 13 no. 2 of the Articles of Association of ROY Asset Holding SE, a managing director who is simultaneously a member of the Administrative Board can be recalled, but only if the reasons are stated.

Members of the Administrative Board are elected at the shareholders' meeting. Pursuant 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 chair and deputy from its members.

The declarations of the Administrative Board are made by its Chair or, if he is unavailable, by the Deputy Chair. The Administrative Board manages the Company, determines the basic guidelines of business policy and monitors the implementation of the measures planned by it. Therefore, the rights of the Administrative Board are comparable to the rights of the managing directors and supervisory board of a German stock corporation or a European company with a two-tier management structure.

The Chair of the Administrative Board of ROY Asset Holding SE convenes a regular meeting at least every three months. The Administrative Board adopts its resolutions at its meetings. A quorum exists if all members are involved in reaching the decisions. Members of the Administrative Board who are not present at the meeting can take part in the vote if they have their written vote submitted by a member who is present.

The Administrative Board convenes shareholders' meeting, prepares the implementation of the resolutions of the shareholders, appoints the managing directors, is in charge of the accounting and must introduce a control system to recognise developments threatening the existence of the Company as early as possible, appoints an auditor annually, reviews the approval of the annual financial statements and gives notification - if applicable - of the loss of half of the share capital and of insolvency.

Members of the Administrative Board are entitled to take part in the shareholders' meeting and contribute to amendments to the Articles of Association. In addition, they are entitled to issue new shares in connection with increases in share capital as part of the approved capital.

6.7 Powers of managing directors regarding the possibility to issue or buy back shares

According to § 6 no. 1 of the Articles of Association of ROY Asset Holding SE, the Administrative Board is entitled to increase the share capital of the Company by the single or multiple issue of new bearer shares in return for cash or non-cash payments by up to EUR 9,054,500. The new shares would have a claim to a dividend (authorised capital 2017) as of the financial year of the Company in which they were issued. The authorised capital 2015/I was rescinded.

Furthermore, the Administrative Board is authorised to rule out the statutory subscription right of the shareholders in the following cases:

- in the case of fractional amounts;
- in the case of increases in share capital in return for non-cash payments, especially in the form of companies and company interests, claims or other assets;
- in the event of cooperation with another company if the cooperation serves the business purpose of the Company and the company with which cooperation occurs

demands acquiring an interest;

- in the event of the issue of employee shares, also for the employees and management of affiliated companies, pursuant to the interest of the Company, especially in the interest of an obligation vis-a-vis the Company and as an incentive;

- if necessary, to establish a subscription right in relation to new shares issued by the Company or its subsidiaries for holders of option certificates and convertible bonds to the amount to which they have a claim from the option certificates after exercising their conversion options;

- in the event of an increase in the registered share capital against cash deposits provided the share of the new shares to the registered share capital at the time of the registration of this authorised capital in the Commercial Register does not exceed a total of 10% of the registered share capital of the Company or at the time of the issue of the new shares exceeds 10% in total of the registered share capital and in this respect the issue price of the new shares is not significantly below the stock market price.

In 2017, the capital of the Company was conditionally increased pursuant to § 6a of the Articles of Association by a total of kEUR 1,811. This capital increase will only be carried out if the subscription rights are issued in accordance with the simultaneously adopted stock option programme 2017 (conditional capital 2017). This has not taken place to date.

The conditional capital (2015/I) was rescinded in 2017.

Another conditional increase in share capital pursuant to § 6b of the Articles of Association relates to an amount of kEUR 5,244. This conditional capital increase is intended to provide new bearer shares to the holders or creditors of convertible bonds, options and/or income bonds and/or profit participation rights, which were issued on account of the authorisation from the same date (conditional capital 2015/II). The issuance of one or more of the aforesaid instruments has not taken place to date.

6.8 Significant agreements that take effect in the event of a change in control as a result of a takeover offer

ROY Asset Holding SE has no significant agreements that take effect in the event of a change in control as a result of a takeover offer.

6.9 Compensation agreements with management and employees

There are compensation agreements with the Managing Director Matthias Herrmann, who takes effect in the event of a change of control as a result of a takeover offer and, in total, compensates a maximum of the current salaries until the end of the contract. There are no agreements for other members of management or employees.

7. DEPENDENT COMPANY REPORT

All of the legal transactions and measures disclosed in the Dependent Company Report on 31 December 2019 that were known to the managing director at the time were concluded exclusively for the benefit of ROY Asset Holding SE, in particular to strengthen the financial situation of the Company.

8. CORPORATE GOVERNANCE STATEMENT

The corporate governance statement according to § 289f HGB and § 315d HGB for ROY Asset Holding SE was issued and has been published on the company homepage at http://www.royasset.de/erklaerung-zur-unternehmensfuehrung-gemaess-%C2%A7-289a-hgb/

The Compliance Declaration according to § 161 AktG with the German Corporate Governance Code was issued and has been published on the company homepage at http://www.royasset.de/entsprechenserklaerung/.

The managing directors of ROY Asset Holding SE manage the Company and the Group on their own responsibility. In doing so, they are bound to observe the company's interests and must act in the interests of the Company. Moreover, they oriented themselves around the project of the effective increase of the corporate value. As an international company, ROY Asset Holding SE is aware of its responsibility to operate as a company in harmony with legal, social and ethical concerns.

The target for the female ratio in the Administrative Board had been reached by the end of June 2017, however, as a result of withdrawals for personal reasons, this ratio has since been undercut and ROY Group has set itself therefore no target to not fall below the target of 30% women on the Administrative Board in the next five years.

Munich, 6 May 2020

ROY Asset Holding SE

Managing Directors

SIU FUNG SIEGFRIED LEE	MATTHIAS HERRMANN	SURIYA TOARAMRUT
COO	CEO	Technical Director

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

ROY Asset Holding SE, Munich

CONSOLIDATED BALANCE SHEET

ASSETS	Note	31/12/2019 in kEUR	31/12/2018 in kEUR	LIABILITIES AND EQUITY	Note	31/12/2019 in kEUR	31/12/2018 in kEUR
I. Current assets				I. Current liabilities			
1. Cash and cash equivalents	20	1,416	9,274	1. Trade and other payables	21	7,929	2,450
2. Trade and other receivables	19	4,648	3,029				
3. Inventory	17	6.729	0				
Total current assets		12,793	12,303	Total current liabilities		7,929	2,450
				II. Non-current liabilities			
II. Non-current assets				1. Financial liabilities	25	17,365	14,302
1. Goodwill		0	0	Total non-current liabilities		17,365	14,302
2. Investment properties	26	41,507	28,109				
3. Property, plant and equipment	15	36,046	43,587				
4. Non-current loans		0	0	III. Equity			
5. Deferred tax assets	16	0	44	1. Subscribed capital	23	54,327	18,109
6. Amounts owed by a managing director	22	2,003	1,658	2. Reserves	24	102,967	133,292
7. Investments in associates and joint ventures carried at equity	23	25,655	29,303	3. Loss carryforward*		64.585	53.150
Total non-current assets		105,210	102,700	Total equity		92,709	98,251
Total assets		118,003	115,003	Total liabilities and equity		118,003	115,003

* The loss carryforward item has been added and therefore the reserves item has been adjusted. Previously, reserves were shown consolidated with the loss carried forward. Since the distribution in kind was based on a capital reduction at Lion Legends Holdings Limited, the capital was increased from the capital reserves in the Group.

ROY Asset Holding SE, Munich

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE 2019 FINANCIAL YEAR

	Note	2019 in kEUR	2018 in kEUR
1. Revenue	8	7,851	3,032
2. Cost of sales	18	4,575	1,969
3. Gross profit		3,276	1,063
4. Other operating income		382	208
5. Income on sale from Investment properties		0	0
6. Administrative expenses	10	19,656	15,423
7. Operating result		**-15,998**	**-14,152**
8. Financial income	9	6	12
9. Financial expenses	13	823	729
10. Result before taxes		**-16,815**	**-14,869**
11. Income tax expense	14	-68	-383
12. Loss before first consolidation Klingenberg		**-16,747**	**-15,252**
13. Income from first consolidation Klingenberg		**5,311**	**0**
14. Loss after first consolidation Klingenberg		**-11,436**	**0**
Result to be reclassified to the income statement in the subsequent period:			
15. Exchange differences on currency translation		920	-3,956
16. Other comprehensive result		**920**	**-3,956**
17. Total comprehensive result		-10,516	**-11,296**
18. Total earnings, attributable to:			
19. Owners of the Company*		-10,516	-11,296
20. NCI Jurupa Valley		0	0
21. Loss, attributable to:			
22. Owners of the Company		-11,436	-15,252

		2019 in EUR	2018 in EUR
Earnings per share			
Weighted average:	24	-0.34	-0.84

*There is no share of the overall result in the non-controlling interest in relation to Jurupa Valley.

ROY Asset Holding SE, Munich

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2019

	Subscribed capital in kEUR	Capital reserves* in kEUR	Translation reserve in kEUR	Profit carried forward in kEUR	Non-controlling interest in kEUR	Total in kEUR
Note	23	24	24	23	23	
Balance as at: 1 January 2018	18,109	78,527	14,591	-1,680		109,547
Currency translation difference	0	0	3,956	0	0	3,956
Profit/Loss	0	0	0	-15,252	0	-15,252
Total comprehensive result	0	0	3,956	-15,252	0	-11.296
Capital increase	4,999	0	0	0	0	4,999
Balance as at: 31 December 2018	**18,109**	**78,527**	**18,547**	**-16,932**	**0**	**98,251**
IFRS 16 adjustments	0	0	0	0	0	0
Balance as at: 1 January 2019	18,109	78,527	18,547	-16,932	0	98,251
Currency translation 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*2	0	0
Income from first consolidation of Klingenberg	0	0	0	5.311	0	5.311
NCI	0	0	0	0	4.973	4.973
Total comprehensive result	54.327	78,527	19,467	-64,585	4.973	92.709
Balance as at: 31 December 2019	**54,327**	**78,527**	**19,467**	**-64,585**	**4.973**	**92,709**

*The amount of EUR 78,327 thousand included in the capital reserve results from the reverse acquisition, including contributions in kind from the 2014 financial year.

*2 The capital increase from own funds was carried out from the retained earnings of ROY Asset Holding SE. In addition, the implemented increase in subscribed capital was allocated through the item profit / loss carryforward and increases the loss carryforward accordingly.

ROY Asset Holding SE, Munich

CONSOLIDATED CASH FLOW STATEMENT

For the year from 1 January to 31 December 2019

	Note	2019 in kEUR	2018 in kEUR
Operating activities			
Result before taxes		-16,815	-14,869
Adjusted by			
Interest income / interest expenses		818	717
Lease interest		4	0
Lease principal payment		76	0
Loss/(Gain) from deconsolidation of Siu Fund Concept Ltd.		0	40
Depreciation		12,150	11,685
Impairment on receivables	7	-12	151
Other non-cash consultancy fees		-0	804
Operating cash flow before changes in current assets		**-3,779**	**-1,472**
Decrease / (increase) in inventories		-1,206	0
Decrease / (increase) in trade and other receivables		2,146	17.720
(Decrease) / increase in liabilities / receivable to / from a director		345	-358
(Decrease) / increase in trade payables, other payables and financial liabilities		-528	2.880
Cash flow from operating activities		**-3,022**	**18,170**
Income tax paid		-68	-123
Net cash flow from operating activities		**-3,090**	**18,047**
Investment activities			
Interest received	9	2	12
Cash outflow from purchase of investment properties	26	-9,434	-3,691
Cash outflow from investments in joint venture and associated companies	27	0	-29,303
Cash outflow from purchase of property, plant and equipment		27	-1,319
Cash inflow from sale of investment properties		462	0
Net cash inflows from investment activities		**-8,943**	**-34,300**
Financing activities			
Interest paid	13	-823	-729
Lease interest		-4	0
Lease principal payment		-76	0
Cash inflow from debt financing		3,261	1,034
Cash inflow from EB-5		0	864
Net cash flow from financing activities		**2,358**	**1,169**
Net increase/(decrease) in cash and cash equivalents		**-9,675**	**-15,084**
Changes due to consolidation		490	0
Currency translation effects		1,327	-1,332
Cash and cash equivalents at beginning of period		9,274	25,690
Cash and cash equivalents at the end of the period	20	**1,416**	**9,274**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

ROY Asset Holding SE (hereinafter referred to as the "Company") is the parent company of the Group. The Company is a European joint stock company founded on 8 May 2014 and entered in the commercial register in Munich (HRB 211752), Germany, with its registered office (business address) at Gießener Strasse 42, 35410 Hungen, Germany. The Shine Eagle Trust Reg., Balzers, Liechtenstein was the sole shareholder at the time the company was founded.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) include manufacturing and selling of ceramic sanitary hardware and accessories and buying and selling of real estate, as well as property development and property investing activities. The Company acts as an investment holding company. The principal activities of its subsidiaries, as well as the participating interests and voting rights of the Company are described in Note 32.

On 30 April 2015, the shares in ROY Asset Holding SE were listed in the Prime Standard on the Frankfurt Stock Exchange (Germany) for the first time and, simultaneously, on the unregulated market (third segment) of the Vienna Stock Exchange (Austria). The shares are traded under the Security Identification Number RYSE88 and ISIN DE000RYSE888.

On 30 August 2016 all the shares in the Company owned by The Shine Eagle Trust Reg. were transferred to Hi Scene Industrial Limited, Tortola, British Virgin Islands, a private company incorporated in the British Virgin Islands owned and controlled by the members of the family of the CEO and Chairman of the Board of Directors Siu Fung Siegfried Lee. For more details please refer to Note 30.

The consolidated financial statements are presented in thousands of euros (kEUR). The functional currency of the Group in 2019 was the US Dollar (USD) as the ROY groups major operative activities are in the USA.

The exchange rates applied in the consolidated financial statements are as follows:

- EUR/USD 1.1195 for 2019 profit or loss and comprehensive income items and EUR/USD 1.1234 for 2019 balance sheet items.
- EUR/USD 1.1810 for 2018 profit or loss and comprehensive income items and EUR/USD 1.145 for 2018 balance sheet items.

The numbers in the tables were calculated exactly and summed up. The presentation is rounded. This can result in rounding differences in the summation.

The consolidated financial statements will be approved by the Managing Directors for release to the Board of Directors on 6 May 2020.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in conformity with international financial reporting standards and international accounting standards and interpretations (hereinafter collectively referred to as "IFRS") issued by the International Accounting Standards Board (hereinafter referred to as "IASB") and the IFRS Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), as adopted by the European Union (hereinafter referred to as "EU IFRS"). The consolidated financial statements comply with the requirements of Article 315e of the German Commercial Code (HGB) regarding the preparation of consolidated financial statements in accordance with IFRS, as adopted by the EU.

The Company has also adhered to the additional provisions applicable to the preparation of the consolidated financial statements under HGB.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. Unless otherwise stated below, these policies have been applied consistently to all the presented financial years.

The preparation of consolidated financial statements requires managing directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. In addition, the managing directors are also required to use their judgement in the process of applying accounting policies. Although these estimates and assumptions reflect the Company's good faith beliefs regarding events and actions, actual results could differ materially from these estimates. On this basis, the managing directors of the Company are responsible for the preparation of the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (HEREINAFTER REFERRED TO AS "IFRS")

Over the past years, the International Accounting Standards Board (IASB) has made various changes to existing IFRS and published new IFRS and interpretations of the IFRS Interpretations Committee (IFRS IC). As part of an annual procedure, the IASB publishes amendments to existing standards. The primary goal is to eliminate inconsistencies and to clarify the wording.

a) First-time adoption of new and revised IFRS in the 2019 financial year:

In the 2019 financial year, the Group has adopted the following new and revised IFRS and interpretations:

Annual Improvements to IFRSs 2015-2017 Cycle

Amendment to IAS 19:	“Plan Amendment, Curtailment or Settlement”
Amendment to IAS 28:	“Long-term Interests in Associates and Joint Ventures”
Amendment to IFRS 9:	“Prepayment Features with Negative Compensation”
IFRIC Interpretation 23:	“Uncertainty over Income Tax Treatments”

The adoption of the new and revised IFRS and interpretations in the financial year under review had no material impact on the financial results of the Group and the positions for the current and previous financial years or the disclosures contained in the consolidated financial statements.

The following accounting standards were important to the Group:

New standard IFRS 16 "Leases"

In January 2016, the IASB published the new standard IFRS 16 “Leases”, which was adopted into European law on October 31, 2017. IFRS 16 replaces the previous standard for leasing accounting IAS 17 and the interpretations IFRIC 4, SIC-15 and SIC-27.

The main new feature of IFRS 16 regarding lessee accounting is the elimination of the distinction between operating leases and finance leases. For example, the lessee must carry out the balance sheet recognition of assets for the rights of use obtained (so-called "right-of-use approach") and liabilities for the payment obligations entered into for all leases. Ease of use is granted for leases for low-value assets (so-called "low value" leases) and for short-term leases with a term of up to one year ("short-term" leases). The application facilitation consists of the option to apply the recognition and disclosure requirements of IFRS 16.

The ROY Group applied IFRS 16 “Leases” for the first time in the 2019 financial year. The changeover to IFRS 16 for the Group as lessee was carried out using the modified retrospective approach. The comparative figures of the previous year's periods are not adjusted by this approach. There was no changeover effect from the first application as a lessee, as the company had not concluded any leasing contracts as of January 1, 2019 prior to the purchase of Klingenberg Dekoramik GmbH. ROY had no long-term lease liabilities as of January 1, 2019. There are no significant changes due to the new standard for accounting for the properties rented by ROY itself.

(b) New and revised IFRS published but not yet adopted

In addition to the aforementioned mandatory IFRS, the IASB has published other amended IAS and IFRS. However, the adoption of these is only mandatory at a later date. Voluntary early adoption is expressly permitted or recommended under these standards. ROY Asset Holding SE does not make use of this option and does not apply these new standards ahead of schedule. In the following a distinction is made as to whether standards have already been transposed into European law (in brackets: date of mandatory initial application) or not yet:

The following standards have already been adopted into European law:

Various:	Changes to references to the IASB accounting framework (January 1, 2020)
IAS 1 and IAS 8:	Changes to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the "Definition of Materiality" (January 1, 2020)
IFRS 9, IFRS 7 und IAS 39:	Amendment to IFRS 9 “Financial Instruments, IAS 39“ Financial Instruments, Recognition and Measurement ”and IFRS 7“ Financial Instrument Disclosures ”(January 1, 2020)

Not yet adopted in European law:

Amendments to IFRS 3:	“Business combinations” (1 January 2020)

IFRS 17:	“Insurance contracts” (1 January 2021)
Annual Improvements to IFRSs 2015-2017 Cycle:	“2015-2017 Cycle” (1 January 2020)

These changes are not expected to have any material impact on the reporting in the consolidated financial statements of ROY Asset Holding SE.

The following section explains the accounting rules that are significant to the Group. For the other new and amended standards, with the exception of new or modified notes, no significant impact on the consolidated financial statements is expected.

The Directors of the Company are currently assessing the implications of the adoption of IFRS 3. An amendment to IFRS 3 was published on October 22, 2018. It clarifies how a business is delimited. The changes are intended to address the application issues that have increased in the past in connection with the assessment of whether the company has acquired a business or a group of assets. The amended definition emphasizes that a business operation comprises a group of activities and assets that include at least one input of resources and a process that focuses on the creation of services (“outputs”) on goods and services that serve customers are provided. The reference to cost reduction does not apply. Alternatively, an optional concentration test within the new regulations should make it easier to identify business operations. The changes are to be applied for the first time from 1 January 2020, subject to their adoption in EU law. The Executive Directors are currently reviewing the effects of the application of IFRS 3 on the consolidated financial statements, but only minor effects are expected.

Changes to references to the IASB accounting framework (January 1, 2020). The Executive Directors do not expect this change to have a material impact. The previous framework concept from 2010 was replaced by the framework concept published in March 2018. The fundamentals of financial reporting have been restructured, partially revised and supplemented. Significant innovations relate in particular to the definition, the recognition and the valuation of assets and liabilities as well as the delimitation of the period result from the other overall result. There was no special time of first application for the framework concept itself, as it applied immediately. As a result of the change in the framework concept, several references in individual standards and interpretations have changed. The IASB issued a statement “Changes in the references to the framework concept” in order to adapt the references to the current status. The changes are to be applied for the first time from January 1, 2020.

The Company's Executive Directors are reviewing the impact of the application of IFRS 9, IFRS 7 and IAS 39. The IASB published amendments to IFRS 9, IAS 39 and IFRS 7 on September 26, 2019, completing the first phase of the IBOR Reform and its Effects on financial reporting ”. The Managing Directors are currently examining the effects of the application of IFRS 9, IFRS 7 and IAS 39 on the consolidated financial statements, but are not expected to have any effects, since the ROY Group has so far not used hedging and therefore reference benchmarks.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union (EU). The Company has complied with all pronouncements of the International Accounting Standards Board (IASB), the adoption of which is mandatory in the EU.

The consolidated financial statements are prepared on a historical cost basis or fair value basis.

The income statement was prepared using the internationally accepted cost of sales method.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs within the meaning of IFRS 13 are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability

The principal accounting policies are set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee,

- is exposed, or has rights, to variable returns from its involvement with the investee and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method other than those resulting in a business combination involving only common control entities, which fall outside the scope of IFRS 3. The Group uses accounting for business combinations for these business combinations under common control.

<u>Accounting for business combinations under common control</u>
A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Acquired subsidies that have met the criteria for pooling of interest are accounted for using accounting policies for business combinations. Under the business combinations method of accounting, the results of subsidiaries are presented as if the combination had been in effect throughout the entire financial year.

The assets and liabilities consolidated are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the business combinations method of accounting is used, the cost of investment in the Company's books is recorded at the nominal value of the shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is included in the capital reserve. The results of the combined subsidiaries are recorded for the financial year as a whole.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>
Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their

relative interests in the subsidiaries. Any difference between the carrying amounts of the share of net assets acquired or disposed of and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(c) Investments in associates

Companies in which ROY has the ability to exercise significant influence over their operating and financial policies (generally through direct or indirect ownership of 20 % to 50 % of the voting rights) are initially recognised in the consolidated financial statements at cost and subsequently accounted for using the equity method.

The results of the associates are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in associates are stated at cost less any impairment losses. The cost is adjusted to reflect the fair values of equity instruments issued by the Company in exchange for the investment and any direct attributable costs of investment.

(d) Property, plant and equipment

Property, plant and equipment and buildings held for use in the production or supply of goods, or for administrative purposes (other than properties under construction - see notes below), are stated in the consolidated statement of financial position at cost or fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognised so as to write off the cost or fair value of assets (other than properties under construction) less their expected residual value over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties under construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

(e) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash and short-term deposits within three months of maturity when placed.

(f) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, prepayments, amount due from a director, due from a related company as well as long-term loans) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policies on the impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty,
- Breach of contract, such as default or delinquency in interest or principal payments,
- It becoming probable that the borrower will enter bankruptcy or financial reorganisation, or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities carried at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liabilities are held for trading on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument. Financial liabilities Financial liabilities including trade and other payables, income tax payables and amounts owed to a managing director are subsequently measured at amortised

cost, using the effective interest method.

Financial liabilities
Financial liabilities, including trade and other payables, other tax liabilities and liabilities to a director, are measured at amortized cost using the effective interest method.

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

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

Derecognition
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, the Group's obligation are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

(g) Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flow have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately as income.

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, reduced by discounts and sales related taxes.

Revenue from the sale of goods is recognised when goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risk and rewards of ownership of the goods.
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Group.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits asset is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

For all financial instruments measured at amortised cost and interest-bearing financial assets available for sale, interest income is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Interest income is recognised in the income statement as part of financial income.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. (l) Foreign currencies In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items and the retranslation of monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, they are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. EUR) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under translation reserves.

(j) Leases

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

The Group applied IFRS 16 for the first time on January 1, 2019 using the modified retrospective method. According to this approach, the comparative values were not adjusted; the cumulative effect from the first-time application of IFRS 16 was recognized in retained earnings at the time of first-time application. Due to the first-time application of IFRS 16, the Group recognized the leasing liabilities in other financial liabilities. Due to the first-time application of IFRS 16, the Group has rights of use that do not meet the definition of investment property; reported in “property, plant and equipment” and consequently in the same closing item in which the underlying assets are owned by the group.

The Group as lessee

At the start of the contract, the group assesses whether it represents or contains a lease. For all leases in which the group is the lessee, the group recognizes a right of use and a corresponding lease liability. This does not apply to short-term leases (defined as leases with a maximum term of 12 months) and leases for low-value assets
With these leases, the Group recognizes the lease payments as other expenses on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased objects are consumed.
The lease liability is initially recognized at the present value at the beginning
lease payments not yet paid for the lease, discounted at the interest rate on which the lease is based. If this rate cannot be easily determined, the Group uses its marginal borrowing rate. The marginal borrowing rate for the balance sheet date is 4,626%.
In the case of rented land and buildings, the lease for both a property and a building, for each

property, is assessed separately in order to determine whether the risks and benefits from their ownership have essentially passed to the group or Your rental is classified as a finance or operating lease. Especially if it is not clear that both properties are in an operating lease, in which case the entire lease is classified as an operating lease. In particular, the minimum lease payments (including any one-off upfront payments) are divided between the land and buildings at the beginning of the lease in relation to the fair value of the rental rights to the land and buildings included in the lease.

To the extent that the leasing payments can be divided reliably, the investment in a property accounted for as an operating lease is recorded in the balance sheet as a "lease advance payment" and depreciated on a straight-line basis over the term of the lease. If the lease payments cannot be reliably attributed, the entire lease is usually classified as a finance lease and recognized under property, plant and equipment.
The following lease payments are included in the measurement of the lease liability:

- Fixed lease payments (including de facto fixed payments) less incentive payments to be received;
- Variable lease payments based on an index or price, starting with the
- Index or price measured at the time the lease begins;
- Expected payments by the lessee based on residual value guarantees;
- strike prices of call options if the lessee is reasonably certain to exercise them; and
- Penalties for the early termination of leases, provided the lease term is based on the exercise of the right of termination.

The leasing liabilities are shown in the consolidated balance sheet under other financial liabilities. The lease liability is subsequently measured by increasing the book value by Interest on the lease liability (using the effective interest method) and by Reduction of the book value by the lease payments made. The Group reassesses the lease liability in the following cases a corresponding adjustment of the corresponding right of use:

- The term of the lease has changed or there is a significant event or a significant change in circumstances that leads to a change in the assessment regarding the exercise of a purchase option. In this case, the lease liability is revalued by discounting the adjusted lease payments at an updated interest rate.
- The lease payments change due to changes in the index or price or due to a change in the expected payment due due to a residual value guarantee. In these cases, the lease liability is revalued by discounting the adjusted lease payments at an unchanged discount rate (unless the change in the lease payments is due to a change in a variable interest rate. In this case, an updated interest rate must be used).
- A lease is changed and the change in the lease is not recorded as a separate lease. In this case, the lease liability is remeasured based on the term of the changed lease by discounting the changed lease payments using an updated interest rate at the effective time of the change.

The Group did not make any such adjustments in the periods presented.

In the context of the initial valuation, the rights of use include the corresponding lease liability, the lease payments that are made on or before the start of the lease, less lease incentives received and initial direct costs. Subsequent measurement is carried out at cost less accumulated depreciation and impairment.

If the Group is obliged to dismantle or dismantle a leased property, to restore the location where the leased property is located, or to restore the asset on which the lease is based, in the condition required by the terms of the lease, a provision is recognized in accordance with IAS

37 and rated. If the costs relate to a right of use, the costs are recorded in the corresponding right of use, unless these costs are incurred for the production of inventories.

Rights of use are generally amortized over the term of the lease. Deviating from this, the depreciation is to be carried out accordingly over the term of the asset on which the lease is based if its useful life is shorter than the term of the lease. This also applies to cases in which a lease transfers ownership of the leased property or the Group classifies the exercise of a purchase option agreed within the scope of the lease as sufficiently secure and the exercise price is therefore already taken into account in the costs of the right of use. Depreciation begins at the beginning of the lease. The rights of use are shown in the consolidated balance sheet as a separate item.

To assess the need for an impairment of a usage right, the Group applies IAS 36 and records all impairments as described in the accounting principles for property, plant and equipment. Variable lease figures that do not depend on an index or price are not included in the measurement of the lease liability and the right of use. These payments are recognized as an expense in the period in which the triggering event or condition occurs and recorded in the "Other expenses" item in the income statement.

Within the framework of the relief provisions granted, IFRS 16 allows the lessee to waive the separation between non-leasing components and leasing components and to accordingly account for lease contracts with related non-leasing components as a single agreement in accordance with IFRS 16. The Group uses this exemption rule.

The Group as lessor

The Group concludes leases as lessors for part of its investment property. Leases in which the Group is the lessor are classified as finance or operating leases in accordance with the requirements of the standard. If the terms of the lease essentially transfer all of the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

If there is a sublease, the group acts as an intermediary and accounts for this

Main lease and the sublease as two separate contracts. The sublease is classified into a finance or operating lease based on the right of use and not on the underlying lease asset from the main lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the respective lease. Initial direct costs incurred in negotiating and agreeing a rental lease are added to the book value of the leased asset and are distributed linearly over the lease term.

Amounts due from lessees from finance leases are reported as receivables in the amount of the Group's net investment in the leases. Income from finance leases is distributed over the respective reporting periods in order to ensure a constant periodic return on the Group's net investment in relation to the leases.

If a contract contains both leasing and non-leasing components, the group applies the relevant regulations for distributing the remuneration to the individual components of IFRS 15.

Losses from the lessees

Attempts are made to minimise bad debt risks by way of the careful selection of contract partners, as well as checking the solvency and history by means of the externally available data such as scoring and company register. Furthermore, ROY Group works with external service providers and agents in the USA to find suitable tenants. Furthermore, the usual hedging instruments such as loan guarantees, real securities, guarantees, letters of intent, retentions and security deposits are used when appropriate. Possible bad debt is counteracted using a structured bad debt management process with our external property management partners. ROY Asset Holding SE has a high-value stock of property and generates stable cash flow from rental. A significant impairment to the cash flow and therefore the financial and earnings position can arise from payment defaults by, or insolvency of, anchor tenants.

(k) Inventory

Raw materials, work in progress and finished goods are valued at the lower of the acquisition or manufacturing cost and the net realizable value. The acquisition or production costs include material and production direct costs as well as appropriate parts of the variable and fixed overhead costs, the latter costs being determined on the basis of normal capacity. Acquisition or production costs include the reclassification of profits or losses from qualified cash flow hedges in connection with the acquisition of raw materials from equity, but no borrowing costs. The acquisition or production costs are allocated to the individual items of the inventories on the basis of weighted average acquisition or production costs. The acquisition costs of purchased inventories are determined after deduction of discounts and price reductions. The net realizable value is determined as the estimated sales proceeds in the ordinary course of business, minus the estimated costs until completion and the estimated costs necessary for the sale.

(l) Retirement benefit costs

Payments to state-managed retirement benefit schemes and the “Mandatory Provident Fund Scheme” in Hong Kong are charged as an expense when employees have rendered service entitling them to the contributions. Four former executives have acquired pension rights at Klingenberg Dekoramik. The ongoing monthly costs for pension payments are recorded as an expense.

(m) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's tax liability is calculated using tax rates that are applicable or are expected to be applicable for the period under review.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable the taxable will be available against which those deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary difference associated with such investment and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognised for all deductible differences, carry forward of unused tax credits and unused tax losses of taxable income are recognised in the amount it is reasonable that taxable losses can be used against taxable income in the future, with exception to deffered taxes, if it is likely that within a reasonable time horizon no taxable income will be available, that could be off-set by unused tax losses.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(n) Related parties

A person or a close member of that person's family is related to a reporting entity if that person a)

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity

or b)

An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member)
(iii) Both entities are joint ventures of the same third party
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity

(vi) The entity is controlled or jointly controlled by a person identified in a).

(vii) A person identified in a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(o) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at amortised cost. The fair value is stated separately in the notes. The fair value of investment property reflects the market conditions at the reporting date. The fair value is determined based on an annual valuation made by an accredited external independent valuer. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. The difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised. Real estate is only transferred from or to the investment property portfolio if there is a change in use. If a previously owner-occupied property is transferred to the investment property portfolio, this property will be carried using the method described in the Section "Property, plant and equipment" until the date of change in use.

Investment property is property that is held to earn rental income and / or for the purpose of capital appreciation and that is not used by itself or held for sale. They are measured at acquisition or production cost and subsequently at amortized cost (including scheduled straight-line depreciation). It is assumed that the useful life is from 28 to 40 years.

Any gain or loss on the disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss.

(p) Fair value measurement

The Company measures financial instruments, e.g. derivatives, and non-financial assets, e.g. investment properties, at fair value as at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability. The entity must have access to the principal (or most advantageous) market at the measurement date.

The Company measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a 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 would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market 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 is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

So far, the Company has not formed a separate valuation committee because the real estate segment is still in the development stage and the management continues to make all decisions jointly, including whether to engage external valuers or whether to forego the appraisal, depending on the timing of the investment.

External valuers are involved for valuation of significant assets, such as properties and financial assets available for sale, and significant liabilities, such as contingent consideration. The decision as to whether to engage external valuers is made every year by management, after consulting the Board of Directors.

Selection criteria include market knowledge, reputation, independence and adherence to professional standards. Valuers are normally rotated every three years. The valuation committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the valuation committee analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per ROY Groups accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The valuation committee, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the valuation committee and the external valuers present the valuation results to the Board of Directors and the auditors of the Group. This includes a discussion of the major assumptions used in the valuations.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The application of the Group's accounting policies, which are described in Note 4, requires the managing directors to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on experience and other factors that are considered to be relevant. The actual results may differ from those 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 future periods if the revision affects both current and future periods.

Exercising discretion in the application of the Company's accounting policies
There are no critical judgements, apart from those involving estimations (see below), that the managing directors of the Company have made in the process of applying the Group's accounting policies.

Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of 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.

Depreciation of property, plant and equipment
Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if the expectations differ from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

In addition, an impairment test was carried out in 2019 for certain items of property, plant and equipment at the former production facility in China. The result was that no additional impairment had to be recognised in 2019 in the carrying amount of property, plant and equipment as at 31 December 2019. Please also refer to Note 15.

Estimated impairment loss on trade and other receivables
The Group estimates impairment losses on trade and other receivables resulting from the inability of customers to make the required payments and when there is objective evidence that the Group will not be able to collect the full amount due. These estimates were based on the payment history, customers' credit-worthiness, past write-down experience and default or delays in payments. If the financial position of customers deteriorates, the actual write-down can be higher than the earlier value adjustments. As at 31 December 2019, the carrying amount of the trade and other receivables less provision for impairment losses as per IFRS 9 amounted to kEUR 5,175 and kEUR 107, respectively (2018: kEUR 4,355 and kEUR 151).

6. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the previous year. Please also see the relevant remarks in the combined management report.

in EUR 000s	2019	2018

Net cash (consisting entirely of "positive cash")	1,416	9,274
Equity attributable to owners of the Company	92,709	98,251

The managing directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or repayment of existing debts.

7. FINANCIAL INSTRUMENTS

	As at 31/12/2019		As at 31/12/2018	
in EUR 000s	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
	6,651	6,651	4,678	4,678
Total	**6,651**	**6,651**	**4,678**	**4,678**
Financial liabilities				
	25,295	25,295	15,888	15,888
Total	**25,295**	**25,295**	**15,888**	**15,888**

Financial assets consist of loans and receivables (including trade and other receivables as well as non-current assets and amounts owed by a member of the Board of Directors)

Financial liabilities consist of liabilities recognised at amortised cost (including trade payables and other liabilities, liabilities from promissory notes without classification of costs and staff cost and social security cost and other tax liabilities, as well as amounts owed to a member of the Board of Directors)

Financial risk management objectives and strategies

In the course of business, the Company is exposed to a foreign currency risk, interest rate risk, credit risk and liquidity risk. These risks are mitigated by the Group's financial management policies and procedures described below. In particular, the risk of default is monitored regularly in risk management and identified and quantified using regular internal risk surveys, and recommendations for action are derived. Failures are defined based on historical experience and failures.

Foreign currency risk

Other than certain bank balances and deposits, most of the Group's financial instruments such as trade and other receivables are denominated in USD, which is pegged against HKD to keep the currency artificially stable. The Group's operating activities in China ceased as of 30 September 2015. Accordingly, there is only a small foreign currency risk from operating activities between HKD and USD. There is, however, exposure to foreign currency risk in the preparation of the consolidated financial statements, which are prepared in euros. The exchange differences on translation are dealt with separately in the consolidated statement of comprehensive income.

Foreign currency sensitivity analysis

The following tables demonstrate the sensitivity to a reasonably possible change in USD against the EUR as the reporting currency as at the end of the reporting period, with all other variables held constant.

in EUR 000s	2019	2018
Impact on profit after tax USD / EUR		
- 10 % increase	-1,171	-1,653
- 10 % decrease	1,171	1,653

The sensitivity of the equity is presented in the table below:

in EUR 000s	2019	2018
Impact on equity USD / EUR		
- 10 % increase	10,415	11,076
- 10 % decrease	-10,415	-11,076

The Group did not carry out any hedging transactions in the 2019 financial year. However, the managing directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

Other than cash at banks which carry interest at market rates, the Group has no other significant interest-bearing long-term assets and liabilities. The interest income derived therefrom is relatively insignificant for the Group's operations, which is why its income and operating profit are largely independent of changes in market interest rates.

A bank loan was taken out for financing the purchase of an investment property in Texas. The loan has a notional amount of kUSD 19,500 and bears an interest rate of 300 basis points over LIBOR as reference rate. A shift in interest rates by plus / minus 100 basis points will have the following impact on interest cost and profit and loss.

in EUR 000s	2019	2018
Impact on interest rate risk		
- 100 basis points increase	-173 kEUR -(kUSD 195)	-137 kEUR -(kUSD 155)

- 100 basis points decrease	173 kEUR (kUSD 195)	-137 kEUR -(kUSD 155)

The Group has not taken out any interest rate hedges in 2019. The managing directors review on an ongoing basis the current interest rate risk and consider hedging the exposure if interest rates are starting to increase.

Credit risk

The Group has adopted a policy of only dealing with creditworthy counterparties. It is the Group's policy that all customers who wish to trade and including tenants on credit terms are subject to credit verification procedures. The Group may use inputs from external partners to estimate the credit worthiness. To minimise the credit risk, the management reviews the recoverable amount of individual trade and other receivables at the end of the reporting period to ensure that adequate impairment loss is recognised for irrecoverable amounts. In this regard, the managing directors of the Company believe that the Group's credit risk is negligible. Following IFRS 9 the credit risk is tested by impairment tests. The expected credit losses over 12 months are expected to be 2%. Changes in the creditworthiness of the contracting parties are checked regularly.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

As of December 31, 2019, the following expected credit losses in accordance with IFRS 9 exist for existing financial assets.

Loss allocation as at 31 December 2019 under IFRS 9	**2019 kEUR**	2018 kEUR
Beginning of the year		
First time adoption of IFRS 9 as at 01 January 2018	151	126
Expected-Credit-Loss provision	0	25
Amounts written off during the year	0	0
Reversal of recognized and no longer required Expected-Credit-Loss provision	12	0
	139	151

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to fund the Group's operations and mitigate the effects of fluctuation in cash flows.

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

in EUR 000s	**On demand or within one year**	**Within one to five years**	**Total discounted cash flows**	**Carrying amount**

Balance as at: 31 December 2019 **Non-derivative financial liabilities:**	7,930	17,365	17,365	25,295
Balance as at: 31 December 2018 **Non-derivative financial liabilities:**	2,450	14,302	14,302	16,752

Non-derivative financial liabilities consist of trade payables and other liabilities excluding accruals and other tax liabilities, as well as amounts owed to the managing director.

Fair value of financial instruments

Fair value measurement by level of hierarchy is not disclosed, as the Group has no financial instruments measured at fair value in the statement of financial position.

The carrying value less impairment provision of receivables and payables are a reasonable approximation of their fair values.

8. REVENUE

Revenue represents amounts generated and receivable for the sale of sanitary ware products and accessories, less sales-related taxes, and regular rental income from real estate.

in EUR 000s	**2019**	**2018**
Revenue from ceramic ware activities	4,584	0
Revenue from real estate activities (rental income)	3,267	3,032
Total	**7,851**	**3,032**

Sales in the field of ceramics are realized as soon as the goods are picked up by the customer or the contracted shipping company. The basis for the delivery conditions are the Incoterms 2010 and Ex Works. Payment terms vary between advance payment and up to 120 days and are fundamentally dependent on the creditworthiness and target country of the customer.

9. FINANCIAL INCOME

in EUR 000s	**2019**	**2018**
Interest on loans and receivables	2	12
Total	**2**	**12**

The interest on loans and receivables in 2018 essentially comprises an interest claim against an Easy Taken Credit borrower, this loan was repaid in full in 2018. The group received only low interest on loans and receivables in 2019.

10. ADMINISTRATIVE EXPENSES

The administrative expenses include the following expenses:

in EUR 000s	**2019**	**2018**
Auditor's fee	166	129
Real estate management fee	8	157
Depreciation/amortisation	12,150	11,155
Of which amortization of usage rights	*84*	*0*
Write-downs on trade and other receivables (IFRS 9)	-12	25
Write-downs on property, plant and equipment	0	0
Minimum payments for operating leases for rented premises and property, plant and equipment	446	134
Personnel costs:		
Salaries and expenses (including remuneration of managing directors)	2,753	868
Social security contributions	663	0
Legal and consulting services cost	383	642
Other administrative expenses	3,099	2,313
Total	**19,656**	**15,423**

11. SEGMENT REPORTING

The business of the ROY Group is organised into business units and has the following two segments, which are subject to reporting requirements:

- The ceramic ware segment covers the area of development, production and marketing of high-quality ceramic tile and sanitary ware. The activities in the sanitary ceramics business segment are currently dormant.

- The real estate business segment covers property development and property sales and letting. In the year under review, this business segment mainly comprised an investment property with leased office space and properties in Houston and California, which are developed and owned by ROY.

The operating results of the business units are monitored by the Board of Directors, which is the responsible corporate body, to make decisions about the allocation of resources and to ascertain the profitability of the units. The performance of the segments is assessed on the basis of the result generated and evaluated in line with the result as reported in the consolidated financial statements.

The transfer prices between the business segments are determined on the basis of third-party market conditions.

Revenues from transactions with other segments are eliminated for consolidation purposes and are summarised in the "other" column. Other adjustments and eliminations will be detailed in subsequent reconciliations.

Adjustments

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

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

Investments relate 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 associates and joint ventures are presented separately.

Financial year ended 31 December 2019	Ceramic ware	Investments in associates and joint ventures carried at equity	Investment properties	other	Total business segments	ROY Group
	in EUR 000s	in EUR 000s	in EUR 000s	in EUR 000s	in EUR 000s	in EUR 000s
Revenue	4,584	0	3,267	0	7,851	7,851
Total revenue	4,584	0	3,267	0	7,851	7,851
Income / (expense)	-1,998	0	-5,977	-1,057	-9,032	-9,032
Personnel costs	-2.532	0	-623	-261	-3,416	-3,416
Depreciation and amortisation	-11,637	0	-512	-1	-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 liabilities	-5,578	0	-19,129	-558	-25,295	-25,295

Financial year ended 31 December 2019	Ceramic ware	Investments in associates and joint ventures carried at equity	Investment properties	other	Total business segments	ROY Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Other disclosures						
Investments	27	0	9,434	0	9,461	9,461

Financial year ended 31 December 2018	Ceramic ware	Investments in associates and joint ventures carried at equity	Investment properties	other	Total business segments	ROY Group

	in EUR 000s	in EUR 000s	in EUR 000s	in EUR 000s	in EUR 000s	in EUR 000s
Revenue	0	0	3,032	12	3,044	3,044
Total revenue	0	0	3,032	12	3,044	3,044
Income / (expense)	-2,425	0	-4,058	1,051	-1,888	-5,432
Personnel costs	0	0	-796	0	0	-796
Depreciation and amortisation	-11,155	0	-530	0	-11,685	-11,685
Segment result	**-13,580**	0	**-2.352**	**1,063**	**-14,869**	**-14,869**
Total assets	46,667	29,303	33,353	5,681	115,003	115,003
Total liabilities	-118	0	-15,459	-1,174	-16,752	-16,752

Financial year ended 31 December 2018	**Ceramic ware**	**Investments in associates and joint ventures carried at equity**	**Investment properties**	**other**	**Total business segments**	**ROY Group**
	kEUR	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Other disclosures						
Investments	0	-29,303	-3,691	-634	-33,627	-33,627

The non-current assets shown here include property, plant and equipment, investment property and intangible assets.

Reconciliation of the result	**2019 „Investment properties“**	**2019 „Ceramics ware“**	**2019 "other"**	**2019 Total**
	kEUR	**kEUR**	**kEUR**	**kEUR**
Segment result				
Financial income	2	0	4	6
Financial expenses	-778	45	0	823
Profit before tax	-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 Company's management	321	1,682	-	2,003
Borrower's note loan	-	-	-	-
Total assets	76,359	32,675	8,970	118,003
Reconciliation of liabilities				
Liabilities of the business segment	-2,430	-4,910	-589	-7,930
Interest-bearing loans	-16,699	-	-	-16,669
other	-	-667	-	-667
Total liabilities	-19,129	-5,578	-589	-25,296
Information about geographical areas				
Revenue from external customers				
Asia	-	645	-	645
Europe	-	2,818	-	2,818
US	3,267	586	-	3,836

Other	-	552	-	552

Reconciliation of the result	2018 „Investment properties“	2018 „at-equity Immobilien“	2018 „Sanitary ware“	2018 "other"	2018 Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Segment result					
Financial income	0	0	0	12	12
Financial expenses	-729	0	0	0	729
Profit before tax	-2,352	0	-13,580	1,063	-14,869
Reconciliation of assets					
Assets of the business segment	33,309	29,303	46,667	4,023	113,301
Loans to members of the Company's management	-	-	-	1,658	1,658
Borrower's note loan	-	-	-	-	-
Deferred tax assets	44	-	-	-	44
Total assets	35,353	29,303	46,667	5,681	115,003
Reconciliation of liabilities					
Liabilities of the business segment					
Interest-bearing loans	-14,346	-	-	-	-14,346
other	-2,021	-	-118	-266	-2,406
Total liabilities	-16,367	-	-118	-266	-16,752
Information about geographical areas					
Revenue from external customers					
Asia	-	-	-	-	-
Europe	-	-	-	-	-
US	3,032	-	-	-	3,032

12. REMUNERATION OF MANAGING DIRECTORS AND MEMBERS OF THE BOARD OF DIRECTORS

in EUR 000s	2019	2018
Fixed remuneration of managing directors		
Siu Fung Siegfried Lee	345	311
Matthias Herrmann	234	135
Fixed remuneration of members of the Board of Directors	74	74
	653	520

The remuneration of the managing directors relates to the remuneration of the managing directors Mr Lee and Mr Herrmann. The remuneration in 2019 did not include any variable components.

13. FINANCIAL EXPENSES

In 2019, the Group incurred financial expenses of kEUR 823 relating primarily to a bank loan (in 2018: kEUR 729) to finance the purchase of Kirby Interchange. The included interest portion from leasing amounts to kEUR 9.

14. INCOME TAX EXPENSE

in EUR 000s	**2019**	**2018**
Current taxes:		
US corporate tax	-112	123
Hong Kong corporate tax	-1	1
Deferred tax (Note 17)	54	259
	-68	383

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands or BVI. This tax rate is best suited to represent the group tax rate for the 2019 financial year.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

in EUR 000s	**2019**	**2018**
Loss before taxes	-16,815	-14,869
0% tax rate in Cayman Islands	0	0
Tax effects of non-deductible expenses	0	0
Losses of the current year for which no deferred tax asset was recognised (tax rate for 2019: 31.93 %, 2018: 31.93 %)	113	-122
variances due to different tax rates	0	0
Use of previously unrecognised tax losses	0	0
Accruing deferred taxes on tax loss carryforwards in USA	-45	-259
Income tax benefit for the year	68	383
(Effective tax rate for 2020: 0,0 %, 2018: 0,9 %)		

Due to the loss at ROY Asset Holding SE in 2019, the loss of EUR 1,558 thousand will be carried forward to new account.

15. PROPERTY, PLANT AND EQUIPMENT

in EUR 000s	Buildings held and used	Leasehold improvements	Machinery and equipment	Office equipment	Motor vehicles	Total
At historical cost or after valuation						
Balance as at: 1 January 2018	**0**	**104**	**67,998**	**49**	**2,793**	**70,944**
Exchange rate adjustments	0	4	3,959	-25	-126	4,851
Additions	0	0	892	32	395	1,319
Disposal	0	0	0	0	-136	-136
Reclassification as investment property	0	0	0	0	0	0
Balance as at: 31 December 2018	**0**	**108**	**72,849**	**56**	**2,926**	**76,978**
Exchange rate adjustments	0	3	2,731	7	404	3,146
Additions	0	0	0	96	65	65
Additions Klingenberg	5,331	0	2,029	325	0	6,738
Disposal	0	0	-66	0	-37	-103
IFRS 16 Adjustments	0	0	552	0	0	552
Balance as at: 31 December 2019	**5,331**	**111**	**78,095**	**484**	**3,358**	**87,379**
Accumulated depreciation						
Balance as at: 1 January 2018	**0**	**10**	**20,911**	**31**	**183**	**21,135**
Exchange rate adjustments	0	1	1,091	-22	56	1,126
Registered in the financial year	0	22	10,780	8	346	11,155
Disposal	0	0	0	0	-24	-24
Balance as at: 31 December 2018	**0**	**33**	**32,782**	**16**	**561**	**33,392**
Exchange rate adjustments	0	0	566	1	63	630
Additions	0	1	0	31	0	32
Additions Klingenberg	4.718	0	42	285	0	5,045
Registered in the financial year	114	22	11,637	14	363	12,150
IFRS 16 Adjustments	0	0	84	0	0	84
Disposal	0	0	0	0	0	0
Balance as at: 31 December 2019	**4,832**	**56**	**45,111**	**347**	**987**	**51,333**
Carrying amounts						
Balance as at: 31 December 2019	499	55	32.983	138	2.371	36.046
Balance as at: 31 December 2018	0	76	40.781	40	2.689	43.586

The comparative values for 2018 in the table were adjusted retrospectively to correct the cumulative update of the value.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, taking into account their estimated residual values, as follows:

Buildings held and used	20 years
Leasehold improvements	5-20 years
Machinery and equipment	10-20 years
Office equipment	5 years
Motor vehicles	5 years

As at 31 December 2019, the Group owned one property in the US that is mortgaged.

Following the sale of the Chinese operating subsidiaries to White Horse effective 30 September 2015, moveable tangible assets previously used by the Beijing plant were transferred to LLH. Property, plant and equipment are recorded on the balance sheet with the remaining useful life of 10 years and straight-line depreciation is applied accordingly. The straight-line depreciation of tangible fixed assets amounted to kEUR 11,399 in the 2019 financial year (2018: kEUR 10,780). According to the report of Sinno Appraisal, the fair value of tangible assets as at 31 December 2019 is HKD 262 million or EUR 29.7 million (in 2018 HKD 360 million or EUR 40.0 million).

The fair value, based on the appraisal, was determined on the basis of replacement costs. The appraiser determined the value based on the International Valuation Standards Framework of the International Valuation Standards Council. The impairment is included in the administrative expenses for the 2019 financial year.

16. DEFERRED TAXES

The following is the deferred tax recognised and movements thereon during the current and prior years. The deferred tax assets decreased from kEUR 44 to kEUR -44. The deferred taxes mainly consist out of depreciation between US GAAP and IFRS. The balanced deferred taxes are as follows:

in EUR 000s	**2019**	**2018**
As at 1 January	-44	298
Expenses recognised in the consolidated income statement	44	-342
Balance as at: 31 December	0	-44

The Group's tax loss in Germany as at 31 December 2019 amounted to kEUR 1,558 (kEUR 639 as at 31 December 2018). The tax rate to be used in 2019 and 2018 is 31.925 % (previous year 31,925%). The tax loss is generally available indefinitely for offset against future taxable profits of ROY Asset Holding SE in Germany. As at 31 December 2019 the activated loss carryforward in the USA amounts to 5,558 kUSD (4,974 kEUR).

17. Inventory

With the purchase of Klingenberg Dekoramik GmbH, the ROY group acquired supplies. These inventories mainly include finished goods, semi-finished goods and raw, auxiliary and operating materials.

in EUR 000s	**2019**	**2018**
As at 1 January	0	0
Additions	7,434	0
thereof finished goods	*6,048*	*0*
thereof semi-finished goods	*419*	*0*
thereof raw, auxiliary and operating materials	*967*	*0*
Impairment on finished goods	705	0

Disposal	0	0
Balance as at: 31 December	6,729	0

The finished products were devalued by EUR 705 thousand due to expiring series or lower sales prices. The semi-finished products and raw materials were not devalued. The carrying amount of inventories as of December 31, 2019 after devaluation was EUR 6,729 thousand.

18. UMSATZKOSTEN

The cost of sales essentially consists of direct costs in connection with the generation of rental and sales income from real estate and in connection with the sale of ceramic tiles. The cost of sales in the real estate segment increased in line with the increase in revenue from rental income. Correspondingly in the ceramics segment parallel to sales revenue.

kEUR	2019	2018
Cost of sales from ceramic activities	2,094	0
Cost of sales from real estate activities	2,481	1,969
	4,575	**1,969**

19. TRADE AND OTHER RECEIVABLES

in EUR 000s	2019	2018
Trade receivables	1,437	35
Other receivables	3,197	2,634
Prepayments	14	360
	4,648	**3,029**
Other receivables and prepayments, net	4,648	3,029
Less: Prepayments classified as non-current assets	0	0
Trade and other receivables	4,648	3,029

The other receivables consist of short-term investments and prepayments, as well as two EB-5 loan receivables in the amount of kEUR 886 to a trustee and a short-term receivable to Surasak Lelalertsuphakun of kEUR 107, which was partly paid down in 2019 by making a repayment of HKD 1 million. The remaining HKD 1 million is due for repayment on 30th June 2020.

20. CASH AND CASH EQUIVALENTS

As at 31 December 2019, kEUR 1,416 (2018: kEUR 9,274). Thereof kEUR 1,040 of the bank balances were denominated in USD and kEUR 351 in Euro and the remaining balances were denominated in HKD.

Bank balances bear interest at variable rates for bank balances payable on demand. The bank balances are held at banks with high creditworthiness, which did not incur any losses in the recent past.

21. TRADE PAYABLES AND OTHER LIABILITIES

in EUR 000s	2019	2018
Trade payables	2,099	873
Received deposits	141	172
Other liabilities	4,757	37
Liabilities from salary and staff costs as well as costs for social benefits	0	0
Other tax liabilities	13	125
EB-5 loan	886	864
Liabilities against majority shareholder	34	379
Trade and other payables	**7,930**	**2,450**

Below you will find a breakdown of trade payables by maturity based on the invoice date as at the end of the period under review.

in EUR 000s	2019	2018
Within 180 days	6,869	678
181 to 365 days	175	908
1 to 2 years	886	864
Total	**7,930**	**2,450**

The average payment period for the purchase of goods ranges between 30 and 180 days. The Group and the Company have financial risk management policies in place to ensure that all payables are settled within the agreed time limits for payment.

22. AMOUNTS OWED BY A MANAGING DIRECTOR

in EUR 000s	2019	2018
Amounts owed from a managing director	2,003	1,658

In 2018 and 2019 the receivable relates to amounts owed by Siu Fung Siegfried Lee, which are unsecured and repayable on demand. The receivable was interest-free in 2018 as Mr. Lee has historically provided the ROY Group with a similar short-term and interest-free loan to secure the Company's ability to pay its financial obligations in 2015-2016, as long as White Horse had not paid the purchase price. As of 2019, the loans will bear interest at 1% and the interest is due to maturity.

23. SHARE CAPITAL

in EUR 000s	Share capital 2019
As at 1 January 2018	18,109
Change in 2018	36,218
As at 31 December 2018	54,327

The share capital amounts to EUR 54,327,000.00 and consists of 54,327,000 non-par-value shares which are bearer shares for which a global share certificate was issued.

In 2019, the Group increase its share capital by completing a capital increase in the amount of EUR 36,218,000 from own assets. The shares were issued from 1 January 2019 and carry full dividend rights, the calculation of earnings per share for 2019 is therefore based on the weighted number of shares after the capital increase was registered with the commercial register on 30 July 2019.

The 2017 annual general meeting resolved to cancel the authorised capital 2015 and to create 2017 authorised capital. In accordance with Article 6 of the Company's Articles of Association, the Board of Directors is authorised up to 1 October 2022 to increase the Company's share capital by up to EUR 9,054,500 against cash and / or non-cash contributions on one or more occasions.

	2019	2018
Earnings per share in EUR		
Weighted average:	-0.34	-0.84

The calculation of earnings per share on the weighted average is based on the weighted average number of ordinary shares which was 33,199,833 for the FY 2019. FY 2018 there was no change to the number of ordinary shares and therefore the average number of ordinary shares was 18,109,000. Exchange differences resulting from currency translation are excluded from the earnings per share calculations.

In the 2017 financial year, the Company's capital was conditionally increased by a total of EUR 1,810,900 in accordance with Article 6a of the Articles of Association. This capital increase will only be carried out if the subscription rights were issued in accordance with the simultaneously adopted stock option programme for 2017 (conditional capital 2017). This has not taken place to date.

Another conditional capital increase under Article 6b of the Articles of Association relates to an amount of EUR 5,244 thousand. This conditional capital increase is intended to provide new bearer shares to the holders or creditors of convertible bonds, options and/or profit participation bonds and/or profit participation rights, which were issued on account of the authorisation from the same date (conditional capital 2015/II). The issuance of one or more of the specified instruments has not taken place to date.

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

- to balance out fractional amounts;

- to acquire enterprises, parts of enterprises or investments in enterprises or other assets, including receivables, through the provisions of shares

- in a cash capital increase, the proportion of the share capital attributable to the new shares for which the subscription right is excluded, both at the time of the exercise and at the time the authorization is exercised does not exceed ten per cent of the share capital and the issue price of the new shares is not significantly lower than the stock exchange price of the shares of the company with the same features as defined by Sections 203 (1) and (2), 186 (3) sentence 4 AktG; this ten from hundred limit includes (i) the proportion of the share capital attributable to treasury shares which are sold directly or mutatis mutandis pursuant to § 186 (3) sentence 4 AktG as of the effective date of this authorization, and (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 of § 221 AktG. Instruments under the exclusion of subscription rights pursuant to Section 186 (3) sentence 4 AktG. be issued.

24. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes equity. The amounts are explained as follows:

Capital reserve: The capital reserve consists of the increase in capital of the parent company in 2014 and the contribution in kind arising from the acquisition of the subsidiary LLH resulting 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 cumulated foreign currency translation recognised in other comprehensive income arising from assets and liabilities of the financial statements of the Group, whose functional currency is not the euro. The translation reserve is not distributable as dividends.

Retained earnings: Retained earnings comprise the cumulative net profits recognised in the consolidated income statement.

25. FINANCIAL LIABILITES

The purchase of Kirby Interchange was partly funded by a bank loan. As at 31 December 2019, the Group had a floating rate bank loan of kEUR 16,699 (kUSD 18,591) with Midfirst Bank. The interest is LIBOR plus 3%, and it will become due on 1 September 2020. The loan is secured by the property.

ROY offers interested and qualified investors the opportunity to invest in the United States' EB-5 investment program for the 3300 Main project in Houston. As of December 31, 2019, two investors have invested a total of 886 thousand (1,000 thousand US dollars). The loans will be delivered on the market terms of EB-5 investments at 1% p.a. interest.

Non-current liabilities

The changes in long-term debt as a result of financing activities, primarily due to the increase in the loan with Midfirst Bank to finance an expansion of the premises for a new Kirby

Interchange tenant.

	1 January 2019 in EUR 000s	Cash flows in EUR 000s	Changes in exchange rates in EUR 000s	other in EUR 000s	31 December 2019 in EUR 000s
Long-term interest-bearing loans	13,438	3,042	219	0	16,699
Total liabilities from financing activities	**13,438**	**3,042**	**219**	**0**	**16,699**

26. INVESTMENT PROPERTIES

As at 31 December 2019, the item "investment property" comprises fifteen existing properties.

The Kirby Interchange was founded in the 2017 financial year, when it acquired its first property. The gross rental income in the reporting year amounted to EUR 2.629 thousand. The weighted average remaining term of the portfolio (WALT) was 3.4 years as at the balance sheet date.

In addition, one property was purchased in Houston in 2019. The total purchase price for this property was kUSD 300 and was fully funded from equity. It is planned to develop the undeveloped land with a luxurious single-family home. In addition, four houses in need of renovation were bought. Three of them in Los Angeles and one in Texas.

In 2019 rental income totalling EUR 134 thousand (in 2018: EUR 108 thousand) was generated by the rented detached houses in Los Angeles and Houston. It is planned to cultivate the undeveloped and building-ready land and sell it at a profit and thus to generate a return for the company.

A property in California, that was previously used for operative reasons, has been let for the first time during 2018 and was reclassified from property, plant and equipment to investment property.

in EUR 000s	Completed Buildings	Buildings in development	Total
At historical cost			
Balance as at: 1 January 2018	21,401	2,625	24,026
Additions	1,683	2,009	3,691
Exchange rate adjustments	1,077	0	1,077
reclassified property from property, plant and equipment into investment property	1,818	-1,818	0
Balance as at: 31 December 2018	25,979	2,815	28,794
Balance as at: 1 January 2019	25,979	2,815	28,794
Additions	2,998	10,419	13,417
Disposal	0	462	462
Exchange rate adjustments	1,005	193	1,198
Balance as at: 31 December 2019	29,982	12,965	42,947
Accumulated depreciation			
Balance as at: 1 January 2018	155	0	155

Registered in the financial year	530	0	530
Exchange rate adjustments	0	0	0
Balance as at: 31 December 2018	685	0	685
Balance as at: 1 January 2019	685	0	685
Registered in the financial year	732	0	732
Exchange rate adjustments	25	0	25
Balance as at: 31 December 2019	1,441	0	1,441
Carrying amounts			
Balance as at: 31 December 2019	28,542	12,965	41,507
Balance as at: 31 December 2018	25,175	2,934	28,109

As of December 31, 2019, the fair values of the properties are based on valuations conducted by accredited independent auditors. The fair values calculated in the BDO appraisals amount to kEUR 44,637 (kUSD 50,145) and thus essentially correspond to the book values as at 31 December 2019.

in EUR 000s	2019	2018
Rental income from investment property	2,738	3,032
Direct operating expenses (including repairs and maintenance) that generate rental income (included in the cost of sales)	2,095	1,969
Direct operating expenses (including repairs and maintenance) that do not generate rental income (included in the cost of sales)	0	1
Result from financial investments measured at fair value	643	1,062

There are no restrictions on the disposability of investment property and no contractual obligations to purchase, create or develop the investment property. There are also no contractual obligations with respect to repairs, maintenance or improvements.

The following measurement methods are used as the basis for measuring the fair value of level 3 investment properties in accordance with IFRS 13.

	Measurement methods	Significant unobservable inputs	Range (weighted average) 2019	2018
Office properties	Discounted cash flow method			
	(see below)	Estimated market rent per square meter and month	EUR 7–12 (EUR 10)	EUR 7–10 (EUR 9)
		Rent increase p. a.	3.0 %*	2.5 %*
		Long-term vacancy rate	(10 %)	(8 %)
		Discount rate	9.25 %	10.0 %

* The relatively low rent increase is based on the fact that ROY strives to convert the new tenants and expiring contracts into NNN contracts. In these contracts, the tenant bears all operating costs of the rented property.

Fair value of investment property as at 31.12.2019

in USD 000s	2019
520 Haverstock Road, La Canada Flintridge, CA 91011	2,200
8900 Kirby Drive, Houston, TX 77054	35,000

3118 Forest Meadow Drive, Chino Hills, CA 91709	650
1329 Voss Road, Houston, TX 77055	625
1510 Hillendahl Boulevard, Houston, TX 77055	520
7002 Blandford Lane, Houston, TX 77055	340
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	465
22622 Sierra Lake Court, Katy, TX 77494	400
22735 Sierra Lake Court, Katy, TX 77494	425
22422 Kendall Shay Court, Katy, TX 77450	360
Jurupa Valley LLC	7,800
Total fair value of investment property	50,145

Using the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset’s life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted. Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long-term vacancy rate.

27. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CARRIED AT EQUITY

On March 16, 2018, the Jurupa Valley LLC, Delaware was founded. In February 2019, an additional voting right was transferred to ROY by agreement with a minority investor. ROY has since given three of the five voting rights to the Executive Committee and the project will be fully consolidated and no longer included in the at-equity method. On April 12, 2018, the 3300 Main Project Owner, LP, Delaware, was founded. The ROY Group holds a 74.3% stake in the company. The ROY Group exercises joint leadership with a partner company. Accordingly, the 3300 Main Project Owner, LP is included as a joint venture at equity in the financial statements. There are no other commitments from either company, nor any significant restrictions or impact on profit or loss for the period. The carrying amount of investments in associates and joint ventures accounted for using the equity method changed as follows in the first half of the financial year 2019:

in EUR 000s	2019	2018
Carrying amount 1. January	29,302	0
Additions	0	29,302
Disposals (re-classification)	3,647	0
Net profit	0	0
Dividend payments	0	0
Carrying amount 31. December	25,655	29,302

Consolidation of Jurupa Valley

kEUR	2019
Carrying amount 1. January NCI Jurupa Valley	0
Addition (NCI)	4,973
Carrying amount 31. December NCI Jurupa Valley	4,973

The book value of Jurupa Valley was included in the balance sheet as part of the consolidation of investment property.

28. CAPITAL COMMITMENTS

As at the end of the reporting period, there were no capital commitment contracts to be reported in the consolidated financial statements.

29. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund (hereinafter referred to as "MPF", which is similar to a contributory retirement fund) for its qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5 % of relevant payroll costs monthly to the MPF, which is matched by employee contributions. In addition, the company spent another EUR 6 thousand on a company pension plan for Mr. Herrmann.

As of December 31, 2019, the subsidiary Klingenberg Dekoramik GmbH had pension commitments as fixed-amount plans to four former executives. Provisions of EUR 667 thousand were created for this. The provision was created on the basis of an actuarial report. The expert opinion was based on the HEUBECK-RICHTTAFELN 2018 G. The annual payments amount to approximately EUR 60 thousand. There are two benefit plans for the recipients, one with a survivor's pension of 60% and a plan without a survivor's pension. The discount rate applied to both plans is 0.68% and the pension dynamic is 2%. The discount rate at the beginning of the period was 1.07%. The calculation method for the provision according to IFRS is the projected unit credit method and no variables are used for salary trend or fluctuation. The determined scope of obligations in the sense of the defined benefit obligation corresponds to the provision of EUR 667 thousand. The interest cost in the following year (interest cost) is calculated at EUR 4 thousand and payments from the existing benefit plans of EUR 60 thousand are expected in 2020.

The payment of the contractually agreed pensions is secured by insurance from Klingenberg Dekoramik GmbH with the Pension Insurance Association.

In the financial year ended 31 December 2019, the total retirement benefit scheme contributions recognised in the consolidated income statement and other comprehensive income amounted to kEUR 7 (2018: kEUR 10).

30. LEASE COMMITMENTS

The ROY Group has applied the new IFRS 16 standard for the first time since January 1, 2019. For the transition to the new regulation, the modified, retrospective approach was used, according to which the previous year's values are not adjusted.
The group rents IT equipment with contractual terms of between one and three years. These leasing agreements are either short-term or (and and) are based on items of low value. The group also rents offices and warehouses. The contracts each have a short term, the expenses amounted to EUR 3 thousand. The Group has decided not to include rights of use or lease liabilities for these short-term or so-called small-ticket leasing agreements

<u>As lessee</u>

At the end of the reporting period, the Group had outstanding obligations from future minimum payments for lease agreements according to uncancellable operating lease agreements that will fall due as follows:

in EUR 000s	**2019**	**2018**
Within one year	739	967
From second to fifth year inclusive	751	317
Total	1,490	1,284

The leasing payments are rent payments that the Group pays for its office space. The term of the lease agreements is set to a period of one to five years.

Representation of rights of use from leasing contracts

TEUR	**2019**
Carrying amount 1. January	0
Addition right of use asset	552
Depreciation	84
Disposal right of use asset	0

Carrying amount 31. December	468

The usage rights from leasing result from the rental of production machines from Klingenberg Dekoramik GmbH.

As lessor

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

in EUR 000s	2019	2018
Kirby Interchange	2,605	2,895
Houston single-family homes	118	108
California	15	29
Total	2,738	3,032

The contracts for the Houston family homes and California are short-term.

At the end of the reporting period, the Group had receivables from future payments on non-callable lease contracts from the Kirby Interchange property, as well as the currently leased two properties in Houston and one property in California, which were due as follows:

in EUR 000s	2019	2018
Within one year	2,272	2,049
From second to fifth year inclusive	6,999	4,851
Beyond the fifth year	2,940	354
Total	12,211	7,254

31. RELATED PARTIES AND DISCLOSED PARTICIPATING INTERESTS

An overview of related parties and persons can be found in section 33 PRINCIPAL SUBSIDIARIES, section 1.6 of the management report on "Corporate Bodies, Management and Founders" and in the remuneration report of this annual report.

The Shine Eagle Trust reg., Balzers, Liechtenstein, has informed us, that it has at August 24, 2016 as a consequence of its liquidation, transferred its 8.507.000 shares to Hi Scene Industrial Limited, Tortola, British Virgin Islands.

Ms. Lee Sujida Lelalertsuphakun, China, has informed us in accordance with Section 21(1a) of the German Securities Trading Act (WpHG a.F.) that her voting share in ROY Asset Holding SE, Munich, as of September 01, 2017, was 75.47%.

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 the voting shares are to be attributed to her and were hold by the following shareholders, as of these shares of ROY Asset Holding SE 3% or more of the voting

rights are attributable:
- Hi Scene Industrial Limited, Tortola, British Virgin Islands

Mr. Tak Chung Pang, China, has informed the Company in accordance with Section 21(1a) WpHG a.F. that his voting share in ROY Asset Holding SE, Munich, at the time of the first admission of the shares of ROY Asset Holding SE for trading on the regulated market of the Frankfurt Stock Exchange on April 29, 2015, was 3.81 % of the voting rights.

3.81 % of these voting rights are to be assigned to him according to Section 22(1) sentence 1 No 1 WpHG a.F. and were held by the following companies he controls whose voting share in
ROY Asset Holding SE is respectively 3 % or more:
- Golik Holdings Limited, Hamilton, Bermuda
- Golik Investments Ltd., British Virgin Islands

Golik Investments Ltd., Tortola, British Virgin Islands, has informed us in accordance with Section 21(1a) WpHG a.F. that its voting share in ROY Asset Holding SE, Munich, at the time of the first admission of the shares of ROY Asset Holding SE for trading on the regulated market of the Frankfurt Stock Exchange on April 29, 2015, was 3.81 % of the voting rights.

3.81 % of these voting rights are to be assigned to it according to Section 22(1) sentence 1 No. 1 WpHG a.F. and were held by the following companies he controls whose voting share in ROY Asset Holding SE is respectively 3 % or more:

- Golik Holdings Limited, Hamilton, Bermuda

32. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed under Note 22 and 31 of these financial statements, the Group completed the following material transactions with related parties in the year under review:

in EUR 000s	**2019**	**2018**
Lease payment for a property in California paid by subsidiary to: Hi Scene Industrial Ltd.*	34	0

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

The above transactions were entered into with Hi Scene Industrial Limited on market conditions. The Company also has claims against Mr. Lee, as shown in section 22.

33. PRINCIPAL SUBSIDIARIES

Information on the Company's key subsidiaries as at 31 December 2019 and 2018:

Name of the subsidiary	**Registered office**	**Nominal value of issued ordinary shares / registered capital**	**Stake in the company and voting rights**		**Core activity**	**Profit / loss for the year**
			31/12/2019	31/12/2018		
Lion Legend Holdings Limited	Georgetown, Cayman Island	13,201,216 EUR (115,475,000 HKD)	Direct wholly owned subsidiary	Direct wholly owned subsidiary	Investment	-11,493 kEUR (-100,642 kHKD)
Easy Taken Credit	Hong Kong	1,143 EUR (10,000) HKD	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Investment	11 kEUR (96 kHKD)
Klingenberg Dekoramik GmbH	Klingenberg	7,242,004 EUR	Direct wholly owned subsidiary		Investment	29 kEUR
ROY USA, Inc.	Los Angeles, California	4,241,356 EUR (4,787,150 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Investment	-1,355 kEUR (-1,532 kUSD)
ROY Holdings Inc.	Wilmington, Delaware	8,860 EUR (10,000 USD)	Indirect wholly owned subsidiary		Investment	0 TEUR (0 TUSD)
ROY Equities Houston, Inc.	Houston, Texas	886 EUR (1,000 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Investment	-129 kEUR (-146 kUSD
ROY 3300 Fund LP	Wilmington, Delaware	0 EUR (0 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Investment	13 kEUR (-15 kUSD)
ROY 3300 Main Investor LLC	Wilmington, Delaware	0 EUR (0 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Investment	23 kEUR (26 kUSD)
ROY 3300 Main Member LLC	Wilmington, Delaware	0 EUR (0 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Investment	-2 kEUR (-2 kUSD)
ROY Fund Manager LLC	Wilmington, Delaware	0 EUR (0 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Investment	-71 kEUR (- 79 kUSD)
3300 Main Project Owner, LP	Wilmington, Delaware	0 EUR (0 USD)	73.8% owned subsidiary	Indirect wholly owned subsidiary	Investment	0 kEUR (0 kUSD)
ROY Commercial Houston, Inc.	Houston, Texas	873 EUR (1,000 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Investment	-61 kEUR (-69 kUSD)

ROY Commercial Real Estate Houston, Inc.	Houston, Texas	2,657,963 EUR (3,000,000 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Real estate company	-102 kEUR (-116 kUSD)
ROY Holdings Houston, Inc.	Houston, Texas	873 EUR (1,000 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Real estate company	0 kEUR (0 kUSD)
ROY Houston Management, Inc.	Houston, Texas	17,956,749 EUR (20,267,493 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Real estate company	-747 kEUR (-844 kUSD)
ROY 6914 Schiller LLC	Houston, Texas	0 EUR (0 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Real estate company	-8 kEUR (-9 kUSD)
ROY 2031 Arbor Cove LLC	Houston, Texas	0 EUR (0 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Real estate company	-14 kEUR (-16 kUSD)
ROY 22622 Sierra Lake LLC	Houston, Texas	0 EUR (0 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Real estate company	-10 kEUR (-11 kUSD)
ROY 22735 Sierra Lake LLC	Houston, Texas	0 EUR (0 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Real estate company	-11 kEUR (-12 kUSD)
ROY 22422 Kendall Shay LLC	Houston, Texas	0 EUR (0 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Real estate company	-13 kEUR (-14 kUSD)
ROY 6910 Schiller LLC	Houston, Texas	0 EUR (0 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Real estate company	-2 kEUR (-2 kUSD)
ROY 7006 Schiller LLC	Houston, Texas	0 EUR (0 USD)	Indirect wholly owned subsidiary*		Investment	-114 kEUR (-128 kUSD)
ROY 7010 Schiller LLC	Houston, Texas	0 EUR (0 USD)	Indirect wholly owned subsidiary*	Indirect wholly owned subsidiary	Investment	19 kEUR (21 kUSD)
ROY 1510 Hillendahl LLC	Houston, Texas	0 EUR (0 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Real estate company	-13 kEUR (-15 kUSD)
ROY 7002 Blandford LLC	Houston, Texas	0 EUR (0 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Real estate company	6 kEUR (6 kUSD)
ROY 1329 Voss LLC	Houston, Texas	0 EUR (0 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Real estate company	-5 kEUR (-6 kUSD)

ROI Palace LLC	Los Angeles, California	0 EUR (0 USD)	Indirect wholly owned subsidiary		Real estate company	22 kEUR (25 kUSD)
Edgehill Home LLC	Los Angeles, California	0 EUR (0 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Real estate company	-1 kEUR (-1 kUSD)
Kirby SPE LLC*	Wilmington, Delaware	8,594,080 EUR (9,700,000 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Investment	118 kEUR (132 kUSD)
Signature Homes Jurupa Valley, LLC	Los Angeles/ California	4,386 EUR (4,950 USD)	Indirect wholly owned subsidiary	Indirect wholly owned subsidiary	Investment	-7 kEUR (-7 kUSD)
Jurupa Valley, LLC	Los Angeles/ California	4,487,528 EUR (4,950,000 USD)	55% owned subsidiary	55% owned subsidiary	Investment	-4 kEUR (-4 kUSD)

* Kirby will be fully consolidated as the ROY Group bears all significant opportunities and risks and ROY holds 100% of the voting rights at the annual general meeting. In addition, all economic opportunities and risks rest with ROY and ROY's capital employed. Service providers are remunerated on a performance basis, which is 40% of the part exceeding the net return of 8%. In 2017, service providers did not receive any remuneration under this agreement. The purchase of the Kirby Interchange was funded by a bank loan of USD 15 million and ROY is the beneficial owner of this loan through the fully consolidated Kirby SPE LLC.

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

The listed property LLCs of ROY Commercial Real Estate Houston, Inc. were purchased with the aim of clearing the developed properties and developing new homes, as well as developing the undeveloped seven plots of land. ROY, together with a local partner, plans to develop a two-house model to be built on the aforementioned properties.

ROY Asset Holding SE, Munich, holds a 100% interest in LLH. As the parent company, ROY Asset Holding SE prepares consolidated financial statements for the largest group of companies within the meaning of Section 315a HGB. This is available in the Federal Gazette.
LLH prepares a subgroup financial statement in accordance with the local regulations of the Hong Kong Financial Reporting Standards (HKFRS) (smallest circle of companies). This is available at the company's offices.

34. ACQUISITION OF KLINGENBERG DEKORAMIK GMBH

ROY acquired all shares in Klingenberg Dekoramik GmbH on July 16, 2019. Klingenberg Dekoramik GmbH is an established manufacturer of high-quality ceramic tiles for commercial and residential areas. The acquisition of decorative ceramics is a first important step in reactivating the ceramics business segment of the ROY Group. The symbolically agreed purchase price was 1 euro and was paid as part of a share deal. After the takeover, ROY provided liquidity in the amount of EUR 1.7 million to debt relief the company and to replace bank and supplier liabilities. ROY did not repay this loan in 2019. The previous owner waived all claims against Klingenberg Dekoramik before the purchase. The preliminary purchase price allocation had no impact on the balance sheet in the preliminary result. The purchase price allocation will be reviewed in July 2020.

The amounts recognized for the identifiable assets acquired and liabilities assumed are shown in the following table:

	in kEUR
Financial assets	
Inventories and receivables	7,309
cash	157
Property, plant and equipment	2,537
Financial liabilities	-476
Bank and supplier liabilities and other liabilities	-1,484
Pension commitments	-667
Production commitment to seller until December 31, 2020	-2,000
Litigation and product complaint	-65
Total identifiable acquired net assets	5,311
Total consideration	0
Fulfilled by means of payment	0

The fair value of the financial assets includes receivables from customers with a fair value of kEUR 1,064. The best possible estimate of the contractual cash flows not to be collected at the time of acquisition is kEUR 85.

A contingent liability of kEUR 667 was formed with regard to the pension commitments to former managers. The provision was made on the basis of the 2018 G Heubeck mortality tables based on an expert opinion. The pension provisions were determined in accordance with IAS 19 as part of a defined benefit obligation. The extent of the obligation was determined at EUR 667 thousand and the interest expense was calculated at EUR 4,314 in the following year based on an actuarial interest rate of 0.68% and a pension dynamic of 2%.

The following amounts have been provisionally assessed:

The fair values of the intangible assets are provisionally measured until they are fully independently assessed.
Klingenberg is a defendant in various legal disputes with employees who have sued against the original closure and termination. The Managing Directors assume that these legal disputes will be resolved promptly, as the legal basis no longer exists with the cancellation of cancellations.
In addition, ROY has given a promise to the seller to keep production running until December 31, 2020. The expected costs are approx. kEUR 2,000 by then in the normal course of business.
Klingenberg is faced with demands from customers who claim that Klingenberg has delivered defective goods. According to the Management Board's assessment, based on its interpretation of the underlying sales contract and independent legal advice, the claims made by the customer are unfounded, so it is unlikely that an outflow of cash will be required to settle the loss. According to the Management Board's assessment, the fair value of the contingent liability, taking into account the range of possible results from a possible court proceeding, corresponds to EUR 65 thousand
The business areas of Klingenberg Dekoramik are subject to certain environmental requirements. The Group assumes that no payments will be necessary for this. The Group will continue to assess these matters during the evaluation period.

If new information about facts and circumstances that existed at the time of acquisition and that would have led to corrections of the above amounts or to additional provisions become known within one year from the date of acquisition, the accounting for the acquisition of the company is adjusted.

The acquisition-related costs (included in administrative expenses) amount to EUR 137 thousand.

Since the acquisition, Klingenberg Dekoramik GmbH has generated sales revenues in the amount of kEUR 4,584 contributed and a loss of kEUR 89 was included in the consolidated result.

Would be the acquisition of Klingenberg Dekoramik GmbH on the first day of the financial year Group sales in the year would have been kEUR 14,156 and the consolidated loss would have been kEUR 17,787.

35. AVERAGE NUMBER OF EMPLOYEES

The average number of employees in the 2019 financial year was 54 and in the 2018 financial year 5, of which 4 were senior executives (2018: 2) and 48 were employees and workers (2018: 3).

36. AUDIT FEES

The fee paid to the auditors of the consolidated financial statements for the 2018 financial year amounts to EUR 105 thousand (2018: kEUR 98), kEUR 95 for audit services and kEUR 10 for other services.

37. EVENTS AFTER THE BALANCE SHEET DATE

ROY sold the Kirby Interchange for USD 35 million in February 2020. Thanks to the investments made in the property over the past two years and the measures taken to increase the value of the property, the return on equity over the holding period of the property was able to total approx. 17.5% p.a. be improved.

The main uncertainty of the outlook for 2020 presented in this annual report results from the assessment of the possible effects of the currently rapidly spreading corona virus on the economic development and activities of the ROY Group. These are difficult to estimate due to the rapidly developing situation on the date of preparation of the annual report, especially in the key markets in the USA, Asia and Europe.
Against this background, the management assumes that the plan for 2020 has lapsed and due to the rapidly evolving situation, no reliable forecast for 2020 will be given.

38. DECLARATION OF CONFORMITY IN ACCORDANCE WITH ARTICLE 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The declaration of conformity with respect to the German Corporate Governance Code required in accordance with Article 161 of the German Stock Corporation Act was submitted and it is available on the Company's website at http://www.roykeramik.de/en/entsprechenserklaerung/.

Munich, 6 May 2020

ROY Asset Holding SE

Managing directors

SIU FUNG SIEGFRIED LEE	MATTHIAS HERRMANN	SURIYA TOARAMRUT
COO	CEO	TECHNICAL DIRECTOR

RESPONSIBILITY STATEMENT BY THE STATUTORY REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable principles for financial reporting, we hereby certify that the consolidated financial statements give a true and fair view of the assets and 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, 6 May 2020

ROY Asset Holding SE

Managing directors

SIU FUNG SIEGFRIED LEE	MATTHIAS HERRMANN	SURIYA TOARAMRUT
COO	CEO	TECHNICAL DIRECTOR

AUDITORS' REPORT

For ROY Asset Holding SE, Munich

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

Audit opinion

We have audited the consolidated financial statements of ROY Ceramics SE, Munich and its subsidiaries (the "Group"), consisting of the consolidated balance sheet as at 31 December 2019, the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2019, as well as the notes to the consolidated financial statements, including a summary of important accounting policies. In addition, we have reviewed the group management report of ROY Ceramics SE, which has been combined with the management report of the company, for the financial year from 1 January to 31 December 2019. In accordance with German statutory provisions, we did not audit the content of the group corporate governance statement or the corporate governance report in accordance with Section 3.10 of the German Corporate Governance Code.

In our opinion, based on the findings of our audit,

- the attached consolidated financial statements comply in all material respects with the IFRSs applicable in the EU and with the additional German statutory requirements that are applicable pursuant to Section 315e (1) of the German Commercial Code (HGB), and in compliance with those provisions, they present a true and accurate view of the Group's net assets and financial position as at 31 December 2019 and its financial performance for the financial year 1 January to 31 December 2019, and

- the attached group management report, which has been combined with the management report of the parent company, overall gives a true and fair view of the Group's position. This group management report, which has been combined with the management report of the company, is consistent with the consolidated financial statements in all material respects, complies with German statutory requirements and accurately depicts the opportunities and risks of future development. Our audit opinion concerning 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.

Pursuant to Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the regularity of the consolidated financial statements or the group management report, which has been combined with the management report of the parent company.

Basis for the audit opinion

We conducted our audit of the consolidated financial statements and the group management report, which has been combined with the management report of the parent company, in conformity with Section 317 of the German Commercial Code (HGB) and Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities (hereinafter referred to as "EU Audit Regulation") in accordance with the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Our responsibility under these provisions and standards is described extensively in the section of our audit report entitled "Auditor's responsibility for the audit of the consolidated financial statements and the group management report". We are independent of the Group companies in accordance with the requirements of European and German commercial law, as well as the rules of professional conduct, and we have fulfilled our other German professional duties in accordance with these requirements and rules. In addition, pursuant to Article 10(2)(f) of the EU Audit Regulation, we declare that we did not provide any prohibited non-audit services referred to in Article 5(1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions concerning the consolidated financial statements and the group management report.

Key audit matters in connection with the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in preparing our opinion on the audit; we will 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 impairment of property, plant and equipment reported in the consolidated financial statements**
- **Existence and impairment of investment property reported in the consolidated financial statements**
- **Initial consolidation of Klingenberg Dekoramik GmbH, Klingenberg**

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

1) Description of the matter, including references to related disclosures in the consolidated financial statements, and
2) audit procedures.

Existence and impairment of property, plant and equipment reported in the consolidated financial statements

Description of the matter

For the accounting policies applied, we refer to the notes in section "4. SIGNIFICANT ACCOUNTING AND MEASUREMENT PRINCIPLES" and section "5. EXERCISE OF CRITICAL DISCRETION AND IMPORTANT GROUNDS FOR UNCERTAINTIES IN ESTIMATES". Disclosures concerning changes to property, plant and equipment can be found in the notes under "15. PROPERTY, PLANT AND EQUIPMENT".

Under the balance sheet item "15. PROPERTY, PLANT AND EQUIPMENT", the consolidated financial statements of ROY Asset Holding SE show assets totalling EUR 35,981 thousand as at 31 December 2019.

The majority of these assets consist of machinery that was used to produce ceramic products in Beijing, China, until September 2015. Some of this machinery was shipped to Germany in past financial years for the purpose of preparing for possible production of sanitary ceramics by ROY. The company performs annual straight-line depreciation taking into account the estimated remaining economic useful life. In addition, based on a valuation report prepared by an independent valuation specialist, the machinery was tested for impairment on the reporting date in order to determine whether there were any indications of further impairment.

Testing property, plant and equipment for impairment is complex and is based on a series of discretionary assumptions. This particularly includes the future use of the machinery. There are long-term plans for the development of a new production site in Europe. In this regard, we refer to the key audit matter concerning the initial consolidation of the new subsidiary Klingenberg Dekoramik GmbH. There is a risk for the consolidated financial statements that property, plant and equipment may need to be written down. In our view, this matter was of particular significance in the scope of our audit.

Audit procedures

As part of our audit, we questioned management with regard to the measures taken with respect to the valuation and use of the machinery. We questioned management about identified indications of impairment and, based on the information we acquired during the audit, assessed whether there were any further indications of impairment not identified by the company. In addition, the involved component auditors analysed the valuation report prepared by an independent appraiser, and we evaluated the reporting by the component auditor and questioned management.

Existence and impairment of investment property reported in the consolidated financial statements

Description of the matter

For the accounting policies applied, we refer to the notes in section "4. SIGNIFICANT ACCOUNTING AND MEASUREMENT PRINCIPLES" and section "5. EXERCISE OF CRITICAL DISCRETION AND IMPORTANT GROUNDS FOR UNCERTAINTIES IN ESTIMATES". Disclosures concerning changes to properties can be found in the notes under "26. INVESTMENT PROPERTIES“.

The subsidiary of Roy Asset Holding SE, Lion Legends Holdings Limited, indirectly holds several special purpose entities, each with one property in its fixed assets, through ROY Houston Management Inc., Houston, Texas. Individual properties are held through other companies within the subgroup. The properties are held for the purpose of subsequent sale or letting and measured at amortised cost. Testing of properties for impairment is complex and is based on a series of discretionary assumptions. In the USA, there are long-term plans to expand property business and to generate sustainable rental income and sell properties. There is a risk for the consolidated financial statements that the properties may need to be written down. In our view, this matter was of particular significance in the scope of our audit.

Audit procedures

As part of our audit, we questioned management with regard to the measures taken with respect to the valuation of the properties. We questioned management about identified indications of impairment and, based on the information we acquired during the audit, assessed whether there were any further indications of impairment not identified by the company. On the basis of external appraisals, we established that the properties were not impaired. The involved component auditors analysed the valuation report prepared by an independent appraiser, and we evaluated the reporting by the component auditors.

Initial consolidation of Klingenberg Dekoramik GmbH, Klingenberg

Description of the matter

For the accounting policies applied, we refer you to the notes in section "4. ESSENTIAL ACCOUNTING AND VALUATION PRINCIPLES". Disclosures concerning the initial consolidation of the company can be found in the notes under "34. ACQUISITION OF KLINGENBERG DEKORAMIK GMBH.”

The subsidiary Klingenberg Dekoramik GmbH was acquired in the 2019 financial year. The Board of Management needed to make estimates in evaluating whether the transactions qualify as a business combination for accounting purposes. In addition, assumptions were made concerning the determination of the consideration paid and concerning the recognition and measurement of the acquired assets and liabilities under contractual relationships as part of the (provisional) allocation of the purchase price. Because of the complexity of the transaction, there is a significant risk of material misstatement. In our view, this matter was of particular significance in the scope of our audit.

Audit procedures

We gained an understanding about why the transaction constitutes a business combination pursuant to IFRS 3. In this regard, we evaluated, in particular, the assessment made by the Board of Management that a business was acquired. In addition, we examined the underlying processes and controls that were applied for determining the consideration paid and performing the allocation of the purchase price, and we also performed substantive audit procedures. In terms of the valuation of the assets as part of the allocation of the purchase price, we gained an understanding of the determination as well as of the underlying valuation models, both from a methodological and from a computational standpoint. In this regard, we examined whether the assumptions reflect general and industry-specific market expectations, and we reviewed the measurement parameters that were applied for the purpose of estimating fair value. In addition, we evaluated whether the disclosures in the notes to the consolidated financial statements were appropriate, complete and correct in connection with the aforementioned business acquisition.

Other information

The Board of Management is responsible for the other information. The other information comprises:

- the group corporate governance statement,

- the report of the Board of Management and the report of the Administrative Board,

- the corporate governance report in accordance with Section 3.10 of the German Corporate Governance Code and

- the attestation required under Section 297 (2) sentence 4 of the German Commercial Code (HGB) concerning the consolidated financial statements and the attestation required under Section 315 (1) sentence 5 HGB concerning the group management report, which has been combined with the management report of the parent company.

Our audit opinions concerning the consolidated financial statements and the group management report, which has been combined with the management report of the parent company, do not cover the other information, and as a result, we do not provide an audit opinion or any other form of audit conclusion concerning it.

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

- is 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 audit findings or

- otherwise appears to be materially misstated.

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

The Board of Management is responsible for preparing the consolidated financial statements in a manner that complies in all material respects with the IFRSs applicable in the EU and with the additional German statutory requirements that are applicable pursuant to Section 315e (1) of the German Commercial Code (HGB), as well as for ensuring that in compliance with those provisions, the consolidated financial statements present a true and fair view of the Group's net assets, financial position and financial performance. Furthermore, the Board of Management is responsible for the internal controls that it has specified as necessary in order to facilitate the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Management is responsible for assessing the Group's ability to continue as a going concern. In addition, it is responsible for disclosing, as applicable, matters related to going concern. Moreover, it is responsible for preparing the financial statements on a going concern basis of accounting, unless there is the intention to liquidate the Group or discontinue operations, or there is no realistic alternative.

Furthermore, the Board of Management is responsible for preparing the group management report, which has been combined with the management report of the parent company, that as a whole presents a true and fair view of the Group's position and that in all material respects is consistent with the consolidated financial statements, complies with German statutory requirements and accurately depicts the opportunities and risks of future development. In addition, the Board of Management is responsible for the arrangements and measures (systems) that it considers necessary in order to facilitate the preparation of a group management report, which has been combined with the management report of the parent company, in conformity with applicable German statutory requirements and to enable sufficient and appropriate evidence to be provided for the statements in the group management report, which has been combined with the management report of the parent company.

The Administrative Board is responsible for monitoring the Group's accounting process with respect to the preparation of the consolidated financial statements and the group management report, which has been combined with the management report of the parent company.

Auditor's responsibility for the audit of the consolidated financial statements and the group management report, which has been 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 about whether the group management report, which has been combined with the management report of the parent company, as a whole presents a true and accurate view of the Group's position and in all material respects is consistent with the consolidated financial statements and the knowledge gained in the audit, complies with German statutory requirements and accurately depicts the opportunities and risks of future development, as well as to issue an audit report containing our audit opinions concerning the consolidated financial statements and the group management report, which has been combined with the management report of the parent company.

Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in conformity with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation in accordance with the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW) will always detect a material misstatement. Misstatements may be the result of non-compliance or inaccuracies and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users that are taken on the basis of these consolidated financial statements and the group management report, which has been combined with the management report of the parent company.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, which has been 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 opinion. The risk of not detecting a material misstatement is higher in the case of fraud than in the case of error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- We obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of the arrangements and measures 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 internal control.

- We evaluate the appropriateness of the accounting policies used by the Board of Management and the reasonableness of the estimates and related disclosures made by the Board of Management.

- We draw conclusions on the appropriateness of the Board of Management’s use of the going concern basis of accounting and, based on the audit evidence obtained, about 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 audit report to the related disclosures in the consolidated financial statements and in the group management report, which has been combined with the management report of the parent company, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or circumstances may impair the Group's viability as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements depict the underlying business transactions and events in such a way as to present a true and accurate view of the Group’s net assets, financial position and financial performance in accordance with the IFRSs applicable in the EU and with the additional German statutory requirements that are applicable pursuant to Section 315e (1) of the German Commercial Code (HGB).

- We obtain sufficient and appropriate audit evidence for the accounting information of the companies or business activities in the Group in order to submit audit opinions concerning the consolidated financial statements and the group management report, which has been combined with the management report of the parent company. We are responsible for the guidance, supervision and execution of the audit of the consolidated financial statements. We bear sole responsibility 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 conformity with the law and its depiction of the view of the Group's position.

- We perform audit procedures concerning the forward-looking statements made by the Board of Management in the group management report, which has been combined with the management report of the parent company. In doing so, on the basis of sufficient and appropriate audit evidence, we gain an understanding, in particular, of the key assumptions underlying the Board of Management's forward-looking statements and evaluate whether the statements were properly derived from those assumptions. We do not provide a separate audit opinion concerning the forward-looking statements or the underlying assumptions. There is a substantial, unavoidable risk that future events may significantly deviate from the forward-looking statements.

We meet with the individuals responsible for monitoring in order to discuss, 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 provide the individuals responsible for monitoring with a statement that we complied with the relevant independence requirements, and we discuss with them all relationships and other matters that may reasonably be presumed to influence our independence and the steps we have taken to guard against this.

From the matters that we discussed with the individuals responsible for monitoring, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Other statutory and legal requirements

Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were appointed as the Group auditor by the shareholders' meeting on 4 July 2019. We were given a mandate by the Administrative Board on 20 January 2020. We have served as the Group auditor of ROY Asset Holding AG, Hungen, 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 in accordance with Article 11 of the EU Audit Regulation.

Responsible auditor

The auditor responsible for the audit is Ms Kristin Güra.

Munich, 06 May 2020

ECOVIS Wirtschaftstreuhand GmbH
Wirtschaftsprüfungsgesellschaft [Chartered Accountants and Statutory Auditor]
Head office Munich

Armin Weber	Kristin Güra
(German public auditor)	(German public auditor)

COMPANY AND LEGAL INFORMATION

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FINANCIAL CALENDAR 2020

Publication of the 2019 annual report
06 May 2020

Q1 interim report 2020
29 May 2020

Annual general meeting of shareholders 2020
TBA

Publication of the 2020 semi-annual report
30 September 2020

Q3 / 9M interim report 2020
30 November 2020

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